

**An Investment in Michigan's Future Prosperity:
Observations on the Governor's FY 2020 Executive Budget
Recommendation for Higher Education**

**House Appropriations Subcommittee on Higher
Education and Community Colleges**

March 21, 2019



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Discussion Agenda

- 1) Demand & value of a college degree
- 2) Michigan's higher education funding in context
- 3) Observations on FY 2020 Executive Budget Recommendation for Higher Education



Higher Education: Key to Michigan's Prosperity

HOT 50: Michigan's high-demand, high-wage careers

Of the 50 high-demand, high-wage occupations in Michigan through 2026, 36 require a four-year college degree or higher.

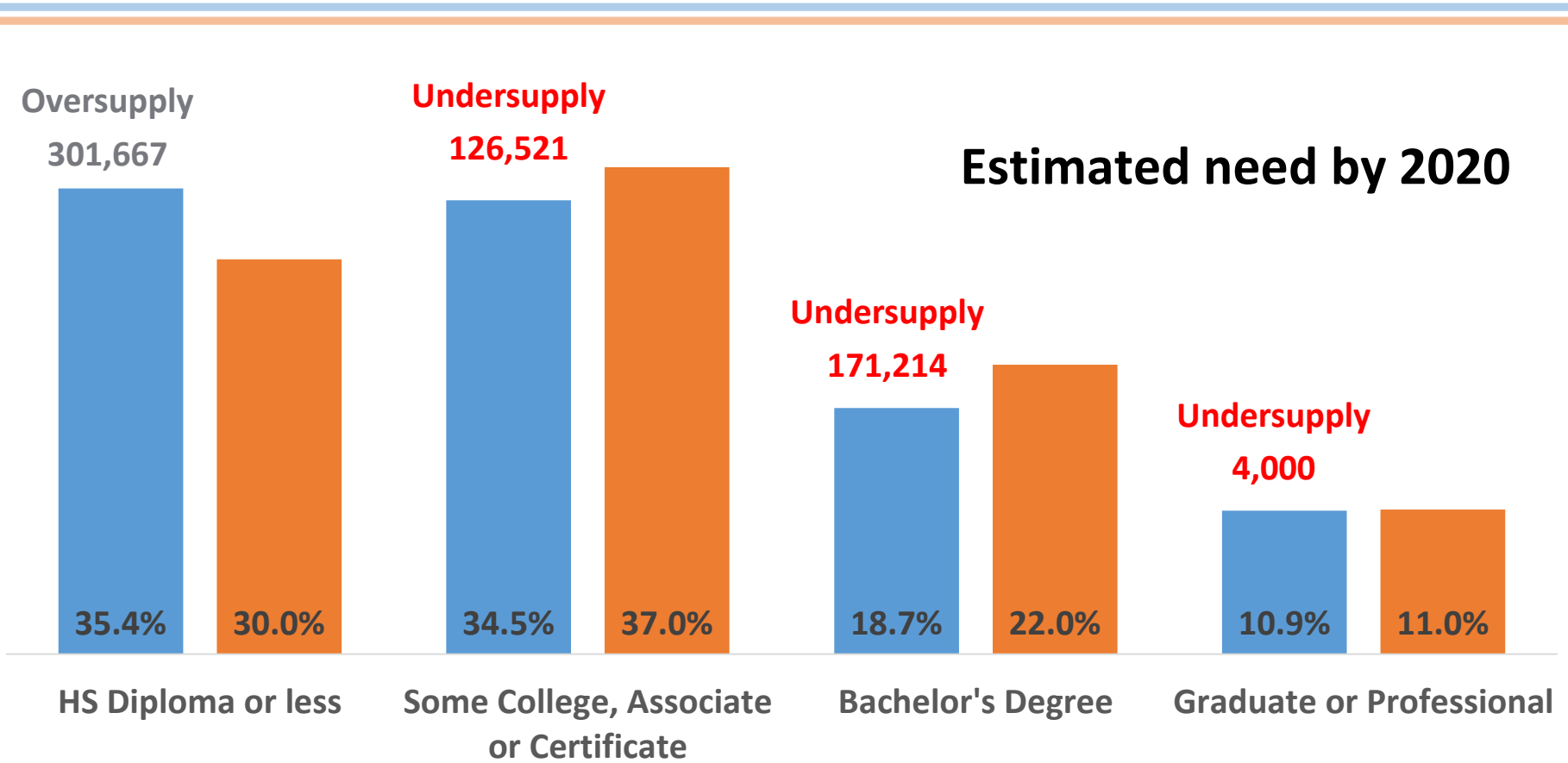
Annual HOT 50 job openings requiring a four-year degree: **51,100**.

