



Background Briefing

HIGHER EDUCATION

Kyle I. Jen, Deputy Director

December 2013

The fiscal information in this background briefing is based on data through December 31, 2013.

Higher Education

Article VIII of the State Constitution:

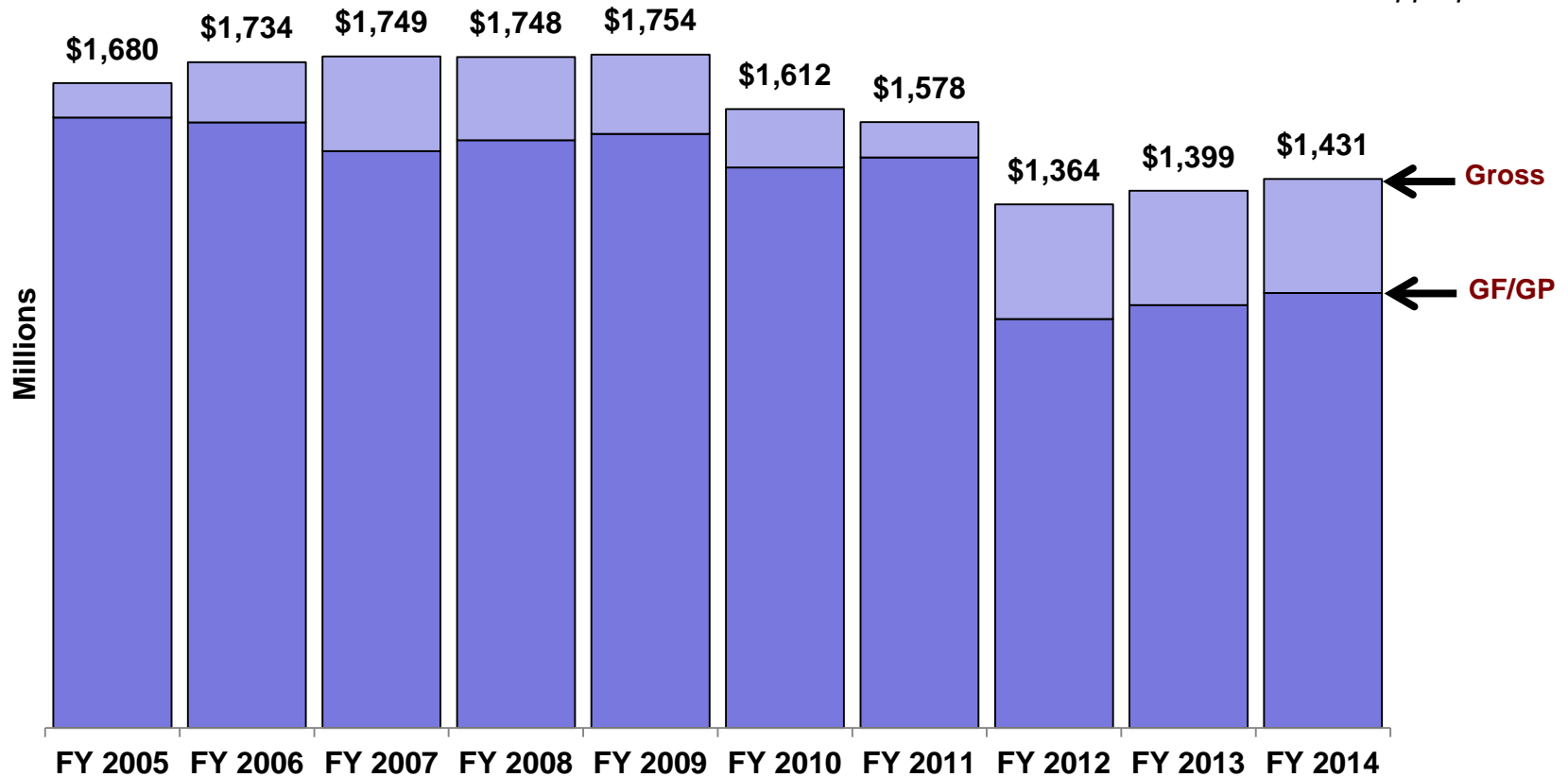
- **Section 4:** Requires Legislature to appropriate funds to maintain Michigan's 15 public universities.
- **Section 5:** Provides for elected boards of control for University of Michigan, Michigan State, and Wayne State.
- **Section 6:** Provides for appointed boards of control for remaining universities.
- **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 2013-14 Higher Education appropriations are \$249.4 million lower than they were in FY 2004-05 (14.8 percent, not adjusting for inflation).

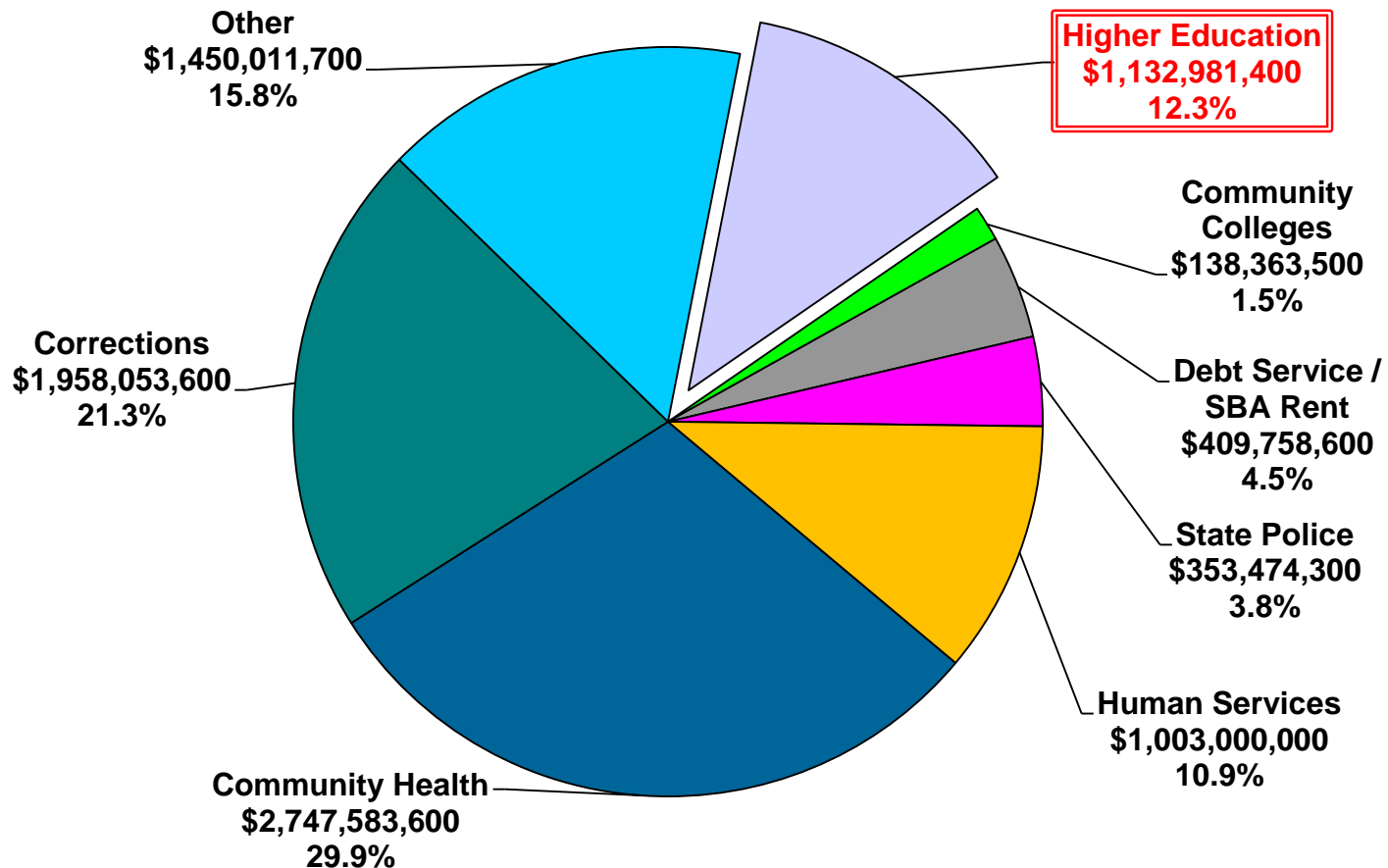
Note: Delayed payments in 2004 and 2007 shown in original year funds were appropriated.



Higher Education Share of State GF/GP

Higher Education makes up 12.3% of the total state GF/GP budget

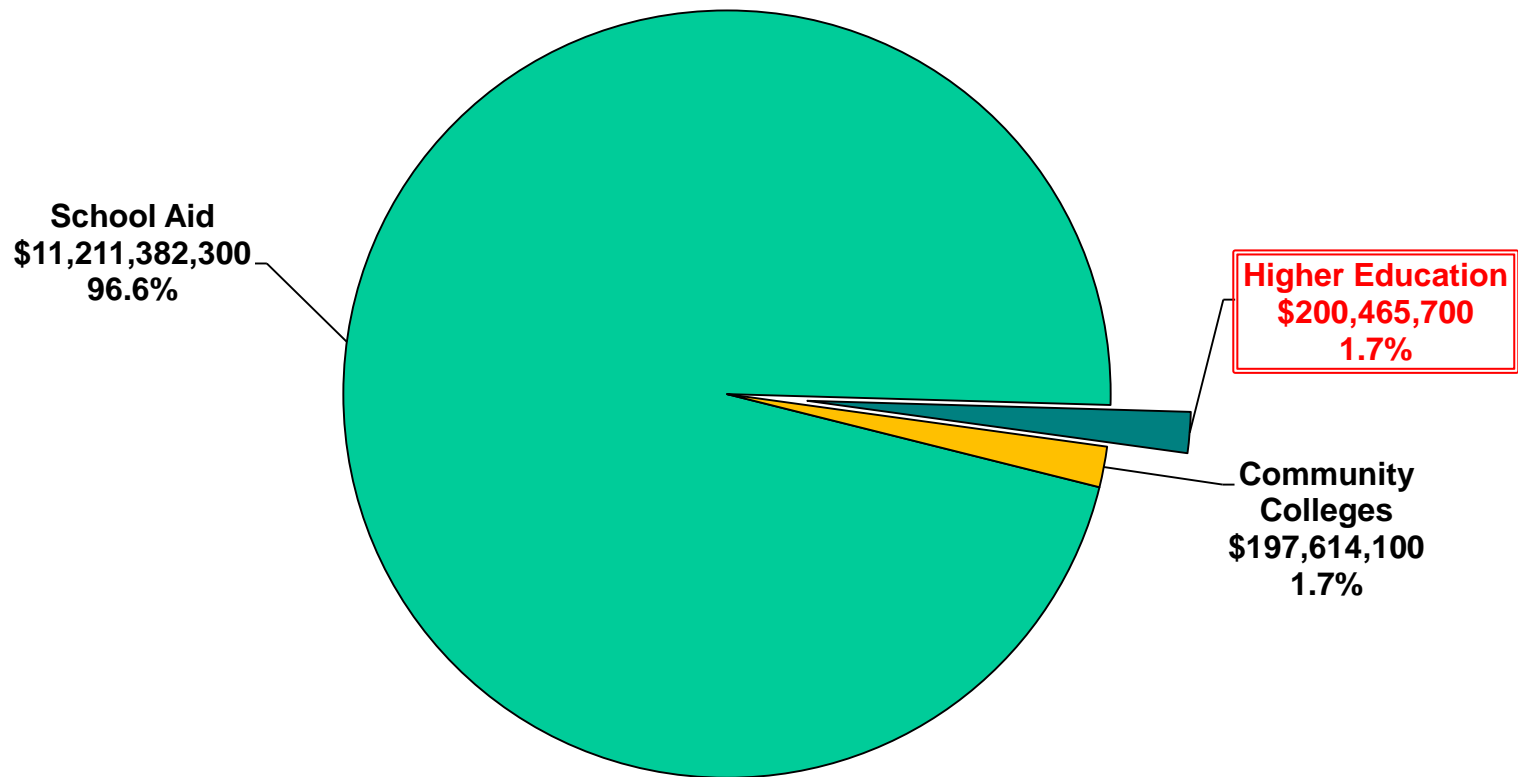
FY 2013-14 GF/GP Total = \$9,193,226,700



