

President's Memorandum to Faculty and Staff

Office of the President
October 29, 2012

Budget Forums

Thank you to everyone who attended one of the two budget forums I hosted last week. These open forums are just one part of our commitment to transparency as outlined in the University Strategic Plan. Through such events I want to keep everyone in the Ferris community knowledgeable about the fiscal health of the university, and also informed about the challenges we face in terms for funding for the future.

The presentations discussed economic trends and budgets at the state and federal levels. Our country currently does not have a federal budget, but instead has been operating with a series of continuing resolutions. Without agreement on a budget and on mandated reductions as a result of prior budget agreements, we face a process called sequestration, or automatic, significant cuts. While Pell grants are protected from these for the first year, this would reduce other student aid and support programs.

Closer to home, in Michigan the current state budget is \$48.2 billion, 42 percent of which comes from federal sources. Some of this will be impacted by reductions at the federal level. Over the past decade the state budget has overall increased by 22 percent. However, at the same time state funding for public universities has been reduced 24 percent.

In terms of Ferris State University's finances, we examined our actual spending for the 2011-12 academic year. For the year, total university revenue was \$272 million with general fund spending of \$187 million. In the general fund, \$127 million (73.7%) of the spending was on compensation, operating support was \$29.1 million (17.1%) and financial aid \$16.7 million (9.6%). Looking at this in terms of function, \$108.2 million (62.4%) was for instruction and academic support, institutional support was \$21.1 million (12.2%), financial aid \$16.7 million (9.6%), student services \$14.1 million (8.1%), and the physical plant \$13.2 million (7.6%).

Next we reviewed the assets of the university as of June 30, 2012. The broad categories for these are capital assets (\$153.2 million), unrestricted net assets (\$118.3 million), restricted assets for nonexpendable scholarships (\$18.7 million), and restricted assets for expendable scholarships, loans and grants (\$15.6 million). Unrestricted net assets include fund balances and paper gains in a variety of areas - development, plant projects in progress, maintenance reserve, auxiliary operations, student loan funds, fiscal year-end balances, provisions for self-insurance, booked unrealized gains, legal contingency and unallocated investment income.

This year's state higher education budget is \$36.2 million and includes a 3 percent increase. This increase has been distributed as one-time funding. Seventy-five percent of the funding is for five performance measures: Critical Skills Undergraduate Degrees/Certificates; Research and Development Expenditures; Six-Year Graduation Rate; Total Degree Completions; and Institution Support. The remaining 25 percent of funding is distributed through a tuition restraint calculation, which is also one-time funding. These measures resulted in total one-time funding of \$2.9 million, of which \$2.6 million has been placed in student financial aid. A sheet that describes how the performance and tuition restraint funds were calculated and distributed can

be accessed here – <http://www.ferris.edu/HTMLS/administration/president/budget-pres/forums/PerformanceandTuitionRestraintFunding2013.pdf> .

For the current 2012-13 budget, state funding constitutes 23 percent of the revenue for the general fund and 16 percent of the total university budget. Tuition revenue from our student enrollment is a much greater factor in our budget than state support, constituting 73 percent of the revenue. Essentially, 100 full-time students represent \$1 million in revenue. Over the past four years student credit hours have increased but only by a small amount. Enrollment and tuition policy are the two greatest factors in our revenue. One percent of tuition increase yields approximately \$950,000. With continued pressure to restrain tuition, stable enrollment and limited possibilities for increased funding from the state, the prospects of new revenue for the university will be limited. The general fund for 2012-13 is budgeted at \$192 million with \$34 million for housing and dining. A more detailed budget broken out by division is available here <http://www.ferris.edu/HTMLS/administration/president/budget-pres/forums/FY2013GeneralFundHousingDiningBudgetAllocations.pdf>

I also reviewed the finances of the Ferris Foundation, which is a 501(c)(3) non-profit organization formed to solicit, collect and invest donations for the benefit of the University. Funds from the Foundation endowment are distributed annually at the rate of 4 percent on a 12-quarter moving average of market value. Returns in excess of the 4 percent are reinvested to grow the endowment. The net assets of the Foundation on June 30, 2012 were \$36.2 million, with much of the funding having a specific donor-specified purpose. Last year the Foundation distributed \$640,000 for scholarships, \$147,000 for the library, \$121,000 for departments, \$60,000 for student loans, and \$37,000 for merit grant awards.

