

Commentary on State Investment in Higher Education and the Economic Impact of College Attainment

House Appropriations Subcommittee on Higher Education



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March 15, 2018

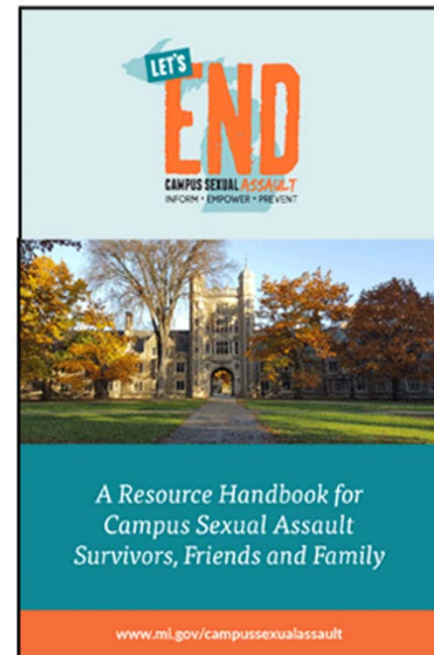
Agenda

- **Campus sexual assault prevention and response**
- **FY 2019 Executive Budget recommendation**
- **State higher education funding: the longer view**
- **Economic impact of educational attainment**
- **Q&A**



Commitment to Campus Sexual Assault Prevention and Response

- Diligence in ensuring campuses are safe places to learn, live, and work
- Extensive and continual outreach on sexual violence prevention (Sec. 274c reports)
- Transparency in reporting (Clery Act / Sec. 245 transparency website / Sec. 274d report)
- MASU Title IX Directors committee
- MI State Police sexual assault prevention program
- Campus sexual assault prevention summits



**FY 2019 Executive Budget
Recommendation for
Higher Education**

FY 2019 Executive Budget Recommendation for Higher Education

Operating Support

- 7th consecutive year of state reinvestment
- +2% (\$29.8M) distributed half across the board, half through formula funding
- *Collective* restoration of state operating support (WSU still below FY 2011 level)
 - Non-inflation: 2.6% Inflation-Adjusted: -7.7%
- Tuition increase incentive: 3.8% or \$490, whichever is higher

Student Financial Aid—Michigan Competitive Scholarship

- Michigan Competitive Scholarship: \$6M increase
(available to students attending public and private colleges)
- Tuition Incentive Program: \$1.5M increase
- Michigan Indian Tuition Waiver: \$300K reduction

Capital Outlay

- No projects recommended, despite increasing scores



**Longer Term Trend:
State Higher Education
Funding**

**STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS
TOTAL COMPARED IN SELECTED BUDGET AREAS
(Millions of Dollars)**

Budget Area	FY 2007-08 Year-to-Date Appropriations	FY 2017-18 Initial Appropriations	Dollar Difference	Percent Change
Health and Human Services	\$6,514.5	\$6,799.9	\$285.4	4.4%
Corrections	2,066.2	1,987.8	(78.5)	(3.8)
K-12 School Aid	11,421.8	12,851.9	1,430.1	12.5
Community Colleges	318.9	399.3	80.4	25.2
Higher Education	1,771.5	1,517.7	(253.8)	(14.3)
Revenue Sharing-Constitutional	688.2	798.1	109.9	16.0
Revenue Sharing-Nonconstitutional	388.2	480.1	91.9	23.7
All Other Programs	5,272.0	7,296.2	2,024.2	38.4
Total State Spending	\$28,441.3	\$32,131.1	\$3,689.8	13.0%
Addendum:				
Medicaid Caseload	1,550,654	2,450,000	899,346	58.0%
Prison Population	51,454	41,148	(10,306)	(20.0)
K-12 Pupil Count	1,652,555	1,486,500	(166,055)	(10.0)
University Students	254,231	260,817	6,586	2.6
Community College Students	146,234	125,388	(20,846)	(14.3)
Michigan Personal Income (millions)	\$353,728.0	\$471,424.3	\$117,696.3	33.3%
Detroit Consumer Price Index	204.6	230.0	25.4	12.4%

Source: SFA, State Budget Overview, October 1, 2017

State Investment in Higher Education

--The Longer View--

- Michigan's rank in per capita state fiscal support for higher ed
2001: 20th Today: 43rd
- Trend since 1980 (past 38 years) – reaches zero in 26 years

