



# Higher Education in Michigan

Presentation for  
Michigan Graduate Student Summit

September 2007

State Representative  
Pam Byrnes



# THE BUDGET



# Constitutional Provisions

- **Article VIII, Section 4: requires Legislature to appropriate funds to maintain Michigan's 15 state universities**
- **Article VIII, Sections 5 and 6: provide for elected boards of control for University of Michigan, Michigan State University, and Wayne State University and appointed boards of control for remaining state universities**
- **Article VIII, Sections 5 and 6: grant each 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**



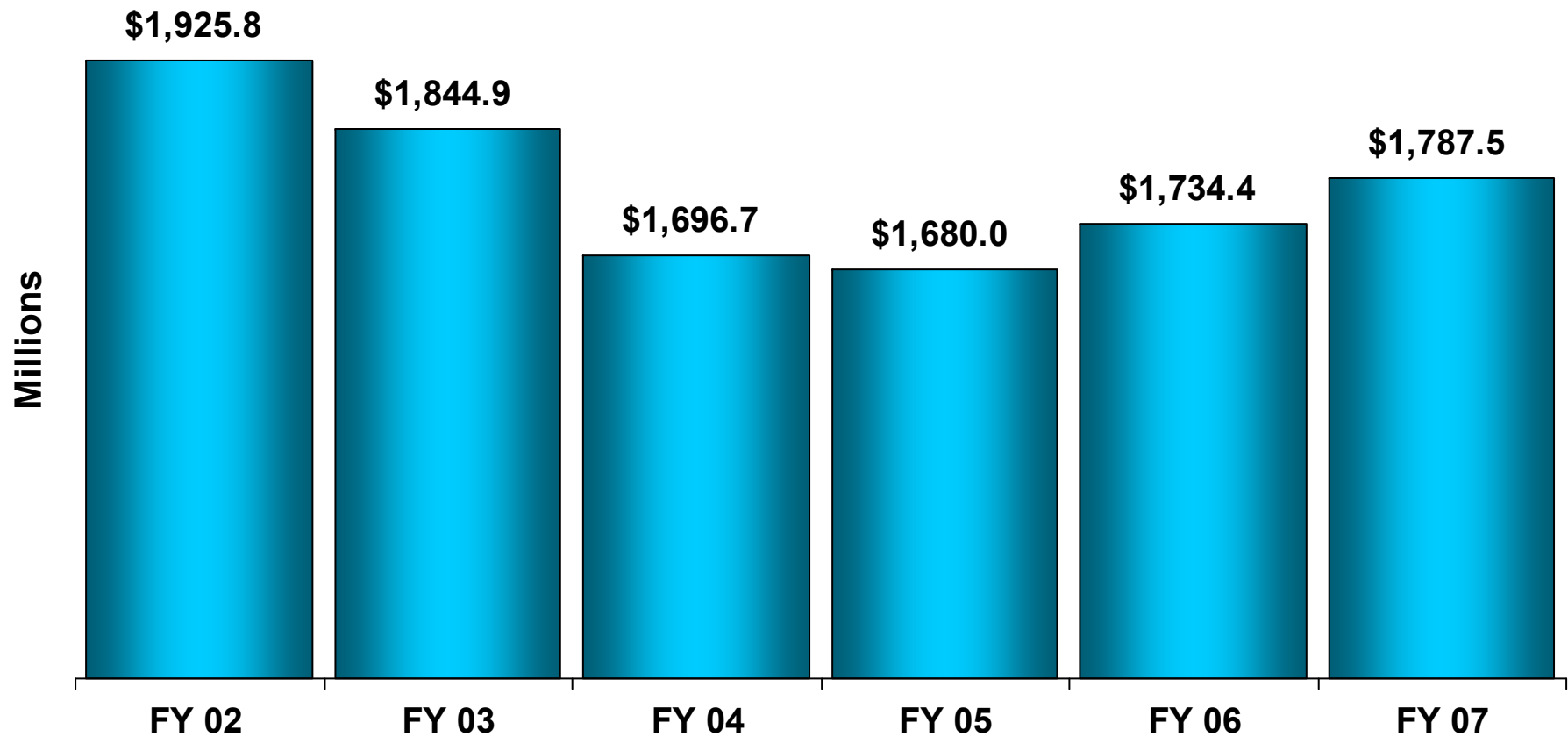
# State Universities

<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 07 Higher Education appropriations are \$138.4 million (7.2%) lower than in FY 02, the peak year for the budget



Source: House Fiscal Agency

September 2007



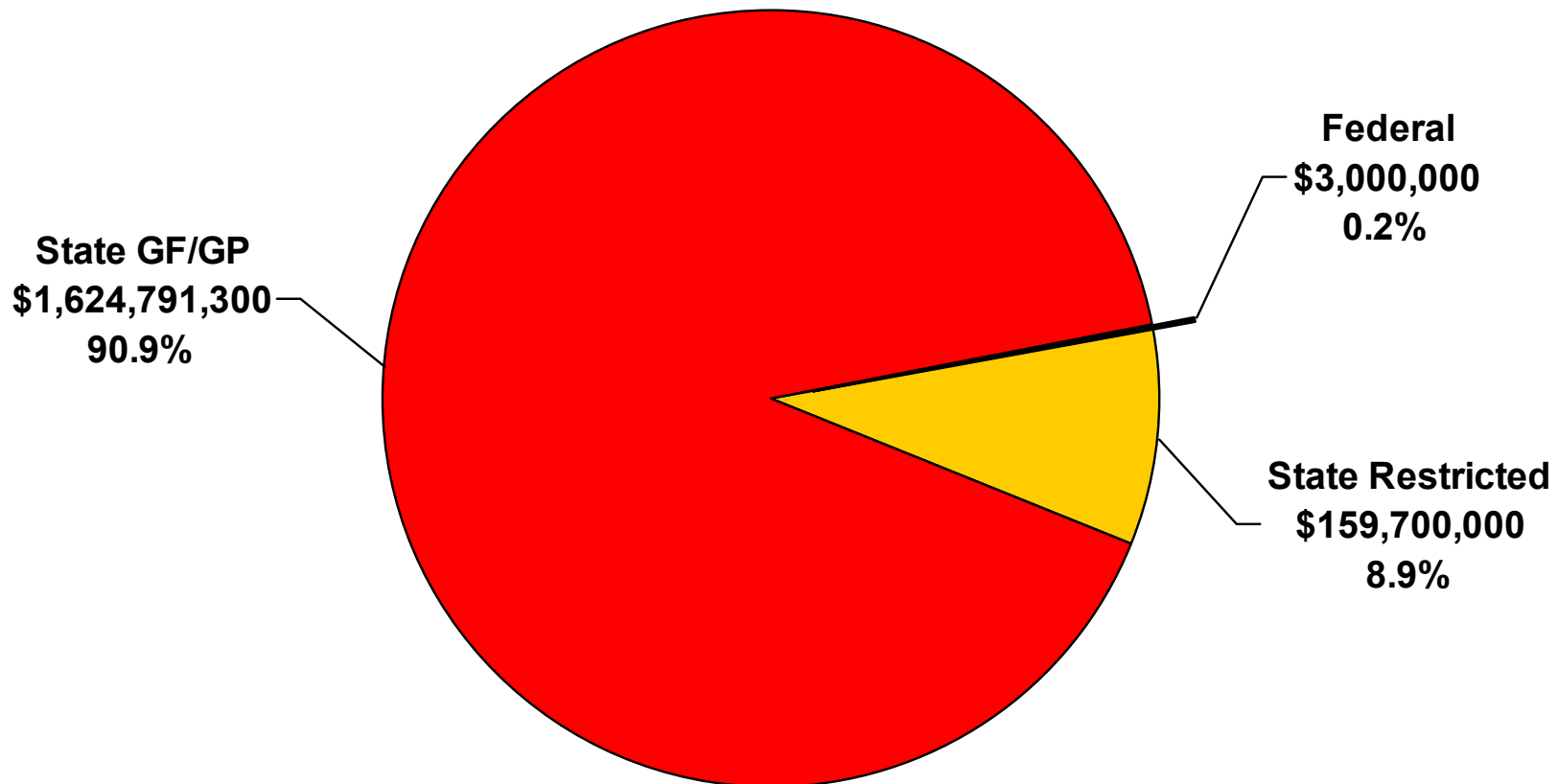
# **SOURCES OF FUNDING**



# Revenue Sources

Primary revenue source for Higher Education budget is state GF/GP; tobacco settlement revenue funds several financial aid programs and a small portion of university operations

