

State Notes

TOPICS OF LEGISLATIVE INTEREST

Summer 2011



The Impact of Tuition Restraint on 2011-12 University Tuition and Fee Increases **By Bill Bowerman, Associate Director**

Introduction

The Governor's fiscal year (FY) 2011-12 budget recommendation, and the budget as enacted, included a \$213.1 million (15.0%) across-the-board reduction to funding for university operations. In order to limit the extent to which this reduction was passed on to Michigan students and their families, the budget withholds \$83.0 million, conditioning that funding on universities' keeping tuition and fee increases below a certain threshold. This article provides an overview of tuition restraint and its impact on tuition and fee increases for FY 2011-12.

Background

Article III, Section 265 of Public Act 62 of 2011 contains the tuition restraint provisions. The mechanism to implement tuition restraint, as recommended by the Governor and enacted by the Legislature, removed a portion of funding from each university's operations line item and included that amount in a separate tuition restraint line item. The tuition restraint amount for each university was determined based on its five-year average annual tuition and fee percentage increase multiplied by the Governor's proposed level of FY 2011-12 funding (FY 2010-11 year-to-date appropriation less 15.0%). If a university keeps its tuition and fee increases for the next academic year at or below the recent five-year average of annual statewide tuition increases (7.1%), the university will receive its tuition restraint incentive appropriation. (Appendix A provides the full text of Section 265.) To receive the tuition restraint payment, universities must certify both of the following to the State Budget Director by August 31, 2011:

1. The university did not adopt an increase in tuition and fee rates for resident undergraduate students after February 1, 2011, for the 2010-2011 academic year.
2. The university 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. (The State Budget Director has determined this rate to be 7.1%.)

Table 1 provides detail on FY 2011-12 appropriations, including: reductions, five-year average percentage increases in tuition, tuition restraint amounts, and total potential reductions.



Table 1

| FY 2011-12 University Operations | | | | | | | |
|---|---|------------------------------------|--|--|---|--|---|
| Universities | (a) FY 2010-11 Appropriation | (b) 15.0% Reduction | (c) FY 2011-12 Initial Appropriations | (d) Average Five-Year % Increase Tuition & Fees | (e) Tuition Restraint Amount | (f) Potential Total Reduction | (g) Potential % Change to FY 2010-11 |
| Central | \$80,132,000 | (\$12,023,100) | 68,108,900 | 9.8% | (\$6,677,800) | (\$18,700,900) | (23.3%) |
| Eastern | 76,026,200 | (11,407,100) | 64,619,100 | 5.1 | (3,299,200) | (14,706,300) | (19.3) |
| Ferris | 48,619,200 | (7,294,900) | 41,324,300 | 8.1 | (3,352,700) | (10,647,600) | (21.9) |
| Grand Valley | 61,976,400 | (9,299,000) | 52,677,400 | 8.1 | (4,245,900) | (13,544,900) | (21.9) |
| Lake Superior | 12,694,200 | (1,904,700) | 10,789,500 | 6.8 | (734,400) | (2,639,100) | (20.8) |
| Michigan State | 283,685,200 | (42,564,400) | 241,120,800 | 7.6 | (18,324,600) | (60,889,000) | (21.5) |
| Michigan Tech | 47,924,200 | (7,190,600) | 40,733,600 | 8.2 | (3,323,900) | (10,514,500) | (21.9) |
| Northern | 45,140,300 | (6,772,900) | 38,367,400 | 5.6 | (2,142,200) | (8,915,100) | (19.7) |
| Oakland | 50,761,300 | (7,616,300) | 43,145,000 | 8.9 | (3,831,500) | (11,447,800) | (22.6) |
| Saginaw Valley | 27,720,700 | (4,159,200) | 23,561,500 | 6.8 | (1,592,200) | (5,751,400) | (20.7) |
| UM-Ann Arbor | 316,254,500 | (47,451,200) | 268,803,300 | 5.2 | (13,871,500) | (61,322,700) | (19.4) |
| UM-Dearborn | 24,726,200 | (3,709,900) | 21,016,300 | 6.6 | (1,388,900) | (5,098,800) | (20.6) |
| UM-Flint | 20,898,000 | (3,135,600) | 17,762,400 | 6.1 | (1,083,000) | (4,218,600) | (20.2) |
| Wayne State | 214,171,400 | (32,134,500) | 182,036,900 | 7.0 | (12,827,500) | (44,962,000) | (21.0) |
| Western | 109,615,100 | (16,446,800) | 93,168,300 | 6.8 | (6,301,600) | (22,748,400) | (20.8) |
| Total Universities | \$1,420,344,900 | (\$213,110,200) | \$1,207,234,700 | 7.1% | (\$82,996,900) | (\$296,107,100) | (20.8%) |

a) Current year (FY 2010-11 year-to-date appropriation)
 b) 15% across-the-board reduction
 c) Amount received if universities comply with tuition restraint (tuition and fee increase for resident undergraduate students at or below 7.1%)
 d) Average percent increase in tuition and fees over five-year period by institution (FY 2006-07 through FY 2010-11)
 e) Tuition restraint calculated by multiplying column (d) by column (c)
 f) Total reduction if tuition/fees increases over 7.1% -- column (b) plus column (e)
 g) Percent reduction to FY 2010-11 if tuition increases over 7.1%.

