HOUSE FISCAL AGENCY

Budget Briefing: Higher Education

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September 2026

Briefing Topics

- Funding Sources
- Appropriations Areas
- Major Budget Topics
  - Public University Data
  - Continuing Challenges for Higher Education Budget

Higher Education Budget

- **Article VIII of the State Constitution addresses public universities:**
  - **Section 4** requires legislature to appropriate funds to maintain Michigan's 15 public universities
  - **Section 5** provides for elected boards of control for the University of Michigan, Michigan State, and Wayne State
  - **Section 6** provides for appointed boards of control for remaining universities
  - **Sections 5 and 6** grant each university board "the control and direction of all expenditures from the institution's funds," commonly referred to as constitutional autonomy
- **Annual Higher Education budget:**
  - Provides operational funds to the 15 public universities
  - Funds various financial aid programs
  - Supports several other university-related costs
  - Since FY 2011-12, has been enacted into compiled law as amendments to the School Aid Act

Key Budget Terms

Fiscal Year: The state's fiscal year (FY) runs from October to September. FY 2026-27 is October 1, 2026 through September 30, 2027.

Appropriation: Authority to expend funds. An appropriation is not a mandate to spend. Constitutionally, state funds cannot be expended without an appropriation by the legislature.

Line Item: Specific appropriation amount that establishes spending authorization for a particular program or function in a budget bill.

Boilerplate: Specific language sections in a budget bill that direct, limit, or restrict line item expenditures, express legislative intent, and/or require reports.

Lapses: Appropriated amounts that are unspent or unobligated at the end of a fiscal year. Appropriations are automatically terminated at the end of a fiscal year unless designated as a multi-year work project under a statutory process. Lapsed funds are available for expenditure in the subsequent fiscal year.

Note: Unless otherwise indicated, historical budget figures in this presentation have not been adjusted for inflation.

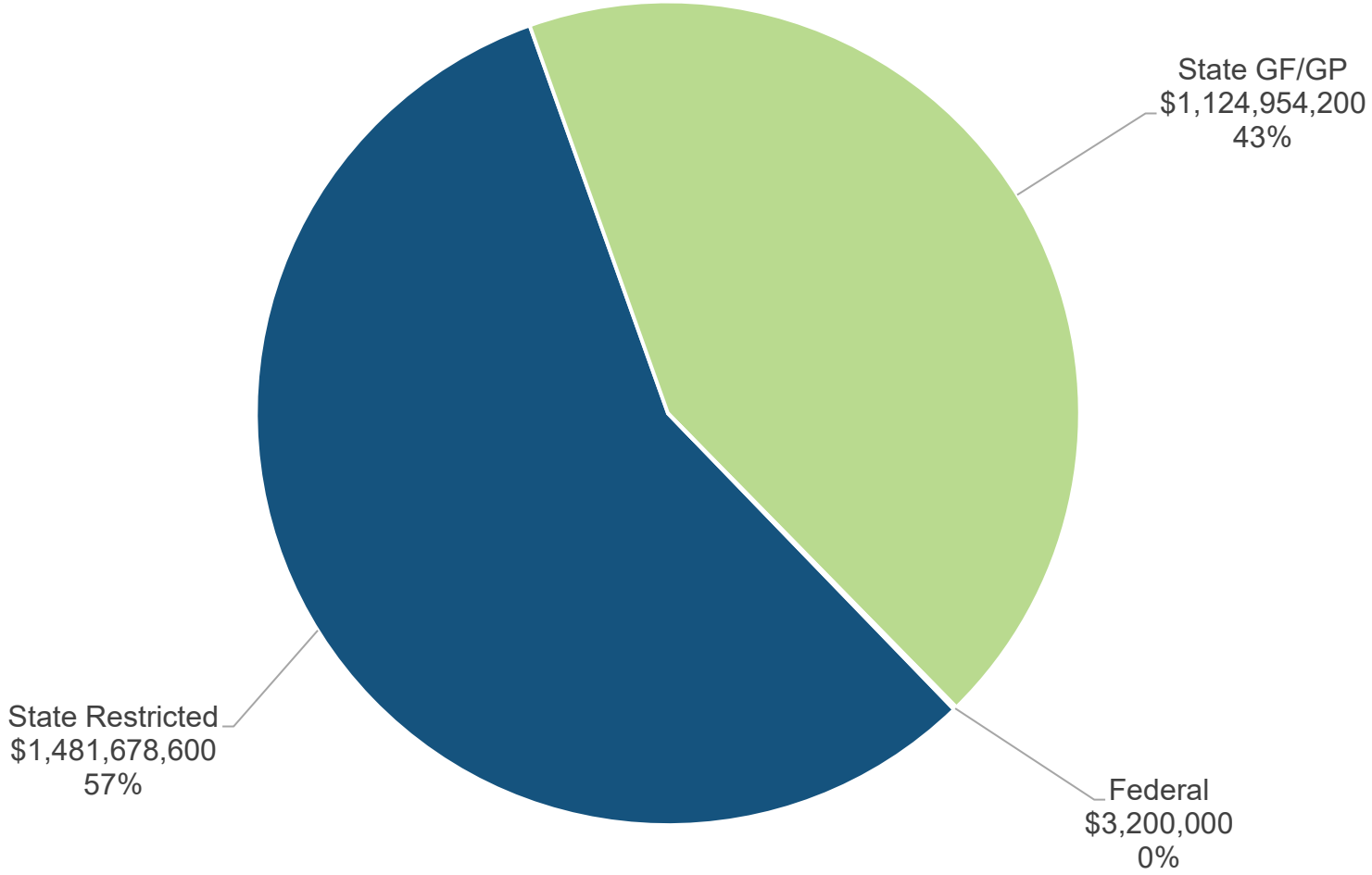
Funding Sources

FY 2026-27 Higher Education Budget

Fund Source	Funding	Description
Gross Appropriations	$2,609,832,800	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	0	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	$2,609,832,800	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	3,200,000	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	0	Revenue received from local units of government for state services
Private Revenue	0	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	1,481,678,600	State revenue restricted by the State Constitution, state statute, or outside restriction that is available only for specified purposes; includes most fee revenue
State General Fund/General Purpose (GF/GP) Revenue	$1,124,954,200	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the legislature

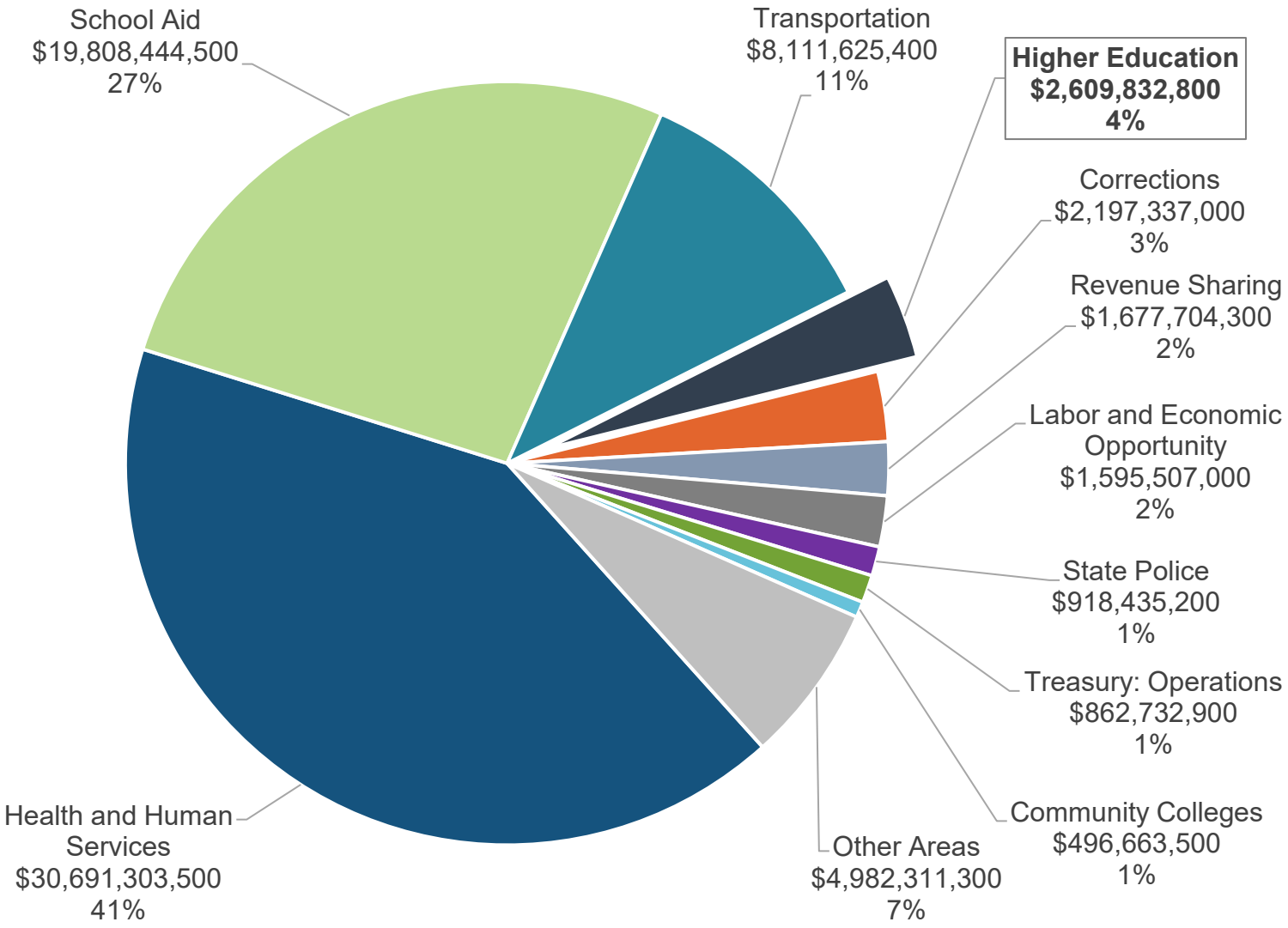
FY 2026-27 Fund Sources

For the first time, the majority of the **$2.6 billion** Higher Education budget is funded with state restricted money. Over $1.2 billion of the **$1.5 billion** in restricted funding is School Aid Fund appropriations.



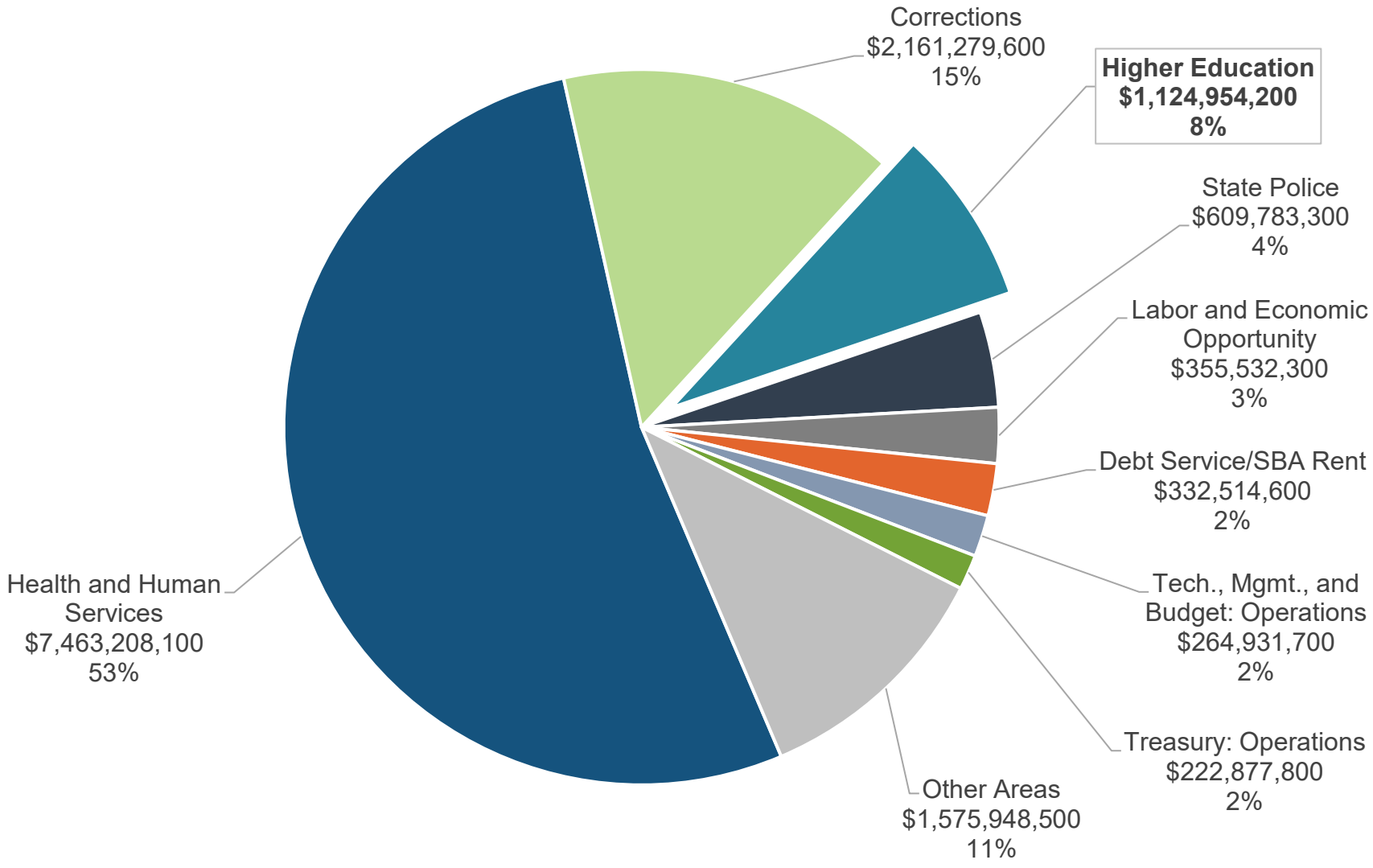
Higher Ed Share of Total State Budget

The Higher Education budget represents about **4%** of the **$74.0 billion** state budget (adjusted gross) for FY 2026-27.



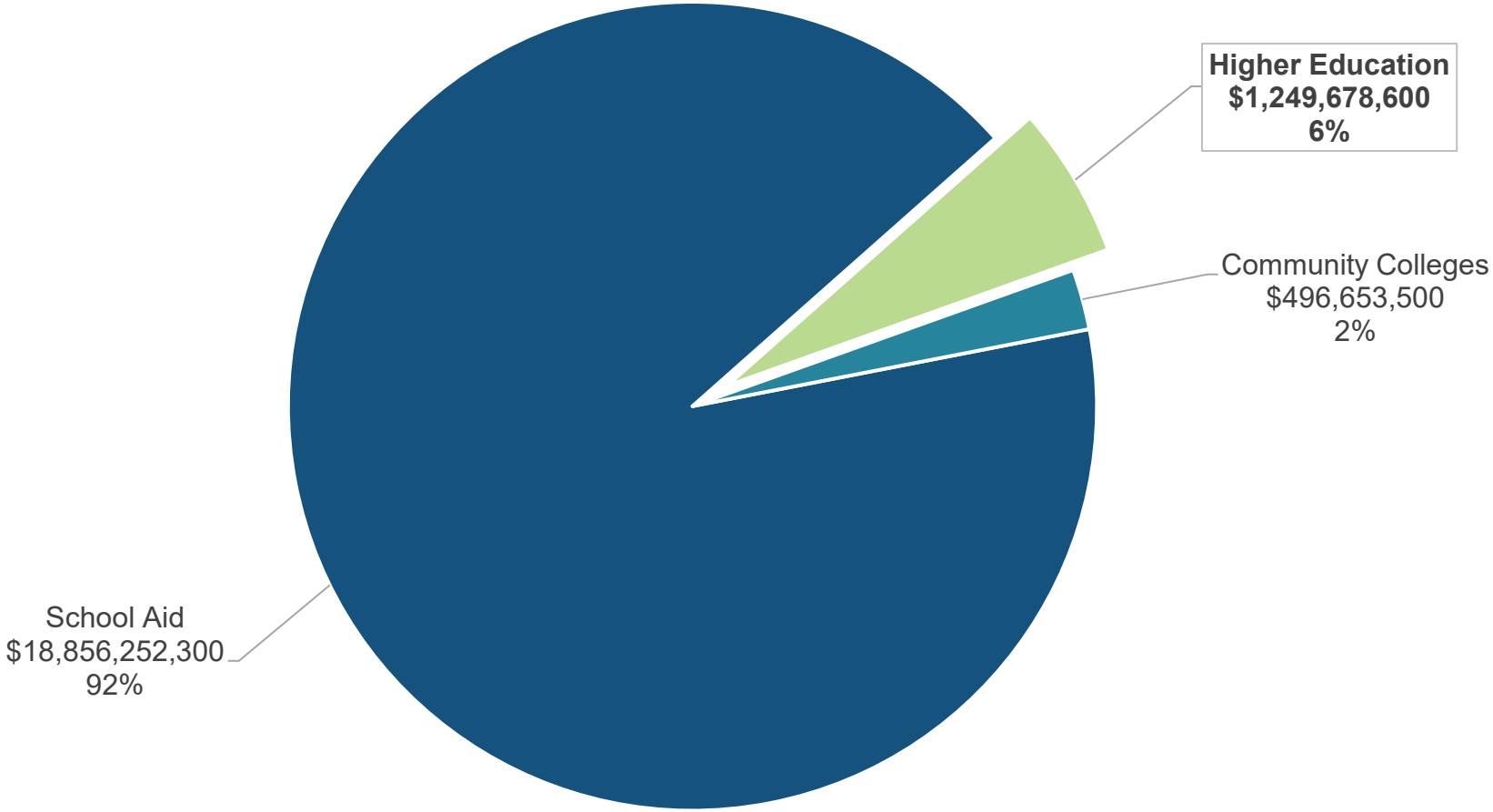
Higher Ed Share of Total GF/GP Budget

While only **4%** of the total state budget, the Higher Education budget represents about **8%** of the state's **$14.1 billion** GF/GP budget for FY 2026-27.



