



Background Briefing

HIGHER EDUCATION

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January 2011

The fiscal information in this background briefing is based on data through January 1, 2011.

Higher Education

Article VIII of the State Constitution:

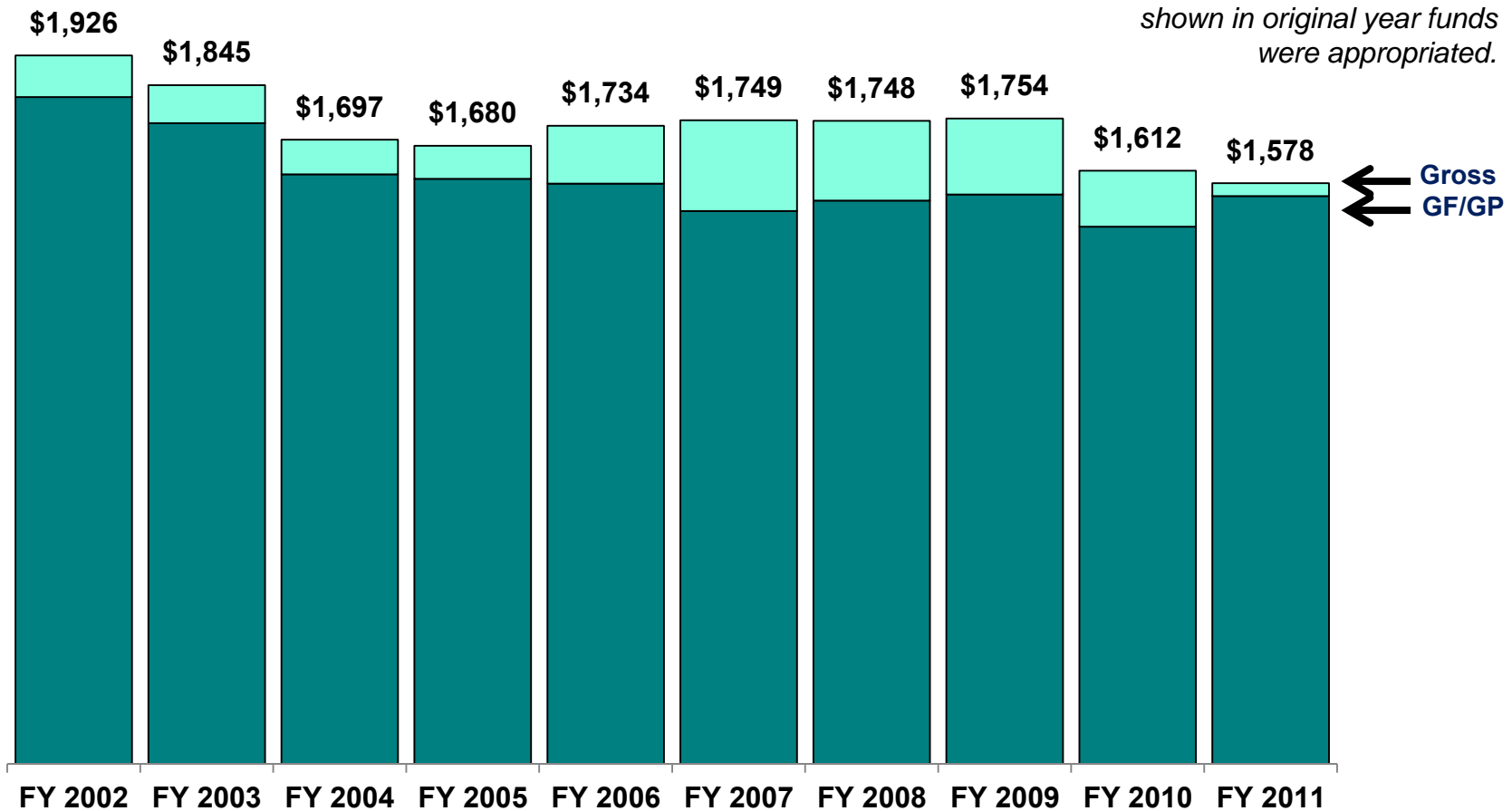
- **Section 4:** Requires Legislature to appropriate funds to maintain Michigan's 15 public universities.
- **Section 5:** Provides for elected boards of control for University of Michigan, Michigan State, and Wayne State.
- **Section 6:** Provides for appointed boards of control for remaining universities.
- **Sections 5 and 6:** Grants each university board control and direction of all expenditures from institution's funds.

Because of the operational autonomy granted to the universities under the constitution, Michigan is the only state without a statewide board, commission, or agency specifically responsible for higher education administration or oversight.

Higher Education: Gross Appropriations

FY 2010-11 Higher Education appropriations are roughly \$350 million lower than they were in FY 2001-02 (18.0 percent, not adjusting for inflation).

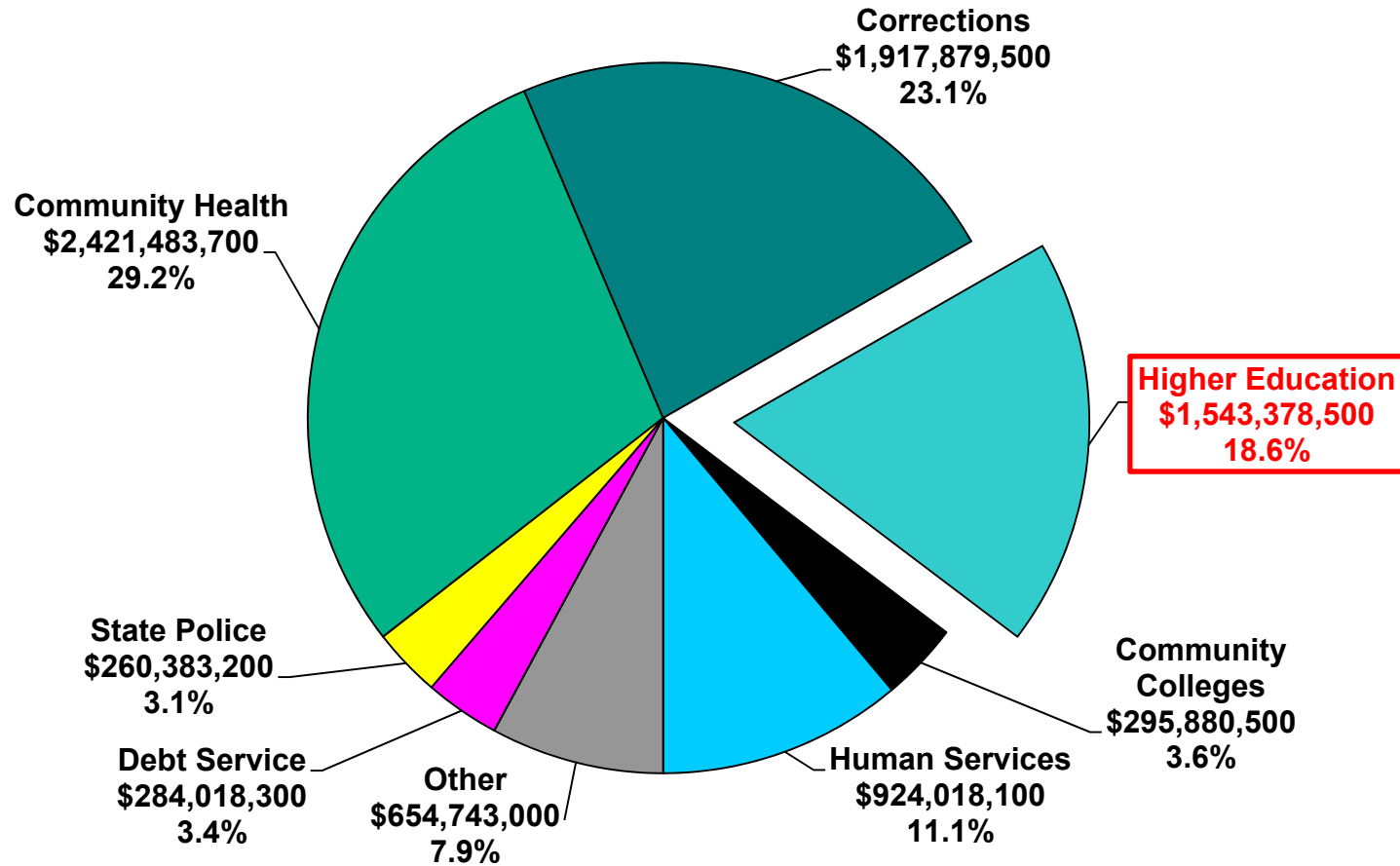
Note: Delayed payments in 2004 and 2007 shown in original year funds were appropriated.