Higher Education Share of School Aid Fund

The Higher Education budget receives 1.7% of the total state School Aid Fund (SAF)

FY 2013-14 SAF Total = \$11,609,462,100

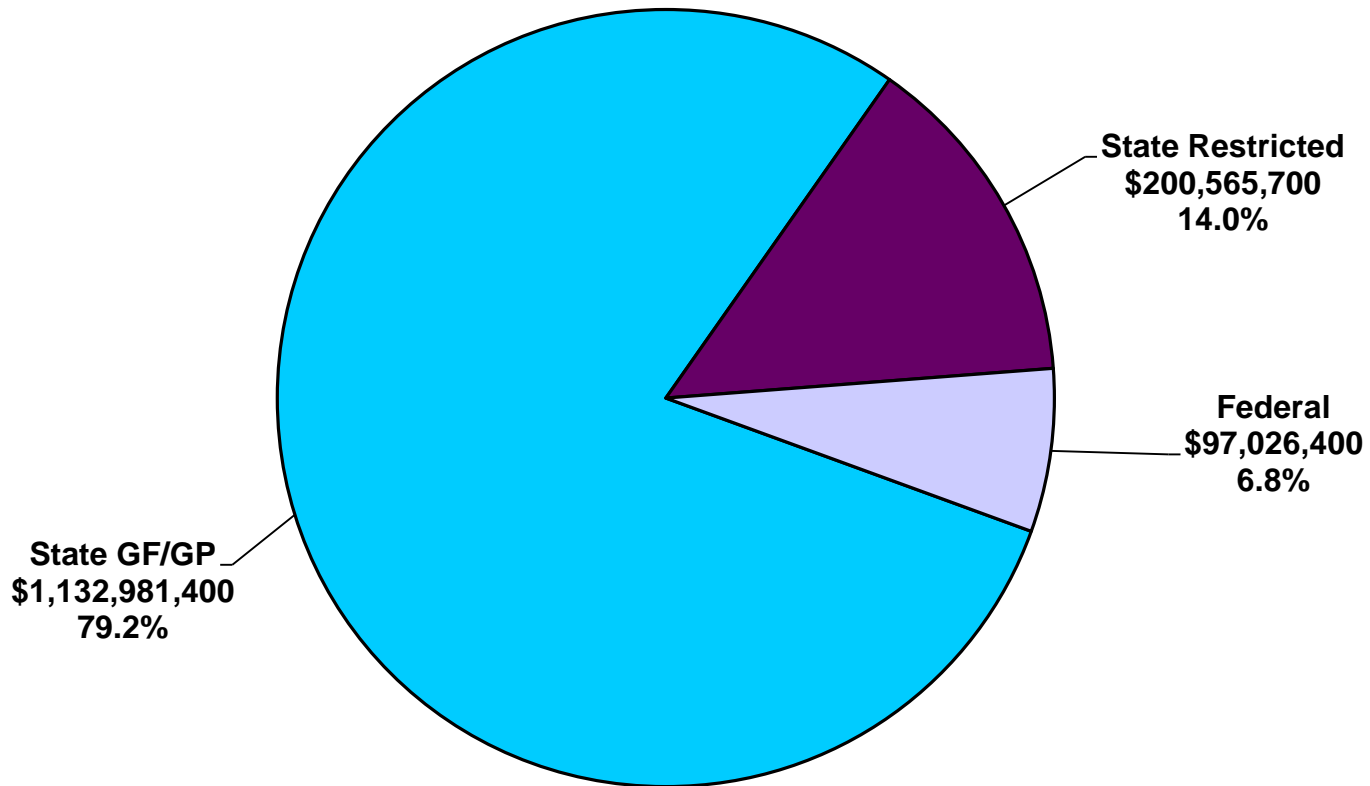


SOURCES OF FUNDING

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 2013-14 Higher Education Budget = \$1,430,573,500



HIGHER EDUCATION APPROPRIATIONS

Higher Education Appropriations

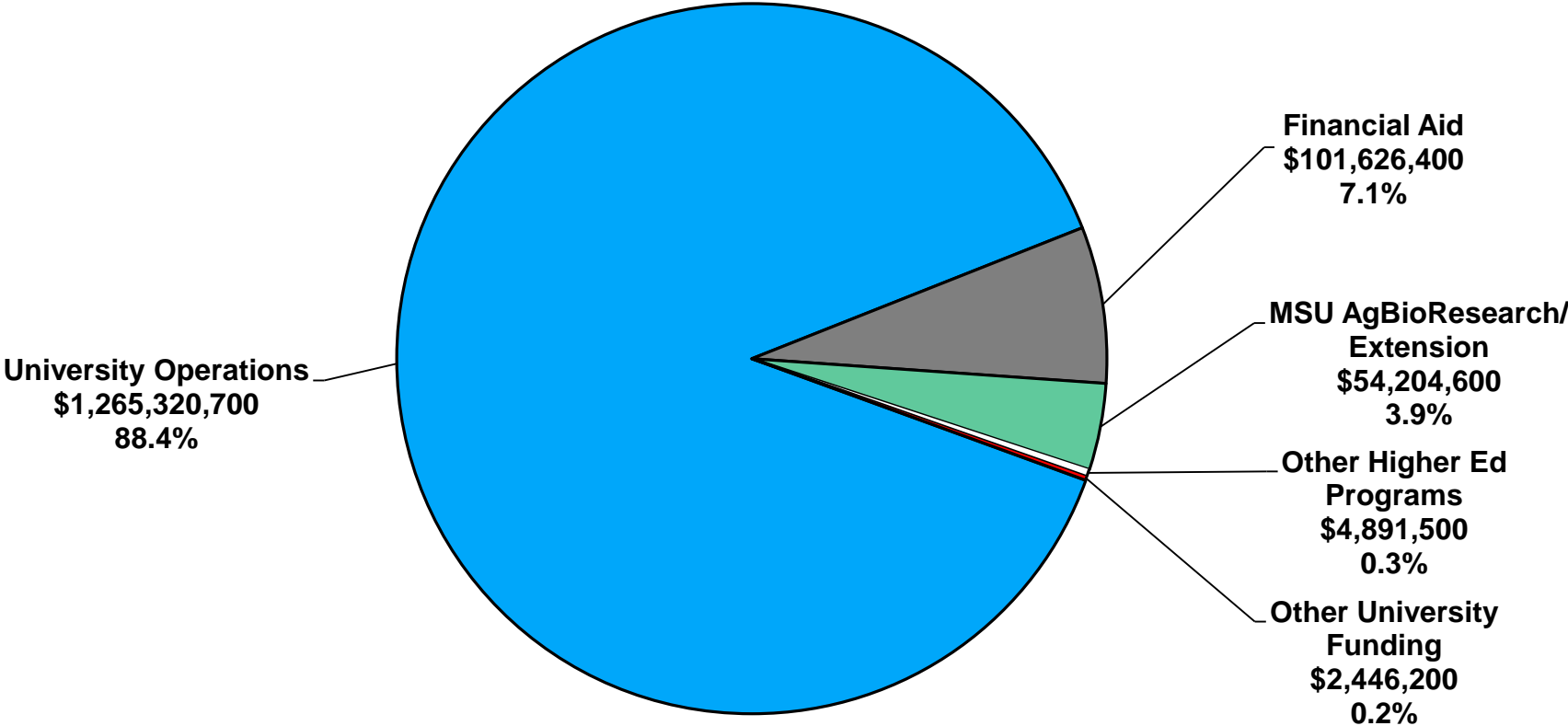
The Higher Education budget contains:

- **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 **AgBioResearch and Extension programs** 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 7.4% of FY 2013-14 Higher Education funding is appropriated directly to the 15 public universities for operations or other purposes.

Higher Education Appropriations

FY 2013-14 Higher Education Budget = \$1,430,573,500



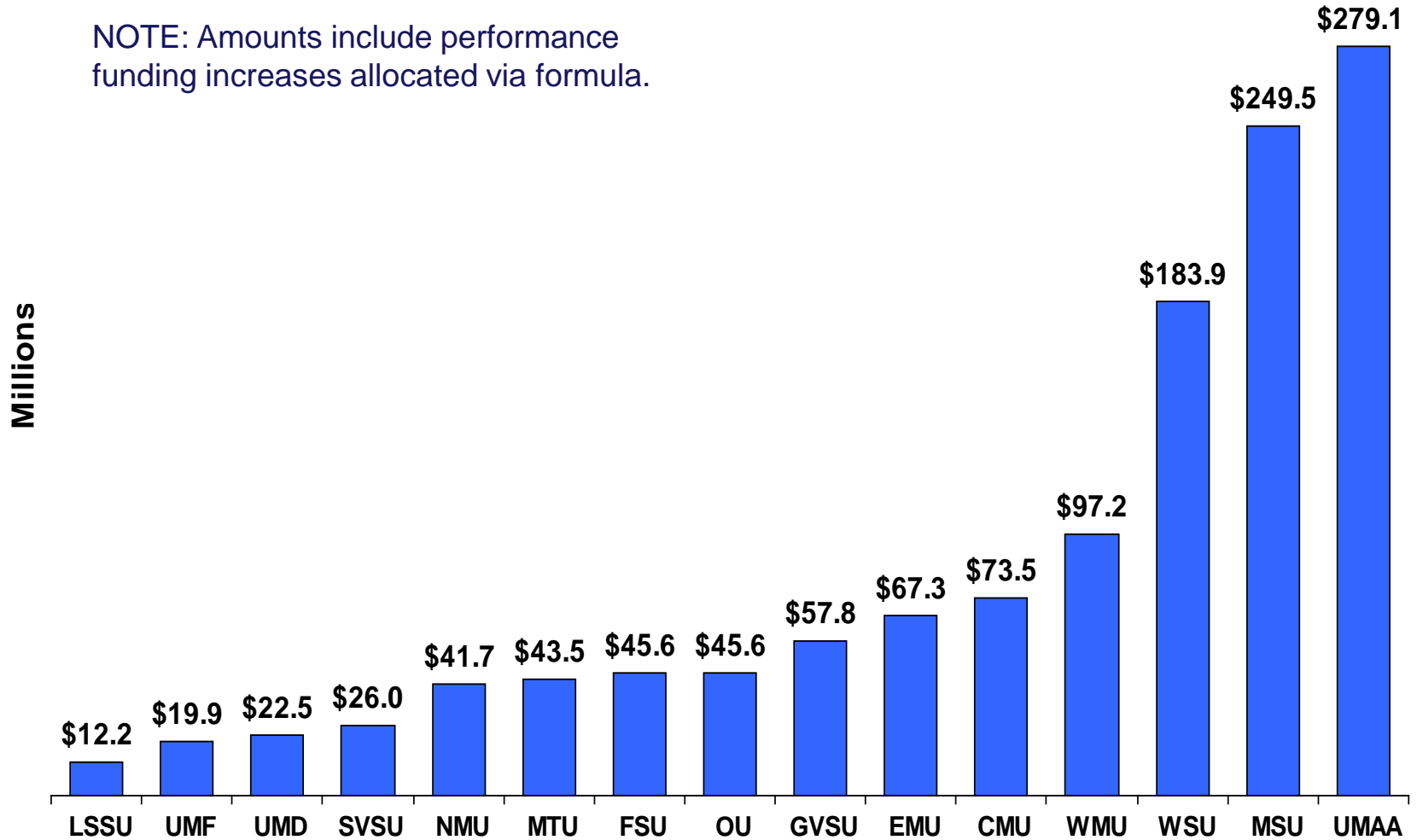
MAJOR BUDGET TOPICS

Michigan's 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 2013-14 University Operations Grants

NOTE: Amounts include performance funding increases allocated via formula.

