

DATE: September 16, 2011
TO: House Appropriations Subcommittee on Higher Education
FROM: Kyle I. Jen, Deputy Director
RE: University Tuition Restraint Submissions (*Revised*)

Tuition Restraint Reporting

The FY 2011-12 Higher Education budget, as enacted in Article III of Public Act 62 of 2011, reduces university appropriation amounts by 15.0% from FY 2010-11 levels and, from the remaining appropriation amounts, set aside a total of \$83.0 million in tuition restraint incentive funding. For each university, an amount varying between 5.1% and 9.8% of its overall FY 2011-12 appropriation amount—based on that university's prior five-year average tuition/fee rate increase—is appropriated contingent on compliance with tuition restraint provisions. Those appropriation amounts are shown in **Attachment 1**.

Section 265 of the budget article provides that, in order to qualify for the tuition restraint incentive funds, a university must certify to the state budget director by August 31, 2011 that:

- The university's board did not adopt an increase in tuition/fee rates for resident undergraduate students after February 1, 2011, for the 2010-11 academic year AND
- The university's board will not adopt an increase in tuition/fee rates for resident undergraduate students for the 2011-12 academic year that exceeds the average statewide tuition/fee rate increase for the prior five years.

The state budget director has determined that the prior-five-year average tuition/fee rate increase is equal to 7.1%. Section 265 contains additional provisions defining the terms "fee" and "tuition and fee rate"; **Attachment 2** contains the full text of the section.

As of August 31, all 15 public universities have submitted the required tuition restraint certification form to the state budget director. As of September 7, the director has determined that all 15 universities are in compliance with the budget article requirements related to tuition restraint incentive funding.

Attachment 3 shows the tuition/fee rate increases reported by the universities under section 265. The reported increases from FY 2010-11 to FY 2011-12 range from 3.6% to 7.0%. The average rate (unweighted) has increased by 6.6%—from \$9,775 to \$10,416. In several cases, the calculation of a university's tuition/fee rate under the tuition restraint language differs from the calculation made for purposes of reporting tuition/fee information to the state's Higher Education Institutional Data Inventory (HEIDI).

Based on the information submitted by the universities and the determinations made by the state budget director, then, the full \$83.0 million appropriated in the FY 2011-12 Higher Education budget article for tuition restraint incentive funding will be paid out to the universities in conjunction with their larger monthly operations appropriation payments.

Other Financial Data

The remainder of Section 265 requires the universities to report on certain key financial indicators: actual figures for FY 2010-11 and budgeted figures for 2011-12. **Attachment 3** also summarizes the data reported by the 15 universities under that portion of the section. The data in each category are summarized below.

General Fund Tuition/Fee Revenue

Total general fund revenue received from student tuition and fees at the 15 universities is projected to increase by 6.5%—from \$3.62 billion in FY 2010-11 to \$3.85 billion in FY 2011-12. The projected increases in tuition/fee revenue at individual universities range from 2.8% to 12.0%.

In addition to the resident undergraduate tuition/fee increases, projected enrollment changes and changes in tuition/fee charges for other categories of students (nonresident/graduate) affect overall tuition/fee revenue growth.

Total General Fund Revenue

Nearly all university general fund revenue, which funds student instruction and instruction-related expenditures, is received from state appropriations and student tuition/fees. The combined impact of the 15.0% appropriation reductions and tuition/fee revenue growth results in a projected increase of 0.8% in total General Fund revenue for the 15 universities—from \$5.47 billion in FY 2010-11 to \$5.52 billion in FY 2011-12. Projected revenue increases at the individual universities range from a reduction of 3.0% to an increase of 3.3%.

State appropriations for university operations total \$1.21 billion in FY 2011-12. This represents 21.9% of total budgeted university general fund revenue. As shown in **Attachment 4**, the percentages of total general fund revenue contributed by state appropriations at individual universities range from 16.9% to 32.3%.

As shown in **Attachment 5**, state appropriations as a percentage of total university general fund revenue have fallen from 48.0% in FY 2000-01 to the projected level of 21.9% in FY 2011-12.

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 based on financial need, academic merit, or other considerations. 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, although it does not represent a true operational expenditure.

Total general fund financial aid expenditures at the 15 universities are projected to increase by 9.5%—from \$570.8 million in FY 2010-11 to \$624.8 million in FY 2011-12. The universities reported a wide range of projected changes in financial aid expenditures—from a reduction of 12.2% to an increase of 31.1%.

Total General Fund Expenditures

Total expenditures from general fund resources, which fund student instruction and instruction-related activities, are projected to increase by 1.8%—from \$5.42 billion in FY 2010-11 to \$5.51 billion in FY 2011-12. The reported expenditure increases at individual universities range from a reduction of 4.0% to an increase of 6.2%.