Higher Education Share of State GF/GP

Higher Education makes up 18.6% of the total state GF/GP budget

FY 2010-11 GF/GP Total = \$8,301,784,800

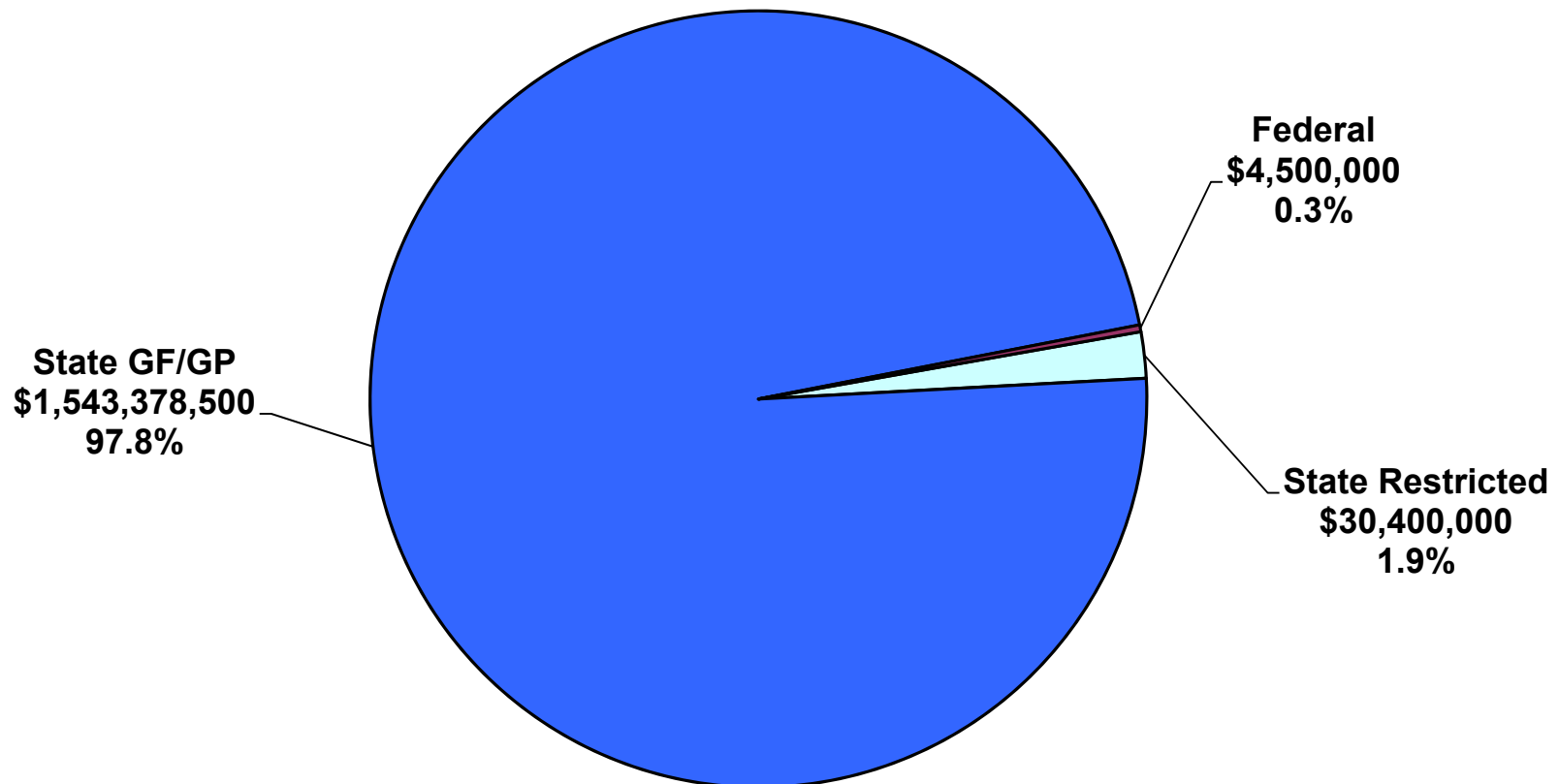


SOURCES OF FUNDING

Higher Education Funding Sources

The Higher Education budget is funded almost exclusively from state GF/GP revenue. State restricted funding consists primarily of tobacco settlement revenue.

FY 2010-11 Higher Education Budget = \$1,578,278,500



HIGHER EDUCATION APPROPRIATIONS

Higher Education Appropriations

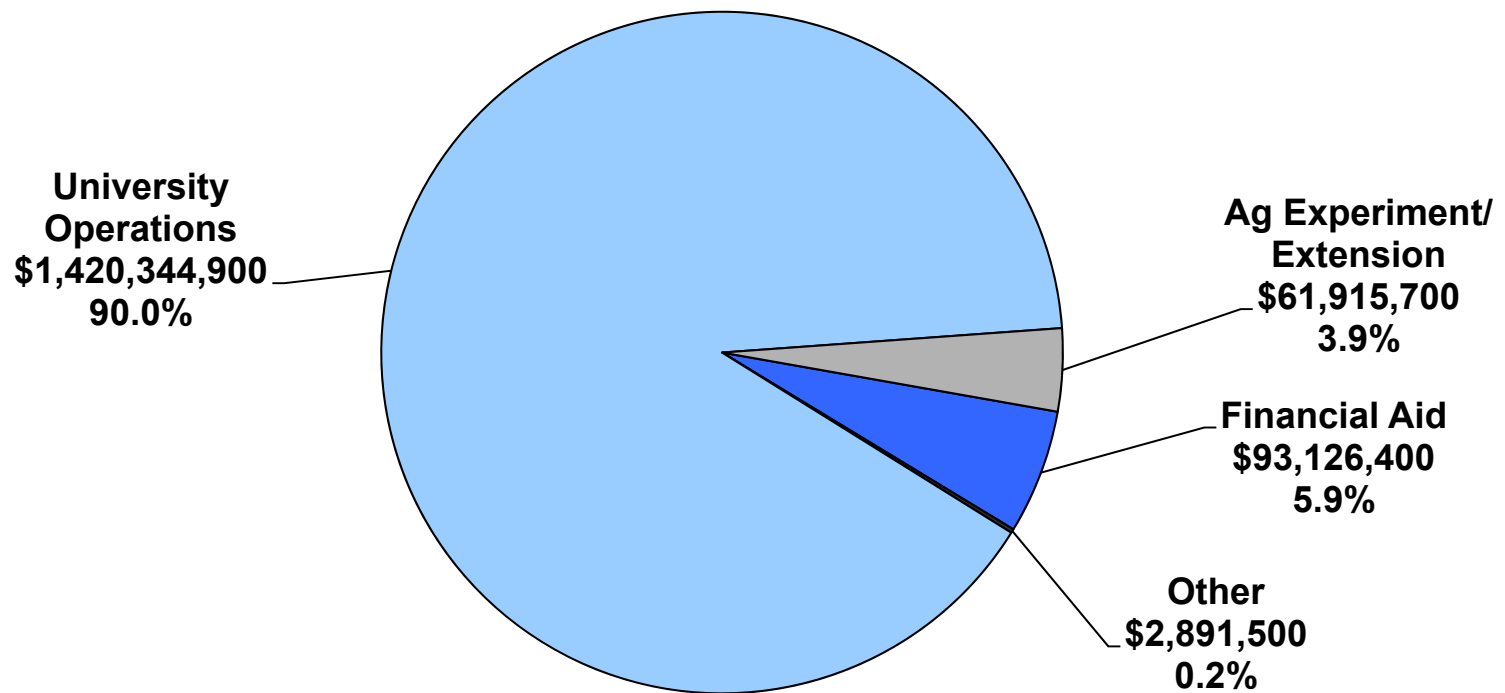
The Higher Education budget contains:

- **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 6.1% 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 2010-11 Higher Education Budget = \$1,578,278,500



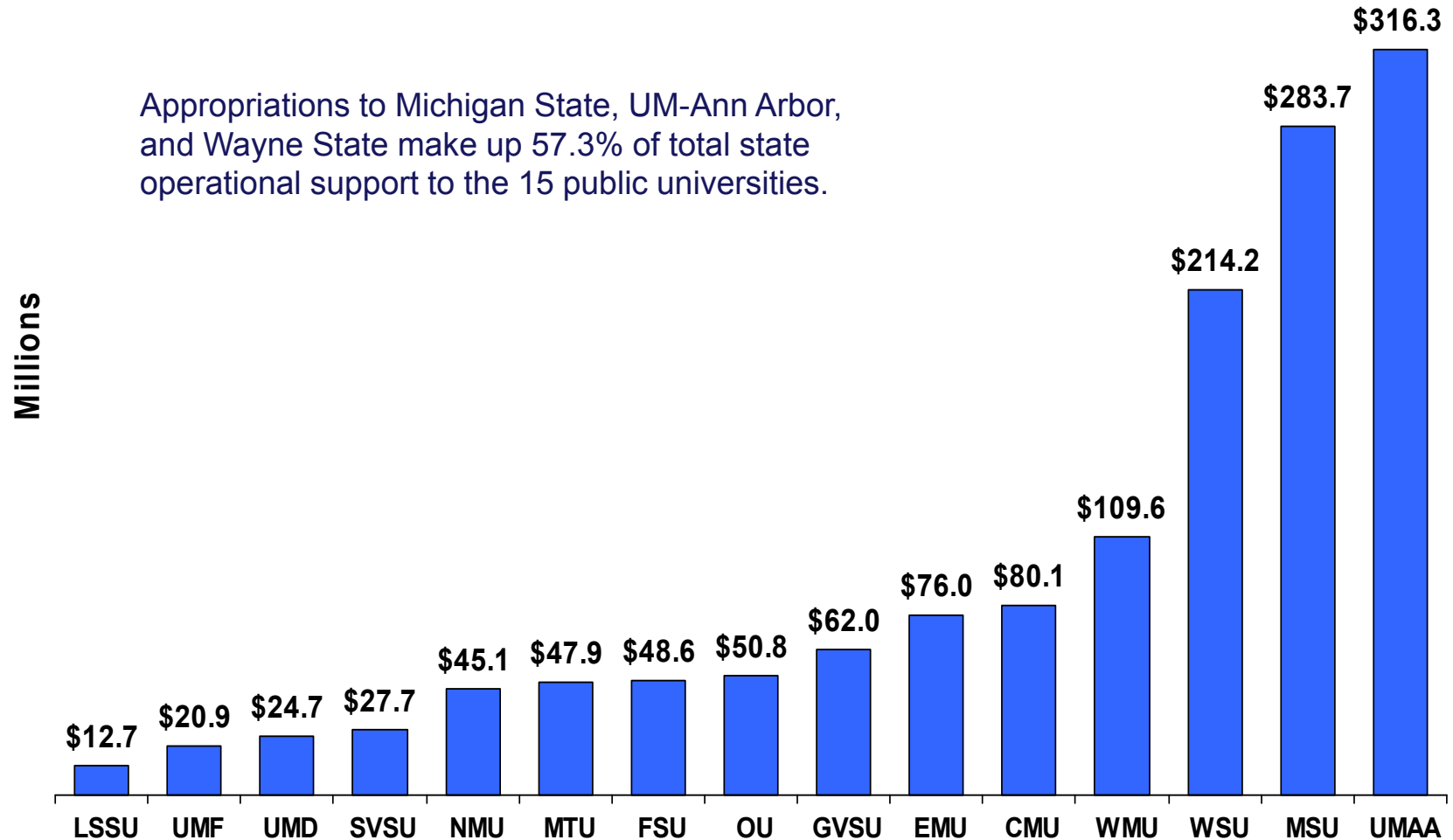
MAJOR BUDGET ISSUES

Public Universities

<u>University</u>	<u>Abbreviation</u>	<u>Founded</u>
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 Tech. 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

FY 2010-11 University Operations Grants

Appropriations to Michigan State, UM-Ann Arbor, and Wayne State make up 57.3% of total state operational support to the 15 public universities.



