

**DATE:** September 6, 2012  
**TO:** House Appropriations Subcommittee on Higher Education  
**FROM:** Kyle I. Jen, Deputy Director  
**RE:** Public University Performance Funding and Tuition Restraint Submissions

The FY 2012-13 Higher Education budget, as enacted into law via Public Act 201 of 2012, includes a total increase of \$36.2 million in funding for public university operations, equal to 3.0% of FY 2011-12 university operations funding. That funding increase is divided into two categories:

- \$27.2 million in funds distributed to the 15 universities in the budget act based on various performance metrics and subject to compliance with certain university policy requirements.
- \$9.1 million in tuition restraint funding to be distributed to universities holding resident undergraduate tuition/fee rate increases to 4.0% or below.

This memo summarizes information submitted by the universities in conjunction with these two funding increases, along with related financial information submitted pursuant to budget act requirements.

### **Performance Funding**

The FY 2012-13 budget act includes a base Operations appropriation for each of the 15 public universities equal to the university's FY 2011-12 appropriation amounts. Additionally, a Performance Funding appropriation is made to each university. That appropriation amount was calculated based on a series of five performance metrics.<sup>1</sup> The Performance Funding amounts allocated to each university are shown in Attachment 1. Percentage increases from FY 2011-12 for the individual universities ranged from 0.7% to 8.2%.

Section 265a(1) of the budget act states the following:

*Appropriations to public universities in section 236 for performance funding shall be paid only to a public university that complies with all of the following requirements:*

*(a) The university certifies to the State Budget Director, the house and senate appropriations subcommittees on higher education, and the house and senate fiscal agencies by August 31, 2012, that, by January 3, 2013, it will be participating in reverse transfer agreements described in section 286 with at least 3 Michigan community colleges or have made a good-faith effort to enter into reverse transfer agreements.*

*(b) The university certifies to the State Budget Director, the house and senate appropriations subcommittees on higher education, and the house and senate fiscal agencies by August 31, 2012, that, by January 3, 2013, it will not consider whether dual enrollment credits earned by an incoming student were utilized towards his or her high school graduation requirements when making a determination as to whether those credits may be used by the student toward completion of a university degree or certificate program.*

*(c) The university certifies to the State Budget Director, the house and senate appropriations subcommittees on higher education, and the house and senate fiscal agencies by August 31, 2012 that the university*

<sup>1</sup> See the final page of this budget summary for a detailed accounting of the funds allocated based on each metric: <http://www.house.mi.gov/hfa/Summaries/12s955%20Higher%20Ed%20Conference%20Summary.pdf>

*participates in the Michigan transfer network created as part of the Michigan association of collegiate registrars and admissions officers transfer agreement.*

As of August 31, all 15 universities have submitted certification to the State Budget Director that they are in compliance with all three requirements established in section 265a and will, therefore, receive payment of the Performance Funding appropriation amounts.

### **Tuition Restraint Funding**

The FY 2012-13 budget act contains a separate appropriation of \$9.1 million for Tuition Restraint Funding. Section 265 of the budget article provides that, in order to qualify for funding from that appropriation, a university must certify to the State Budget Director by August 31, 2012, that:

- The university's board did not adopt an increase in tuition/fee rates for resident undergraduate students after September 1, 2011, for the 2011-12 academic year AND
- The university's board will not adopt an increase in tuition/fee rates for resident undergraduate students for the 2012-13 academic year that is greater than 4.0%.

Section 265 contains additional provisions defining the terms "fee" and "tuition and fee rate." Subsection (2) of the section provides the following methodology for distributing funding to qualified universities:

*For purposes of section 236(3), each public university's allocation for tuition restraint incentive shall be determined as follows:*

*(a) Calculate an adjustment for each university by subtracting each university's reported percent change in tuition and fee rates for academic year 2012-2013 from 4.1%. If the result of the calculation in this subdivision is less than 0.1%, the university is not qualified to receive an allocation under this section. All calculations under this subdivision shall be rounded to the first decimal place.*

*(b) For each qualified university, divide the university's adjustment as calculated under subdivision (a) by the sum of all adjustments for qualifying universities under subdivision (a) and then multiply the resulting calculation for each university by the total amount available for tuition restraint incentive funding, rounded to the nearest hundred dollars.*

As of August 31, all 15 public universities have submitted the required tuition restraint certification form to the State Budget Director and, based on those submissions, are qualified to receive a portion of the Tuition Restraint Funding appropriation.

Attachment 2 shows FY 2012-13 resident undergraduate tuition/fee rate increases for each university based on Higher Education Institutional Data Inventory (HEIDI) reporting requirements. The reported percentage increases from FY 2011-12 rates are consistent with those reported by the universities under the section 265 requirements.