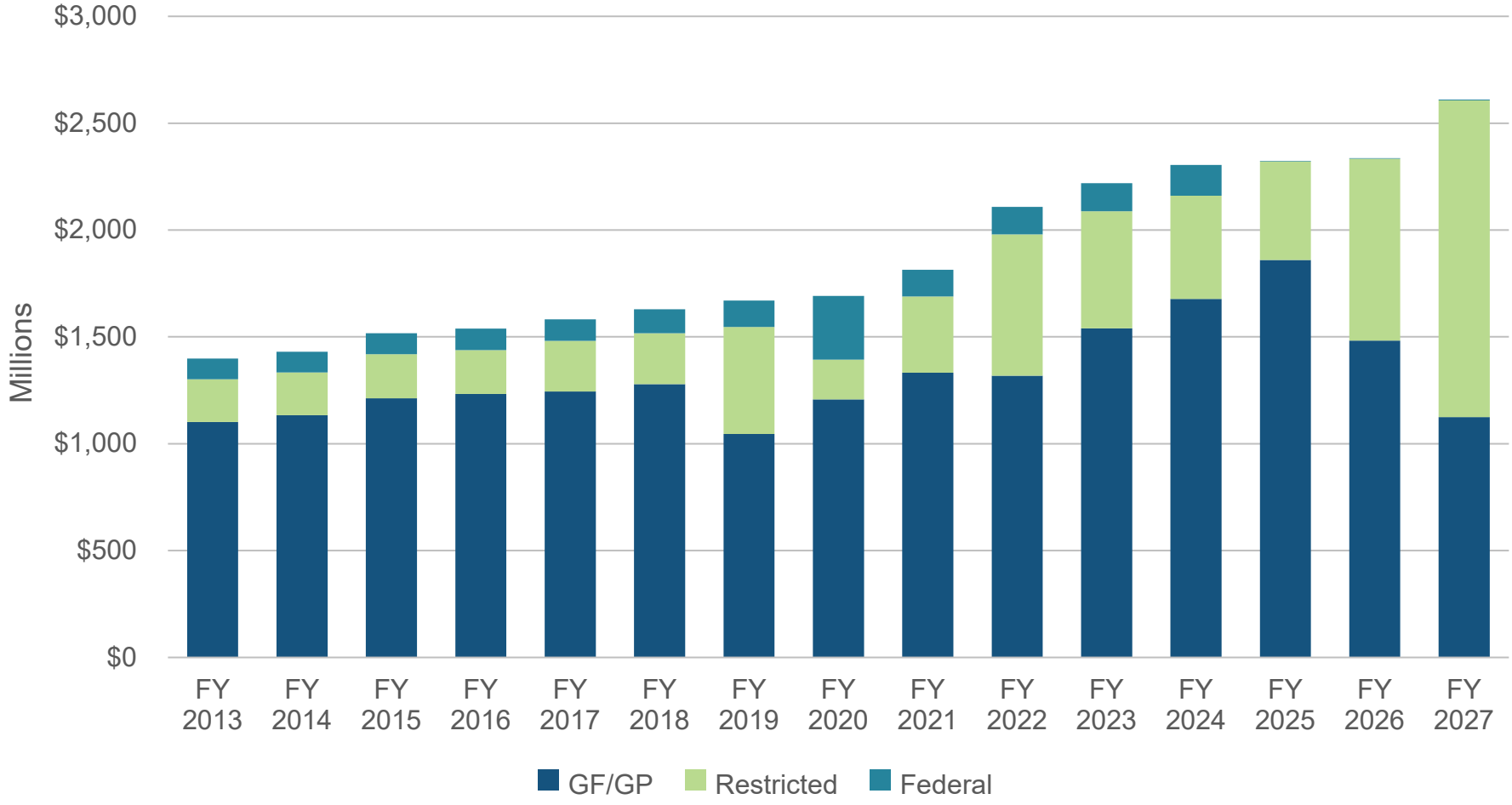
FY 2026-27 School Aid Fund Appropriations

The Higher Education budget receives **6%** of the **$20.6 billion** School Aid Fund (SAF) appropriations.



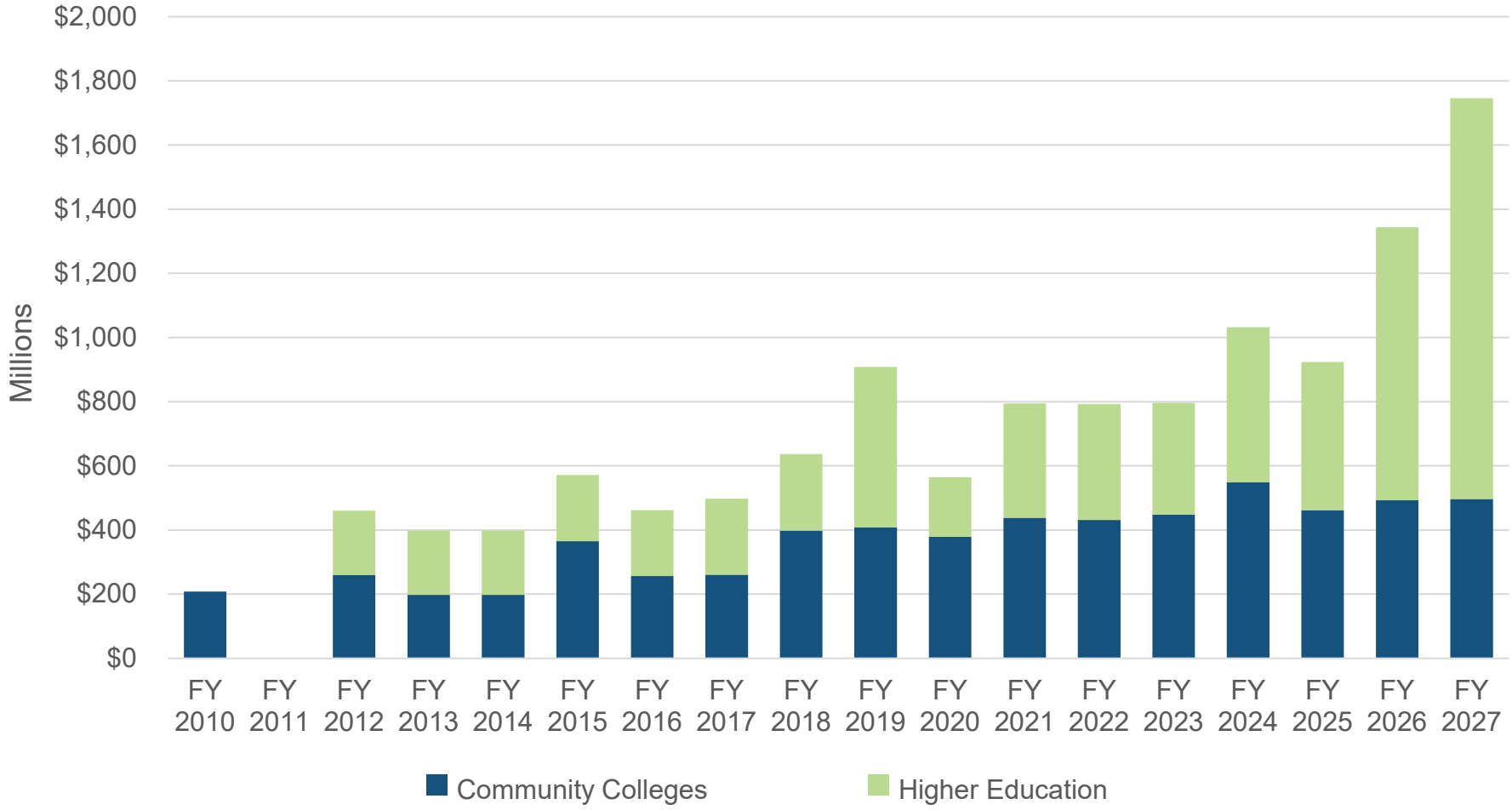
Higher Education Funding History

FY 2026-27 Higher Education appropriations are 87% above their 15-year low in FY 2012-13 and are at a new 15-year peak of $2.6 billion on a nominal basis. In FY 2024-25, federal TANF funds, used to support financial aid programs since FY 2007-08, were replaced by GF/GP. Restricted funding use increased by $630.9 million or 74% for FY 2026-27.



Community Colleges and Higher Education School Aid Fund History

While Community Colleges and Higher Education have always been allowable uses for SAF under Article IX of the state constitution, the use of SAF as a fund source did not start until FY 2009-10. SAF appropriations in FY 2026-27 reached an all-time high, with a total of **$1.75 billion** appropriated for both budgets.



Appropriation Areas

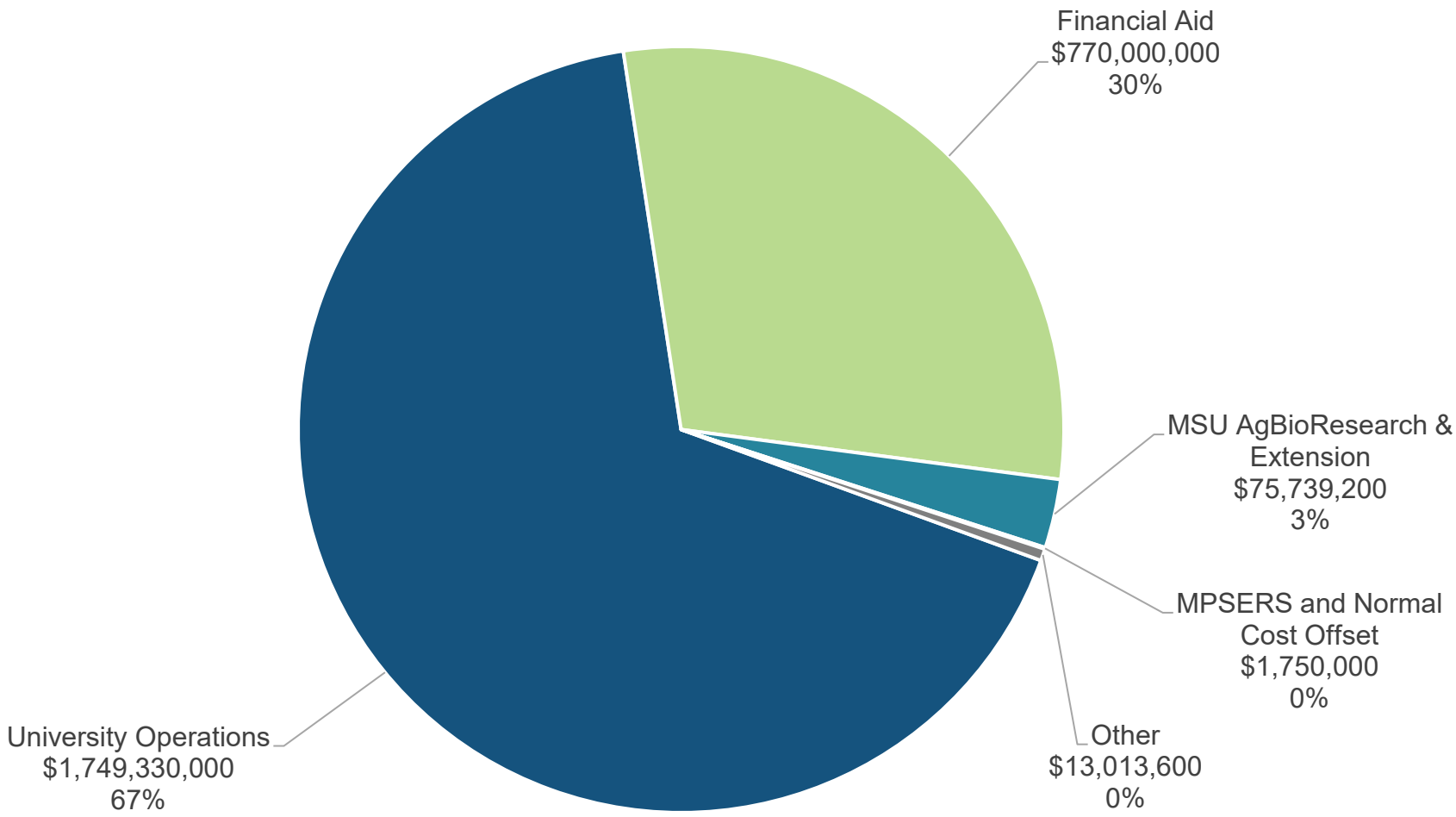
Higher Education Appropriation Areas

The Higher Education budget funds:

- **Operational grants** for the state's 15 public universities, consisting of separate appropriations for baseline funding (established from prior-year totals), FY 2026-27 one-time operations funding increases, and North American Indian Tuition Waiver costs.
- **AgBioResearch and Extension** programs at Michigan State University.
- **Financial aid programs** for students attending public or private colleges or universities in Michigan, including the relatively new Michigan Achievement Scholarship for 2-year and 4-year institutions.
- Partial costs of university participation in **MPSERS**, the Michigan Public School Employees' Retirement System. This includes an offset to reimburse universities' normal cost to maintain the assumed rate of return at 6.0%.
- Other various smaller items related to higher education, such as the King-Huerta-Hood-Parks program, the state's higher education database (HEIDI), and a pass-through payment for the MiDocs program.

FY 2026-27 Gross Appropriations

Two-thirds of the **$2.6 billion** Higher Education budget supports operations grants to all 15 public universities.



Major Budget Topics

Michigan's Public Universities

University	Abbreviation	Founded
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 Technological 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

University Operations Funding

The Constitution does not specify how funding is to be distributed among universities.

The legislature annually appropriates funds for individual universities, a process that in recent years has included a variety of means, from a performance formula to across-the-board increases, to allocate the total increase (or decrease) in state appropriations for university operations.

Historically, any increased funding for universities is specified in annual budget act language.