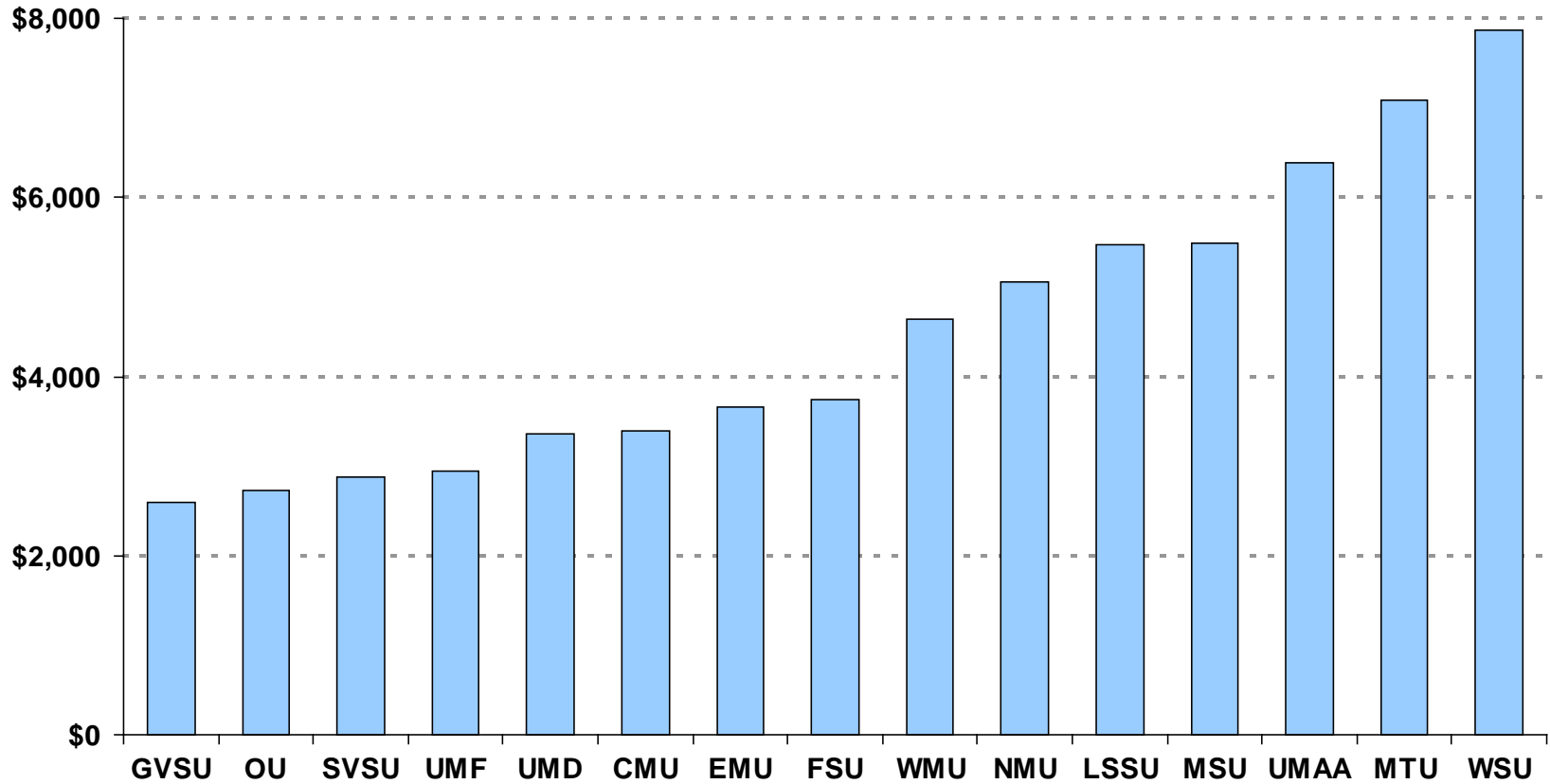


University Operations Funding

- 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 and FY 2013-14 funding increases have been based on a performance funding model, with some methodological modifications made to the model in FY 2013-14.

University Appropriations per Student

FY 2013-14 appropriations per FY 2012-13 FYES vary from \$2,596 to \$7,871.

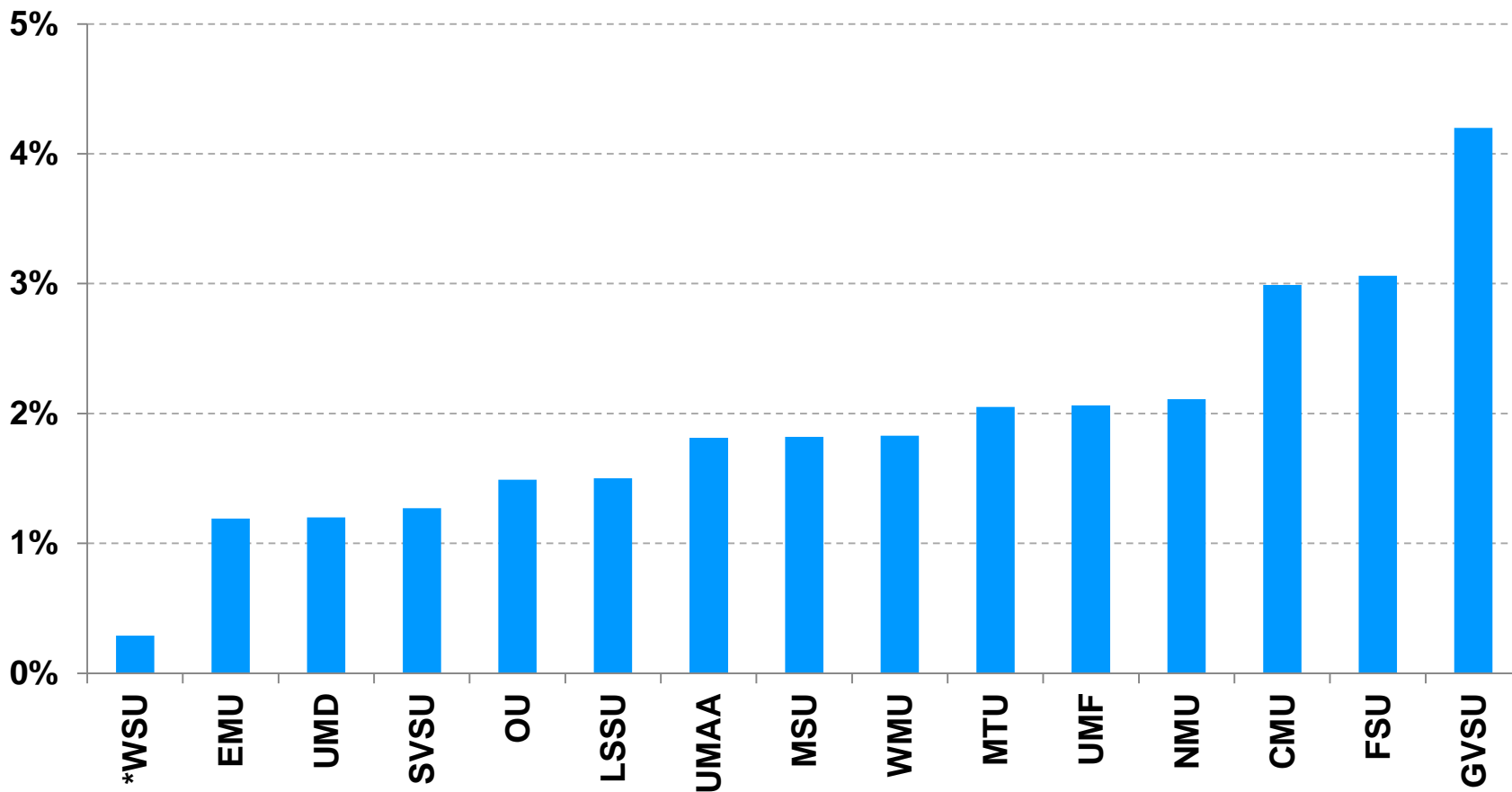


FY 2013-14 University Performance Funding

Category	\$ Amount
Undergraduate degree completions in Critical Skills Areas	\$4.9 million
Total R&D expenditures: “research universities” only	\$2.4 million
<u>Comparisons vs. national Carnegie peers</u>	
Six-year graduation rate	\$14.6 million combined
Total degree completions (undergraduate/graduate)	
Institutional support as % of total expenditures)	
Total	\$21.9 million

FY 2013-14 University Appropriation Increases

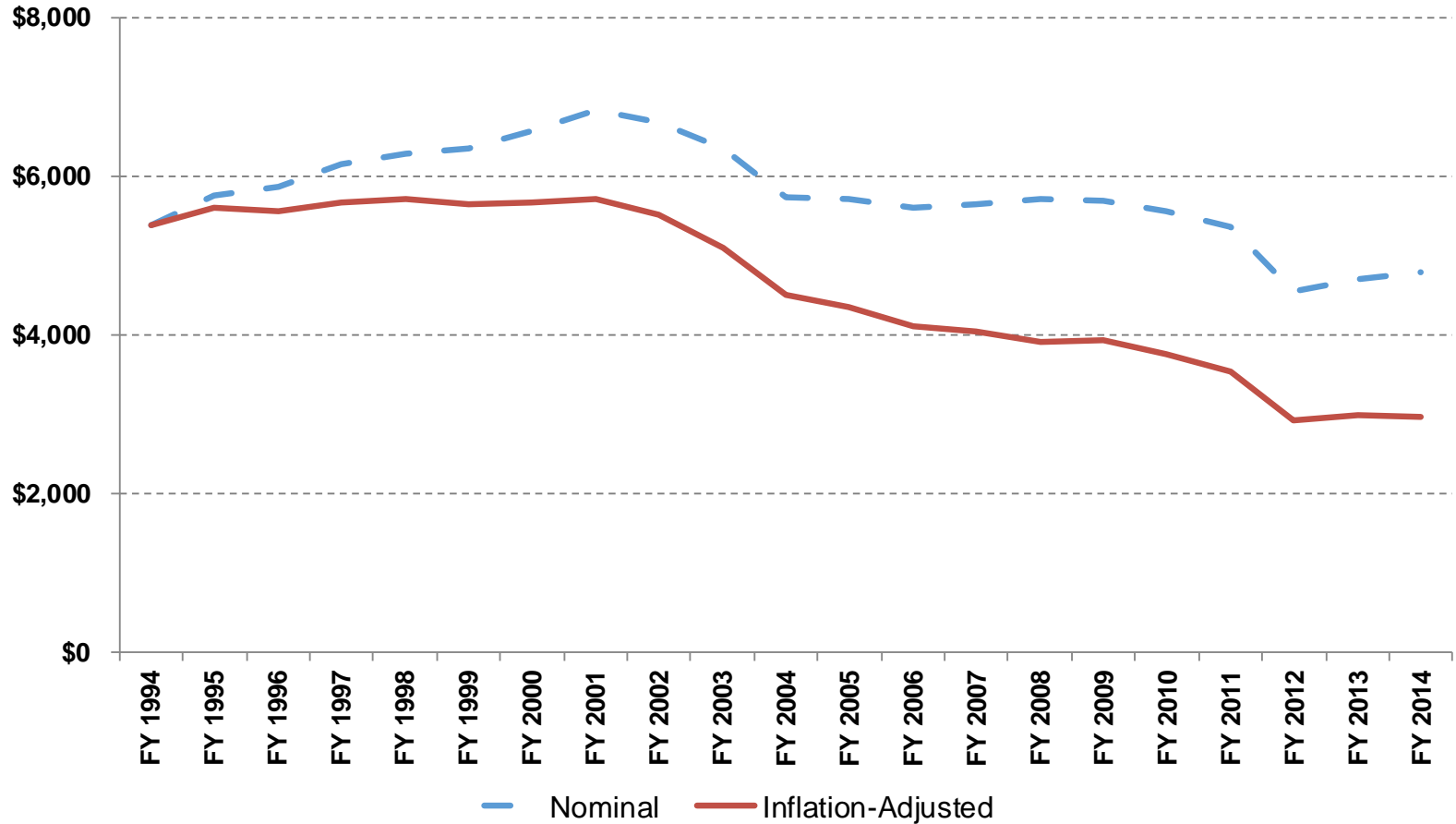
% Change from FY 2012-13, allocated via performance funding formula



**Wayne State's performance increase forfeited due to noncompliance with tuition restraint policy; funding reallocated to other universities*

Historical University Appropriations per Student

Total FY 2013-14 university appropriations per FYES are 29.9 percent lower than they were in FY 2000-01—or 47.8 percent lower on an inflation-adjusted basis.



