



Background Briefing

HIGHER EDUCATION

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February 2013

The fiscal information in this background briefing is based on data through December 31, 2012.

Higher Education

Article VIII of the State Constitution:

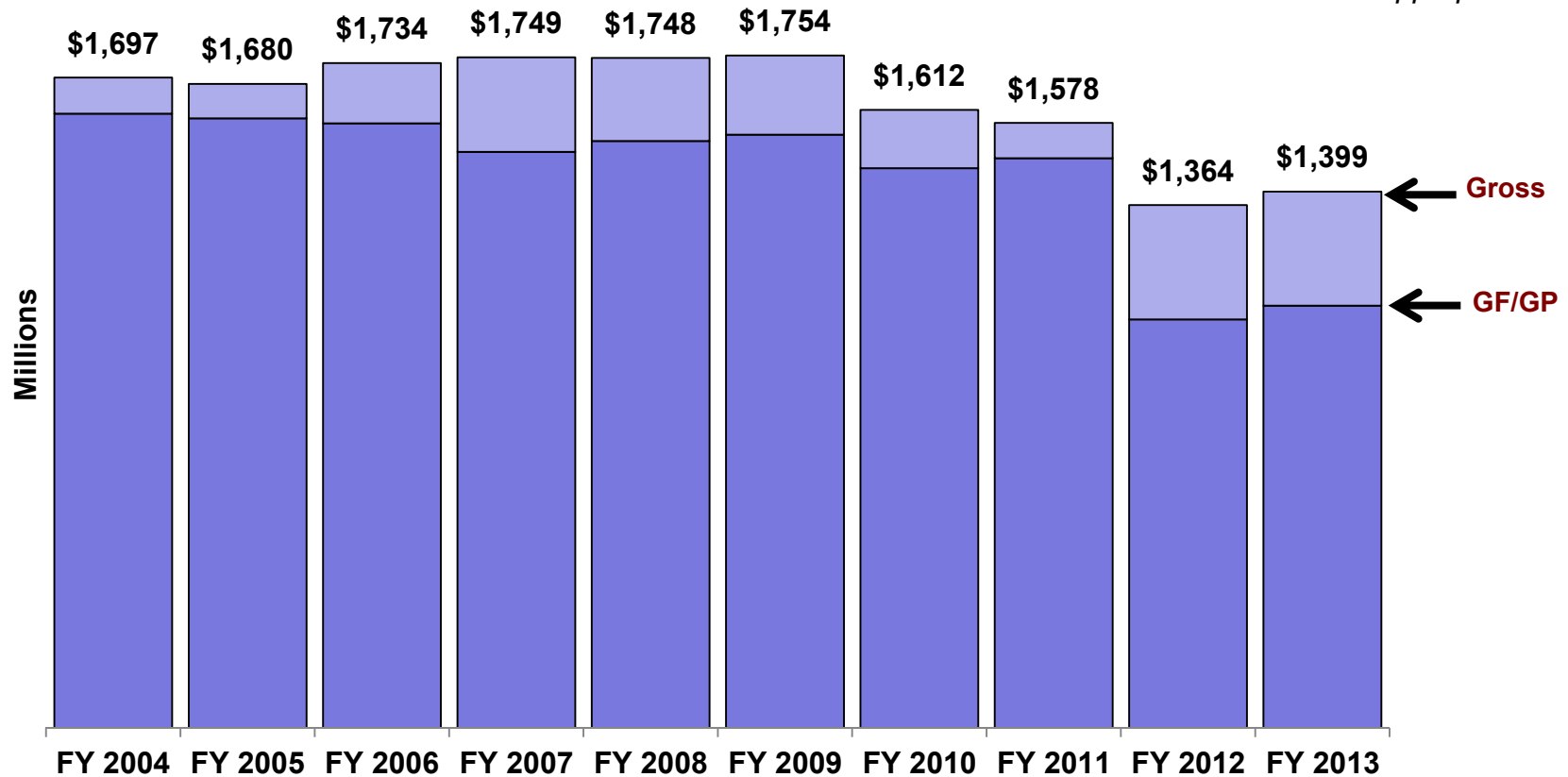
- **Section 4:** Requires Legislature to appropriate funds to maintain Michigan's 15 public universities.
- **Section 5:** Provides for elected boards of control for University of Michigan, Michigan State, and Wayne State.
- **Section 6:** Provides for appointed boards of control for remaining universities.
- **Sections 5 and 6:** Grants each university board "the control and direction of all expenditures from the institution's funds."

Beginning in FY 2011-12, the Higher Education budget has been enacted into law as part of the compiled School Aid Act, rather than as a standard one-year budget bill.

Higher Education: Gross Appropriations

FY 2012-13 Higher Education appropriations are \$297.5 million lower than they were in FY 2003-04 (17.5 percent, not adjusting for inflation).

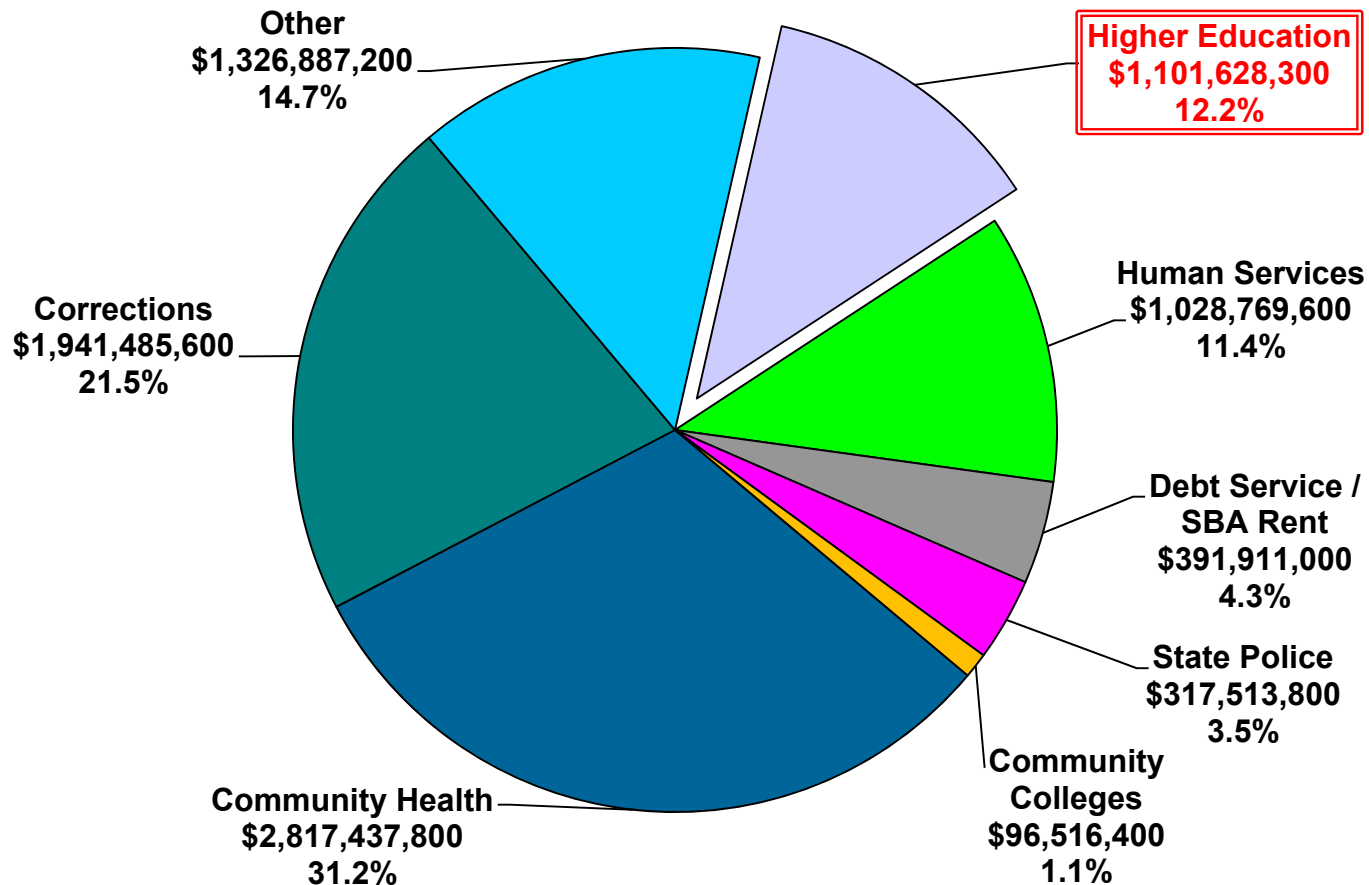
Note: Delayed payments in 2004 and 2007 shown in original year funds were appropriated.



Higher Education Share of State GF/GP

Higher Education makes up 12.2% of the total state GF/GP budget

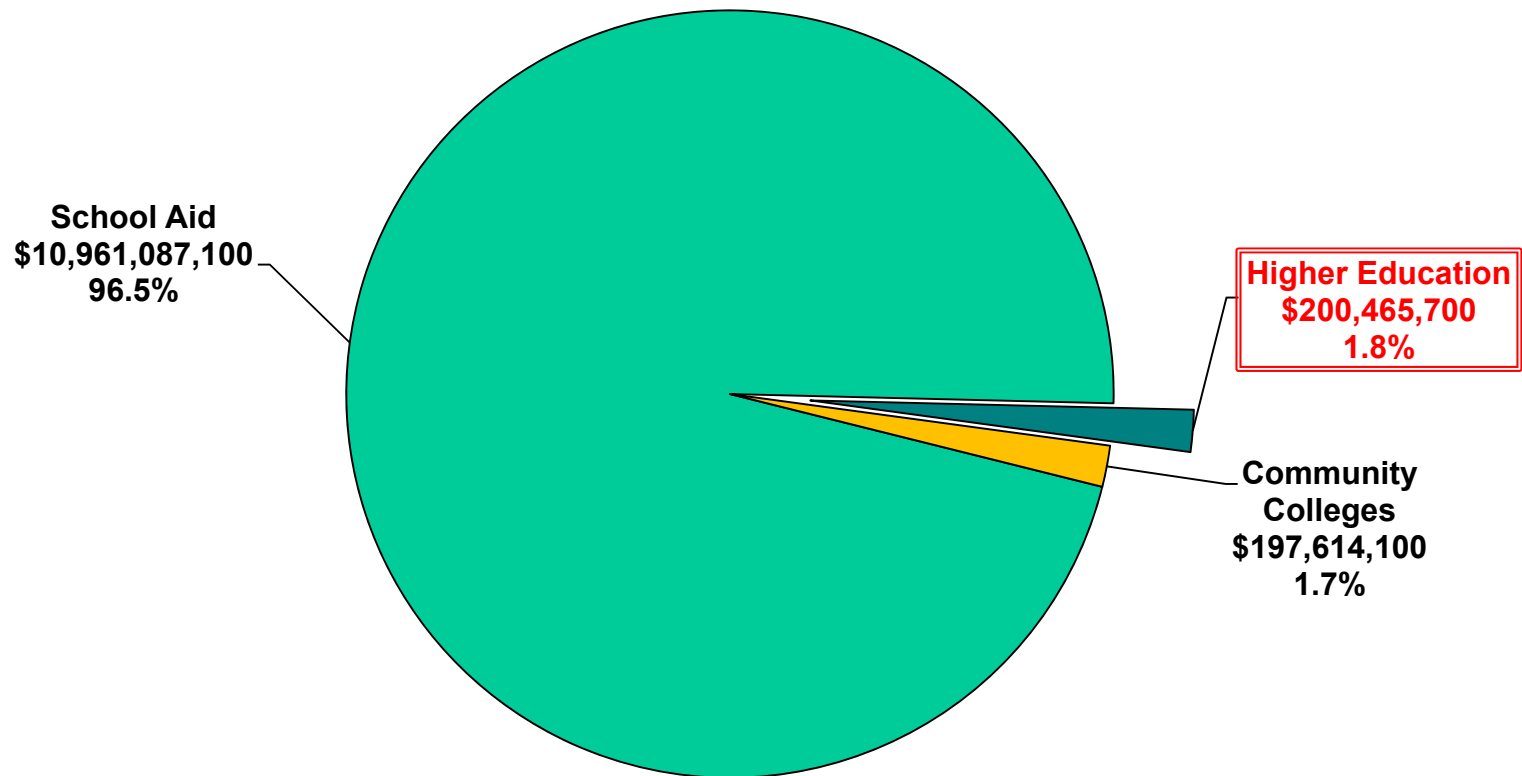
FY 2012-13 GF/GP Total = \$9,022,149,700



Higher Education Share of School Aid Fund

The Higher Education budget receives 1.8% of the total state School Aid Fund (SAF)