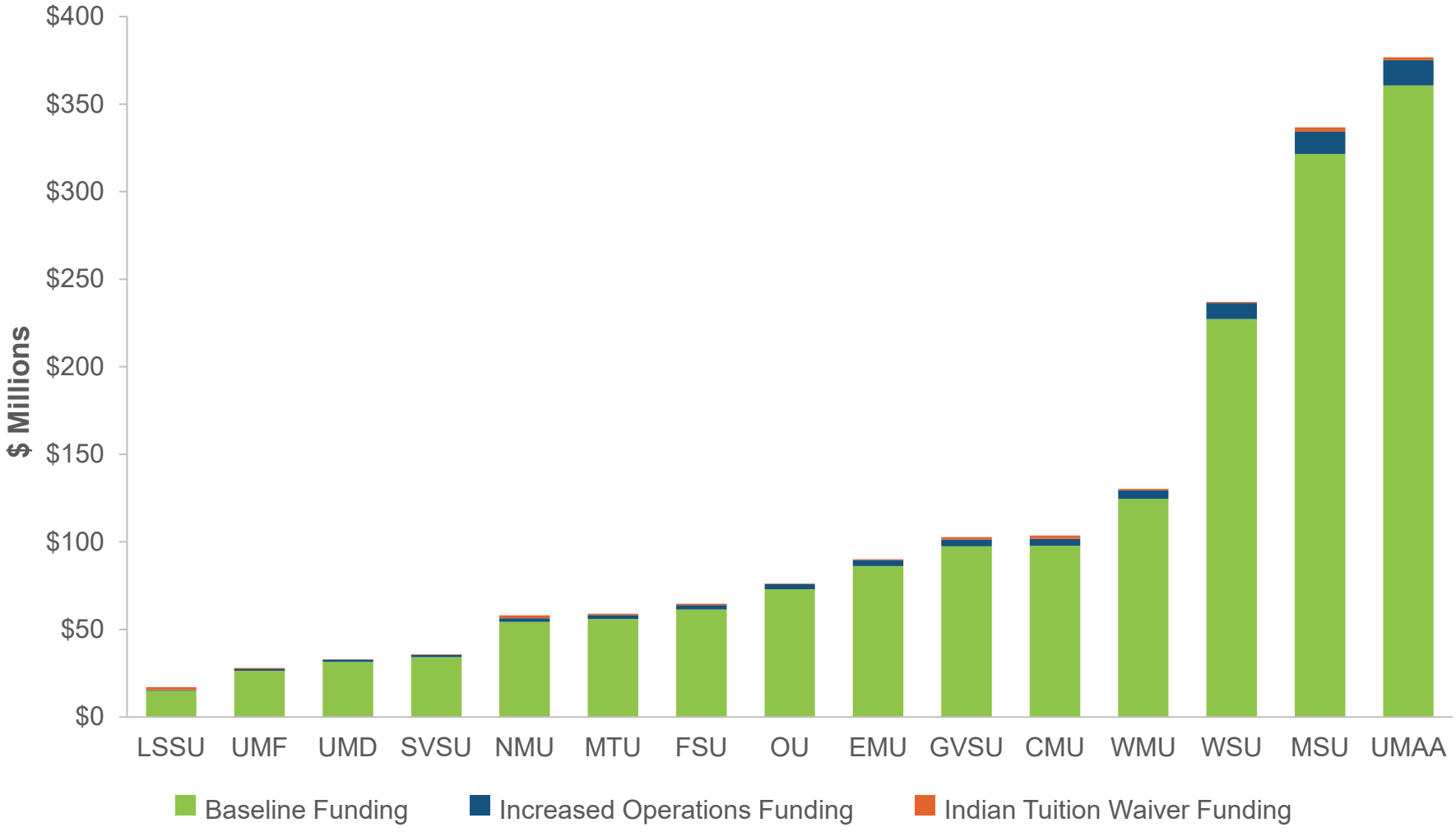
Each university's operations funding generally consists of three parts:

- Baseline funding - the total amount appropriated in the prior year
- Increased operations funding - new appropriations determined through some measure such as a formula.
- North American Indian Tuition Waiver costs - funding provided to universities to cover waived tuition costs for eligible students

The **FY 2026-27 budget** appropriates increased one-time operations funding using an across-the-board increase, with universities getting a **4.0% one-time increase**. This results in a net **1.0% increase** when compared to FY 2025-26 operations appropriations.

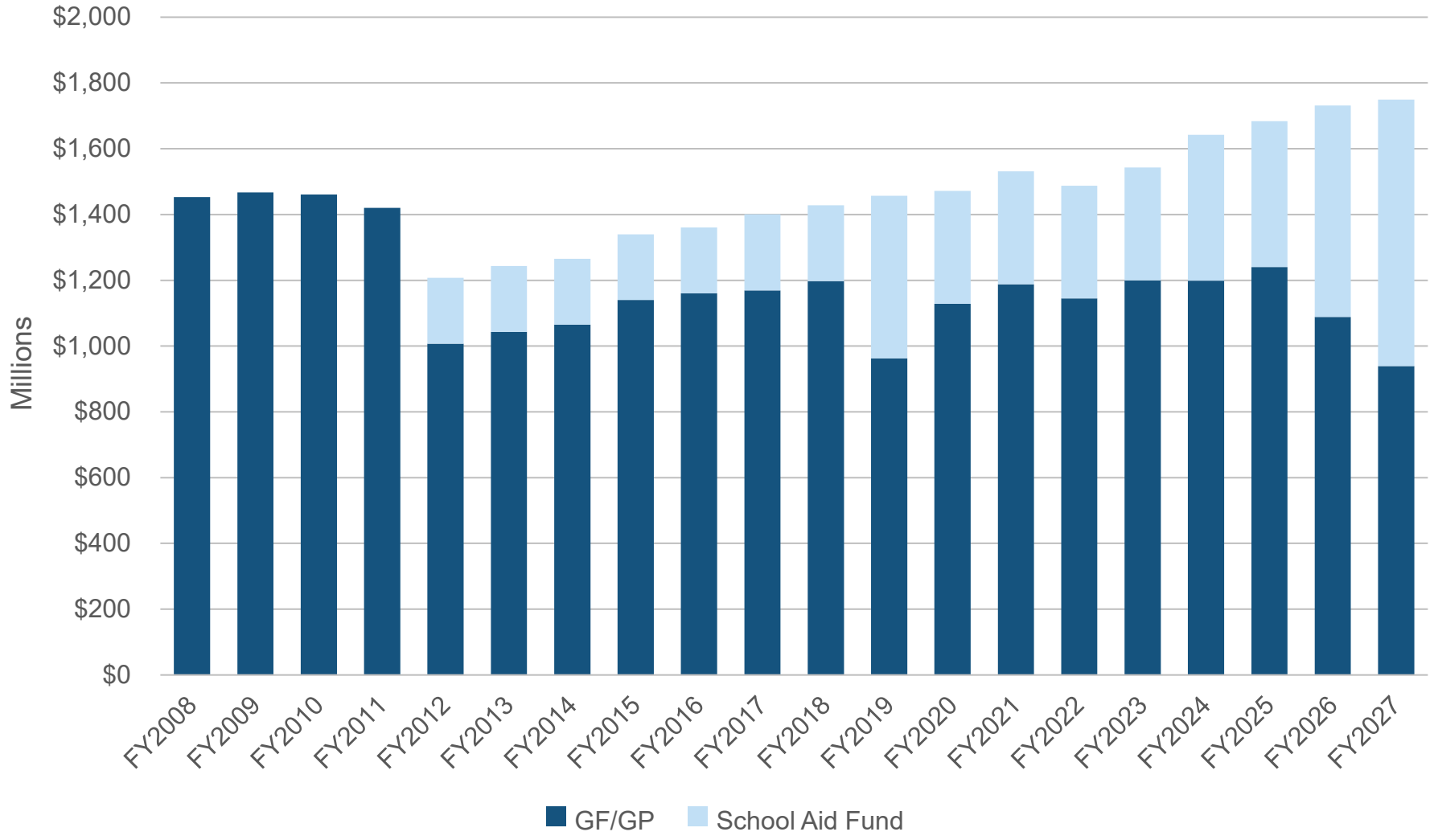
FY 2026-27 University Operations Grants

Funding for university operations varies widely, ranging from $17.0 million for LSSU to $376.8 million for UMAA. 4.0% across-the-board one-time operations increases were implemented for FY 2026-27. Indian Tuition Waiver funding ranges from $240,800 at SVSU to $2.4 million for MSU. Total operations funding is **$1.75 billion**.



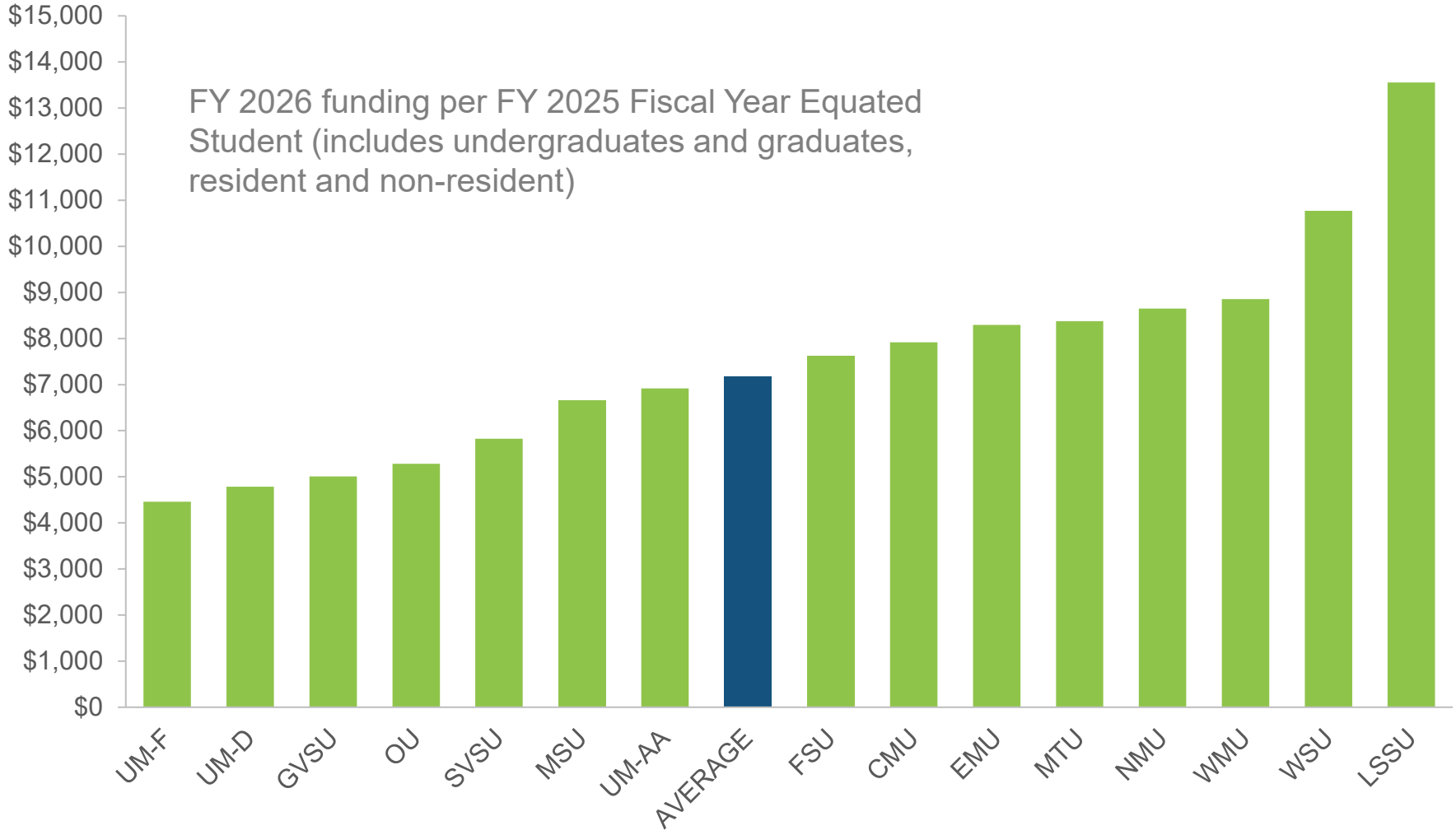
University Operations Grants History

State support for public universities operations has increased by **$542.1 million** (**45%**) since FY 2011-12 and hit a new nominal 20-year high of **$1.75 billion** in FY 2026-27. SAF funding increased by $366.8 million between FY 2024-25 and FY 2026-27.



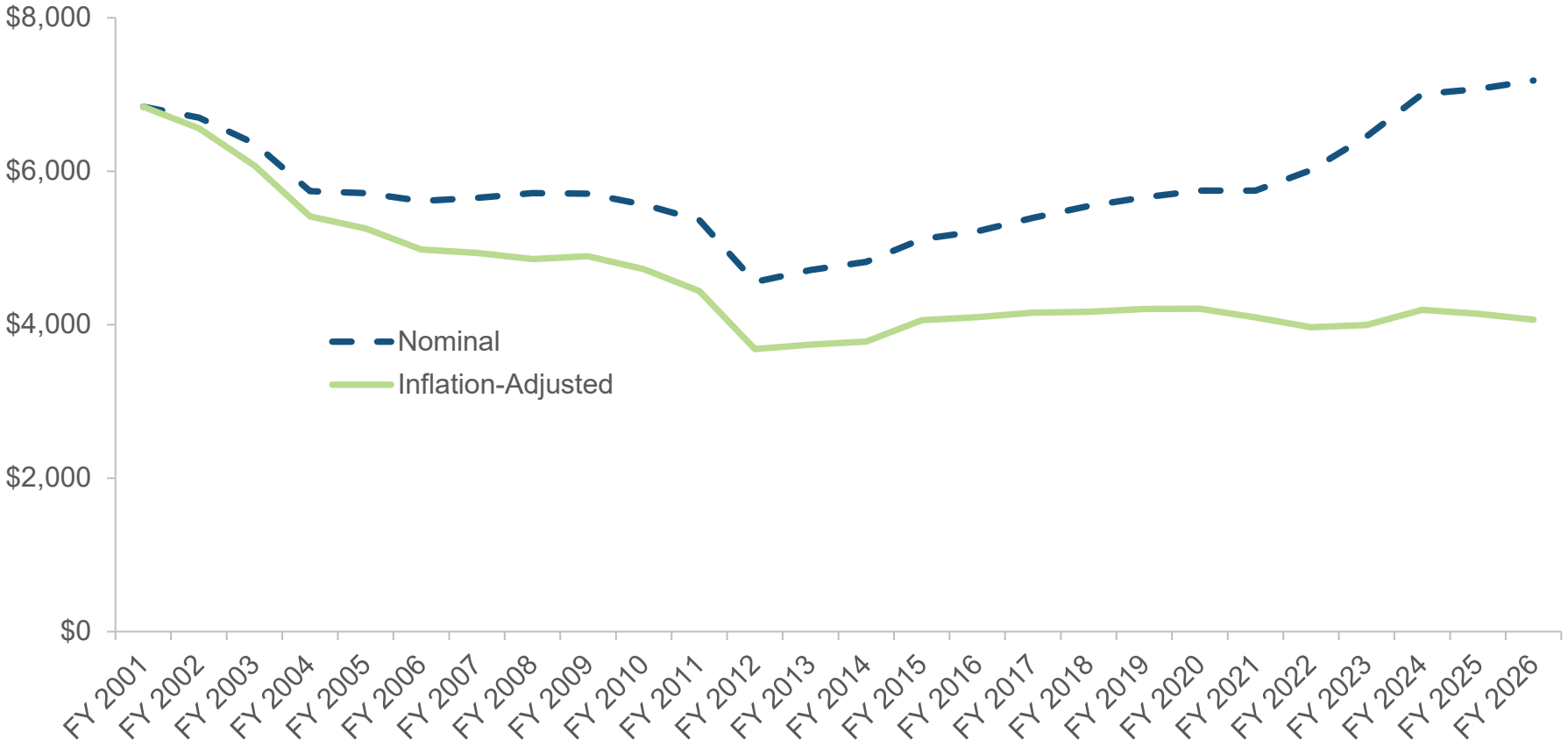
University Operations Grants per Fiscal Year Equated Student (FYES)

To account for varying enrollments, funding for university operations often is compared on a per-student basis. The full-time equivalency (or Fiscal Year Equated Student) measurement for each student level is calculated by dividing the total credit hours in a given year by the number of credits considered to be full-time (30 for undergraduates).



Historical University Appropriations per Fiscal Year Equated Student (FYES)

Using the most recently available FYES data, total FY 2025-26 appropriations per FYES of **$7,182** are about **5%** higher than FY 2000-01's previous high of **$6,841** per FYES. Appropriations per FYES are about **41%** lower on an inflation-adjusted basis.



FY 2023-24 appropriations per FYES calculated using FY 2022-23 FYES.

Operations Increase Funding Conditions

The FY 2026-27 budget appropriated an across-the-board one-time operations increase of 4.0% to all public universities.

Universities must certify to the State Budget Office the following:

- Restraining resident undergraduate tuition and mandatory fee increases to **4.0%** or **$651** (whichever is greater) over the prior year

The state budget director confirmed compliance with tuition restraint for all 15 public universities on September 22, 2026.