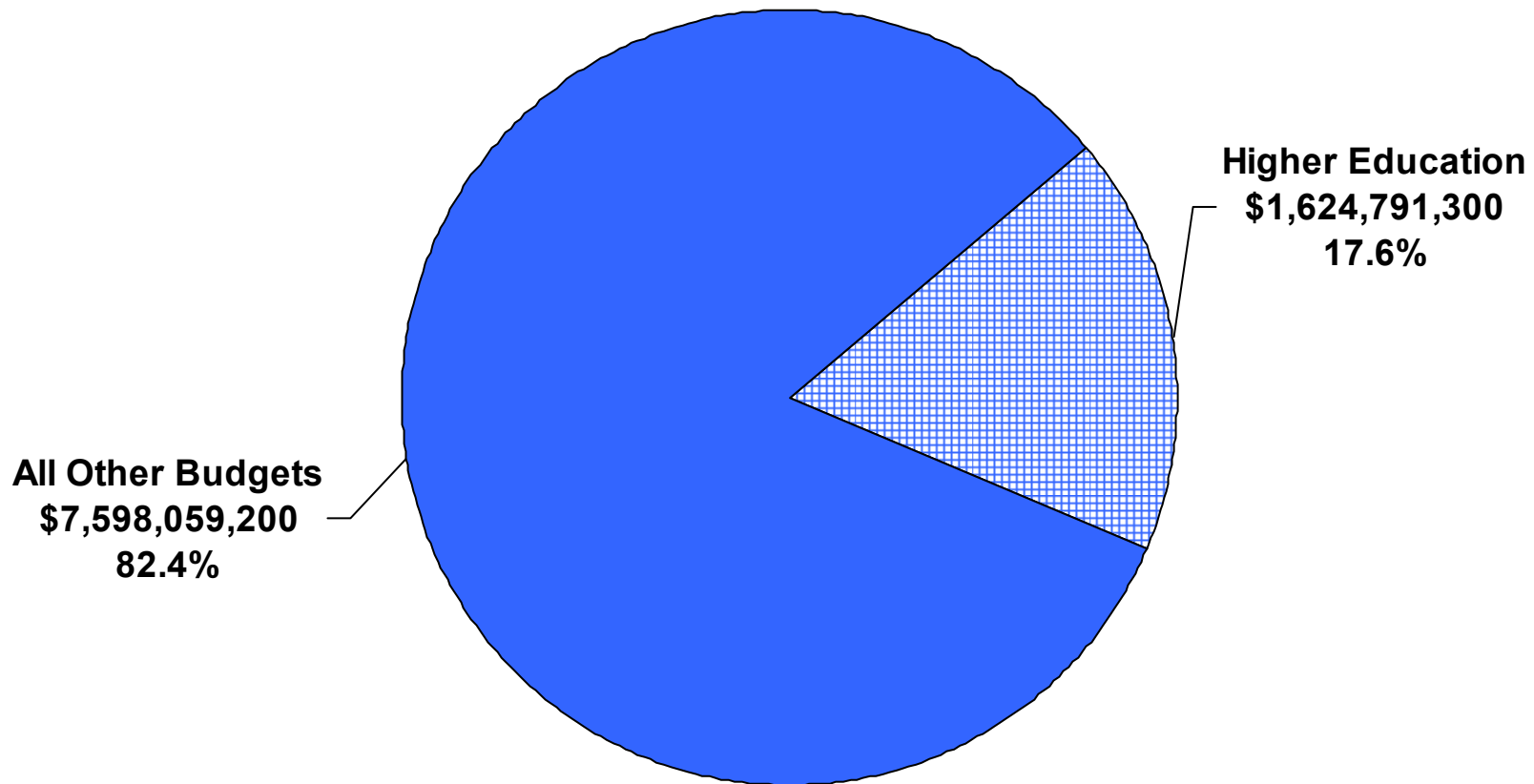
FY 2006-07 Total = \$1.8 Billion





# Share of State GF/GP

FY 2006-07 GF/GP Total = \$9.2 Billion





# STATE SPENDING



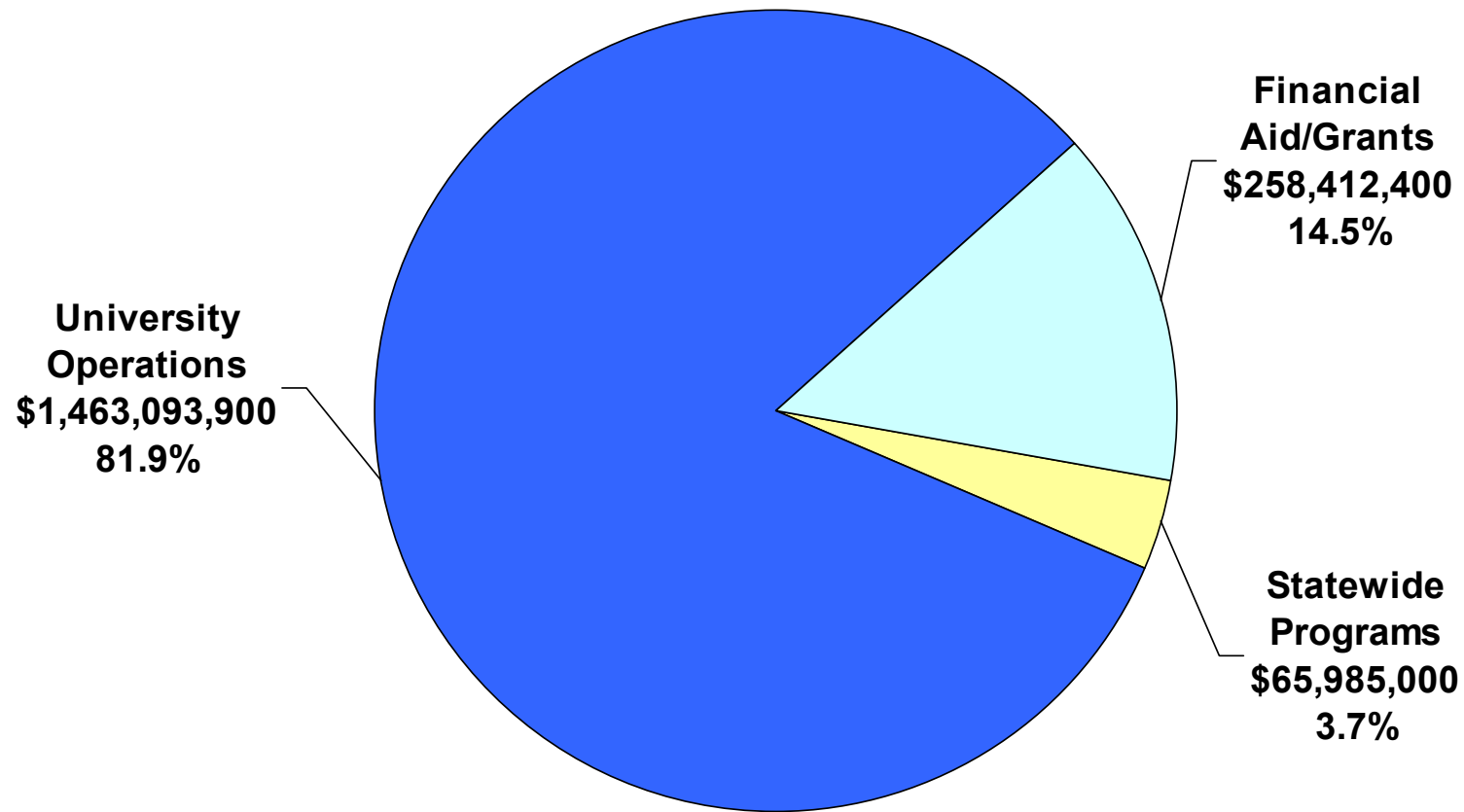
# Budget Description

- The Higher Education budget contains three major spending categories:
  - State university operations
  - Student financial aid and grant programs
  - Statewide programs



# Higher Education Budget

FY 2006-07 Total = \$1.8 Billion





# **MAJOR BUDGET ISSUES**



# State University Funding

- No constitutional or statutory provisions exist to govern distribution of funding to state 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
- Methods used in recent years to determine funding changes have included the following:
  - Across-the-board adjustments
  - Per-FYES funding floor
  - Funding model based on enrollment, degree completions, and research funding