For reference, consumer inflation in Michigan is projected to be 2.3% in FY 2011-12. 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.

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.

General fund expenditures include institutional financial aid expenditures, which, as noted above, are effectively tuition discounts, rather than operational expenditures. In most cases, projected expenditure increases would be slightly lower if financial aid expenditures were excluded.

Total Enrollment

Fiscal year equated students (FYES) is a measure of 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. Total FYES figures include nonresident and graduate students.

Total FYES enrollment is projected to increase by 0.5%—from 262,383 in FY 2010-11 to 263,777 in FY 2011-12. The projected changes reported by the universities range from a decline of 2.1% to an increase of 2.0%.

Please call if you have questions about this information.

Attachments (5)

ATTACHMENT 1
FY 2011-12 Tuition Restraint Incentive Funding
Article III, Public Act 62 of 2011 (HB 4325)

University	FY 2011-12 Appropriations			Tuition Restraint \$ as % of Total
	Operations	Tuition Restraint Incentive	Total	
Central	\$61,431,100	\$6,677,800	\$68,108,900	9.8
Eastern	61,319,900	3,299,200	64,619,100	5.1
Ferris	37,971,600	3,352,700	41,324,300	8.1
Grand Valley	48,431,500	4,245,900	52,677,400	8.1
Lake Superior	10,055,100	734,400	10,789,500	6.8
Michigan State	222,796,200	18,324,600	241,120,800	7.6
Michigan Tech	37,409,700	3,323,900	40,733,600	8.2
Northern	36,225,200	2,142,200	38,367,400	5.6
Oakland	39,313,500	3,831,500	43,145,000	8.9
Saginaw Valley	21,969,300	1,592,200	23,561,500	6.8
UM-Ann Arbor	254,931,800	13,871,500	268,803,300	5.2
UM-Dearborn	19,627,400	1,388,900	21,016,300	6.6
UM-Flint	16,679,400	1,083,000	17,762,400	6.1
Wayne State	169,209,400	12,827,500	182,036,900	7.0
Western	86,866,700	6,301,600	93,168,300	6.8
TOTAL	\$1,124,237,800	\$82,996,900	\$1,207,234,700	6.9

Note: Figures exclude total of \$1.9 million appropriated to three universities on a one-time basis.

ATTACHMENT 2
Tuition Restraint Budget Language
Article III, 2011 PA 62

Sec. 265. (1) The amounts appropriated in section 236 for public university tuition restraint incentives shall only be paid to a public university that certifies to the state budget director by August 31, 2011 that its board did not adopt an increase in tuition and fee rates for resident undergraduate students after February 1, 2011 for the 2010-2011 academic year and that its board will not adopt an increase in tuition and fee rates for resident undergraduate students for the 2011-2012 academic year that is greater than the calculated average of annual statewide changes in tuition and fee rates for academic years 2006-2007 through 2010-2011, as determined by the state budget director. As used in this subsection:

(a) "Fee" means any board-authorized fee that will be paid by more than 1/2 of all resident undergraduate students at least once during their enrollment at a public university. A university increasing a fee that applies to a specific subset of students or courses shall provide sufficient information to prove that the increase applied to that subset will not cause the increase in the average amount of board-authorized total tuition and fees paid by resident undergraduate students in the 2011-2012 academic year to exceed the limit established in this subsection.

(b) "Tuition and fee rate" means the average of rates for all undergraduate classes, based on the highest board-authorized rate for any semester during the academic year.

(2) The state budget director shall implement uniform reporting requirements to ensure that a public university receiving an appropriation under section 236 has satisfied the tuition restraint requirements of this section. The state budget director shall have the sole authority to determine if a public university has met the requirements of this section. Information reported by a public university to the state budget director under this subsection shall also be reported to the house and senate appropriations subcommittees on higher education and the house and senate fiscal agencies.

(3) In conjunction with the uniform reporting requirements established under subsection (2), each public university shall also report the following information to the house and senate appropriations subcommittees on higher education, the house and senate fiscal agencies, and the state budget director by August 31, 2011:

(a) Actual fiscal year 2010-2011 and budgeted fiscal year 2011-2012 total general fund tuition and fee revenue.

(b) Actual fiscal year 2010-2011 and budgeted fiscal year 2011-2012 total general fund revenue.

(c) Actual fiscal year 2010-2011 and budgeted fiscal year 2011-2012 general fund expenditures for student financial aid.

(d) Actual fiscal year 2010-2011 and budgeted fiscal year 2011-2012 total general fund expenditures.

(e) Actual fiscal year 2010-2011 and budgeted fiscal year 2011-2012 total fiscal year equated student enrollment.