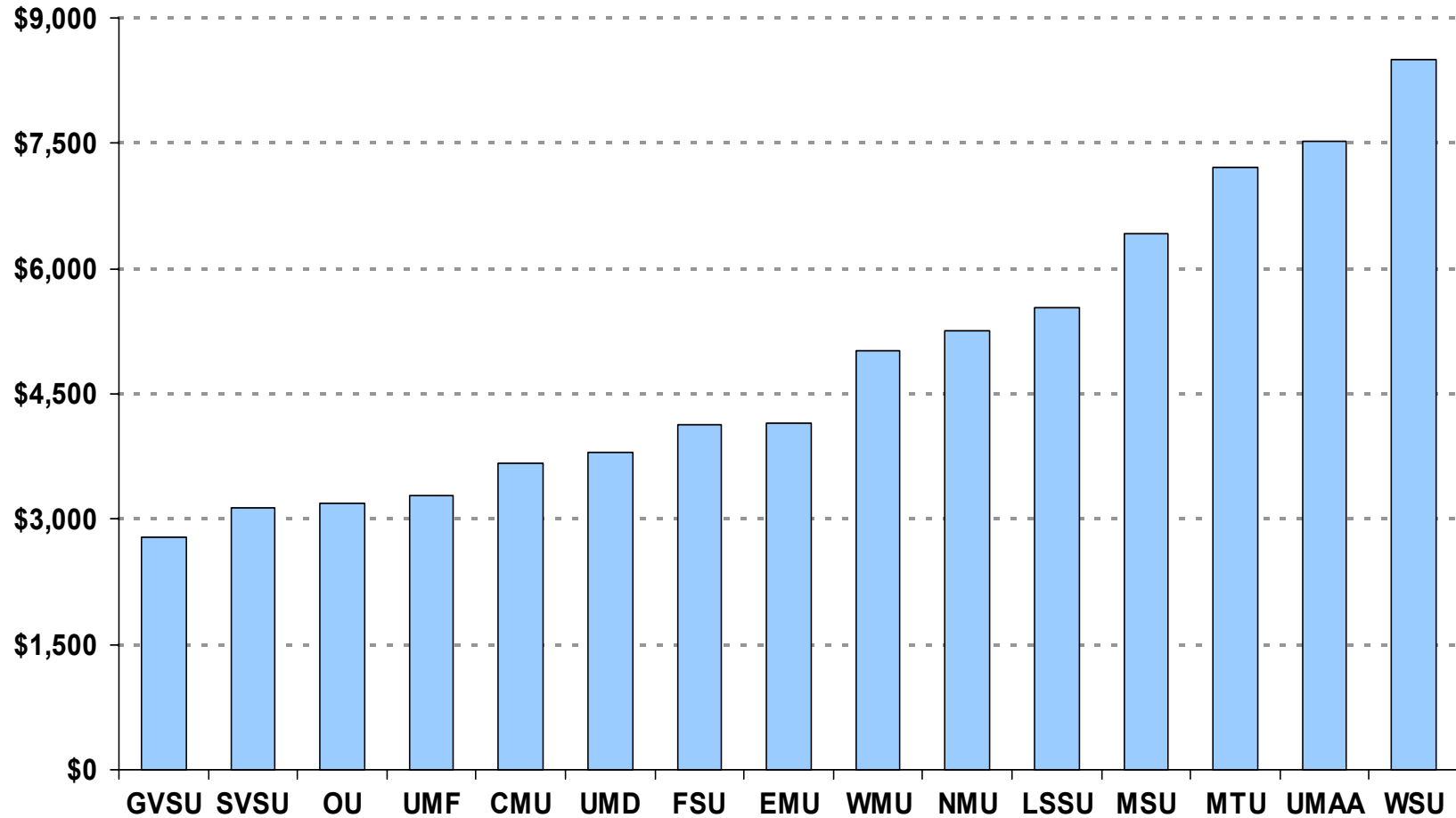
University Operations Funding

- 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)**:
 - $\text{FYES} = \text{credit hours} \div 30$ (at undergraduate level)
 - Calculation usually made using total FYES (undergraduates + graduates; residents + nonresidents)
- Methods used in over last decade to determine funding changes have included the following:
 - Across-the-board adjustments
 - Per-FYES funding floor
 - Allocations based on various activity/outcome measures: enrollment, degree completions, research funds, Pell Grant recipients

From FY 2008-09 to FY 2010-11, state support level for university operations was subject to federal ARRA-related maintenance-of-effort requirements. No such requirements exist beginning in FY 2011-12.

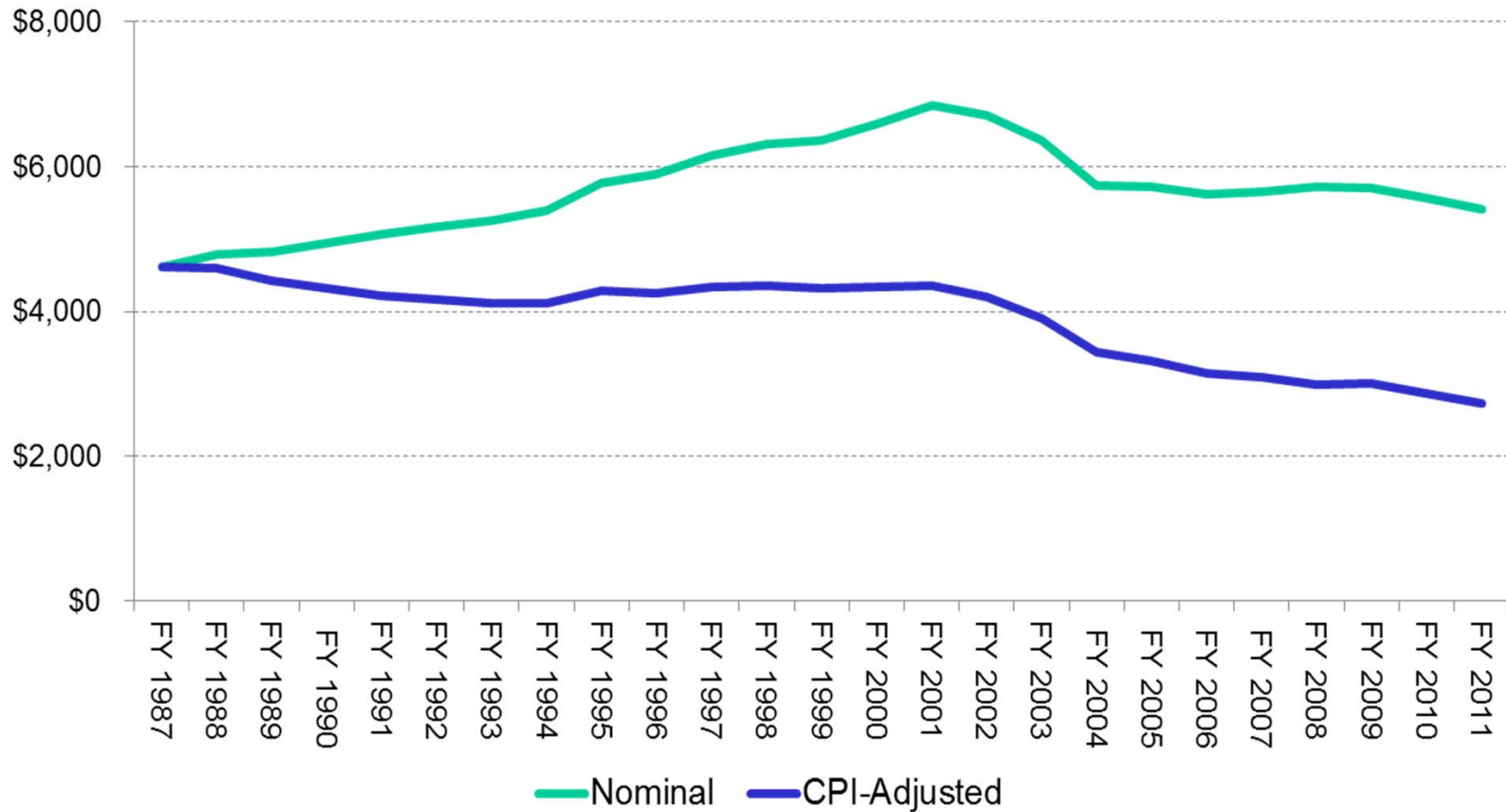
University Appropriations per Student

FY 2010-11 appropriations per FY 2009-10 FYES vary from \$2,783 to \$8,498.



Historical University Appropriations per Student

Total FY 2010-11 university appropriations per FYES are 20.9 percent lower than they were in FY 2000-01—or 37.2 percent lower on an inflation-adjusted basis.



University Classification

- Beginning with fiscal year 2007-08, budget act has distinguished between **Research Universities** and other **State Universities**. Initially, budget act contained separate articles; for FY 2010-11, subparts in line item section are utilized.
- Boilerplate language defines a Research University as a public university classified as a “research university (very high research activity)” under the 2005 Carnegie Classifications:
 - Michigan State University
 - University of Michigan-Ann Arbor
 - Wayne State University
- Carnegie Foundation classifies postsecondary institutions into various categories for research/other purposes, utilizing data on (1) academic degree-granting activity at various levels and (2) research-related activities.

Ag Experiment and Extension

Two separate appropriations are made to Michigan State annually:

- **Agricultural Experiment Station: \$33.2 million GF/GP**
Agriculture research program operated by MSU at 14 facilities across state.

- **Cooperative Extension Service: \$28.7 million GF/GP**
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

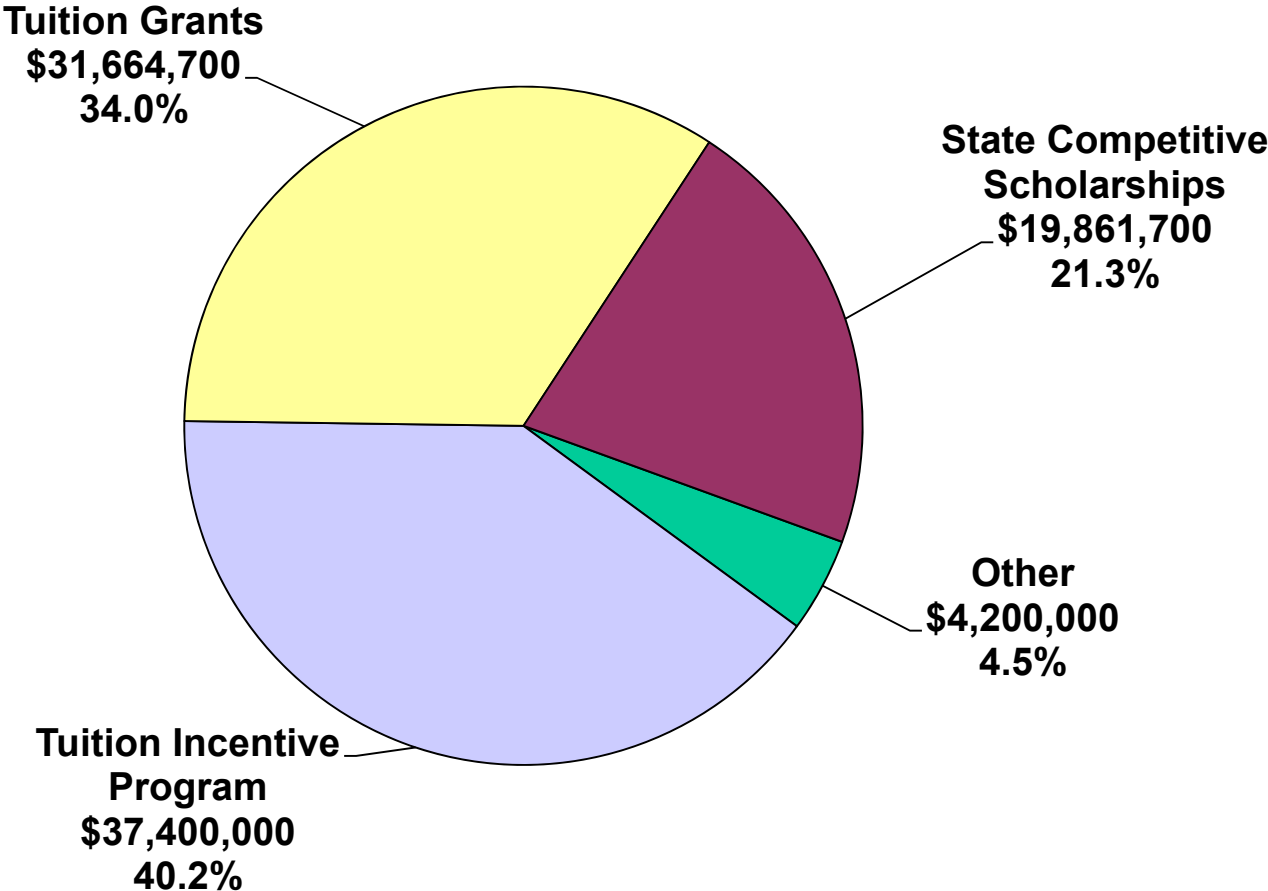
Additional funding is received by Michigan State for these programs from federal, private, and local sources.

