



Background Briefing

HIGHER EDUCATION

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January 2010

The fiscal information in this background briefing is based on data through January 1, 2010.

Constitutional Provisions

Article VIII of the State Constitution:

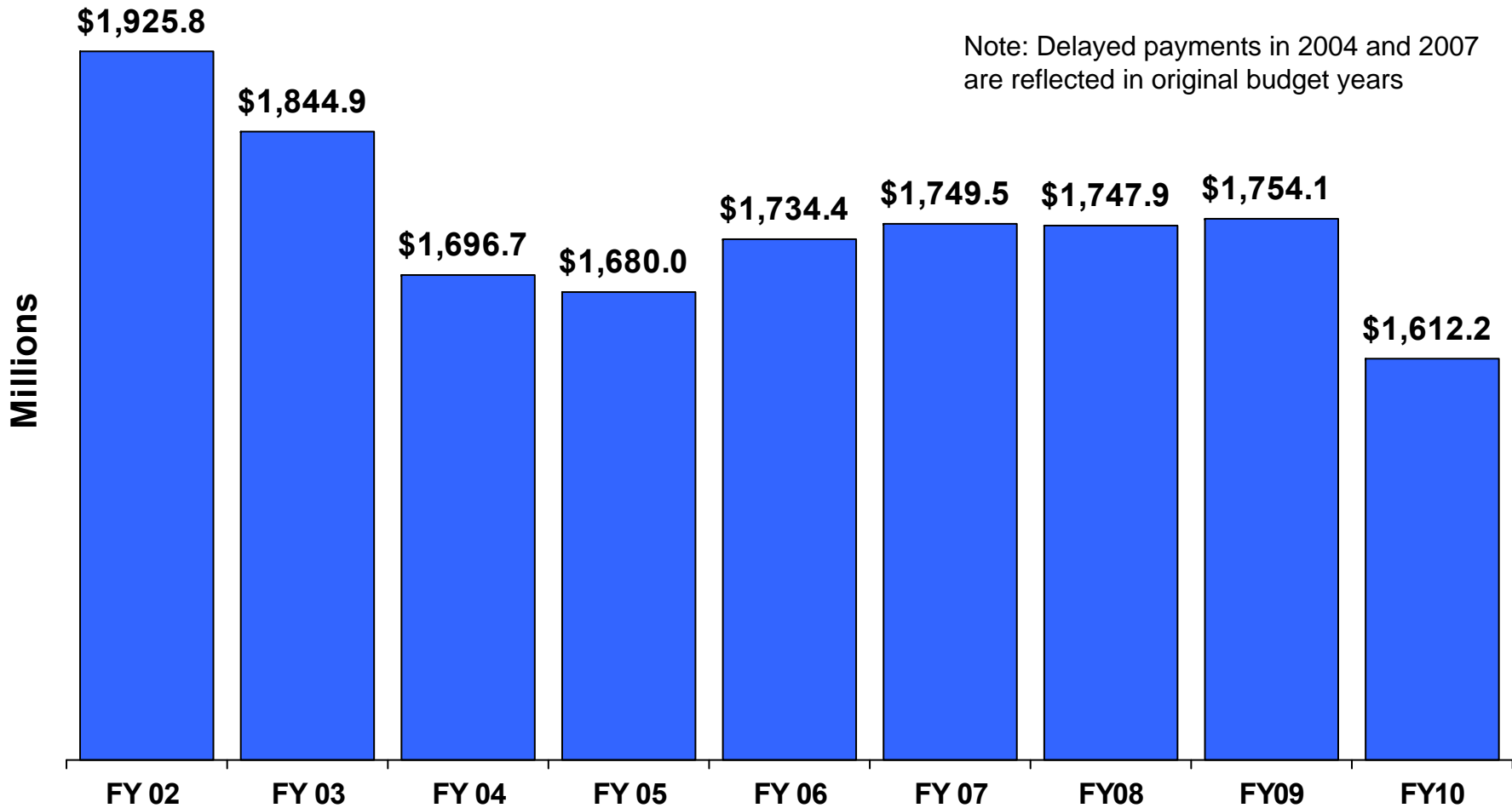
- **Section 4:** Requires Legislature to appropriate funds to maintain Michigan's 15 state universities.
- **Section 5:** Provides for elected boards of control for University of Michigan, Michigan State, and Wayne State.
- **Section 6:** Provides for appointed boards of control for remaining state universities.
- **Sections 5 and 6:** Grants each university board control and direction of all expenditures from institution's funds.
- **Higher Education budget** includes funds to fulfill constitutional requirement for financial support of state university operations.

State 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	UM	1817
University of Michigan – Dearborn	UMD	1959
University of Michigan – Flint	UMF	1956
Wayne State University	WSU	1868
Western Michigan University	WMU	1903

Higher Education Appropriations

FY 2009-10 Higher Education appropriations are roughly 16.3 percent lower than they were in FY 2001-02 (not adjusting for inflation).