FY 2012-13 SAF Total = \$11,359,166,900

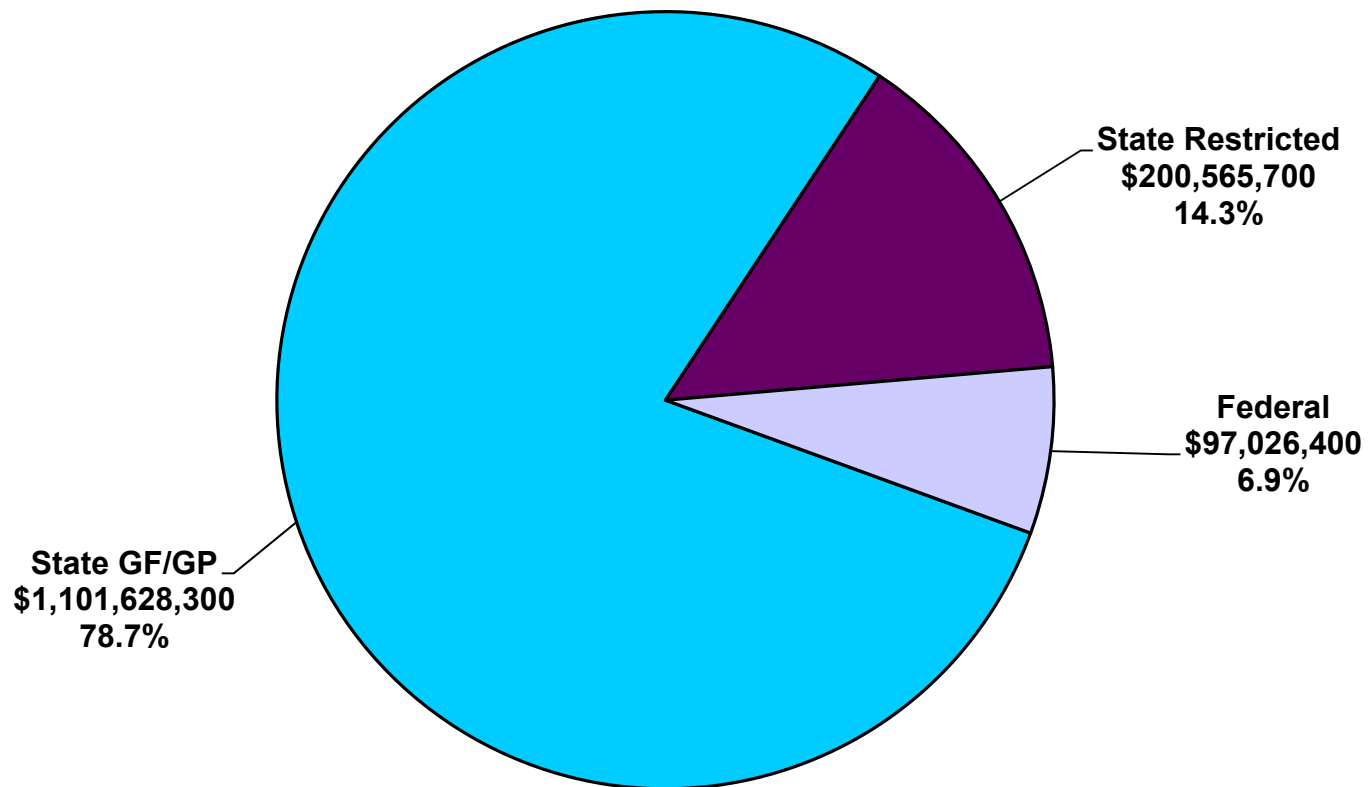


SOURCES OF FUNDING

Higher Education Funding Sources

Beginning in FY 2011-12, School Aid Fund revenue has been utilized to replace about \$200 million in GF/GP funding for public universities. Federal TANF funds have replaced state funds for major financial aid programs.

FY 2012-13 Higher Education Budget = \$1,399,220,400



HIGHER EDUCATION APPROPRIATIONS

Higher Education Appropriations

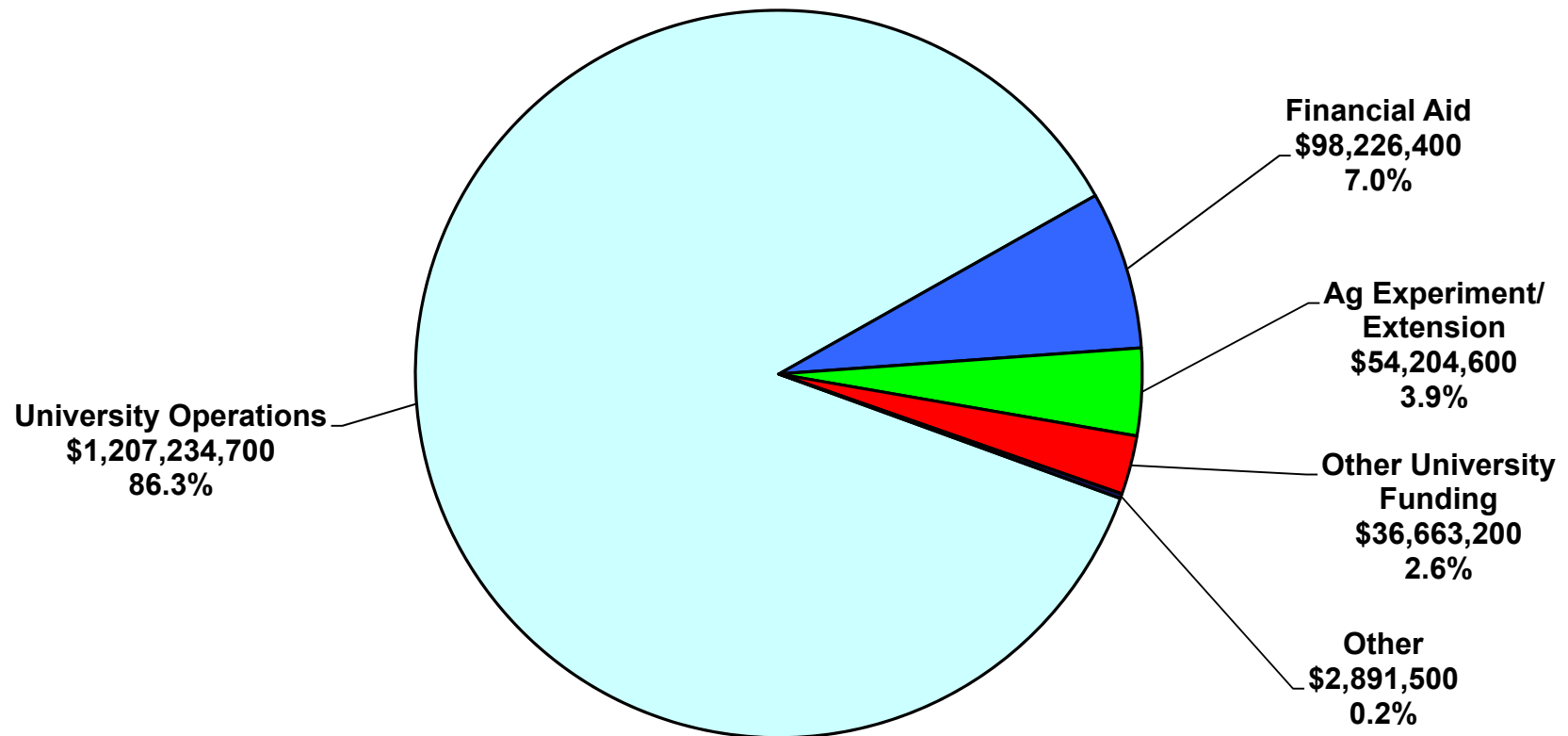
The Higher Education budget contains:

- **Operational support** to the state's 15 public universities, as well as financial support specific to performance funding, tuition restraint, and retirement cost reimbursement
- Support for the **Agricultural Experiment Station** and **Cooperative Extension Service** operated by Michigan State University
- Funding for **financial aid programs** for students attending either public or private colleges/universities in Michigan
- Funding for various smaller higher education-related budget items

All but 7.2% of FY 2012-13 Higher Education funding is appropriated to the 15 public universities for operations or other purposes.

Higher Education Appropriations

FY 2012-13 Higher Education Budget = \$1,399,220,400



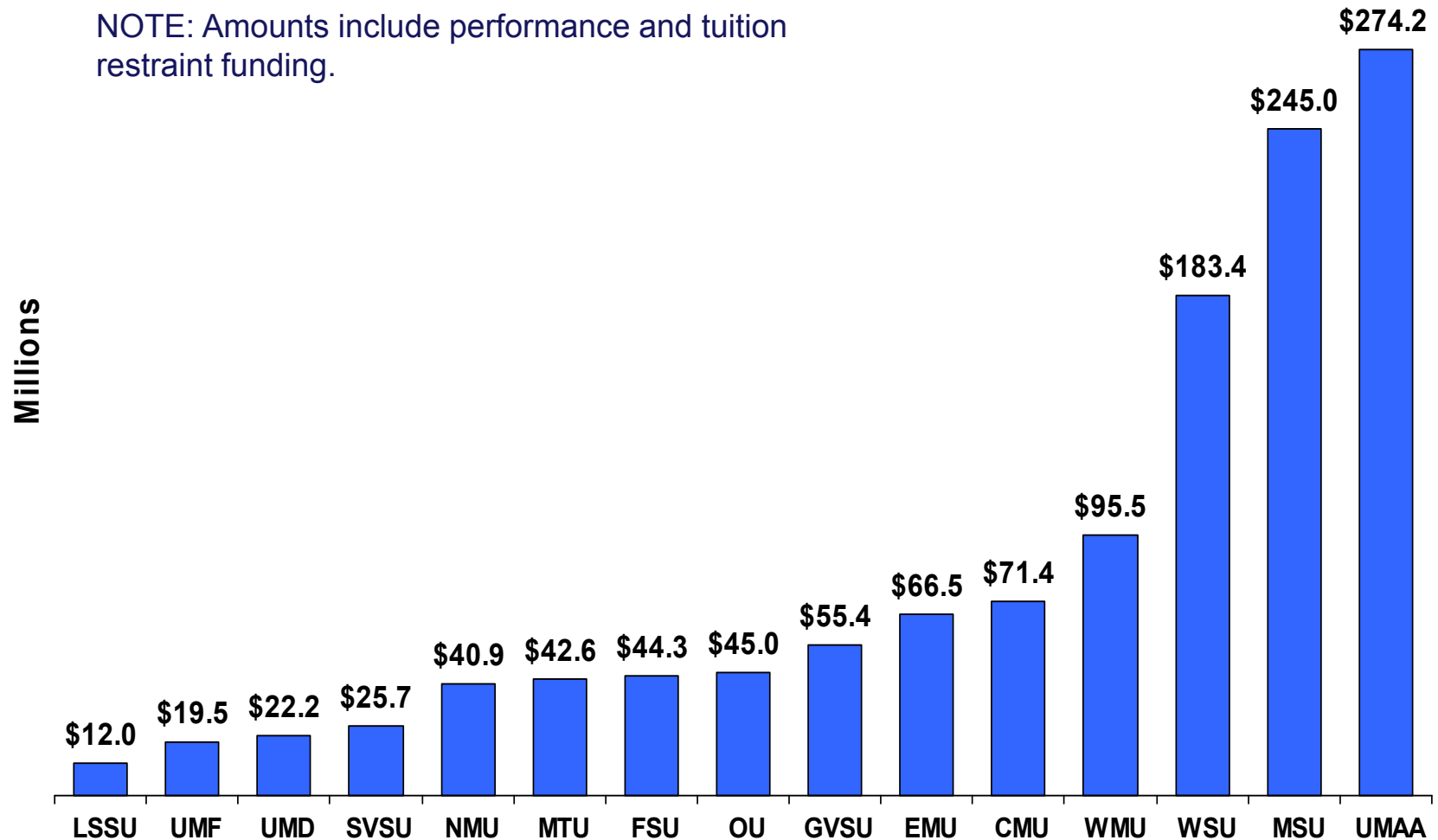
MAJOR BUDGET ISSUES

Public Universities

<u>University</u>	<u>Abbreviation</u>	<u>Founded</u>
Central Michigan University	CMU	1892
Eastern Michigan University	EMU	1849
Ferris State University	FSU	1884
Grand Valley State University	GVSU	1960
Lake Superior State University	LSSU	1946
Michigan State University	MSU	1855
Michigan Tech. University	MTU	1885
Northern Michigan University	NMU	1899
Oakland University	OU	1957
Saginaw Valley State University	SVSU	1963
University of Michigan – Ann Arbor	UMAA	1817
University of Michigan – Dearborn	UMD	1959
University of Michigan – Flint	UMF	1956
Wayne State University	WSU	1868
Western Michigan University	WMU	1903

FY 2012-13 University Operations Grants

NOTE: Amounts include performance and tuition restraint funding.