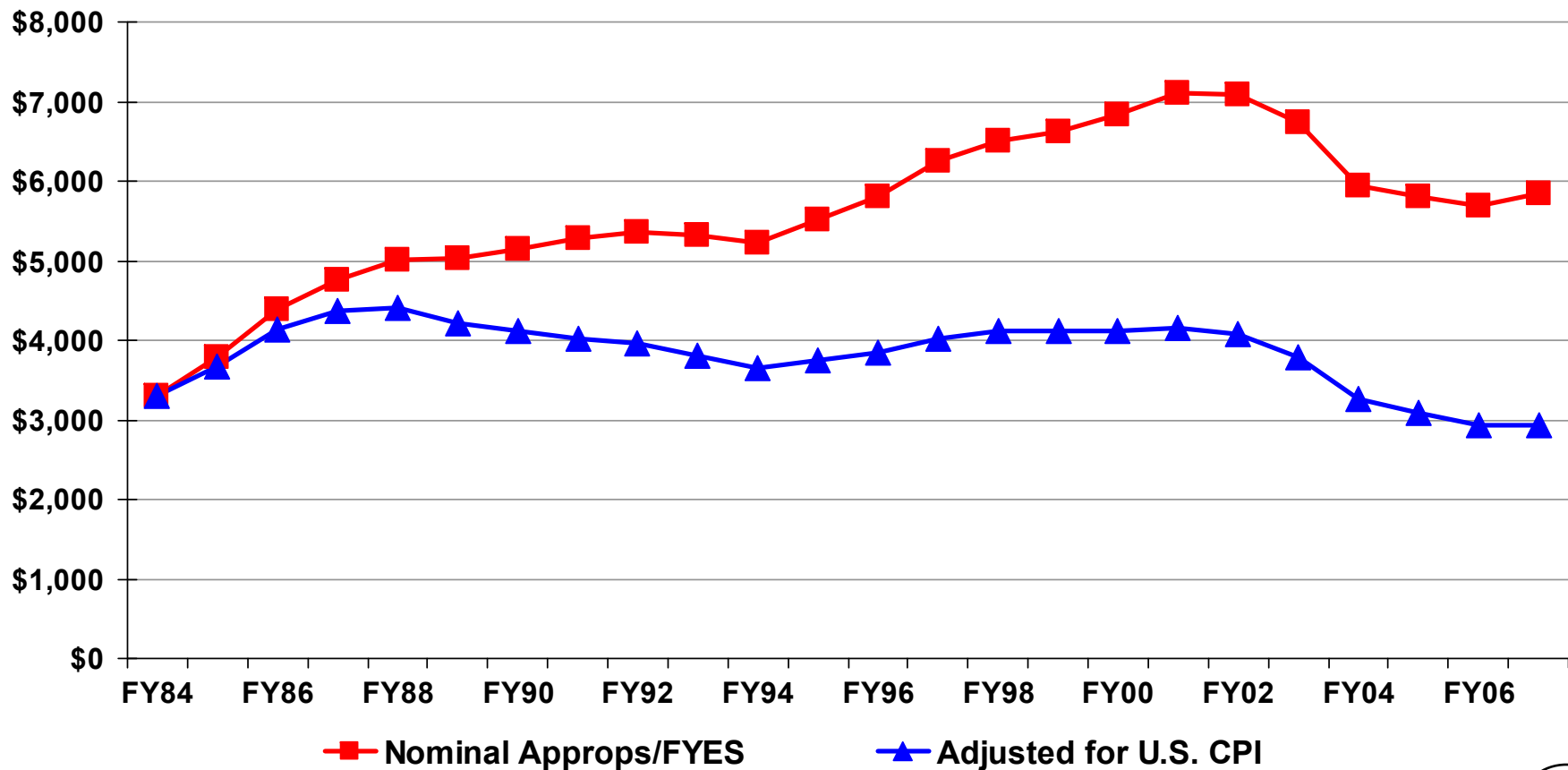
# State University Funding Model Fiscal Years 2006 and 2007

- House-passed Higher Education budgets for FYs 06 and 07 included state university appropriation amounts based on a new funding model with three components:
  - Enrollment
  - Degree completions
  - Federal science- and engineering-related funding
- Language describing model calculations included in budget bill; no permanent provisions adopted
- Additional FY 07 funding increases based on:
  - \$3,775-per-FYES funding floor
  - \$450 per Pell Award for universities not receiving increase under funding model or funding floor
  - Various other adjustments to six universities' line items



# Historical University Appropriations per Student

Total FY 07 university appropriations per FYES (two years prior) are 17.8 percent lower than they were in FY 01—or 29.2 percent lower on an inflation-adjusted basis.



Source: House Fiscal Agency

September 2007



# Merit Award Program

- **Current Merit Award Program:**
  - Awards of up to \$3,000
  - Paid over two years
  - For students receiving qualifying scores on Merit Exam (transition from MEAP to ACT) or alternate tests



# Michigan Promise Program

- Michigan Promise Program enacted December 2006 to replace Merit Award Program:
  - Students qualifying on exam receive \$2,000 over first two years; eligible for additional \$2,000 after completing two years of postsecondary education (associate's degree, etc.)
  - Students not qualifying on exam eligible for \$4,000 after completing two years of postsecondary education
  - 2.50 college grade point average requirement
  - Begins with high school class of 2007
  - Estimated cost savings of \$18.4 million and \$37.0 million in FYs 08 and 09
  - Estimated cost increase of \$64 million/year beginning in FY 10

