

MEMORANDUM



DATE: August 7, 2008
TO: House Appropriations Subcommittee on Higher Education
FROM: Kyle I. Jen, Senior Fiscal Analyst
RE: State University Tuition Rates—*REVISED*

This memo provides preliminary information regarding FY 2008-09 state university tuition rates, as well as historical context on changes in tuition rates and overall state university resources available for student instruction.

FY 2008-09 Tuition Rates

As of July 30, all 15 state universities have adopted new tuition and fee rates for the 2008-09 academic year. Under section 440 of the annual Higher Education budget act, the universities will submit tuition and fee information for resident undergraduate students to the Higher Education Institutional Data Inventory (HEIDI) by August 31. In advance of that deadline, I have gathered preliminary data on tuition rates based on information posted on university websites and inquiries with university staff.

The attached spreadsheet shows FY 2007-08 and FY 2008-09 tuition rates for the 15 state universities. Please note the following regarding this information:

- The information should be considered preliminary. I have confirmed as many details as possible at this point, but further review of tuition/fee information could result in revisions to the rate information ultimately reported to HEIDI.
- The spreadsheet shows tuition rates for full-time resident undergraduate students enrolled for 30 credit hours over the upcoming academic year. The rates include mandatory fees but do not include fees that are not paid by a majority of students in a given class level (i.e., most course fees).
- Because of the increasing complexity of tuition and fee structures at various universities, the HEIDI Advisory Committee has adopted a reporting structure based on academic class (freshman, sophomore, junior, senior). The percentage increase in tuition/fees for each university is calculated based on the average rate for the four classes.
- The tuition rate increases reported to the public by the universities are based on varying methodologies. In some cases, therefore, the tuition rate increases shown on the attached spreadsheet, which are based on the uniform HEIDI reporting structure, will differ from the increases reported to the public.

The FY 2008-09 resident undergraduate tuition rates for the 15 state universities (based on the average across the four academic classes) range from \$6,492 to \$11,739. The unweighted average rate for all 15 universities is \$8,754—an increase of \$648 from the FY 2007-08 average of \$8,106.

The percentage changes from FY 2007-08 rates for the 15 universities range from 3.7 percent to 14.3 percent. The percentage change in the unweighted average rate for all 15 universities is 8.0 percent.

Two of the universities with tuition increases exceeding 10 percent require additional technical explanation:

- *Central Michigan:* Students initially enrolling at Central from academic years 2005-06 through 2007-08 were eligible for the CMU Promise initiative, which locked in a student's tuition rate for the duration

of their enrollment at the university. The initiative was ended beginning with students enrolling for the upcoming budget year. The tuition increase of 11.5 percent shown for Central is the net result of a 6.6 percent increase in the tuition rate for incoming freshmen and the removal of the lower, Senior-class rate included in the calculation of the university's average FY 2007-08 tuition rate. Continuing sophomore, junior, and senior students will not see an increase from the rates they paid last year.

- *Ferris State:* Over a two-year period, Ferris has transitioned from a block rate structure to a per-credit hour structure. Due to a discount block rate provided to continuing students last year, the increase in the average full-time tuition rate is calculated to be 14.3 percent for FY 2008-09. The increase in the university's per-credit hour rate is only 6.4 percent.

It should also be noted that Michigan State's Board of Trustees granted the university's president the authority to adjust tuition and fees in response to the level of state appropriations the university receives. The university had assumed a 3.0% appropriation increase in determining its budget; the actual increase included in the enacted Higher Education budget was 1.0%. To date, no formal announcement has been made regarding any further increase to Michigan State's tuition rates.

Historical Context

Over the last twenty years, the average state university rate has nearly quadrupled (in non-inflation-adjusted terms), increasing from \$2,119 in FY 1988-89 to \$8,754 in FY 2008-09. This equates to an annualized increase of 7.4 percent per year.

State universities receive over 90 percent of their general fund revenue—which funds student instruction and related services— from the combination of student tuition/fees and state appropriations. The level of tuition increases adopted by the universities each year, therefore, tends to correlate inversely with changes in state appropriations made to the universities.

