

MEMORANDUM



DATE: November 19, 2010
TO: House Appropriations Subcommittee on Higher Education
FROM: Kyle I. Jen, Associate Director
RE: FY 2010-11 Public University Financial Information

Subsection (1) of Section 436 of Public Act 203 of 2010, the FY 2010-11 Higher Education budget act, states the following:

It is the intent of the legislature that, if any public university increases its resident undergraduate tuition and required fees from academic year 2009-2010 to academic year 2010-2011, then that university shall increase its fiscal year 2009-2010 general fund expenditures for student financial aid by at least the same percentage as the percentage change in resident undergraduate tuition and required fees. It is the intent of the legislature that public universities place an emphasis on increasing the number of institutional financial aid awards that are based on demonstrated financial need.

Similar language has been included annually in the Higher Education budget act since FY 2005-06—with the exception of FY 2009-10, when language related to compliance with the federal American Recovery and Reinvestment Act (ARRA) was included instead.

The remainder of Section 436 requires the universities to report on the amounts of increases adopted or budgeted in resident undergraduate tuition/fee rates, general fund financial aid expenditures, and other key financial indicators for FY 2010-11. An attached table summarizes the data reported by the 15 universities under the section's requirements. The data in each category are summarized below.

Resident Undergraduate Tuition/Fee Rate

The increase in the average reported tuition/fee rate for a full-time resident undergraduate student at the 15 universities is 4.7%. Reported rate increases at the individual universities range from a low of 0.0% to a high of 8.8%.

General Fund Tuition/Fee Revenue

Accounting for enrollment changes and other factors, total general fund revenue received from student tuition and fees at the 15 universities is projected to increase by 5.5%. The projected increases in tuition/fee revenue at individual universities range from 3.4% to 8.4%.

Total General Fund Revenue

Outside of tuition/fee revenue, state appropriations are the only other major source of general fund revenue for the universities. Appropriations have been reduced by 2.8% for each university from FY 2009-10 to FY 2010-11.¹ The combined impact of appropriation reductions and tuition/fee increases results in a projected increase of 3.9% in total General Fund revenue for the 15 universities. Projected revenue increases at the individual universities range from 1.7% to 6.1%.

¹ If a university didn't report the State Fiscal Stabilization Fund portion of its appropriation, financed by ARRA revenue, as General Fund revenue in FY 2009-10, its state appropriation going to the General Fund would be approximately flat for FY 2010-11.

General Fund Financial Aid Expenditures

Institutional general fund financial aid expenditures represent resources devoted to student financial aid from a university's own discretionary resources—as opposed to financial aid provided directly by the federal and state governments. Such aid effectively represents a discount. On paper, a student is charged the full tuition and fee rate; the portion of that rate waived by the university as a financial aid award is then accounted for as a general fund expenditure.² A university that increases its institutional general fund financial aid expenditures at a higher percentage rate than its tuition and fee rate, then, is effectively increasing the percentage of total potential tuition revenue being discounted based on specific students' financial need, academic merit, or other considerations.³

Total general fund financial aid expenditures at the 15 universities are projected to increase by 15.2%. The universities reported a wide range of projected changes in financial aid expenditures—from a reduction of 11.8% to an increase of 43.1%.

Total General Fund Expenditures

Total expenditures from general fund resources, which fund student instruction and instruction-related activities, are projected to increase by 4.9%. The reported expenditure increases at individual universities range from 1.7% to 7.8%. Generally, the projected levels of expenditure increase correspond with projected revenue increases. In some cases, the use of fund balances or other one-time resources results in differing levels of increase between revenue and expenditures.

Total Enrollment

Total fiscal year equated student (FYES) enrollment is projected to increase by 1.4%. The projected changes reported by the universities range from a decline of 2.6% to an increase of 4.4%. FYES measures the number of full-time equated students enrolled at each institution; at the undergraduate level, 30 credit hours is defined as a full-time courseload.