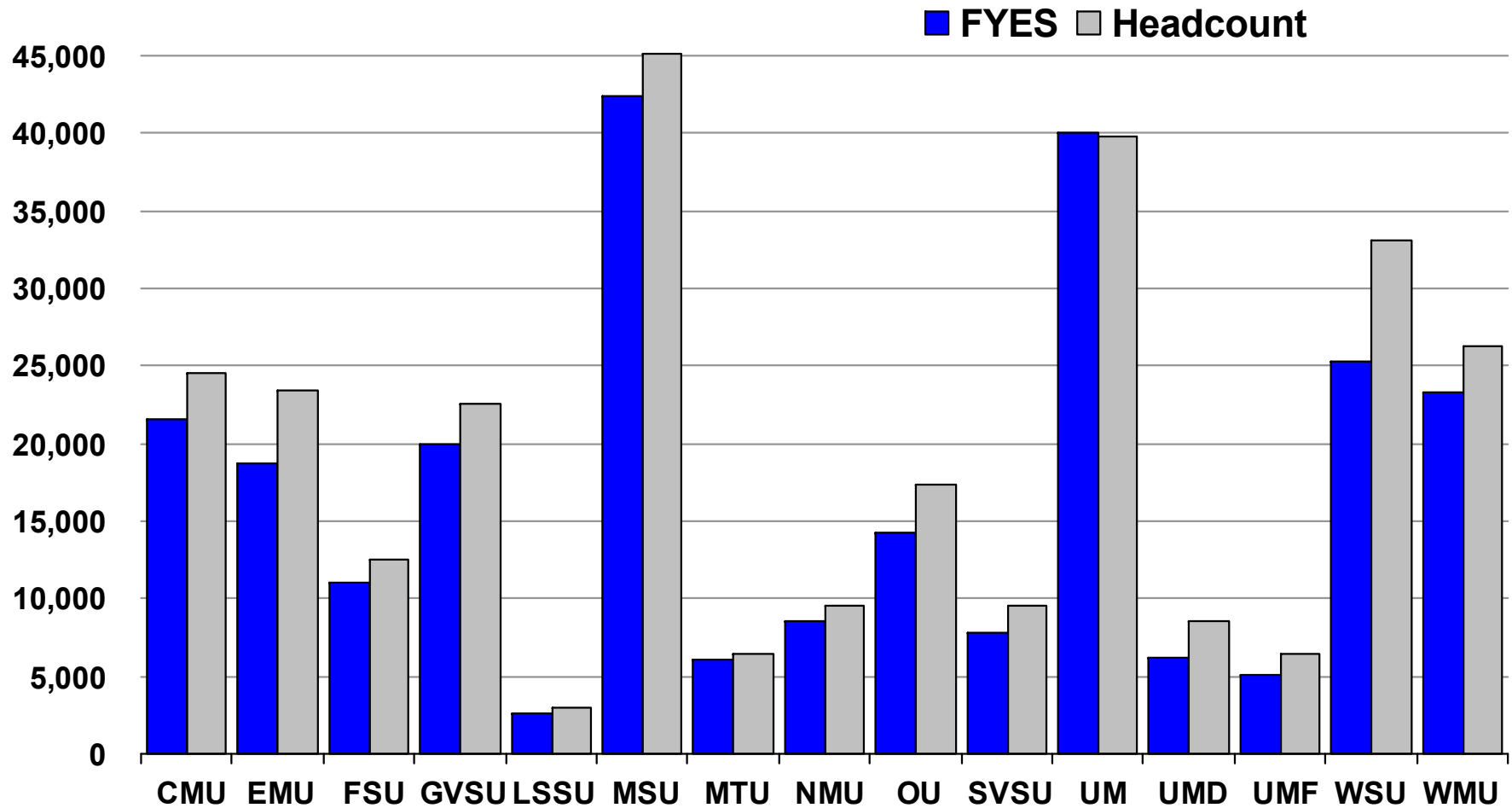


# **STATE UNIVERSITY**

## **DATA**



# State University Enrollment FY 2005-06

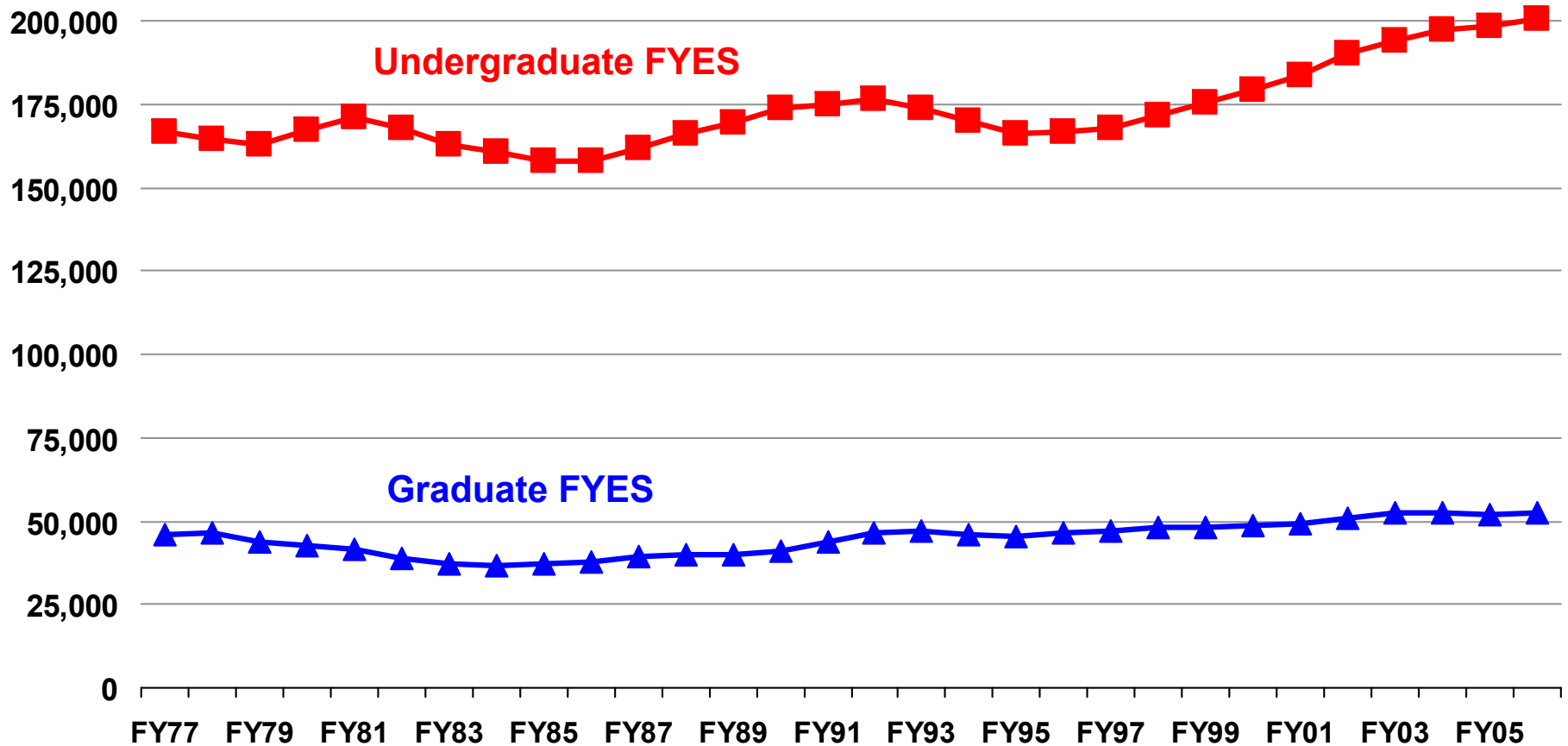


Source: House Fiscal Agency

September 2007

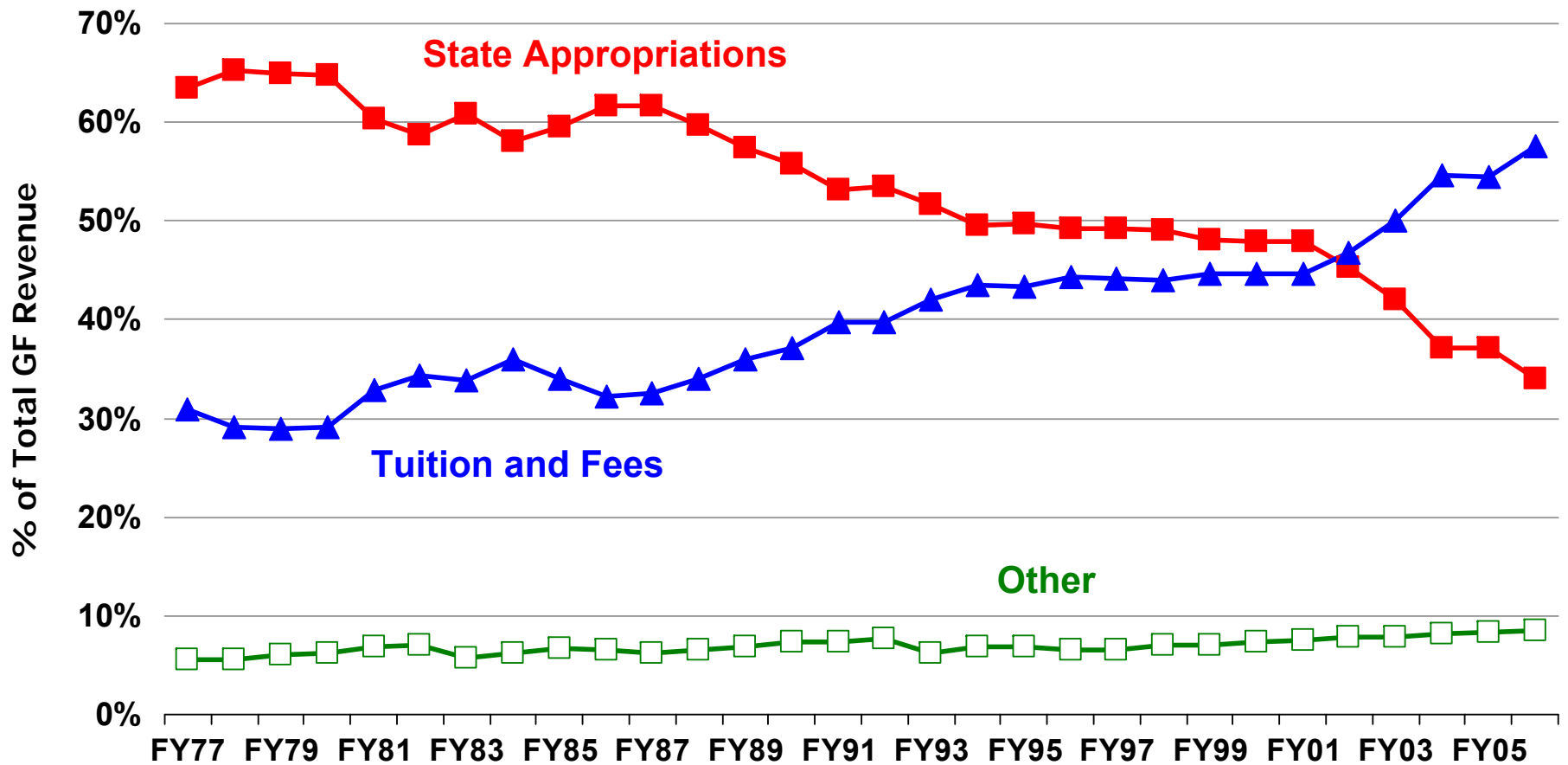


# State University Enrollment History



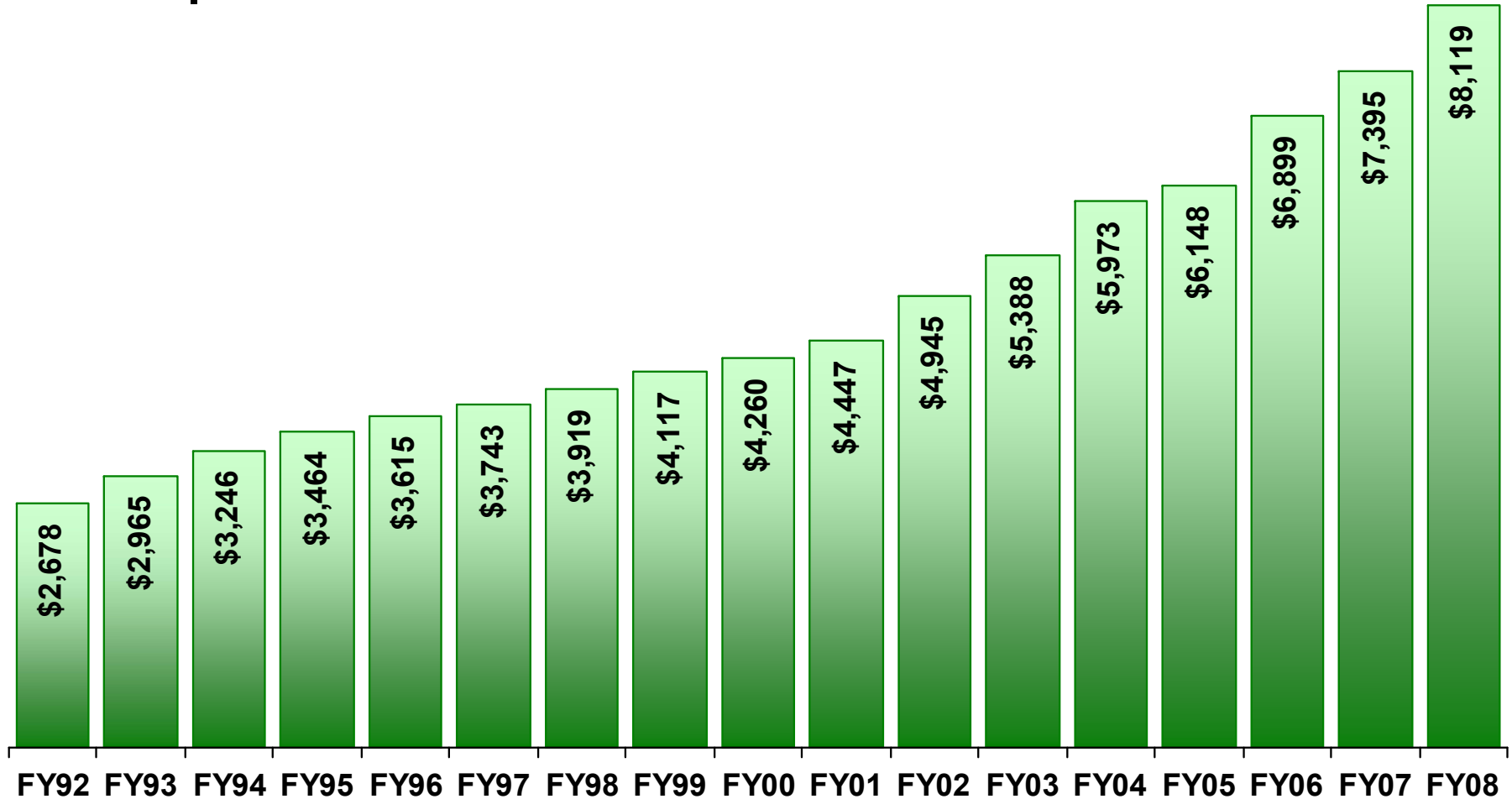