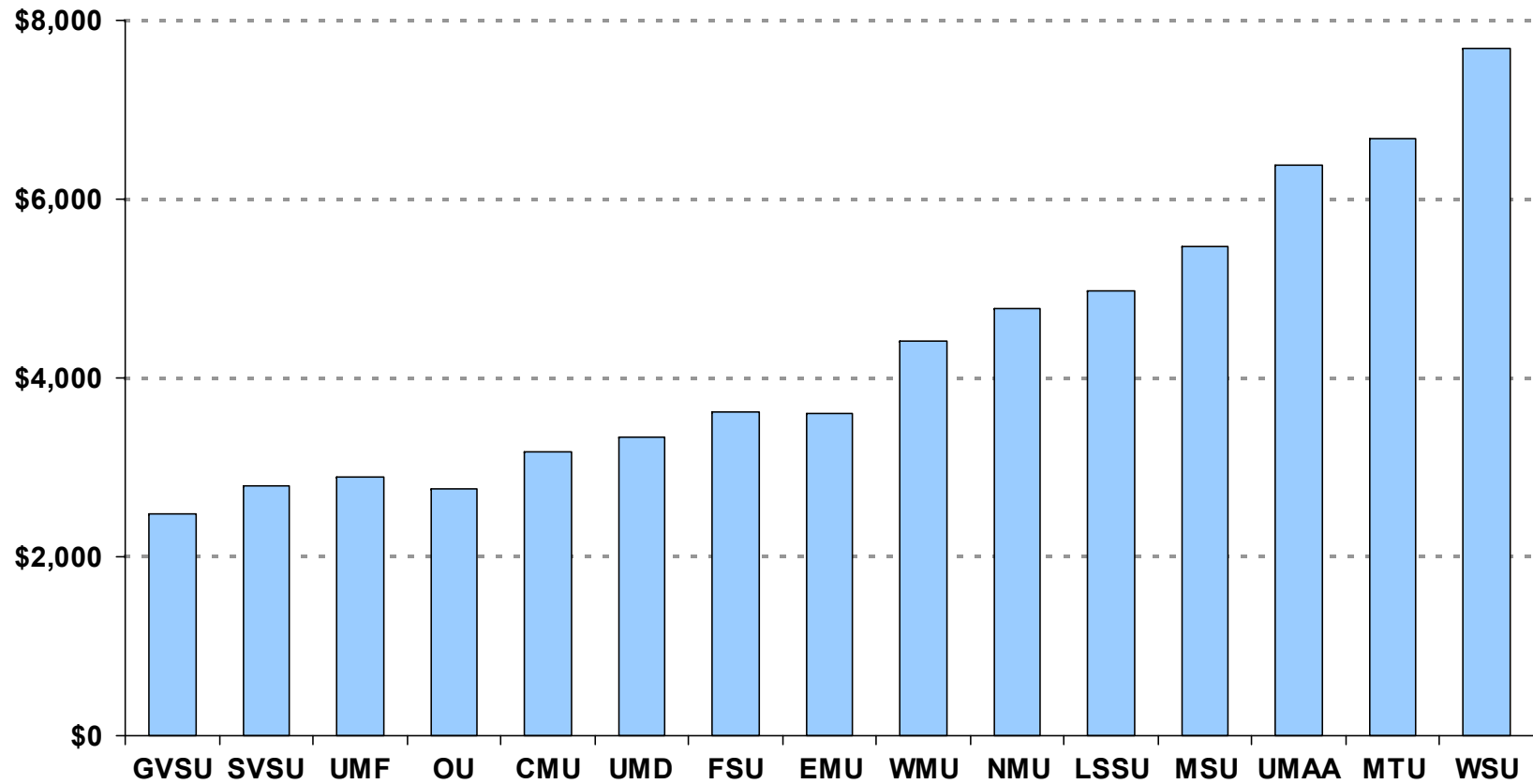


University Operations Funding

- No constitutional or statutory provisions exist to govern distribution of funding to public universities. Decisions made on a year-to-year basis by the Legislature.
- Appropriations often calculated on a per-student basis to control for varying enrollments of universities. Calculation based on **fiscal year equated students** (FYES):
 - $\text{FYES} = \text{credit hours} \div 30$ (at undergraduate level)
 - Calculation usually made using total FYES (undergraduates + graduates; residents + nonresidents)
- Methods used over last decade to determine funding changes have included:
 - Across-the-board adjustments
 - Per-FYES funding floor
 - Allocations based on various activity/outcome measures: enrollment, degree completions, research funds, Pell Grant recipients
- FY 2012-13 funding increases based on Performance Funding and Tuition Restraint
 - all 15 universities complied with actions required to receive the funding increases, which varied from 0.7% to 11.6% of prior-year amounts

University Appropriations per Student

FY 2012-13 appropriations per FY 2011-12 FYES vary from \$2,481 to \$7,682.

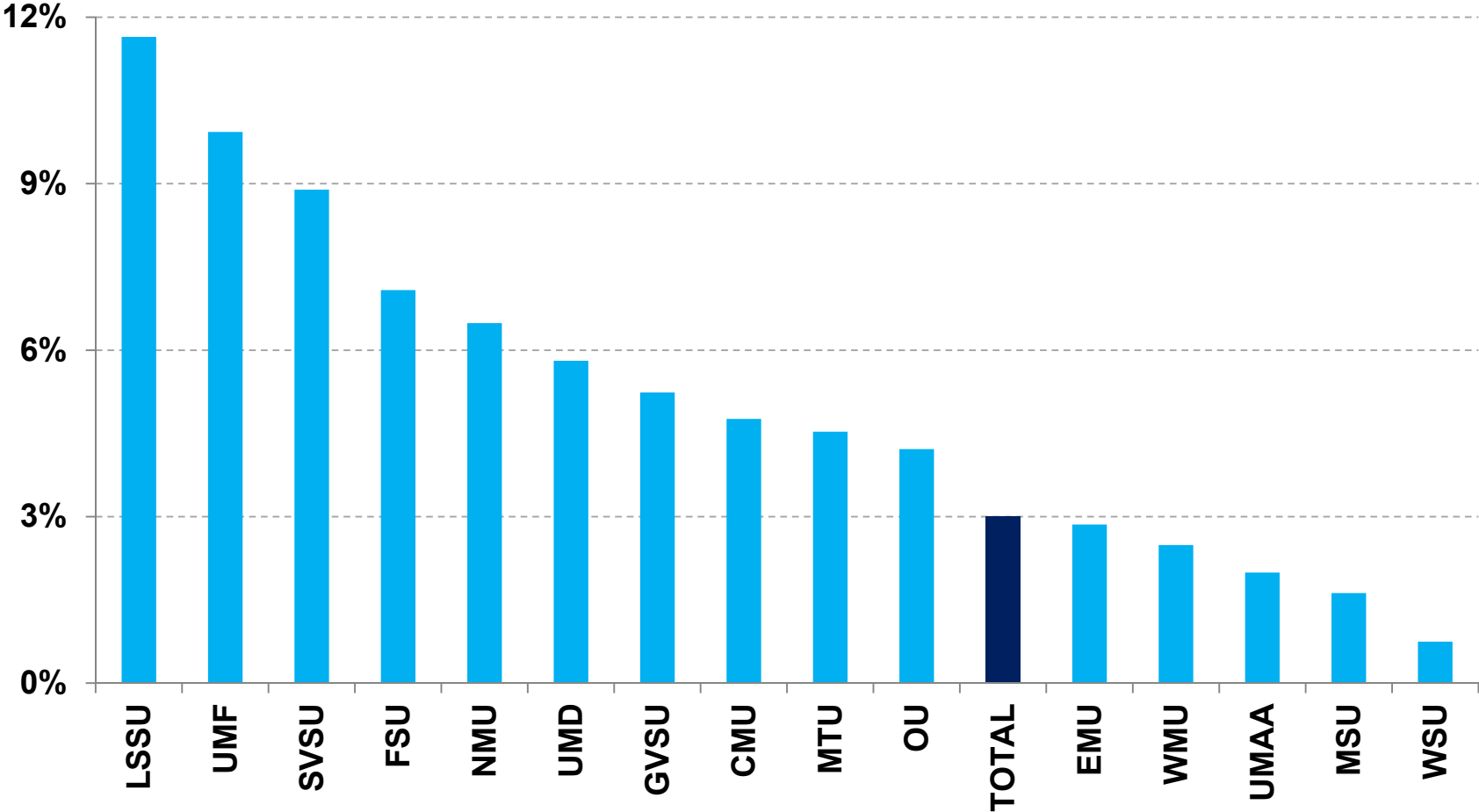


FY 2012-13 University Performance Funding

Category	\$ Amount
Undergraduate degree completions in Critical Skills Areas	\$6.0 million
<u>Comparisons vs. national Carnegie peers</u>	
Six-year graduation rate	\$6.0 million
Total degree completions (undergraduate/graduate)	\$6.0 million
Institutional support as % of total expenditures)	\$6.0 million
Total R&D expenditures: “research universities” only	\$3.0 million
Tuition restraint incentive funding: 4.0% cap	\$9.1 million
Total	\$36.2 million

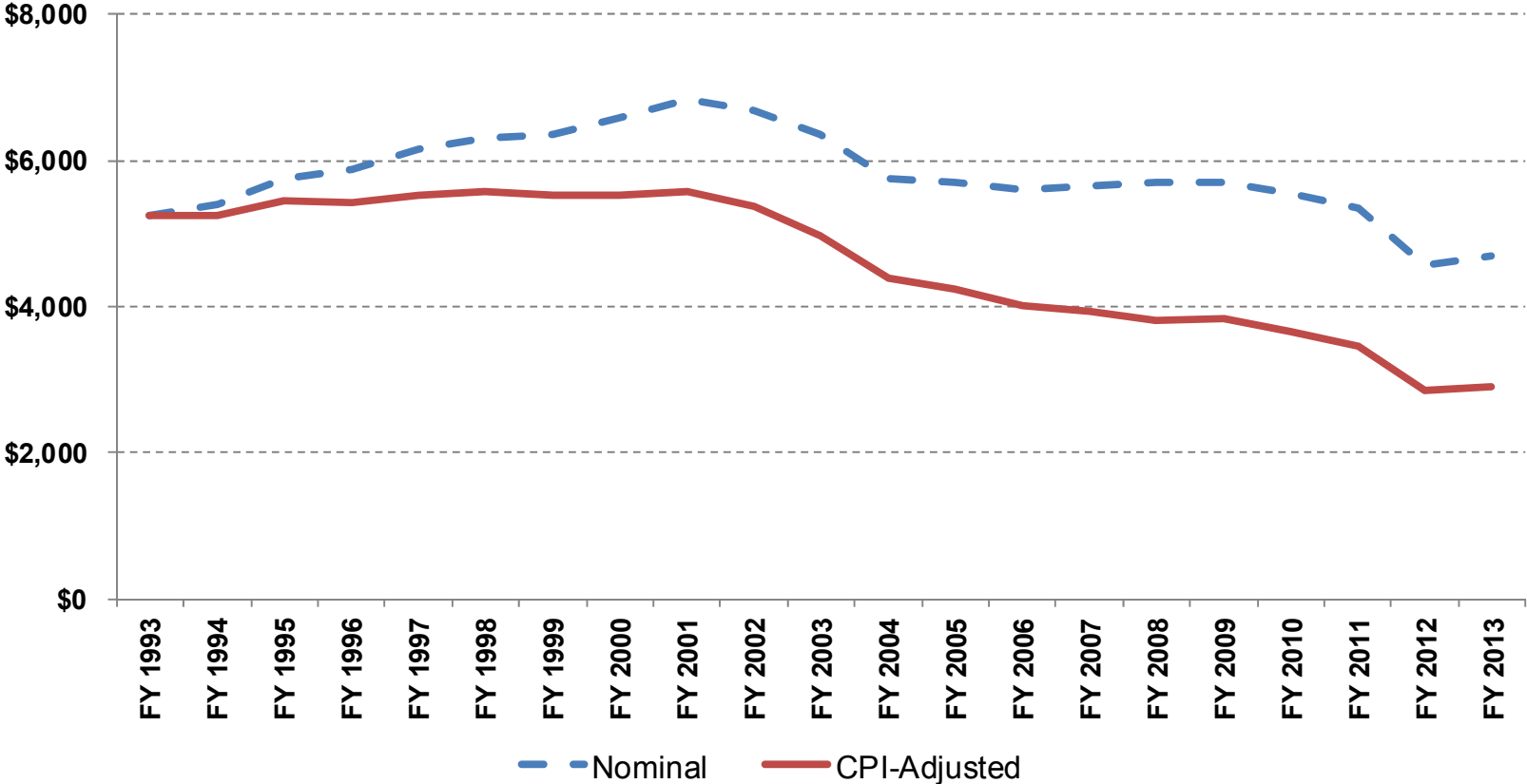
FY 2012-13 University Appropriation Increases

% Change from FY 2011-12: Performance and Tuition Restraint Funding



Historical University Appropriations per Student

Total FY 2012-13 university appropriations per FYES are 31.4 percent lower than they were in FY 2000-01—or 48.0 percent lower on an inflation-adjusted basis.



Agricultural Experiment and Extension

An appropriation of **\$54.2 million GF/GP** is made to Michigan State University to operate two statewide programs:

- **MSU AgBioResearch (Agricultural Experiment)**
Agriculture research program operated by MSU at 14 facilities across state.