ATTACHMENT 3

Public University Financial Information: FY 2011-12

Sec. 265 Tuition Restraint 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 2011	FY 2012	Change	FY 2011	FY 2012	Change	FY 2011	FY 2012	Change	FY 2011	FY 2012	Change	FY 2011	FY 2012	Change	FY 2011	FY 2012	Change
Central	10,065	10,740	6.7	244,238,500	251,444,809	3.0	336,887,867	333,603,212	(1.0)	24,081,482	31,566,082	31.1	338,657,812	333,603,212	(1.5)	21,290	20,837	(2.1)
Eastern	8,399	8,705	3.6	198,308,995	210,300,000	6.0	284,834,114	283,100,000	(0.6)	30,678,581	34,100,000	11.2	284,923,686	283,100,000	(0.6)	18,916	19,250	1.8
Ferris	9,930	10,440	5.1	134,657,414	138,437,309	2.8	189,507,231	183,893,262	(3.0)	19,207,987	16,869,606	(12.2)	191,572,297	183,893,262	(4.0)	12,076	12,076	0.0
Grand Valley	9,314	9,958	6.9	231,394,820	253,307,038	9.5	299,117,774	308,927,814	3.3	26,054,409	30,969,758	18.9	301,352,462	308,927,814	2.5	22,407	22,654	1.1
Lake Superior	8,795	9,395	6.8	22,894,884	24,440,899	6.8	36,642,614	36,748,074	0.3	4,167,917	4,335,968	4.0	32,333,828	33,889,108	4.8	2,412	2,450	1.6
Michigan State	11,944	12,768	6.9	653,830,415	708,900,000	8.4	1,022,530,414	1,050,300,000	2.7	89,347,868	104,759,000	17.2	989,000,000	1,050,300,000	6.2	44,570	45,209	1.4
Michigan Tech	13,007	13,911	6.9	97,819,232	106,036,621	8.4	157,911,808	159,983,821	1.3	23,220,364	23,499,378	1.2	157,651,222	159,983,821	1.5	6,583	6,611	0.4
Northern	7,920	8,470	6.9	72,175,066	75,994,418	5.3	121,330,528	118,607,487	(2.2)	14,340,885	15,258,898	6.4	121,319,199	118,607,487	(2.2)	8,604	8,518	(1.0)
Oakland	9,716	10,399	7.0	166,156,909	179,693,606	8.1	219,480,432	224,968,324	2.5	21,759,966	25,610,715	17.7	218,918,436	224,968,324	2.8	16,215	16,259	0.3
Saginaw Valley	7,308	7,815	6.9	76,559,270	82,350,000	7.6	106,363,848	108,221,000	1.7	10,352,089	11,748,341	13.5	106,347,949	108,221,000	1.8	9,031	9,121	1.0
UM-Ann Arbor	12,590	13,437	6.7	1,027,234,076	1,073,201,667	4.5	1,576,825,485	1,587,037,451	0.6	195,718,808	207,331,000	5.9	1,561,943,004	1,587,037,451	1.6	42,232	42,500	0.6
UM-Dearborn	9,575	10,236	6.9	79,980,440	85,865,400	7.4	110,487,138	109,116,600	(1.2)	8,275,968	7,717,600	(6.7)	107,999,397	109,116,600	1.0	6,596	6,650	0.8
UM-Flint	8,656	9,243	6.8	70,682,000	74,220,000	5.0	92,564,000	92,532,000	(0.0)	5,366,000	5,467,000	1.9	89,614,000	92,532,000	3.3	6,748	6,883	2.0
Wayne State	9,897	10,578	6.9	317,208,400	336,080,800	5.9	571,518,700	564,514,300	(1.2)	50,272,400	54,621,000	8.7	571,518,700	564,514,300	(1.2)	24,808	24,864	0.2
Western	9,510	10,140	6.6	225,762,849	252,955,716	12.0	344,352,812	353,803,625	2.7	47,961,125	50,913,274	6.2	343,063,850	353,803,625	3.1	19,895	19,895	0.0
Avg Rate/Totals	9,775	10,416	6.6	3,618,903,270	3,853,228,283	6.5	5,470,354,765	5,515,356,970	0.8	570,805,849	624,767,620	9.5	5,416,215,842	5,512,498,004	1.8	262,383	263,777	0.5

Notes:

- (1) Tuition/fee rates are as reported by universities under budget act provisions; in some cases, the reported rates vary from those reported under HEIDI reporting provisions.
- (2) Some universities indicate that FY 2010-11 financial data are preliminary, unaudited figures.
- (3) Central: FY 2010-11 total general fund expenditure figure is corrected from original submission.
- (4) Ferris State: FY 2010-11 financial aid expenditure figure includes \$4.9 million in one-time funding in response to state-level financial aid reductions.
- (5) Michigan State: FY 2010-11 tuition/fee rate is based on summer semester rates.
- (6) Northern: FY 2010-11 tuition/fee rate does not reflect deduction of \$192 credit from ARRA funds that was applied to student accounts in Fall 2010.
- (7) Wayne State: FY 2010-11 tuition/fee rate is based on summer semester rates. University did not report FY 2010-11 revenue/expenditure figures since institutional fiscal year does not close until September 30; FY 2010-11 figures shown here are budgeted amounts from board-approved document.