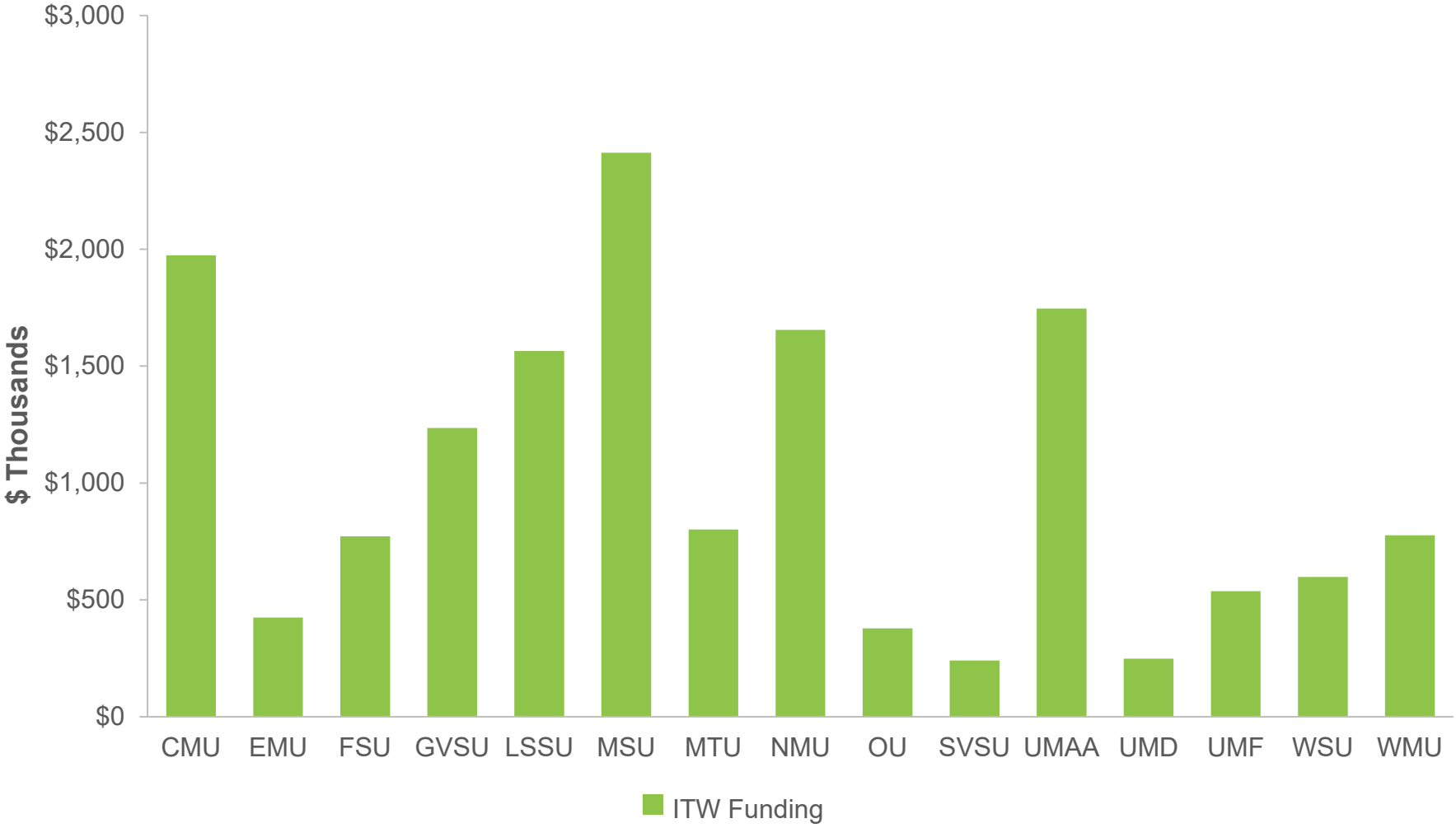
Tuition Restraint Policies

Budget-based efforts to curb tuition increases have taken several forms since FY 2011-12. Under the budget act, performance funding forfeited by noncompliant universities is distributed to the other schools.

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Limit on resident undergraduate tuition/fee increases	4.2% or $590	5.0% or $722	4.5% or $676	4.5% or $703	4.5% or $735	4.0% or $651
Operations funding increase/(decrease) from prior year	1.0%	3.7%	6.4%	2.5%	2.8%	4.0%
Funding amount contingent on tuition restraint	$14.6 million one-time supplemental; funding for next 3 FYs; new state-funded capital outlay approvals for next 3 FYs	$52.3 million ongoing and $17.7 million FYES floor funding; new state-funded capital outlay approvals for next 3 FYs	$77.6 million ongoing and $21.4 million FYES floor funding	$24.4 million ongoing and $16.3 million one-time	$50.1 million one-time and $13.0 million ongoing for the 7 MPSERS universities	$66.8 million one-time
Average unweighted tuition/fee increase	2.9%	3.9%	3.9%	4.2%	4.4%	3.9%
Noncompliant universities	None	None	None	None	None	None

North American Indian Tuition Waiver (ITW)

FY 2026-27 ITW appropriations were adjusted to match reported waiver costs for FY 2024-25. A separate ITW funding category is delineated in each university's appropriation line item. CMU, LSSU, and NMU contain pass-through payments to three tribal colleges, Saginaw Chippewa, Bay Mills, and Keweenaw Bay Ojibwa.



MSU AgBioResearch and Extension

A total of **$75.7 million** Gross is appropriated to Michigan State University to operate two statewide programs, AgBioResearch and Extension.

- **MSU AgBioResearch: $40.7 million Gross ($39.1 million GF/GP)**
  - Agriculture research program conducted in on-campus laboratories and at 13 research centers across the state
- **MSU Extension: $35.1 million Gross ($33.7 million GF/GP)**
  - Program jointly funded with counties to extend MSU's public service mission across the state in various program areas:
    - Agriculture
    - Business and Community
    - Family
    - Food and Health
    - Lawn and Garden
    - Natural Resources
    - 4-H and Youth

MSU receives additional funding for these programs from federal, private, and local sources

Grants and Financial Aid
Total Appropriation: $770.0 million

Michigan Achievement Scholarships ($532.0 million)

- Awards to post-2023 HS graduates with financial need at independent colleges and public universities (up to $5,500). Students attending community colleges or tribal schools receive Community College Guarantee: last dollar scholarship covering up to in-district tuition and fees, Pell-eligible community college students receive $1,000 additional award

Tuition Incentive Program ($165.8 million)

- Associate degree tuition for Medicaid-eligible students completing high school, and tuition assistance of up to $2,000 for participants continuing toward a baccalaureate

Michigan Reconnect ($67.0 million)

- Last dollar scholarships awarded to students aged 25 or older (expanded in FY 2026-27 to include 21–24 year-olds) to complete an associate degree or skills-based certificate

MI GEAR UP ($3.2 million)

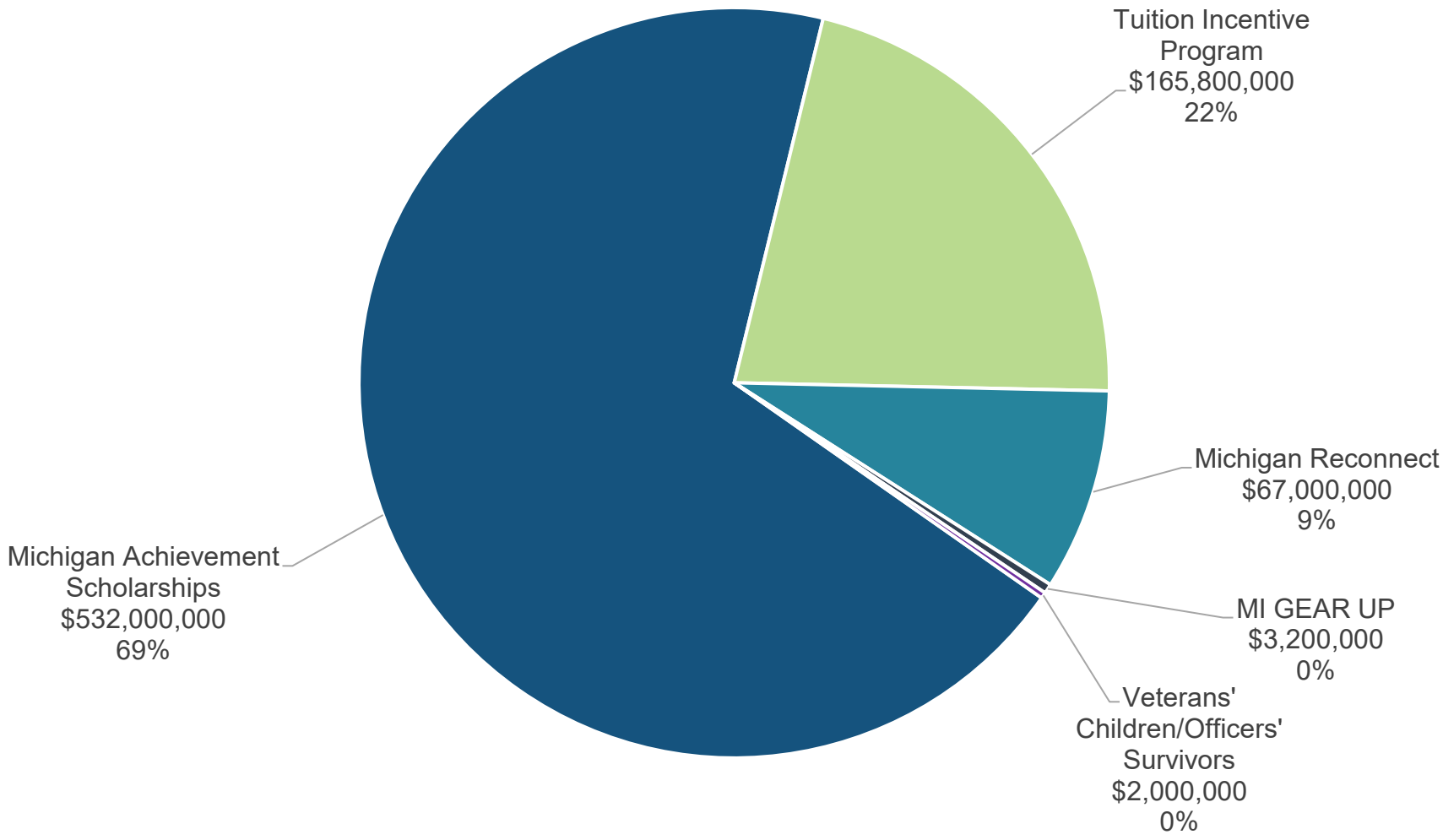
- Federally funded awards targeted to students in urban school districts who have been nominated and completed the MI GEAR UP program. Awards are for up to $2,000 for two years with a $4,000 lifetime maximum

Children of Veterans and Officer's Survivor Tuition Grant Programs ($2.0 million)

- Grants to children of deceased or disabled veterans and children of police officers and firefighters killed in the line of duty. Veteran tuition grant awards are up to $2,800 for four years, police officers and firefighters are a last dollar waived tuition grant

FY 2026-27 Financial Aid Appropriations

More than two-thirds of the **$770.0 million** appropriated for grants and financial aid goes to the Michigan Achievement Scholarship program.



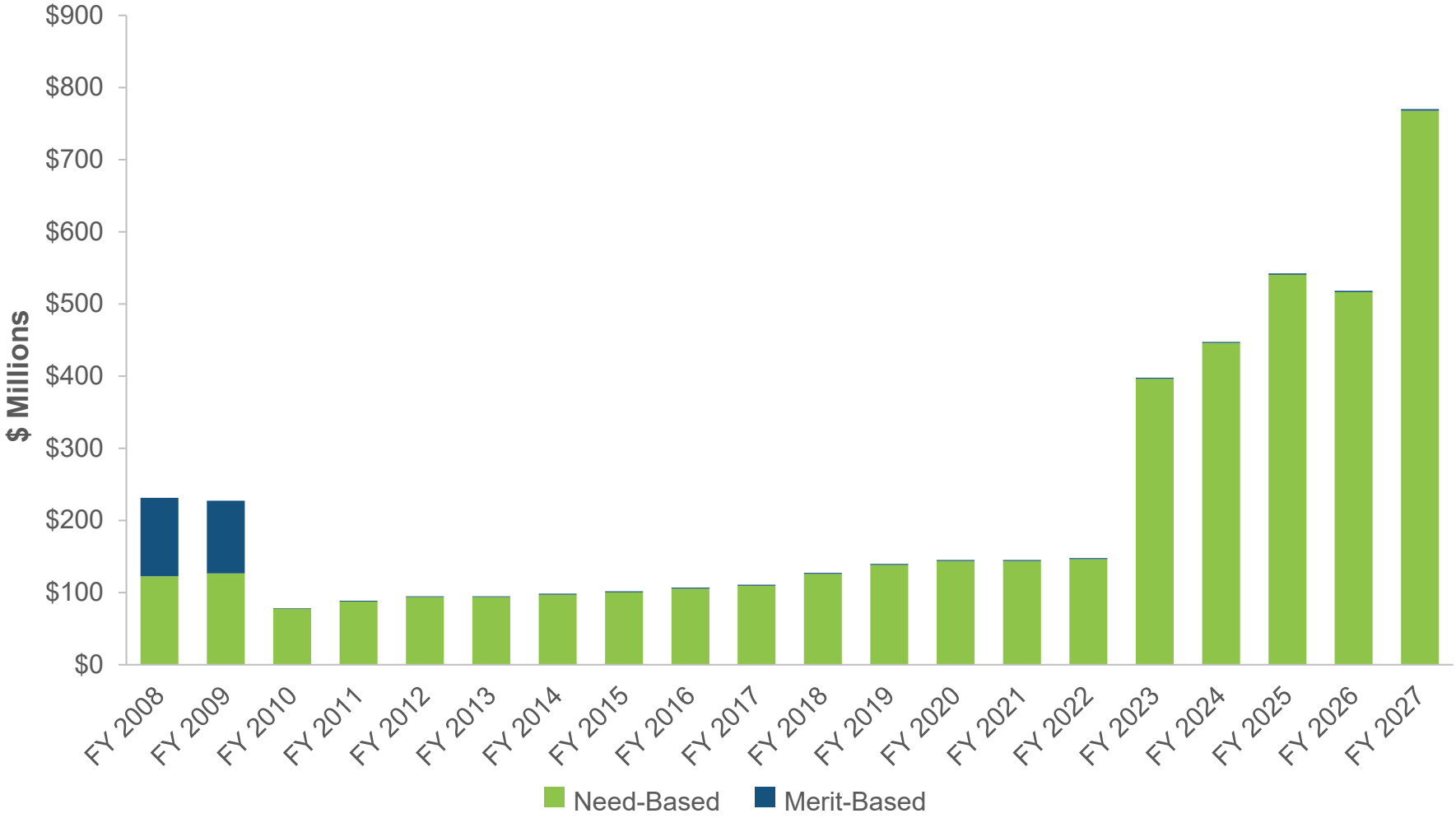
Financial Aid Fund Sources

The majority of state scholarships are funded by SAF in FY 2026-27. The Michigan Achievement Scholarships uses both SAF and Postsecondary Scholarship Fund restricted funding. GF/GP is used for the portion of scholarships awarded to students attending private colleges and universities.

Program	Federal	Restricted	GF/GP	Total
Michigan Achievement Scholarships	$0	$432,000,000	$100,000,000	$532,000,000
Tuition Incentive Program	0	156,300,000	9,500,000	165,800,000
Michigan Reconnect	0	67,000,000	0	67,000,000
MI GEAR UP	3,200,000	0	0	3,200,000
Veterans' Children/ Officers' Survivors	0	1,780,000	220,000	2,000,000
TOTALS	**$3,200,000**	**$657,080,000**	**$109,720,000**	**$770,000,000**

Need-Based and Merit-Based State Financial Aid Programs

Funding for merit-based programs was virtually eliminated in FY 2009-10; the only remaining merit-based program is the **$2.0 million** program for veterans' children and officers' survivors. Funding for need-based programs is **$770.0 million** for FY 2026-27, which is a new nominal 20-year peak.



Tuition Incentive Program (TIP)

- Established in FY 1986-87 as incentive for low-income students to complete high school and enroll in college. To participate, the student must be Medicaid-eligible for 24 months within a consecutive 36-month period prior to high school completion.