FY 2012-13 tuition/fee rates range from \$8,120 to \$14,448; the average rate is \$10,766, up from \$10,416 in FY 2011-12. On a percentage basis, the increases for individual universities range from 2.0% to 3.9%; the average increase is 3.4%.

The anticipated Tuition Restraint Funding allocations to individual universities, which are shown in both Attachments 1 and 2, range from \$169,200 to \$1.3 million. Each university will receive approximately \$84,600 per tenth of a percentage point it held its tuition/fee increase below 4.1%.

On a percentage basis, the increases equate to a wide range from 0.1% to 9.4%. This is the result of the large range of university base appropriation amounts.

### **Total University Appropriation Increases**

As shown in [Attachment 1](#), the combination of Performance Funding and Tuition Restraint Funding increases results in an overall increase of \$36.2 million, which is equal to 3.0% of FY 2011-12 appropriations. Combined percentage increases for individual universities range from 0.7% to 11.6%.

### **Other Financial Data**

Subsection 4 of section 265 requires the universities to report on other key financial indicators: actual or estimated figures for FY 2011-12 and budgeted figures for FY 2012-13. [Attachment 3](#) contains the data reported by the 15 universities under that subsection. 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 3.7%—from \$3.90 billion in FY 2011-12 to \$4.05 billion in FY 2012-13. The projected changes in tuition/fee revenue at individual universities range from a decline of 0.5% to an increase of 6.1%.

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 performance-based appropriation increases and projected tuition/fee revenue growth results in a projected increase of 3.2% in total General Fund revenue for the 15 universities—from \$5.54 billion in FY 2011-12 to \$5.72 billion in FY 2012-13. Projected revenue increases at the individual universities range from 0.4% to 5.5%.

State appropriations for university operations total \$1.24 billion in FY 2012-13. This represents approximately 21.7% of total budgeted university general fund revenue. As shown in [Attachment 4](#), the percentage of total general fund revenue contributed by state appropriations at individual universities ranges from 16.6% to 32.8%.

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 21.7% in FY 2012-13. The projected FY 2012-13 percentage is approximately flat from FY 2011-12, as state appropriations and tuition/fee revenue are increasing at roughly the same rate.

#### 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 6.1%—from \$613.4 million in FY 2011-12 to \$650.6 million in FY 2012-13. Projected changes in financial aid expenditures at the individual universities range from a reduction of 11.3% to an increase of 13.4%.

#### Total General Fund Expenditures

Total expenditures from general fund resources, which fund student instruction and instruction-related activities, are projected to increase by 2.7%—from \$5.53 billion in FY 2011-12 to \$5.68 billion in FY 2012-13. The reported expenditure increases at individual universities range from 0.4% to 8.4%.

For reference, consumer inflation in Michigan is projected to be 2.0% in FY 2012-13.<sup>2</sup> The Higher Education Price Index, which captures inflationary growth in costs specific 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 course load. Total FYES figures include all degree-seeking students, including nonresident and graduate students.

Total FYES enrollment is projected to increase by 0.2%—from 263,604 in FY 2011-12 to 264,242 in FY 2012-13. The projected changes reported by individual universities range from a decline of 1.9% to an increase of 1.7%.

Please call if you have questions about this information.

Attachments (5)

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<sup>2</sup> Based on May 2012 Consensus Revenue Estimating Conference.