Source: University submissions pursuant to section 265 of FY 2011-12 budget act

Prepared by Kyle I. Jen, House Fiscal Agency

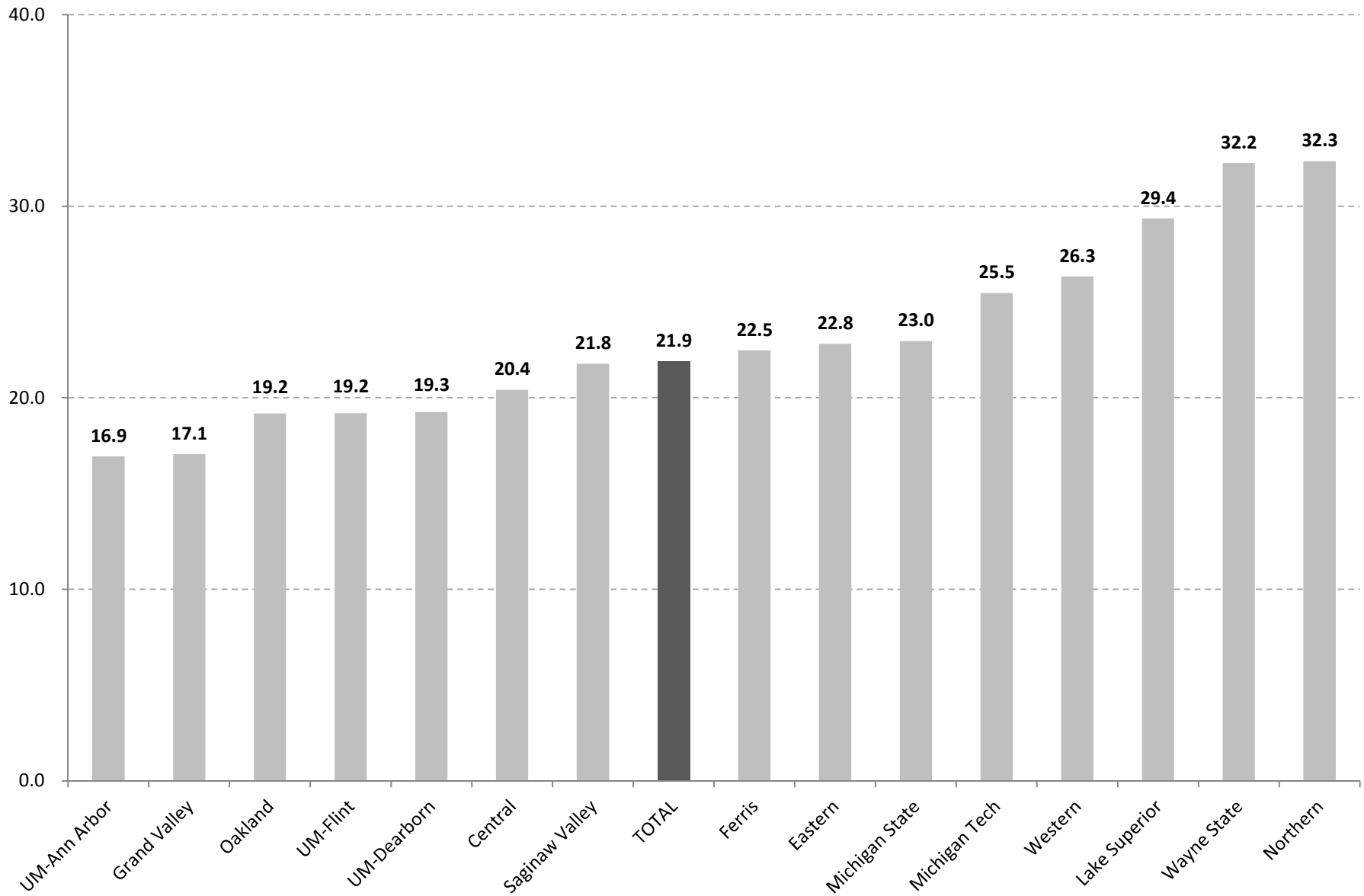
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ATTACHMENT 4

FY 2011-12 State Appropriation as Percentage of Budgeted University General Fund Revenue



ATTACHMENT 5 University General Fund Revenue History