Source: FY 2011-12 Governor's recommendation and FY 2011-12 enacted appropriation

2011-12 Tuition and Fee Increases

Michigan's Higher Education Institutional Data Inventory (HEIDI) is used by Michigan public universities to report financial and student information, including tuition and fees, to the State of Michigan. The data are entered electronically by State universities and the information assists the Legislature in its decision-making processes. It is important to note that the guidelines for entering tuition and fee information into HEIDI are not the same as the tuition restraint criteria contained in Section 265 of Public Act 62 of 2011. Specifically, HEIDI tuition and fee information is based on fall and winter semesters. (Summer semester is not included in the calculation.) Tuition and fee rates are reported for each undergraduate student level – freshman, sophomore, junior, and senior. Reported tuition and fee charges include all mandatory charges that are paid by a majority of full-time, on-campus, degree-seeking students at each class level. Reported tuition and fee amounts are the net of any refunds/rebates. Based on those standards, Table 2 provides preliminary information on 2011-12 tuition and fee increases.



Table 2

| Annual Resident Undergraduate Tuition and Fee Rates | | | |
|--|-------------------------|-------------------------|-------------------|
| Universities | FY 2010-11 Rates | FY 2011-12 Rates | % Increase |
| Central | \$10,065 | \$10,740 | 6.7% |
| Eastern | 8,399 | 8,705 | 3.6 |
| Ferris | 9,930 | 10,440 | 5.1 |
| Grand Valley | 9,314 | 9,958 | 6.9 |
| Lake Superior | 8,795 | 9,395 | 6.8 |
| Michigan State | 11,670 | 12,769 | 9.4 |
| Michigan Tech | 13,007 | 13,911 | 6.9 |
| Northern | 7,728 | 8,470 | 9.6 |
| Oakland | 9,716 | 10,399 | 7.0 |
| Saginaw Valley | 7,308 | 7,815 | 6.9 |
| UM-Ann Arbor | 12,590 | 13,437 | 6.7 |
| UM-Dearborn | 9,575 | 10,236 | 6.9 |
| UM-Flint | 8,656 | 9,243 | 6.8 |
| Wayne State | 9,732 | 10,585 | 8.8 |
| Western | 9,510 | 10,140 | 6.6 |

Source: HEIDI Appendix B and fiscal agency calculations based on preliminary data on tuition/fee increases for FY 2011-12. The data are not intended to determine compliance with Section 265 of Public Act 62 of 2011.

Table 2 implies that Michigan State, Northern, and Wayne State could be out of compliance with the requirements of tuition restraint, with respective increases of 9.4%, 9.6%, and 8.8%. However, Section 265 states: "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." The 2011 summer semester could be considered as a part of the 2010-2011 academic year. For Michigan State, FY 2011-12 tuition and fee rates equate to a 6.9% increase over rates charged for the 2011 summer semester. For Northern, FY 2010-11 rates reflect a fall semester credit rate of \$192 per resident student. Calculating the tuition/fee increase from the highest board-authorized rate equates to a 6.9% increase for Northern. For Wayne State, tuition was increased during the summer 2011 semester. That adjustment will not be part of information contained in HEIDI based on current reporting guidelines. The increase from the highest rate charged in the 2010-2011 academic year would result in a 7.0% increase in tuition and fees for Wayne State.

Conclusion

Tuition restraint was designed to limit the extent to which universities used tuition increases to offset reductions in State appropriations. Section 265 gives the State Budget Director the sole authority to determine if a public university has met the requirements of this section. However, the practical impact on students (and parents) at Michigan State, Northern, and Wayne State will be the higher increase, assuming that a student did not attend the summer semester.



APPENDIX A

Section 265 of Public Act 62 of 2010

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 20c10-2011 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.
- (c) Actual fiscal year 2010-2011 and budgeted fiscal year 2011-2012 total general fund expenditures.
- (d) Actual fiscal year 2010-2011 and budgeted fiscal year 2011-2012 total fiscal year equated student enrollment.