# State University General Fund Revenue Source History





# Average Resident Undergraduate Tuition and Fee Rate



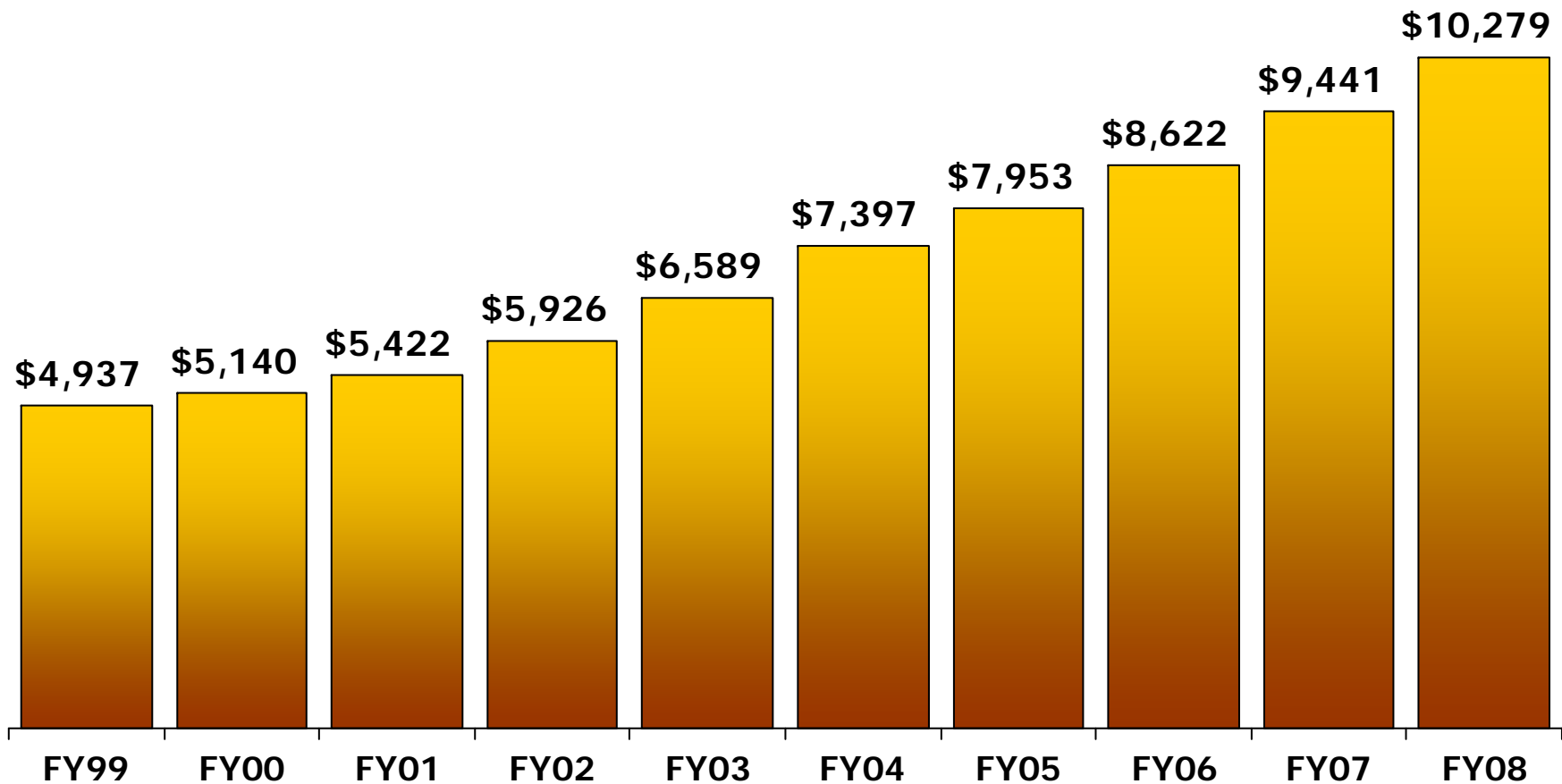
*Note: FY 07 appropriations based on FY 07 budget as originally enacted (no EO/supplemental adjustments)*

