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**BUSINESS LEADERS FOR MICHIGAN SUPPORTS INCREASED UNIVERSITY
FUNDING BASED ON PERFORMANCE AND ACCOUNTABILITY;
CALLS FOR CHANGES TO ADMINISTRATION'S PLAN**

Urges state to shift from prison investment to university investment

LANSING, Mich., February 15, 2012 — Business Leaders for Michigan (BLM), the state's business roundtable, today in testimony before the Michigan Senate Appropriations Subcommittee for Higher Education at the State Capitol building, urged state policymakers to end the more than decade long trend of disinvesting in the state's public universities and renew the state's investment in one of Michigan's greatest assets for driving job, economic, and personal income growth.

Patrick Doyle, President and Chief Executive Officer of Domino's Pizza, and a BLM Board member, described Michigan's public universities as key drivers for talent production, innovation, and economic growth in the state, and deserving of a higher priority in the budget process. "While many factors influence where a business decides to locate or expand, the quality of a region's university system is a significant consideration, because every company wants access to the best talent. This fiscal year, Michigan will spend 76% more general fund dollars on prisons than we will on universities. Our public universities are a major driver of Michigan's economy yet we are spending more on prisons than we are to help a Michigan student go to college. This investment strategy is upside down if we want to attract business investment and good paying jobs."

BLM's proposal recognizes that the state has limited resources, that taxpayers want accountability from those that receive state support and that Michigan's higher education system can be a great asset in driving economic growth. Doug Rothwell, President and Chief Executive Officer of Business Leaders for Michigan, discussed the proposal which ties increases in higher education funding to university performance, "To compete in the global market, it's critical that our universities are best-in-class. They are more than just talent producers, our universities also contribute to Michigan's economy through their R&D efforts. To encourage performance, we propose that to be eligible for additional funding, Michigan universities be accountable for the funding they receive and be progressing toward, meeting, or exceeding the performance of their top peers in other states. While it won't happen immediately, we'd like to see universities that are performing at "Top Ten" levels receive "Top Ten" funding by 2022."

Rothwell noted that adding metrics to the incentive funding model regarding graduation rate, retention rate, administrative costs, and research and development activities provides a more complete assessment of university performance than what is proposed in the Executive Budget recommendation. To increase

accountability to the public, the BLM proposal calls for universities to present additional performance metrics on productivity, efficiency, and economic impact through a public dashboard.

He observed that the Executive Budget added a one-time increase in university funding in fiscal year 2013, but does not reflect a long-term commitment to sustaining Michigan's higher education system as the funding drops to 2012 levels in fiscal year 2014. Regarding the Governor's goal of slowing tuition increases, BLM's position is that this can be achieved without diluting the quality of education for students by incentivizing lower overhead costs and increasing overall state support. "Setting 'average' tuition benchmarks risks settling for average education outcomes," said Rothwell.

In testimony, BLM pointed out that Michigan universities are in demand, but they under-enroll out-of-state students compared to peer institutions elsewhere. Encouraging universities to increase their out-of-state enrollment *without reducing or compromising access for in-state students* creates the potential for generating up to \$200 million over four years in university revenue.

Phil Power, Chairman and founder of The Center for Michigan, explained that Michigan is one of 40 states to cut higher education last year, and that cuts in Michigan over the last decade have occurred across both Democrat and Republican administrations. He further explained how tuition increases have not kept pace with state cuts, "As state support dropped, more and more of the cost of college shifted from the state to students and their families. Sadly, we are in the bottom 10 in the nation in per resident support for higher education. This has made college simply unaffordable for many and those who do attend are saddled with staggering debt. As a result, fewer Michigan kids will get post high school degrees – exactly the credentials state employers are crying for."

Glenn Mroz, President of Michigan Technological University and Chair of the Presidents Council, State Universities of Michigan, described some of the efforts that universities have made to control costs, including increasing employee share of health care costs and converting all university employees to defined contribution retirement plans. "All of our universities today operate on defined contribution plans and guaranteed pensions are a thing of the past. To meet rising health care costs, university employees pay roughly 20 percent of their health care costs, which is in line with the private sector. Our universities have pruned programs that are not attracting sufficient students and added programs to meet the needs of employers. We are using our finite resources to provide our students with a quality education that positions them well to succeed in the future," said Mroz.

BLM leadership pledged to work with the Administration, House and Senate leaders to secure new funding for public universities based on a performance funding model that would measure meaningful results.

Download a copy of today's testimony at www.BusinessLeadersforMichigan.com/media-center.

About Business Leaders for Michigan:

Business Leaders for Michigan (www.BusinessLeadersforMichigan.com) is a private, non-profit executive leadership organization dedicated to making Michigan a "Top Ten" state for job and economic growth. The organization is composed exclusively of the chairpersons, chief executives or most senior executives of Michigan's largest companies and universities, which provide over 325,000 jobs in Michigan, generate over \$1 Trillion in annual revenue and serve over 135,000 students. The organization's work is defined by the Michigan Turnaround Plan, a holistic, fact-based strategy to get Michigan's economy back on track. Visit www.michiganturnaroundplan.com for more information.