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: $1,101,628,300 (12.2%)
- Community Health: $2,817,437,800 (31.2%)
- Corrections: $1,941,485,600 (21.5%)
- Other: $1,326,887,200 (14.7%)
- Human Services: $1,028,769,600 (11.4%)
- Debt Service / SBA Rent: $391,911,000 (4.3%)
- Community Colleges: $96,516,400 (1.1%)
- State Police: $317,513,800 (3.5%)

House Fiscal Agency: February 2013
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

School Aid
$10,961,087,100
96.5%

Community Colleges
$197,614,100
1.7%

Higher Education
$200,465,700
1.8%
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

<table>
<thead>
<tr>
<th>University</th>
<th>Abbreviation</th>
<th>Founded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Michigan University</td>
<td>CMU</td>
<td>1892</td>
</tr>
<tr>
<td>Eastern Michigan University</td>
<td>EMU</td>
<td>1849</td>
</tr>
<tr>
<td>Ferris State University</td>
<td>FSU</td>
<td>1884</td>
</tr>
<tr>
<td>Grand Valley State University</td>
<td>GVSU</td>
<td>1960</td>
</tr>
<tr>
<td>Lake Superior State University</td>
<td>LSSU</td>
<td>1946</td>
</tr>
<tr>
<td>Michigan State University</td>
<td>MSU</td>
<td>1855</td>
</tr>
<tr>
<td>Michigan Tech. University</td>
<td>MTU</td>
<td>1885</td>
</tr>
<tr>
<td>Northern Michigan University</td>
<td>NMU</td>
<td>1899</td>
</tr>
<tr>
<td>Oakland University</td>
<td>OU</td>
<td>1957</td>
</tr>
<tr>
<td>Saginaw Valley State University</td>
<td>SVSU</td>
<td>1963</td>
</tr>
<tr>
<td>University of Michigan – Ann Arbor</td>
<td>UMAA</td>
<td>1817</td>
</tr>
<tr>
<td>University of Michigan – Dearborn</td>
<td>UMD</td>
<td>1959</td>
</tr>
<tr>
<td>University of Michigan – Flint</td>
<td>UMF</td>
<td>1956</td>
</tr>
<tr>
<td>Wayne State University</td>
<td>WSU</td>
<td>1868</td>
</tr>
<tr>
<td>Western Michigan University</td>
<td>WMU</td>
<td>1903</td>
</tr>
</tbody>
</table>
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):
  - FYES = credit hours divided by 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
Comparisons vs. national Carnegie peers | $6.0 million
  - 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

<table>
<thead>
<tr>
<th>Institution</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>LSSU</td>
<td>12%</td>
</tr>
<tr>
<td>UMF</td>
<td>9%</td>
</tr>
<tr>
<td>SVSU</td>
<td>9%</td>
</tr>
<tr>
<td>FSU</td>
<td>6%</td>
</tr>
<tr>
<td>NMU</td>
<td>6%</td>
</tr>
<tr>
<td>UMD</td>
<td>6%</td>
</tr>
<tr>
<td>GVSU</td>
<td>3%</td>
</tr>
<tr>
<td>CMU</td>
<td>3%</td>
</tr>
<tr>
<td>MTU</td>
<td>3%</td>
</tr>
<tr>
<td>OU</td>
<td>3%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>12%</td>
</tr>
<tr>
<td>EMU</td>
<td>0%</td>
</tr>
<tr>
<td>WMU</td>
<td>0%</td>
</tr>
<tr>
<td>UMAA</td>
<td>0%</td>
</tr>
<tr>
<td>MSU</td>
<td>0%</td>
</tr>
<tr>
<td>WSU</td>
<td>0%</td>
</tr>
</tbody>
</table>

House Fiscal Agency: February 2013
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

- Tuition Incentive Program: $43,800,000 (44.6%)
- Tuition Grants: $31,664,700 (32.2%)
- State Competitive Scholarships: $18,361,700 (18.7%)
- Other: $4,400,000 (4.5%)
Changes in State-Funded Financial Aid by Category

Note: Excludes federally-funded programs
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

Note: FY 2013 reflects appropriated amount
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

House Fiscal Agency: February 2013
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

- Student Tuition/Fees: $3,878,117,425 (70.5%)
- State Appropriations: $1,207,234,700 (21.9%)
- Other: $414,690,843 (7.5%)
Public University General Fund Revenue Source History

Note: FY 2012-13 amounts are estimates
Tuition Rates and State Funding

Note: Tuition Restraint policies were in place for FYs 2005, 2012, and 2013
Combined Operating Resource Growth

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

Total Resources per Undergraduate Student = $11,643
Avg Resident Undergraduate Tuition Rate = $4,945
State Appropriation per Student = $6,698

Total Resources per Undergraduate Student = $11,860
Avg Resident Undergraduate Tuition Rate = $8,277
State Appropriation per Student = $3,583
Degree Completions at Public Universities

[Bar chart showing degree completions from FY 1992 to FY 2012, with categories for Professional, Doctoral, Master's, Bachelor's, and Associate's degrees.]
Major Public University
Bachelor’s Degree Program Areas

<table>
<thead>
<tr>
<th>Program Area</th>
<th>FY 2003-04 Completions</th>
<th>FY 2011-12 Completions</th>
<th>8-Year % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business/Management</td>
<td>3.8</td>
<td>102.3</td>
<td>102.3</td>
</tr>
<tr>
<td>Health Professions</td>
<td></td>
<td></td>
<td>(35.6)</td>
</tr>
<tr>
<td>Social Sciences</td>
<td>8.7</td>
<td>(2.6)</td>
<td>(2.6)</td>
</tr>
<tr>
<td>Engineering</td>
<td></td>
<td>54.5</td>
<td>54.5</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td>(35.6)</td>
<td>(35.6)</td>
</tr>
<tr>
<td>Biology/Biomedical</td>
<td>29.3</td>
<td>22.5</td>
<td>22.5</td>
</tr>
<tr>
<td>Psychology</td>
<td></td>
<td>10.8</td>
<td>10.8</td>
</tr>
<tr>
<td>Communications/Journalism</td>
<td></td>
<td></td>
<td>8.7</td>
</tr>
<tr>
<td>Visual/Performing Arts</td>
<td></td>
<td></td>
<td>(35.6)</td>
</tr>
</tbody>
</table>
For more information about the Higher Education budget, contact:

Kyle I. Jen
kjen@house.mi.gov
(517) 373-8080