Source: House Fiscal Agency

September 2007



# Average Resident Master's Student Tuition and Fee Rate



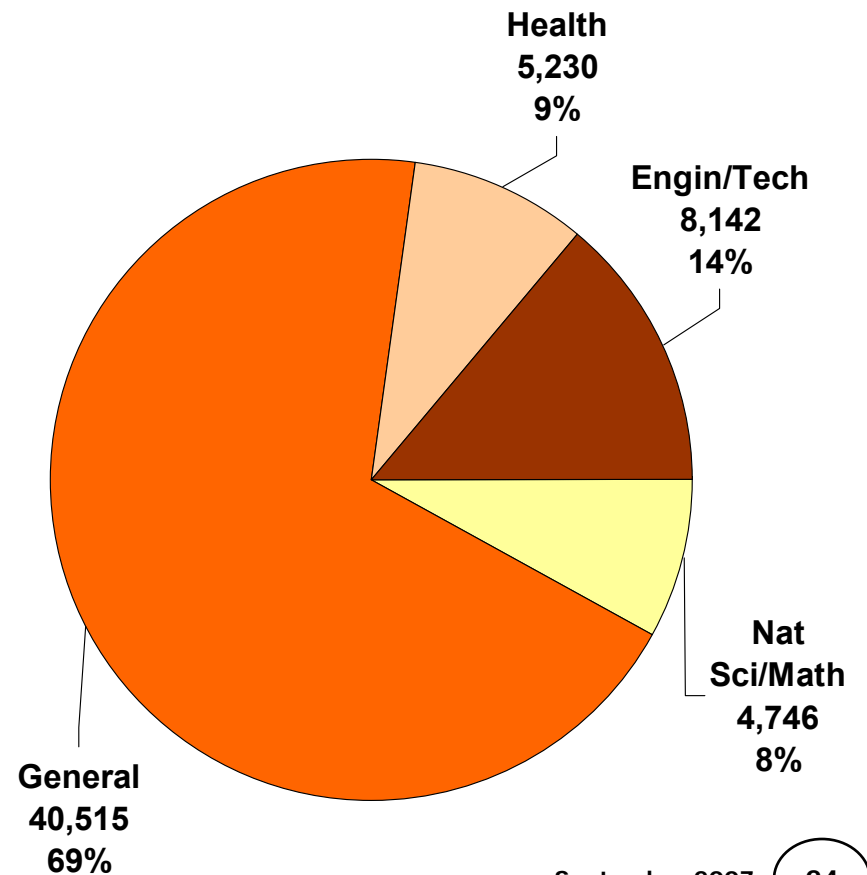
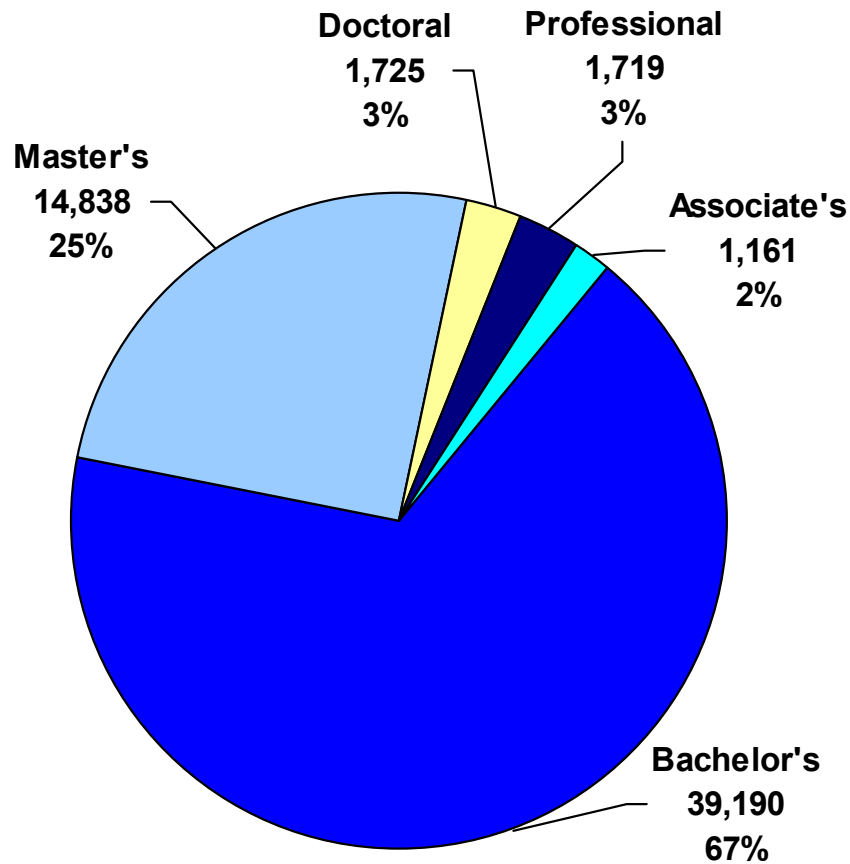
Source: House Fiscal Agency

September 2007



# State University Degree Completions by Level and Program Category

FY 2005-06 Total = 58,633



Source: House Fiscal Agency

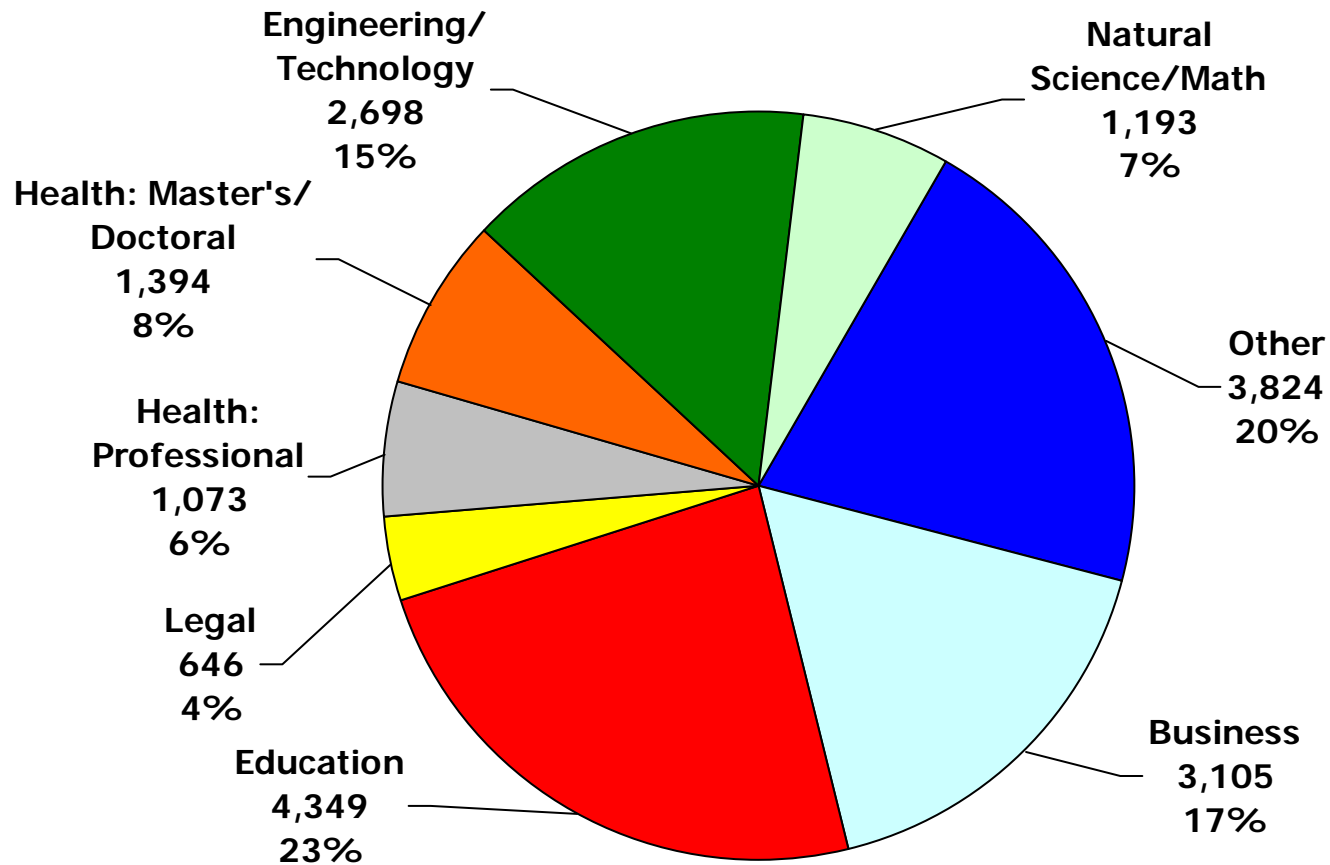
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24



