



Office of the President

November 28, 2012

Mr. John E. Nixon, CPA  
State Budget Office  
111 South Capitol  
P.O. Box 30026  
Lansing, MI 48909

Dear Mr. Nixon:

Thank you for the opportunity to provide input into the fiscal year 2014 budget development process. As a partner in Michigan, Central Michigan University (CMU) understands the state's overall fiscal situation and shares the Governor's desire to increase the number of college graduates in Michigan. CMU is a fiscally responsible, well-managed institution that is providing a solid return on the state's investment.

As the fourth largest public university in Michigan, graduating an average of 5,851 new alumni a year, CMU is a major contributor to Michigan's economy and workforce and is interested in the proposed funding formulas for funding allocations to public universities. CMU advocates that state higher education funding follow students, not institutions or programs. As demonstrated by the lowest tuition increase in the state the past three years, CMU is committed to student access, which is consistent with the state's goals for increasing the number of baccalaureate degree recipients. However, funding gaps of as much as \$4,900 per student exist among institutions that have similar missions and roles. The state's current funding structure makes it difficult for institutions that have experienced enrollment growth, like CMU, potentially harming needed access for growth.

CMU supports a performance funding model that incentivizes and rewards a university for serving its students from a qualitative and academic achievement standpoint. The final fiscal year 2013 state appropriation allocation showed that some of the lowest-performing institutions received some of the highest percentage changes in appropriations from fiscal year 2012.

CMU, once again, suggests a total base funding formula that supports an equitable and fair per-student funding level. CMU also suggests the formula reflect each institution's own expected

performance. By re-setting the funding formula, all institutions begin at a fair and equitable level.

CMU offers the following input regarding the existing performance funding formula:

1. Expand the use of national Carnegie peers for all performance funding metrics.
2. Metric 1 of the performance formula addresses students within the critical skills degrees/certificates and ignores all other students seeking careers in many other disciplines, including high demand careers such as financial advisors, human resource & labor relations specialists, and public relations, communications & marketing specialists. The current measurement method also does not consider the number of students in critical skills to the total number of students being served at a particular institution. For a vital, mid-size institution that has fewer total students than the state's largest universities, the current formula has a negative impact on the ranking for that institution and, subsequently, it's funding level.
3. CMU ranks in the top 20 percent nationally for six-year graduation rates and total degree completions. The current ranking system for this category allows some institutions that do not rank nationally to receive more funding than institutions that rank above the median or higher. The formula gives more weight to an institution that has had improvement over the last three years regardless of whether the institution ranks below the median or national average. CMU believes the formula should reward high-performing institutions and give marginal points to improving institutions if their ranking remains below the median or top 20 percent nationally.
4. Although research and development are critical to Michigan's future, not all universities are designed to expend huge sums in these areas – in part because that's not what their programs and students need. The current formula punishes a university for not participating at a research level equivalent to the largest institutions. CMU feels this criterion should be considered as a separate fund outside of the performance funding formula.
5. The fiscal year 2013 metric results used for allocating funds were finalized without any university verification process or specific identification of data used. CMU suggests a verification process be put in place prior to any funding allocation.

Overall, a funding formula that rewards institutions for providing quality, access and growth based on an institution's performance is a formula that serves our state and its students well. The performance funding formula correctly rewards an institution for successfully graduating students, for example.

CMU offers some additional recommendations in considering public higher education support:

- Avoid one-time funding; provide as base funding; this allows for long-term planning.
- Continue the Business Leaders for Michigan (BLM) funding goal of becoming a top 10 state over the long term. Continue the 3 percent funding from last year, plus \$100 million additional for fiscal year 2014.
- CMU tuition rates should remain under the control of the CMU Board of Trustees, which honors its stewardship role and autonomy.

CMU's primary commitment continues to focus on quality undergraduate education, professional master degrees, and a cohort of carefully focused professional and doctoral programs. As part of the educational process, the university increasingly strives to involve students - including those at the undergraduate level - in research with faculty members. While not at the level of the state's largest, doctoral-focused universities, this research provides real-world experience, enables students to become familiar and comfortable with discoveries, puts theory into practice, and helps ensure their future success in a dynamic state and global marketplace.