Two attached charts display projected FY 2010-11 percentage changes in university financial indicators:

Chart 1: Tuition/Fee Rates and Financial Aid Expenditures

Chart 1 compares the percentage change in the average resident undergraduate tuition/fee rate with the projected change in institutional general fund financial aid expenditures for each university. Twelve of the 15 universities expect to comply with the legislative intent stated in Section 436, increasing financial aid expenditures by a higher percentage than the tuition/fee rate.

The exceptions are Lake Superior State (4.8% financial aid growth vs. 5.8% tuition/fee increase), UM-Dearborn (11.8% financial aid reduction vs. 3.9% tuition/fee increase), and UM-Flint (5.4% financial aid reduction vs. 3.9% tuition/fee increase). UM-Dearborn reports that the sizeable reduction in its projected financial aid expenditures is the result of one-time resources that were utilized for financial aid in FY 2009-10 no longer being available in FY 2010-11.

In total, financial aid expenditures rose at a much higher rate than tuition/fee rates: 15.2% vs. 4.7%.

² Universities may also award institutional aid from restricted or endowment sources; that aid differs from general fund aid in that a concrete, dedicated revenue source is available to fund the aid.

³ In FY 2008-09, the most recent year for which detailed information is available, the 15 universities reported a total of \$302.6 million in institutional general fund financial aid for undergraduate students. Of that total, \$130.6 million was based on financial need, while \$171.9 million was based on academic merit or other considerations. Three universities reported higher need-based aid amounts than merit-based amounts: Michigan State, UM-Ann Arbor, and UM-Flint. The remaining 12 universities reported higher merit-based amounts.

Chart 2: Per-Student General Fund Revenue and Expenditures

Chart 2 shows projected increases in per-FYES general fund revenue and expenditure amounts for each university. The percentages vary across a fairly wide range depending on the particular financial situations, policy decisions, and accounting practices at each university. Total general fund revenue per FYES at the 15 universities is projected to increase by 2.5%, while total general fund expenditures per FYES are projected to increase by 3.5%.

For reference, consumer inflation in Michigan is projected to be 1.5% in FY 2010-11.⁴ The Higher Education Price Index, which captures inflationary growth in costs to higher education institutions (compensation, contracts, utilities, etc.), generally runs ahead of consumer inflation by a percentage point or more per year.

Please call if you have questions about this information.

Attachments (3)

⁴ Based on the May 2010 Consensus Revenue Estimating Conference.