Tuition Restraint Policies

	FY 2011-12	FY 2012-13	FY 2013-14
Limit on Resident Undergraduate Tuition/Fee Increases	7.1%	4.0%	3.75%
Funding Change: University Operations	15.0% Reduction (across-the-board)	3.0% increase (varying)	1.8% increase (varying)
Funding Contingent on Tuition Restraint	\$83.0 million from base funding	\$9.1 million incentive funding	Performance funding requirement
Average Actual Tuition/Fee Increase	7.0%	3.4%	3.5%
Noncompliant Universities	None	None	Wayne State

MSU AgBioResearch and Extension

An appropriation of **\$56.3 million GF/GP** is made to Michigan State University to operate two statewide programs:

- **MSU AgBioResearch: \$30.2 million**
Agriculture research program operated by MSU at 14 facilities across state.

- **MSU Extension: \$26.0 million**
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.

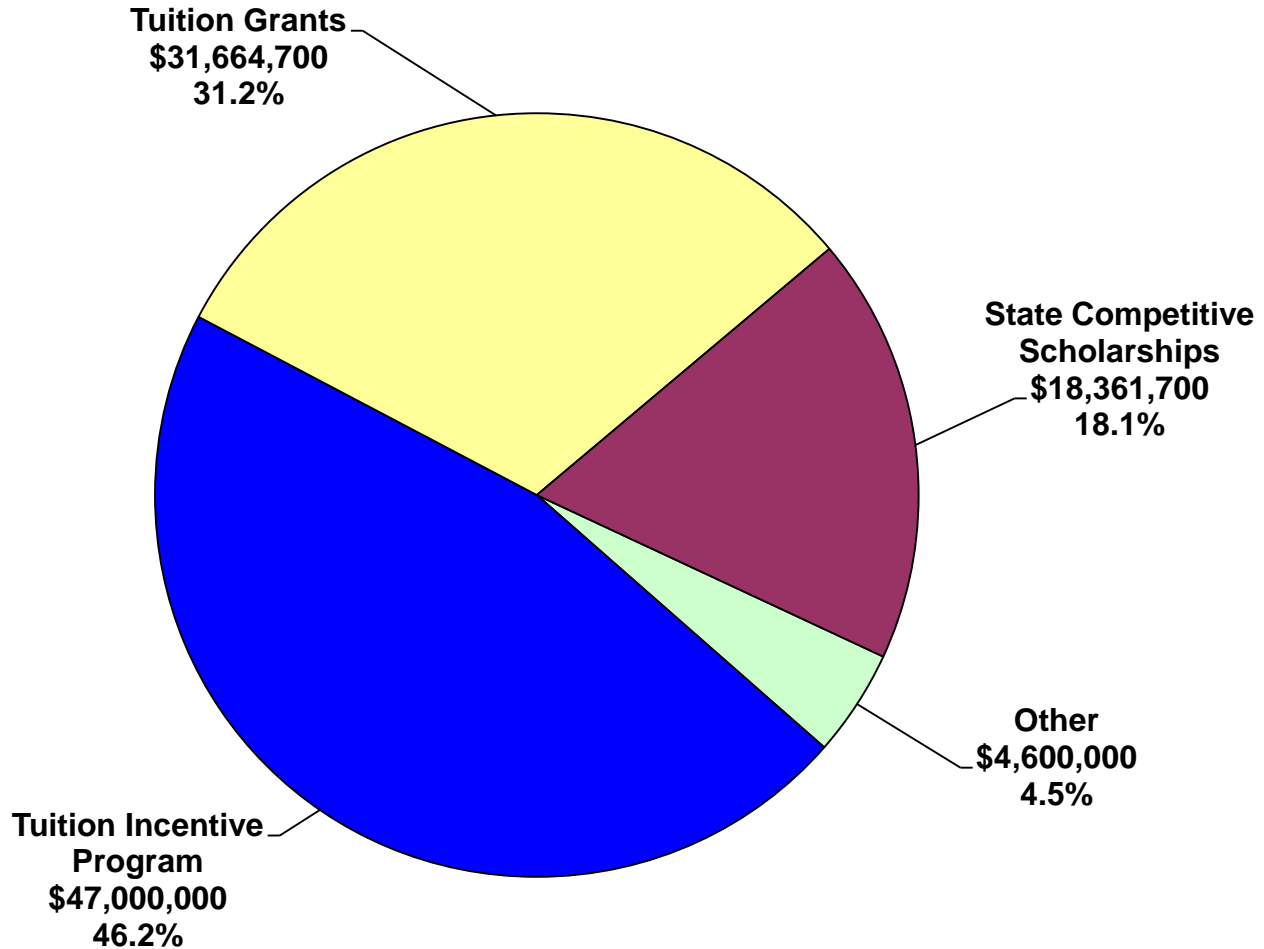
Financial Aid Programs

- **Tuition Grants**
Need-based awards to students attending independent colleges; \$1,524 maximum award for FY 2013-14 (\$3.0 million cap for Baker College and Davenport University).
- **State Competitive Scholarships**
Awards to students with both qualifying ACT score and financial need; \$630 maximum award for FY 2013-14.
- **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 school or 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.

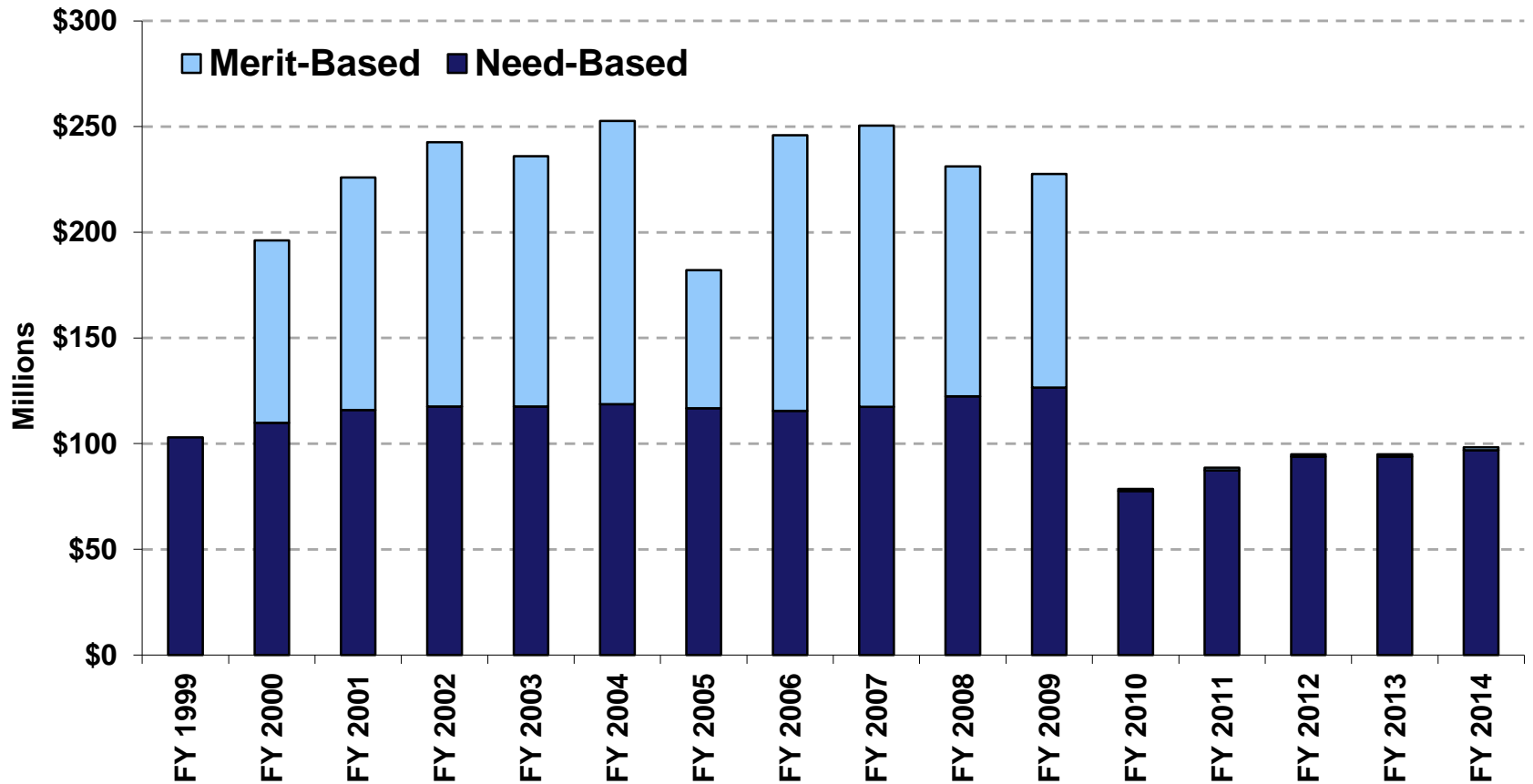
In recent years, federal Temporary Assistance to Needy Families (TANF) funding has been used in place of state funding for financial aid as part of TANF maintenance-of-effort plan.

Financial Aid Funding

FY 2013-14 Total = \$101,626,400



Changes in State-Funded Financial Aid by Category

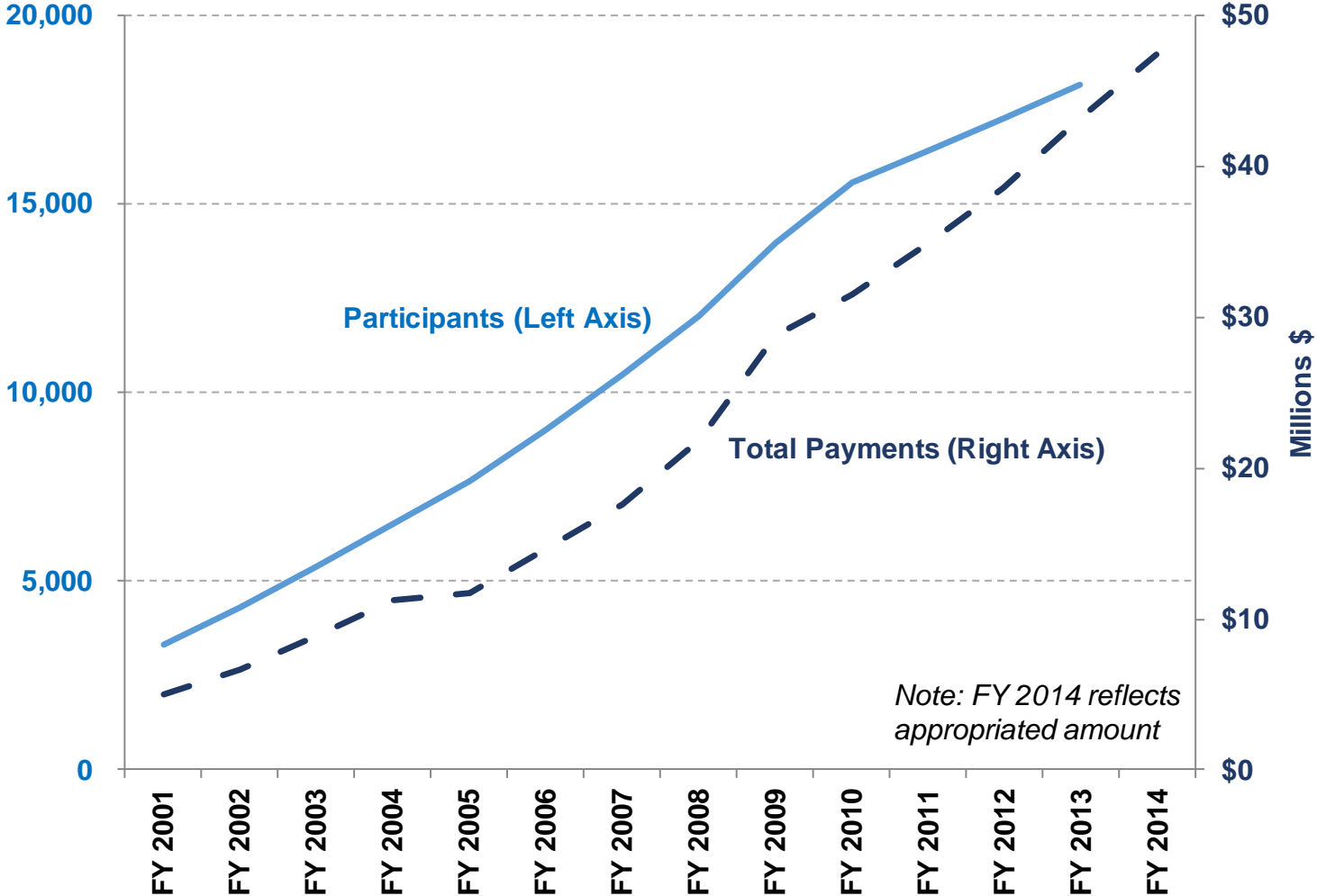


Note: Excludes federally-initiated programs

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 over 200,000 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 \$47.0 million in FY 2013-14. Currently, over 17,000 students are receiving TIP assistance.