State University Operating Support

2001

\$2.2 Billion

\$9,618 per full-time student

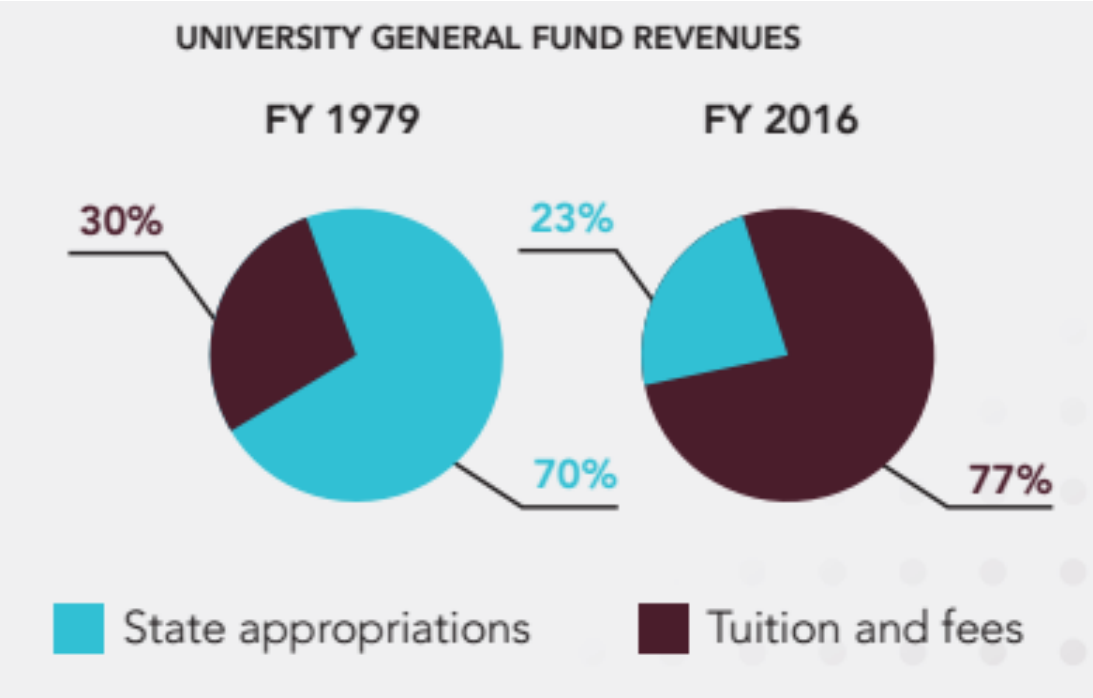
2017

\$1.4 Billion

\$5,392 per full-time student

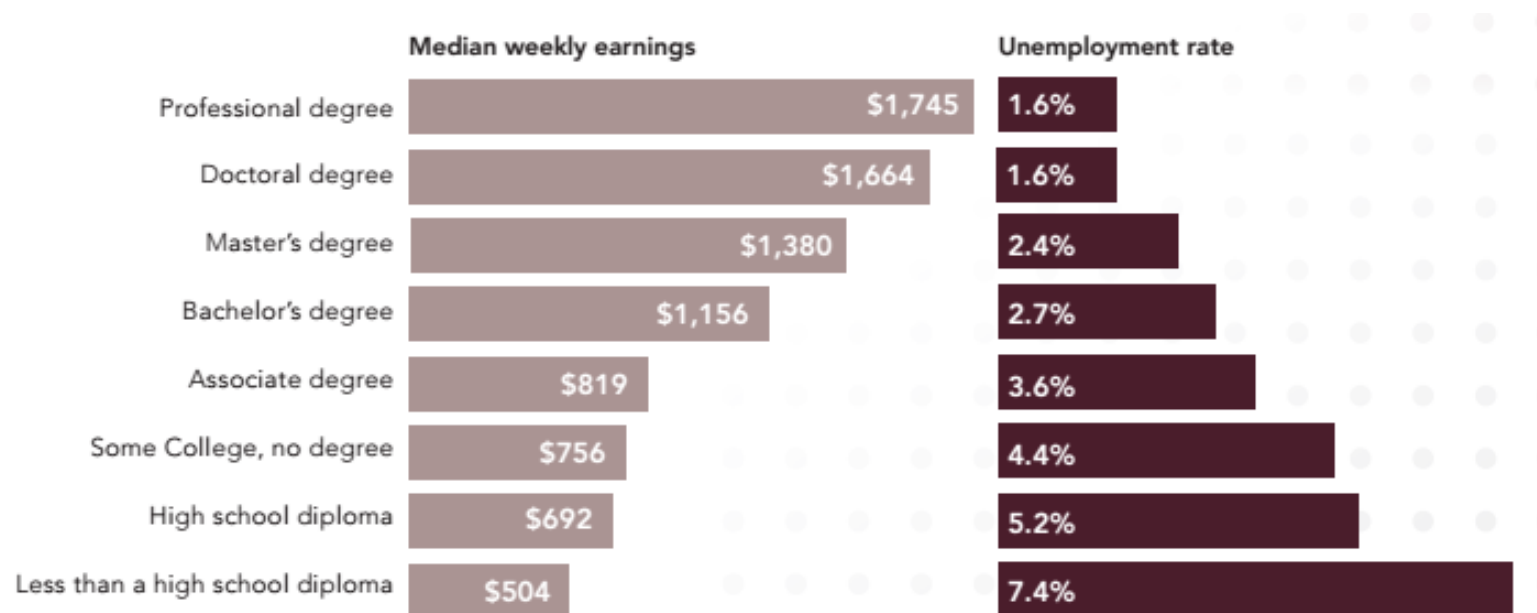
....a **44%** decrease in state funding per-student (inflation-adjusted)