**ATTACHMENT 1**

**FY 2012-13 University Appropriation Increases**

University	FY 2011-12 Appropriation	Performance Funding		Tuition Restraint Funding		Total New Funding		FY 2012-13 Appropriation
		\$ Increase	% Increase	\$ Increase	% Increase	\$ Increase	% Increase	
Central	\$68,108,900	\$1,466,400	2.2	\$1,777,000	2.6	\$3,243,400	4.8	\$71,352,300
Eastern	64,619,100	1,678,400	2.6	169,200	0.3	1,847,600	2.9	66,466,700
Ferris	41,324,300	1,657,100	4.0	1,269,300	3.1	2,926,400	7.1	44,250,700
Grand Valley	52,677,400	2,420,100	4.6	338,500	0.6	2,758,600	5.2	55,436,000
Lake Superior	10,789,500	241,200	2.2	1,015,400	9.4	1,256,600	11.6	12,046,100
Michigan State	241,120,800	3,408,400	1.4	507,800	0.2	3,916,200	1.6	245,037,000
Michigan Tech	40,733,600	1,676,300	4.1	169,200	0.4	1,845,500	4.5	42,579,100
Northern	38,367,400	1,981,400	5.2	507,800	1.3	2,489,200	6.5	40,856,600
Oakland	43,145,000	888,300	2.1	930,800	2.2	1,819,100	4.2	44,964,100
Saginaw Valley	23,561,500	1,926,000	8.2	169,200	0.7	2,095,200	8.9	25,656,700
UM-Ann Arbor	268,803,300	4,253,400	1.6	1,100,000	0.4	5,353,400	2.0	274,156,700
UM-Dearborn	21,016,300	882,500	4.2	338,500	1.6	1,221,000	5.8	22,237,300
UM-Flint	17,762,400	1,341,100	7.6	423,100	2.4	1,764,200	9.9	19,526,600
Wayne State	182,036,900	1,192,200	0.7	169,200	0.1	1,361,400	0.7	183,398,300
Western	93,168,300	2,150,000	2.3	169,200	0.2	2,319,200	2.5	95,487,500
<b>TOTAL</b>	<b>\$1,207,234,700</b>	<b>\$27,162,800</b>	<b>2.25</b>	<b>\$9,054,200</b>	<b>0.75</b>	<b>\$36,217,000</b>	<b>3.0</b>	<b>\$1,243,451,700</b>

**Note:** Excludes amounts seven universities with employees in Public School Employees Retirement System will receive through MSPERS Reimbursement appropriation.

**ATTACHMENT 2**

**FY 2012-13 Resident Undergraduate Tuition/Fee Rate Increases**

University	FY 2011-12 Rates					FY 2012-13 Rates					% Change Avg Rate	% Points Under 4.1%	Tuition Restraint \$ Allocation
	Fresh	Soph	Junior	Senior	Average	Fresh	Soph	Junior	Senior	Average			
Central	\$10,740	\$10,740	\$10,740	\$10,740	\$10,740	\$10,950	\$10,950	\$10,950	\$10,950	\$10,950	2.0	2.1	\$1,777,000
Eastern*	8,771	8,683	8,683	8,683	8,705	9,114	9,026	9,026	9,026	9,048	3.9	0.2	169,200
Ferris	10,440	10,440	10,440	10,440	10,440	10,710	10,710	10,710	10,710	10,710	2.6	1.5	1,269,300
Grand Valley	9,716	9,716	10,200	10,200	9,958	10,078	10,078	10,582	10,582	10,330	3.7	0.4	338,500
Lake Superior	9,489	9,364	9,364	9,364	9,395	9,765	9,640	9,640	9,640	9,671	2.9	1.2	1,015,400
Michigan State	12,203	12,203	13,335	13,335	12,769	12,623	12,623	13,800	13,800	13,211	3.5	0.6	507,800
Michigan Tech*	12,853	14,263	14,263	14,263	13,911	13,353	14,813	14,813	14,813	14,448	3.9	0.2	169,200
Northern	8,639	8,414	8,414	8,414	8,470	8,934	8,709	8,709	8,709	8,766	3.5	0.6	507,800
Oakland	9,938	9,938	10,860	10,860	10,399	10,230	10,230	11,183	11,183	10,706	3.0	1.1	930,800
Saginaw Valley	7,815	7,815	7,815	7,815	7,815	8,120	8,120	8,120	8,120	8,120	3.9	0.2	169,200
UM-Ann Arbor*	12,634	12,634	14,240	14,240	13,437	12,994	12,994	14,644	14,644	13,819	2.8	1.3	1,100,000
UM-Dearborn*	10,107	10,107	10,364	10,364	10,236	10,482	10,482	10,752	10,752	10,617	3.7	0.4	338,500
UM-Flint	9,184	9,184	9,302	9,302	9,243	9,514	9,514	9,634	9,634	9,574	3.6	0.5	423,100
Wayne State	9,809	9,809	11,348	11,348	10,578	10,190	10,190	11,789	11,789	10,989	3.9	0.2	169,200
Western	9,906	9,606	10,524	10,524	10,140	10,282	9,982	10,940	10,940	10,536	3.9	0.2	169,200
<b>Unweighted Avg.</b>	<b>\$10,150</b>	<b>\$10,194</b>	<b>\$10,659</b>	<b>\$10,659</b>	<b>\$10,416</b>	<b>\$10,489</b>	<b>\$10,537</b>	<b>\$11,019</b>	<b>\$11,019</b>	<b>\$10,766</b>	<b>3.4</b>	<b>10.7</b>	<b>\$9,054,200</b>

General Note: Per HEIDI reporting requirements, and consistent with Sec. 265 of budget act, rates are reported based on four class levels. Rates are based on 30 credit hours (15 in Fall, 15 in Winter/Spring) and exclude fees not paid by a majority of students in a given class (most course fees), as well as refundable fees.