TIP Participation and Expenditure Growth



Other State-Funded Higher Education Programs

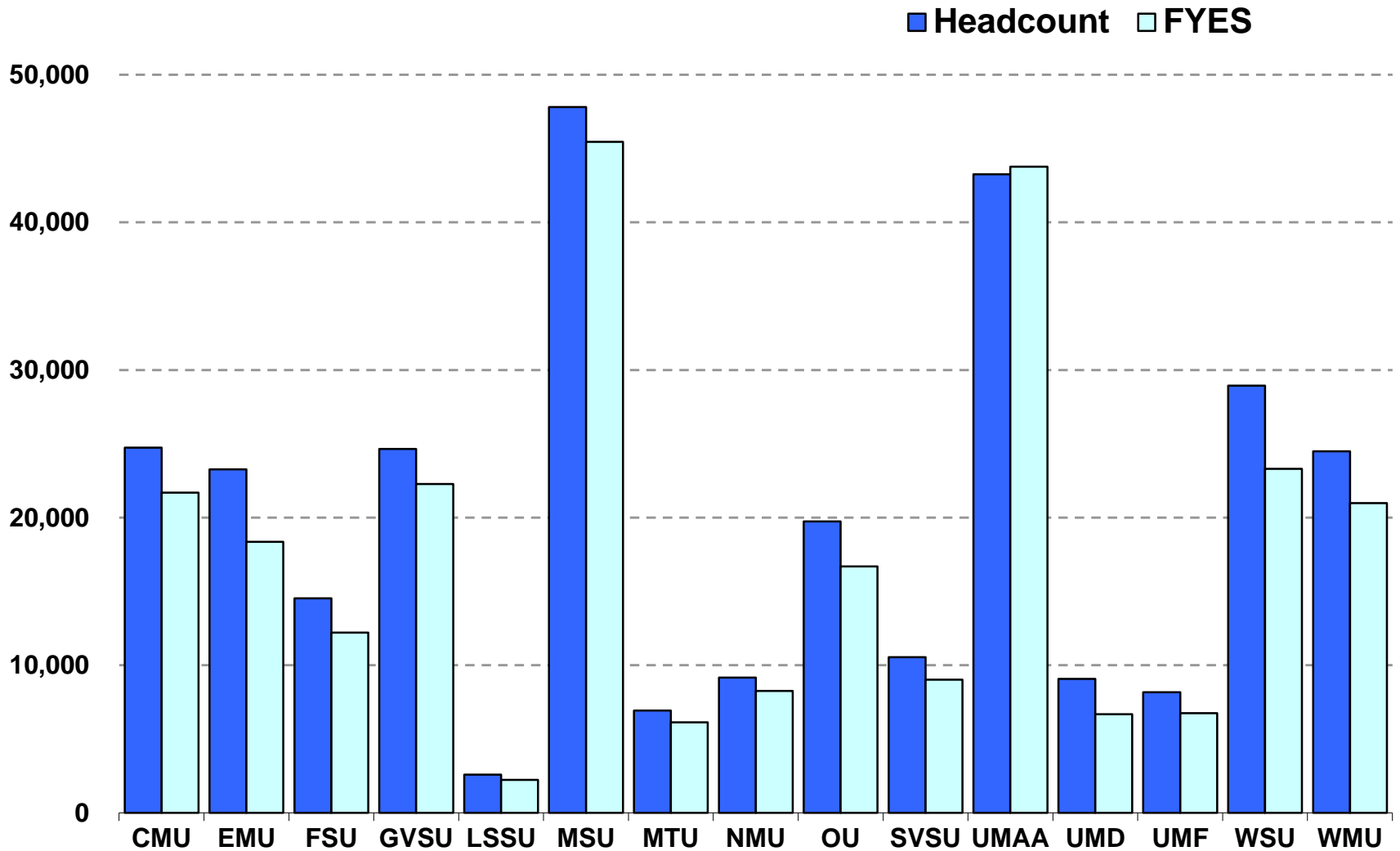
- **MPSERS Reimbursement: \$2.4 million Gross (GF/GP and SAF)**
Partial reimbursement for retiree health care costs to seven universities with employees in Michigan Public School Employees' Retirement System (MPSERS): CMU, EMU, FSU, LSSU, MTU, NMU, WMU. (Employees hired since 1996 do not enter MPSERS.)
- **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.
- **College Access Program: \$2.0 million GF/GP**
Grant to increase college readiness and participation through local college access networks, one-stop online portal, and other efforts.
- **Higher Education Database: \$105,000 GF/GP**
Maintenance of Higher Education Institutional Data Inventory (HEIDI), to which public universities submit enrollment and 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

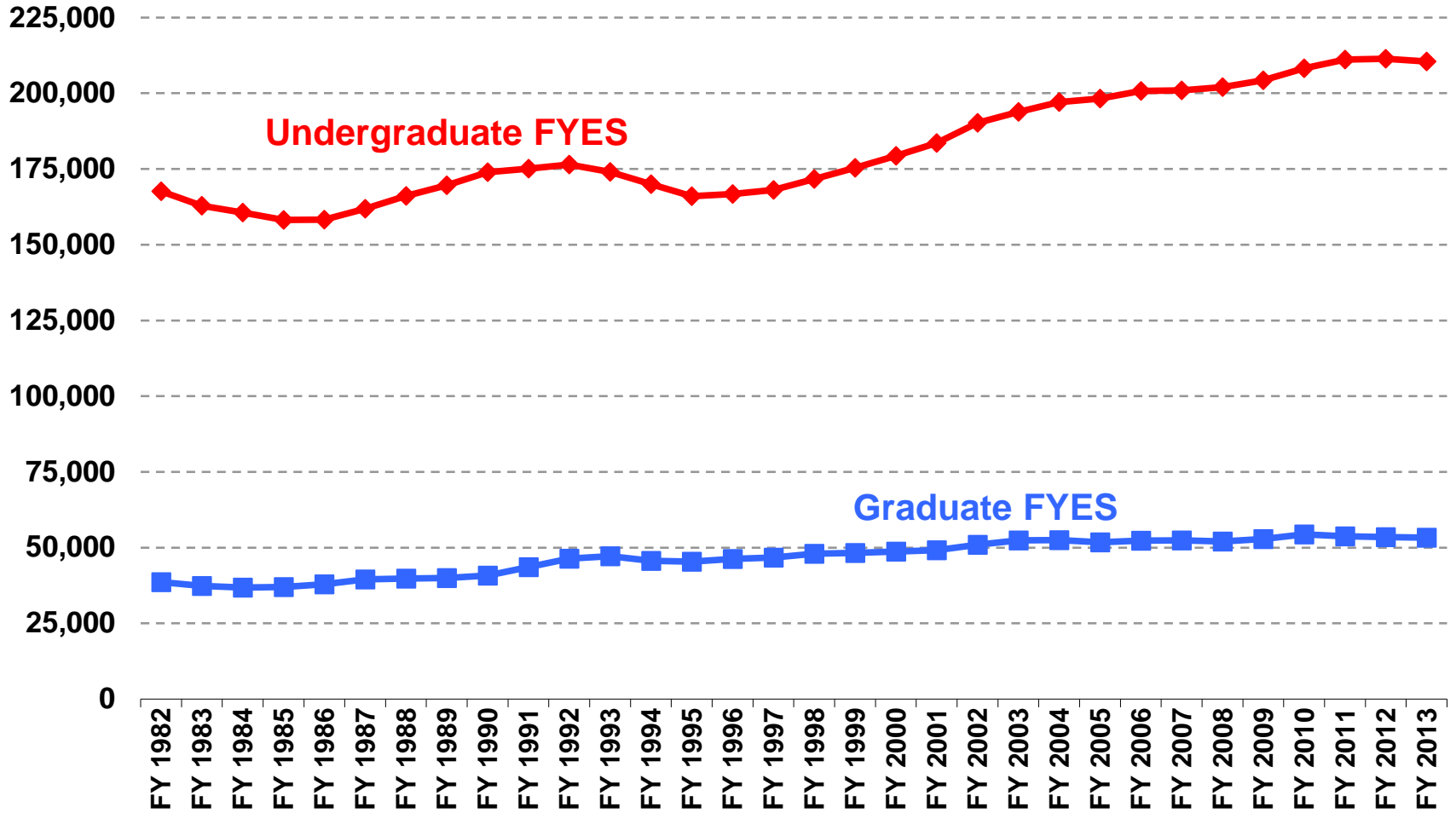
Key Data Definitions

- As required by statute and budget act provisions, 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 2012-13 Public University Enrollments