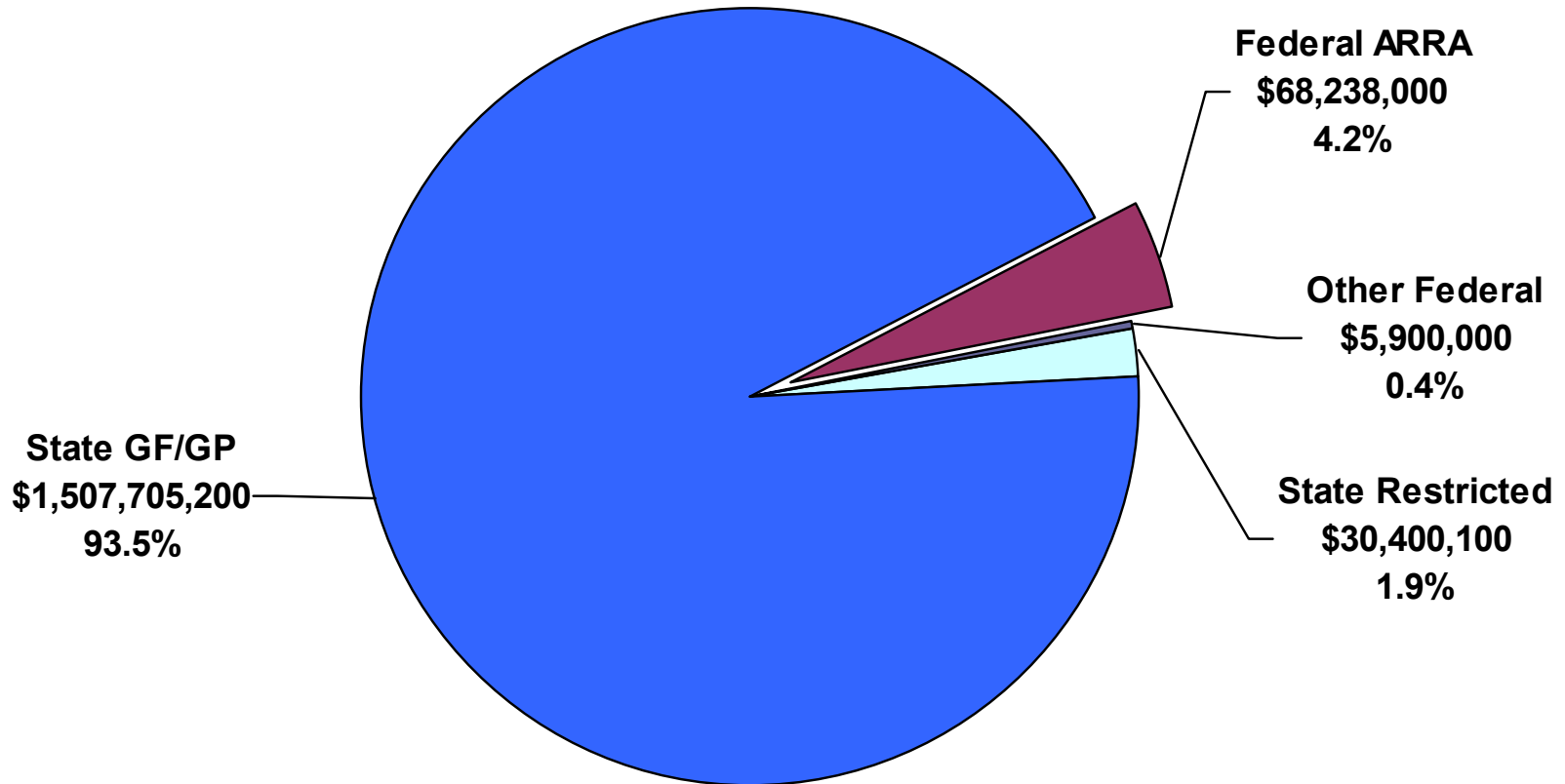


SOURCES OF FUNDING

Revenue Sources

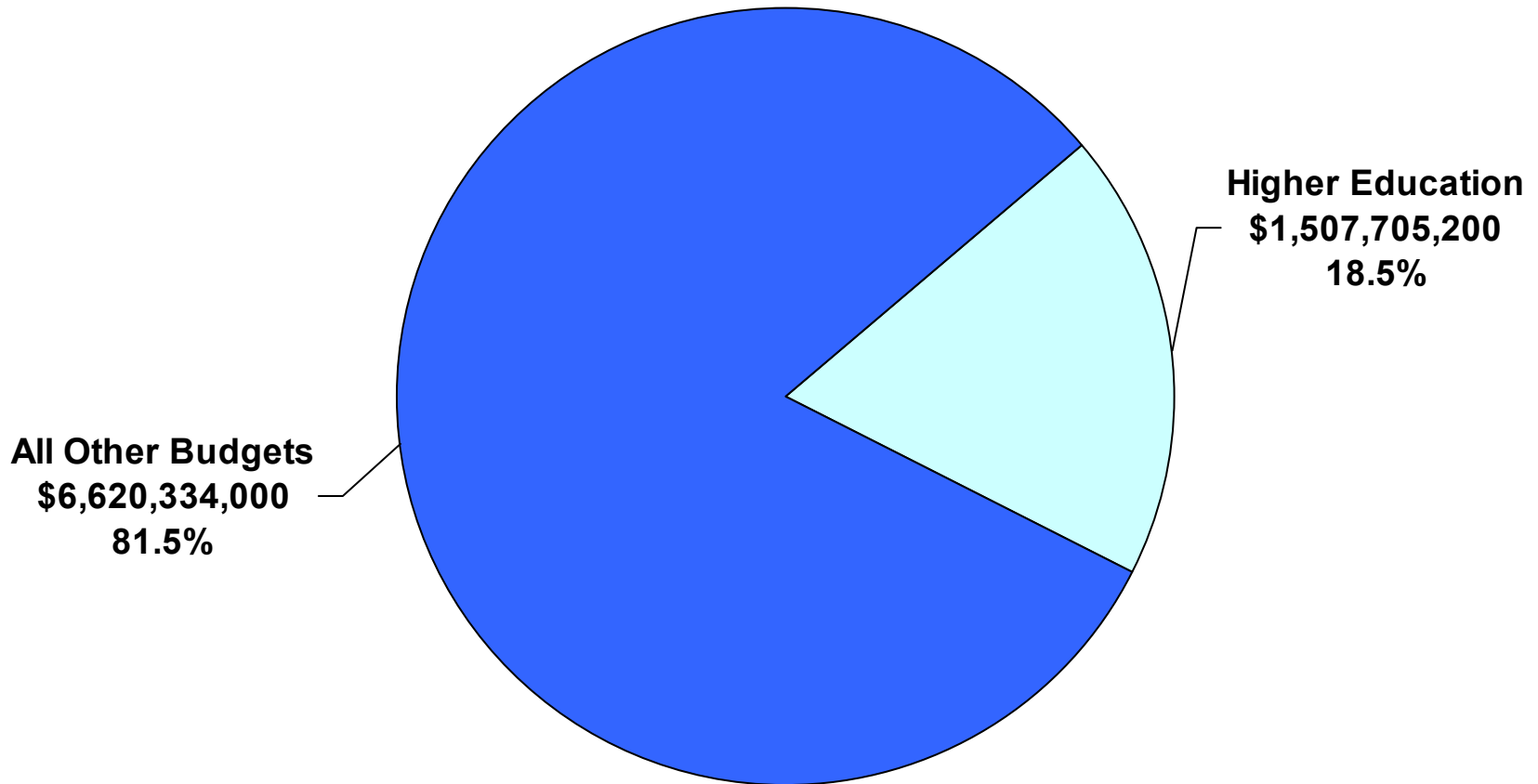
Primary revenue source for Higher Education budget is state GF/GP;
\$68.2 million in federal ARRA revenue available in FY 2009-10 only.

FY 2009-10 Total = \$1.61 Billion



Share of State GF/GP

FY 2009-10 GF/GP Total = \$8.13 Billion



STATE SPENDING

Budget Description

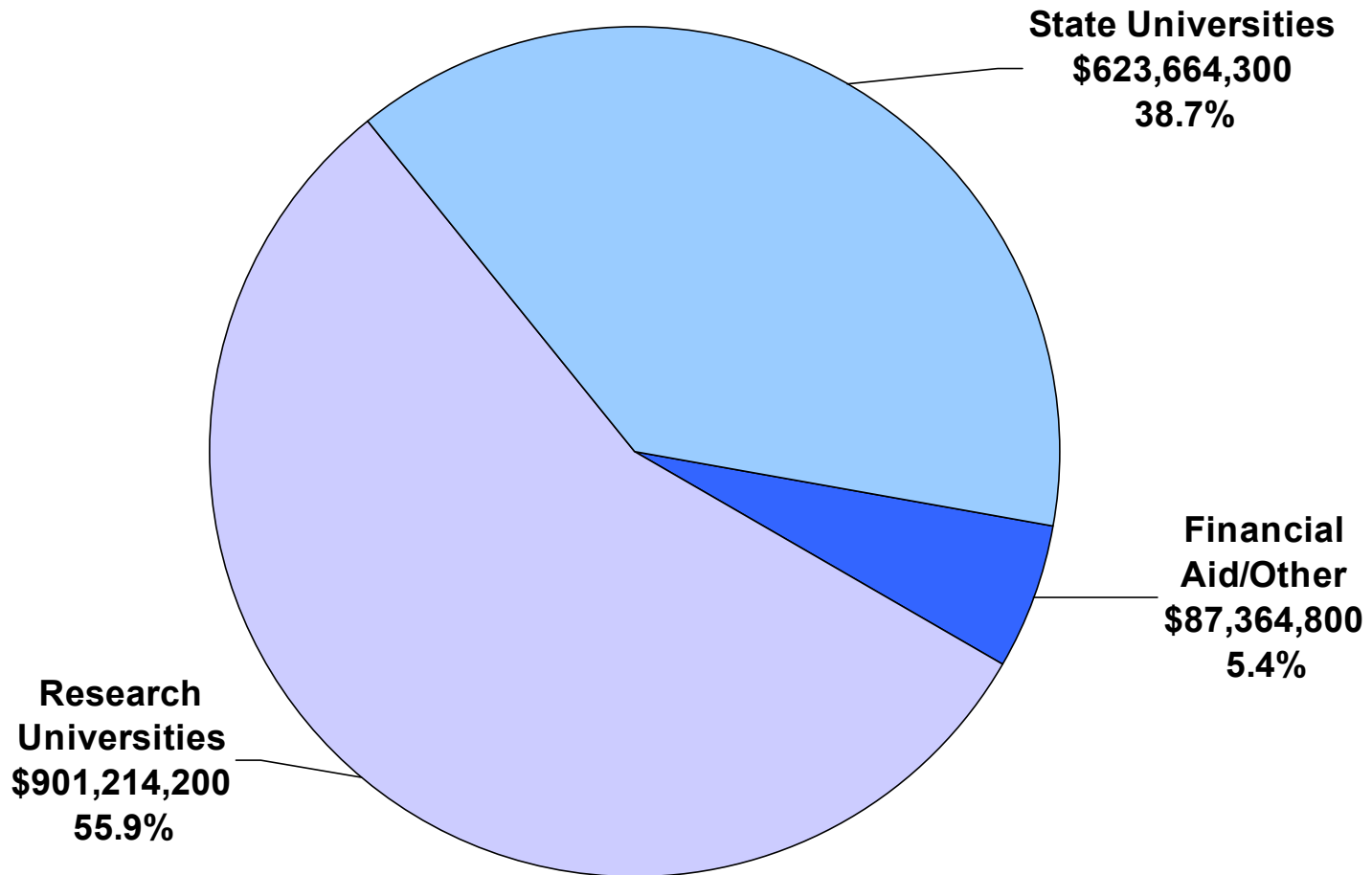
The line item section of the FY 2009-10 Higher Education budget act is divided into three subparts:

- Research universities (Subpart A)
- State universities (Subpart B)
- Student financial aid and other higher education-related programs (Subpart C)

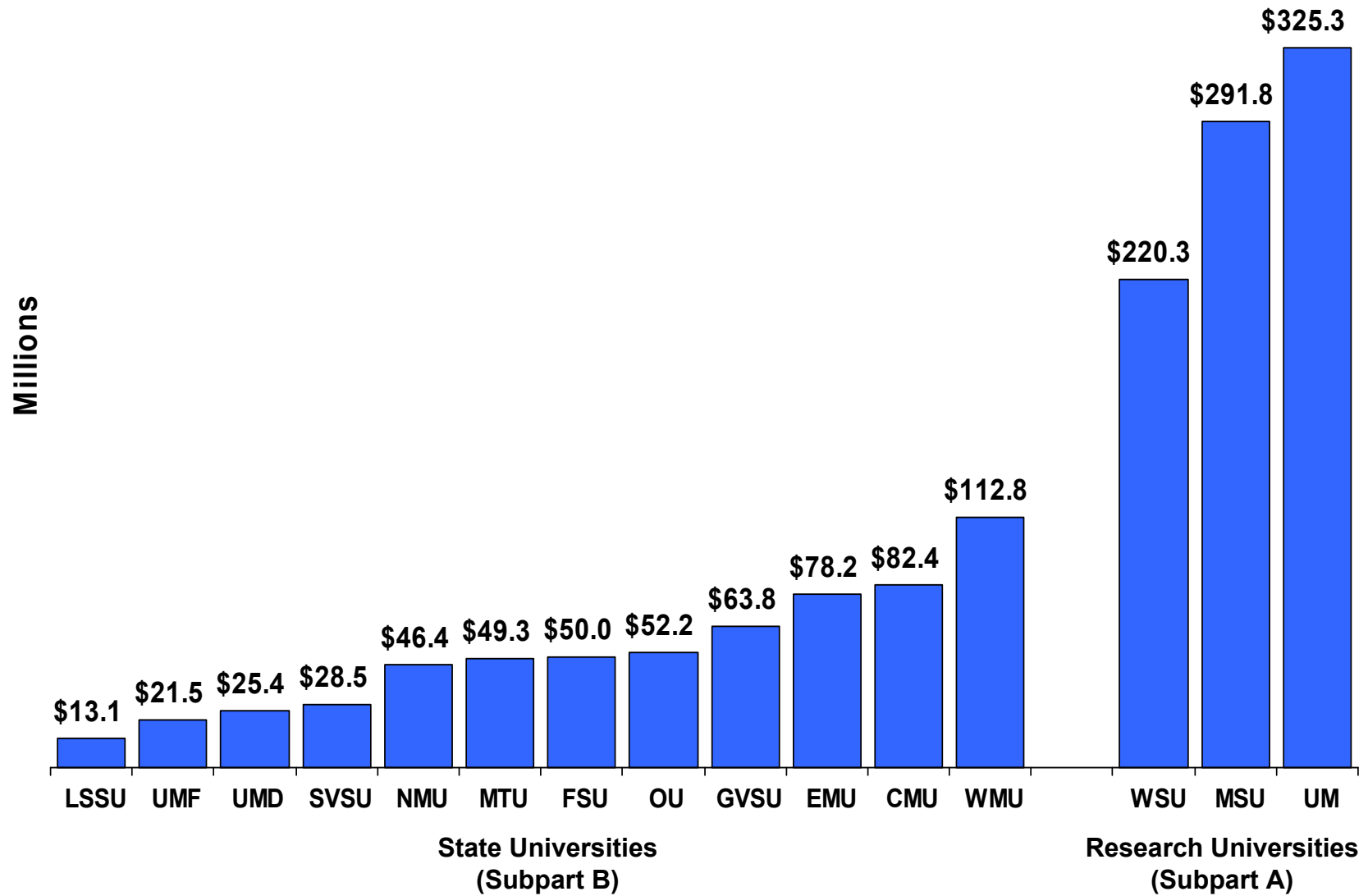
All but 5.4% of FY 2009-10 Higher Education funding is appropriated to the 15 public universities for operations or other purposes.