# State University Graduate Degree Completions by Program Area

FY 2005-06 Total = 18,282



Source: House Fiscal Agency

September 2007

25



# Additional Background Information

Reports available at <http://www.house.mi.gov/hfa>:

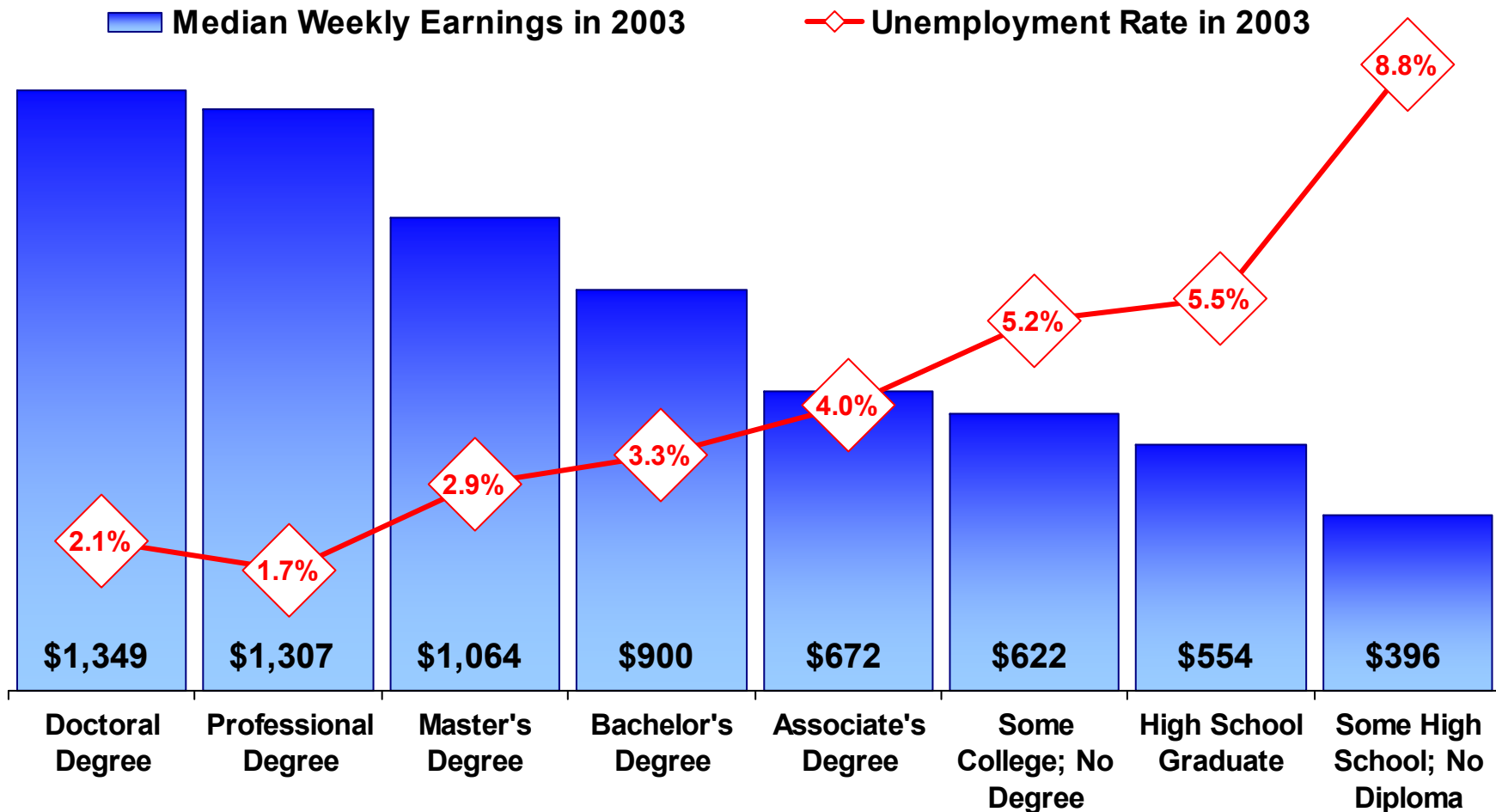
- *State University Appropriations* (November 2006)
- *Degree Completions at State Universities* (May 2006)
- *Net Tuition Costs After Financial Aid at State Universities* (November 2004)
- *THE LONG VIEW: State University Enrollments, Revenues, and Expenditures: FY 1977 through FY 2002* (December 2003)