Public University Financial Information: FY 2010-11

Section 436 Reporting

University	Resident Undergraduate Tuition/Fee Rate			General Fund Tuition/Fee Revenue			Total General Fund Revenue			General Fund Financial Aid Expenditures			Total General Fund Expenditures			*Total FYES Enrollment		
	Actual	Actual	Percent	Actual	Budgeted	Percent	Actual	Budgeted	Percent	Actual	Budgeted	Percent	Actual	Budgeted	Percent	Actual	Budgeted	Percent
	FY 2010	FY 2011	Change	FY 2010	FY 2011	Change	FY 2010	FY 2011	Change	FY 2010	FY 2011	Change	FY 2010	FY 2011	Change	FY 2010	FY 2011	Change
Central**	9,248	10,065	8.8	221,770,546	232,680,254	4.9	314,901,475	326,154,740	3.6	21,325,670	28,027,982	31.4	306,535,892	326,154,740	6.4	21,888	22,523	2.9
Eastern	8,377	8,377	0.0	192,496,007	199,000,000	3.4	276,182,037	280,900,000	1.7	27,499,658	30,400,000	10.5	276,182,037	280,900,000	1.7	18,356	19,166	4.4
Ferris	9,480	9,930	4.7	124,708,442	131,210,737	5.2	179,329,520	183,066,478	2.1	14,592,009	16,343,285	12.0	176,718,393	183,066,478	3.6	11,791	12,117	2.8
Grand Valley	8,846	9,315	5.3	220,882,165	233,036,779	5.5	289,123,370	297,947,175	3.1	24,449,275	26,096,965	6.7	287,568,892	297,947,175	3.6	22,273	22,486	1.0
Lake Superior	8,284	8,764	5.8	20,755,682	22,001,784	6.0	34,846,234	35,739,534	2.6	3,739,358	3,920,705	4.8	34,695,904	35,687,954	2.9	2,315	2,375	2.6
Michigan State	11,383	11,944	4.9	624,575,539	649,700,000	4.0	959,814,314	1,018,400,000	6.1	82,663,260	93,424,388	13.0	944,880,316	1,018,400,000	7.8	44,688	44,255	(1.0)
Michigan Tech	12,278	13,007	5.9	94,829,090	99,090,000	4.5	154,930,885	158,890,500	2.6	21,724,674	23,062,710	6.2	155,072,222	158,890,500	2.5	6,650	6,478	(2.6)
Northern	7,511	7,728	2.9	68,319,255	70,840,404	3.7	117,413,515	120,462,985	2.6	13,529,640	14,657,227	8.3	117,617,579	120,462,985	2.4	8,588	8,588	0.0
Oakland	9,188	9,716	5.8	153,787,613	163,224,097	6.1	206,817,634	215,787,515	4.3	16,715,372	23,924,702	43.1	203,567,937	215,787,515	6.0	15,865	15,969	0.7
Saginaw Valley	6,900	7,308	5.9	70,531,740	76,488,000	8.4	100,386,198	106,519,000	6.1	9,154,319	9,792,341	7.0	100,352,173	106,519,000	6.1	8,841	9,041	2.3
UM-Ann Arbor	12,400	12,590	1.5	954,050,604	1,015,952,444	6.5	1,497,461,257	1,553,245,285	3.7	159,335,318	191,236,669	20.0	1,474,667,928	1,553,245,285	5.3	40,447	41,271	2.0
UM-Dearborn	9,216	9,575	3.9	75,888,045	79,406,400	4.6	105,431,565	107,964,000	2.4	8,308,770	7,328,000	(11.8)	104,008,149	107,964,000	3.8	6,520	6,618	1.5
UM-Flint	8,332	8,656	3.9	64,148,028	67,608,000	5.4	86,446,795	88,983,000	2.9	5,327,480	5,037,710	(5.4)	83,849,090	88,983,000	6.1	6,372	6,528	2.5
Wayne State***	9,319	9,732	4.4	299,080,491	317,208,400	6.1	554,061,958	571,518,700	3.2	46,253,479	50,272,400	8.7	559,692,705	571,518,700	2.1	25,205	25,640	1.7
Western	8,858	9,510	7.4	209,126,922	225,598,378	7.9	329,471,280	342,411,198	3.9	40,118,889	46,350,380	15.5	328,669,671	341,543,713	3.9	21,823	22,118	1.3
Avg Rate/Totals	9,308	9,748	4.7	3,394,950,169	3,583,045,677	5.5	5,206,618,037	5,407,990,110	3.9	494,737,171	569,875,464	15.2	5,154,078,888	5,407,071,045	4.9	261,622	265,173	1.4

*FYES = Fiscal Year Equated Students (30 credit hours is equal to 1 FYES at undergraduate level)

**Increase of 8.8% in average tuition/fee rate is partially the result of CMU Promise initiative. Senior students see no increase from 2009-10 to FY 2010-11 as rates are locked in through CMU Promise; non-Promise students see a 2.1% increase