Higher Education Budget

FY 2009-10 Total = \$1.61 Billion



FY 2009-10 University Operations Grants



Additional Research University Appropriations

Two separate appropriations are made to Michigan State annually:

- ***Agricultural Experiment Station: \$34.2 million***
Agriculture research program operated by MSU at 14 facilities across state.

- ***Cooperative Extension Service: \$29.5 million***
Program jointly funded by counties to extend MSU's public service mission across state in a variety of program areas:
 - Agriculture
 - Community and Economic Development
 - Family and Consumer Sciences
 - 4-H Youth Development
 - Natural Resources

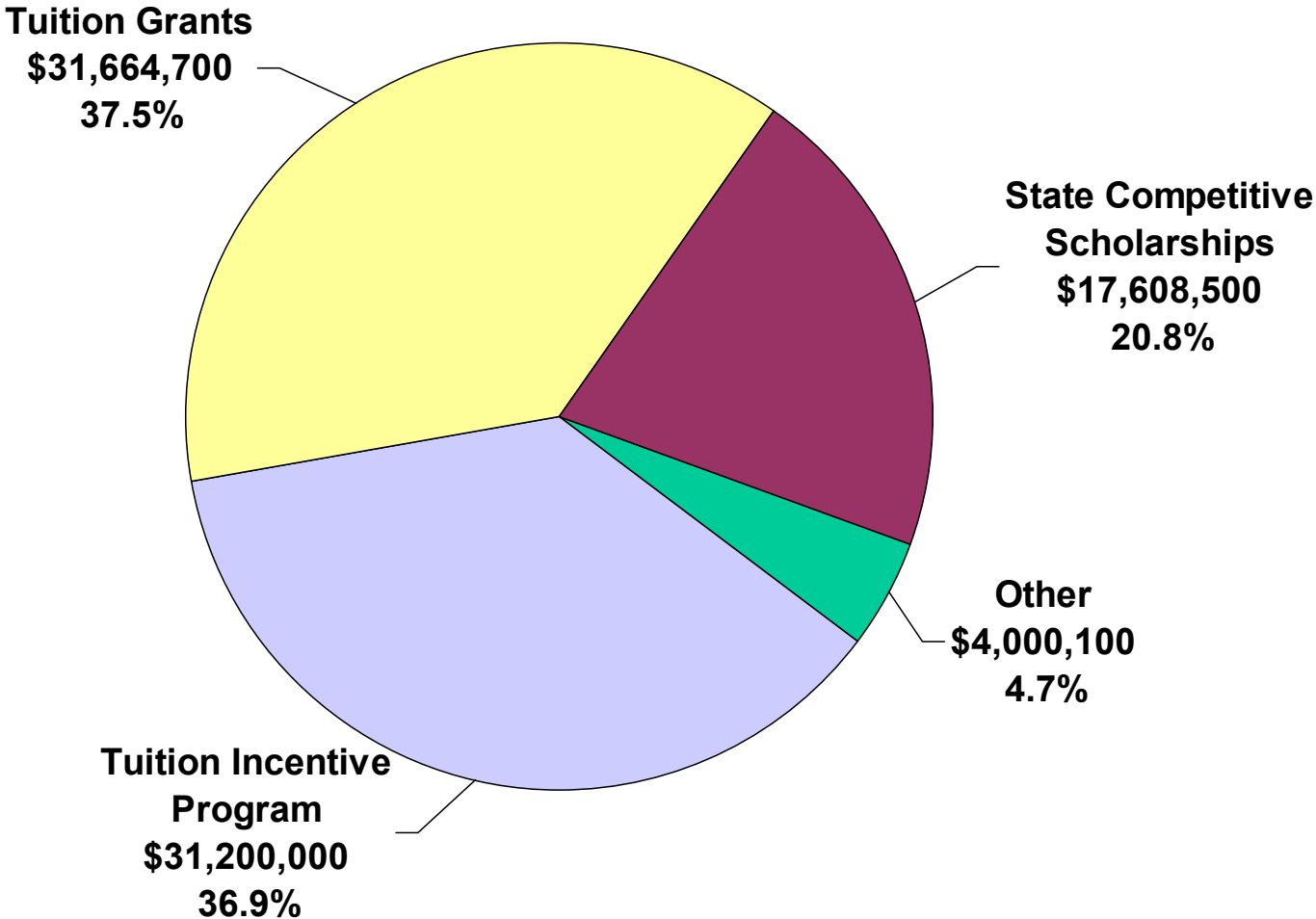
- **Of total FY 2009-10 funding of \$63.7 million for the two programs, \$27.8 million is appropriated from federal ARRA funds available for one year only.**

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 Medicaid-eligible individuals.
- ***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 Program***
Grants to children of deceased or disabled veterans.

Financial Aid Funding

FY 2009-10 Total = \$84.5 Million



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.
- ***Higher Education Database: \$105,000 GF/GP***
Maintenance of Higher Education Institutional Data Inventory (HEIDI), to which state universities submit enrollment/finance data annually.
- ***Midwestern Higher Education Compact: \$95,000 GF/GP***
Dues for interstate compact to realize economies of scale.

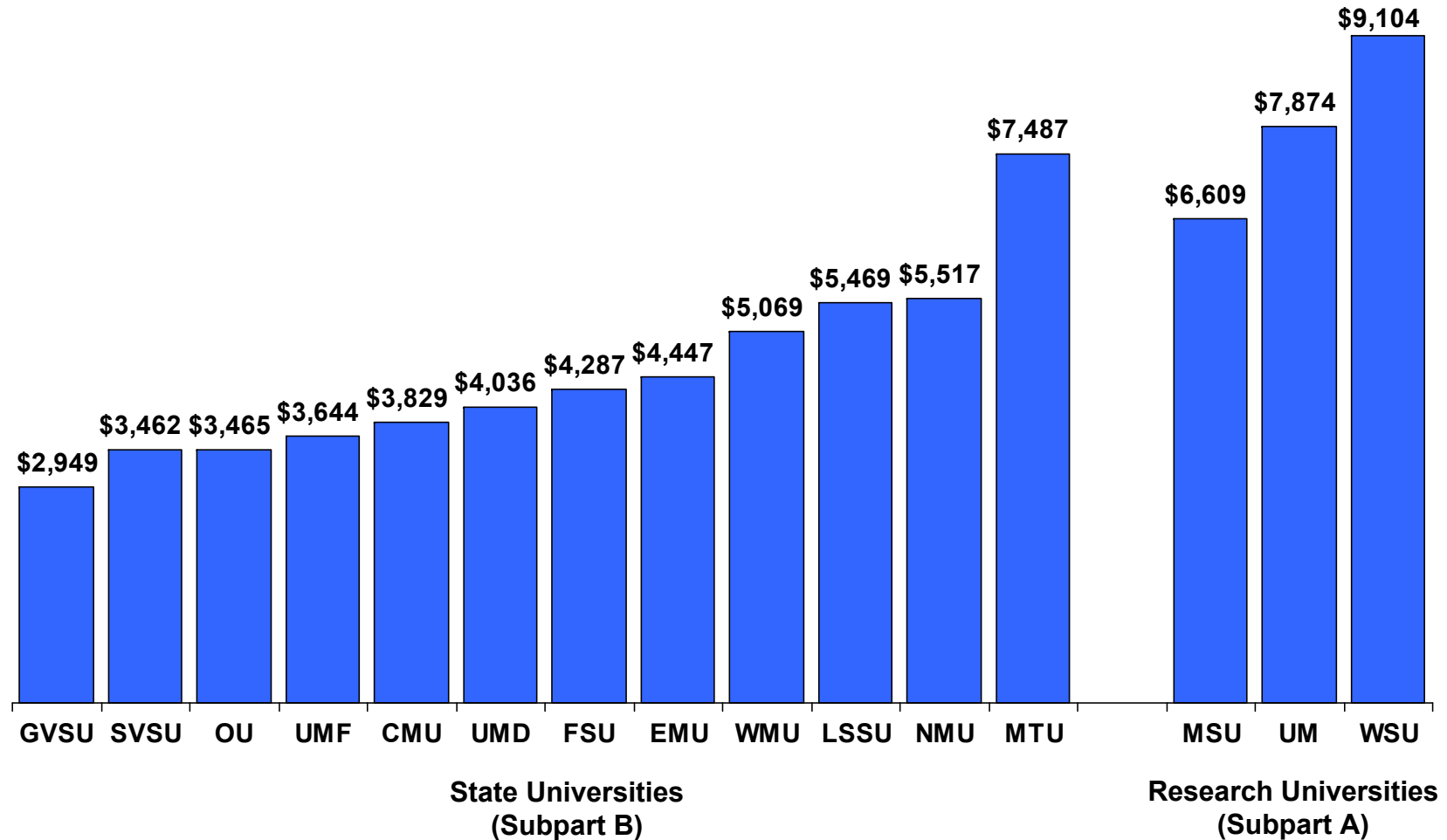
MAJOR BUDGET ISSUES

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 (undergraduate level)**
 - **Calculation usually made using total FYES (undergraduates + graduates; residents + nonresidents)**
- **Methods used in recent years to determine funding changes have included the following:**
 - **Across-the-board adjustments**
 - **Per-FYES funding floor**
 - **Allocations based on degree completions, research funds, Pell Grants, etc.**
- **For FY 2009-10, \$40.4 million (roughly 3%) appropriated to 15 universities from federal ARRA revenue available for one year only, partially offsetting GF/GP reductions.**