- Program has two phases:

  - **Phase I**: Associate's degree tuition costs (at private institutions, limited to average public community college tuition)

  - **Phase II**: Up to $2,000 total toward completion of a bachelor's degree

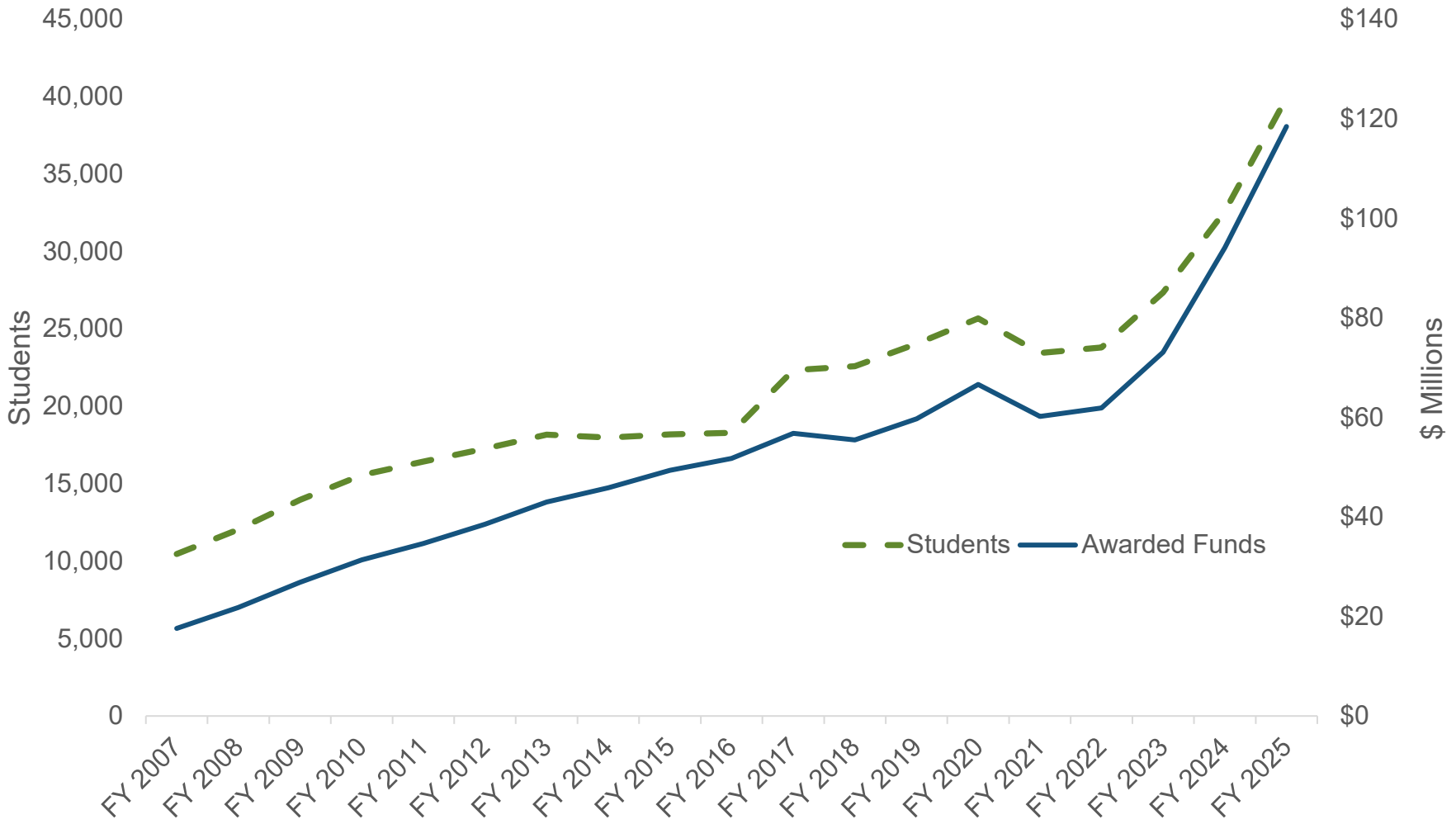
- Large potential pool of applicants: Department of Treasury sends about 280,000 letters to eligible students each year. FY 2020-21 removed the application process, although eligible students must still complete the FAFSA.

- 85% of the 25,932 Phase I students in FY 2024-25 were enrolled at community colleges. Number of students claiming Phase II awards was smaller, at 14,265.

- Due to Medicaid caseload growth, increasing participation rates, and, more recently, increases in tuition costs, program costs have increased from **$5.0 million** in FY 2000-01 to **$118.5 million** in FY 2024-25.

TIP Participation and Awarded Funds

After a brief decline due to COVID-19, TIP participation has continued to see steady increases. TIP award amounts have mirrored the rise and fall of student participation.



Michigan Achievement Scholarships

- Established in FY 2022-23 for recent high school or equivalency certificate graduates to help boost the number of students seeking a degree at a community college, tribal college, independent institution, or public university. Students can alternatively seek a skills scholarship under a private occupational training program
- Eligibility is limited to in-state students who meet all of the following:
  - Graduated from high school or achieved the equivalency certificate in 2023 or later
  - Have a Student Aid Index (SAI) of 30,000 or less through FAFSA (does not apply to community college students)
  - Enroll full-time at an eligible in-state institution or private training program
- Award amounts include a set minimum and a last-dollar amount cap
  - Community colleges and tribal college students receive a last-dollar scholarship up to in-district tuition and fees amount (Community College Guarantee). Pell-eligible students receive an additional $1,000
  - Public university and independent college or university students receive $2,500 plus the lesser of $3,000 or last-dollar tuition and fees amount
  - Skills scholarship students receive $2,000

Other Higher Education State-Funded Appropriations

MPSERS UAAL State Share Payments: $0 SAF

- Funds the difference between a statutory cap on university payments into MPSERS and a university's unfunded actuarial accrued liability. Cap of 25.73% of applicable payroll was enacted by 2016 PA 136. Affects the seven universities with MPSERS employees: CMU, EMU, FSU, LSSU, MTU, NMU, WMU. Employees hired since 1996 do not enter MPSERS. UAAL payments of $584.7 million over the prior 5 fiscal years have eliminated the state share.

MPSERS Normal Cost Offset: $1.8 million SAF

- Funding appropriated to address universities' normal cost due to maintaining the assumed return rate at 6.0%.

MiDocs Payment: $10.0 million SAF

- Pass-through payment through a public university to the Michigan Department of Health and Human Services. MiDocs works to expand graduate medical education residency positions in underserved areas of the state.

King-Huerta-Hood-Parks: $2.7 million GF/GP

- Includes grant programs to increase participation of academically or economically disadvantaged students in postsecondary education. Additional funds provided within public university operations funding.

Other Higher Education State-Funded Appropriations (continued)

Higher Education Database: $200,000 GF/GP

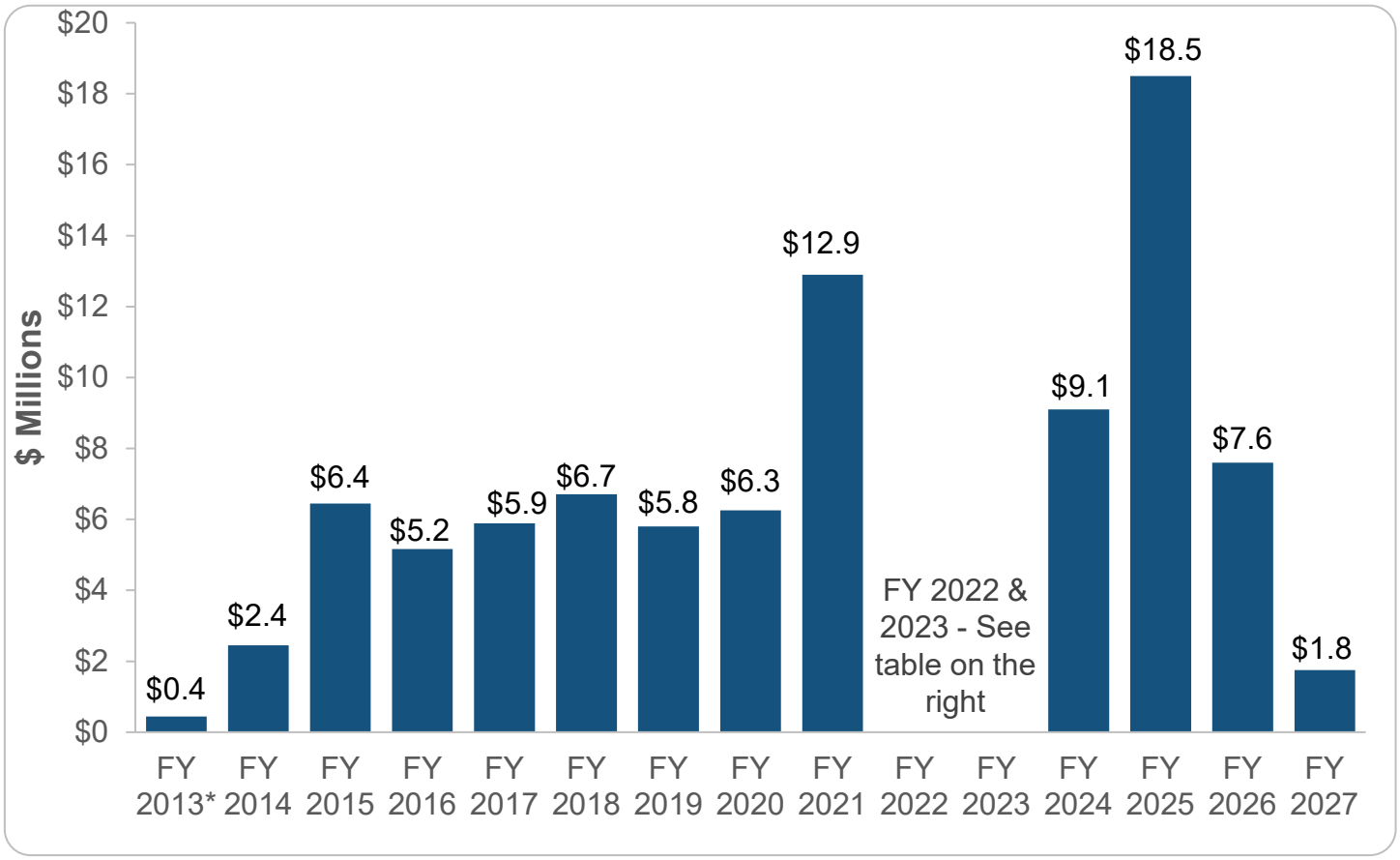
- Provides maintenance of Higher Education Institutional Data Inventory (HEIDI), to which public universities submit enrollment and finance data annually.

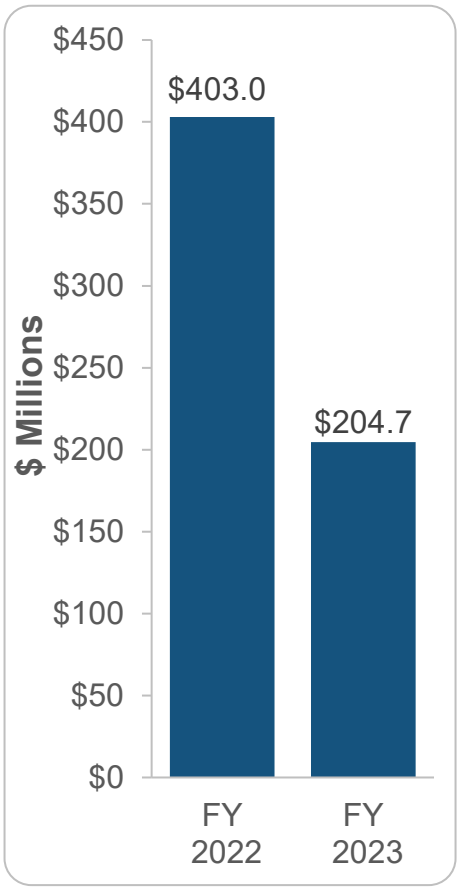
Midwestern Higher Education Compact: $122,100 GF/GP

- Provides dues for interstate compact to realize economies of scale and provide other higher education-related assistance.

MPSERS Funding

Since the enactment of 2016 PA 136, the seven MPSERS-participating universities' contribution to the MPSERS unfunded actuarial accrued liability has been capped at 25.73% of payroll. The state contributes the remaining annual contribution. FY 2021-22 includes a one-time $384.7 million payment to reduce outstanding UAAL. FY 2022-23 includes a one-time $200.0 million UAAL payment.





* FY 2013 funding designated for MPSERS retiree health care one-time funding

Public University Data

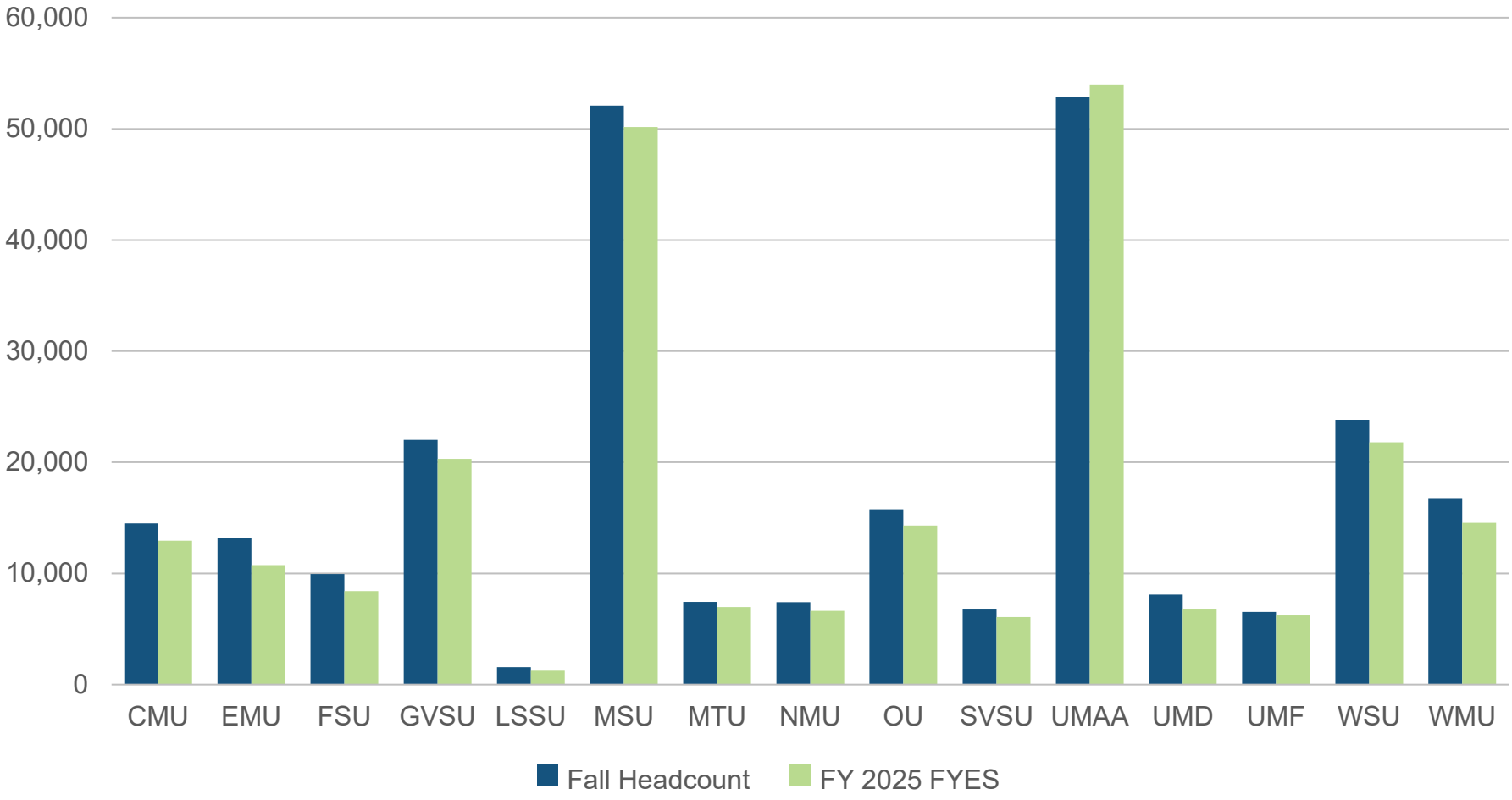
Key Data Definitions

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.
  - **Fiscal Year Equated Students (FYES):** Calculated equivalent to the number of full-time students enrolled. The full-time equivalency for each student level is calculated by dividing the total credit hours in a given year by the number of credits considered to be full-time (30 for undergraduates).
- **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.