An attached graph shows the annual percentage changes in both the average resident undergraduate tuition rate and state appropriations per fiscal year equated student (FYES) over this time period. Three periods of change are evident:

- From FY 1989-90 to FY 1993-94, the average tuition rate increased by 6 percent or more per year as state appropriations per student increased by less than 3 percent each year.
- From FY 1994-95 to FY 2000-01, tuition increases moderated as increases in appropriations per student exceeded 3 percent in several years.
- From FY 2001-02 to FY 2008-09, as the state has dealt with budget difficulties, the average rate has increased by close to or higher than 10 percent in most years. The major exception was FY 2004-05, when a portion of university appropriations was made contingent on tuition restraint.

The combination of university tuition increases and changes in state appropriations drives the annual change in overall resources available at each university for student instruction and related services. An attached spreadsheet provides more detailed data on changes in state appropriations, tuition revenue, and combined appropriation/tuition resources over the most recent time period described above, when tuition increases have been relatively large. Note, however, that FY 2006-07 is the most recent year for which tuition revenue data (rather than tuition rate data) are available for state universities, so the analysis ends with that year.

From FY 2000-01 to FY 2006-07, the following changes occurred in total per-student revenue amounts across all 15 state universities:

- State appropriations per student declined from \$6,853 to \$5,673—a reduction of 17.2 percent.
- Tuition revenue per student grew from \$6,367 to \$10,290—an increase of 61.6 percent.
- Combined appropriation/tuition resources per student grew from \$13,220 to \$15,962—an increase of 20.7 percent.

On an annualized basis, the growth in combined appropriation/tuition resources over the six-year period equates to an increase of 3.2 percent per year. For comparison, that figure is higher than the annualized increase of 2.6 percent per year in the U.S. Consumer Price Index over the same time period but lower than the annualized increase of 3.6 percent per year in the Higher Education Price Index. (The Higher Education Price Index tends to rise more quickly than the Consumer Price Index due to the high percentage of higher education costs composed of faculty/staff compensation.)

Annualized percentage increases in combined appropriation/tuition resources for individual universities ranged from 1.6 percent to 6.8 percent per year. Generally, universities with growing enrollments have been able to restrain annual per-student revenue increases, as the marginal costs of adding students tend to be lower than the average costs of educating existing students. Conversely, those universities with declining or stagnant enrollments have implemented higher per-student revenue increases, as fixed costs are spread across a smaller number of students.

Please call if you have questions or would like additional information on this topic.

Attachments (3)

c: Mitch Bean, HFA Director
Mary Ann Cleary, HFA Associate Director
Cia Segerlind, Rep. Byrnes' Office
Ryan Wenburg, Rep. Caul's Office
Brooke Ladd, House Democratic Staff
Chris Harkins, House Republican Staff