The State-to-Student Cost Shift in Paying for a Public University Education



Economic Impact of Higher Education Attainment

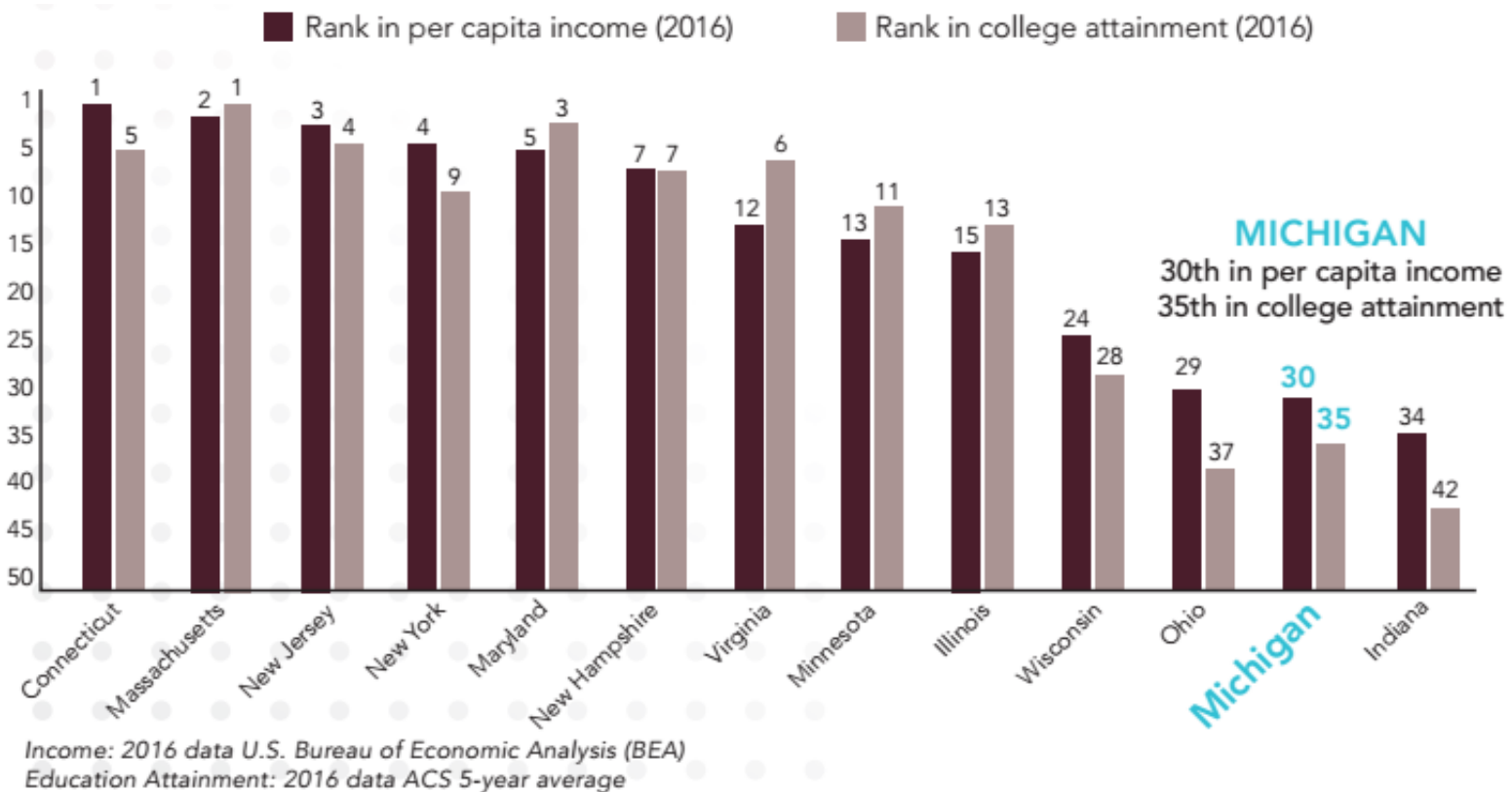
Earnings & Employment Rate by Educational Attainment, 2016



Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers.

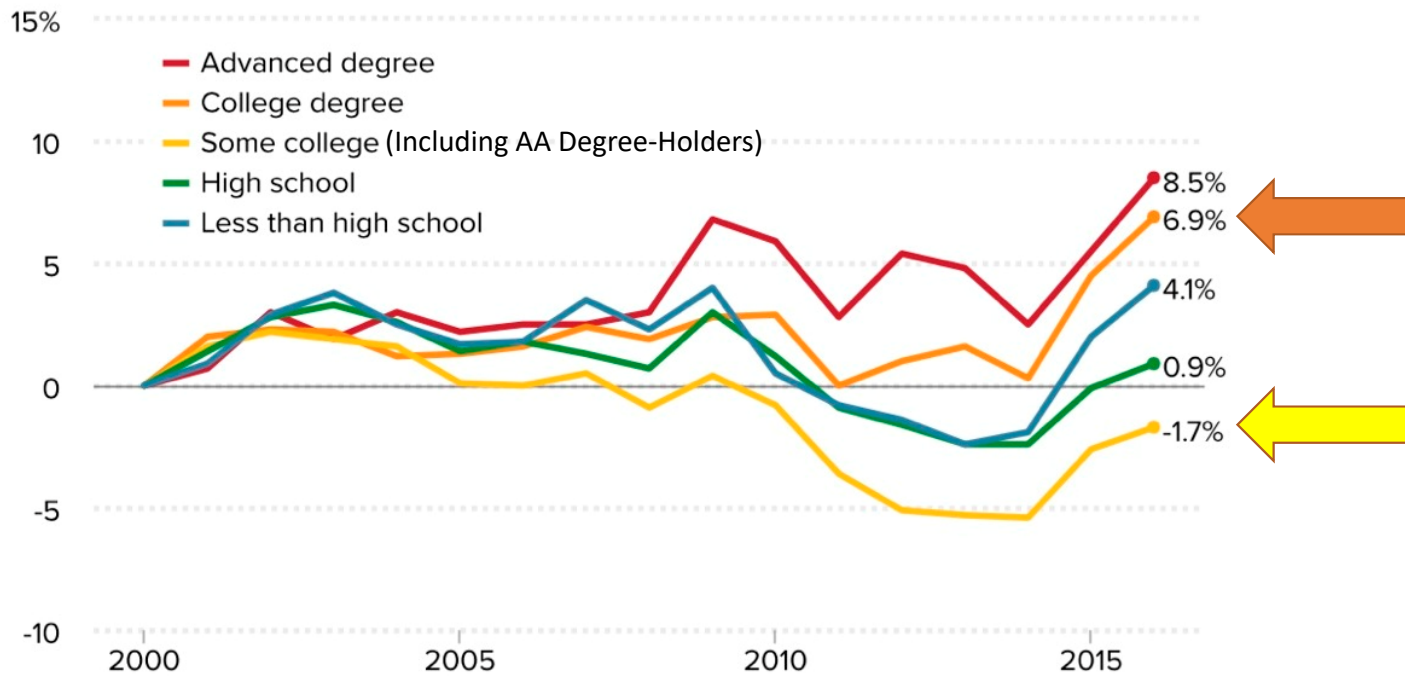
Source: U.S. Bureau of Labor Statistics, Current Population Survey

The Most Prosperous States have the most College Graduates



The Four-Year Degree Wage Premium Continues to Grow

Cumulative percent change in real average hourly wages, by education, 2000–2016



Note: Sample based on all workers age 18–64.

