The fiscal information in this background briefing is based on data through December 31, 2011.
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 control and direction of all expenditures from institution’s funds.

Beginning in FY 2011-12, the Higher Education budget is included in the compiled School Aid Act, rather than a standard one-year budget bill.
FY 2011-12 Higher Education appropriations are $480.7 million lower than they were in FY 2002-03 (26.1 percent, not adjusting for inflation).

Note: Delayed payments in 2004 and 2007 shown in original year funds were appropriated.
Higher Education makes up 12.4% of the total state GF/GP budget

FY 2011-12 GF/GP Total = $8,626,998,900
Higher Education Share of School Aid Fund

The Higher Education budget receives 1.8% of the total state School Aid Fund (SAF)

FY 2011-12 SAF Total = $11,282,998,700
SOURCES OF FUNDING
Higher Education Funding Sources

In FY 2011-12, School Aid Fund revenue is being utilized to replace $200.0 million in GF/GP funding for public universities. Federal TANF funds have replaced state funds for major financial aid programs.

FY 2011-12 Higher Education Budget = $1,364,178,400
HIGHER EDUCATION APPROPRIATIONS
Higher Education Appropriations

The Higher Education budget contains:

- **Operational support** to the state’s 15 public universities
- 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 7.5% of FY 2009-10 Higher Education funding is appropriated to the 15 public universities for operations or other purposes (Ag Experiment/Extension).*
Higher Education Appropriations

FY 2011-12 Higher Education Budget = $1,364,178,400

- University Operations: $1,207,234,700 (88.5%)
- Financial Aid: $99,526,400 (7.3%)
- Ag Experiment/Coop Extension: $52,625,800 (3.9%)
- Other: $2,891,500 (0.2%)
- One-Time Funding: $1,900,000 (0.1%)
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>UMAAA</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>
Appropriations to Michigan State, UM-Ann Arbor, and Wayne State make up 57.3% of total state operational support to the 15 public universities.
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 2011-12 budget act includes language stating legislative intent to allocate university operations funding using a performance incentive formula (yet to be developed) beginning in FY 2012-13.
FY 2011-12 appropriations per FY 2010-11 FYES vary from $2,351 to $7,341.
Total FY 2011-12 university appropriations per FYES are 33.4 percent lower than they were in FY 2000-01—or 48.6 percent lower on an inflation-adjusted basis.
Tuition Restraint Incentive

- FY 2011-12 budget adjustments for university operations:
  - 15.0% across-the-board reduction (**$213.1 million**)
  - From remaining amounts, between 5.1% and 9.8% of each university’s appropriation (based on average tuition increase over previous 5 years) was made contingency on compliance with tuition restraint provisions (**$83.0 million total**)

- Tuition restraint provisions (resident undergraduate rates only):
  - Universities could not raise tuition for FY 2010-11 after February 1, 2011
  - Universities had to limit tuition increases for FY 2011-12 to 7.1% (statewide 5-year average)

- State budget director determined that all 15 universities complied with requirements and will receive tuition restraint incentive funds. In two cases (MSU/WSU), tuition increases were calculated based on higher summer semester rates in FY 2010-11.
An appropriation of **$52.6 million GF/GP** is made to Michigan State University to operate two statewide programs:

- **Agricultural Experiment Station**
  Agriculture research program operated by MSU at 14 facilities across state.

- **Cooperative Extension Service**
  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 2011-12; $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 2011-12).

- **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.

- **Robert C. Byrd Honors Scholarship Program**
  Federally-funded awards to outstanding high school graduates.

- **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 2011-12 Total = $99,526,400

- Tuition Incentive Program: $43,800,000 (44.0%)
- Tuition Grants: $31,664,700 (31.8%)
- State Competitive Scholarships: $19,861,700 (20.0%)
- Other: $4,200,000 (4.2%)
Changes in State-Funded Financial Aid by Category

Note: Excludes federally-funded 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 nearly 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 much smaller.

- Because of increasing participation rates, program costs have increased from $5.0 million in FY 2000-01 to $43.8 million in FY 2011-12. Currently, over 16,000 students are receiving TIP assistance.
TIP Participation/Expenditure Growth

House Fiscal Agency: December 2011
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.
One-Time Appropriations

Three appropriations totaling $1.9 million GF/GP are included in FY 2011-12 boilerplate language on a “one-time basis only”:

- **$500,000 GF/GP** for the Autism Collaborative Center at Eastern Michigan University
- **$1.2 million** for the Facility for Rare Isotope Beams at Michigan State University
- **$200,000 GF/GP** for economic development and commercialization at Western Michigan University
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 2010-11 Public University Enrollments

House Fiscal Agency: December 2011
Public University Enrollment History

Undergraduate FYES

Graduate FYES

House Fiscal Agency: December 2011
University Enrollment Growth
FY 2000-01 to FY 2010-11

Note: Changes based on total Fiscal Year Equated Students (FYES)
Public University General Fund Revenue

FY 2009-10 Total = $5.4 Billion

- **Student Tuition/Fees**: $3,591,738,300 (66.0%)
- **State Appropriations**: $1,420,344,900 (26.1%)
- **Other**: $426,942,181 (7.8%)
Public University General Fund Revenue Source History

% of Total GF Revenue


Tuition and Fees
State Appropriations
Other

Note: FY 2011-12 amounts are estimates

House Fiscal Agency: December 2011
Public University General Fund
Revenue per FYES: FY 2010-11

State Appropriation
Tuition
Other

House Fiscal Agency: December 2011
Average Resident Undergraduate Tuition and Fee Rate

FY 1992 to FY 2012

Average: 15 Universities

UM-Ann Arbor
Michigan State
Saginaw Valley
Tuition Rates and State Funding

Average Resident Undergraduate Tuition/Fee Rate

State Funding/FYES

Note: FY 2011-12 based on FY 2010-11 FYES
Public University General Fund Expenditures

% of Total Expenditures

FY 1995 to FY 2011

- Financial Aid
- Transfers
- Aux Enterprises
- Plant Ops & Maint
- Inst Support
- Public Service
- Research
- Student Services
- Academic Support
- Instruction
Total Public University General Fund
Expenditures per FYES

Expenditures/FYES
Nominal Expends/FYES
Adjusted for US CPI
Adjusted for Higher Ed Price Index

Degree Completions at Public Universities

House Fiscal Agency: December 2011
For more information about the Higher Education budget, contact:

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