FY 2008-09 Resident Undergraduate Tuition/Fee Rate Increases

PRELIMINARY DATA

| University | FY 2007-08 Rates | | | | | FY 2008-09 Rates | | | | | % Change Avg Rate |
|------------------------|------------------|----------------|----------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|----------------------|
| | Fresh | Soph | Junior | Senior | Average | Fresh | Soph | Junior | Senior | Average | |
| Central* | \$9,120 | \$7,530 | \$6,390 | \$6,330 | \$7,343 | \$9,720 | \$9,120 | \$7,530 | \$6,390 | \$8,190 | 11.5 |
| Eastern | 7,572 | 7,490 | 7,490 | 7,490 | 7,511 | 8,157 | 8,069 | 8,069 | 8,069 | 8,091 | 7.7 |
| Ferris* | 8,460 | 7,680 | 7,680 | 7,680 | 7,875 | 9,000 | 9,000 | 9,000 | 9,000 | 9,000 | 14.3 |
| Grand Valley | 7,240 | 7,240 | 7,600 | 7,600 | 7,420 | 8,196 | 8,196 | 8,604 | 8,604 | 8,400 | 13.2 |
| Lake Superior | 7,346 | 7,246 | 7,246 | 7,246 | 7,271 | 8,019 | 7,894 | 7,894 | 7,824 | 7,908 | 8.8 |
| Michigan State* | 9,637 | 9,637 | 10,525 | 9,843 | 9,910 | 10,214 | 10,214 | 11,167 | 11,167 | 10,690 | 7.9 |
| Michigan Tech* | 9,829 | 10,829 | 10,829 | 10,829 | 10,579 | 10,761 | 11,901 | 11,901 | 11,901 | 11,616 | 9.8 |
| Northern | 6,909 | 6,709 | 6,709 | 6,709 | 6,759 | 7,278 | 7,078 | 7,078 | 7,078 | 7,128 | 5.5 |
| Oakland | 7,575 | 7,575 | 8,280 | 8,280 | 7,928 | 8,055 | 8,055 | 8,798 | 8,798 | 8,426 | 6.3 |
| Saginaw Valley | 6,258 | 6,258 | 6,258 | 6,258 | 6,258 | 6,492 | 6,492 | 6,492 | 6,492 | 6,492 | 3.7 |
| UM-Ann Arbor* | 10,447 | 10,447 | 11,776 | 11,776 | 11,112 | 11,038 | 11,038 | 12,440 | 12,440 | 11,739 | 5.6 |
| UM-Dearborn | 8,008 | 8,008 | 8,211 | 8,211 | 8,110 | 8,529 | 8,529 | 8,745 | 8,745 | 8,637 | 6.5 |
| UM-Flint | 7,343 | 7,343 | 7,441 | 7,441 | 7,392 | 7,775 | 7,775 | 7,877 | 7,877 | 7,826 | 5.9 |
| Wayne State | 7,844 | 7,844 | 9,056 | 9,056 | 8,450 | 8,137 | 8,137 | 9,427 | 9,427 | 8,782 | 3.9 |
| Western | 7,560 | 7,260 | 7,950 | 7,950 | 7,680 | 8,228 | 7,928 | 8,686 | 8,686 | 8,382 | 9.1 |
| Unweighted Avg. | \$8,076 | \$7,940 | \$8,229 | \$8,180 | \$8,106 | \$8,640 | \$8,628 | \$8,914 | \$8,833 | \$8,754 | 8.0 |

General Notes

- 1) Per HEIDI requirements, rates are reported based on four class levels; assumes freshmen first enrolled in fall 2008, sophomores in fall 2007, juniors in fall 2006, seniors in fall 2005.
- 2) Rates are based on 30 credit hours and exclude fees not paid by a majority of students in a given class (most course fees), as well as refundable fees.

*University-Specific Notes

- Central:* Sophomore, junior, and senior students see no increase from 2007-08 as rates are locked in through CMU Promise; Promise does not apply to freshman, who see rate increase of 6.6% from 2007-08.
- Ferris:* FY 2007-08 rates for sophomore, juniors, and seniors reflect discounted block rate; increase for FY 2008-09 is 6.4% based on FY 2007-08 per-credit tuition charges.
- Michigan State:* Rate may be increased under presidential authority to adjust tuition and fees in response to the level of state appropriations the university receives (1.0% increase under Enacted budget vs. 3.0% increase assumed by university)..
- Michigan Tech:* FY 2008-09 amounts Include new "Experience Tech Fee" of \$128 (annual amount); fee provides students with access to various local recreational facilities.
- UM-Ann Arbor:* Rates are for College of Literature, Science, and Arts.