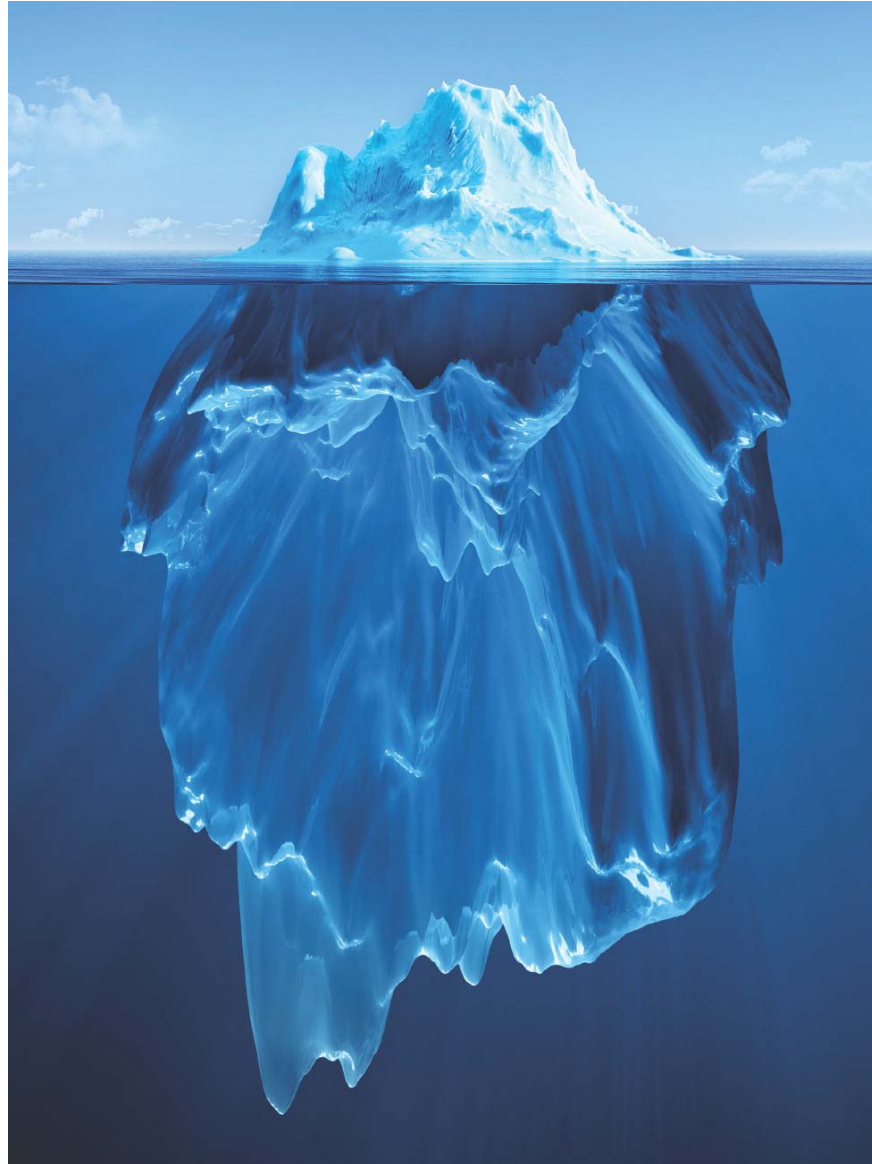
Data: EPI Current Population Survey / Analysis: Michigan Future, Inc.

Earnings and Job Security:

Security:

Just the tip of the iceberg in measuring total (lifetime) value of college attainment

Study by Philip Trostel, Professor of Economics and Public Policy, Margaret Chase Smith Policy Center and School of Economics, University of Maine.



Source:
The Tip of the Iceberg,
Change, the Magazine
of Higher Learning
May/June 2017

A More Accurate Portrait of the Value of College Attainment

- **Lifetime Taxes Paid**

- Federal, social security, state, property, sales

- **Public Assistance**

- Medicaid, food stamps, school lunches, cash assistance, energy assistance, housing subsidies