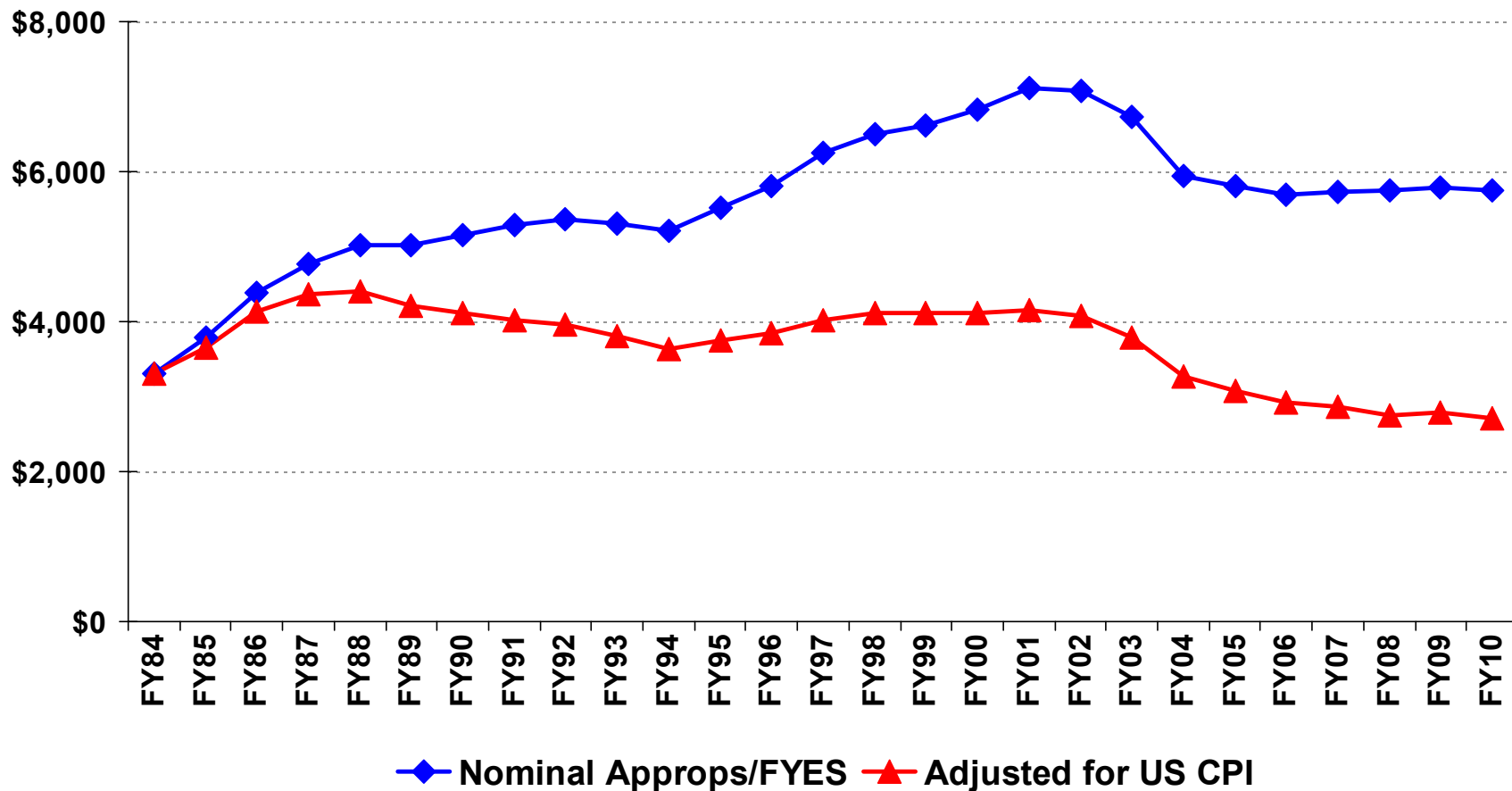
University Appropriations per Student

FY 2009-10 appropriations per FY 2008-09 FYES vary from \$2,949 to \$9,104.



Historical University Appropriations per Student

Total FY 2009-10 university appropriations per FYES (two years prior) are 19.2 percent lower than they were in FY 2000-01—or 34.9 percent lower on an inflation-adjusted basis.



University Classification

- **Beginning with fiscal year 2007-08, budget act distinguishes between Research Universities and other State Universities. Initially, budget act contained separate articles; for FY 2009-10, 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, utilizing data on (1) academic degree-granting activity at various levels and (2) research-related activities.**

FY 2009-10 Financial Aid Reductions

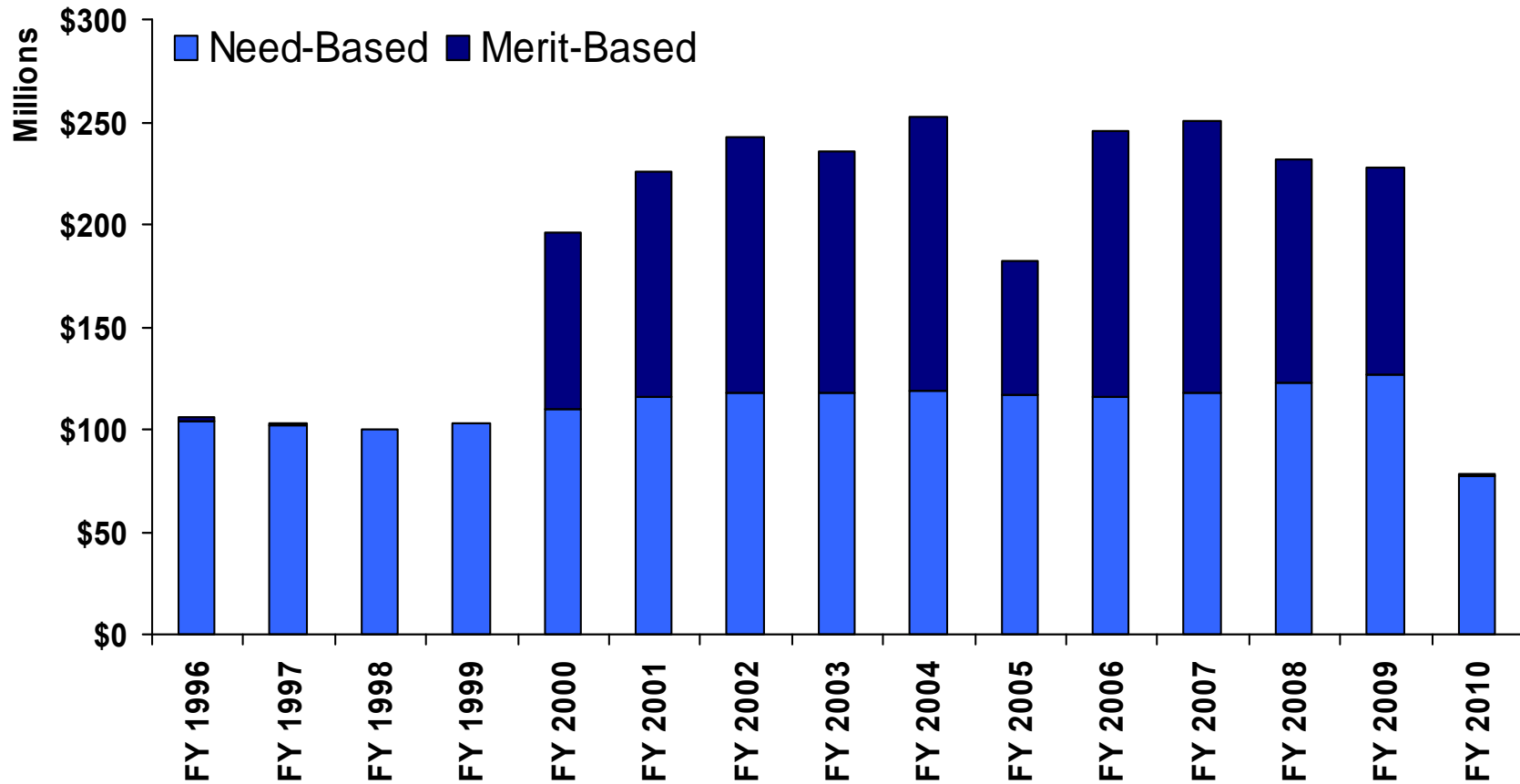
- **Appropriations for five financial aid programs eliminated:**
 - Michigan Promise Grant Program (\$140.0 million in FY 2009-10 Exec Rec)
 - Michigan Work Study Program (\$7.3 million in FY 2008-09)
 - Nursing Scholarship Program (\$4.25 million in FY 2008-09)
 - Part-Time Independent Student Program (\$2.7 million in FY 2008-09)
 - Michigan Education Opportunity Grants (\$2.1 million in FY 2008-09)

- **Appropriation for State Competitive Scholarships reduced from \$35.5 million to \$17.6 million (50.4%):**
 - Maximum award amount lowered from \$1,300 to \$510

- **Appropriation for Tuition Grants reduced from \$56.7 million to \$31.7 million (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 \$1,610

- **Overall reduction of \$63.9% in state funding for financial aid programs, from \$217.5 million in FY 2008-09 to \$78.6 million in FY 2009-10.**

