I want to thank senators Schuitmaker, MacGregor, and Hertel for inviting me to testify today.

I understand that it’s been a few years since Michigan State University has been given an opportunity to appear before this subcommittee. I’m happy to provide the Senate with information that is essential to understanding MSU as we discuss budget priorities going forward and the state’s critical investment in higher education.

I will discuss how MSU is continuing to fulfill its role as an excellent steward of its share of the state’s higher education budget. Michigan State is a global research powerhouse and a top 100 university, but dedicated to serving Michigan.

**MSU’s impact**

Michigan State’s economic impact in Michigan exceeds $5 billion annually. We are a critical driver of the state’s $100 billion agri-food economy as well, thanks to our research on campus and throughout the AgBioResearch system of research stations across the state. Through MSU Extension and our other outreach programs, we reach every corner of the state. MSU Extension’s Product Center alone has helped create or expand 634 businesses with approximately 2,000 jobs. We have placed 3,000 medical residents in 20 locations and 56 partner hospitals, contributing to the delivery of healthcare to 70 percent of state residents.

And when the $750 million Facility for Rare Isotope Beams is completed in 2022, it will provide 1,000 high-value permanent jobs and add $4.4 billion to the state’s economy.

We are a competitive asset for Michigan. We’ve been recognized for our value and for our impact on social mobility. A dozen programs are ranked in the global top 25 and 31 are ranked in the top 25 nationwide. We offer seven top-ranked graduate programs, including nuclear physics, and for the last 23 years, both elementary and secondary education. Our undergraduate and graduate supply chain programs both are ranked No. 1 in the nation.
Committed to Michigan
We are a global asset, but three-quarters of our undergraduates—more than 28,700—are Michigan residents. That’s 13,000 more Michigan undergraduate residents enrolled than our next peer Michigan research university. We enroll students from each of Michigan’s 83 counties.

The dollar value of our commitment to Michigan residents can be measured by the out-of-state and international student tuition we forgo. The University of Michigan’s non-resident undergraduate population, for example, approximates 44 percent, which is 16 percentage points more than MSU. If MSU enrolled U of M’s non-resident student population, MSU could operate with an additional $80 million in revenue annually.

Michigan State enrolls more students than any other Michigan state university: 18 percent of state university students in total and 17 percent of resident enrollment. This year we’re enrolling just over 50,000 students in total—up 3,371 from 10 years ago—and nearly 10 percent of them are identified as first-generation students.

A snapshot of our undergraduate composition shows an overall increase of more than 8 percent in the last 10 years. Nearly one in four of our domestic undergraduate students are students of color; nearly 10 percent are first-generation; nearly 91 percent are full-time students; and 9.6 percent are accepted into the Honors College.

Making degrees more affordable
Seventy-one percent of our students come from families at or below the Pew Center’s definition of middle class. We’ve been recognized as a good value in state resident higher education and just over half our students graduate without student debt, some 20 percentage points better than the state average. And our student loan default rate, at 3.5 percent, is a fraction of the national rate of 11.5 percent.

We understand the growth of tuition and living costs is a concern. To help students financially, we administer some $695 million in financial aid annually to 63 percent of our students. We’ve increased our own general fund aid 167 percent in the last 10 years to more than $145 million annually, even as the state’s financial aid support to our students has dropped nearly 92 percent.

Supporting student success
In 2013 we pioneered the Neighborhood Student Success Collaborative, which is a campus residential cluster-based student support initiative. The Neighborhoods strategy locates academic support and even health services within each of the five residential areas, with off-campus students served by the North Neighborhood center at the MSU Union.

We provide on-site support services with earlier identification and engagement of students who are at risk of academic difficulty. We deliver interventions through multi-functional teams of professionals in each Neighborhood center. Among the impressive
results we’ve seen is that students who use Neighborhood services have higher GPAs than those who don’t and are more likely to persist to their second year and beyond.

The results have been stunning:

- Drop in probation rates of first year students: Those on academic probation at the end of their first semester dropped from the historical average of approximately 10 percent to 7 percent in the last five years. Those rates are the lowest in more than a decade.
- Closing opportunity gaps: Last year, the persistence rate—those continuing from freshman to sophomore year—for our students who identify as African American increased by three percentage points, and our persistence rates for Pell students rose by one percentage point.
- Graduation rate: Last year our overall graduation rate increased by one percentage point to 79 percent.
- 6 percent graduation increase for African American students to 69 percent and a one percentage point increase for Hispanic students—also 69 percent.

In terms of the real lives affected by these changes so far, for the entering class cohort of 2010 versus 2011, 556 more students graduated—62 of them African Americans.

In short, we are leveraging our residential neighborhoods to better scale and deliver university support services where students live. It’s an approach we’ve been asked to share with our peers nationally through the University Innovation Alliance, even as we learn about and evaluate the kinds of things that are working for our UIA partners. And we’re supporting this initiative with efforts to innovate our academic programs, including revamping mathematics courses to improve student learning.

We continue to innovate to support improvement in the success of our students. Last year we opened our Hub for Innovation in Learning and Technology, which supports development and application of new methods of teaching and learning across the university.

Our high-demand STEM degrees are an increasing proportion of those MSU has awarded. Our STEM credit hours recorded by students have risen 44 percent in the last 15 years, although the cost for STEM facilities and instruction is greater as well.