- **MSU Extension**
Program jointly funded by counties to extend MSU's public service mission across state in a variety of program areas:
 - Agriculture and Natural Resources
 - Children, Youth, and Family (including 4-H)
 - Community Economic Development

Additional funding is received by Michigan State for these programs from federal, private, and local sources.

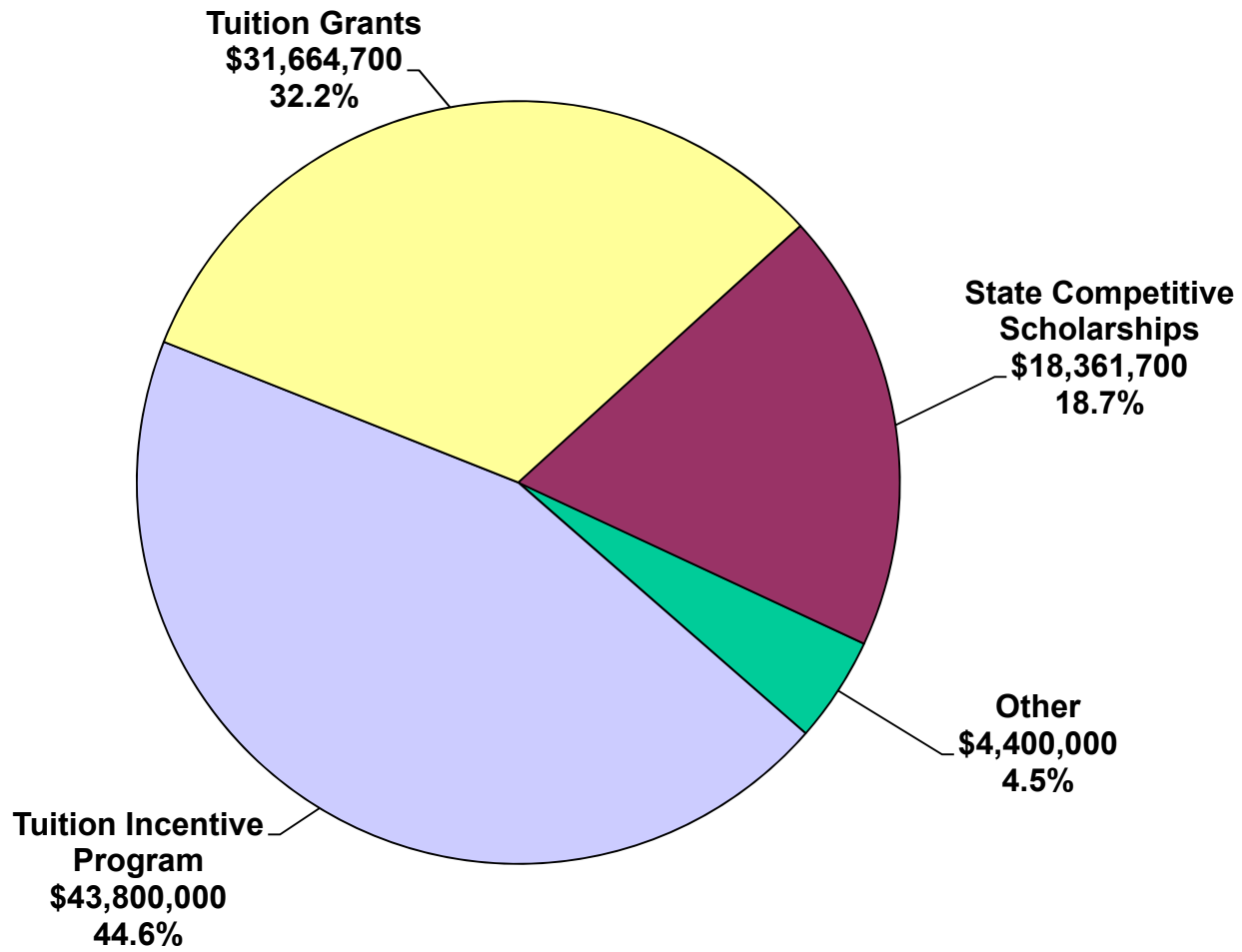
Financial Aid Programs

- **Tuition Grants**
Need-based awards to students attending independent colleges (\$1,512 maximum award for FY 2012-13; \$3.0 million cap for Baker College and Davenport University).
- **State Competitive Scholarships**
Awards to students with both qualifying ACT score and financial need (\$575 maximum award for FY 2012-13).
- **Tuition Incentive Program**
Payment of associate's degree tuition costs and up to \$2,000 for bachelor's degree for students eligible for Medicaid in middle/high school.
- **Project GEAR UP**
Federally-funded awards targeted to students in urban school districts.
- **Children of Veterans Tuition Grant and Officer's Survivor Tuition Programs**
Grants to (1) children of deceased or disabled veterans and (2) children of police officers and firefighters killed in the line of duty.

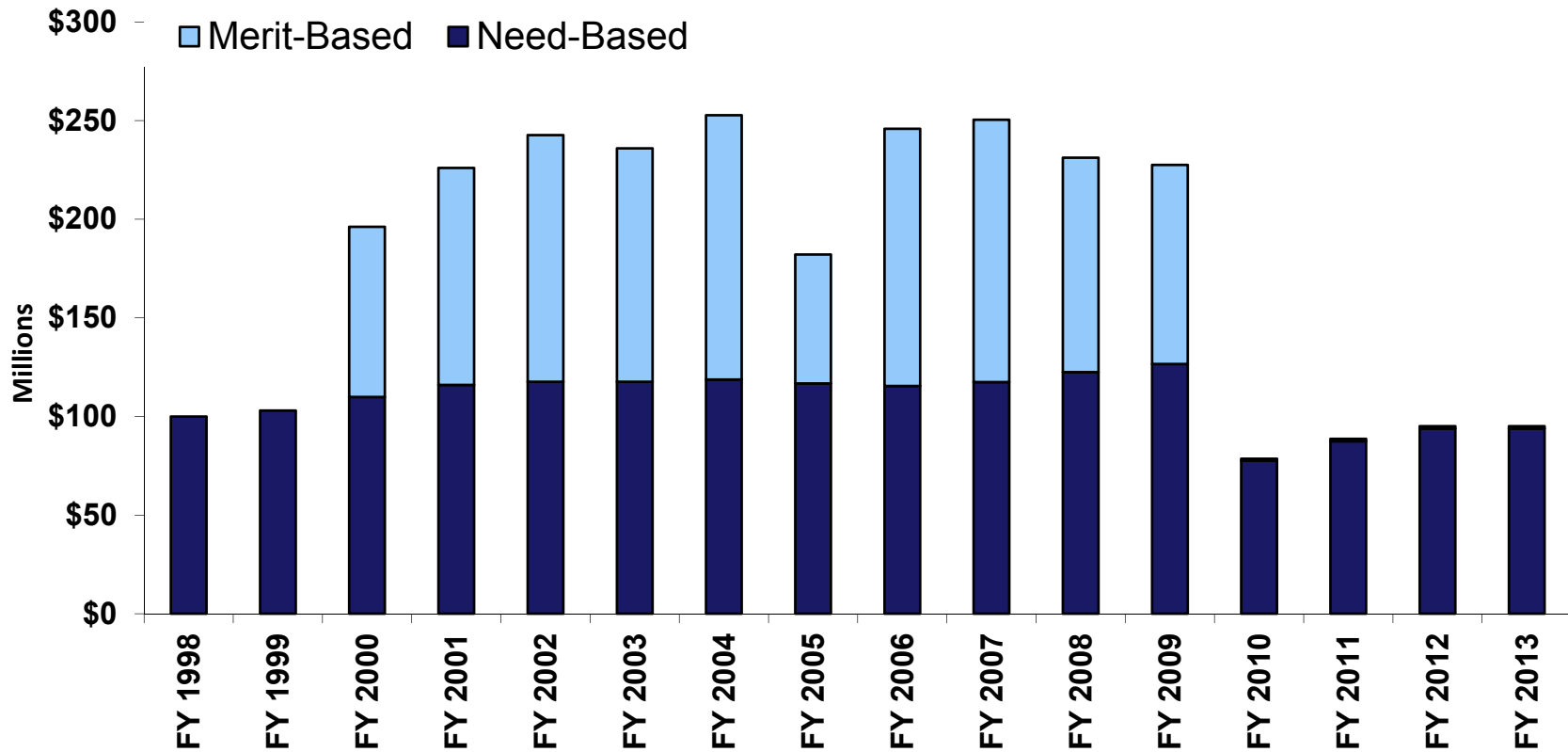
In recent years, federal Temporary Assistance to Needy Families (TANF) funding has been used in place of state funding for financial aid as part of TANF maintenance-of-effort plan.

Financial Aid Funding

FY 2012-13 Total = \$98,226,400



Changes in State-Funded Financial Aid by Category

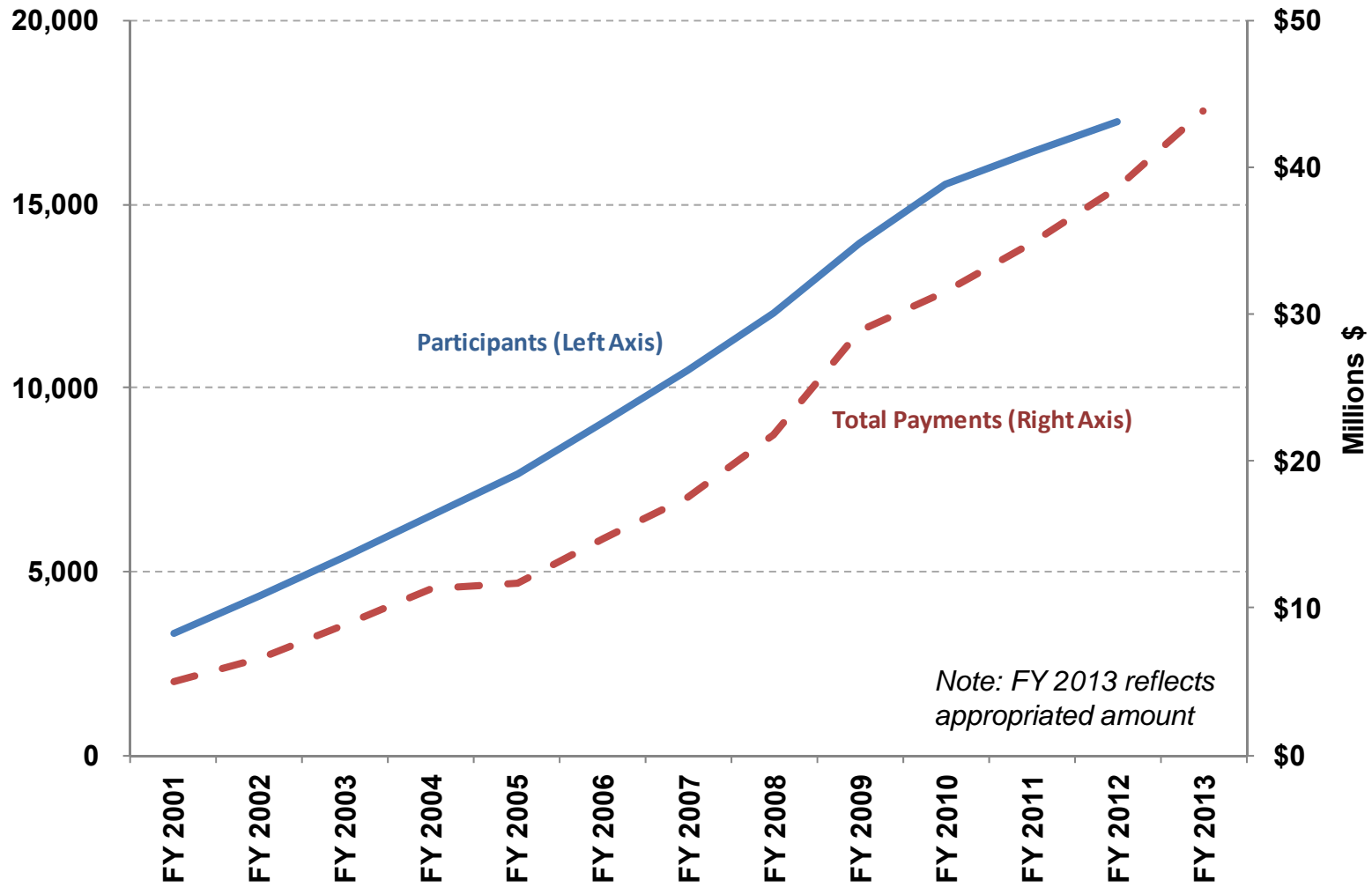


Note: Excludes federally-funded programs

Tuition Incentive Program (TIP)

- Established in FY 1986-87 as incentive for low-income students to complete high school and enroll in college. Student's family must be Medicaid eligible for 24 months in a 36-month period to enroll in program.
- Program has two phases:
 - **Phase I:** Associate's degree tuition costs (limited to average community college tuition rate for students at private institutions)
 - **Phase II:** Up to \$2,000 total toward completion of bachelor's degree
- Large potential pool of participants: Department of Treasury sends out 200,000 to 300,000 letters to eligible students each year.
- Over 75% of Phase I students enrolled at community colleges. Number of students claiming Phase II awards is much smaller.
- Because of Medicaid caseload growth and increasing participation rates, program costs have increased from \$5.0 million in FY 2000-01 to projected \$43.8 million in FY 2012-13. Currently, about 17,000 students are receiving TIP assistance.