Changes in State-Funded Financial Aid by Category



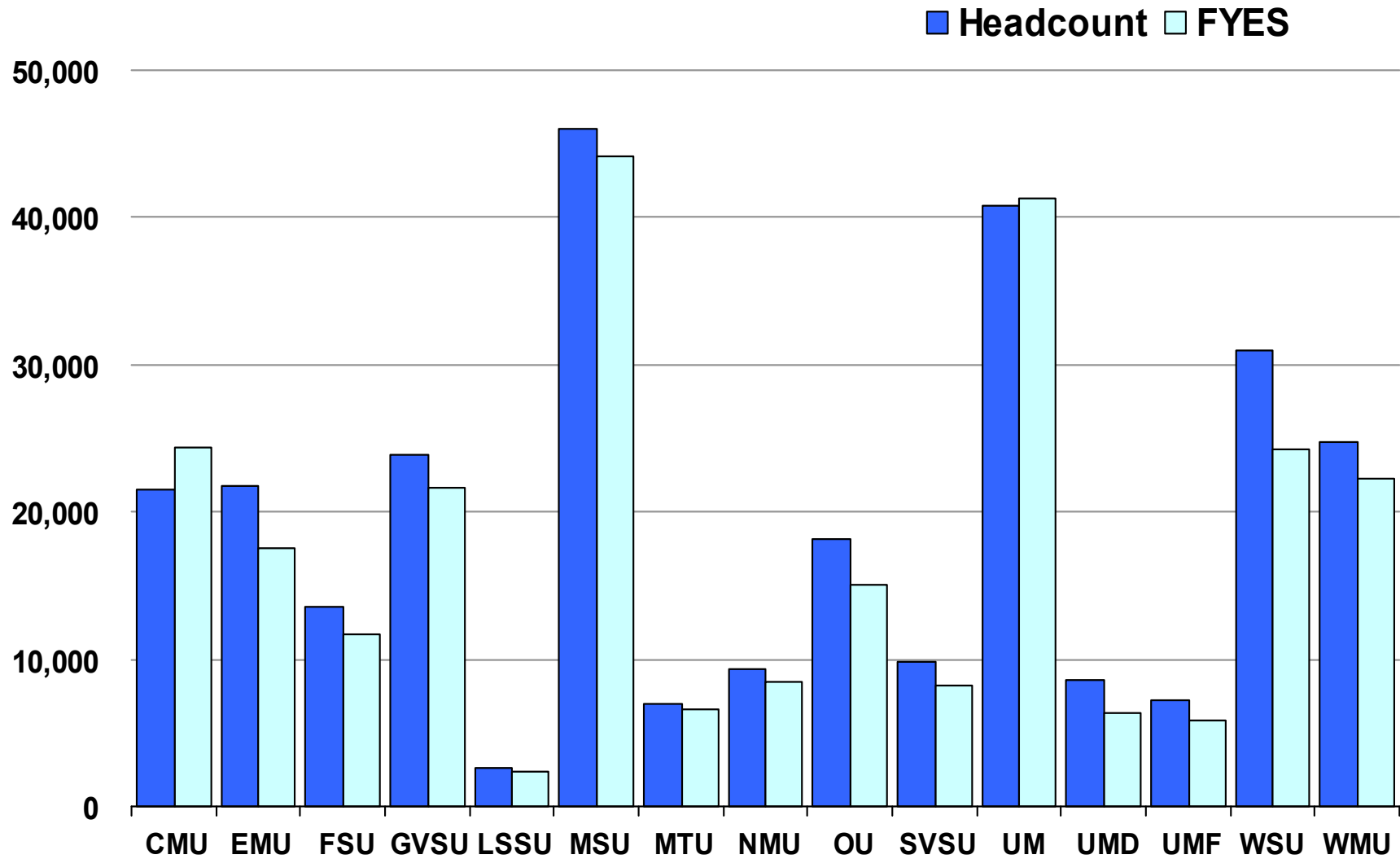
Note: Excludes federally-funded programs

PUBLIC UNIVERSITY DATA

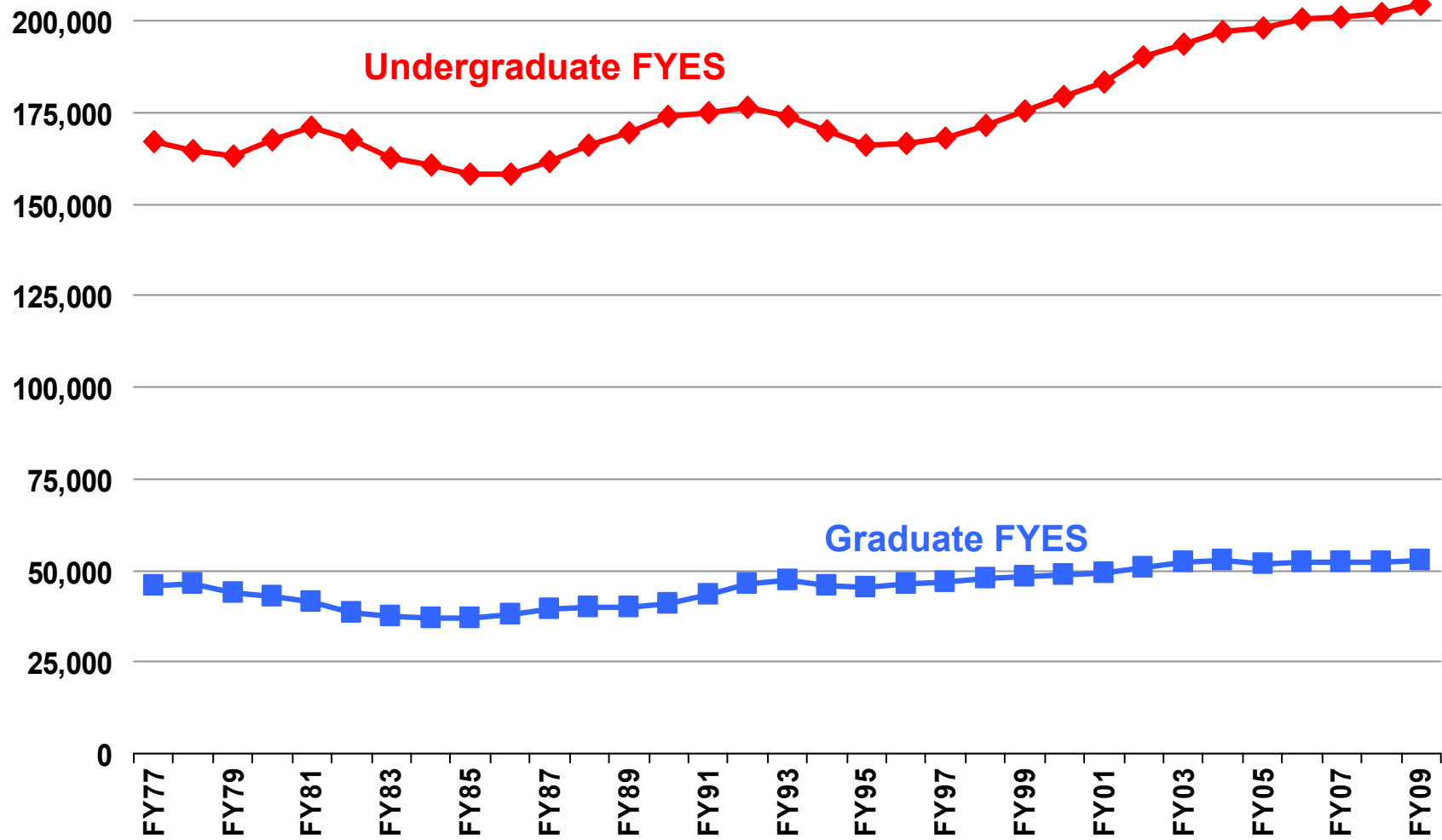
Key Data Definitions

- Pursuant to budget bill language, the 15 state 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.
 - General Fund: Subset of current fund revenue/expenditures for instruction and related activities; vast majority of revenue consists of state appropriations and student tuition/fees.

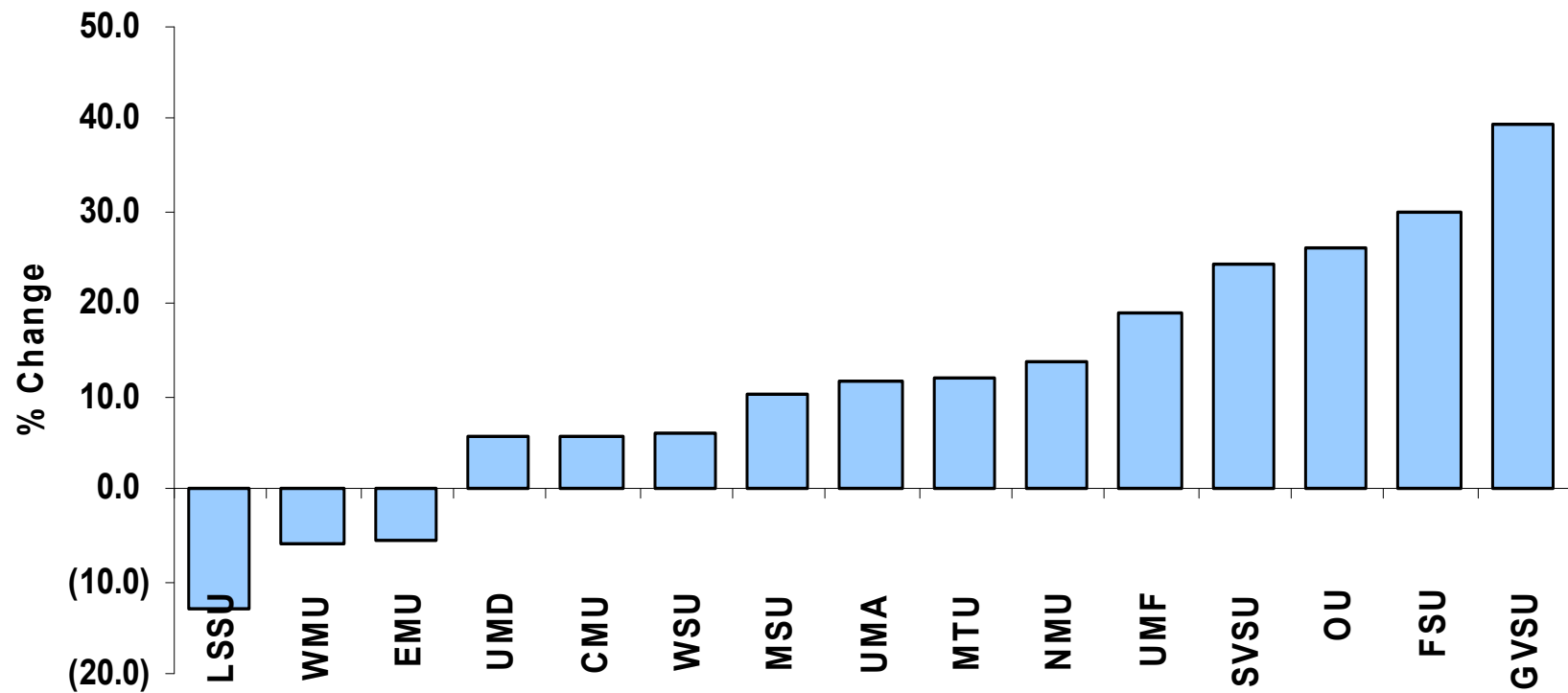
FY 2008-09 Public University Enrollments