Financial Aid Programs

- **Tuition Grants**
Need-based awards to students attending independent colleges.
- **State Competitive Scholarships**
Awards to students with both qualifying ACT score and financial need.
- **Tuition Incentive Program**
Payment of associate's degree tuition costs and up to \$2,000 for bachelor's degree for students previously eligible for Medicaid.
- **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.

Financial Aid Funding

FY 2010-11 Total = \$93,126,400



Financial Aid Reductions

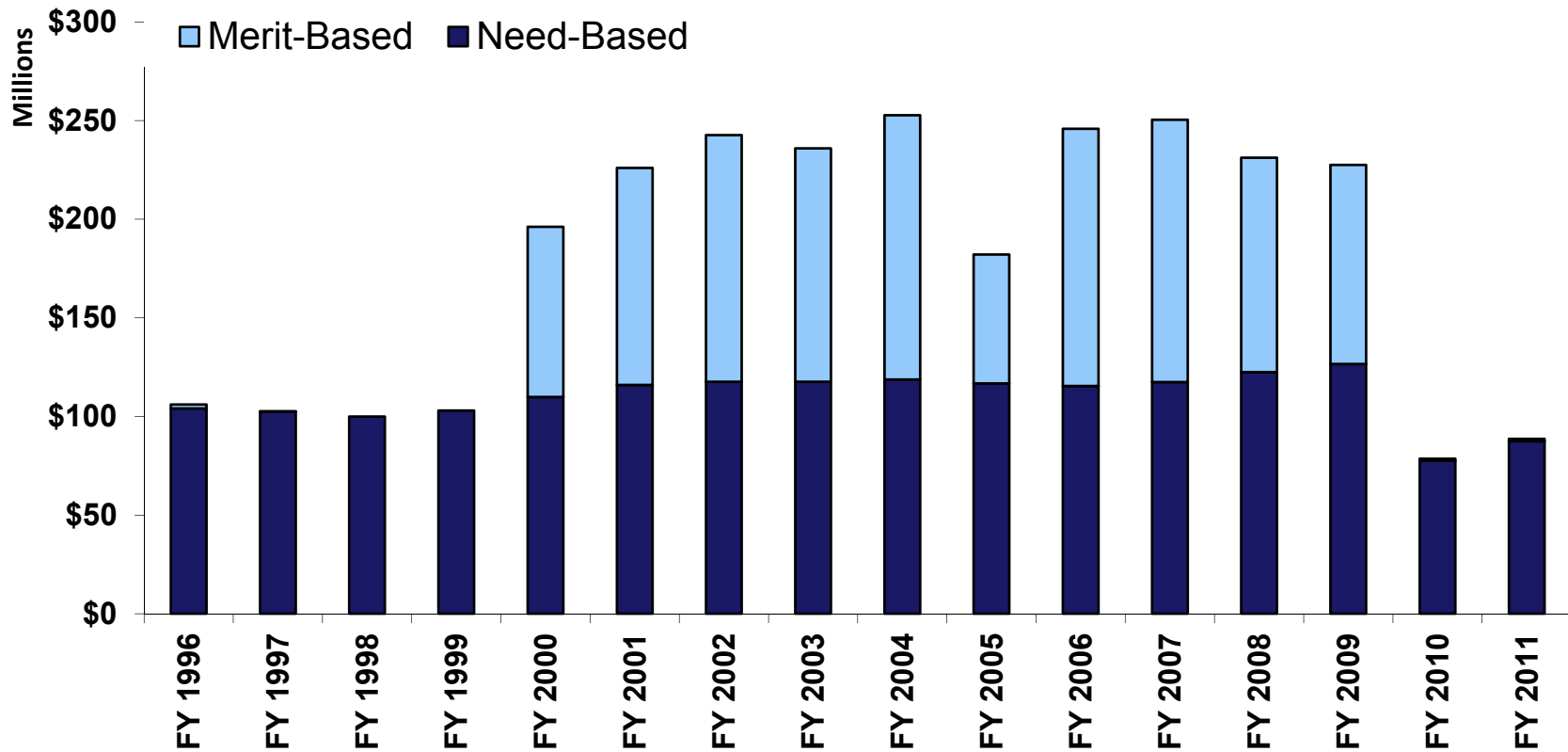
- In FY 2009-10, appropriation for **Michigan Promise Grant Program** (\$140.0 million in FY 2009-10 Exec Rec) eliminated, along with four smaller financial aid programs (total of 16.3 million in FY 2008-09)

- Appropriation for **State Competitive Scholarships** reduced from \$35.5 million in FY 2008-09 to \$19.9 million in FY 2010-11 (44.1%)
 - Maximum award amount lowered from \$1,300 to \$610

- Appropriation for **Tuition Grants** reduced from \$56.7 million in FY 2008-09 to \$31.7 million in FY 2010-11 (44.1%)
 - Graduate student eligibility eliminated
 - Cap of \$3.0 million per institution implemented (affects students at Baker College and Davenport University)
 - Maximum award amount lowered from \$2,100 to \$1,512

Overall reduction of 61.0% in state funding for financial aid programs, from \$217.5 million in FY 2008-09 to \$88.6 million in FY 2010-11.

Changes in State-Funded Financial Aid by Category

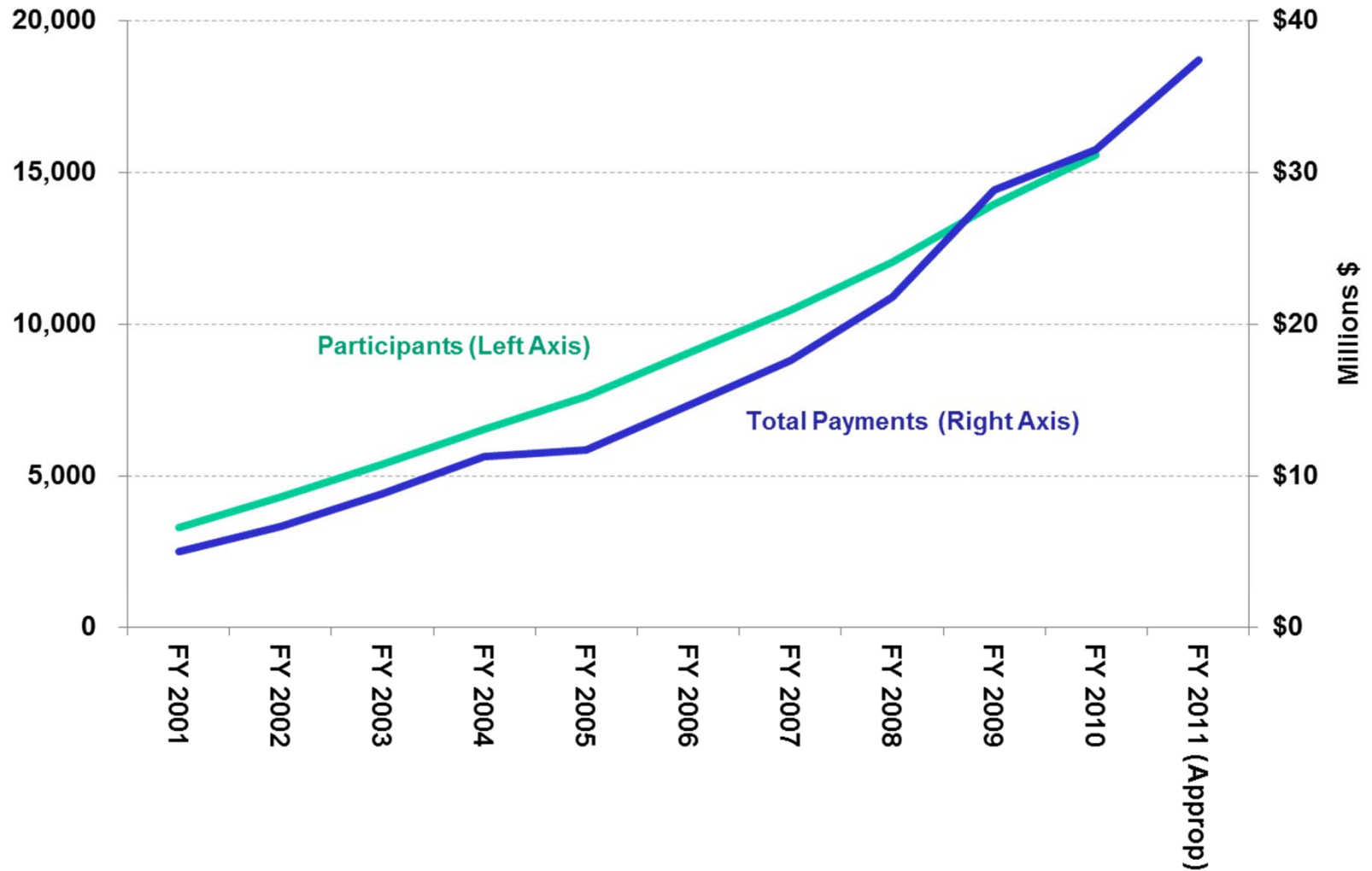


Note: Excludes federally-funded programs

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 \$37.4 million in FY 2010-11. Currently, over 15,000 students are receiving TIP assistance.