\*University-Specific Notes

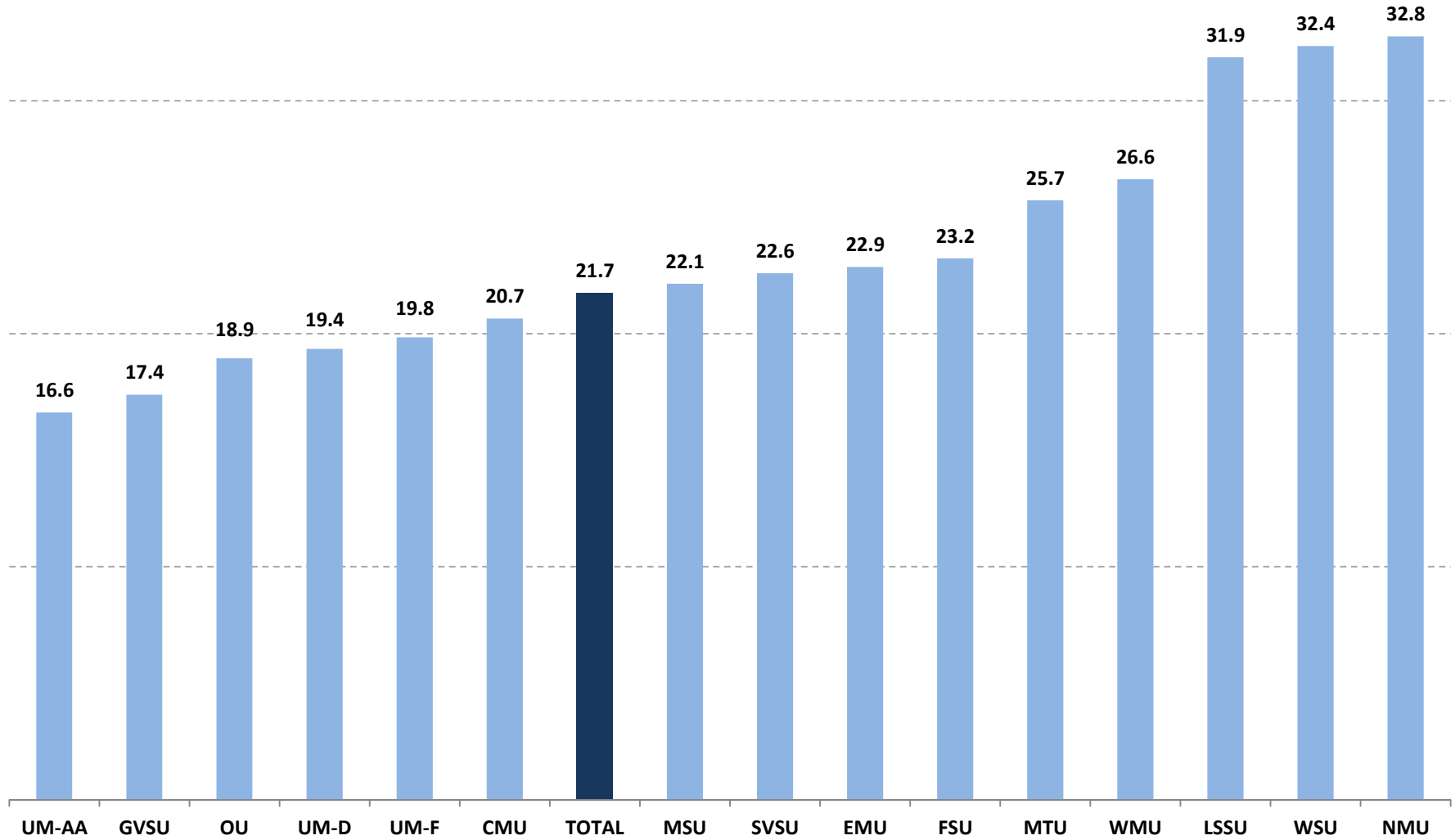
- Eastern:* \$212 out of \$300 fee for incoming freshman excluded from rate in both years, as that amount effectively replaced previous orientation fee.
- Michigan Tech:* Sophomore/junior/senior rates include additional surcharge applying to engineering and computer science students.
- UM-Ann Arbor:* Rates are for College of Literature, Science, and Arts.
- UM-Dearborn:* Rates are for College of Arts, Sciences, and Letters.