Public University Enrollment History



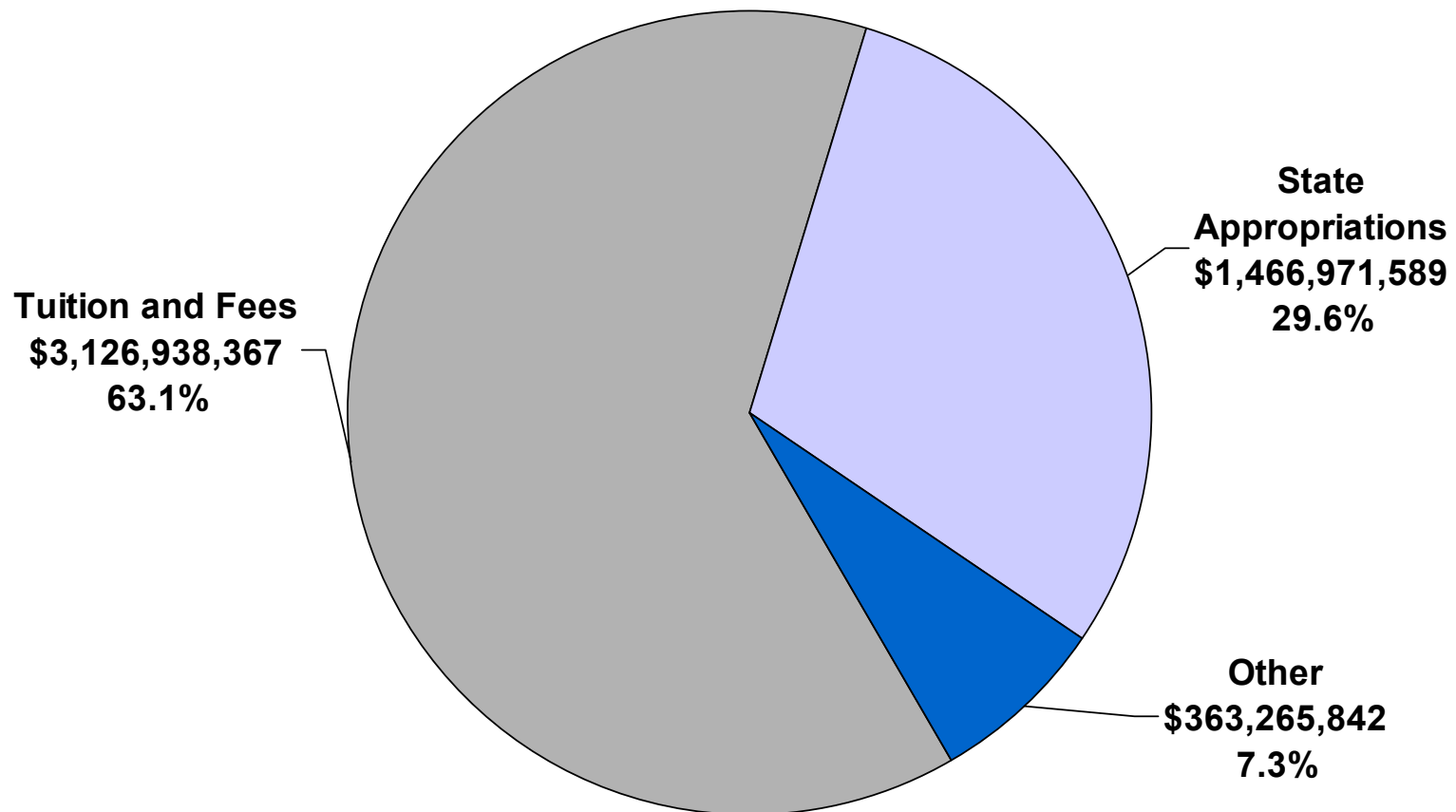
University Enrollment Growth FY 2000-01 to FY 2008-09



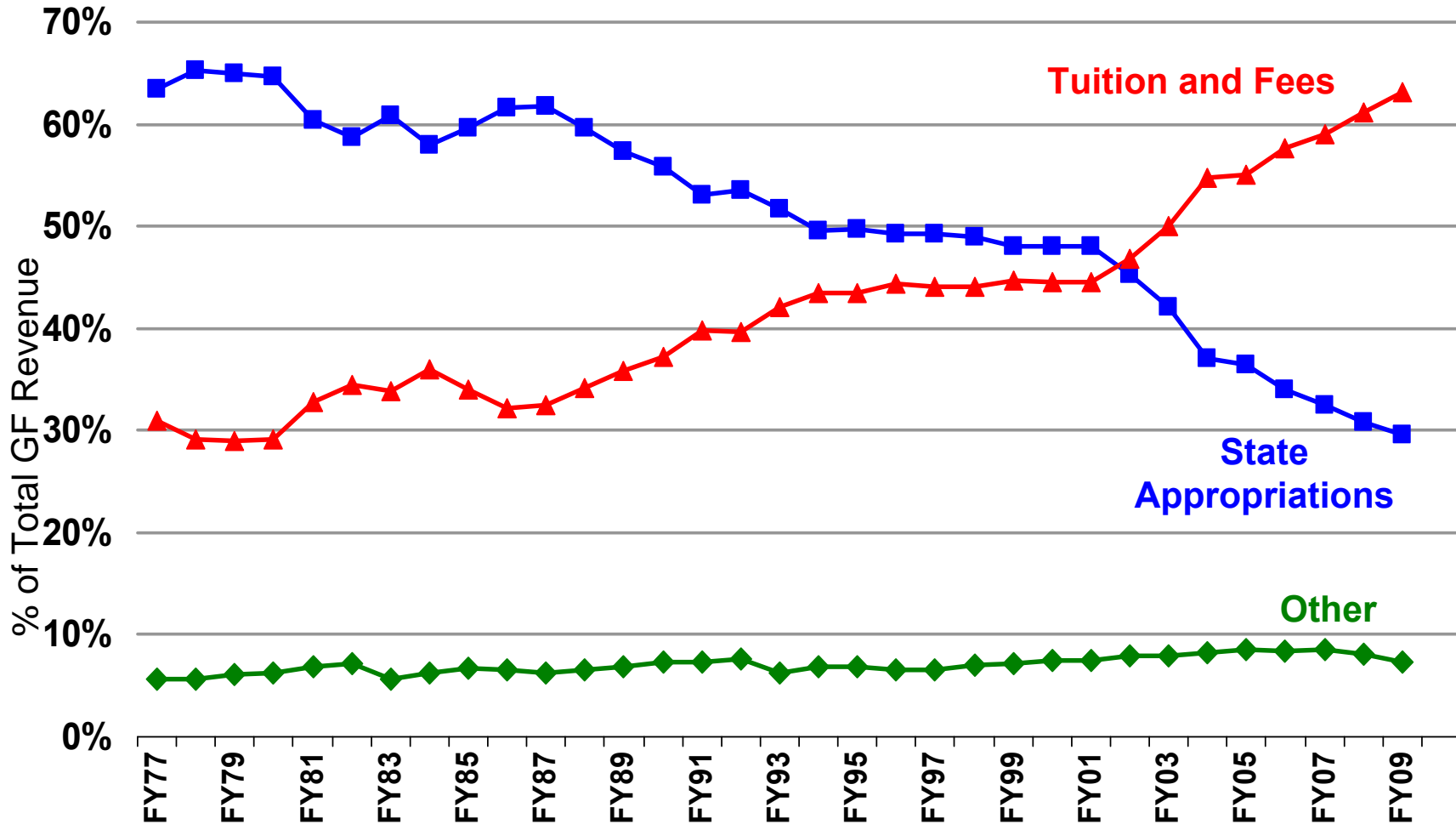
*Note: Changes based on total
Fiscal Year Equated Students (FYES)*