TIP Participation/Expenditure Growth



Other Higher Education Programs

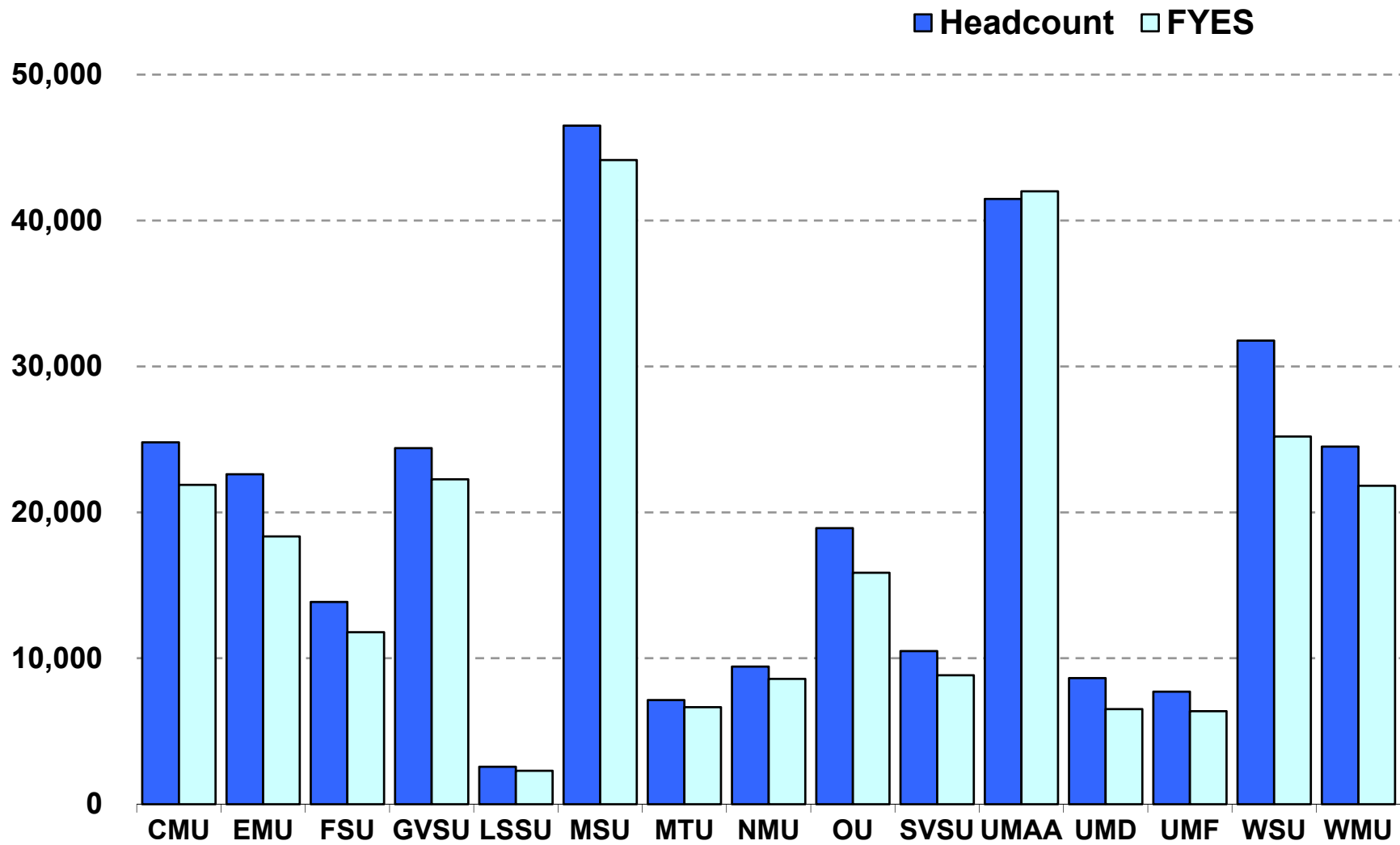
- **King-Chavez-Parks: \$2.7 million GF/GP**
Grant programs to increase participation of academically or economically disadvantaged students in postsecondary education. Additional funds allocated from public university base appropriations.
- **Higher Education Database: \$105,000 GF/GP**
Maintenance 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

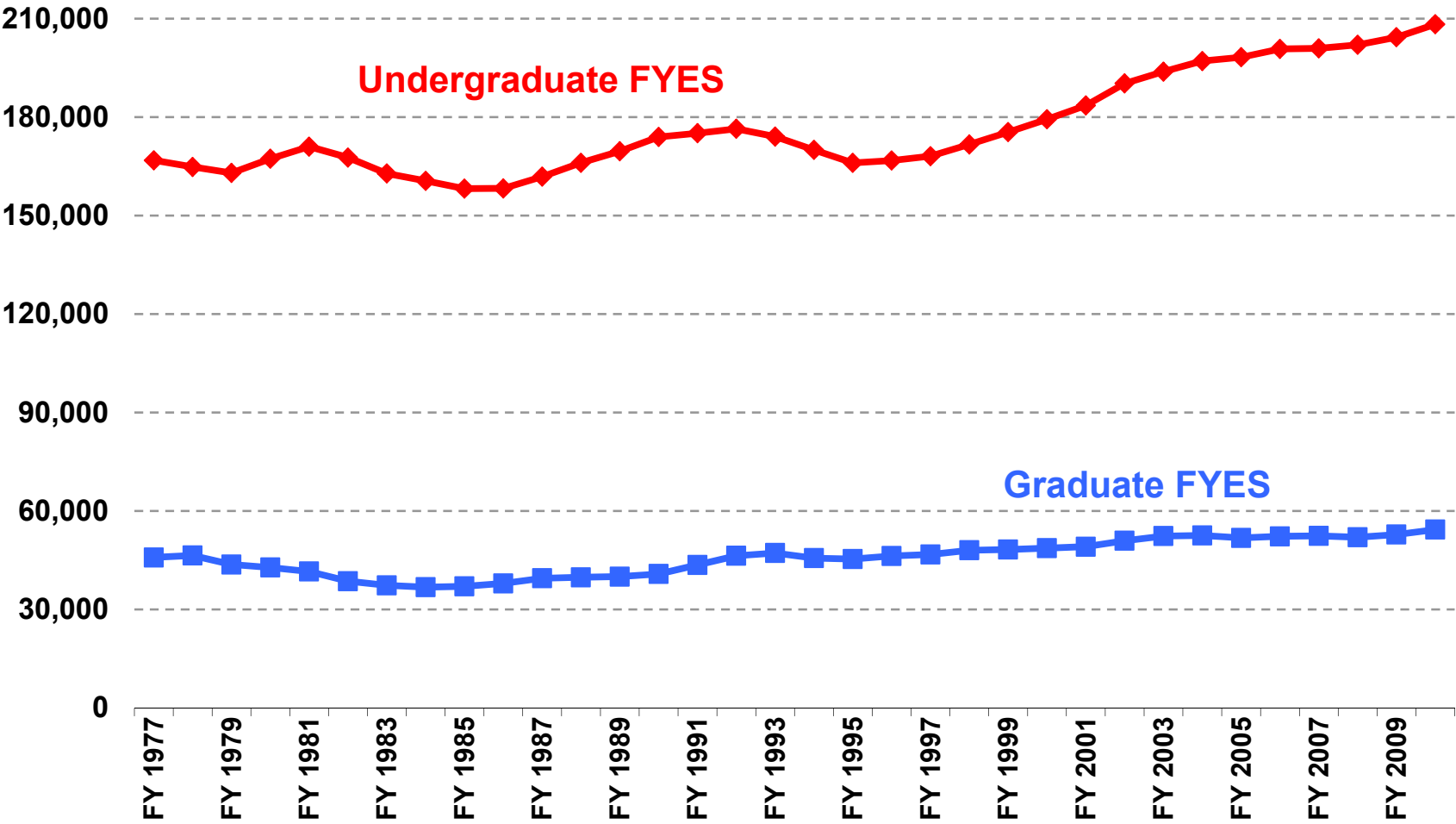
Key Data Definitions

- 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; vast majority of general fund revenue consists of state appropriations and student tuition/fees.

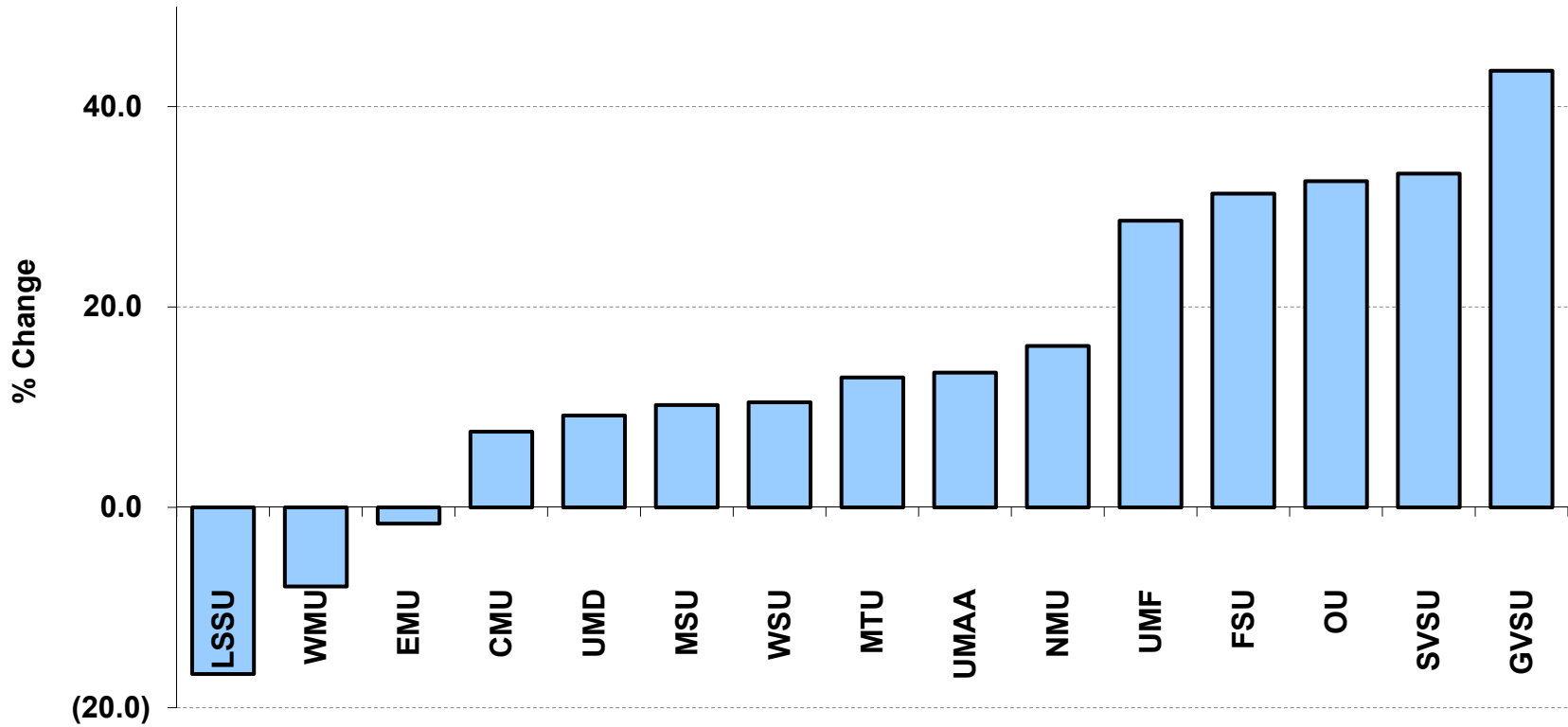
FY 2009-10 Public University Enrollments