**Entrepreneurship, engagement & outcomes**

Student success also is enhanced by high-impact experiences outside of the classroom, and these too are areas of increasing emphasis at MSU. We’re affording plenty of opportunities for all undergraduate students to internalize and exercise the qualities of entrepreneurship with the addition of an entrepreneurship minor across all of our colleges.

Another way we’re enhancing student success is the MSU Innovation Center, which creates connections between the university and commerce, markets, and entrepreneurs. We do this in the classroom, in our creative centers such as the Hive,
where students can exchange and nurture ideas, and in the Hatch, where students launch their own companies.

Among other high-impact learning experiences at MSU:
- about two-thirds of our graduates held internships;
- more than a third of our undergraduates engaged in research;
- a quarter studied abroad (versus 10 percent nationally);
- and half reported volunteer service experiences.

Student outcomes indicate the effectiveness of our approach:
- some 92 percent of MSU alumni reported they were employed or continued their education within nine months of graduation;
- of the students who came in with our 2010 entering class, 85 percent graduated from MSU, or from another institution, within six years;
- 6 percent are still enrolled here or somewhere else;
- and more than nine out of 10 students rate their education as good or excellent.

A research leader
Michigan State has continued to improve its position as a top research university, increasing funding to sponsored programs by 50 percent over 10 years to some $600 million annually. Our combination of U.S. Department of Energy and National Science Foundation funding leads the Big Ten, and we are third among that group in sponsored expenditure growth over four years. Nationally, we jumped four places in the last three years in rankings for federal research and development expenditures.

The U.S. Department of Energy’s Facility for Rare Isotope Beams (FRIB) being built on our campus is on budget and ahead of schedule. It will be the world’s most powerful rare isotope beam facility. Providing more than 1,000 new rare isotopes never before produced on Earth, it will more than double the research opportunities available in nuclear physics. Many of those will likely have properties critical to discoveries in key areas such as national security and nuclear medicine. Already, scientists from around the world are preparing to conduct their research here.

Michigan State’s Global Impact Initiative will propel MSU forward in a number of high-impact areas, allowing us to aggressively pursue big ideas, innovation, and global reach. We are recruiting more than 100 new faculty investigators to help accelerate solutions to what we call “grand challenges.” We will focus on new and enhanced research around energy, health, education, the environment, national security, and global development. We also are targeting emerging priority areas including advanced mobility, computation, advanced engineering, genomics, antibiotic resistance, precision medicine, and advanced physical sciences.

The related challenges surrounding plant science, food, and the environment are good examples of existing research leadership we are buttressing with this initiative. As one of the world’s great agricultural universities, we share the looming challenge of helping the world feed another two billion people by 2050. That will mean producing perhaps 70
percent more food with no more land or water than we have today, and possibly less. Our global leadership is informed by our long experience working with our Michigan agricultural stakeholders, and they likewise benefit from what we learn elsewhere.

**Containing costs**
Among our higher education peers, Michigan State is a lean organization, operating with less money per student than our Association of American Universities peer median. We enroll 3.9 students per employee, second most efficient in the Big Ten. We’ve made some $50 million in cost savings due to improved purchasing agreements. Our efficiency incentive pool has reallocated $51 million over 10 years. About $40 million was saved through conservation and plant efficiencies, and we record some of the lowest energy consumption per square foot in the Big Ten. Our healthcare cost increases were below national indices seven of the last 10 years.

We have made in excess of $200 million in cost reductions and avoidance over the past 10 years and freed up $68 million in just the last three years through improved cash management.

MSU eliminated post-retirement health care benefits for new hires in 2010, after eliminating them for new employee dependents in 2005. We shifted to defined-contribution retirement benefits back in 1973.

**Appropriations shortfalls**
As you well know, much has transpired since I served in the Senate and then as governor. The state’s fiscal limitations were becoming increasingly clear to us in those years, but higher education was always a high priority because it is both a matter of global competitiveness today and an investment in Michigan’s tomorrow. Let me speak for a moment about what has happened to higher education in Michigan since I served in an elected capacity.

The state of Michigan today ranks 40th for its 10-year change in appropriations levels. If we’d enjoyed state appropriations adjustments at the level of the national average in the last 10 years, Michigan State would have $342 million extra for program and financial aid support.

Within Michigan, MSU ranks second to last in appropriations change since 2011. MSU’s per-student appropriations today approximate 1991 levels, which amount to $239 million in lost buying power when adjusted for inflation. MSU’s per student appropriations also lag when compared to the average of our research peers at Wayne State and the University of Michigan by more than $1,700. That alone represents a gap of some $80 million in funding.

What we’re urging is an increase in higher education funding commensurate with our national peers. A competitive workforce is essential to the success of Michigan’s economy. If we’re going to be able to attract and retain a world-class workforce—whether we’re talking about supporting an Amazon.com bid or just a network of
technology startups—our annual higher education support increments can’t languish among the bottom 20 percent of the states.

And if you look at the components of Michigan’s higher education funding formula, they are almost exclusively oriented toward undergraduate education. The metrics don’t take into account the higher expenses associated with graduate education.

Our world-class research institutions uphold our national reputation as a top research corridor and make Michigan a globally competitive state. They represent economic and quality of life assets that propel Michigan toward a brighter and more prosperous future. They deserve a level of state support that recognizes their importance to all the people of Michigan.

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