Public University General Fund Revenue

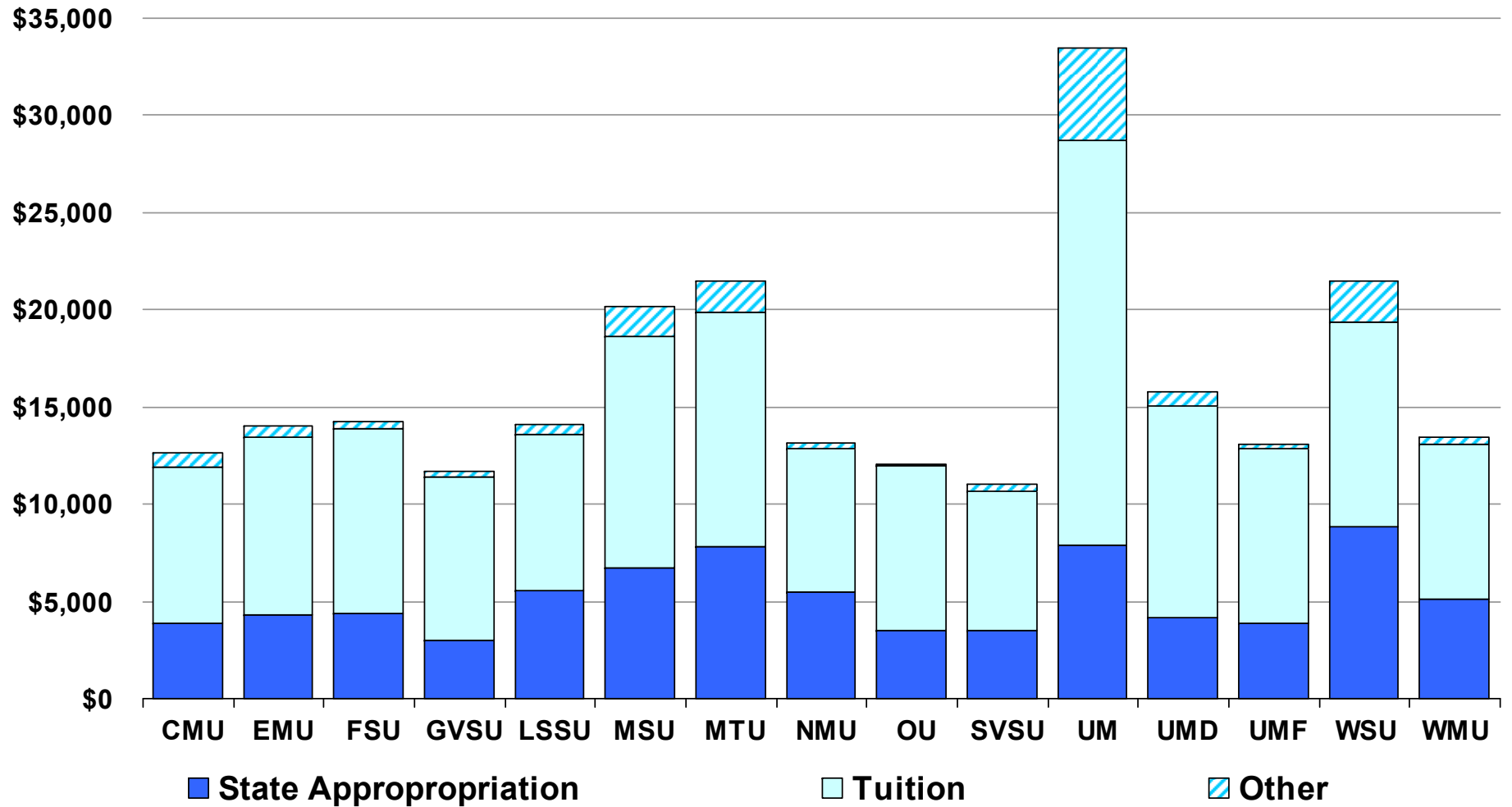
FY 2008-09 Total = \$5.0 Billion



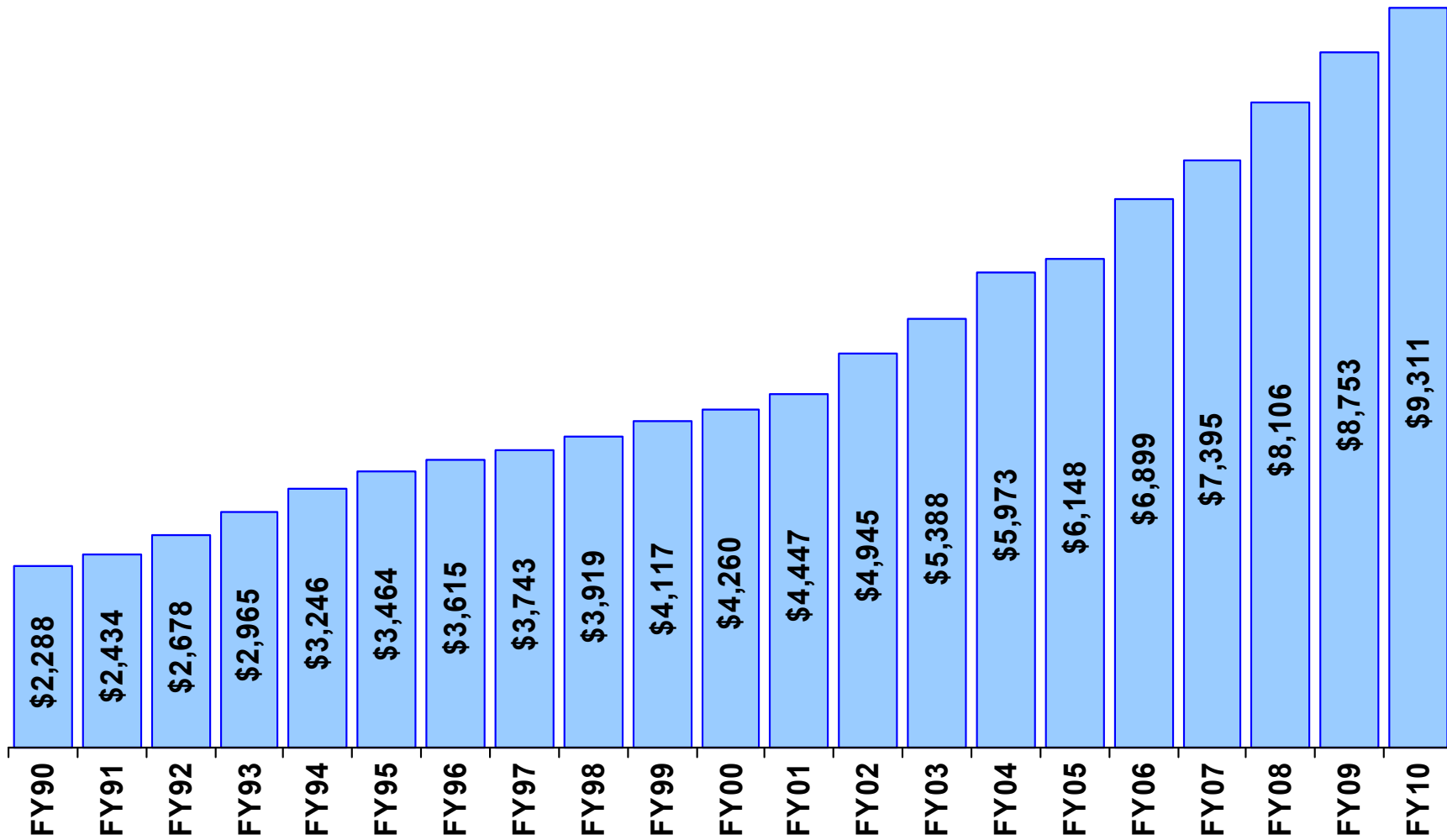
Public University General Fund Revenue Source History



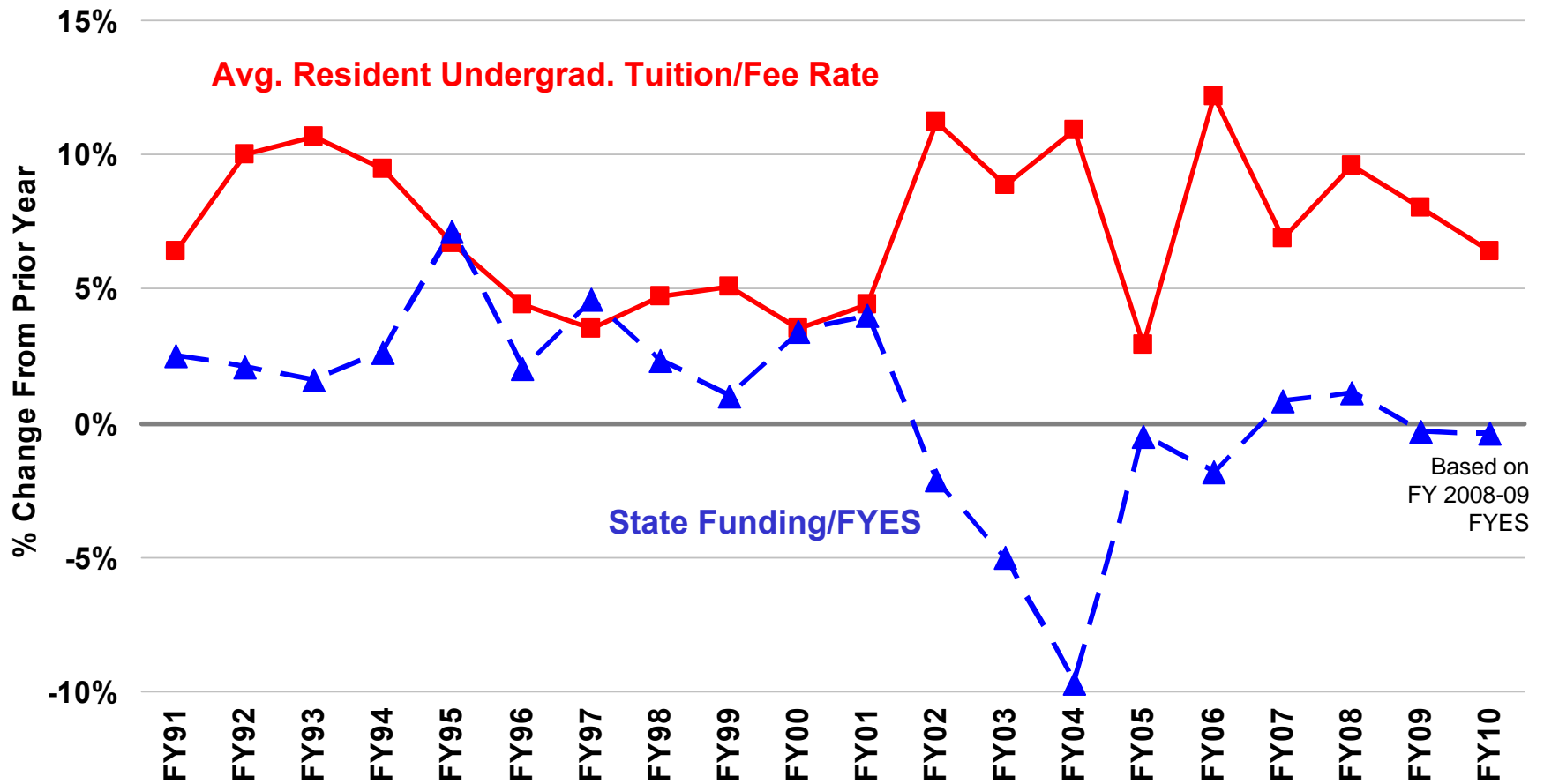
State University General Fund Revenue per FYES: FY 2007-08