TIP Participation and Expenditure Growth



Other Higher Education Programs

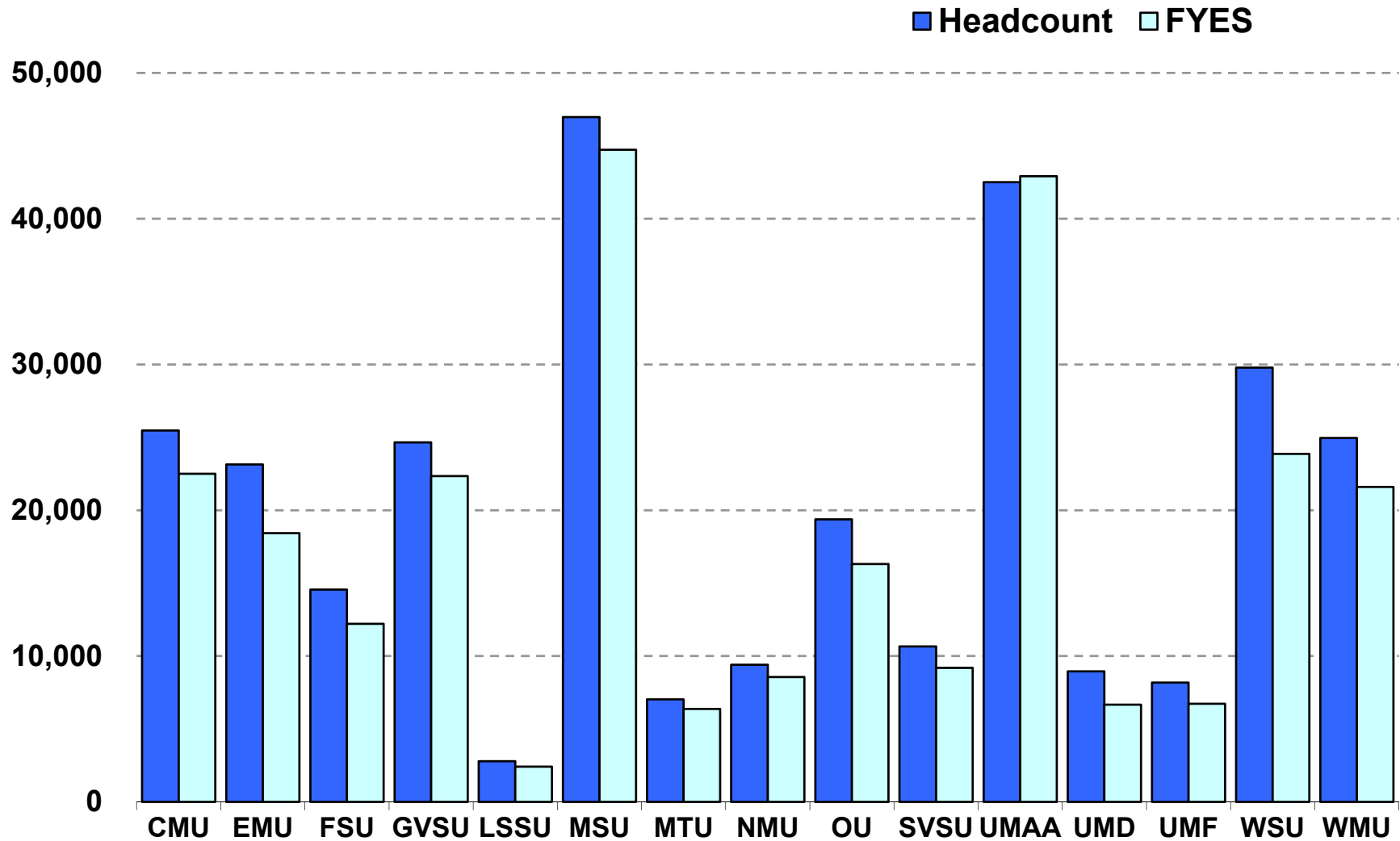
- **King-Chavez-Parks: \$2.7 million GF/GP**
Grant programs to increase participation of academically or economically disadvantaged students in postsecondary education. Additional funds allocated from public university base appropriations.
- **Higher Education Database: \$105,000 GF/GP**
Maintenance of Higher Education Institutional Data Inventory (HEIDI), to which public universities submit enrollment/finance data annually.
- **Midwestern Higher Education Compact: \$95,000 GF/GP**
Dues for interstate compact to realize economies of scale and provide other higher education-related assistance.

PUBLIC UNIVERSITY DATA

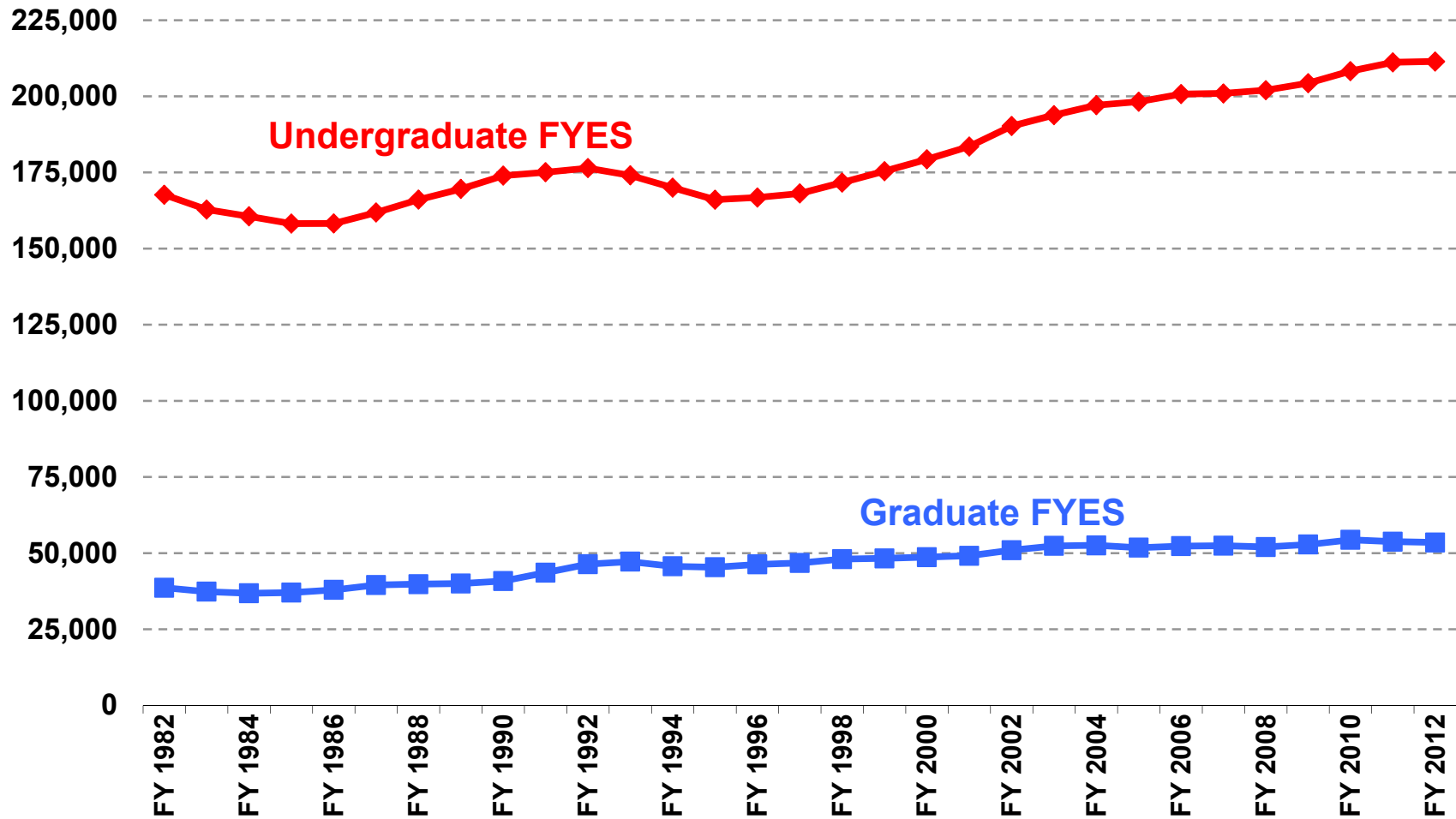
Key Data Definitions

- Pursuant to statutory and budget act requirements, the 15 public universities annually submit enrollment, finance, and other institutional data to the state's Higher Education Institutional Data Inventory (HEIDI).
- Enrollment definitions:
 - **Student Headcount:** Number of individual students enrolled for at least one class at a university.
 - **Fiscal Year Equated Students (FYES):** Calculated equivalent of the number of full-time students enrolled at a university.
- Finance definitions:
 - **Current Fund:** All revenue/expenditures for current operations—including auxiliary operations, such as hospitals and dormitories, and operations funded from restricted sources, such as research grants.
 - **General Fund:** Subset of current fund revenue/expenditures for instruction and related activities; nearly all general fund revenue received through state appropriations and student tuition/fees.

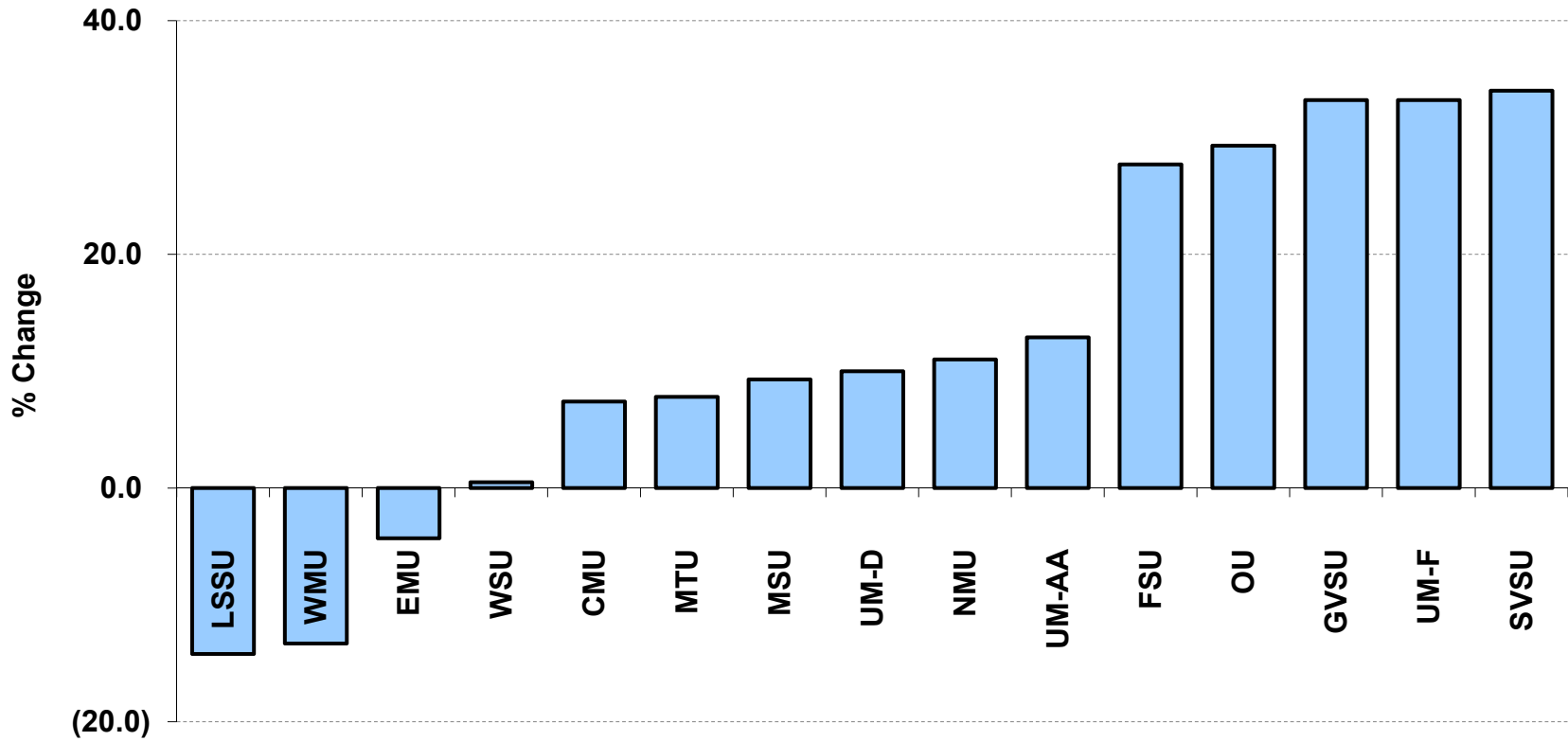
FY 2011-12 Public University Enrollments