Public University Enrollment History



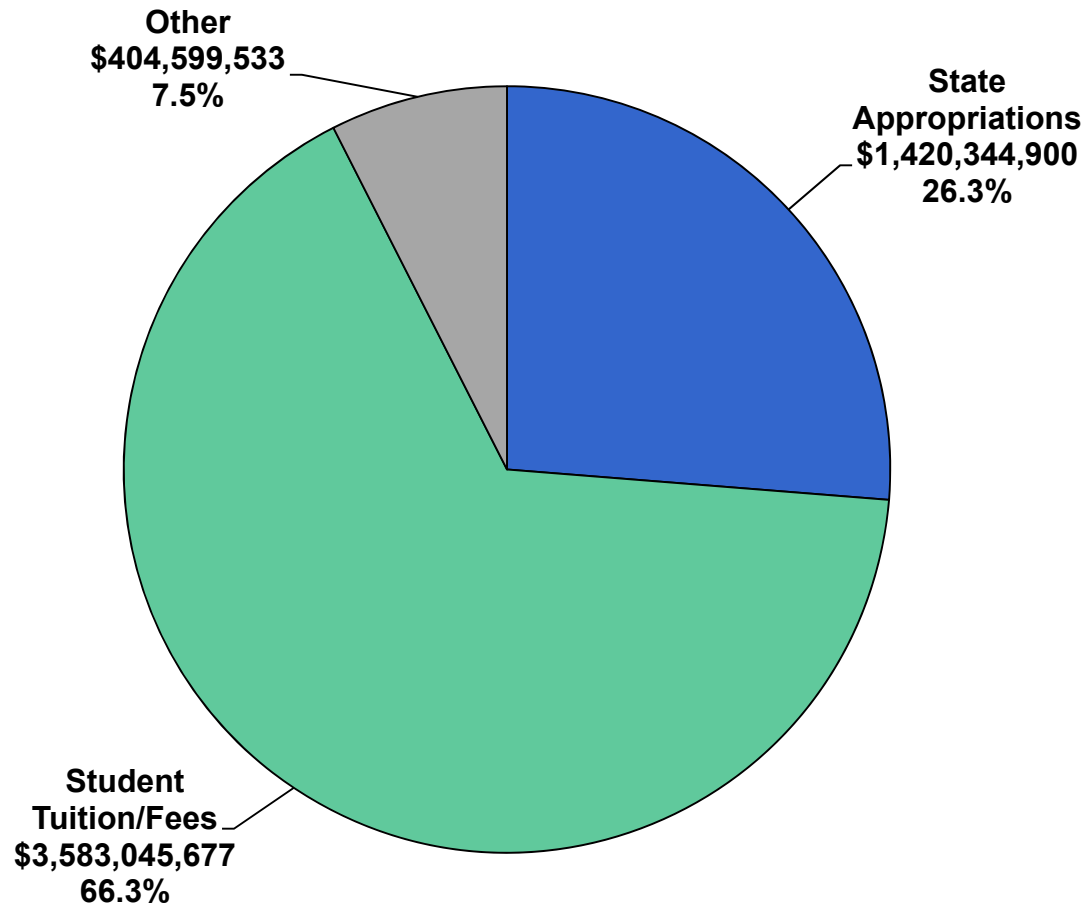
University Enrollment Growth FY 2000-01 to FY 2009-10



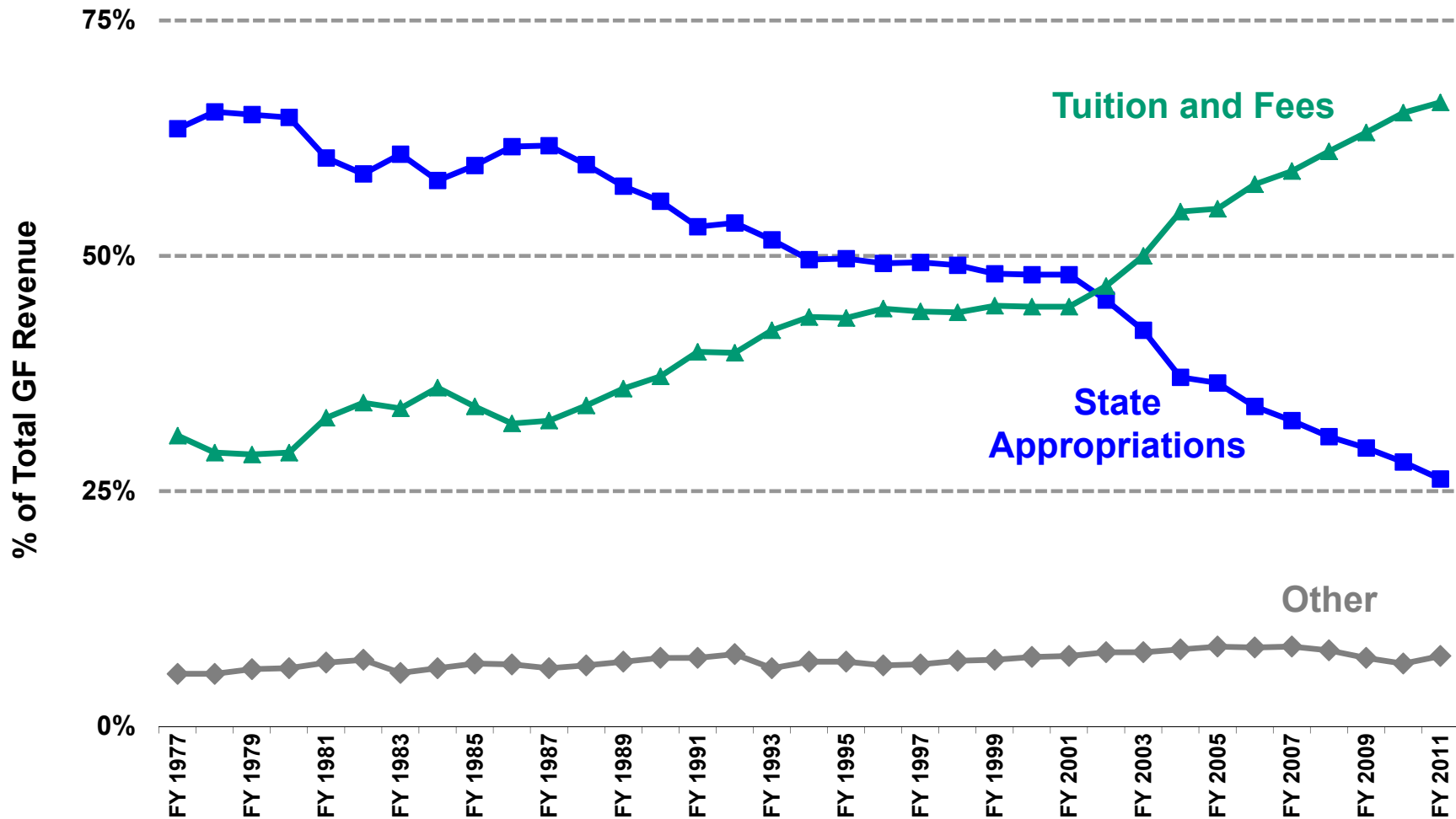
Note: Changes based on total Fiscal Year Equated Students (FYES)