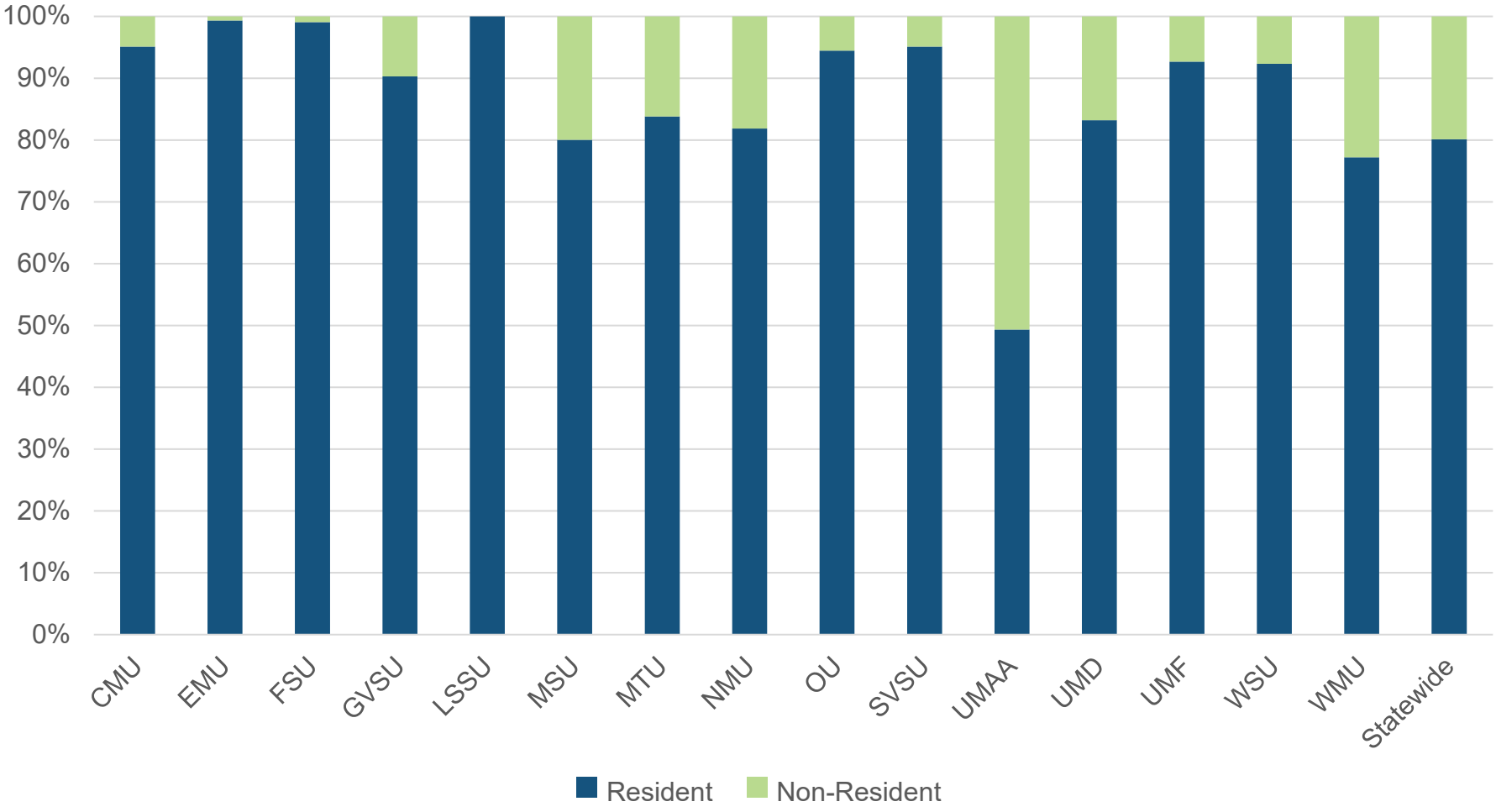
FY 2024-25 Public University Enrollments

Fall enrollments range from about 1,600 for LSSU to nearly 53,000 for UM Ann Arbor. Numbers for Fiscal Year Equated Students (FYES) are a little lower, because it is a calculated measure of the number of full-time equivalent students. UM Ann Arbor is the only institution where FYES is higher than fall headcount numbers.



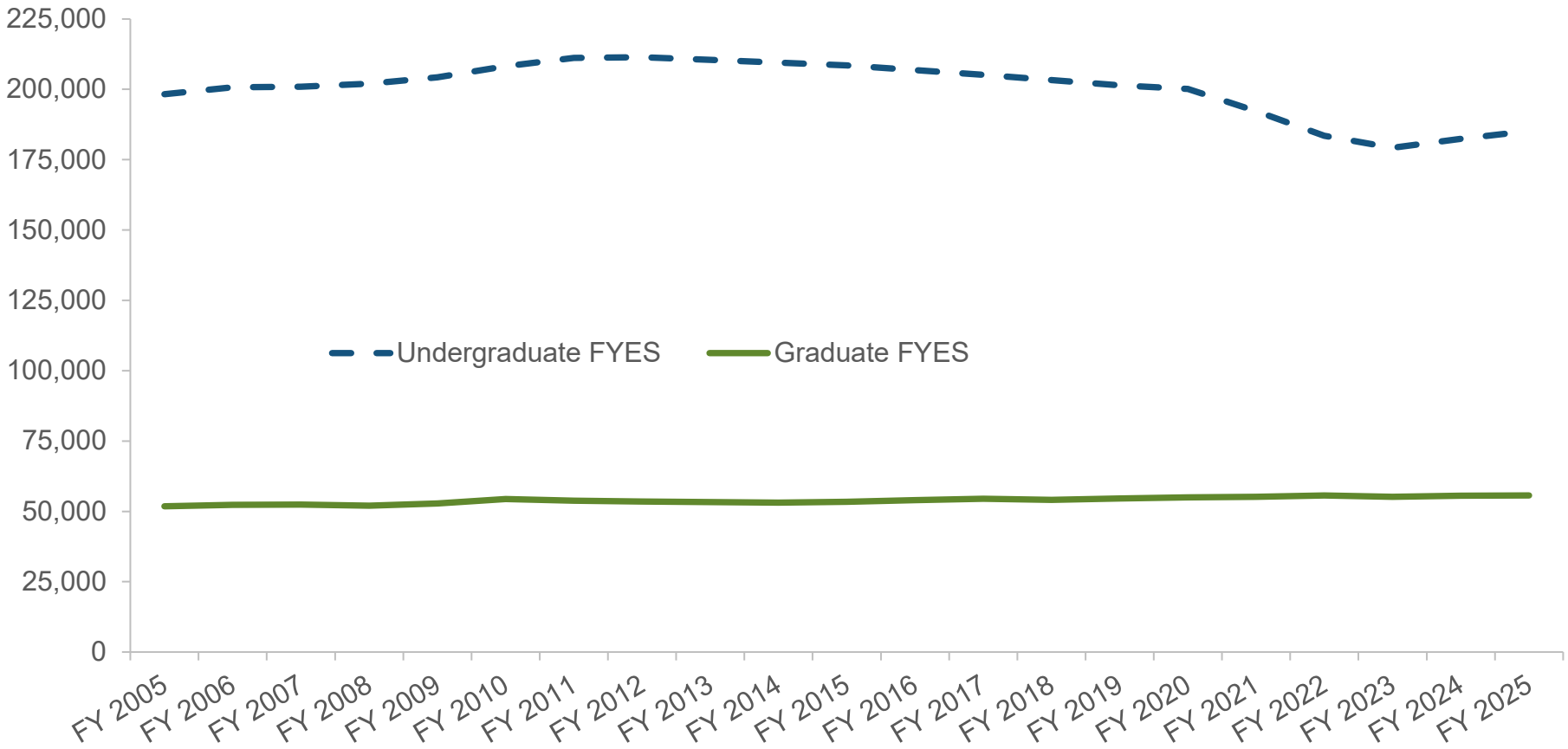
FY 2024-25 Resident Versus Non-Resident Student Comparison

Michigan residents comprise a majority of nearly all university student populations, with 9 universities having resident/in-state populations above **90%**. LSSU has the highest percentage of resident students (**100%**), while UM Ann Arbor has the lowest (**49%**). The statewide resident student average is **80%**.



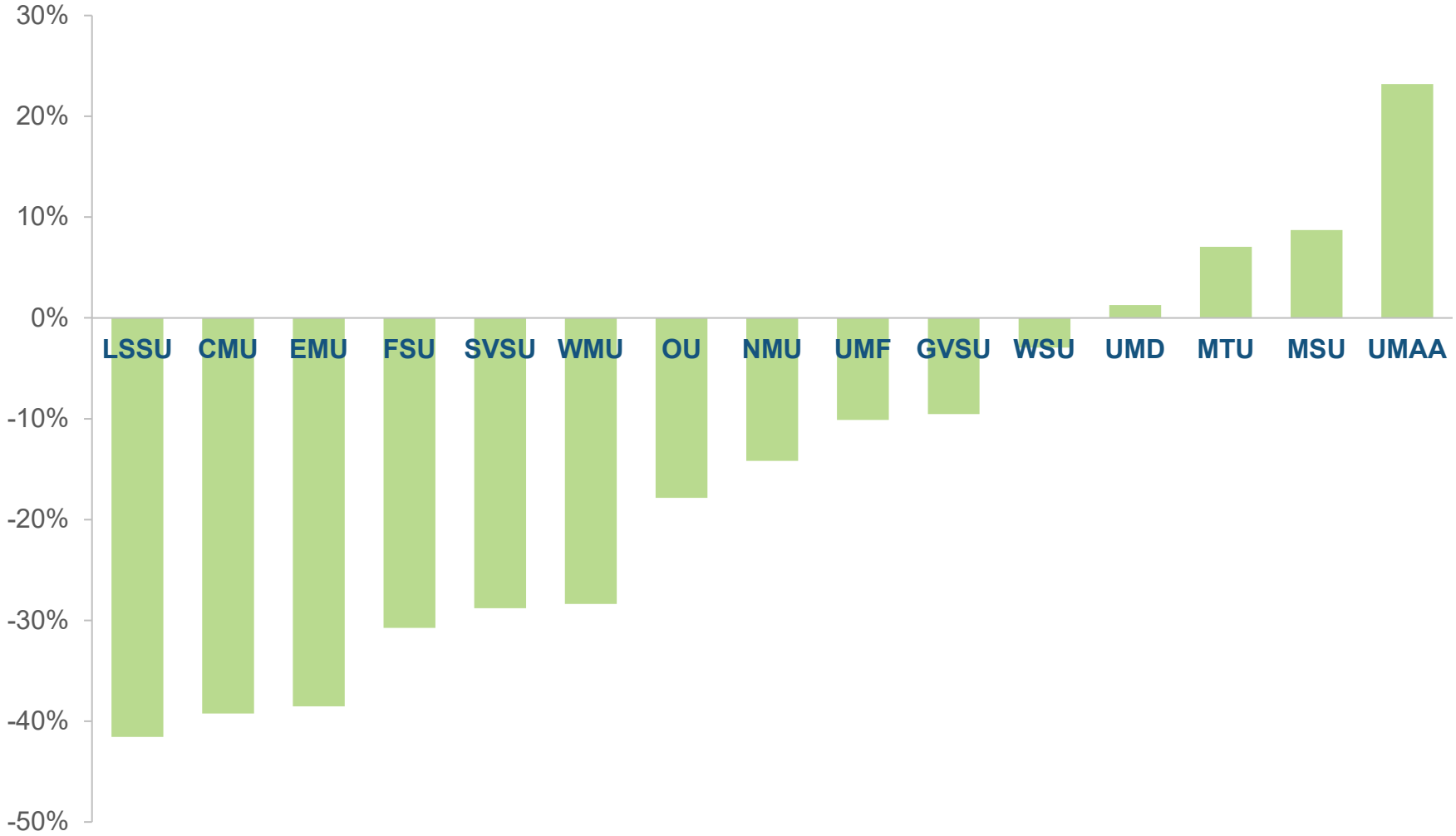
Public University Enrollment History

Undergraduate FYES has declined since reaching a peak in FY 2011-12. Full-time undergraduate enrollment is about **7%** lower than it was 20 years ago.
Full-time graduate enrollment has increased by **7%** over the same period.



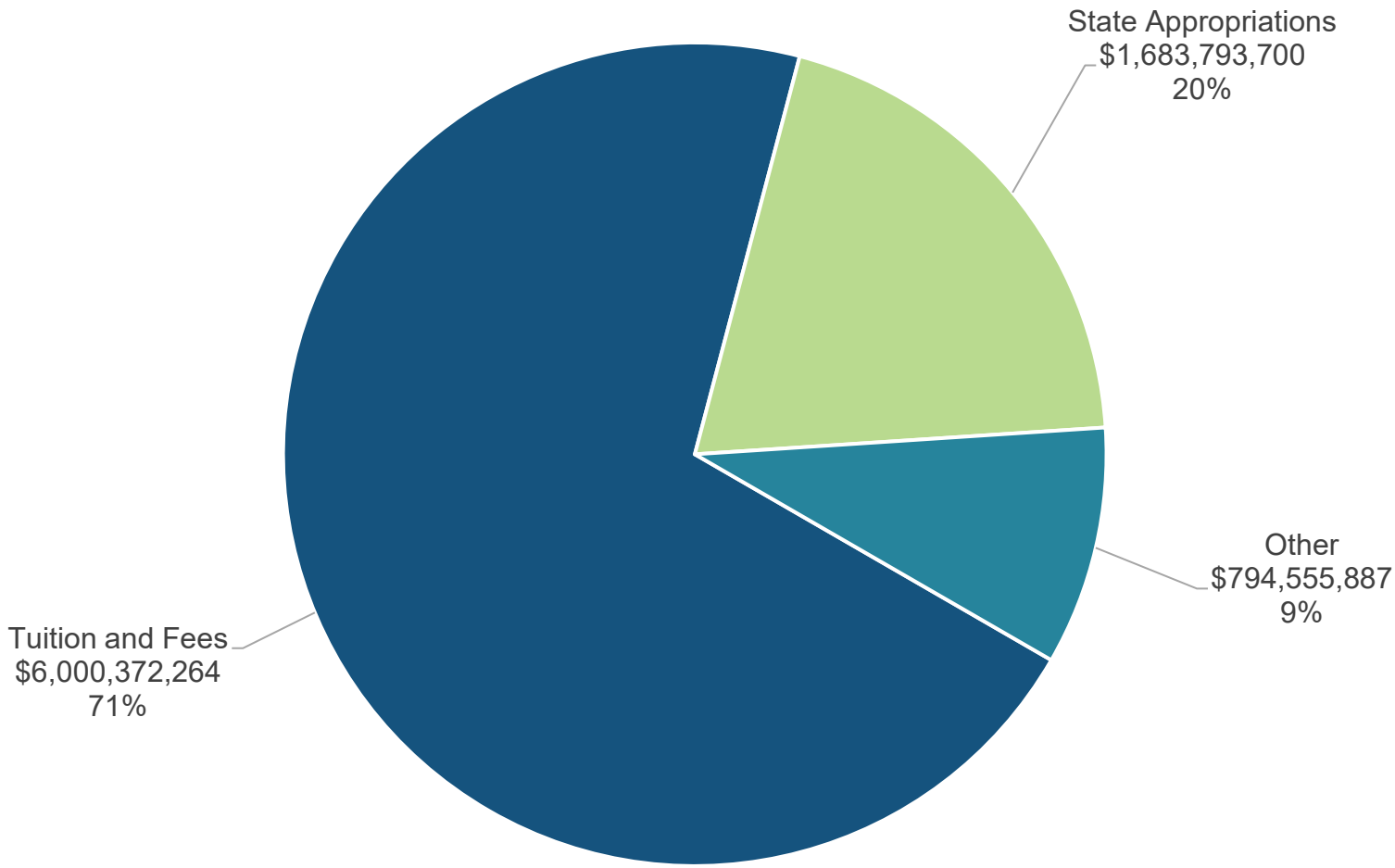
University Enrollment (FYES): 10-Year % Change FY 2014-15 to FY 2024-25

Some public universities have grown in the past decade, with UM Ann Arbor growing by **23%**. Most universities are struggling with declining enrollments. LSSU has seen a **42%** decline over the 10-year span and about half declined by more than 15%.



