

State Notes

TOPICS OF LEGISLATIVE INTEREST

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General Fund Revenue at Michigan Public Universities and Community Colleges By Bill Bowerman, Associate Director

Introduction

Tuition and fee revenue has become the dominant source of funding for public postsecondary institutions. State appropriations for universities and community colleges peaked in fiscal year (FY) 2001-02. Even before that time, however, tuition was growing as a share of the general fund revenue for university and college operations. General fund revenue is the operating revenue for postsecondary institutions and does not include revenue designated for auxiliary enterprises such as student housing. This article provides an overview of tuition and fee increases for FY 2016-17, and includes background on how operations revenue sources have evolved for public universities and community colleges.

Michigan Public Universities

Background. Michigan public universities have two major sources of general fund revenue: tuition and fees, and State appropriations. Rising costs of higher education and decreasing State aid have resulted in an increased reliance on tuition to support university general fund operating expenditures. In FY 1978-79, State funding for higher education accounted for 65.6% of university general fund revenue on a statewide basis. State funding as a percentage of general fund at individual institutions ranged from 58.0% at Central Michigan University, to 78.9% at University of Michigan (UM) - Flint. By FY 2001-02, State aid accounted for 45.4% of university general fund revenue. As shown in Table 1, by 2014-15, State aid represented 21.5% of university general fund revenue, ranging from 16.5% at UM - Ann Arbor to 35.2% at Northern Michigan University. Conversely, tuition and fees increased statewide as a percentage of university general fund revenue: from 47.0% in FY 2001-02, to 71.1% in FY 2014-15.

Table 1

University General Fund Revenue Sources				
	FY 2001-02	% of Total	FY 2014-15	% of Total
Tuition and Fees	\$1,669,729,870	47.0%	\$4,427,223,300	71.1%
State Appropriations	1,615,486,200	45.4	1,339,958,200	21.5
Other.....	<u>270,173,165</u>	<u>7.6</u>	<u>458,390,606</u>	<u>7.4</u>
Total.....	<u>\$3,555,389,235</u>	<u>100.0%</u>	<u>\$6,225,572,106</u>	<u>100.0%</u>

Source: Higher Education Institutional Data Inventory (HEIDI)

From FY 2001-02 to FY 2016-17, annual university statewide average undergraduate tuition and fees have increased by 150.9%, from \$4,948 to \$12,413. During the same time period, State aid



for university operations decreased by 13.3%, from \$1,615,486,200 to \$1,400,345,000 in nominal dollars (unadjusted for inflation).¹

FY 2016-17 Tuition and Fee Increases. Resident undergraduate tuition and fees at Michigan public universities increased by an average of 3.9% in FY 2016-17 from FY 2015-16. Increases ranged from 2.53% at Central Michigan University to 4.20% at Michigan Technological University, Northern Michigan University, and Saginaw Valley State University. Appendix A provides a listing by university of tuition and fees. The FY 2016-17 unweighted statewide average totals \$12,416, based on 30-credit hours. Annual tuition and fees range from \$9,345 at Saginaw Valley State University, to \$16,051 at Michigan Technological University.

Since FY 2011-12, State appropriations have included tuition restraint conditions in an attempt to limit annual tuition and fee increases. Financial penalties result when universities exceed percentage increases that are set in Section 265 of the State School Aid Act. Between FY 2011-12 and FY 2016-17, three universities have not complied with tuition restraint (Wayne State University in FY 2013-14, and Eastern Michigan University and Oakland University in FY 2015-16). Table 2 lists tuition restraint caps included in the budget since FY 2011-12.

Table 2

Tuition Restraint	
<u>Fiscal Year</u>	<u>Percent Limit</u>
2011-12	7.1%
2012-13	4.0
2013-14	3.75
2014-15	3.2
2015-16	3.2
2016-17	4.2

Michigan Public Community Colleges

Background. Michigan public community colleges rely on three major revenue sources to support their costs: tuition and fees, property taxes, and State appropriations. The ability to generate revenue from tuition and fees and property taxes varies from college to college. Factors that affect revenue include taxable values, millage rates, tuition rates, and student population. Due to State aid reductions since FY 2001-02, and declining taxable values that occurred from 2009 through 2012, community college tuition and fees have grown over the years as a percentage share of college general fund revenue. In FY 2001-02, State aid accounted for 30.3% of college general fund revenue while tuition represented 26.8% of general fund revenue. State funding as a percentage of general fund revenue at individual institutions ranged from 17.3% at Oakland Community College, to 62.4% at Gogebic Community College. As shown in Table 3, by FY 2014-15, tuition and fees had increased to 41.2% of college general fund revenue and State aid declined to 19.6%. State funding as a

¹ Amounts represent university operation funding and do not include Michigan State University (MSU) AgBioResearch, MSU Extension, or Michigan Public School Employees' Retirement System (MPERS) reimbursements.



percentage of general fund revenue at individual institutions ranged from 12.7% at Wayne County Community College District, to 42.7% at Gogebic Community College.