This year there are also new reporting requirements from the state. These include public access to information on the annual university budget, personnel and general fund expenditures, collective bargaining agreements, employee health benefits, audited financial reports, campus security policies and crime statistics, earnings for each full-time employee and a link to our university dashboard. Nearly all of this information was already available on our website; a newly developed page pulls together links to the data in one place. There is an icon on the university homepage that connects to this. It is also accessible at <http://www.ferris.edu/HTMLS/administration/president/budget-office/section245.htm> .

Finally, we looked ahead to the future and the financial challenges we may face, including the possibility of greater legislative control. This is exemplified by the performance funding formula and the uncertainties of this approach in terms of the measures selected, how they are calculated, the distribution of these funds as one-time rather than base funding, political pressures on performance funding and the negative impact should this support not be sustained. Additional areas of concern are continued pressures for creating community college baccalaureate degrees, competition in the School Aid Fund, MPSERS costs, strong pressure to restrain tuition and reduced Federal support for Pell grants.

If you would like to review the PowerPoint slides from my presentation, they are accessible at <http://www.ferris.edu/HTMLS/administration/president/budget-pres/forums/Fall12BudgetForum.pdf> . Familiarity with these data and challenges will help us as a community as we tackle the problem of student debt and plan for our financial future.

Points of Pride

The Fall 2012 edition of the Ferris publication “Points of Pride” profiles many faculty and administrators who are either new to the University, or in new leadership positions. “Points of Pride” does a very good job of introducing these new members of the Ferris community. I enjoyed learning more about their backgrounds and experiences. Let me encourage you to pick up a hard copy of the publication, or take a look at it the electronic version online. To learn more about our new faculty and administrators you can visit <http://www.ferris.edu/htmls/news/pride/fall12.pdf>.

This is a very beautifully designed and produced publication. My congratulations to the creative team in University Advancement and Marketing that created this publication as well as others which showcase our people and initiatives.

Ferris Foundation Gala

The JW Marriott in Grand Rapids will be the site for the 14th annual Ferris Foundation for Excellence Benefit to be held on Friday, Nov. 2. Among the many things our university community has to celebrate, the evening will recognize the student recipients of the Foundation’s Excellence Scholarship, as well as the faculty and staff who received the Foundation’s Exceptional Merit Grants. These include students Travis Bigler, Kimberly Knight, Jamie Smigelski, Dan Van Otteren, Nick Von Haden, Aaron Lutting and Mandy Smith; as well as faculty and staff members David Baker, Arn McIntyre, Christopher Westerkamp, James Wing, Bonnie Wright and Changqi Zhu.

The featured speaker for the benefit will be Mike Eruzione, captain of the 1980 United States Olympic Hockey Team. Eruzione led his squad to its upset victory against a Soviet Union team widely considered to be unbeatable. The “Miracle on Ice” had implications that went well beyond sports. In an era when the Cold War was still being waged between the superpowers, the game influenced international politics. Eruzione’s game-winning goal advanced the team to the finals, where they defeated Finland in the gold-medal round.

Juxtaposing the success of the 1980 Olympic Team against the success of our own hockey team is a compelling and engaging story. There is still time to purchase tickets for this event, which is a major fundraiser in the Ferris Foundation’s efforts to help students and provide support for classroom innovation at our university. For more information and a link to purchasing tickets online, visit <http://www.ferris.edu/HTMLS/foundation/>.

Political Engagement Project

With the election just over a week away, Ferris’ Political Engagement Project is in the middle of a very busy calendar of events. Last Tuesday, PEP sponsored a visit by longtime Michigan political commentator Tim Skubick, who spoke to a very good crowd in the Rankin Dome Room. It was especially inspiring to see such a mix of students and community members taking an interest.

Last Wednesday PEP hosted a Journalism Day for high school students. The day is meant to help nurture students’ interest in journalism and politics. Participants heard from Dave Clark of the *Big Rapids Pioneer*, Chad Livengood of the *Detroit News* and Ferris grad Kelsey Schnell, Public Relations Officer for Mackinaw State Historic Parks. I want to thank Rick Griffin and everyone in the Political Engagement Project, Glen Okonoski, Bill Bitzinger, Steve Fox, and everyone who worked very hard to make this day meaningful for this next generation of journalists.

On election night, Tuesday, Nov. 6, PEP is sponsoring an election night party from 8 p.m. to midnight in Westview Dining. More information about this and other upcoming PEP events is available at <http://www.ferris.edu/htmls/administration/academicaffairs/ADP/PEP/> under “PEP Events.”

Sincerely,

David L. Eisler, president