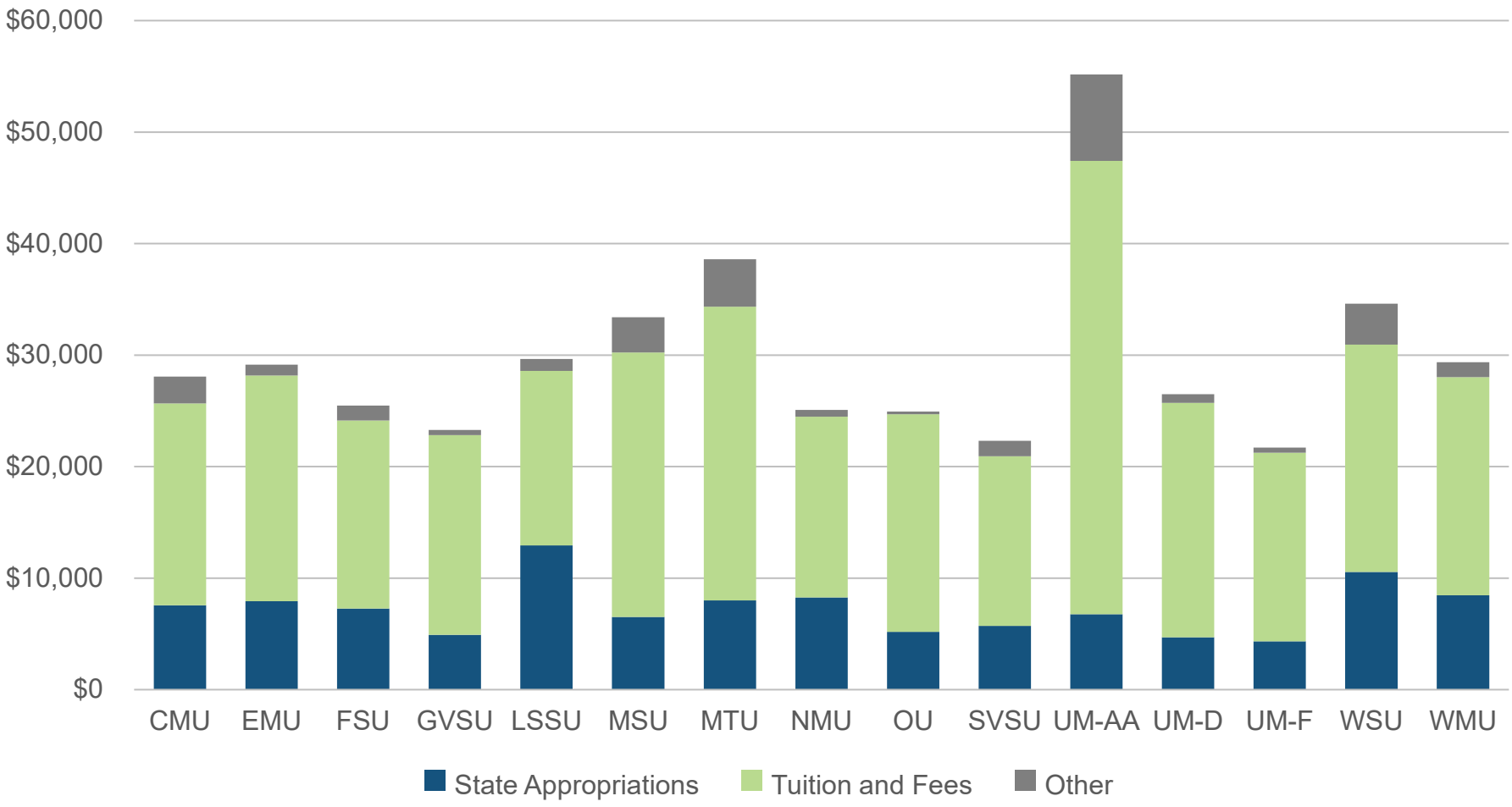
FY 2024-25 Public University General Fund Revenue

71% of public university general fund revenue comes from tuition and fees, more than three times the **20%** that comes from state appropriations.



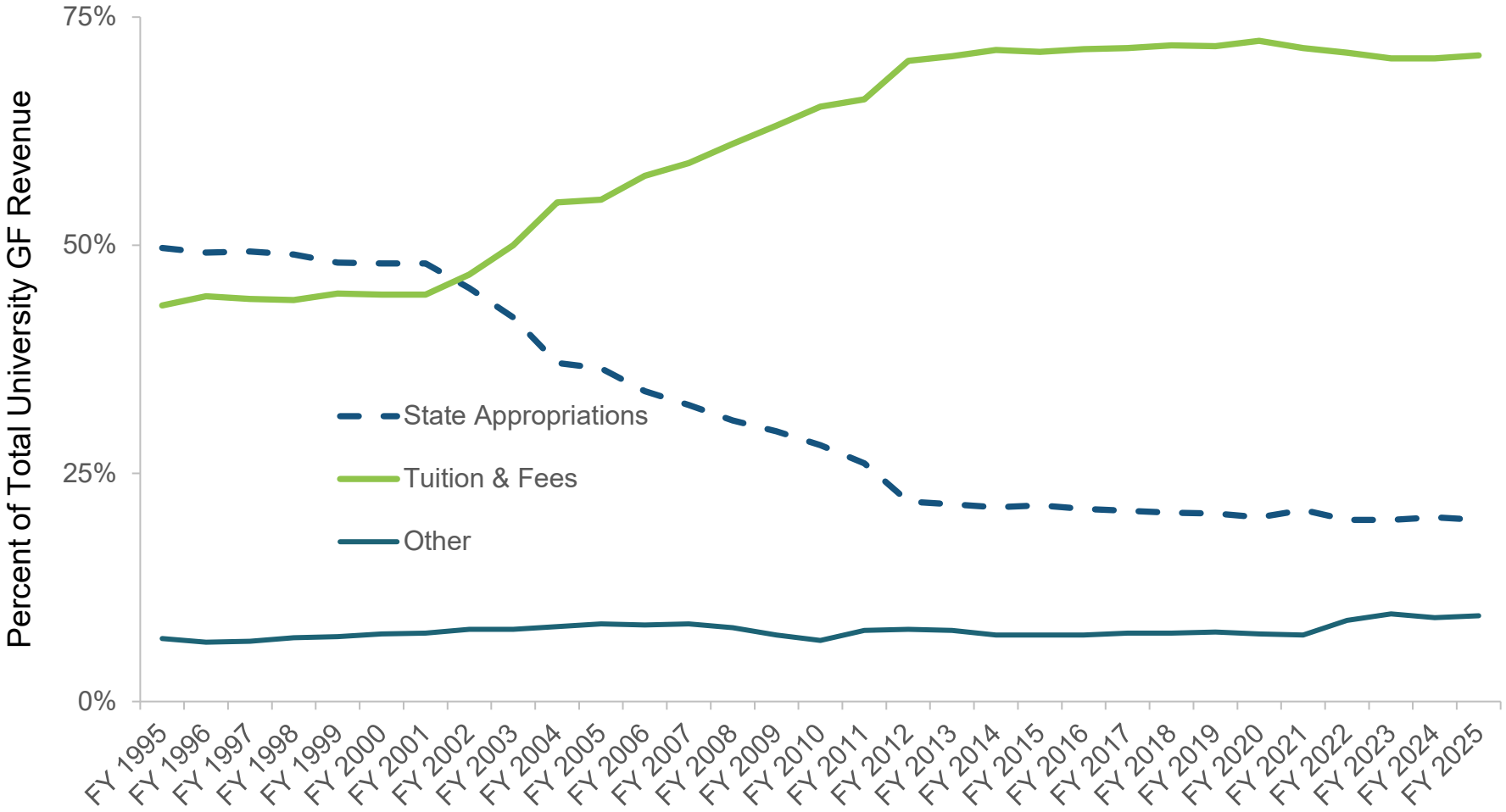
FY 2024-25 Public University General Fund Revenue per FYES

In FY 2024-25, tuition and fee revenue per FYES ranged from $15,232 at SVSU to $40,646 at UM-AA. Total operating revenue per FYES ranged from $21,710 at UM-F to $55,180 at UM-AA.



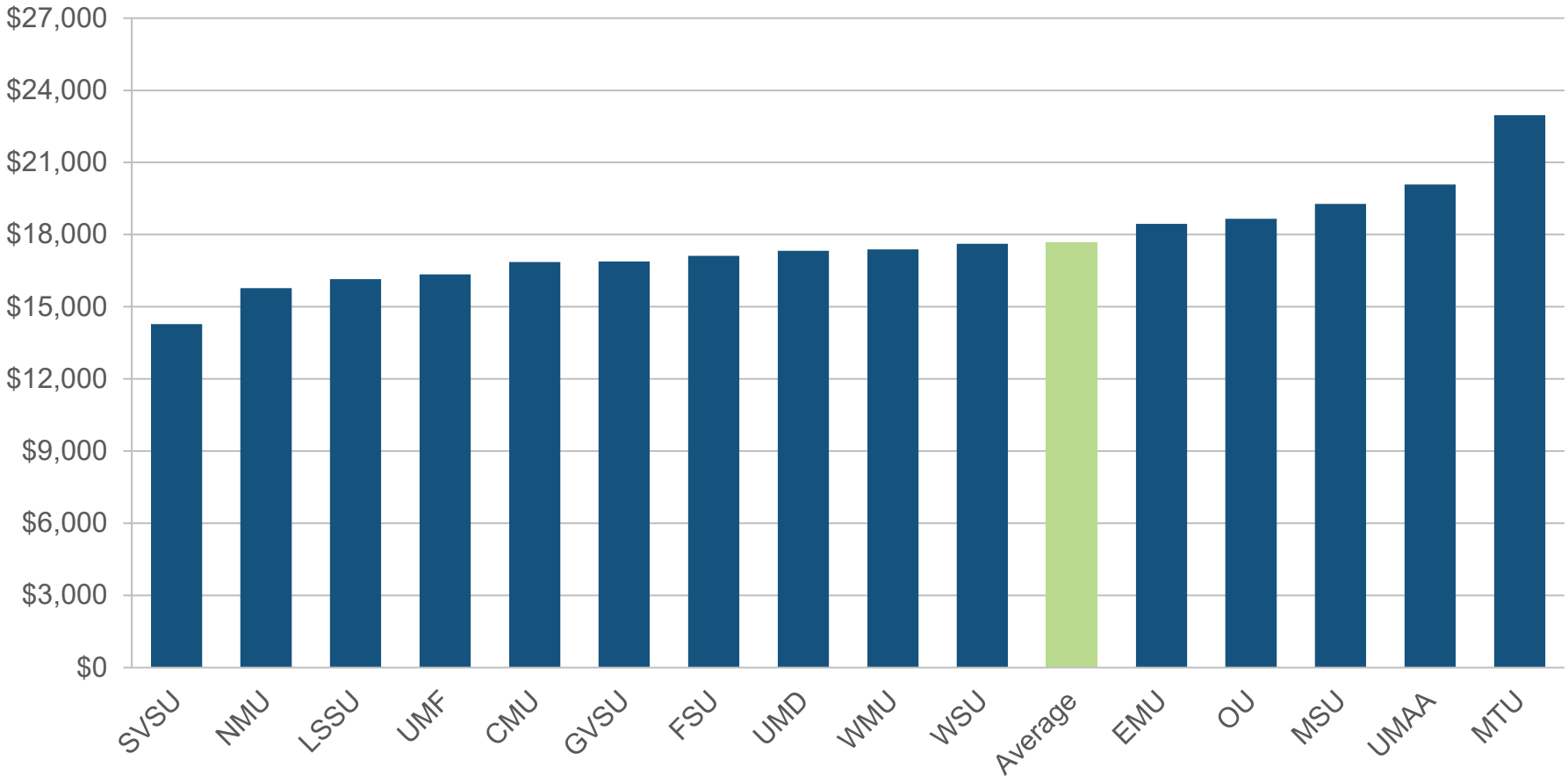
Public University General Fund Revenue Source History

Since FY 2001-02, the percentage of university general fund revenues generated by tuition and fees has been higher than that provided by state appropriations. Historically, these two main funding sources have had an inverse relationship.



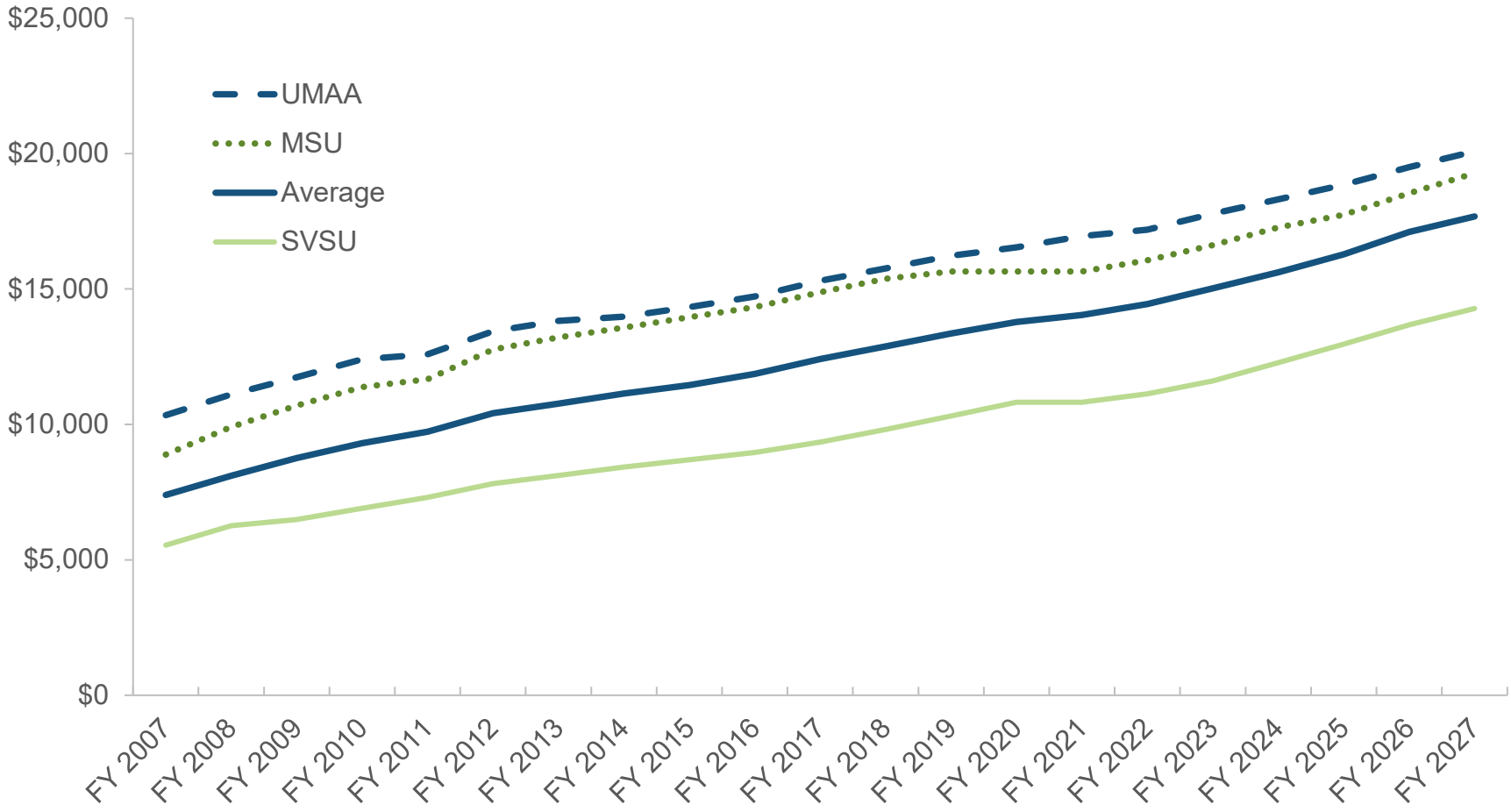
FY 2026-27 Resident Undergraduate Tuition and Fees Average Rates

Resident undergraduate tuition and fees average rates for FY 2026-27 range from $14,280 at SVSU to $22,965 at Michigan Tech. The statewide average is **$17,679**.