Public University General Fund Revenue

FY 2009-10 Total = \$5.4 Billion

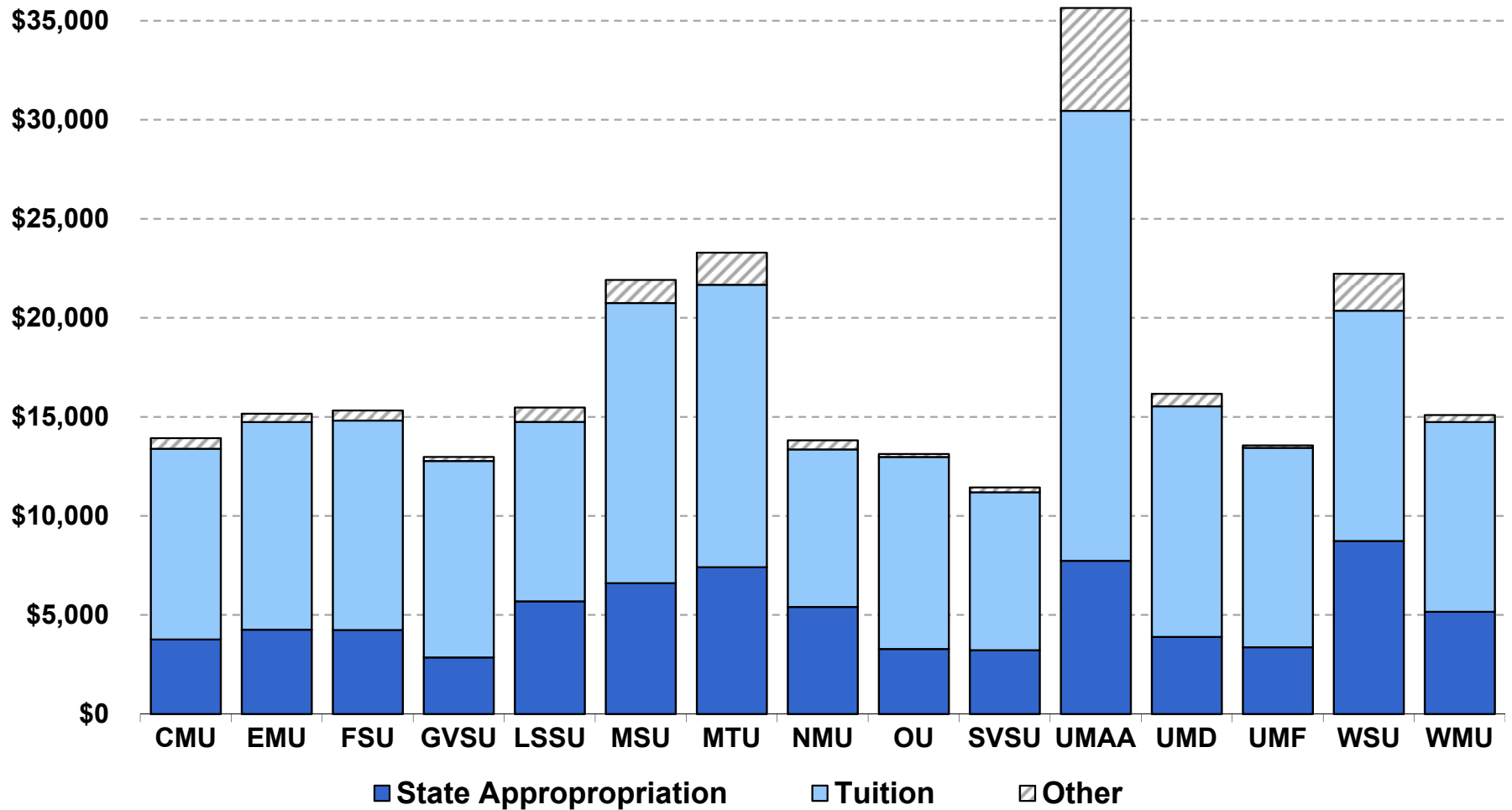


Public University General Fund Revenue Source History

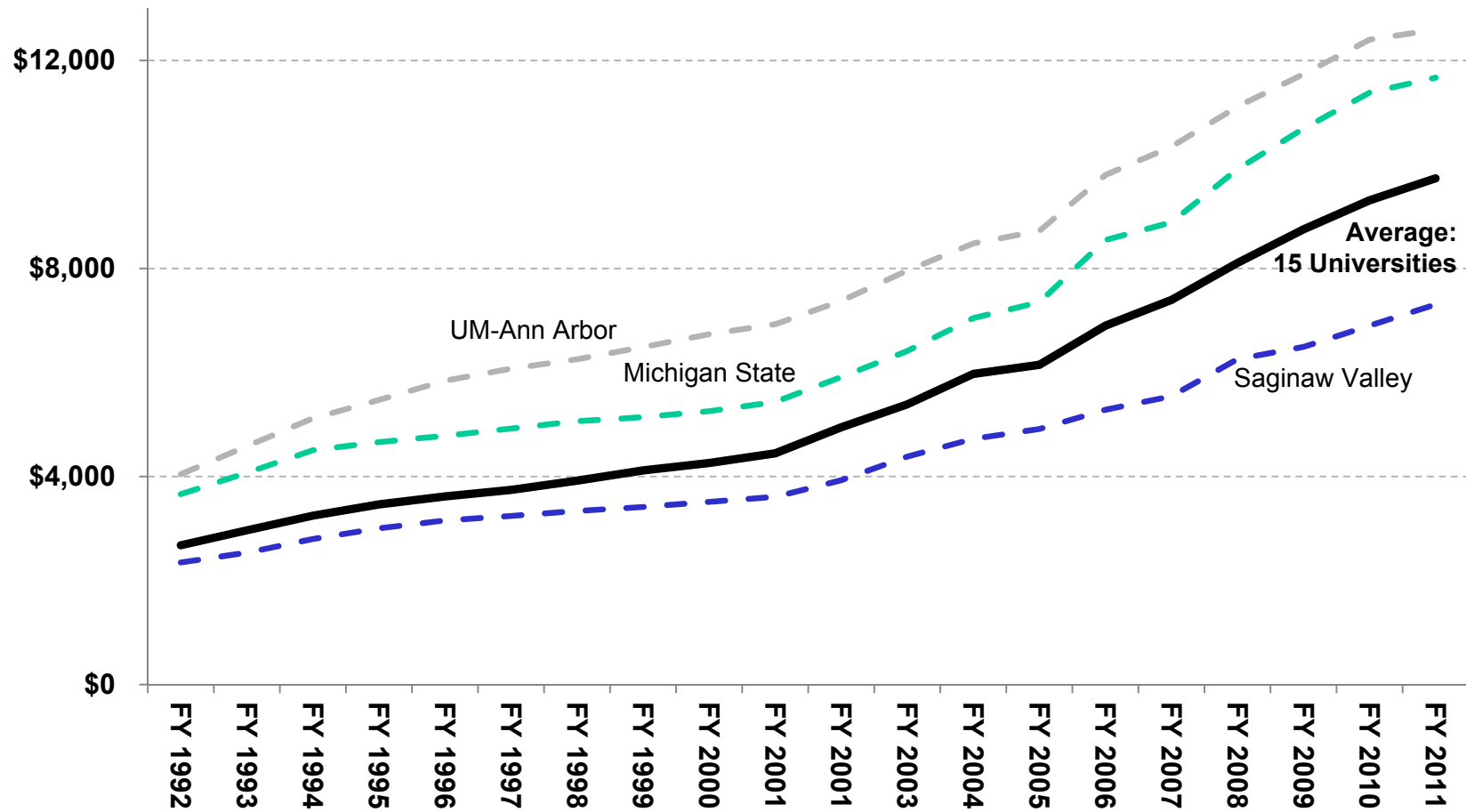


Note: FY 2010-11 amounts are estimates

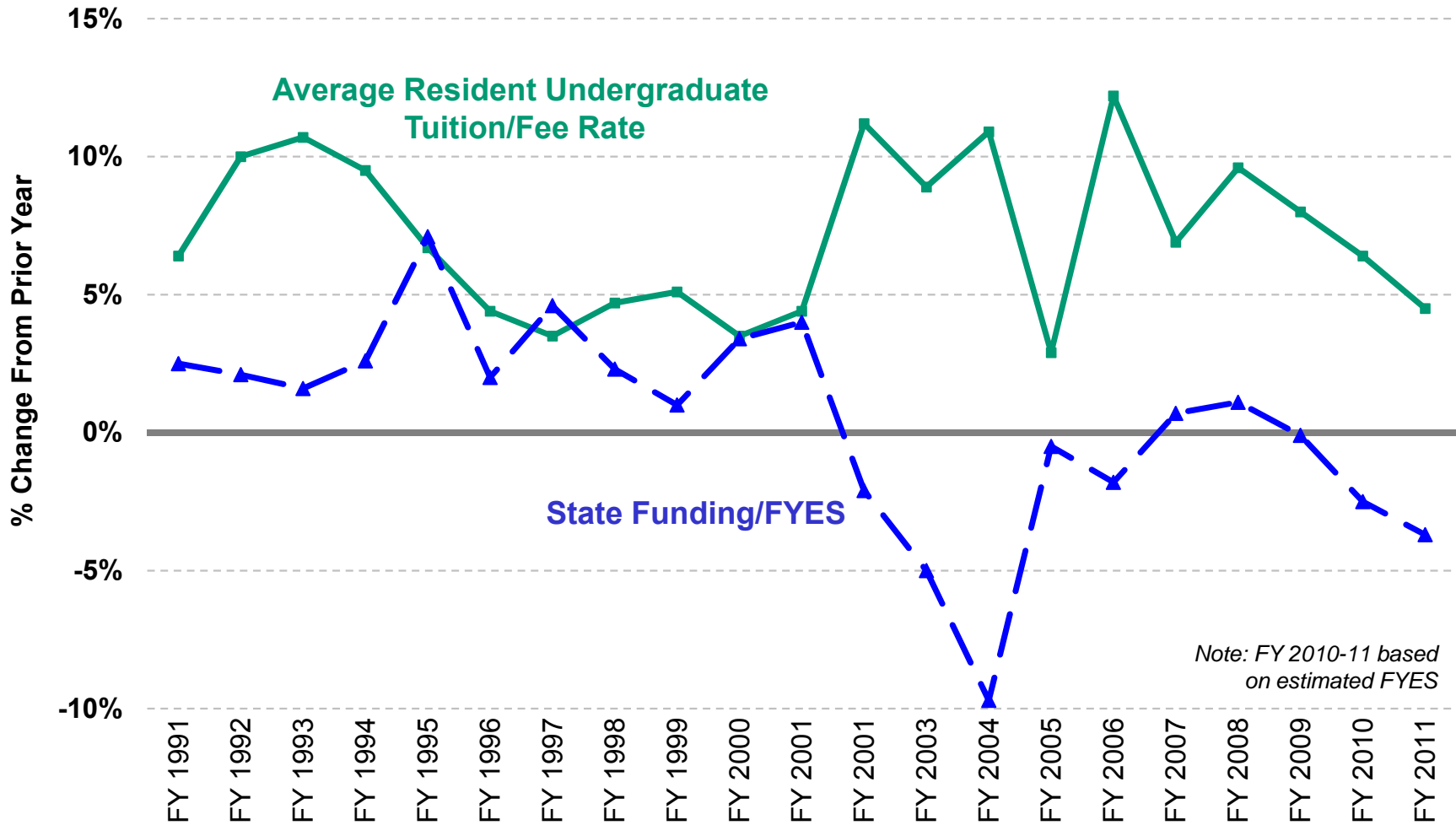
Public University General Fund Revenue per FYES: FY 2009-10



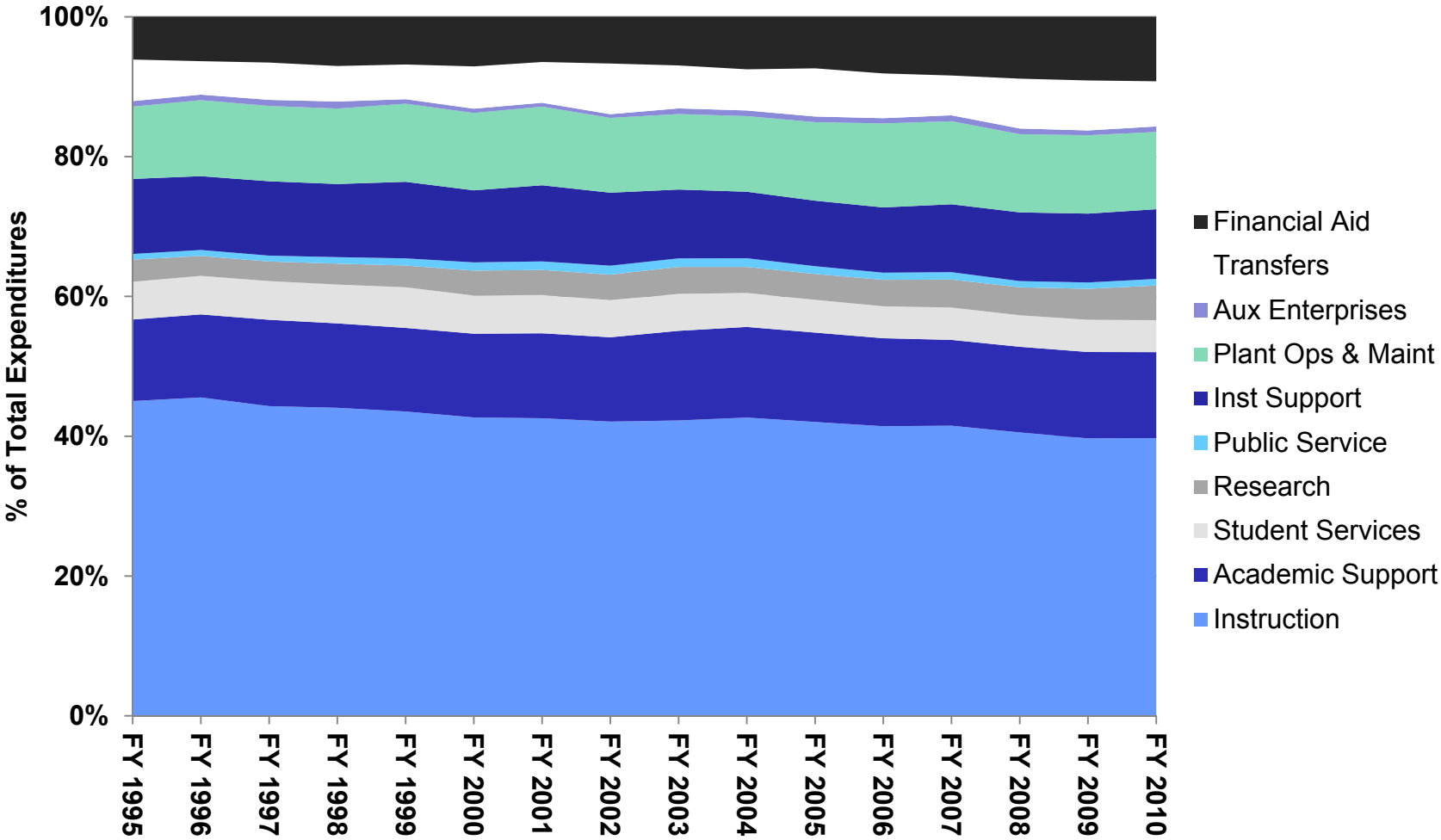
Average Resident Undergraduate Tuition and Fee Rate