Table 3

Community College General Fund Revenue Sources				
	FY 2001-02	% of Total	FY 2014-15	% of Total
Tuition and Fees.....	\$280,043,137	26.8%	\$643,567,637	41.2%
Property Tax.....	416,867,238	39.9	531,499,183	34.0
State Aid.....	316,410,944	30.3	307,191,300	19.6
Other	<u>31,890,847</u>	<u>3.1</u>	<u>81,075,846</u>	<u>5.2</u>
Total.....	\$1,045,212,166	100.0%	\$1,563,333,966	100.0%
Source: Michigan Community Colleges Activities Classification Structure (ACS)				

Due to reliance on tuition to fund increasing college costs and offset other declining sources of funding, annual in-district tuition rates increased by 97.2% from FY 2001-02 to FY 2016-17. During the same time period, State funding for community college operations decreased by 1.0%, from \$319,196,318 to \$315,892,000 in nominal dollars.²

FY 2016-17 Tuition and Fee Increases. Statewide, community college in-district tuition and fees in FY 2016-17 increased by 5.3% over FY 2015-16, from \$122.32 per contact/credit hour³ to \$128.81. Average annual costs, based on 30 contact/credit hours per year, total \$3,864. Appendix B lists increases by college. Appendix C delineates tuition and fee charges, and estimates the total annual cost based on 30 contact/credit hours. While the Legislature has included university tuition restraint as a part of the higher education budget since FY 2011-12, no comparable limit has been included for community colleges.

Conclusion

Tuition and fee revenue has become the principal source of general fund revenue for Michigan public universities and community colleges. Percentage increases for the State share of funding now represent a small portion of total institutional general fund revenue. On a statewide basis, a 1.0% increase in State aid represents 0.2% of an institution's general fund revenue. Substantial increases in State funding would be required to affect the long-term trend of reliance on tuition and fees to support costs at Michigan public universities and community colleges.

² Amounts represent college operations appropriations and do not include MPSERS reimbursements.

³ Twenty of the 28 Michigan public community colleges assess tuition on a contact-hour basis and eight colleges charge on a per-credit-hour basis.

**Michigan Public Universities
FY 2016-17 Resident Undergraduate Tuition and Fee Rates**

University	FY 2015-16	FY 2016-17 Tuition and Fees					Percent Change	Cost Per Credit Hour
		Fresh	Soph	Junior	Senior	Average		
Central	\$11,850	\$12,150	\$12,150	\$12,150	\$12,150	\$12,150	2.53%	\$405
Eastern	11,638	12,062	11,209	12,604	12,604	12,120	4.13%	404
Ferris	11,610	11,760	11,760	12,090	12,090	11,925	2.71%	398
Grand Valley	11,363	11,520	11,520	12,144	12,144	11,832	4.13%	394
Lake Superior	10,580	11,214	10,954	10,954	10,954	11,019	4.15%	367
Michigan State	14,333	14,063	14,063	15,698	15,698	14,880	3.82%	496
Michigan Tech	15,403	14,634	14,634	17,467	17,467	16,051	4.20%	535
Northern	9,680	10,012	9,766	10,282	10,282	10,086	4.20%	336
Oakland	12,431	11,970	11,970	13,875	13,875	12,923	3.95%	431
Saginaw Valley	8,969	9,345	9,345	9,345	9,345	9,345	4.20%	312
UM-Ann Arbor	14,729	14,402	14,402	16,218	16,218	15,310	3.94%	510
UM-Dearborn	11,697	12,032	12,032	12,332	12,332	12,182	4.15%	406
UM-Flint	10,527	10,884	10,884	11,028	11,028	10,956	4.08%	365
Wayne State	12,807	12,519	12,269	14,287	14,287	13,340	4.16%	445
Western	11,633	11,793	11,493	12,599	12,599	12,121	4.19%	404
Average	\$11,950					\$12,416	3.90%	\$414

Notes:

- 1) Rates are based on full-time course load of 30 credit hours at the tuition rate paid by a majority of resident undergraduates.
- 2) Rates are averaged across all four undergraduate class levels.
- 3) Fees not paid by a majority of students in a class level (such as course fees) are not included.
- 4) Tuition restraint for FY 2016-17 is 4.2% (Sec. 265 of PA 249 of 2016).