Annual HOT 50 job openings not requiring degree: **30,290**.

Source: [Michigan Bureau of Labor Market Information and Strategic Initiatives](#)



Michigan needs 175,000 new university grads – and 126,000 new certificate/associate grads

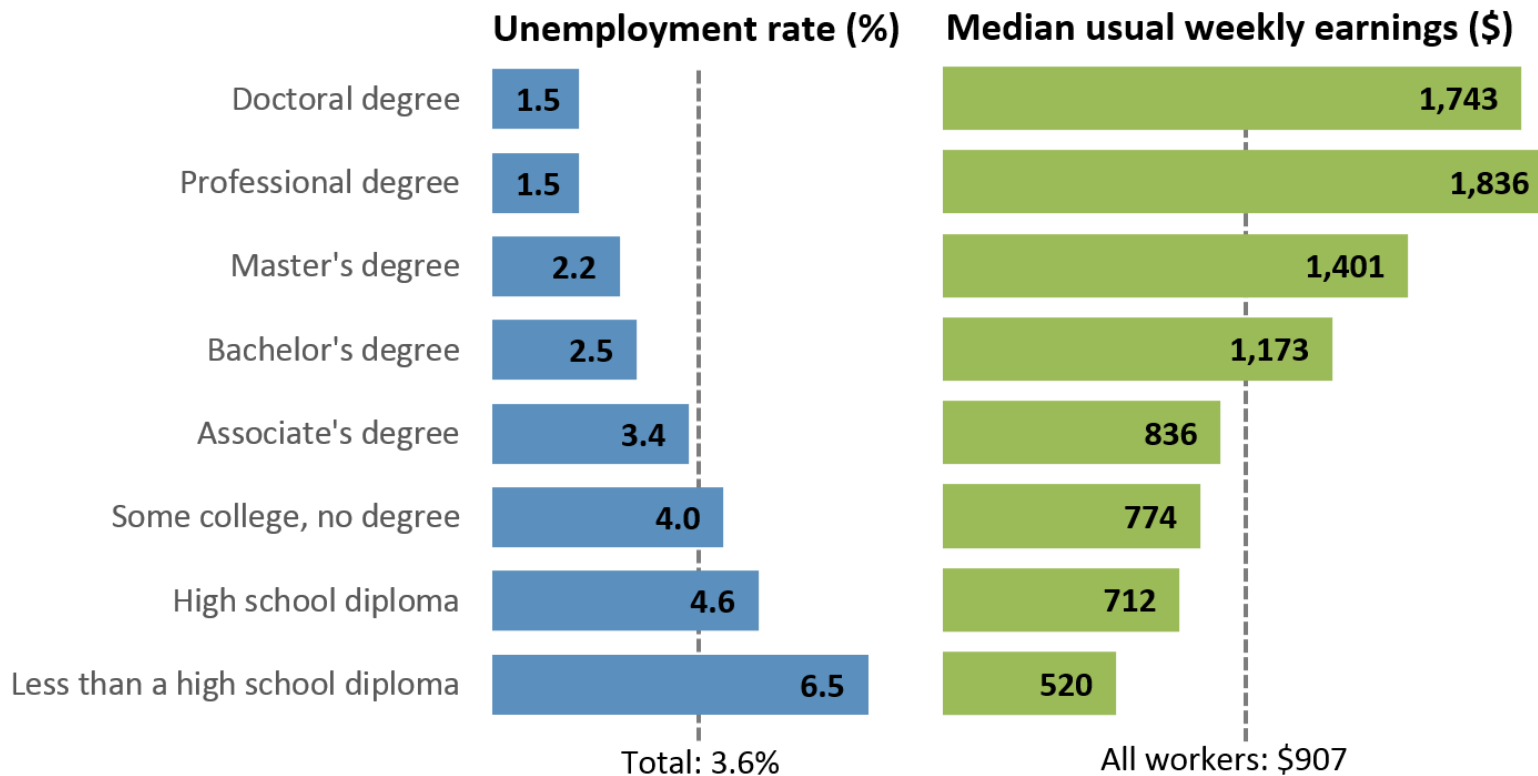


■ Current ■ Projected



College grads earn **more**, have greater job **security**

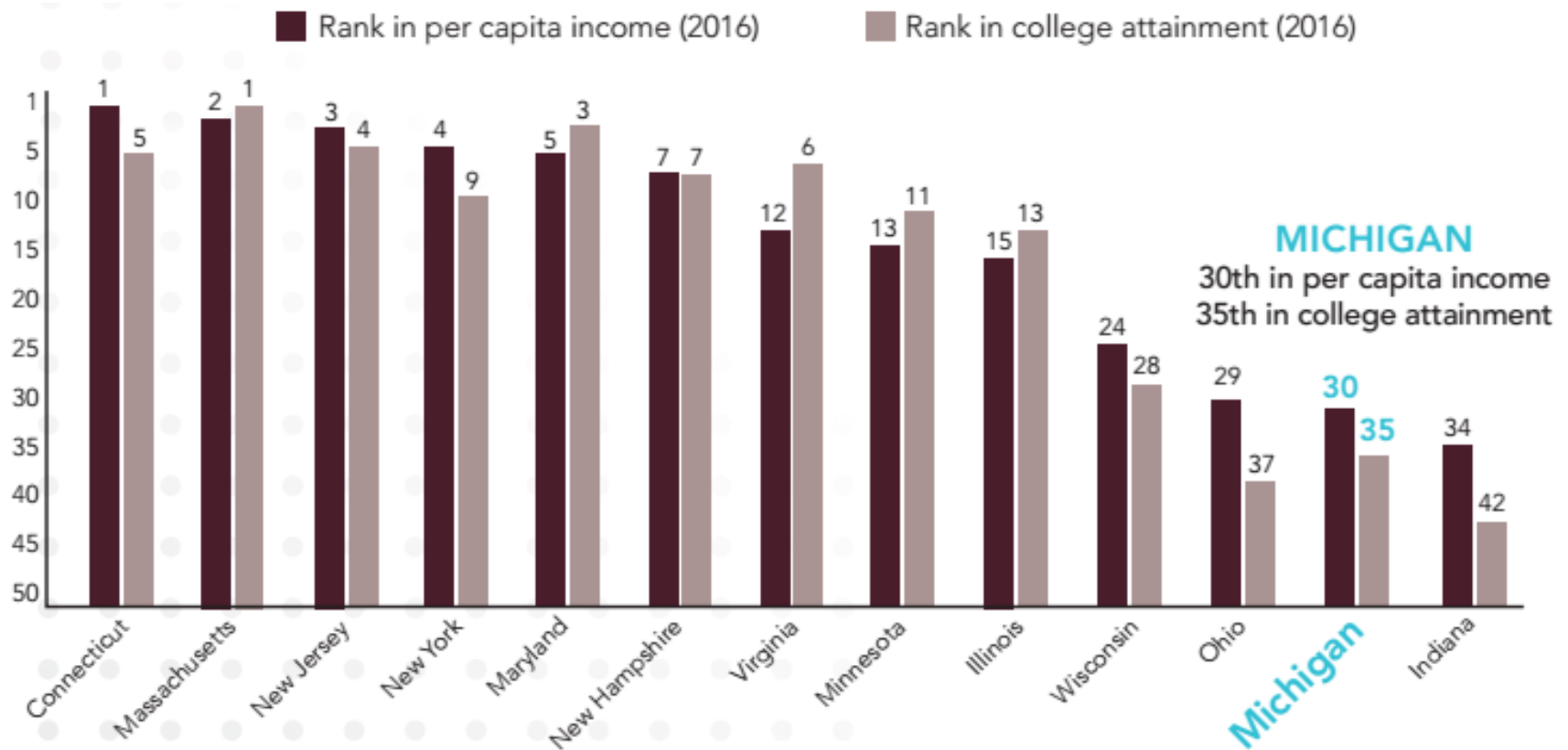
Unemployment rates and earnings by educational attainment, 2017