# **THE CHERRY COMMISSION**

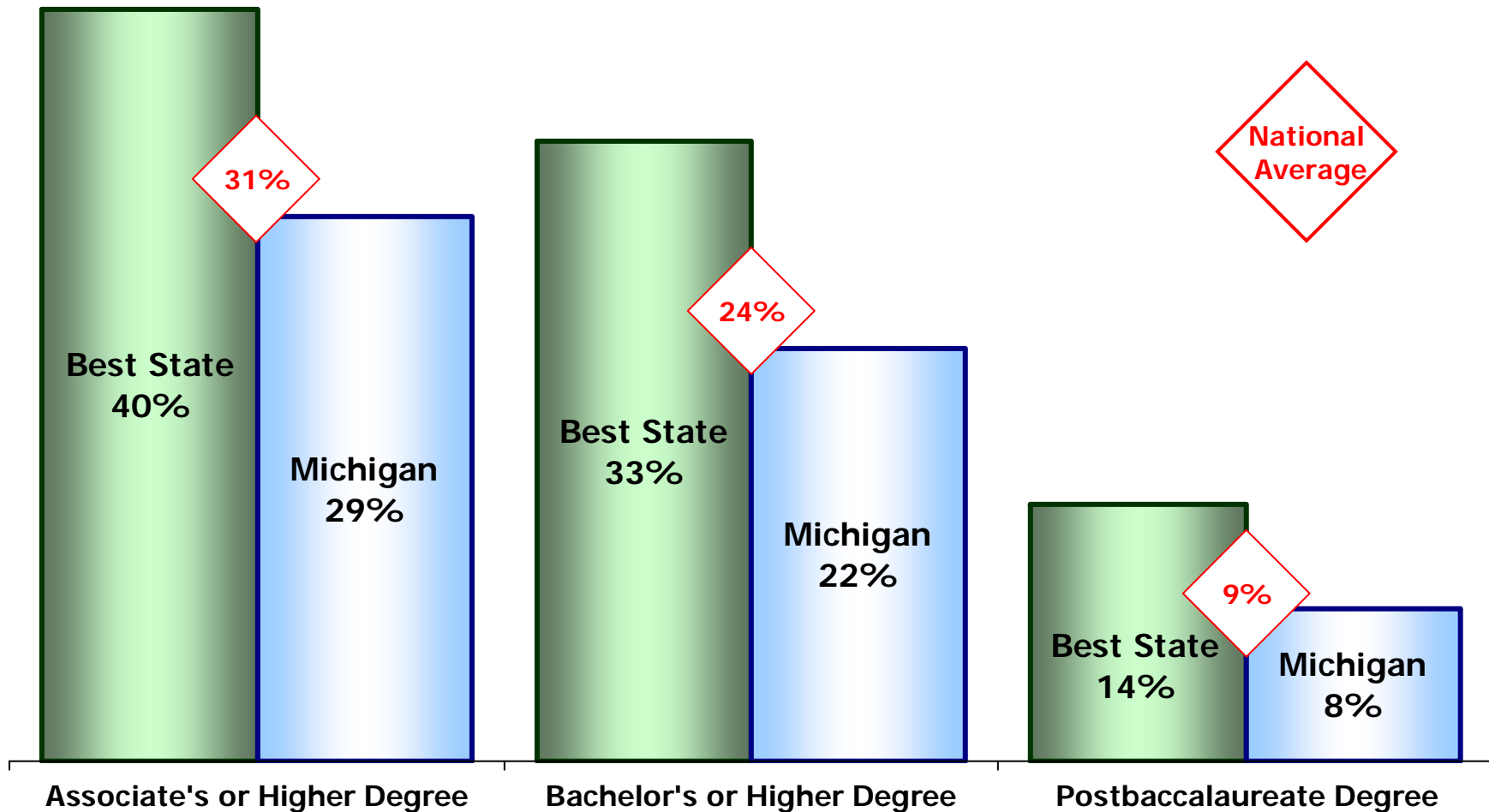


# Personal Payoff From Higher Education



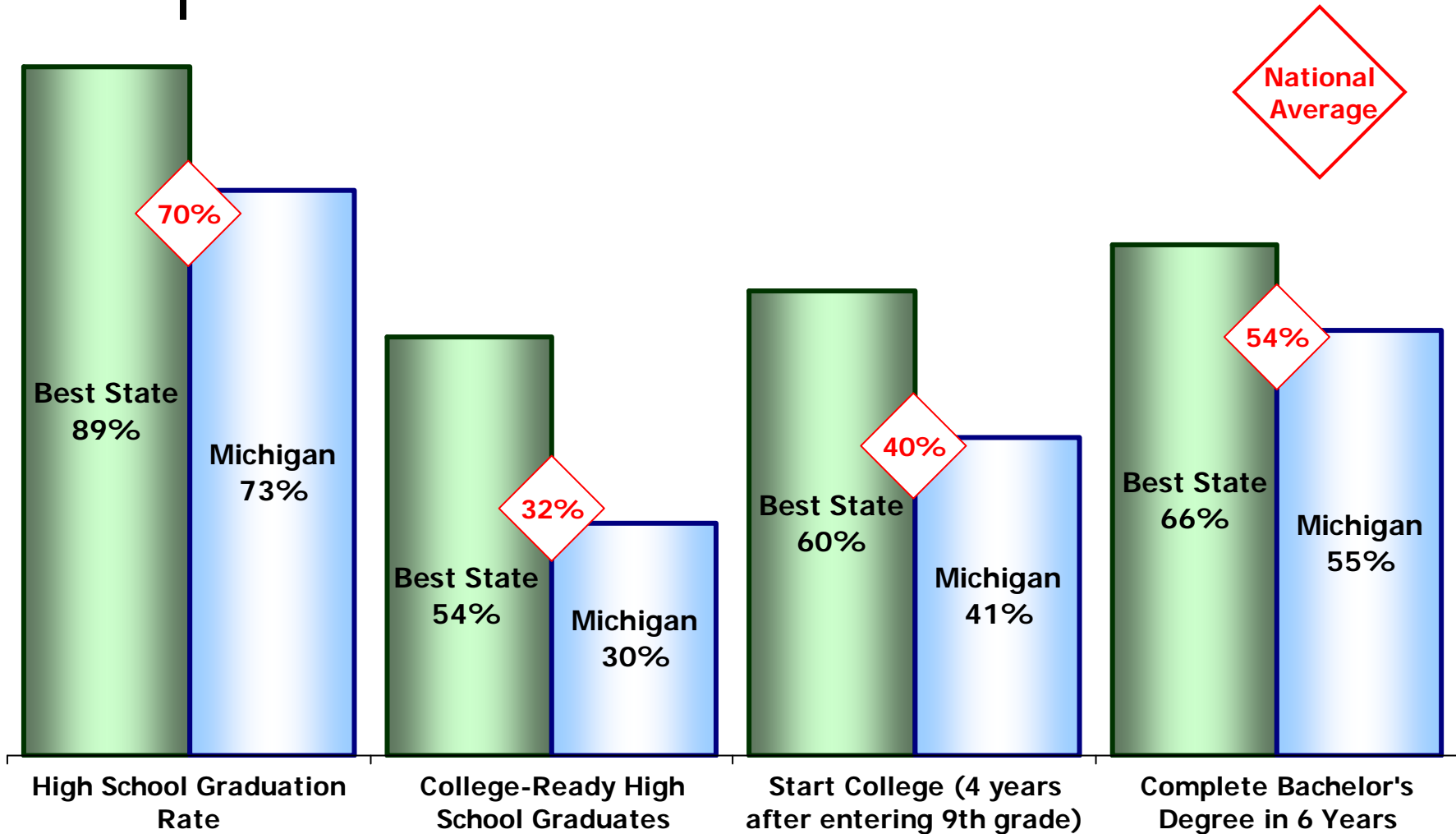


# Michigan Lags In All Degrees





# Michigan's Education Pipeline Was Leaking





# Cherry Commission Recommendations

- Of the Commission's 19 recommendations to improve Michigan's overall performance, 18 have been fully or partially implemented
- Who is responsible for changes?
  - Governor
  - Legislature
  - State agencies
  - K-12 districts
  - Higher Education
  - Labor
  - Business partners
  - And communities across Michigan



# Cherry Commission Recommendations/Implementation

1. Make higher education universal  
Status: **Implemented**
2. Set high expectations for high school students through rigorous standards and curriculum  
Status: **Implemented**
3. Establish a new high school assessment  
Status: **Implemented**
4. Create a culture of entrepreneurship  
Status: **Partially implemented**
5. Implement new strategies for high school success  
Status: **Partially implemented**



# Cherry Commission Recommendations/Implementation

6. Equip educators and administrators to support the high-expectations high school path  
Status: **Partially implemented**
7. Create community compacts for educational attainment  
Status: **Partially implemented**
8. Improve institutional completion measures  
Status: **Partially implemented**
9. Expand access to baccalaureate institutions and degrees  
Status: **Partially implemented**
10. Expand opportunities for “early college” achievement  
Status: **Partially Implemented**



# Cherry Commission Recommendations/Implementation

11. Improve transfer process and award dual degrees  
Status: **Partially implemented**
12. Increase the number of postbaccalaureate professionals  
Status: **Not implemented**
13. Target adults seeking to complete postsecondary credentials  
Status: **Implemented**
14. Conduct an analysis of higher education capacity needs  
Status: **Partially implemented**
15. Create an emerging economy initiative  
Status: **Implemented**



# Cherry Commission Recommendations/Implementation

- 16.** Commercialize more research  
Status: **Implemented**
- 17.** Align postsecondary education with economic needs and opportunities  
Status: **Implemented**
- 18.** Expand the role of higher education institutions in community development  
Status: **Implemented**
- 19.** Develop a lifelong education tracking system  
Status: **Implementation underway**



# Key to Prosperity: Talent—Not Low Taxes

## Ten Lowest Business Tax States

	<u>Bachelors or More 25+</u>	<u>Personal Income per Capita</u>
Arkansas	18.9%	\$26,874
Alabama	21.4%	\$29,136
Tennessee	21.8%	\$31,107
Oklahoma	22.4%	\$29,330
Missouri	24.0%	\$31,899
South Dakota	24.7%	\$31,614
North Carolina	25.1%	\$30,553
Georgia	27.1%	\$31,121
Virginia	33.2%	\$38,390
Colorado	35.5%	\$37,946

## Ten Highest Educational Attainment States

	<u>Bachelors or More 25+</u>	<u>Personal Income per Capita</u>
Minnesota	30.7%	\$37,373
New York	31.3%	\$40,507
New Hampshire	31.8%	\$38,408
Vermont	32.5%	\$33,327
Virginia	33.2%	\$38,390
New Jersey	34.2%	\$43,771
Maryland	34.5%	\$41,760
Connecticut	34.9%	\$47,819
Colorado	35.5%	\$37,946
Massachusetts	36.9%	\$44,289

	<u>Bachelors or More 25+</u>	<u>Personal Income per Capita</u>
United States	27.2%	\$34,586
<b>Michigan</b>	<b>24.7%</b>	<b>\$33,116</b>



**WHAT'S NEXT?**



# What's next?

- Where do we want to go from here?
  - Higher prosperity in Michigan
  - Best measured by per capita income above national average
  
- How do we get there?
  - Knowledge-based enterprises
  - The most successful economies are concentrated in high-pay, knowledge-based industries
    - Information
    - Financial services and insurance
    - Professional and technical services
    - Company management



# What do we need to do?

- Recognize that economics are regional
  - Michigan's economy is a sum of regional economies
- Talent, Talent, Talent
  - In a flat world, economic development priorities are:
    - Develop talent
    - Attract talent
    - Retain talent



# Strategic Priorities

- **Invest** in higher education
- **Build** a culture aligned with the flat world
- **Build** regions that are attractive places to live
- **Attract** export-based business investment
- **Align** K-12 education with a knowledge-driven economy
- **Provide** strong leadership



**State Representative  
Pam Byrnes**