Sources: HEIDI database, university websites, and HFA calculations

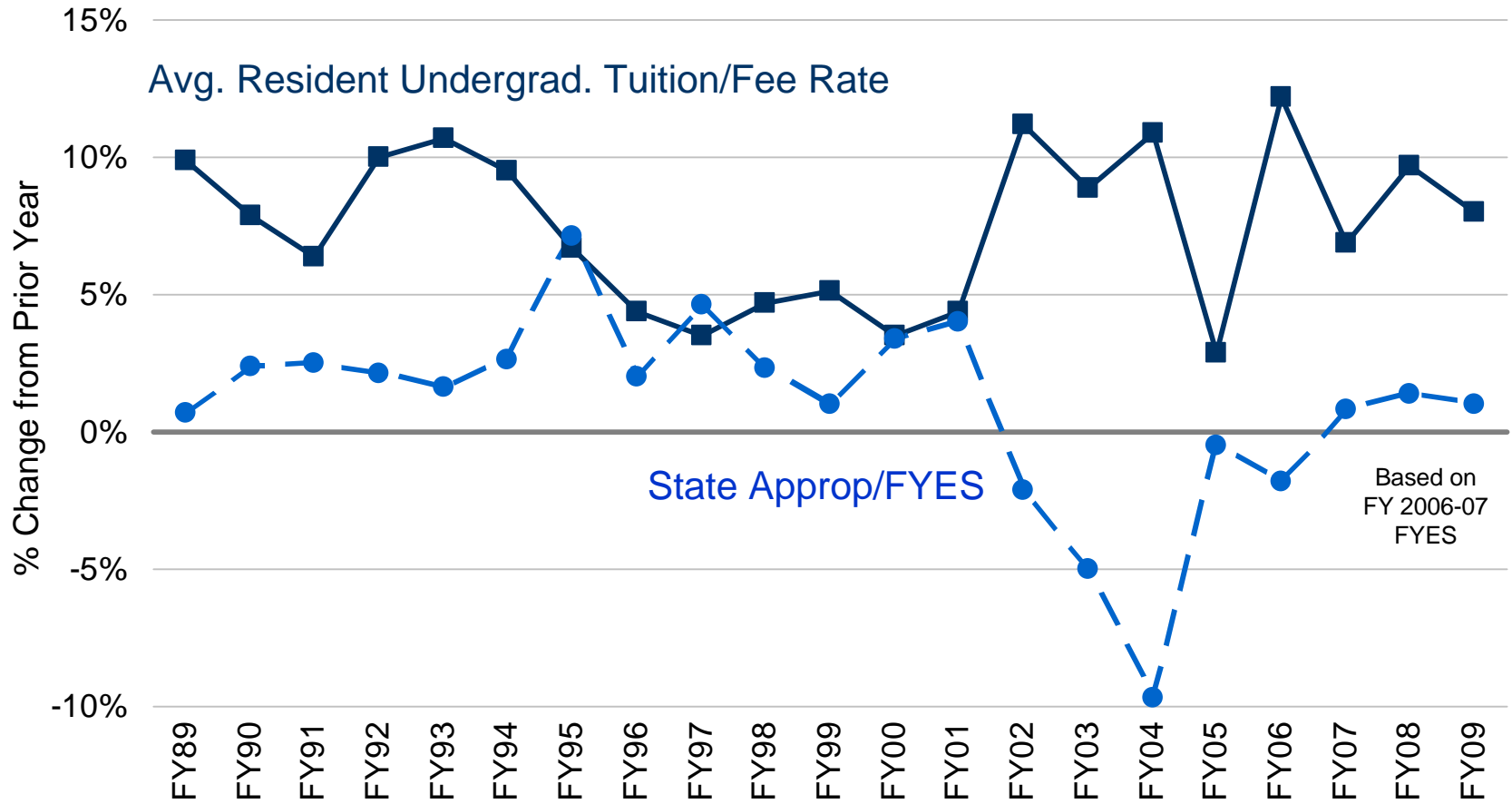
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Tuition Rates and State Appropriations