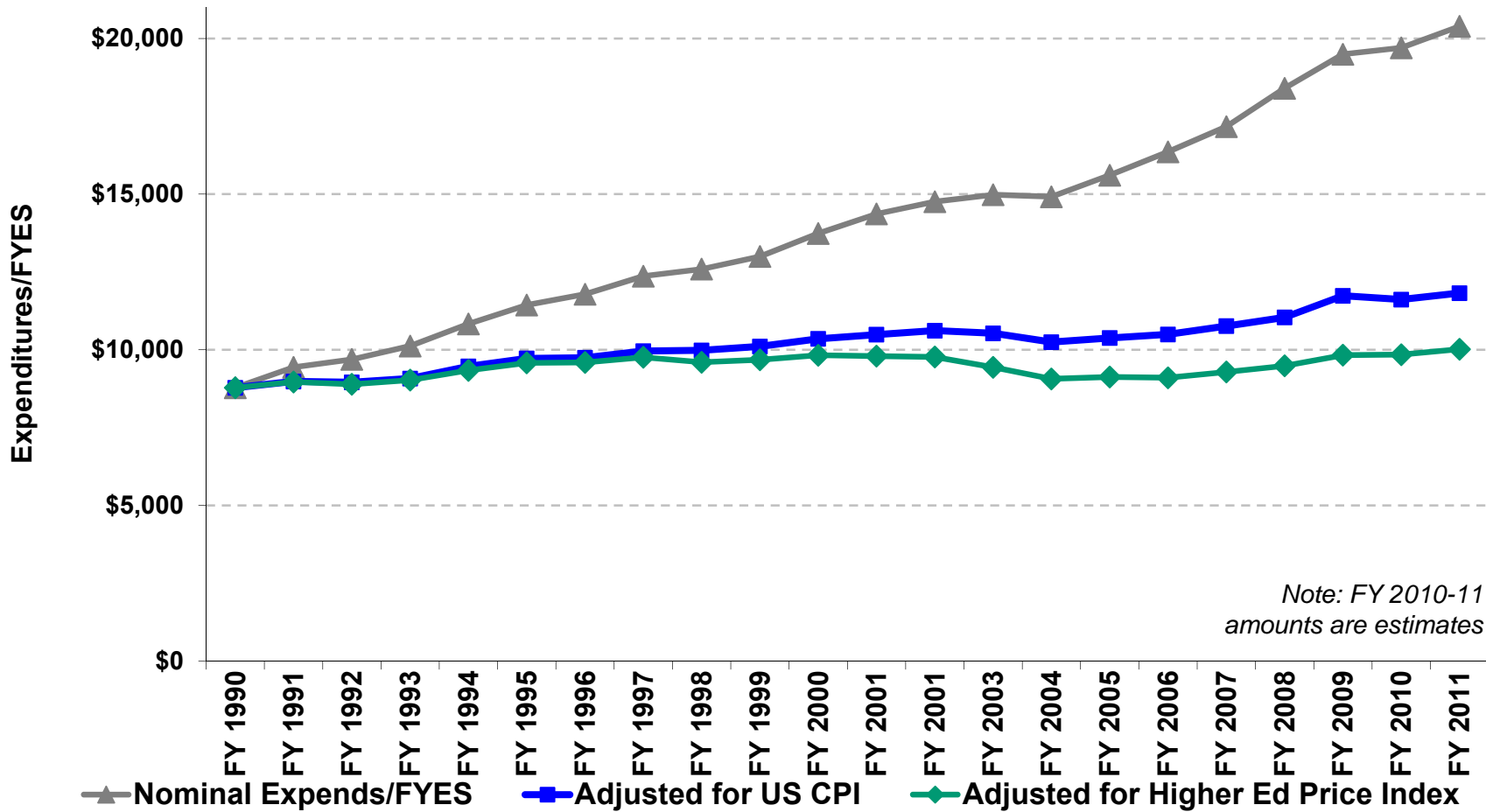
Tuition Rates and State Funding



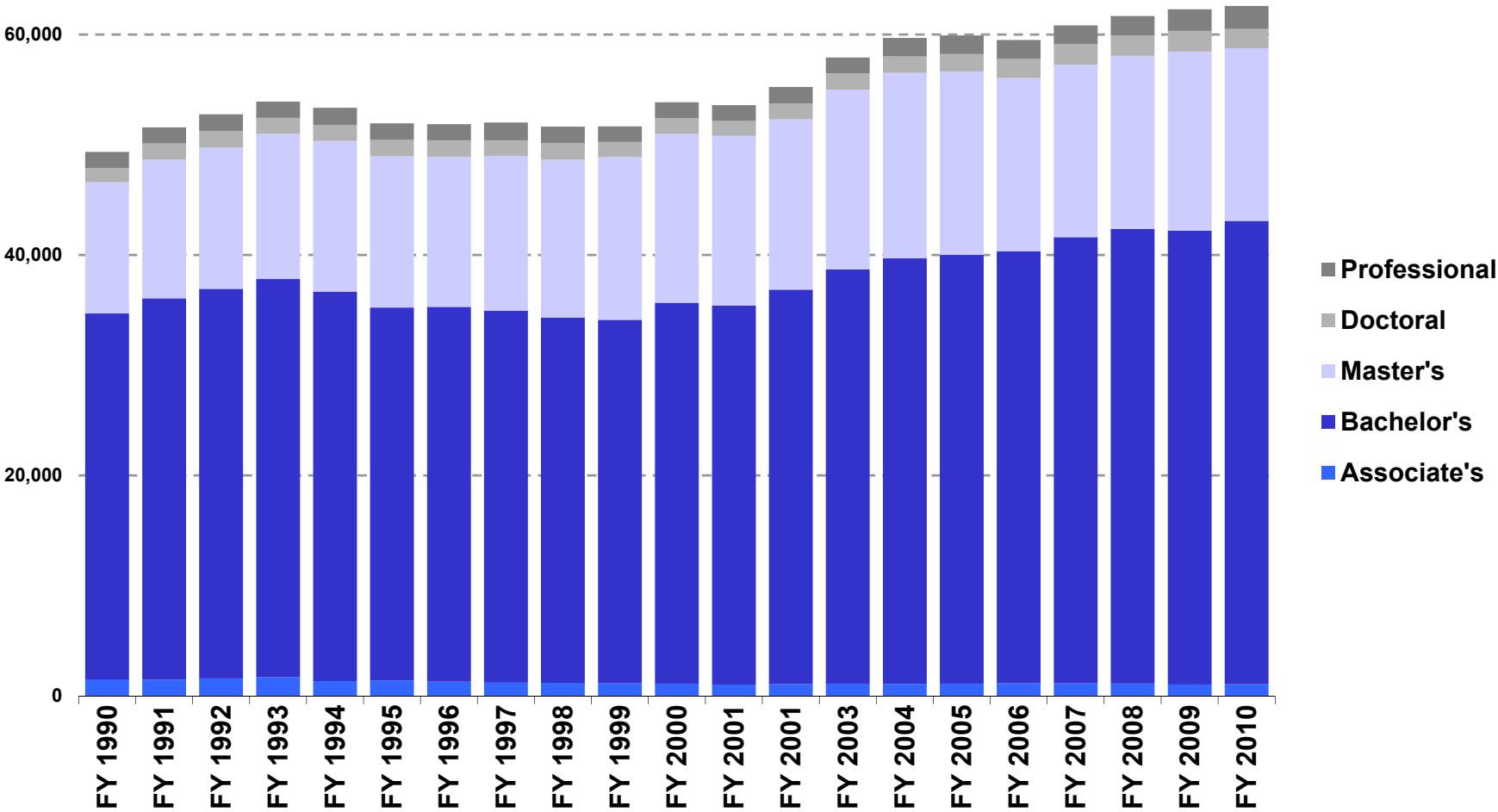
Public University General Fund Expenditures



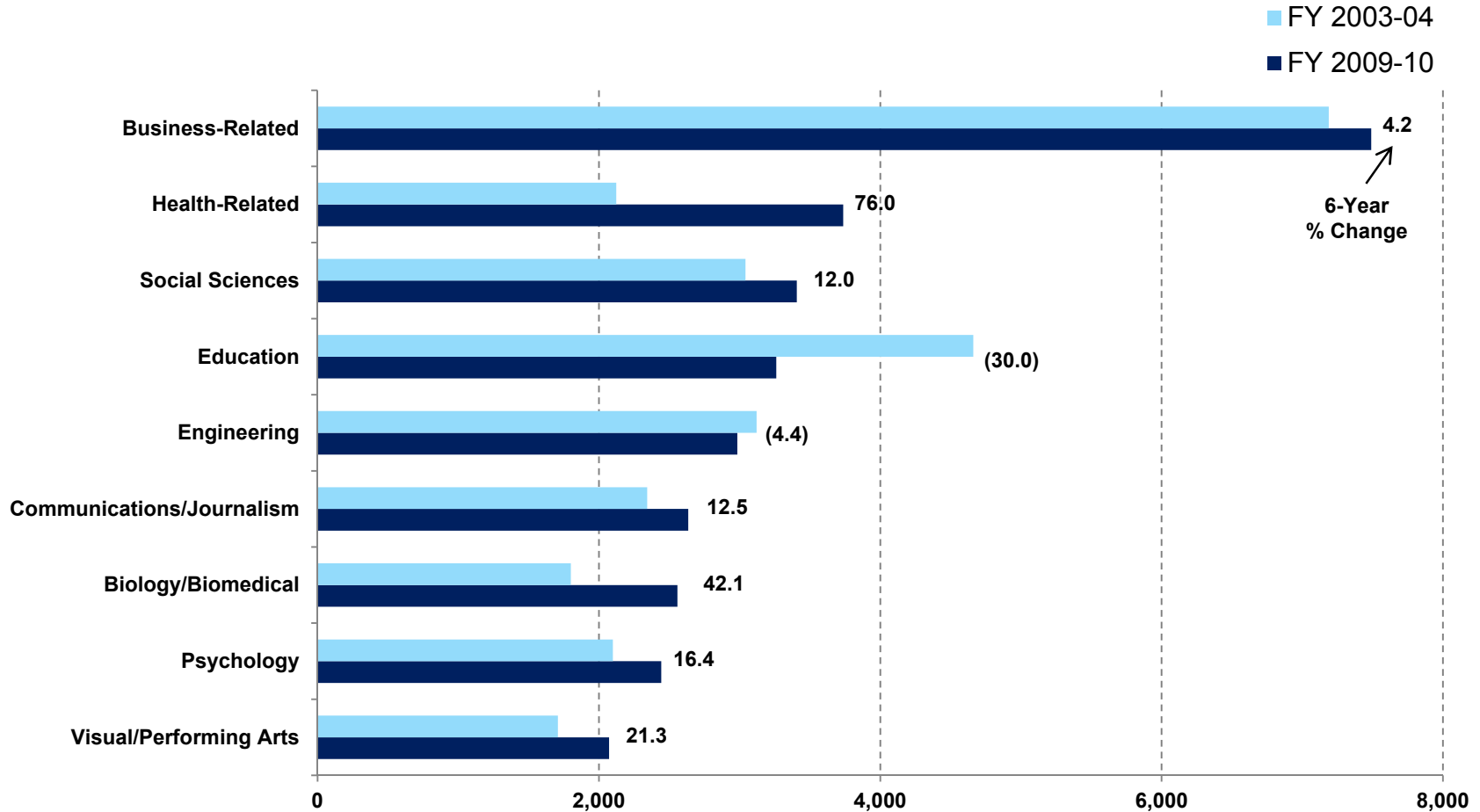
Total Public University General Fund Expenditures per FYES



Degree Completions at Public Universities



Major Public University Bachelor's Degree Program Areas



**For more information about the
Higher Education budget, contact:**

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