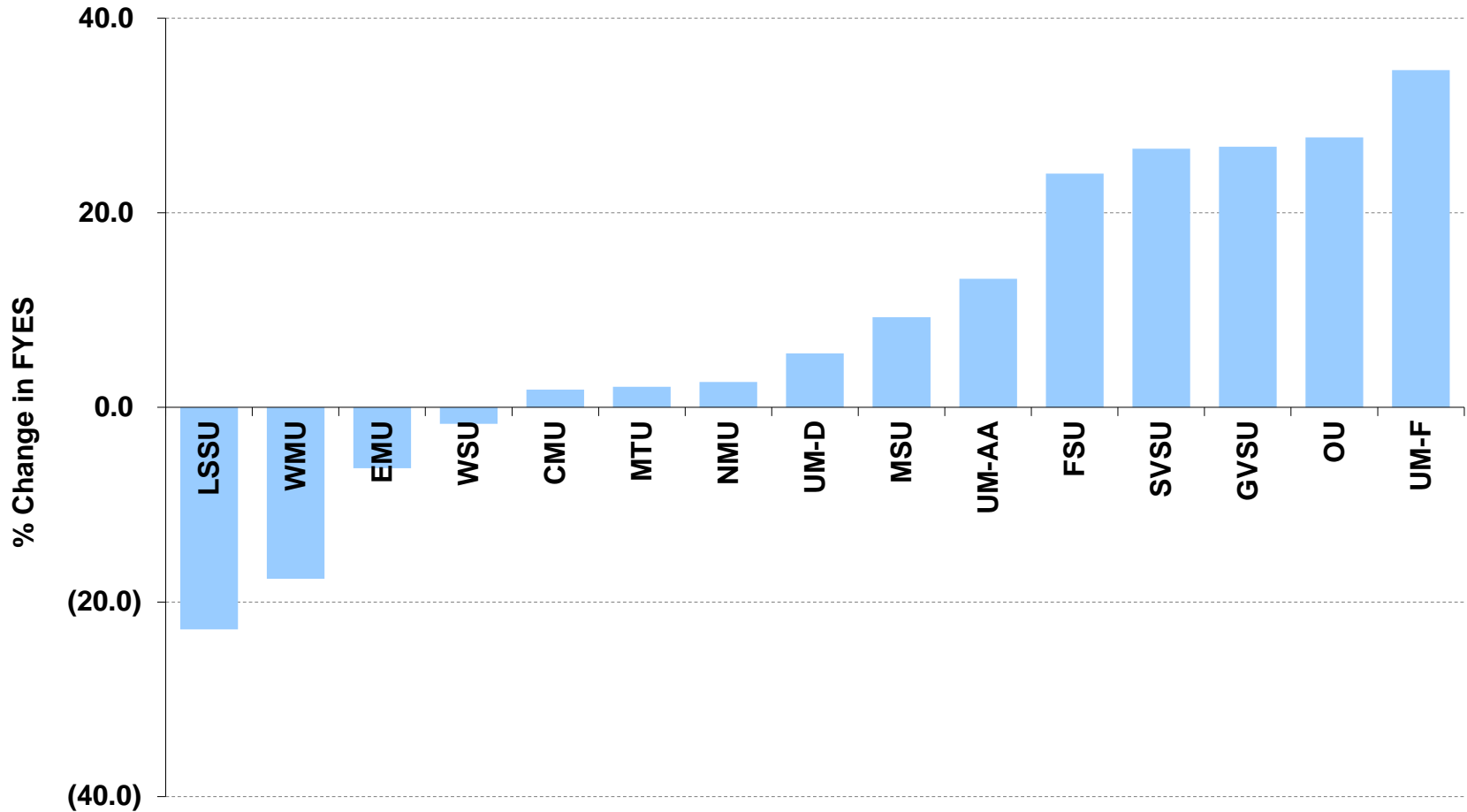


Public University Enrollment History



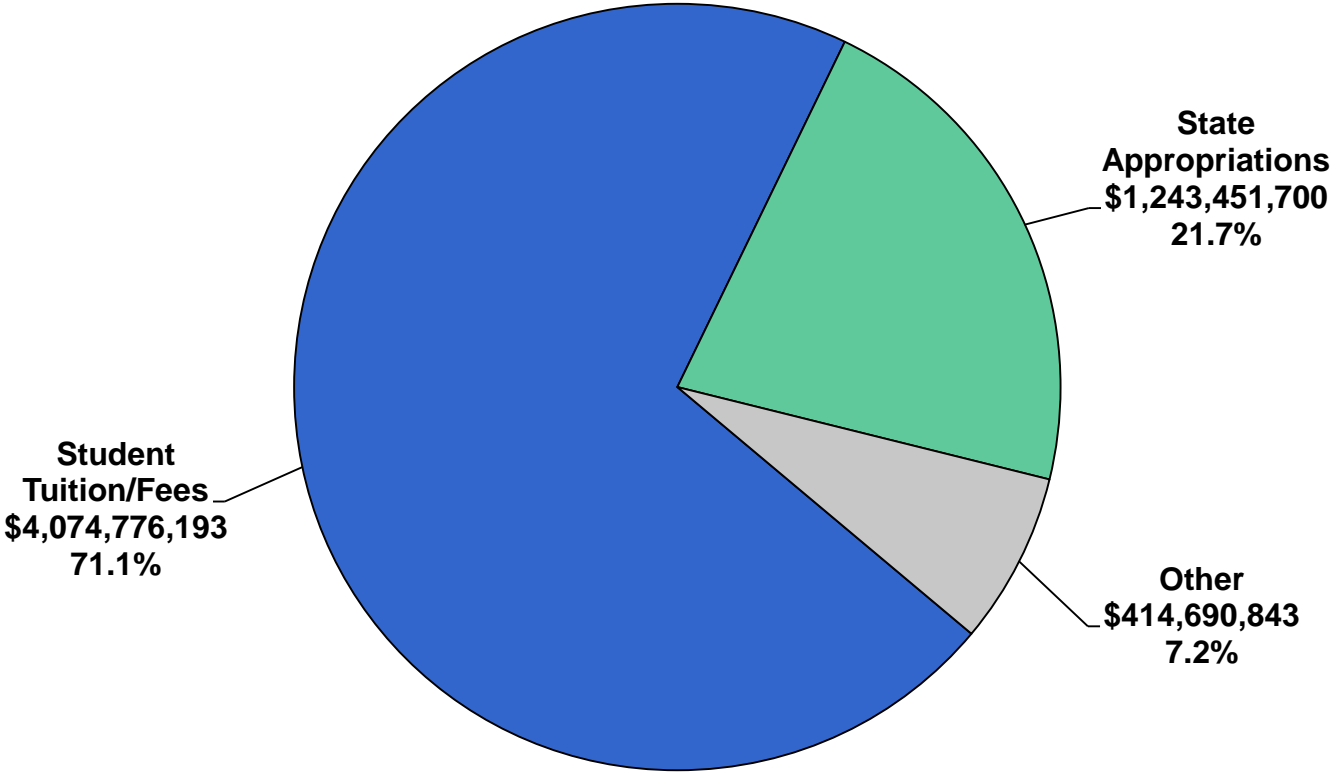
University Enrollment Growth

% Change in FYES: FY 2002-03 to FY 2012-13

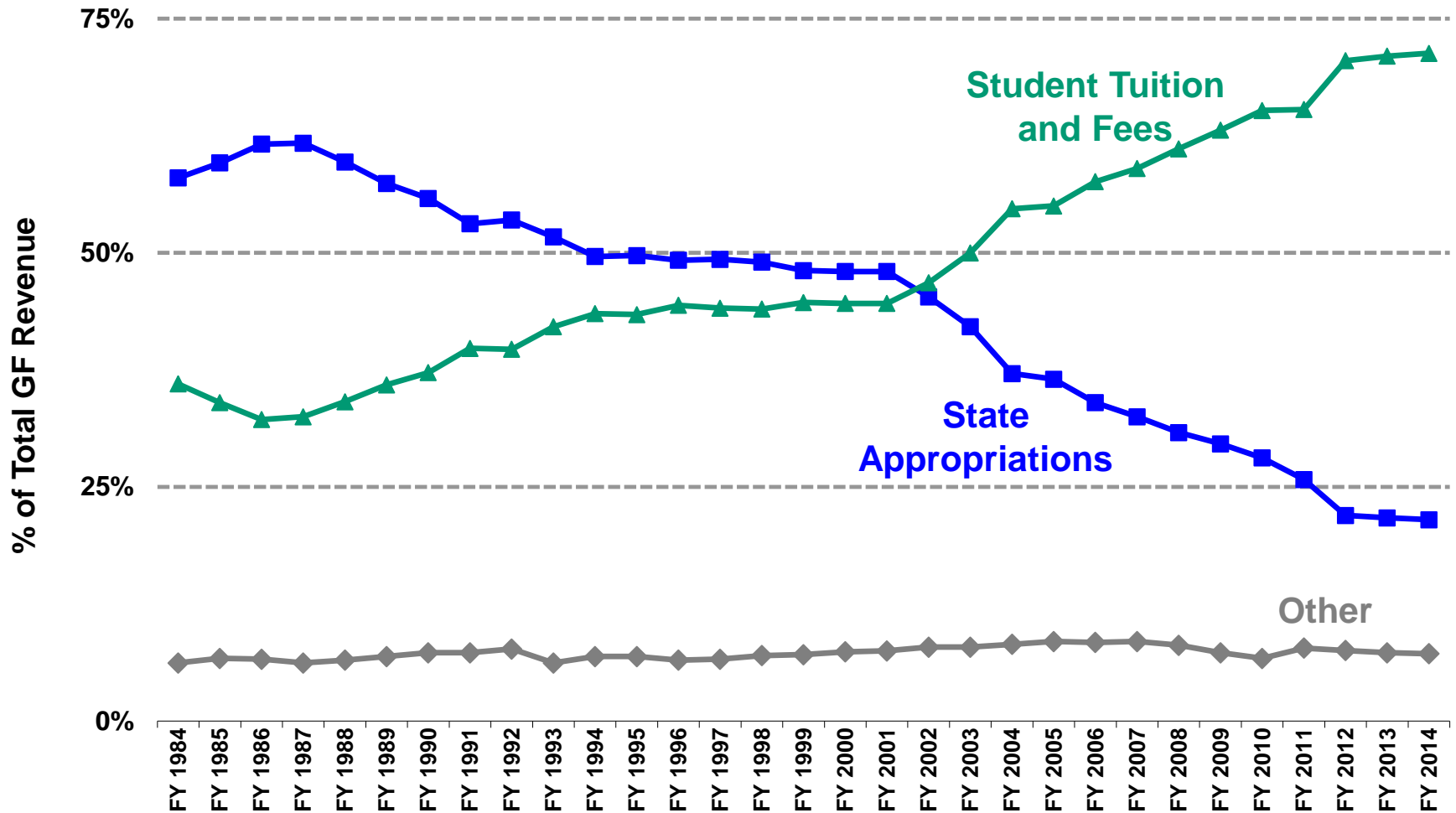


Public University General Fund Revenue

FY 2012-13 Total = \$5.7 Billion