Public University Enrollment History



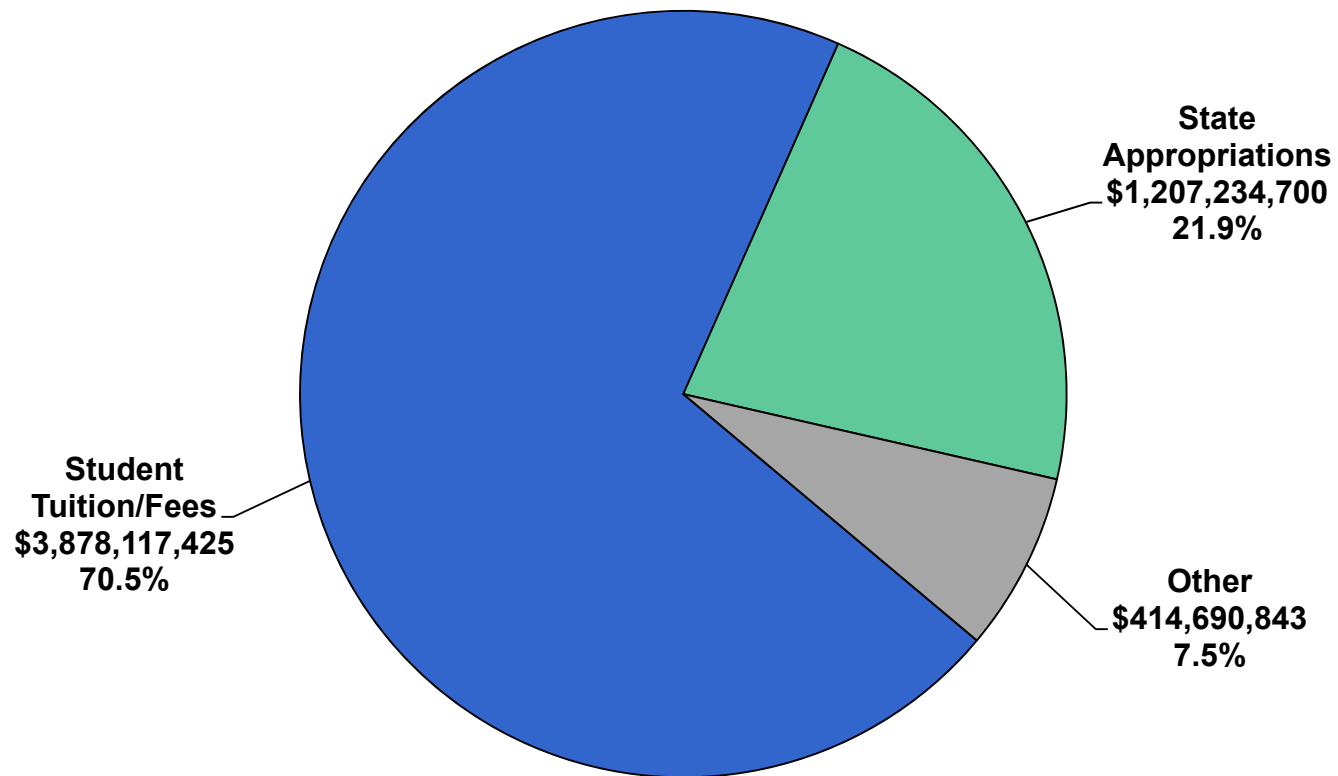
University Enrollment Growth FY 2001-02 to FY 2011-12



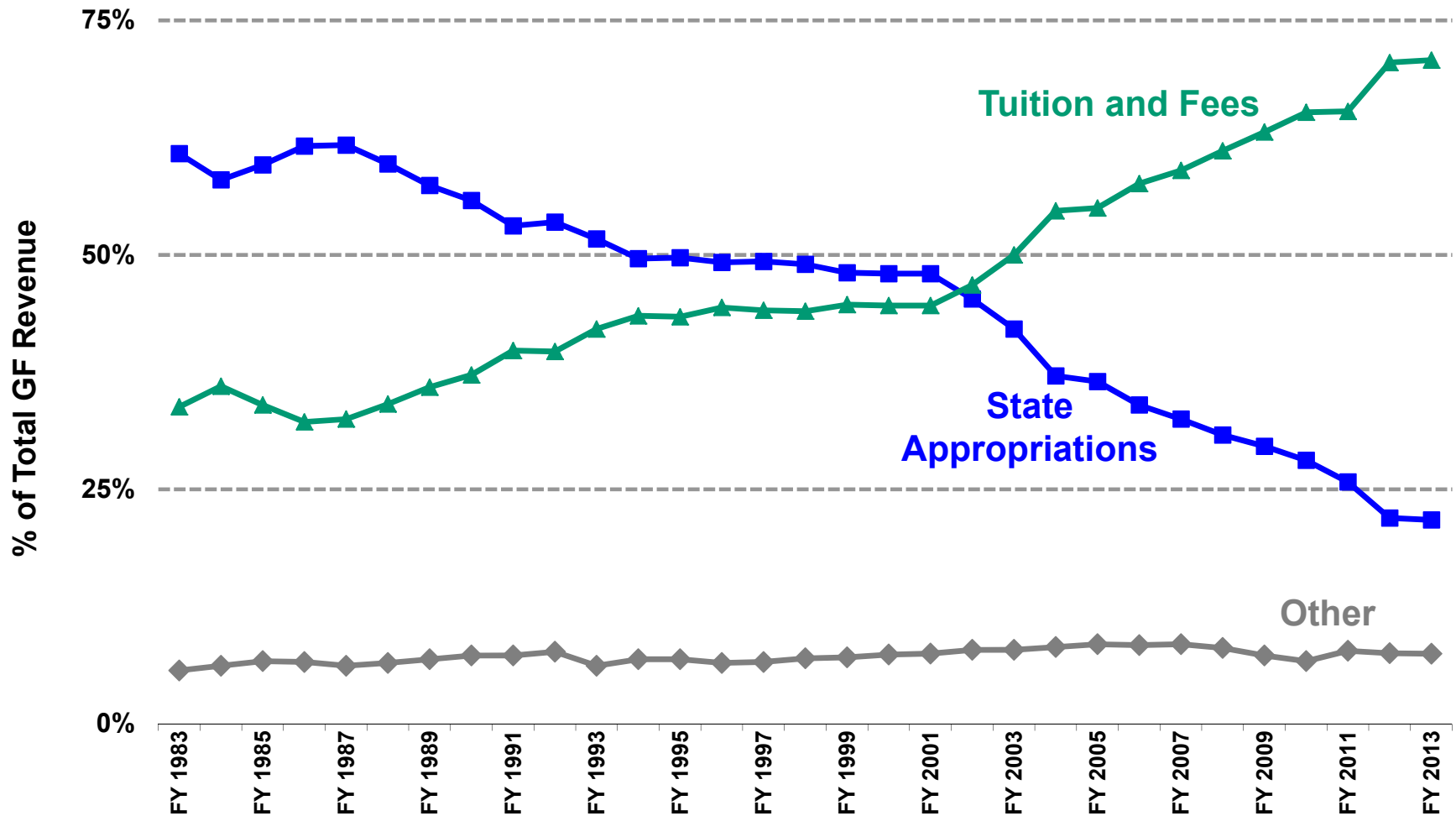
Note: Changes based on total Fiscal Year Equated Students (FYES)