Central Michigan University's value to the state can be illustrated in a number of ways:

- **CMU is the fourth largest university in Michigan** with an overall enrollment of 27,693 - including 20,504 students on its Mount Pleasant campus. CMU's quality academic programs draw students from every county in Michigan, with 37 percent coming from Oakland, Wayne and Macomb Counties. Approximately 94 percent of CMU undergraduate students are Michigan residents.
- **CMU graduates remain in Michigan.** Nearly 78 percent of CMU graduates remain in the state after graduation. Two areas central to the university's mission — health professions and teacher education — provide good examples of CMU students who graduate and return to their communities in Michigan. Eighty-two percent of 2010-11 physical therapy graduates found employment in Michigan, while more than 12,000 teacher education alumni work in the state. The demand for our students has never been higher, with companies specifically requesting CMU graduates because of their quality training, work ethic and leadership traits.
- **CMU consistently raises academic standards.** As a step toward realizing the priorities of CMU's vision plan that funds faculty-proposed initiatives to enhance teaching and learning, encourages global diversity, supports research and creative work to diversify the economy, builds on CMU's commitment to public service, and strengthens its culture of integrity. CMU's marketing and entrepreneurship; biology and chemistry; communications; teacher education; health careers such as physician assistant, physical therapy, speech-language pathology and athletic training program all have notable 100 percent first-time pass rates on their national exams.
- **CMU continues to pursue partnerships** with organizations that are aligned with high-demand academic programs. Several corporations are involved in our CMU Research Corporation, a designated Michigan SmartZone, which fosters collaborative applied research

and the incubation of startup companies. CMU continues to invest in key facilities that help attract partners and create high-skilled, high-income employment for CMU graduates. Other examples include:

- A 10 million dollar EPA grant where CMU leads a multi-year international partnership with nine educational and scientific institutions in the US and Canada to establish a basin-wide coastal wetland monitoring program for the Great Lakes.
- College of Business Administration in collaboration with Michigan Technological University expands opportunities for entrepreneurs with the New Venture Competition
- College of Health Professions partners with Michigan Technological University to expand doctor of physical therapy program.

CMU has incurred state reductions of approximately 24 percent since 2001, yet has increased its undergraduate Michigan fiscal year equivalent students by 16 percent. CMU has reduced or eliminated employee positions; prioritized and eliminated under-enrolled programs; increased class sizes; reduced course offerings; and reduced other general fund subsidies in order to accommodate the reduction in funding. At the same time, the university has been able to accommodate its growth and still demonstrate outstanding accomplishments through efficient operations and the implementation of many cost containment initiatives over the last several years:

■ **Academic and administrative program review:** Central Michigan University underwent a comprehensive review and prioritization of all of its academic and administrative programs, units and services. The review was designed to identify the highest priority programs and essential university services and to enhance them through reallocation of resources from lower priority programs. The review of over 400 academic programs resulted in the identification of 64 programs targeted for elimination, substantial reduction or reconfiguration (in addition to 27 academic programs that were eliminated during the prior year). The goal is to reduce costs, while protecting services essential to university operations and enhancing high priority programs and services through reallocation and/or better utilization of existing resources.

■ **Self-funded healthcare cost control strategy saves \$11 million:** CMU's healthcare cost control strategy employs a holistic approach that emphasizes wellness and prevention, early detection and treatment, the integration of consumerism education and resources to impact behaviors and purchasing decisions at the point of service, as well as participation in collaborative employer purchasing coalitions. As a result of this multi-pronged approach:

- CMU is successfully reversing the trend of skyrocketing health care costs. CMU's average annual per member per month (PMPM) health plan costs have increased only 1.9 percent for medical, 0.1 percent for prescription drug and 0.5 percent for dental annually in the last 5-year period. In contrast, national average increases are 10.8 percent for medical, 9.6 percent for prescription drug coverage and 6.4 percent for dental.

- The university and its employees have avoided an estimated \$11 million the past five years in lower premium costs in comparison to the combined average of 11 other Michigan public universities.
- “Lifestyle scores” from CMU’s annual health risk assessment have improved and the number of members at high risk for health problems has shrunk from 28 percent to 17 percent in five years.