**ATTACHMENT 3**  
**Public University Financial Information: FY 2012-13**  
 Sec. 265(4) Reporting

University	General Fund Tuition/Fee Revenue			Total General Fund Revenue			General Fund Financial Aid Expenditures			Total General Fund Expenditures			Total FYES Enrollment		
	Actual/ Estimated FY 2012	Budgeted FY 2013	Percent Change	Actual/ Estimated FY 2012	Budgeted FY 2013	Percent Change	Actual/ Estimated FY 2012	Budgeted FY 2013	Percent Change	Actual/ Estimated FY 2012	Budgeted FY 2013	Percent Change	Actual/ Estimated FY 2012	Budgeted FY 2013	Percent Change
Central	255,394,666	255,039,469	(0.1)	335,788,970	345,446,990	2.9	31,431,019	31,566,082	0.4	338,649,119	345,446,990	2.0	22,782	22,369	(1.8)
Eastern	199,400,000	209,600,000	5.1	277,700,000	290,600,000	4.6	32,300,000	35,400,000	9.6	279,700,000	290,600,000	3.9	18,566	18,736	0.9
Ferris	140,258,294	142,652,994	1.7	187,026,860	190,365,298	1.8	15,849,797	17,828,055	12.5	186,116,079	190,364,774	2.3	12,215	12,215	0.0
Grand Valley	250,579,578	260,471,939	3.9	308,834,508	318,886,506	3.3	30,208,014	33,688,333	11.5	308,871,880	318,886,506	3.2	22,347	22,347	0.0
Lake Superior	24,142,084	25,459,745	5.5	36,029,162	37,801,759	4.9	4,395,473	4,625,180	5.2	32,756,475	34,973,741	6.8	2,420	2,432	0.5
Michigan State	730,099,156	771,800,000	5.7	1,048,931,458	1,106,300,000	5.5	105,569,606	110,204,388	4.4	1,065,219,042	1,106,300,000	3.9	45,252	45,556	0.7
Michigan Tech	105,185,390	110,008,384	4.6	160,058,749	165,461,284	3.4	27,124,948	28,955,934	6.8	148,926,802	153,736,546	3.2	6,378	6,421	0.7
Northern	78,753,779	79,360,947	0.8	119,863,375	124,679,579	4.0	15,348,068	15,854,198	3.3	118,774,194	124,679,579	5.0	8,568	8,407	(1.9)
Oakland	181,001,450	191,980,253	6.1	227,017,243	237,345,820	4.5	24,360,119	27,613,120	13.4	202,693,087	209,732,700	3.5	16,319	16,601	1.7
Saginaw Valley	84,106,096	85,907,000	2.1	109,979,574	113,514,000	3.2	11,162,609	12,128,341	8.7	109,915,366	113,514,000	3.3	9,190	9,250	0.7
UM-Ann Arbor	1,105,556,249	1,156,646,746	4.6	1,608,521,220	1,649,139,526	2.5	196,516,032	208,897,000	6.3	1,627,872,829	1,649,139,526	1.3	42,701	43,300	1.4
UM-Dearborn	88,070,550	91,117,000	3.5	111,483,303	114,883,700	3.1	9,082,015	8,848,365	(2.6)	110,667,869	114,883,700	3.8	6,744	6,750	0.1
UM-Flint	76,077,000	78,742,000	3.5	94,922,000	98,395,500	3.7	6,073,000	5,388,802	(11.3)	90,789,000	98,395,500	8.4	6,805	6,875	1.0
Wayne State	336,080,754	334,405,409	(0.5)	564,514,274	566,806,126	0.4	54,621,033	56,408,545	3.3	564,514,274	566,806,126	0.4	23,832	23,498	(1.4)
Western	248,174,903	253,397,616	2.1	350,205,025	358,489,292	2.4	49,315,499	53,174,401	7.8	341,360,088	358,489,292	5.0	19,485	19,485	0.0
<b>TOTAL</b>	<b>3,902,879,949</b>	<b>4,046,589,502</b>	<b>3.7</b>	<b>5,540,875,721</b>	<b>5,718,115,380</b>	<b>3.2</b>	<b>613,357,232</b>	<b>650,580,744</b>	<b>6.1</b>	<b>5,526,826,104</b>	<b>5,675,948,980</b>	<b>2.7</b>	<b>263,604</b>	<b>264,242</b>	<b>0.2</b>

**Note:** Some universities indicate that FY 2011-12 financial data are preliminary, unaudited figures. Wayne State figures for FY 2011-12 are budgeted amounts (due to later close of fiscal year).

**ATTACHMENT 4**  
**FY 2012-13 State Appropriation as Percentage of Budgeted University General Fund Revenue**





## ATTACHMENT 5 Public University General Fund Revenue History