Public University General Fund Revenue

FY 2011-12 Total = \$5.5 Billion

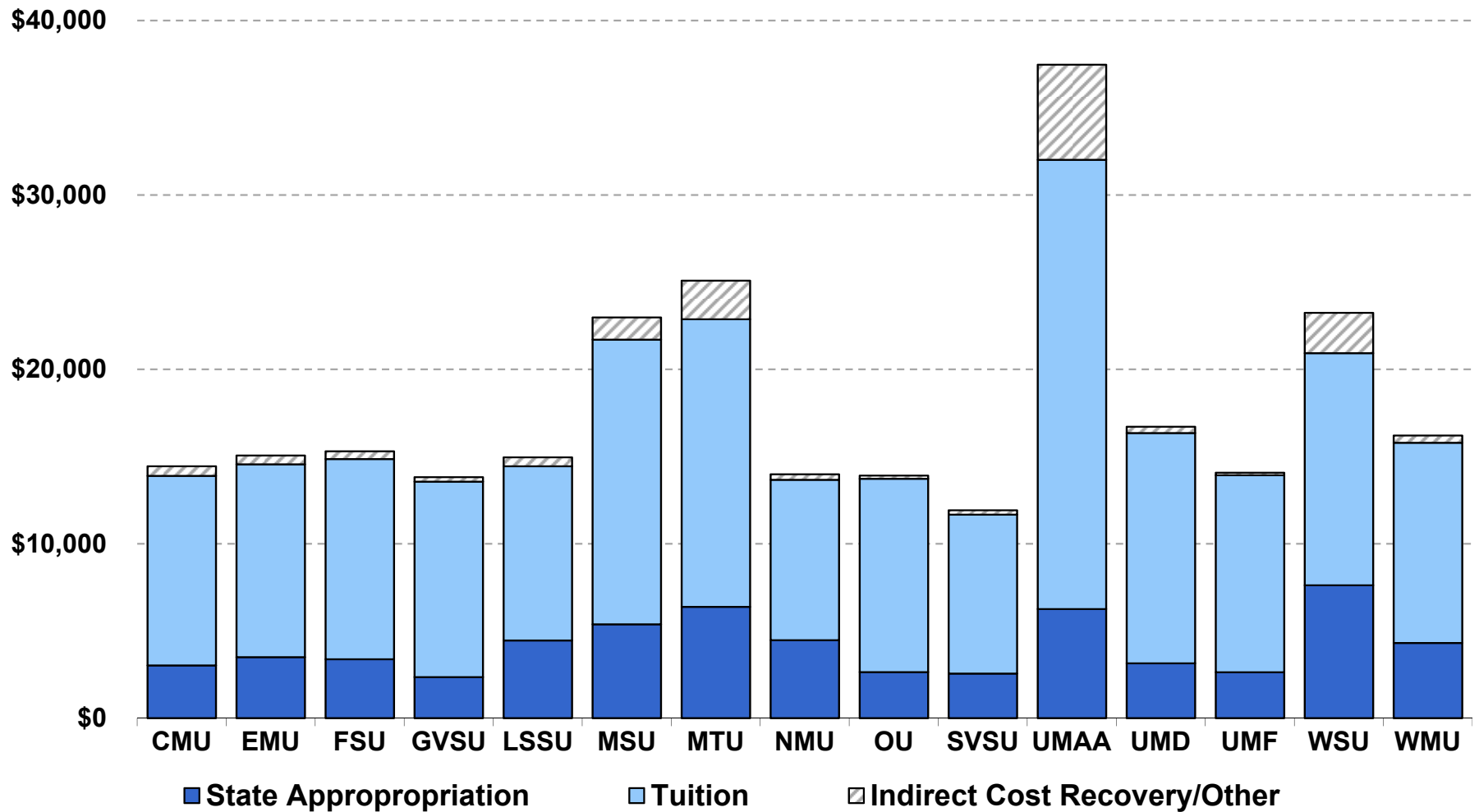


Public University General Fund Revenue Source History

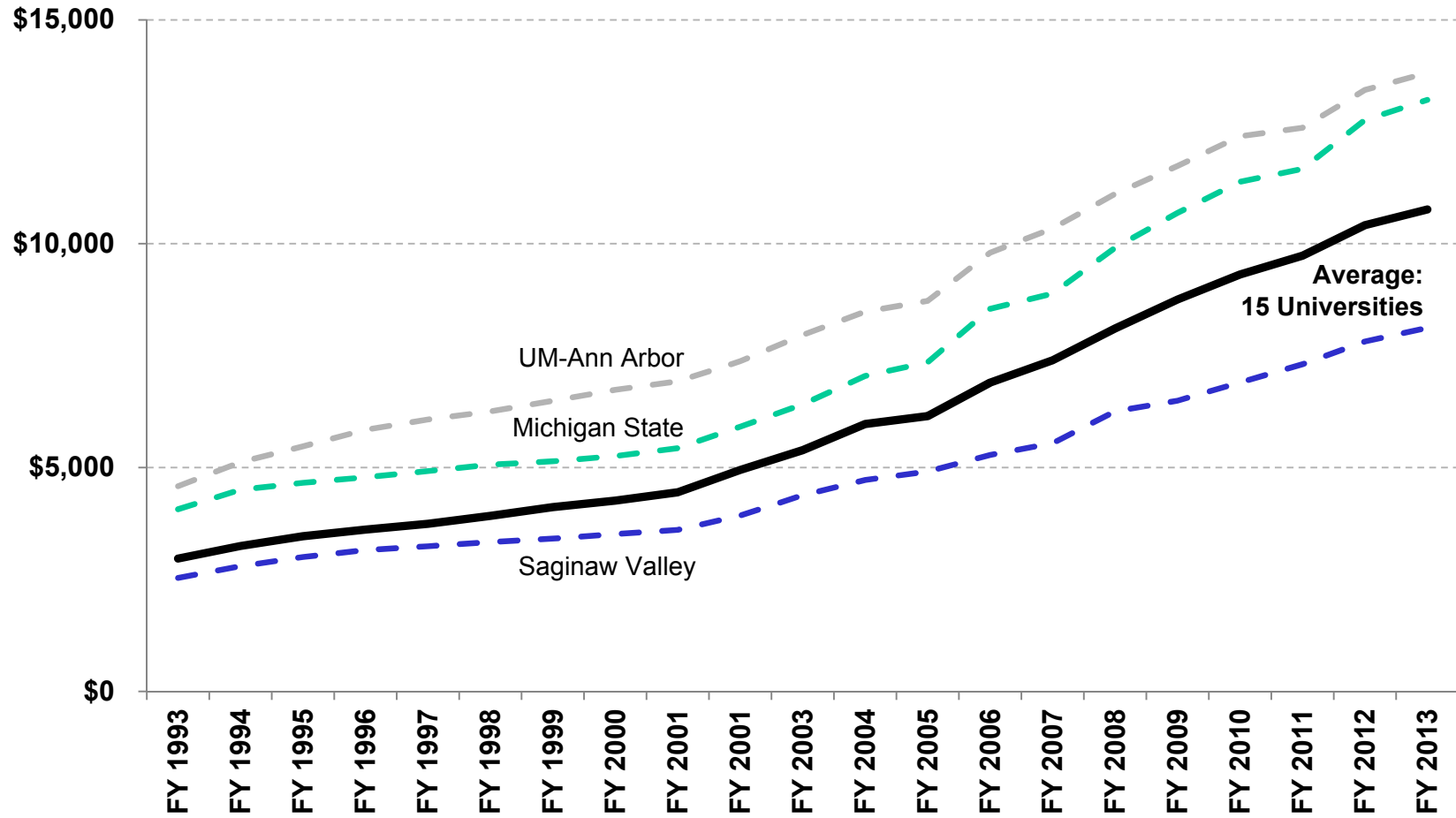


Note: FY 2012-13 amounts are estimates

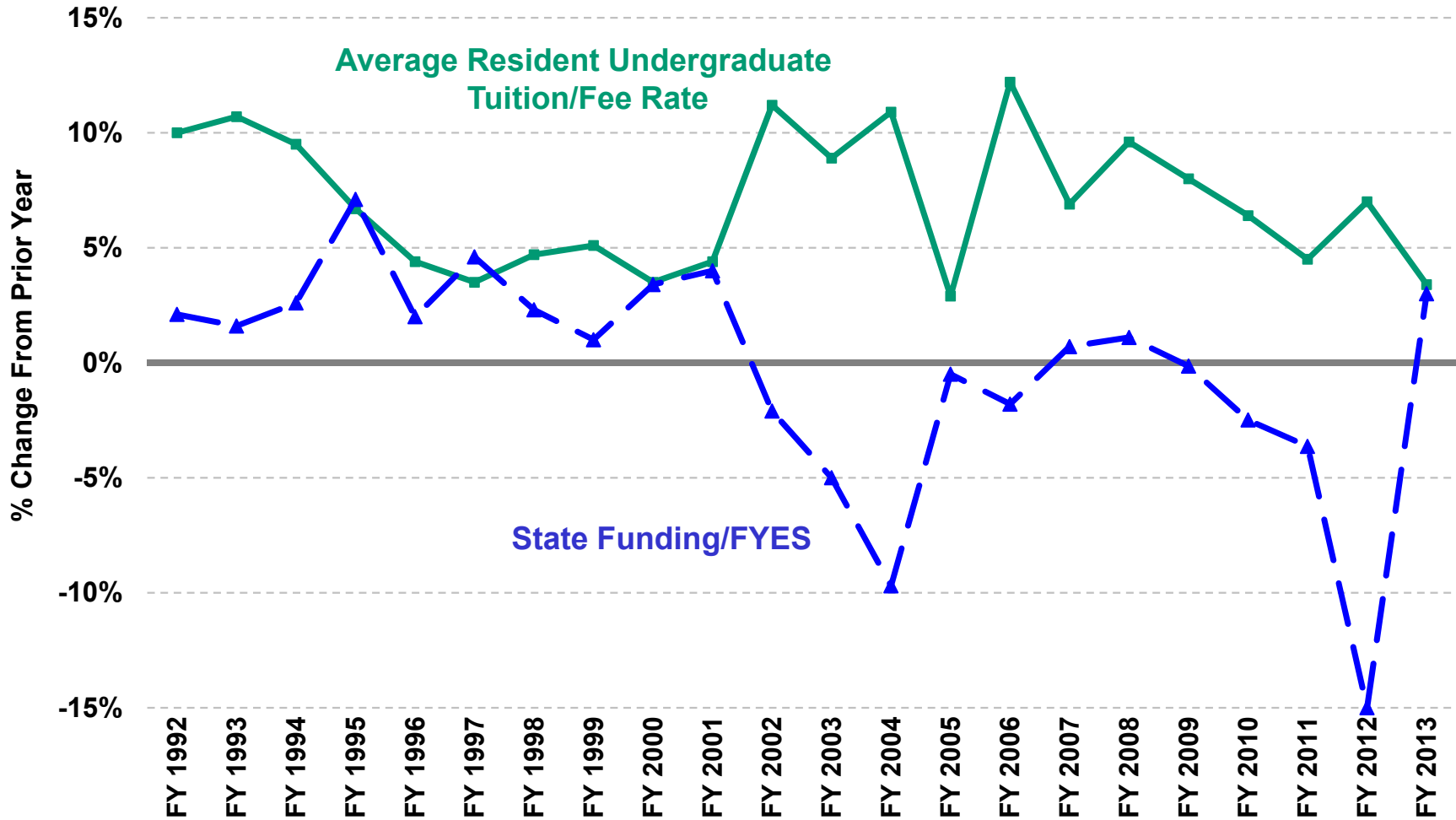
Public University General Fund Revenue per FYES: FY 2011-12