Average Resident Undergraduate Tuition and Fee Rate

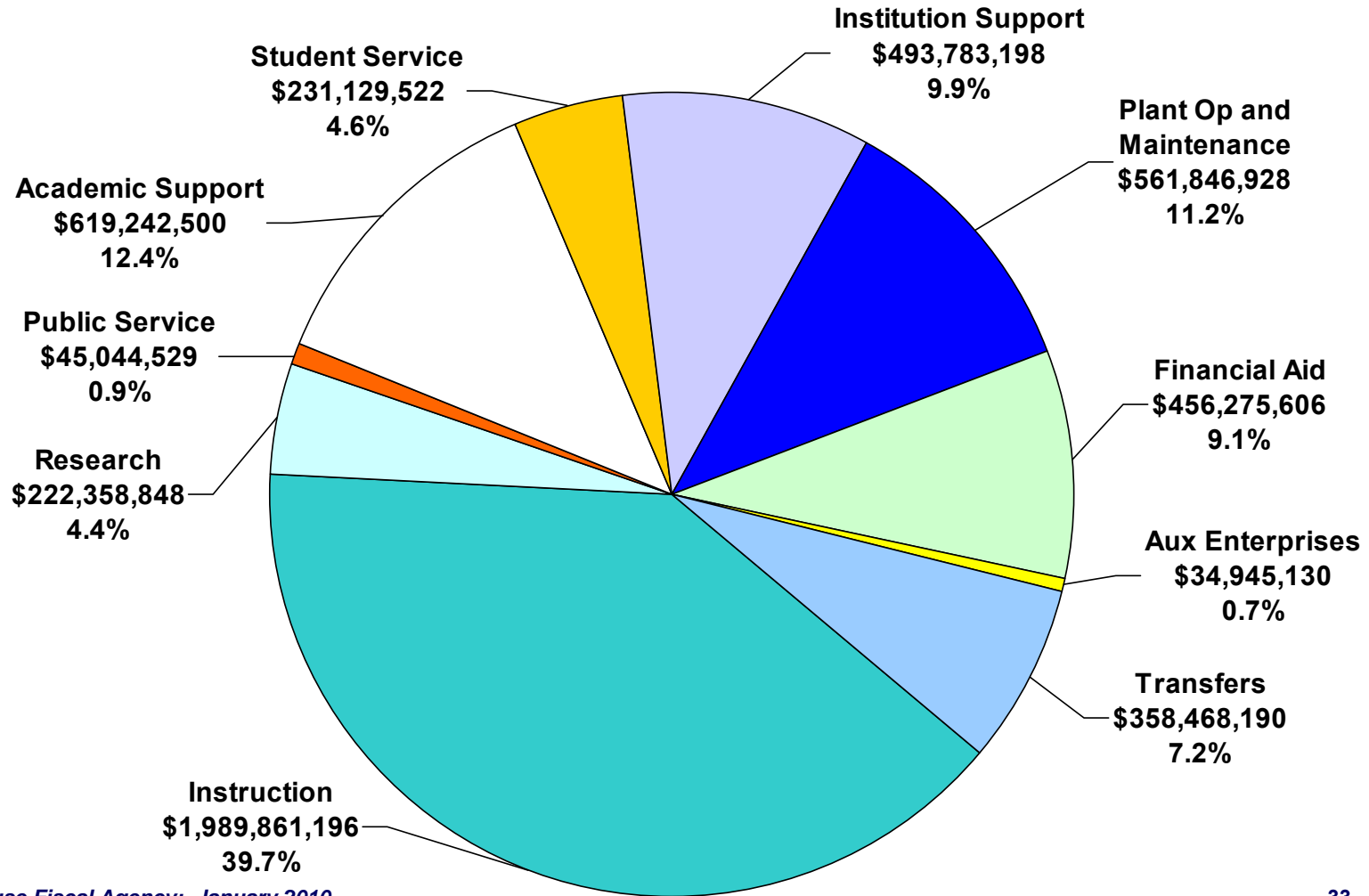


Tuition Rates and State Funding

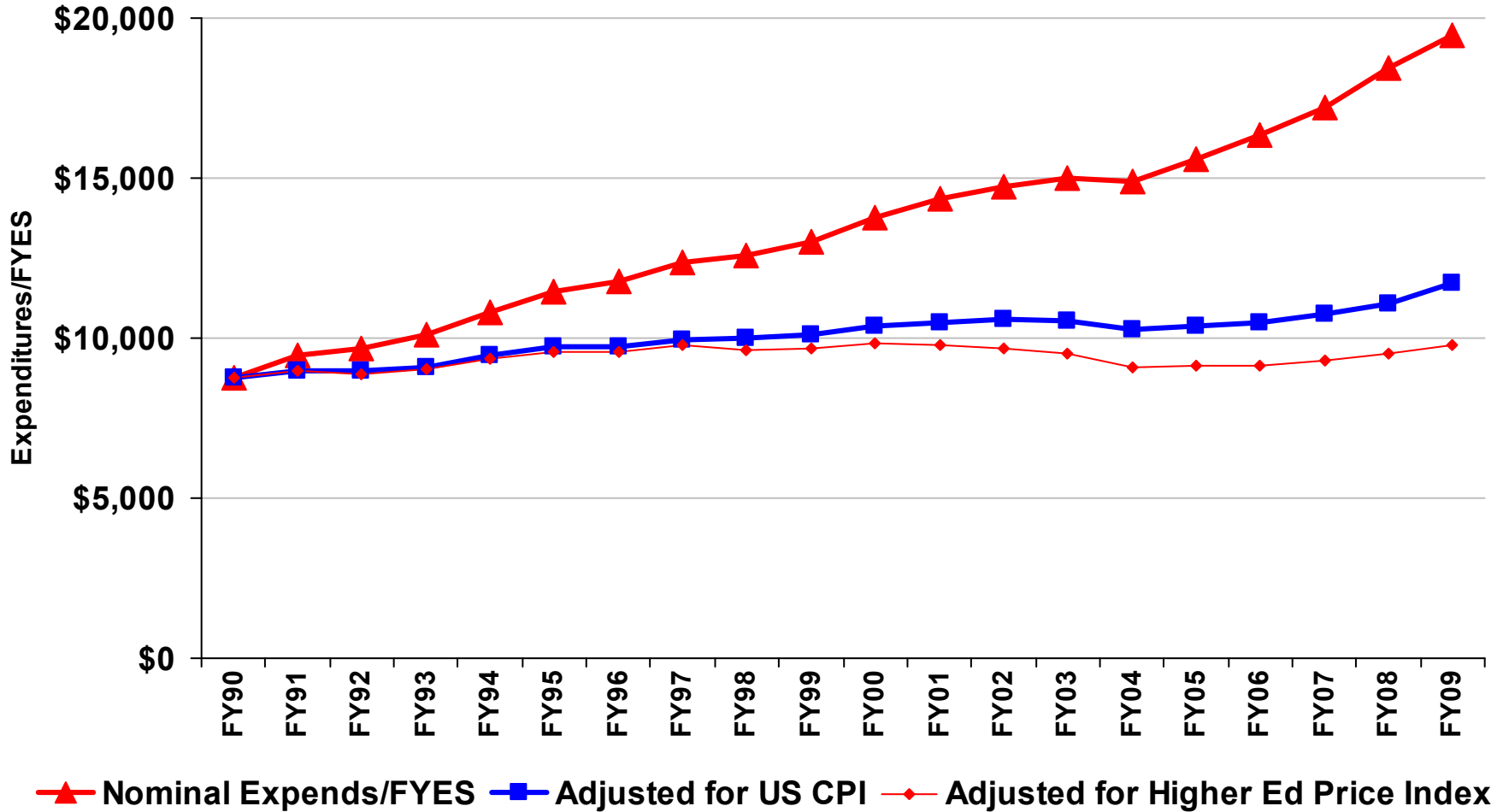


Public University General Fund Expenditures

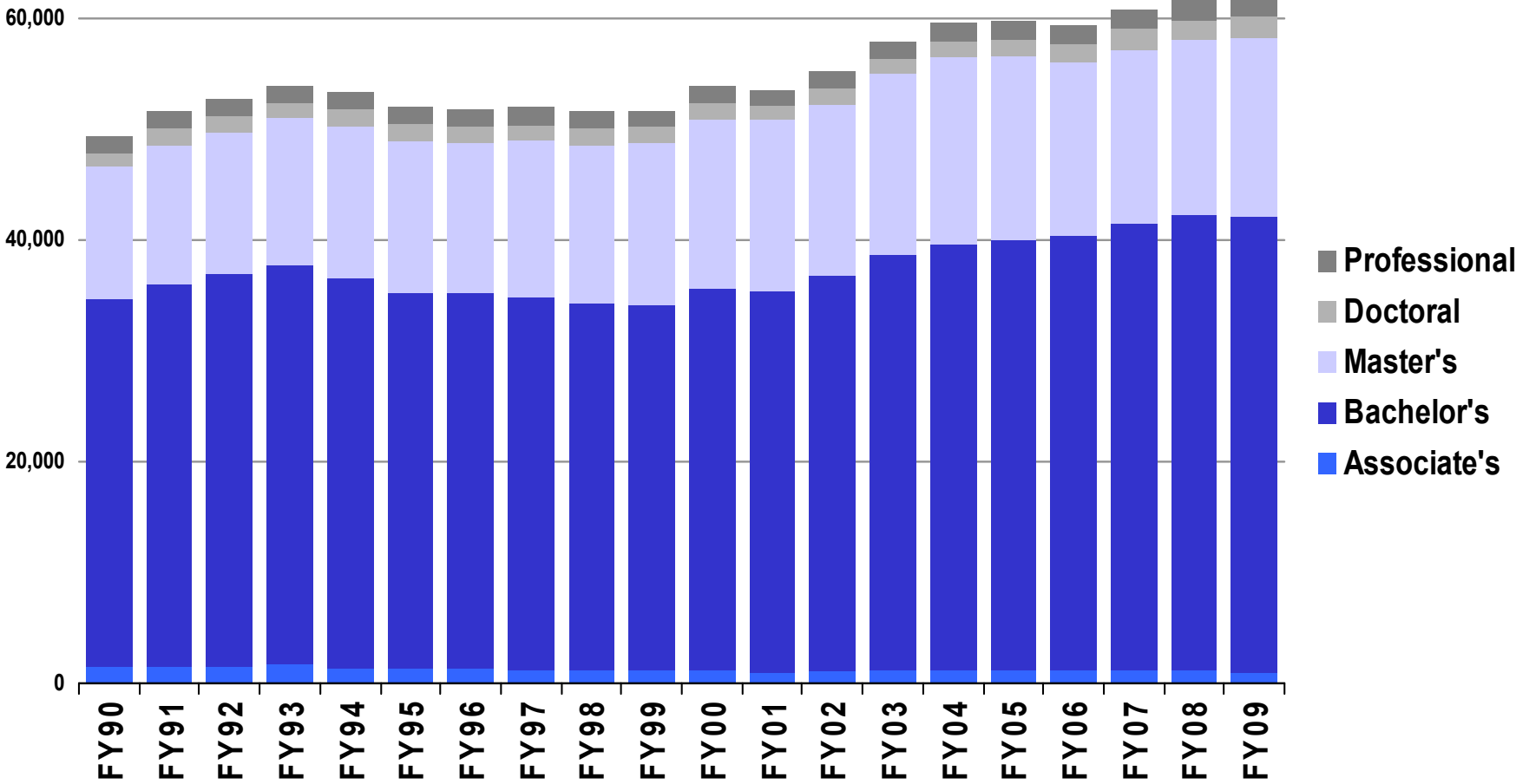
FY 2008-09 Total = \$5.0 Billion



Total Public University General Fund Expenditures per FYES



Degree Completions at Public Universities



Additional Background Information

Available at <http://www.house.mi.gov/hfa/highed.asp>:

- ***State Financial Aid Funding for Postsecondary Education (September 2008)***
- ***State University Appropriations (November 2006)***
- ***Degree Completions at State Universities (May 2006)***
- ***Net Tuition Costs After Financial Aid at State Universities (November 2004)***

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

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