- **Social Insurance**

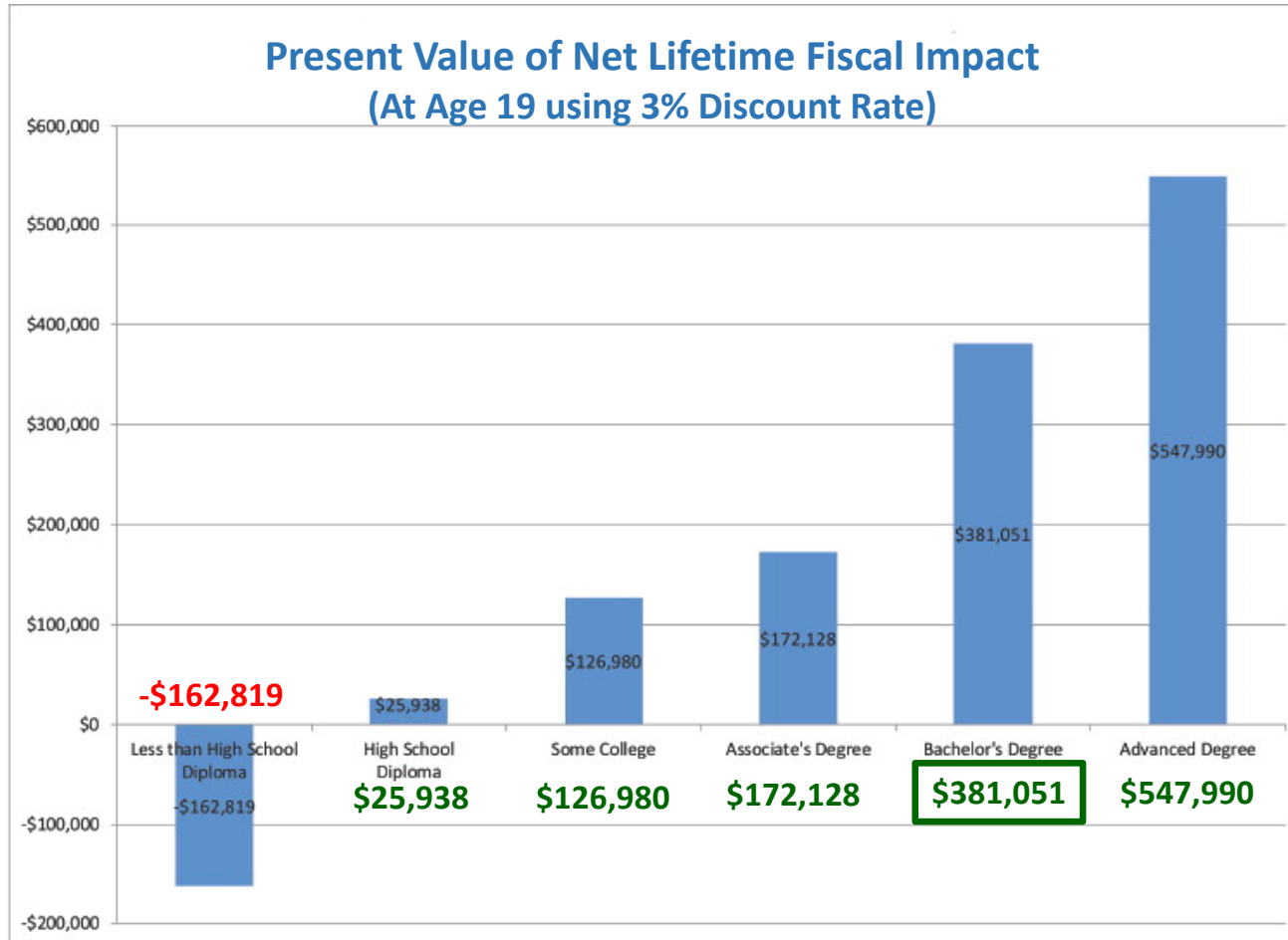
- Unemployment insurance, supplemental security, disability, workers' compensation

Philanthropic Contributions: Not factored in, but very relevant

Net Lifetime Fiscal Impact of College Attainment

Lifetime Taxes Paid, minus Public Assistance and Social Insurance

Present Value of Net Lifetime Fiscal Impact
(At Age 19 using 3% Discount Rate)



College Degree vs. High School Diploma:

\$355,113 more in net lifetime fiscal impact

Study by Philip Trostel, Professor of Economics and Public Policy, Margaret Chase Smith Policy Center and School of Economics, University of Maine.

Source: *The Tip of the Iceberg, Change*, the Magazine of Higher Learning May/June 2017



Summary: Lifetime Value of College Attainment

College Attainment...



- Creates higher incomes for graduates, but also for others
- Substantially reduces others' tax burdens by creating greater tax revenues *and* lower government spending on public assistance and social insurance
- Leads to college graduates having lower rates of disabilities, significantly better health, and longer life expectancy
- Generates college graduates who give more to charities, and are more civically engaged in their communities and broader society

Study by Philip Trostel, Professor of Economics and Public Policy, Margaret Chase Smith Policy Center and School of Economics, University of Maine.

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Thank You