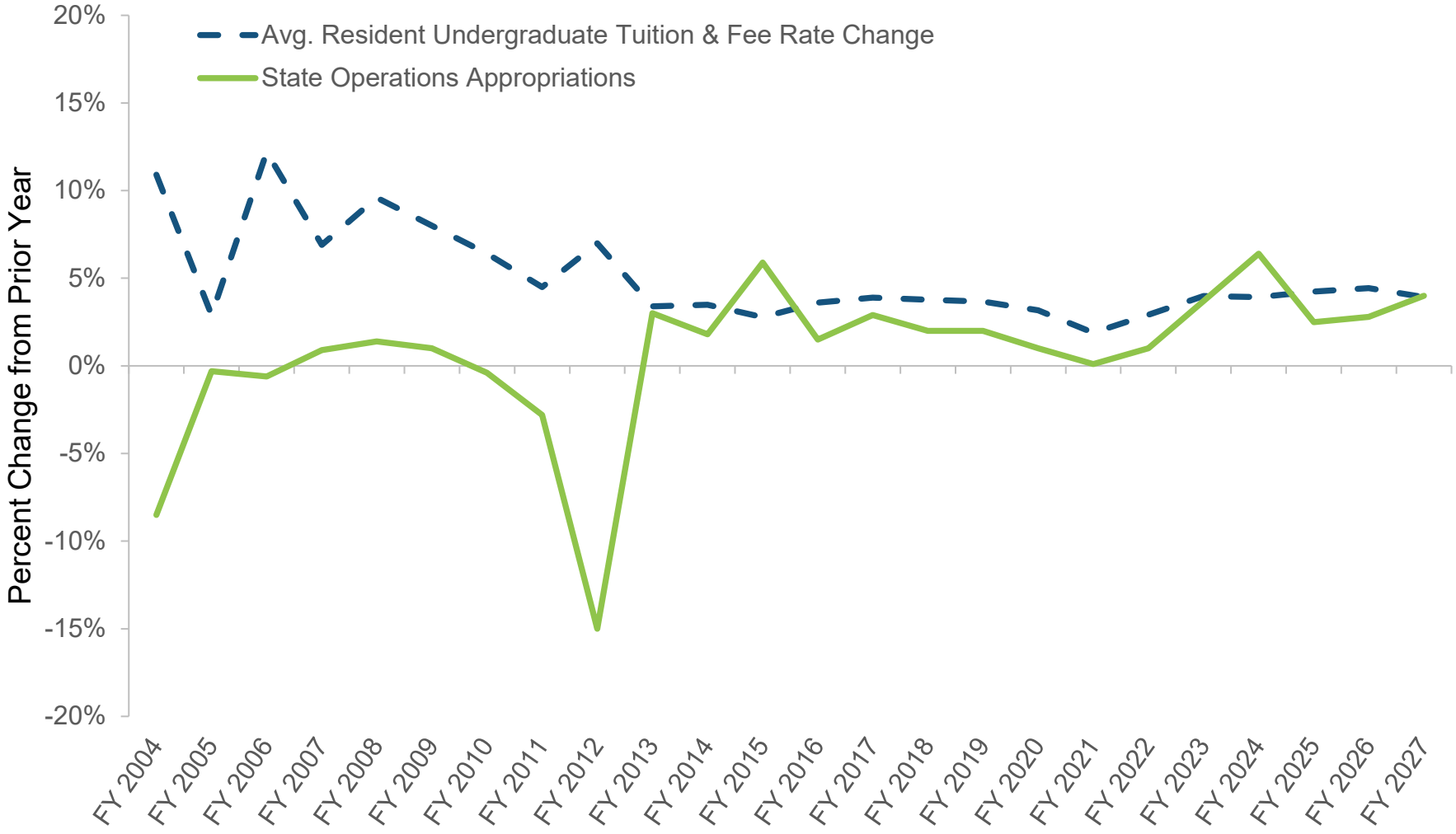
Average Resident Undergraduate Tuition and Fee Rates

Average resident undergraduate tuition and fee rates have nearly tripled in the past 20 years, increasing by **139%**. Rates for the University of Michigan - Ann Arbor and Michigan State have been higher than the average but have increased by **94%** and **117%**, while SVSU has been lower than the average rate but increased by **158%**.



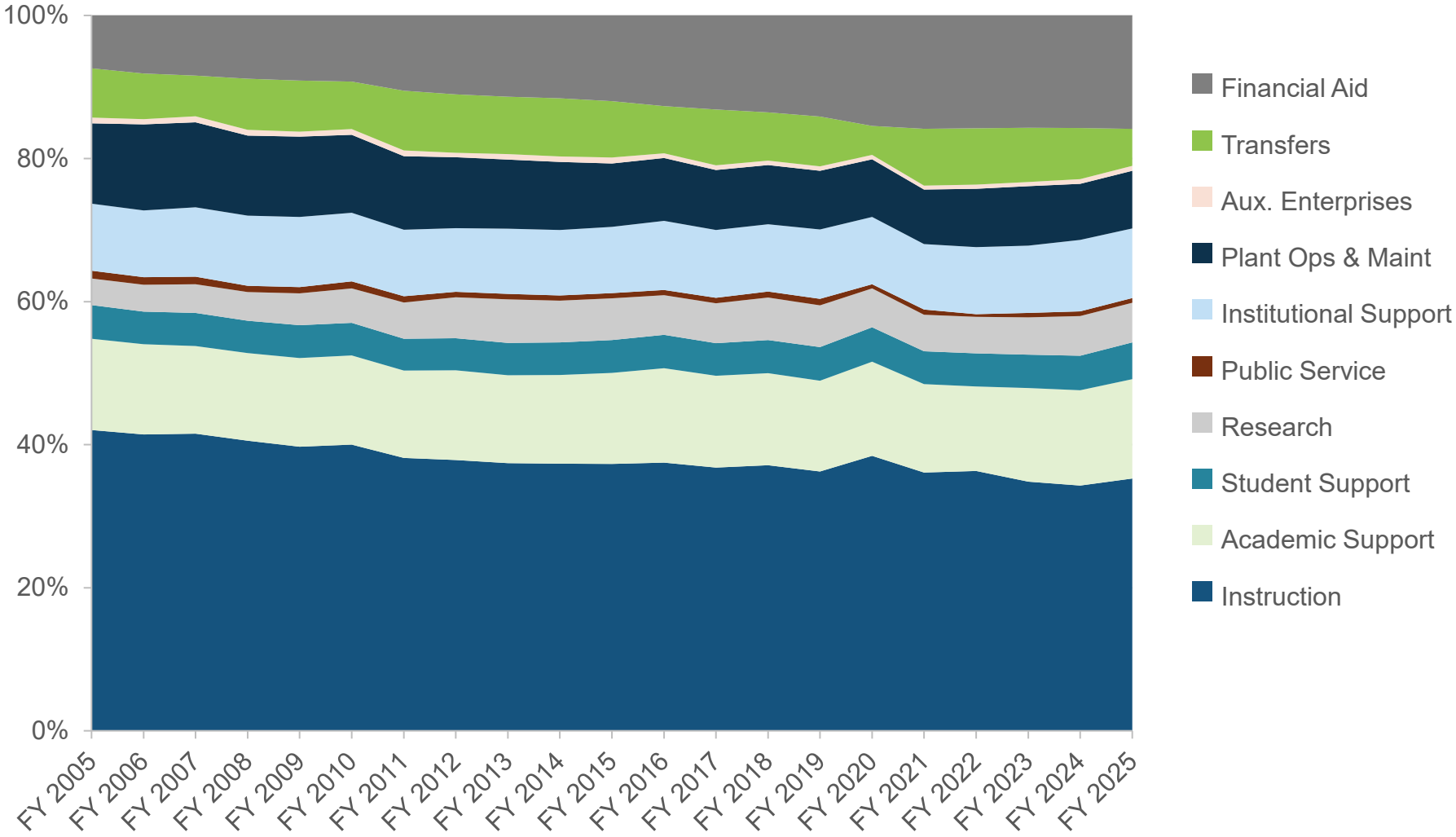
Tuition Rates and State Funding: Annual Percentage Changes

Generally, tuition rates have grown more slowly in years when state funding increased. This has been aided in part by tuition restraint policies that have been in place for FY 2004-05 and FY 2011-12 through FY 2026-27.



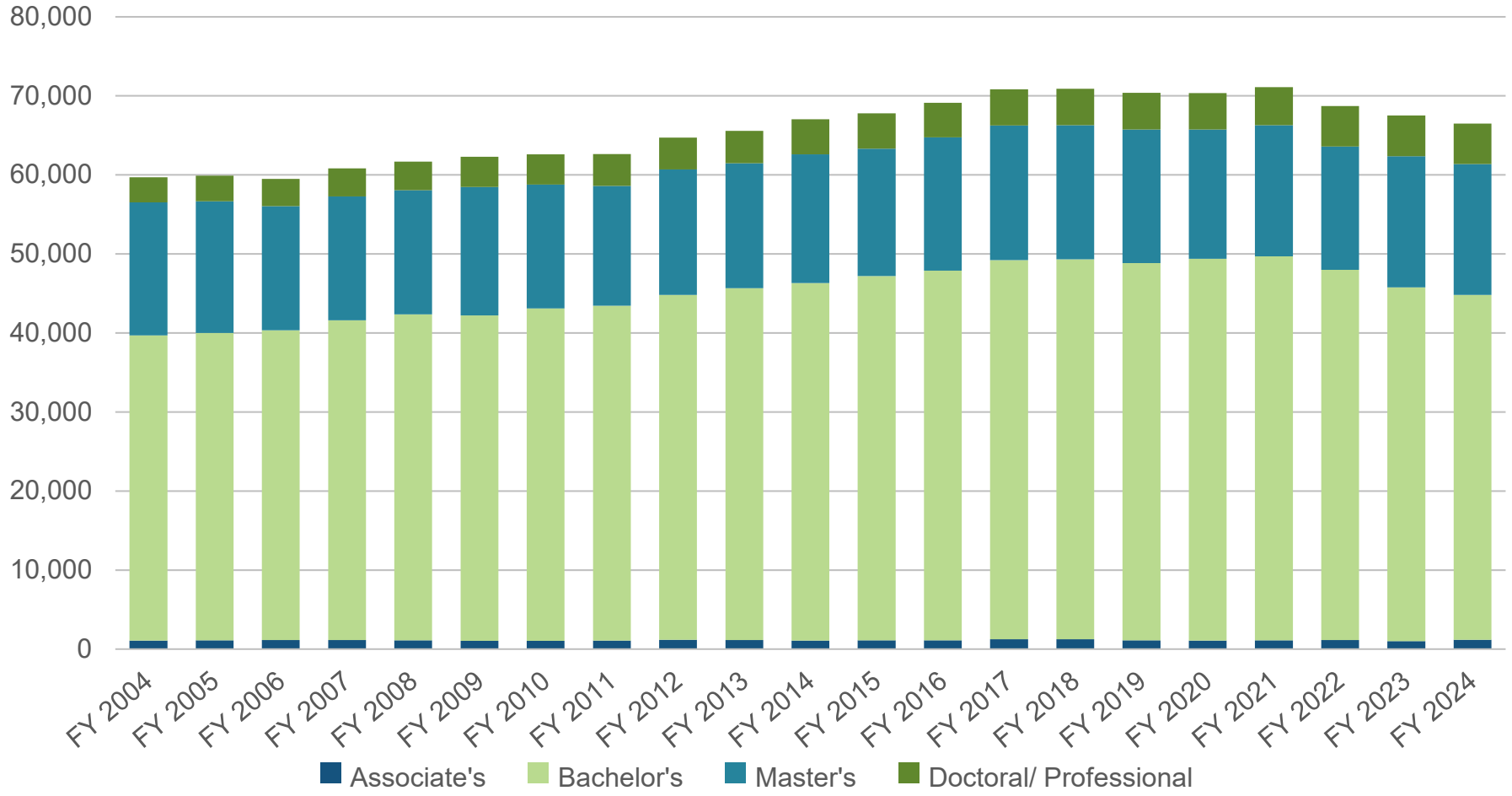
Total Public University General Fund Expenditures by Category

Over the past 20 years, the percentage of university spending devoted to instruction has declined from **42%** to **35%**, while the percentage spent on financial aid has doubled, going from **7%** to **16%**. The budget shares of other spending categories have remained comparatively stable.



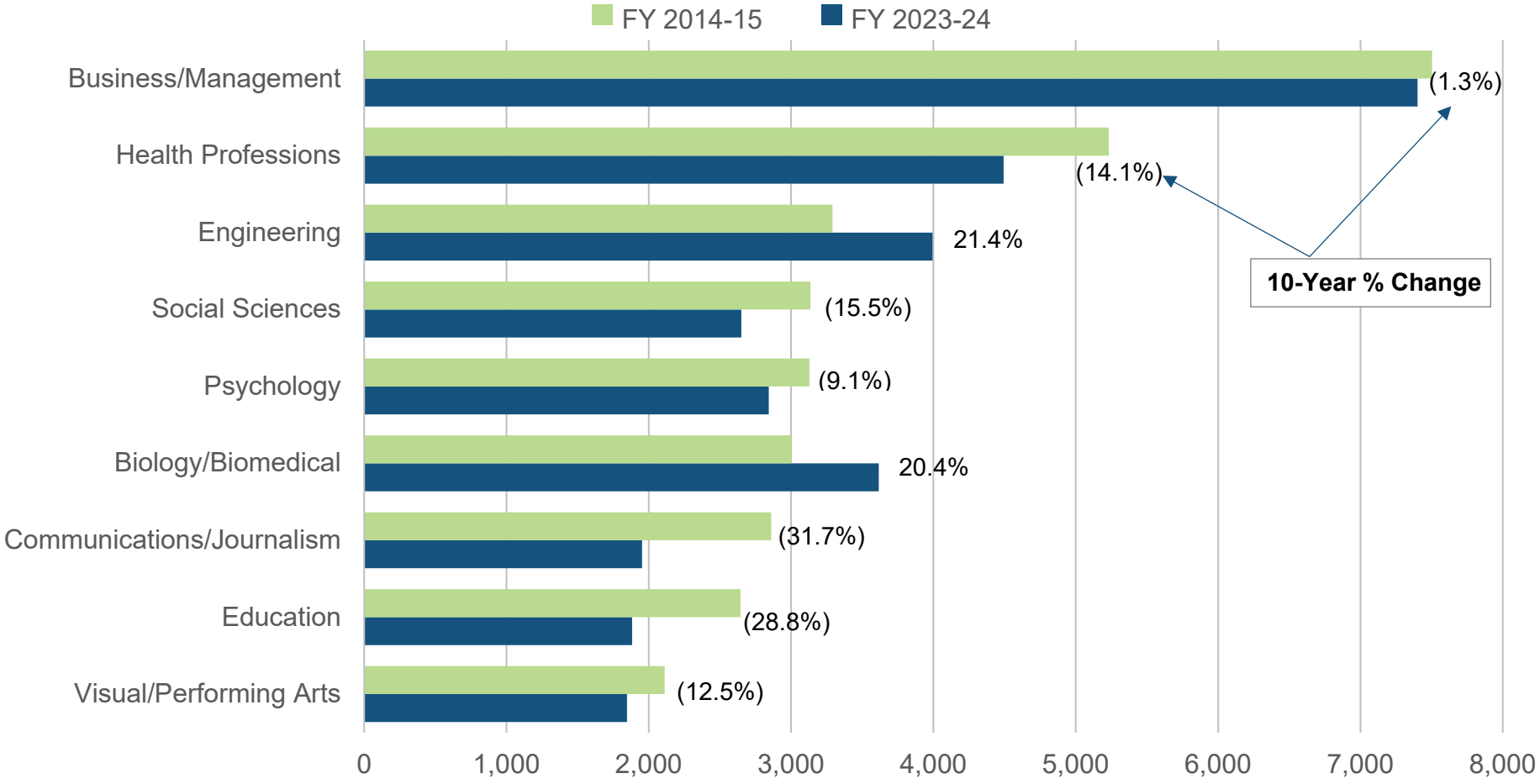
Degree Completions at Public Universities

Over the last 10 years, the number of degrees completed at public universities has decreased by **1%**, primarily due to decreases of bachelor's degrees (**4%**). More than two-thirds of degree completions at public universities are for bachelor's degrees, a proportion that has remained relatively stable over time. FY24 degree completions declined to FY14 levels, most likely due to the impact of COVID-19.



Major Bachelor's Degree Program Areas at Public Universities

While the total number of bachelor's degrees awarded decreased by **1%** over the past decade, the number of degrees awarded in some areas, notably engineering and biology/biomedical, increased dramatically. Other fields, such as education and communications, experienced significant declines. The nine fields of study shown below account for about **70%** of all baccalaureates.



Continuing Challenges for Higher Education Budget

Major Challenges Going Forward

Post Pandemic Challenges

- Enrollment fell from 2020 to 2023 at nearly every institution due to the COVID-19 pandemic. The loss of tuition revenue coupled with relatively flat state appropriations in recent fiscal years has put financial pressures on universities' budgets.

Declining Enrollment

- FY 2012-13 was the first year that total public university enrollment had fallen since FY 1994-95. Enrollment has continued to decline at many institutions, which has accelerated during the pandemic.
- The number of students graduating from Michigan public high schools is projected to decline by **14%** by June 2032 (National Center for Education Statistics, 2023).

Funding Mix

- Due to reduced state support and increased reliance on tuition and fee revenue, a 5% increase in tuition revenue increases combined operating revenue by over 3.5%, while a 5% increase in state appropriations yields just over a 1% increase in combined operating revenue.

Potential Scholarship Program Redesigns

- The Michigan Achievement Scholarship is anticipated to reach $600.0 million in costs when fully implemented and cover all high school graduates. Other state scholarships may need to be revised, phased out, or consolidated with MAS.

For more information about the Higher Education budget:

HFA Resources

http://www.house.mi.gov/hfa/HigherEducation.asp

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