Source: State School Aid Act Section 265 reports and university websites.

Appendix B

**Michigan Public Community Colleges
FY 2016-17 In-District Tuition and Fee Rate Increases**

	<u>FY 2015-16</u>	<u>FY 2016-17</u>	<u>Difference</u>	<u>% Change</u>
Alpena	\$138.00	\$143.00	\$5.00	3.6%
Bay de Noc	145.00	153.00	8.00	5.5%
Delta	113.17	119.17	6.00	5.3%
Glen Oaks	132.00	138.00	6.00	4.5%
Gogebic	124.00	130.00	6.00	4.8%
Grand Rapids	123.30	126.30	3.00	2.4%
Henry Ford	115.07	116.07	1.00	0.9%
Jackson	163.00	175.00	12.00	7.4%
Kalamazoo Valley	102.00	107.33	5.33	5.2%
Kellogg	112.50	119.50	7.00	6.2%
Kirtland	125.33	130.00	4.67	3.7%
Lake Michigan	138.00	143.00	5.00	3.6%
Lansing	100.67	111.67	11.00	10.9%
Macomb	102.33	106.00	3.67	3.6%
Mid Michigan	119.33	125.33	6.00	5.0%
Monroe	124.33	129.33	5.00	4.0%
Montcalm	118.00	148.00	30.00	25.4%
Mott	153.13	158.26	5.13	3.4%
Muskegon	126.33	134.33	8.00	6.3%
North Central	122.75	128.00	5.25	4.3%
Northwestern	119.22	127.64	8.42	7.1%
Oakland	90.33	94.67	4.33	4.8%
Schoolcraft	118.80	127.87	9.07	7.6%
Southwestern	158.75	163.00	4.25	2.7%
St. Clair	120.00	124.13	4.13	3.4%
Washtenaw	101.00	101.00	0.00	0.0%
Wayne County	116.38	117.43	1.05	0.9%
West Shore	102.20	109.53	7.33	7.2%
Average	\$122.32	\$128.81	\$6.49	5.3%

Source: State School Aid Act Section 225 reports and college websites.

Appendix C

**Michigan Public Community Colleges
FY 2016-17 In-District Tuition and Fee Rates**

	<u>FY 2016-17 Tuition</u>	<u>Contact/Credit Hour Fees</u>	<u>Per Semester Fees</u>	<u>Total Cost Per Credit/ Contact Hour</u>	<u>Annual Tuition and Fee Costs</u>
Alpena	\$125.00	\$16.00	\$30.00	\$143.00	\$4,290
Bay de Noc	116.00	37.00	0.00	153.00	4,548
Delta	99.50	17.00	40.00	119.17	3,575
Glen Oaks	109.00	29.00	0.00	138.00	4,140
Gogebic	110.00	16.00	60.00	130.00	3,900
Grand Rapids	111.00	5.50	147.00	126.30	3,789
Henry Ford	93.00	17.00	91.00	116.07	3,482
Jackson	135.00	40.00	0.00	175.00	5,250
Kalamazoo Valley	100.00	0.00	110.00	107.33	3,220
Kellogg	104.50	15.00	0.00	119.50	3,585
Kirtland	109.00	21.00	0.00	130.00	3,900
Lake Michigan	97.00	46.00	0.00	143.00	4,290
Lansing	99.00	11.00	25.00	111.67	3,350
Macomb	97.00	5.00	60.00	106.00	3,180
Mid Michigan	108.00	12.00	80.00	125.33	3,760
Monroe	107.00	20.00	35.00	129.33	3,880
Montcalm	105.00	43.00	0.00	148.00	4,440
Mott	132.62	16.80	132.62	158.26	4,748
Muskegon	102.00	30.00	35.00	134.33	4,030
North Central	108.00	20.00	0.00	128.00	3,840
Northwestern	103.70	19.55	65.80	127.64	3,829
Oakland	88.00	0.00	100.00	94.67	2,840
Schoolcraft	102.00	23.00	43.00	127.87	3,836
Southwestern	115.25	47.75	0.00	163.00	4,890
St. Clair	105.00	14.00	77.00	124.13	3,724
Washtenaw	94.00	7.00	0.00	101.00	3,030
Wayne County	107.10	7.00	50.00	117.43	3,523
West Shore	96.00	13.06	7.00	109.53	3,266
Average	\$106.38			\$128.81	\$3,864

Source: State School Aid Act Section 225 reports and college websites.