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 Same Holds True for States Collectively: The Most Prosperous States have the most College Graduates



Income: 2016 data U.S. Bureau of Economic Analysis (BEA)
Education Attainment: 2016 data ACS 5-year average

A More Accurate Portrait of the Value of College Attainment



When it comes to college attainment, increased earnings and job security are just the tip of the iceberg!

Factoring In:

- **Lifetime Taxes Paid**

- Federal, social security, state, property, sales

- **Public Assistance**

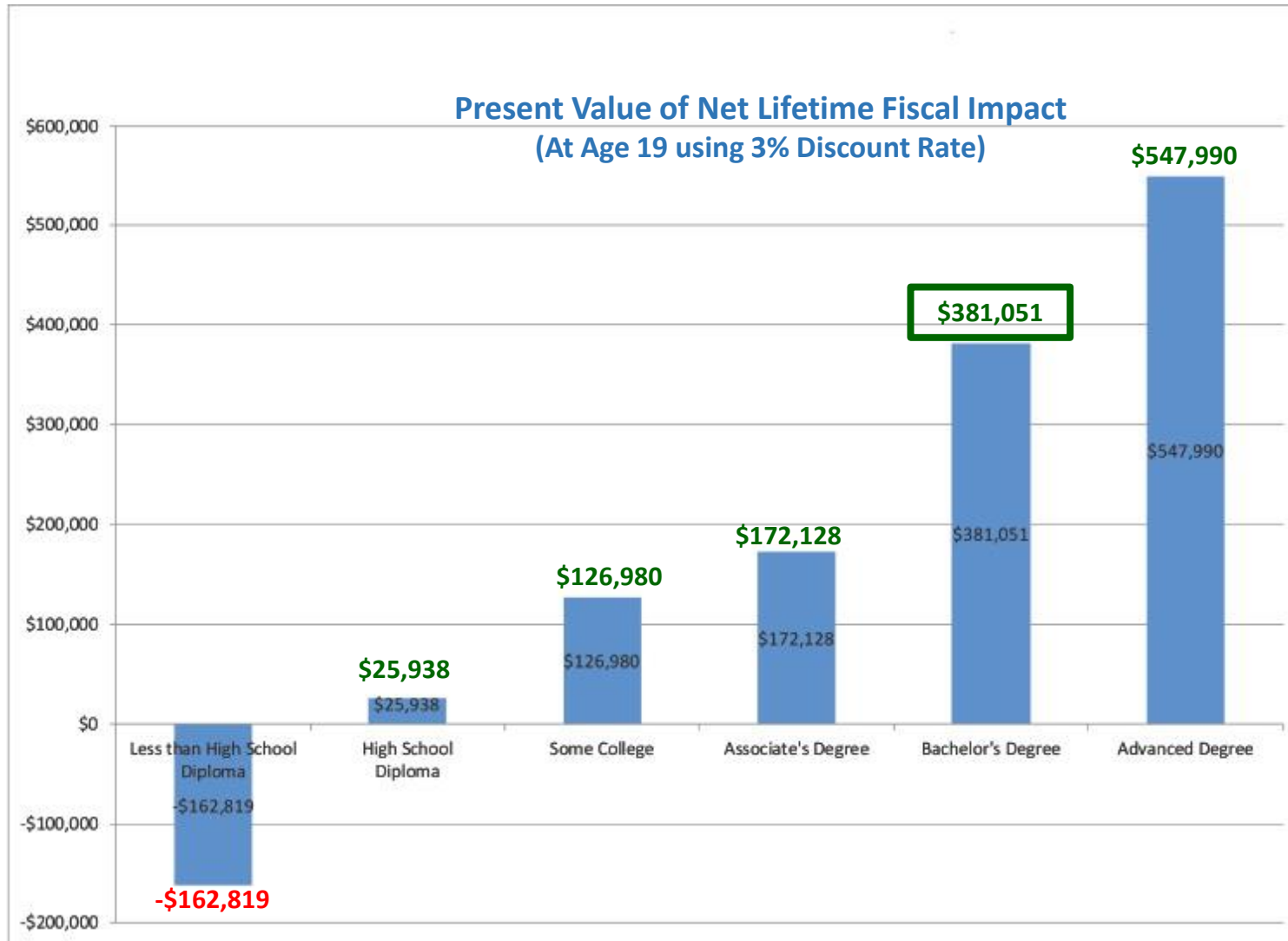
- Medicaid, food stamps, school lunches, cash assistance, energy assistance, housing subsidies