***Draft submission; FY 2009-10 financial data not yet final due to later close of institutional fiscal year

Source: University responses pursuant to section 436 of FY 2010-11 budget act

Prepared by Kyle I. Jen, House Fiscal Agency

C:\Users\Kjen\Documents\HIGHERED\TUITION\sec 436 data fy11.xlsx\data

Updated: 11/19/10

Printed: 11/19/10

CHART 1
FY 2010-11 Public University Tuition and Financial Aid Increases

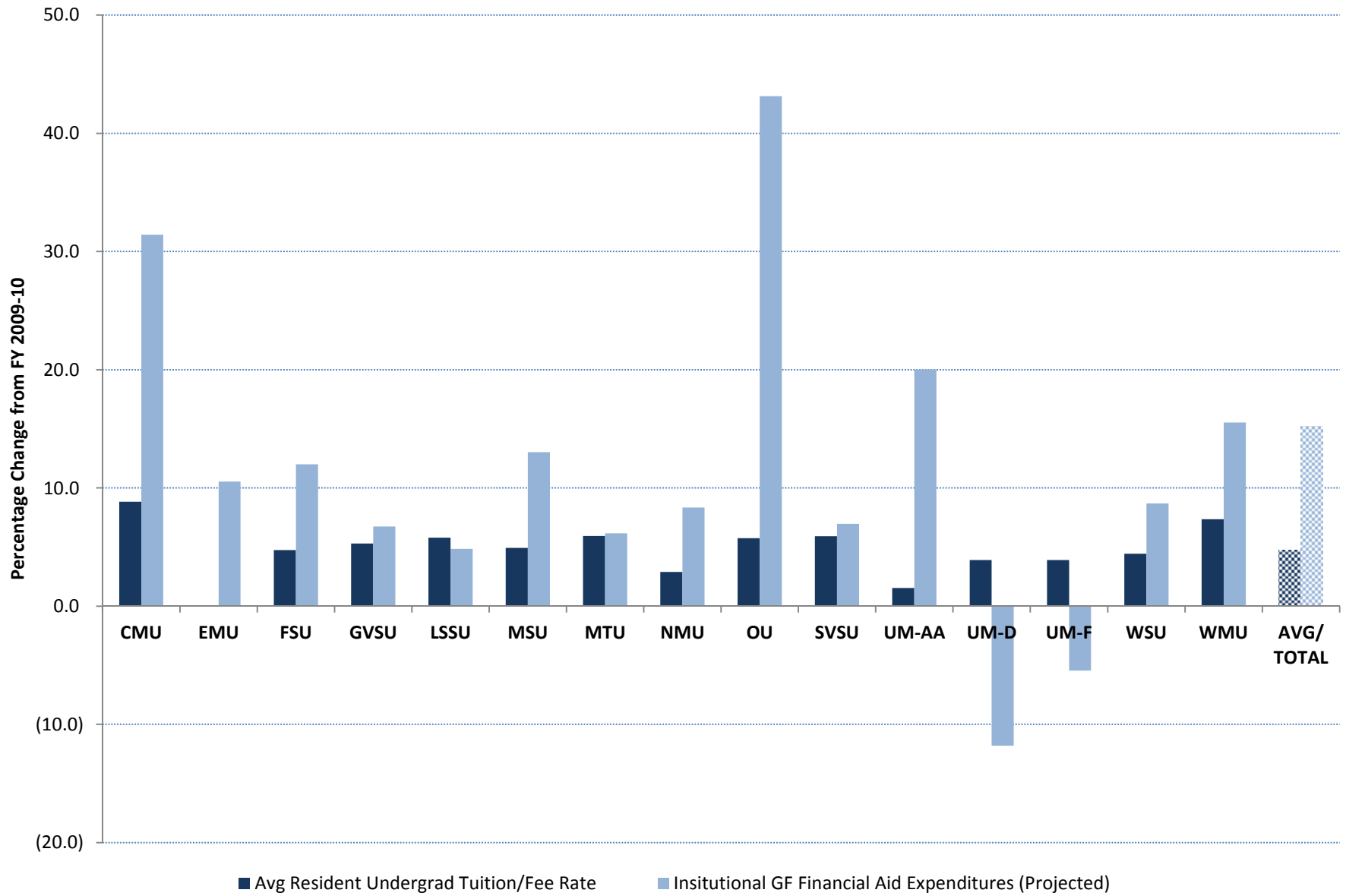


CHART 2
FY 2010-11 Public University Projected Per-Student Revenue/Expenditure Increases