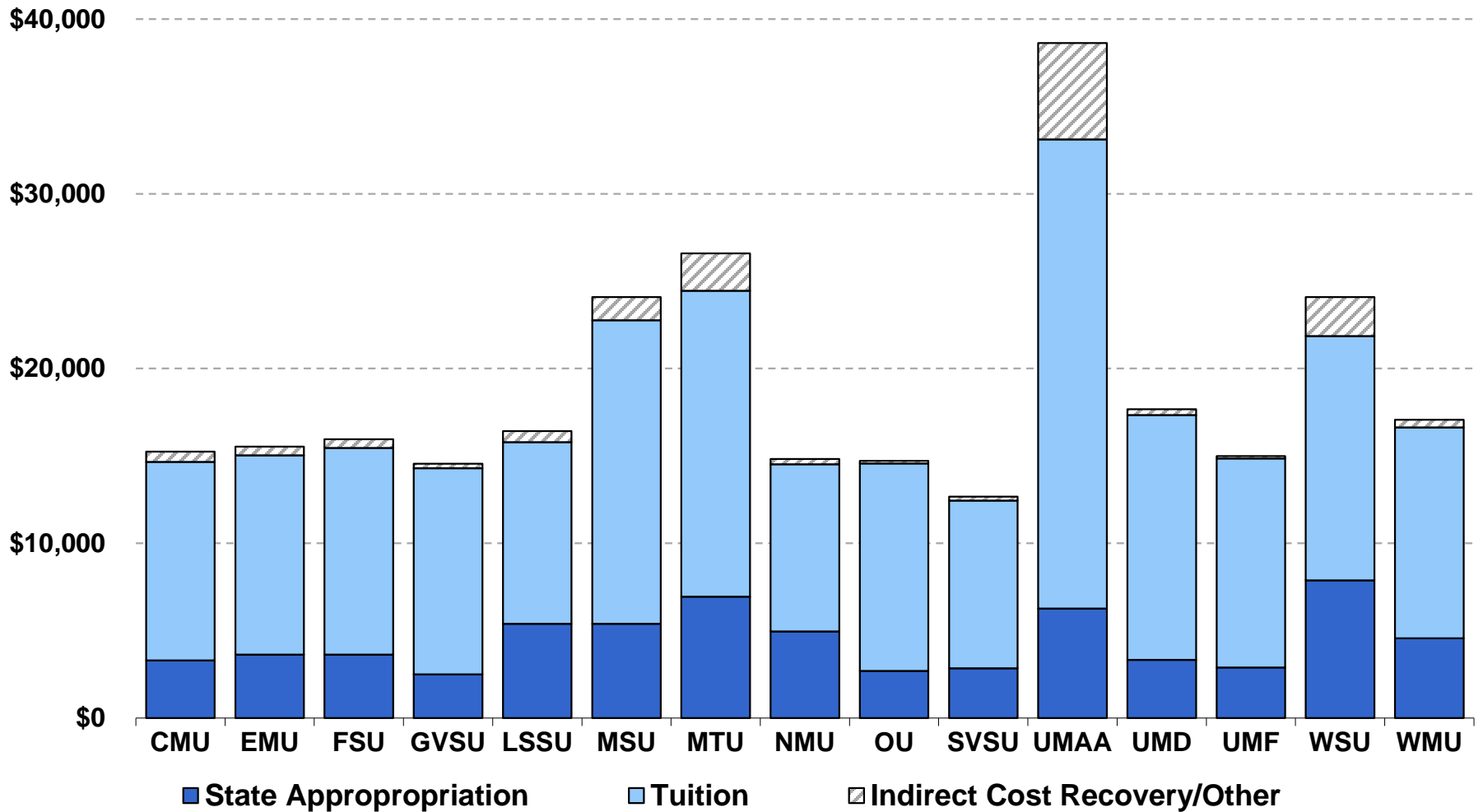


Public University General Fund Revenue Source History

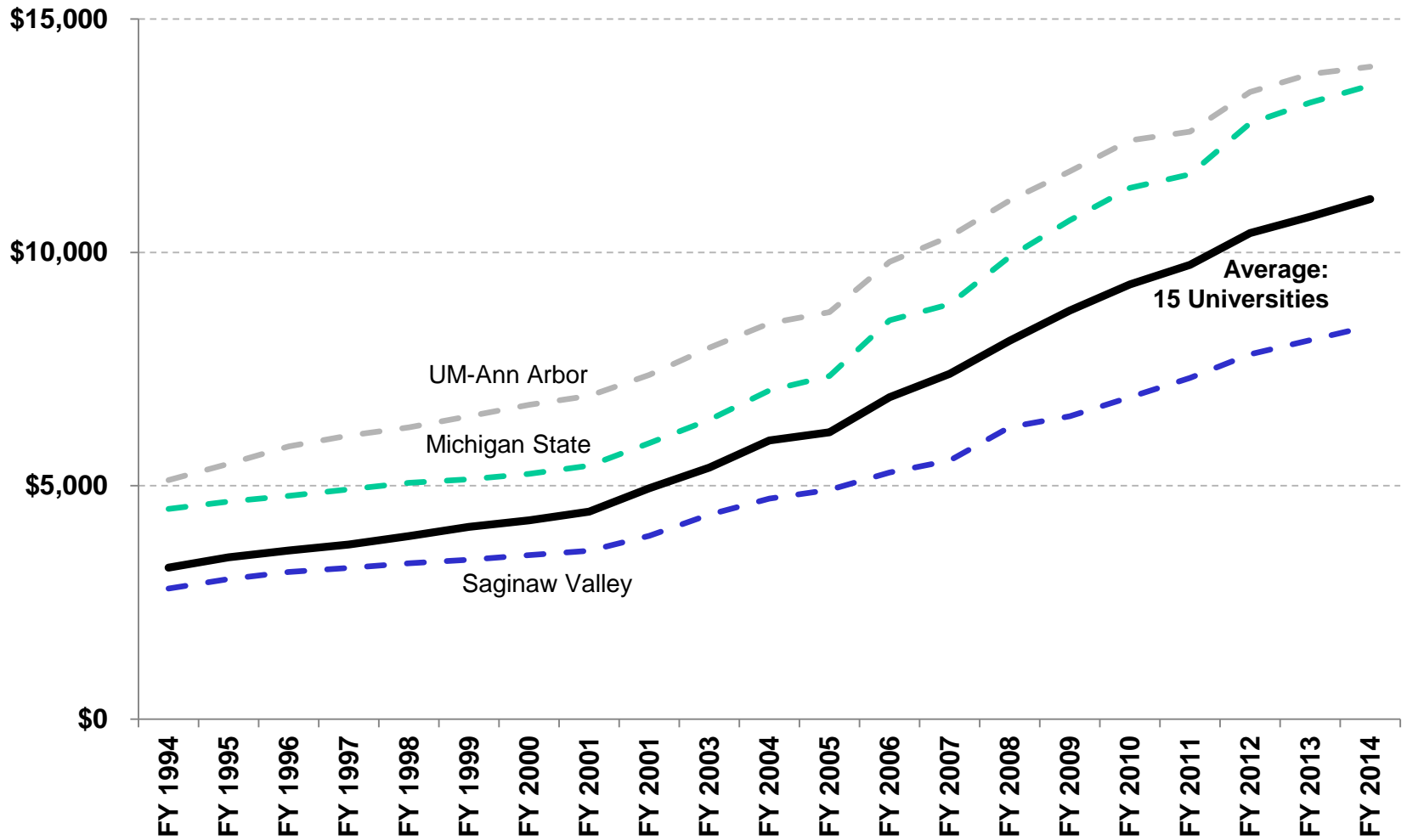


Note: FY 2013-14 amounts are estimates

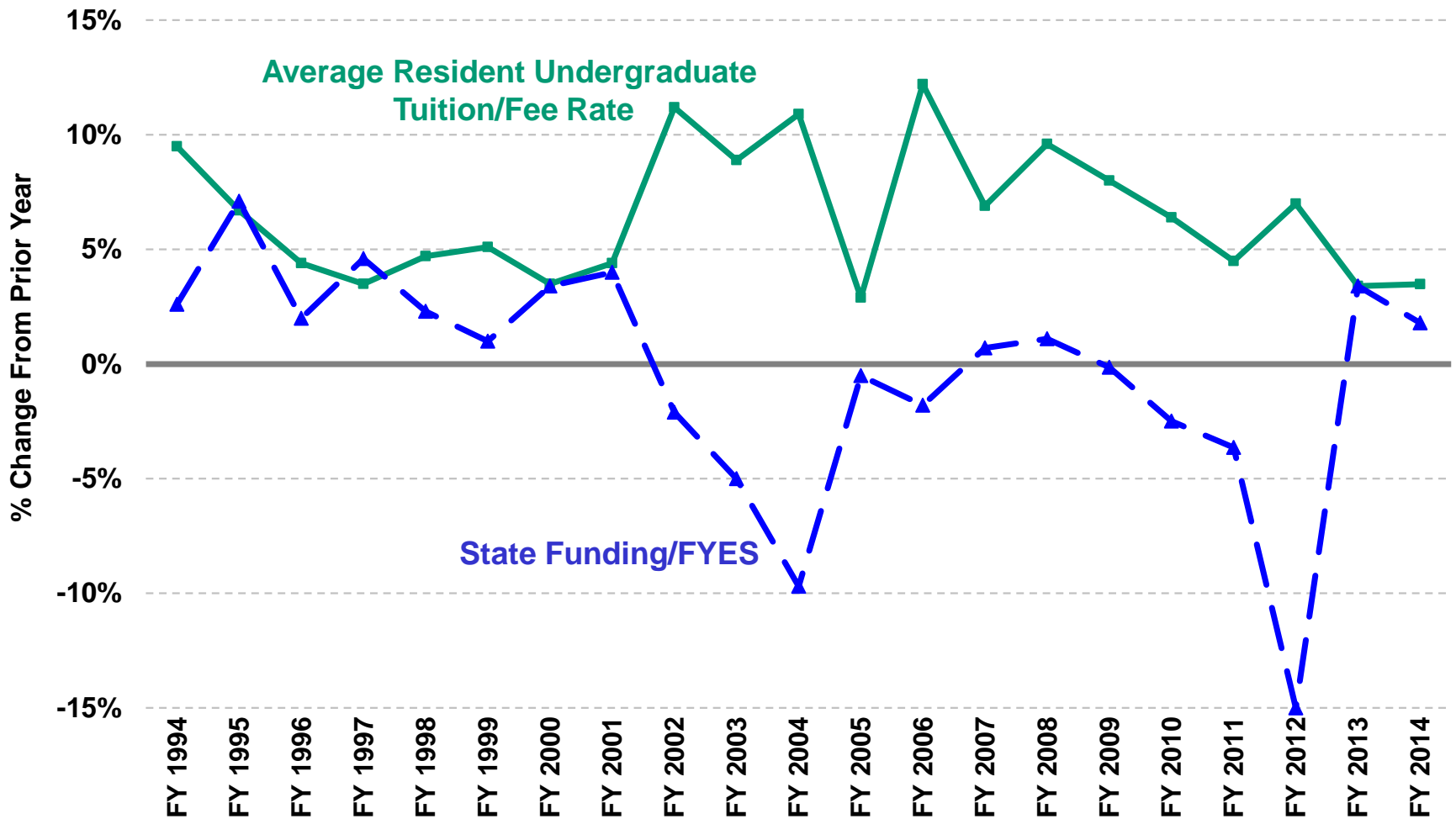
Public University General Fund Revenue per FYES: FY 2012-13