- **Social Insurance**

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

Net Lifetime Fiscal Impact of College Attainment

Lifetime Taxes Paid, minus Public Assistance and Social Insurance



College Degree vs. High School Diploma:

\$355,113 more in net lifetime fiscal impact

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

In Sum: Increased college attainment generates greater tax revenues and reduces the need for government spending on public assistance and social insurance.

Trends in Higher Education State Funding

Higher Education: The only area of state disinvestment during the past decade

STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS TOTAL COMPARED IN SELECTED BUDGET AREAS (millions of dollars)				
Budget Area	FY 2008-09 Year-to-Date Appropriations	FY 2018-19 Initial Appropriations	Dollar Difference	Percent Change
Health and Human Services	\$5,445.1	\$6,958.9	\$1,513.8	27.8%
Corrections	1,832.5	2,002.8	170.3	9.3%
K-12 School Aid	11,097.8	13,040.7	1,942.9	17.5%
Community Colleges	299.4	408.2	108.9	36.4%
Higher Education	1,576.2	1,546.2	(30.0)	(1.9%)
Revenue Sharing-Constitutional	649.1	835.3	186.2	28.7%
Revenue Sharing-Statutory	391.0	479.1	88.1	22.5%
All Other Programs	5,018.8	7,786.9	2,768.1	55.2%
Total State Spending	\$26,309.9	\$33,058.2	\$6,748.3	25.6%
Addendum:				
Medicaid Caseload	1,708,157	2,490,000	781,843	45.8%
Prison Population	48,010	38,815	(9,195)	(19.2%)
K-12 Pupil Count	1,619,744	1,480,000	(139,744)	(8.6%)
University Students	257,148	259,711	2,563	1.0%
Community College Students	157,225	124,868	(32,357)	(20.6%)
Michigan Personal Income (millions)	\$339,681.2	\$487,577.0	\$147,895.8	43.5%
Detroit Consumer Price Index	202.8	235.4	32.6	16.1%

Michigan's Investment in Higher Education

--The Longer View--

- Michigan's rank in per capita state fiscal support for higher ed:
2001: 20th Today: 43rd
- One-half the national average in per-capita support
- State appropriations since 2002: \$1 billion reduction*
- State appropriations since 2011: \$165 million reduction*
(Note: operating support *increased* 7 of 8 years)

*inflation adjusted

State University Operating Support

(inflation-adjusted)