Appropriation/Tuition Resources per Fiscal Year Equated Student

Comparison: FY 2006-07 vs. FY 2000-01

| | FY 2000-01 Resources/FYES | | | FY 2006-07 Resources/FYES | | | Cumulative \$ Change | | | Cumulative % Change | | | Annualized % Change: Total | Cumulative % Change: Total FYES |
|----------------|---------------------------|----------------|-----------------|---------------------------|-----------------|-----------------|----------------------|----------------|----------------|---------------------|-------------|-------------|----------------------------|---------------------------------|
| | Approp | Tuition | Total | Approp | Tuition | Total | Approp | Tuition | Total | Approp | Tuition | Total | | |
| Central | \$4,351 | \$4,237 | \$8,588 | \$3,793 | \$7,275 | \$11,067 | (\$559) | \$3,038 | \$2,479 | (12.8) | 71.7 | 28.9 | 4.3 | 4.9 |
| Eastern | 4,629 | 3,779 | 8,408 | 4,177 | 8,268 | 12,445 | (452) | 4,489 | 4,037 | (9.8) | 118.8 | 48.0 | 6.8 | (1.3) |
| Ferris | 6,094 | 5,580 | 11,673 | 4,437 | 8,773 | 13,209 | (1,657) | 3,193 | 1,536 | (27.2) | 57.2 | 13.2 | 2.1 | 23.5 |
| Grand Valley | 3,808 | 4,921 | 8,729 | 3,020 | 7,658 | 10,678 | (789) | 2,738 | 1,949 | (20.7) | 55.6 | 22.3 | 3.4 | 33.7 |
| Lake Superior | 5,115 | 4,093 | 9,208 | 5,410 | 7,364 | 12,774 | 295 | 3,271 | 3,565 | 5.8 | 79.9 | 38.7 | 5.6 | (14.8) |
| Michigan State | 8,017 | 6,392 | 14,409 | 6,683 | 10,636 | 17,320 | (1,334) | 4,244 | 2,910 | (16.6) | 66.4 | 20.2 | 3.1 | 7.2 |
| Michigan Tech | 9,248 | 6,760 | 16,008 | 8,073 | 10,892 | 18,965 | (1,175) | 4,132 | 2,958 | (12.7) | 61.1 | 18.5 | 2.9 | 2.1 |
| Northern | 6,931 | 4,016 | 10,947 | 5,340 | 6,868 | 12,208 | (1,591) | 2,852 | 1,261 | (23.0) | 71.0 | 11.5 | 1.8 | 15.4 |
| Oakland | 4,305 | 4,744 | 9,049 | 3,511 | 7,571 | 11,082 | (794) | 2,827 | 2,033 | (18.4) | 59.6 | 22.5 | 3.4 | 22.2 |
| Saginaw Valley | 4,063 | 3,923 | 7,986 | 3,564 | 6,253 | 9,817 | (499) | 2,330 | 1,831 | (12.3) | 59.4 | 22.9 | 3.5 | 18.7 |
| UM-Ann Arbor | 9,674 | 13,699 | 23,373 | 7,938 | 19,388 | 27,326 | (1,736) | 5,689 | 3,953 | (17.9) | 41.5 | 16.9 | 2.6 | 8.9 |
| UM-Dearborn | 4,617 | 5,952 | 10,569 | 4,151 | 10,134 | 14,285 | (466) | 4,181 | 3,716 | (10.1) | 70.3 | 35.2 | 5.1 | 0.9 |
| UM-Flint | 4,788 | 4,849 | 9,637 | 4,021 | 8,477 | 12,498 | (767) | 3,628 | 2,861 | (16.0) | 74.8 | 29.7 | 4.4 | 6.2 |
| Wayne State | 11,090 | 4,827 | 15,917 | 8,510 | 8,963 | 17,472 | (2,580) | 4,136 | 1,555 | (23.3) | 85.7 | 9.8 | 1.6 | 11.7 |
| Western | 5,228 | 4,287 | 9,514 | 4,979 | 7,571 | 12,550 | (249) | 3,285 | 3,036 | (4.8) | 76.6 | 31.9 | 4.7 | (5.9) |
| TOTAL | \$6,853 | \$6,367 | \$13,220 | \$5,673 | \$10,290 | \$15,962 | (\$1,180) | \$3,923 | \$2,742 | (17.2) | 61.6 | 20.7 | 3.2 | 8.9 |

Comparisons:

| | | |
|------------------------------|------|-----|
| U.S. Consumer Price Index | 16.4 | 2.6 |
| Higher Education Price Index | 26.1 | 3.9 |

Note: FY 2006-07 appropriation amounts do not account for delay of final monthly payment into FY 2007-08.

Source: HEIDI database

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