A report highlighting these and other successes of CMU’s health and wellness programs is available online at:

[http://www.cmich.edu/about/careers/staff/mount\\_pleasant/HumanResources/Documents/Health%20Care%20Committee%20Report%20%2712%20final.pdf](http://www.cmich.edu/about/careers/staff/mount_pleasant/HumanResources/Documents/Health%20Care%20Committee%20Report%20%2712%20final.pdf)

■ **Competitive bidding and purchasing cooperatives:** CMU is an active member of the State of Michigan/Higher Education Purchasing Consortium, the Midwest Higher Education Consortium (MHEC), Hospital Purchasing Services, E & I Cooperative, MERIT, MICTA, MUSIC, and the Michigan Universities Coalition on Health cooperatives. These cooperatives help to reduce costs for medical supplies, furnishings, communication and Internet services, insurances, and university health plans. CMU also shares its contracts with other state universities and public schools. Additionally, CMU purchases road salt and police vehicles from the State of Michigan as well as uses their services to presort its outgoing mail.

■ **Reviews of internal processes:** CMU’s ongoing review of internal processes continues to generate cost savings. A recent outsourcing of the campus ERP system has resulted in savings of over \$350,000 annually. Additional efficiencies realized through the introduction of online chat at the CMU Help Desk, roll-out of a campus-wide printing solution, and campus wide installation of power monitoring software on desktop computers have resulted in savings of approximately \$300,000 annually.

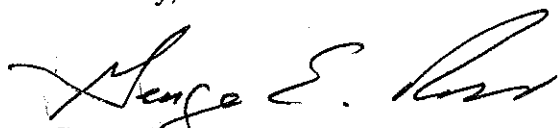
■ **Energy savings and sustainability:** CMU continues to realize significant cost savings from its energy saving initiatives. CMU started up a gas turbine on November 1, 2010, and is producing 48 percent of its power with an estimated savings of \$400,000/year. CMU also operates 64 thermal solar panels that provide 60 percent of heating demand for the 146,000 square foot Education and Human Services building. In addition, CMU is engaging in a project that works with an on-campus Energy Management System to start and stop mechanical equipment across campus. Other energy-saving projects include:

- replacing old exhaust grilles with adjustable balancing grilles in more than 1,600 restroom suites at an estimated savings of nearly \$95,000
- installing self-contained radiator control valves in individual resident rooms in 17 residence halls
- reducing outside air, by using CO<sup>2</sup> sensors in 98 percent of academic buildings
- reducing energy by using variable volume fume hoods
- replacing incandescent bulbs with compact fluorescent bulbs in 11 buildings, reducing wattage by 83 percent

- Installing light occupancy sensors in labs, classrooms, restrooms, hallways and auditoriums in nine main academic buildings and applying for energy optimization rebates. CMU has received over \$118,000 in rebates this year and is investing these rebates in additional energy conservation projects
- CMU currently follows LEED criteria whenever possible with new construction and major renovations, reducing long-term maintenance costs. Direct savings and cost avoidance from implementing all of these measures exceed hundreds of thousands of dollars per year.

Due to the state's submission deadline, this operating budget information is being submitted pending final approval by the Board of Trustees at its meeting on December 6, 2012. I will notify you in the event the Board revises it in any way.

Sincerely,



George E. Ross  
President

Attachments (2)

GR/ch

c: John Nixon, CPA, Director State Budget Director  
Office of Education and Infrastructure – State Budget Office (2)  
Bill Bowerman, Senate Fiscal Agency  
Kyle Jen, House Fiscal Agency  
Mike Boulus, Presidents Council, State Universities of Michigan  
CMU Board of Trustees  
David Burdette, CMU Vice President of Finance & Administrative Services  
Mary Jane Flanagan, CMU Executive Assistant to the President  
Steven Johnson, CMU Vice President of Enrollment and Student Services  
Sherry Knight, CMU Interim Associate Vice President Public Relations & Marketing  
Toby Roth, Director of Government Relations  
Manuel Rupe, General Counsel  
Gary Shapiro, CMU Executive Vice President/Provost  
Kathleen Wilbur, CMU Vice President for Development and External Relations