Average Resident Undergraduate Tuition and Fee Rate

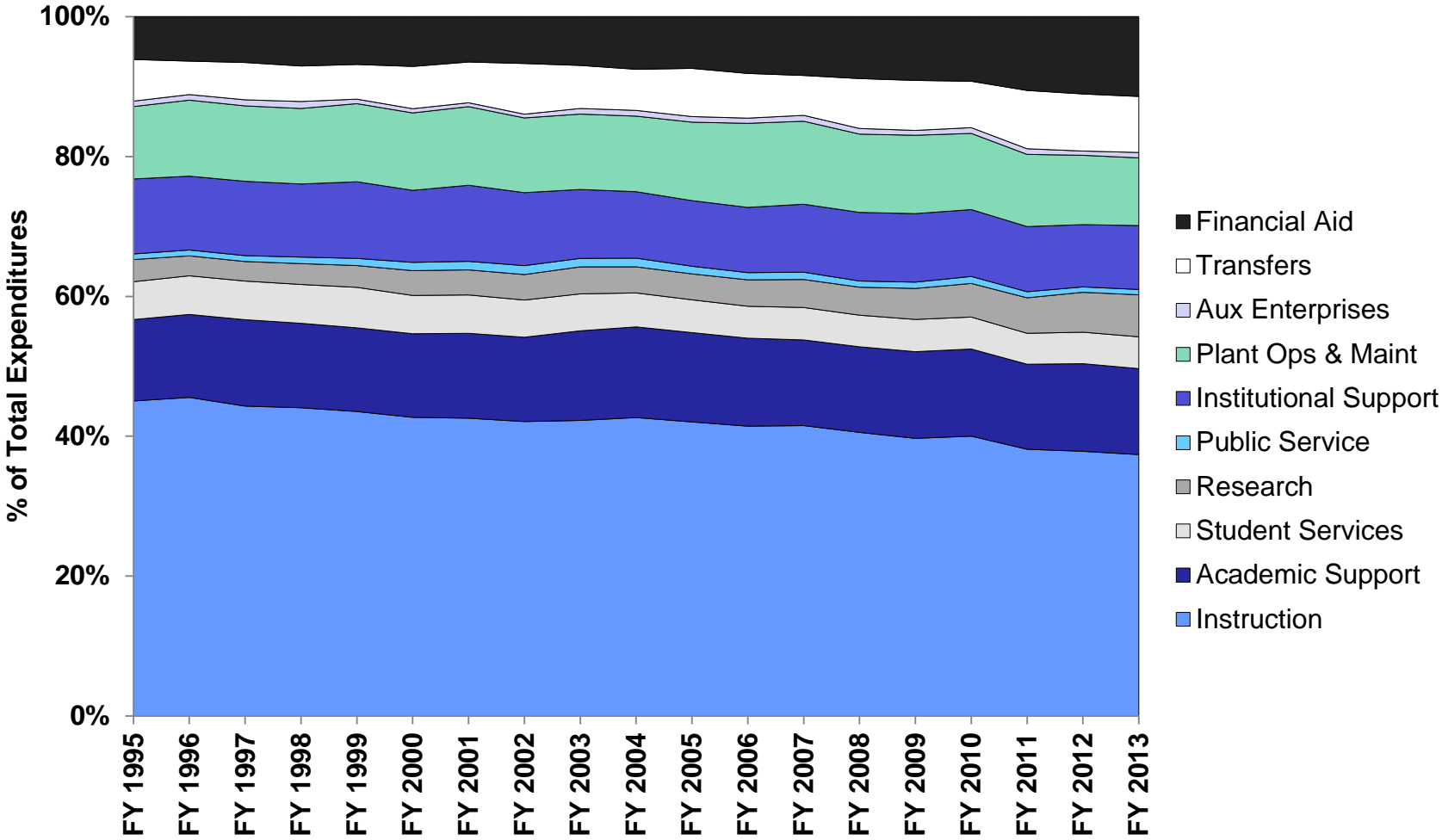


Tuition Rates and State Funding

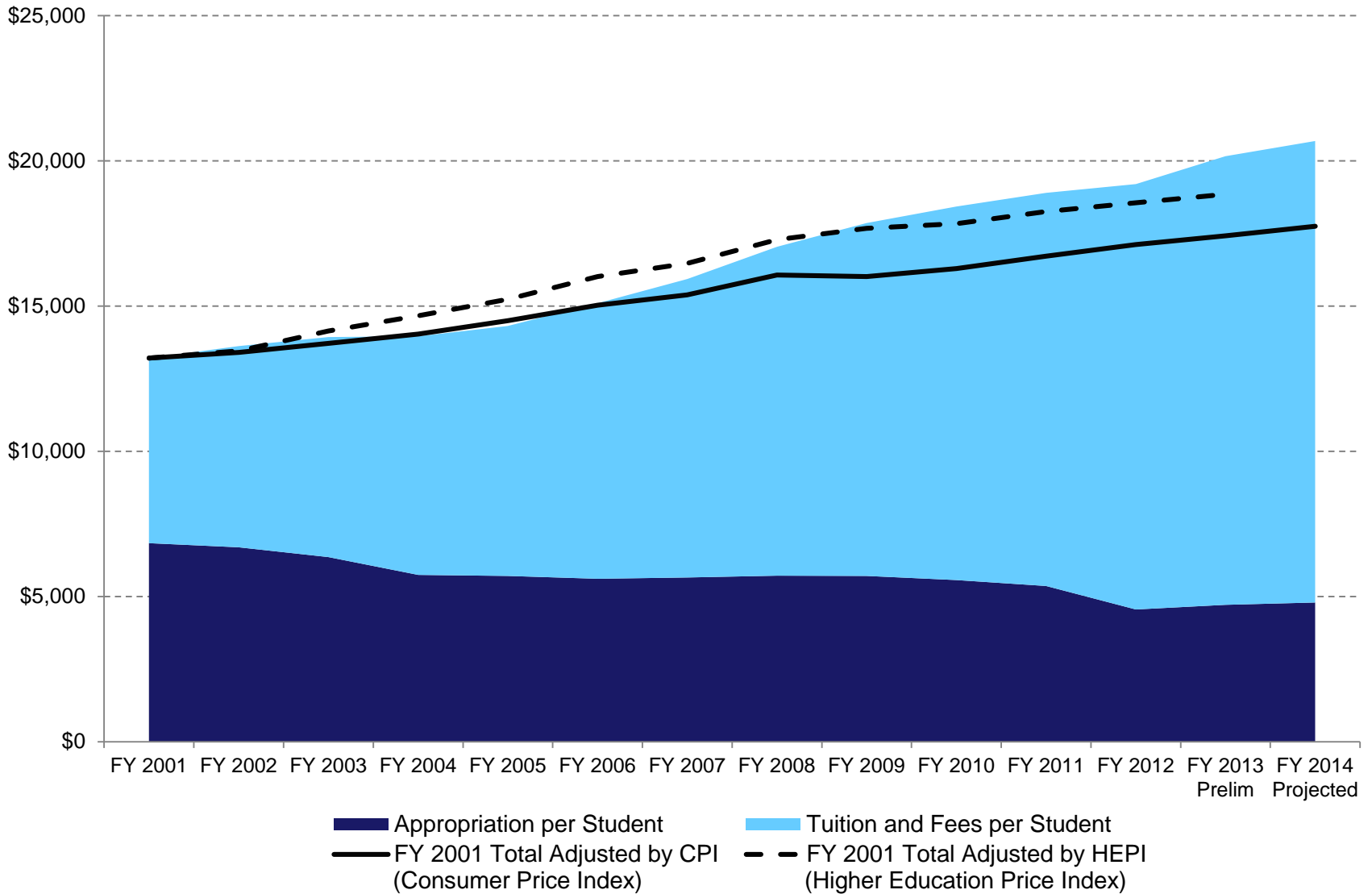


Note: Tuition Restraint policies were in place for FYs 2005, 2012, 2013, and 2014

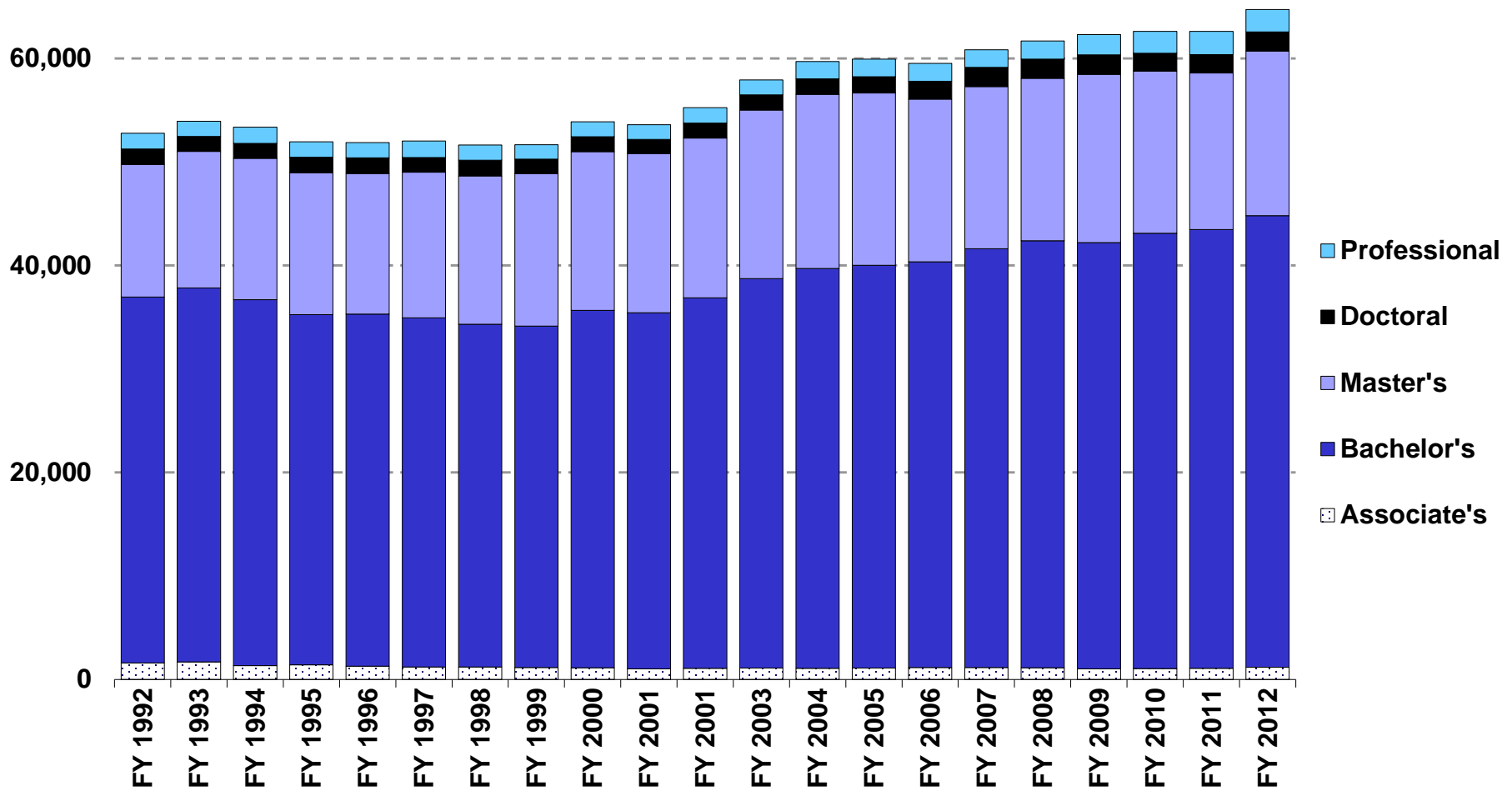
Public University General Fund Expenditures



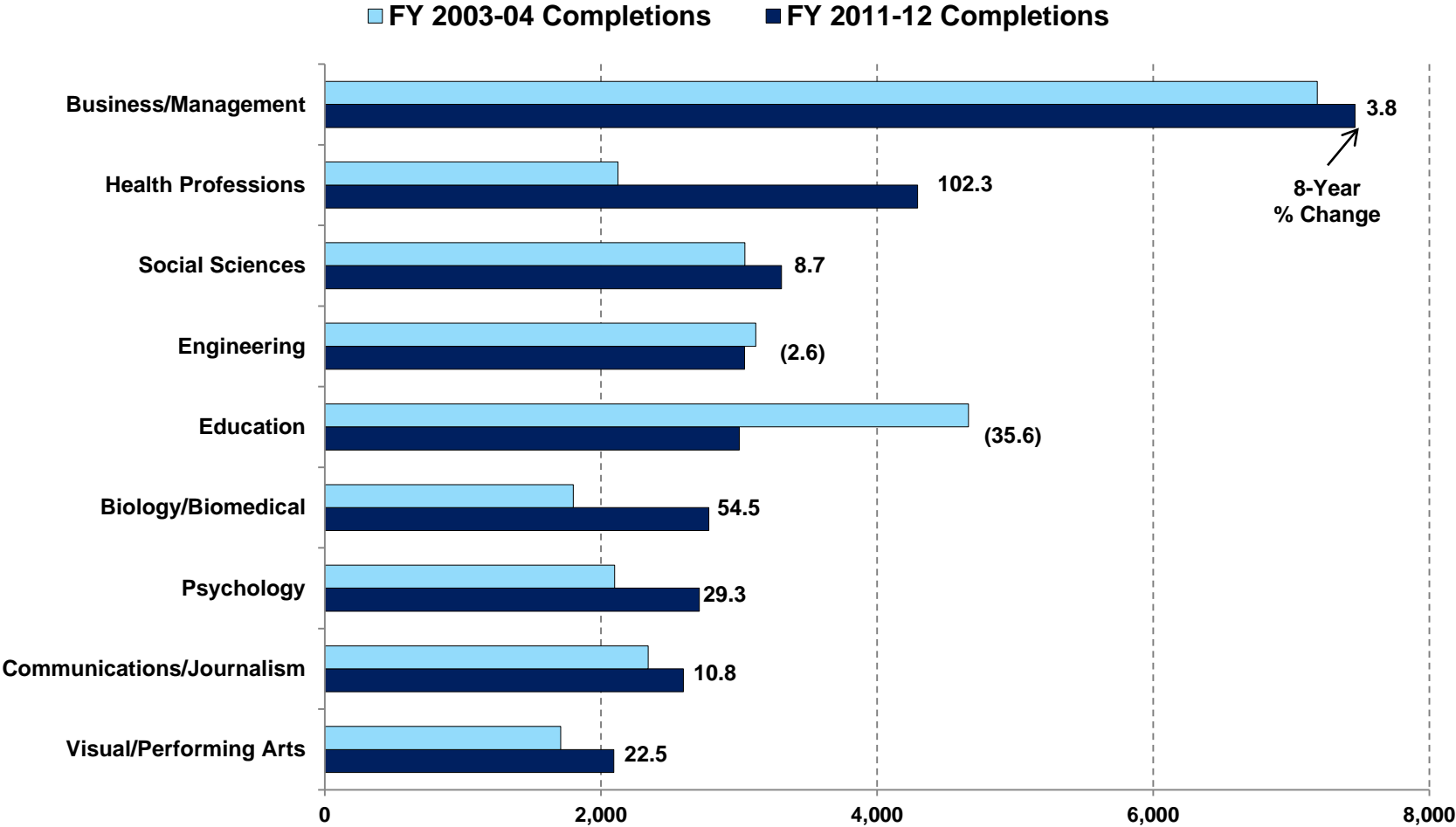
Growth in General Fund Operating Resources per FYES



Degree Completions at Public Universities



Major Public University Bachelor's Degree Program Areas



Major Challenges Going Forward

- **Declining Enrollment**
 - FY 2012-13 is the first year that total public university enrollment has fallen since FY 1994-95.
 - The number of public high school graduates in Michigan is projected to decline by 19% from FY 2007-08 to FY 2020-21.
- **Funding Mix:** A 5% increase in tuition charges now yields nearly a 4% increase in total operating revenue, whereas a 5% increase in state appropriations yields not much more than a 1% increase in total operating revenue
- **Performance Funding:** Universities must balance performance goals (critical skills area degree completion) against cost control.
- For more information, see the HFA report “State Appropriations, Tuition, and Public University Operating Costs”:
http://www.house.mi.gov/hfa/PDF/HigherEducation/State_Appropriations_Tuition,and_Public_University_OperatingCosts.pdf

**For more information about the
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