2002

\$2.3 Billion

\$9,511 per full-time student

2018

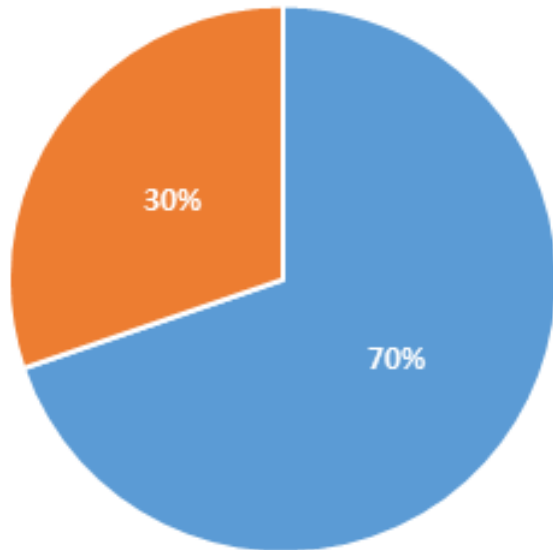
\$1.4 Billion

\$5,546 per full-time student

....a **42%** decrease in state funding per-student

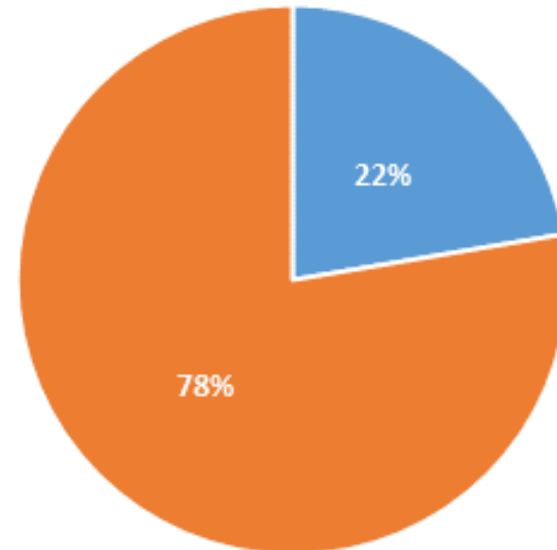
The State-to-Student Cost Shift in Paying for a Michigan Public University Education

University GF Revenues - FY1979



■ Appropriations ■ Tuition & Fees

University GF Revenues - FY2018



■ Appropriations ■ Tuition & Fees

**Observations on FY 2020
Executive Budget
Recommendation for
Higher Education**

Attainment Goal / Operating Support

- **Strong support for state educational goal**
 - **60% credential/degree completion by 2030**
 - **Sends a powerful message**
- **Strong support for 3% increase in university operating support**
 - **Will help improve affordability, reverse long-term state disinvestment**



Operating Support / *Tuition Caps*

- College affordability is a priority
- Tuition-setting is fiduciary & constitutional responsibility of governing boards
- Unintended consequences?
- Can limit flexibility for responding to market demand, student supports



Operating Support / *Tuition Caps*



- **Timing with the state budget timeline**
 - **Tuition-setting takes place in spring**
 - **Prior administration: 7 Exec Recs proposed an increase; final budget was lower in 5 of them.**
- **Request: Let Governing Boards fulfill their fiduciary & constitutional responsibilities by removing artificial tuition price controls**

Operating Support / *Funding Formula*

If formula funding is revisited, moving forward:

- **Include all institutions in discussions**
- **Consider institutional missions**
- **Consider fewer metrics, but add an optional “metrics menu” tailored to diverse missions**



State Financial Aid

- **Support for the Michigan Reconnect Program**
- **In months ahead—input on refinements to Michigan Opportunity Scholarship proposals (FY 2021 budget)**
- **Request: Do not add cap on TIP students**
- **Request: Shore-up state's obligations under the Comstock Agreement to fund the Michigan Indian Tuition Waiver**
 - **Current state funding: \$4.2M**
 - **Actual costs (incurred by universities): \$10.9M**

Michigan's Future is in College