Average Resident Undergraduate Tuition and Fee Rate

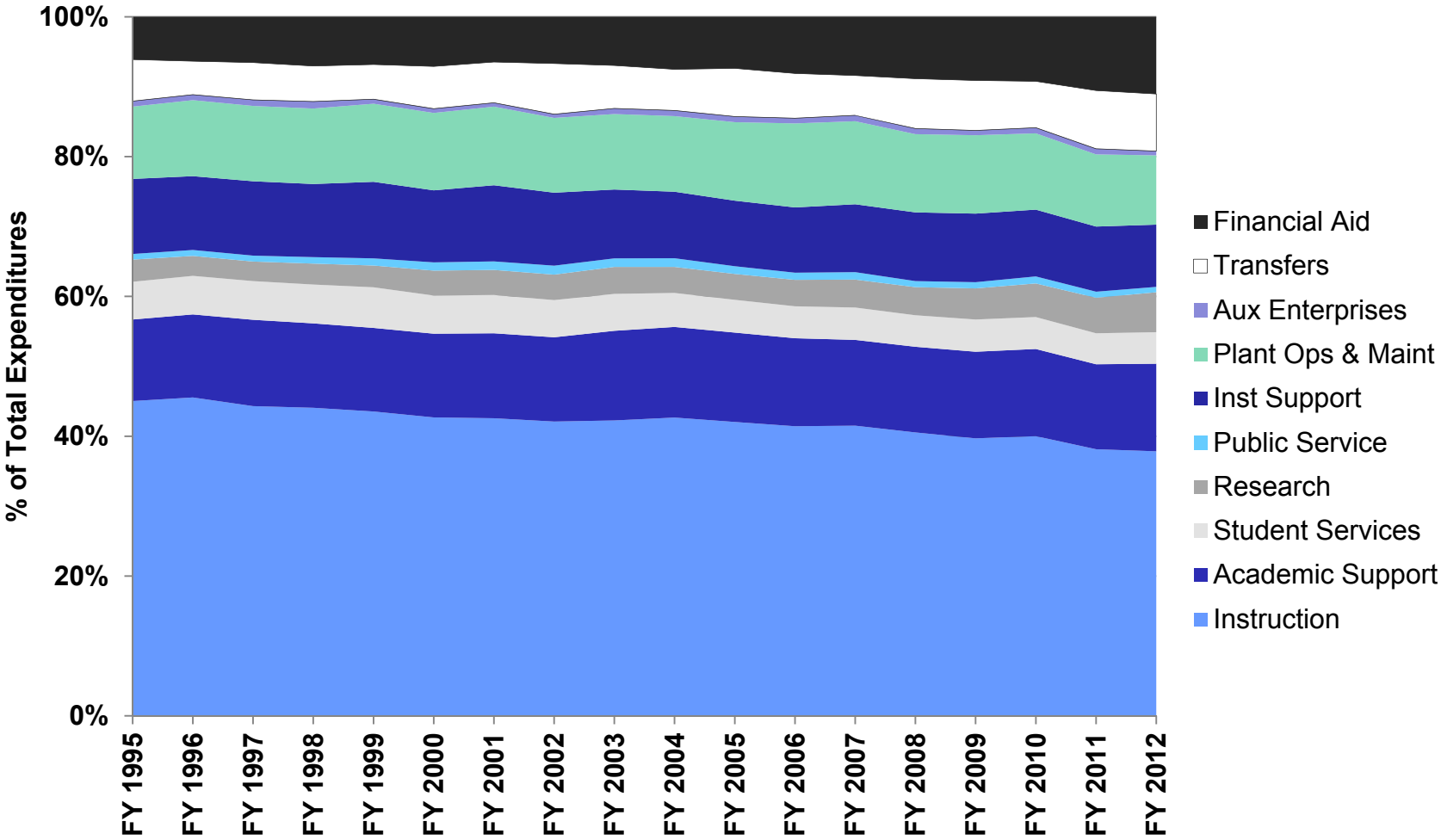


Tuition Rates and State Funding

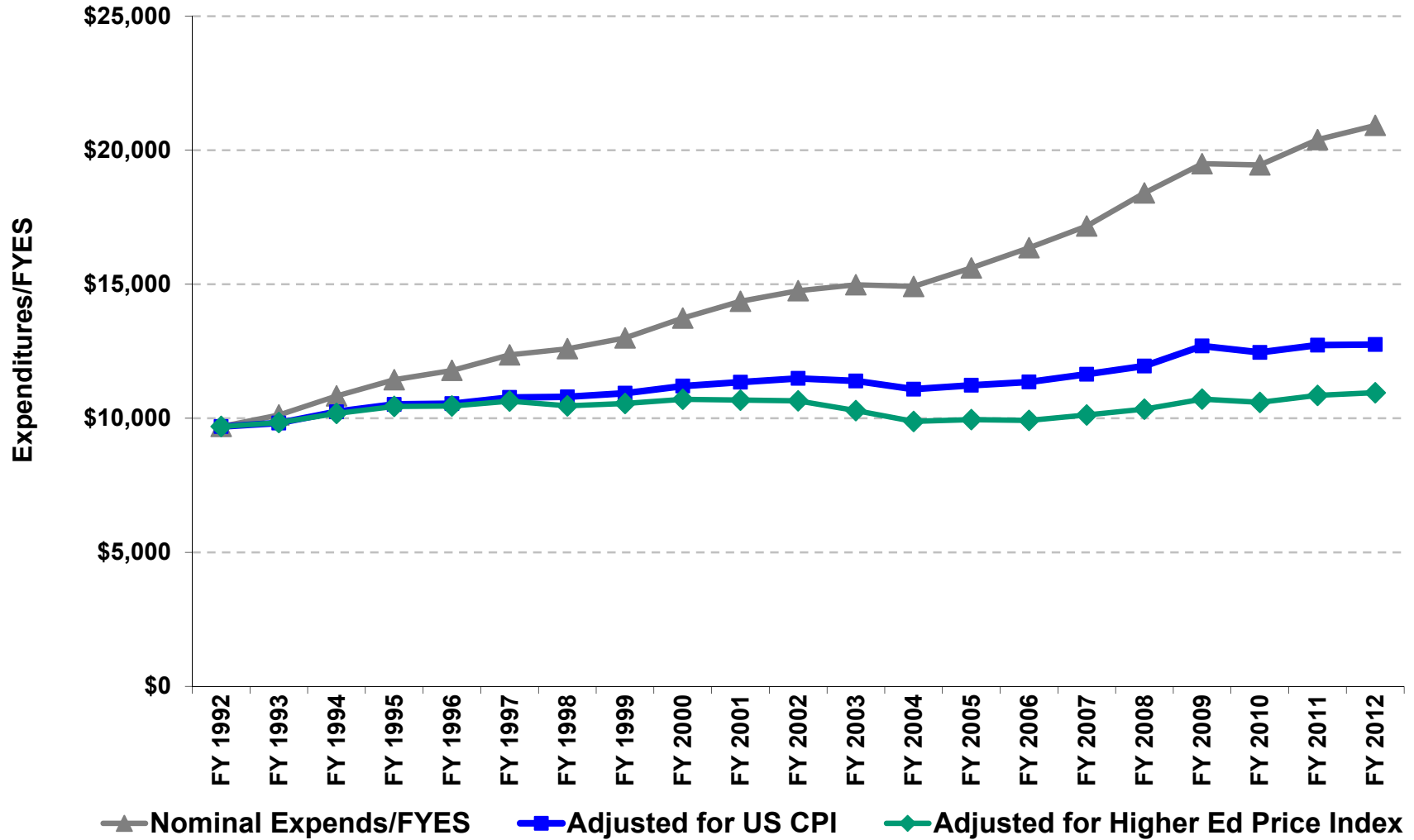


Note: Tuition Restraint policies were in place for FYs 2005, 2012, and 2013

Public University General Fund Expenditures

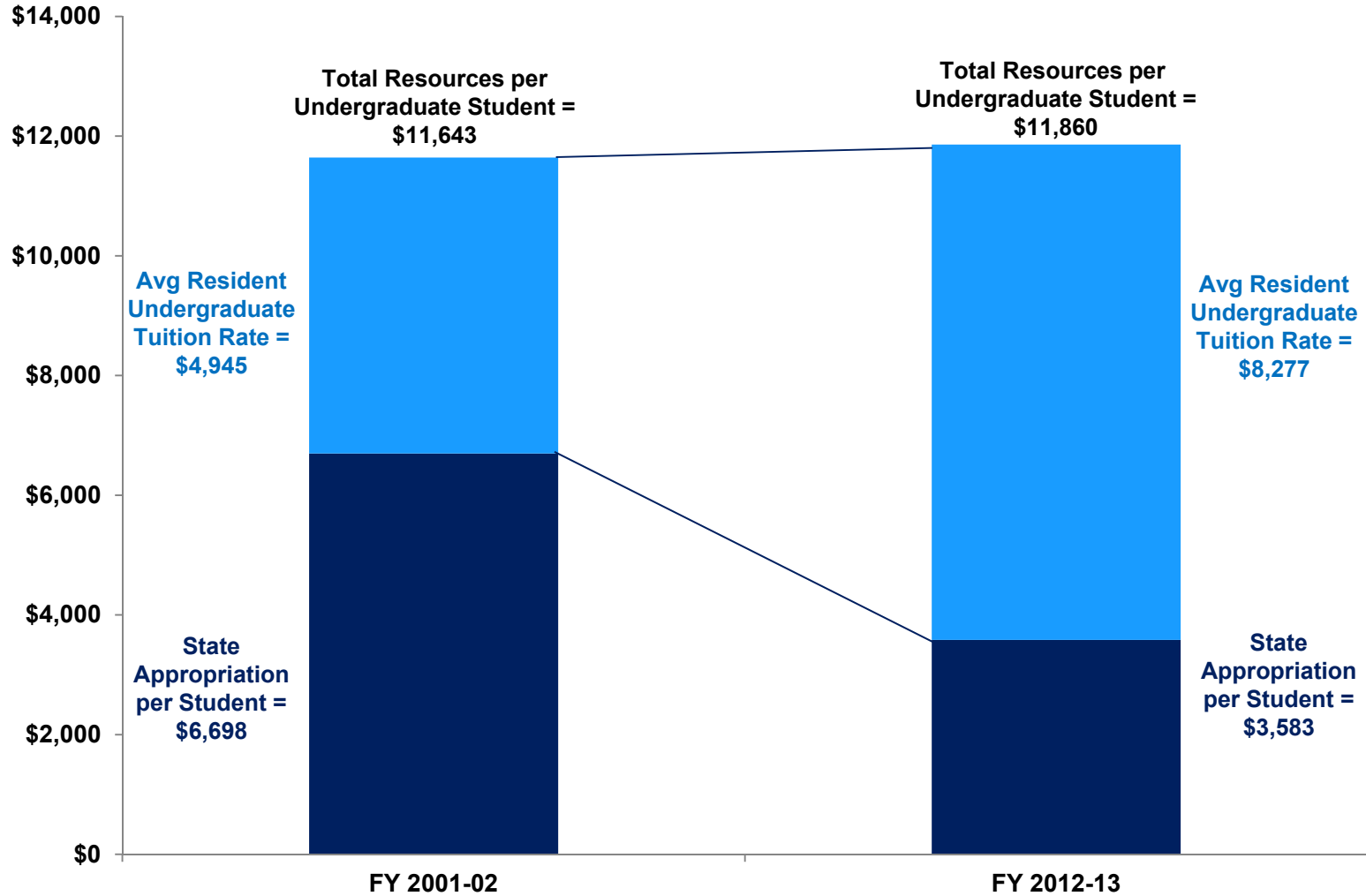


Total Public University General Fund Expenditures per FYES

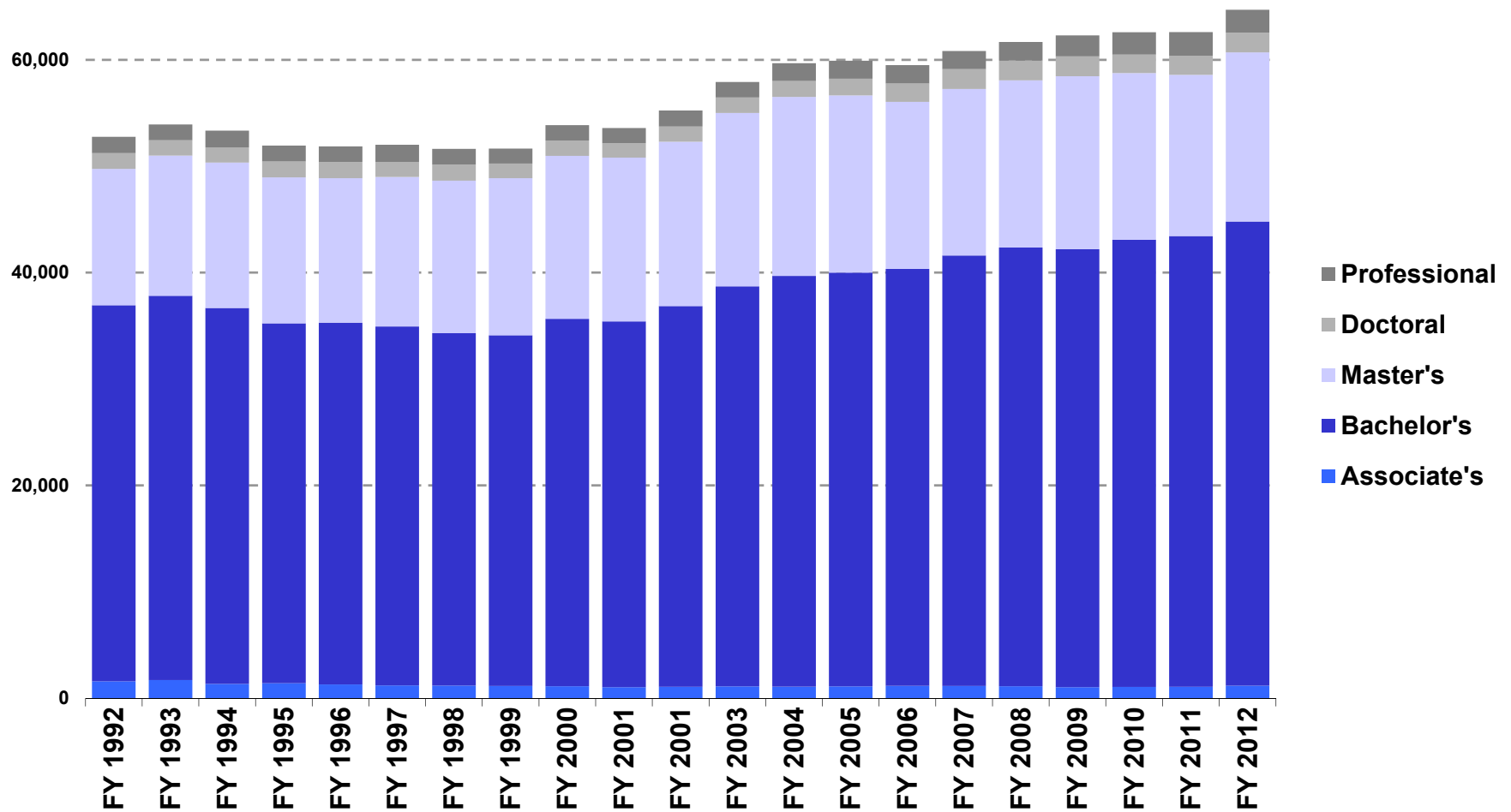


Combined Operating Resource Growth

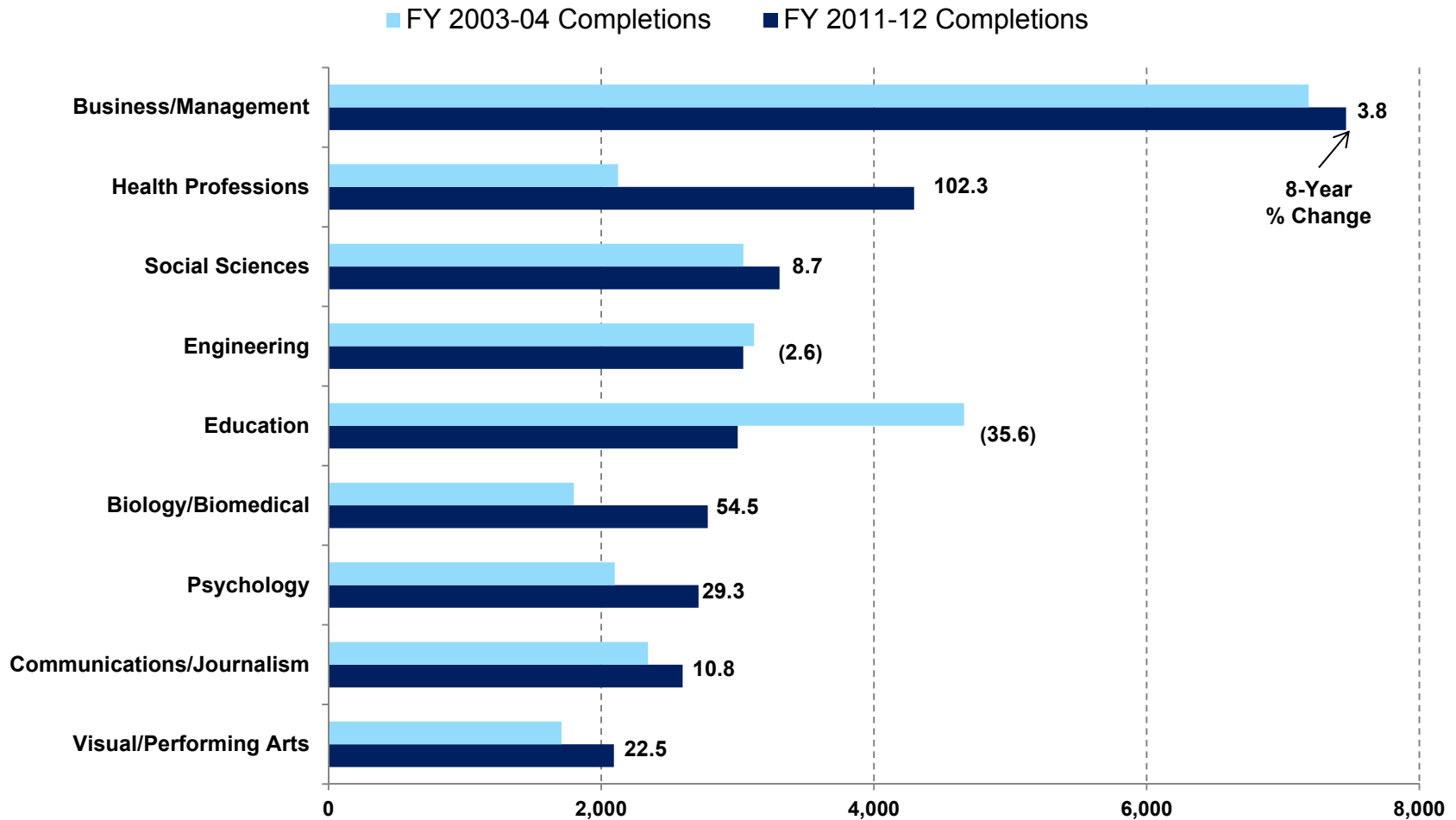
Major Public University Operating Revenue Sources
FY 2012-13 Figures Adjusted for Inflation



Degree Completions at Public Universities



Major Public University Bachelor's Degree Program Areas



**For more information about the
Higher Education budget, contact:**

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