



# Gateways to Opportunity

**An Overview of Michigan's Public Universities and  
Key Issues Facing Michigan Higher Education**

**Michael Boulus, Executive Director**

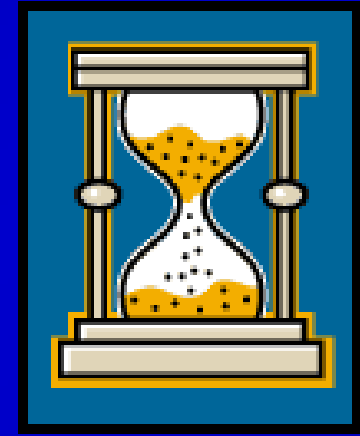
**Daniel J. Hurley, Director of University Relations & Administrative Services**

**November 2006**

# Agenda

A snapshot of the following items:

- An overview of Michigan's unique constellation of public universities
- Enrollment at the *Michigan 15*
- The contributions of Michigan's public universities and the "education premium"
- Michigan's educational pipeline
- Trends in higher education funding
- Some realities regarding tuition costs
- Lt. Governor's Commission on Higher Education & Economic Growth
- Current issues being addressed by the *Michigan 15*





**The Presidents Council: advocating higher education as a public good and promoting its collective value in serving the public interest and the State of Michigan.**

- **articulating how the state universities serve the public good through educational, social, and economic development;**
- **providing research and information services to advance the policy and resource needs of the state universities;**
- **enhancing the ability of the state universities to achieve effective institutional performance, autonomous governance and public accountability; and**
- **convening forums of diverse stakeholders to develop a shared perspective on the value of public investment in higher education and the contributions of the state universities.**

# **Michigan University Governance: Flexible and Market-Based**

- **Each board operates independently**
- **Boards accountable for key decisions, overall direction**
  - **Hiring of president/chancellor**
  - **Setting of tuition rates/enrollment targets**
  - **Entering of significant contracts**
  - **Strategic planning**
- **Accountable to their students' needs**
- **Accountable to their regions' needs**



# **Michigan University Governance: Flexible and Market-Based**

- **Market driven efficiencies**
- **Results in positive competition — and cooperation**
- **Consensus among various states: Works better, costs less**
- **Other states moving toward Michigan model**

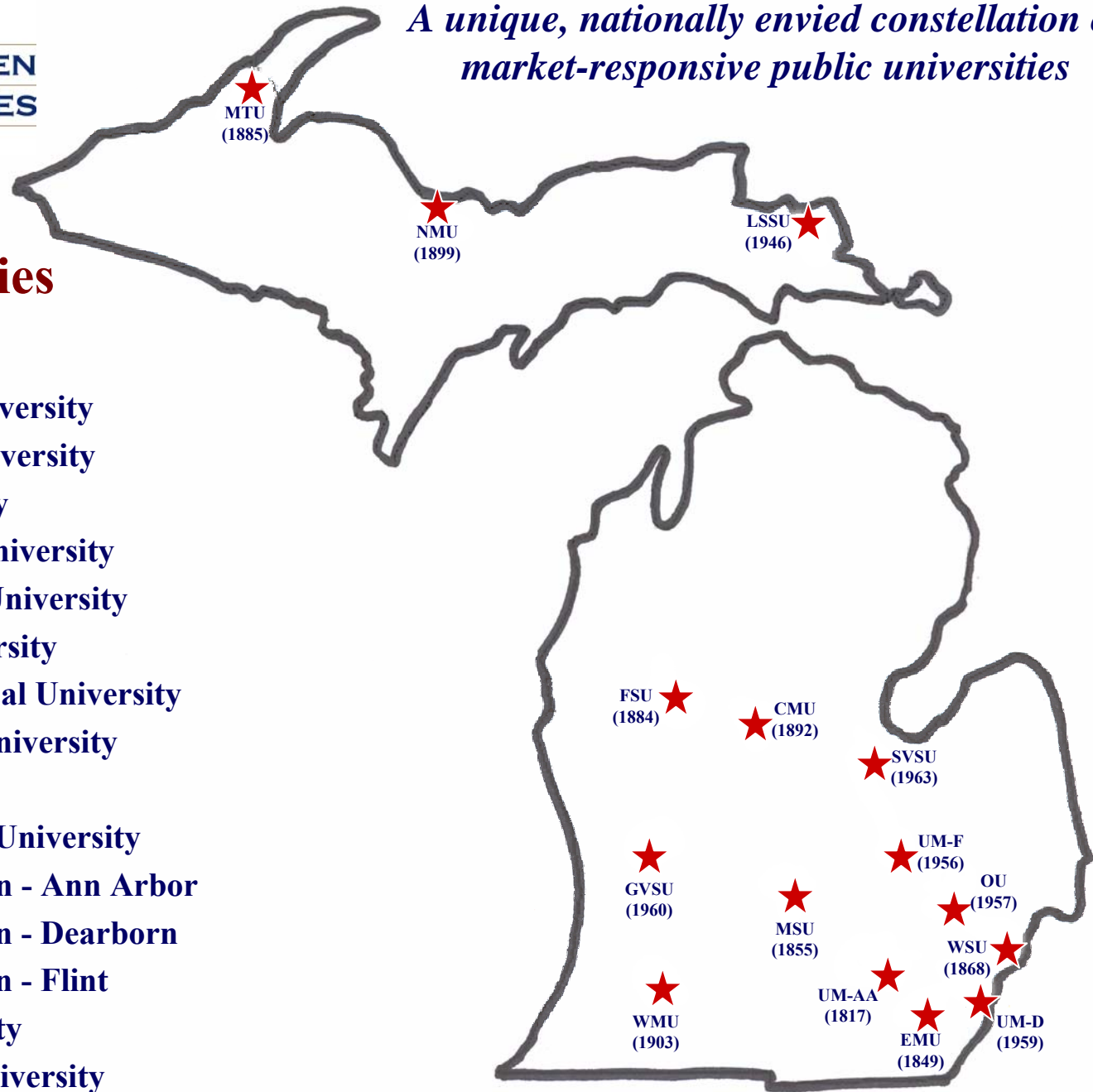




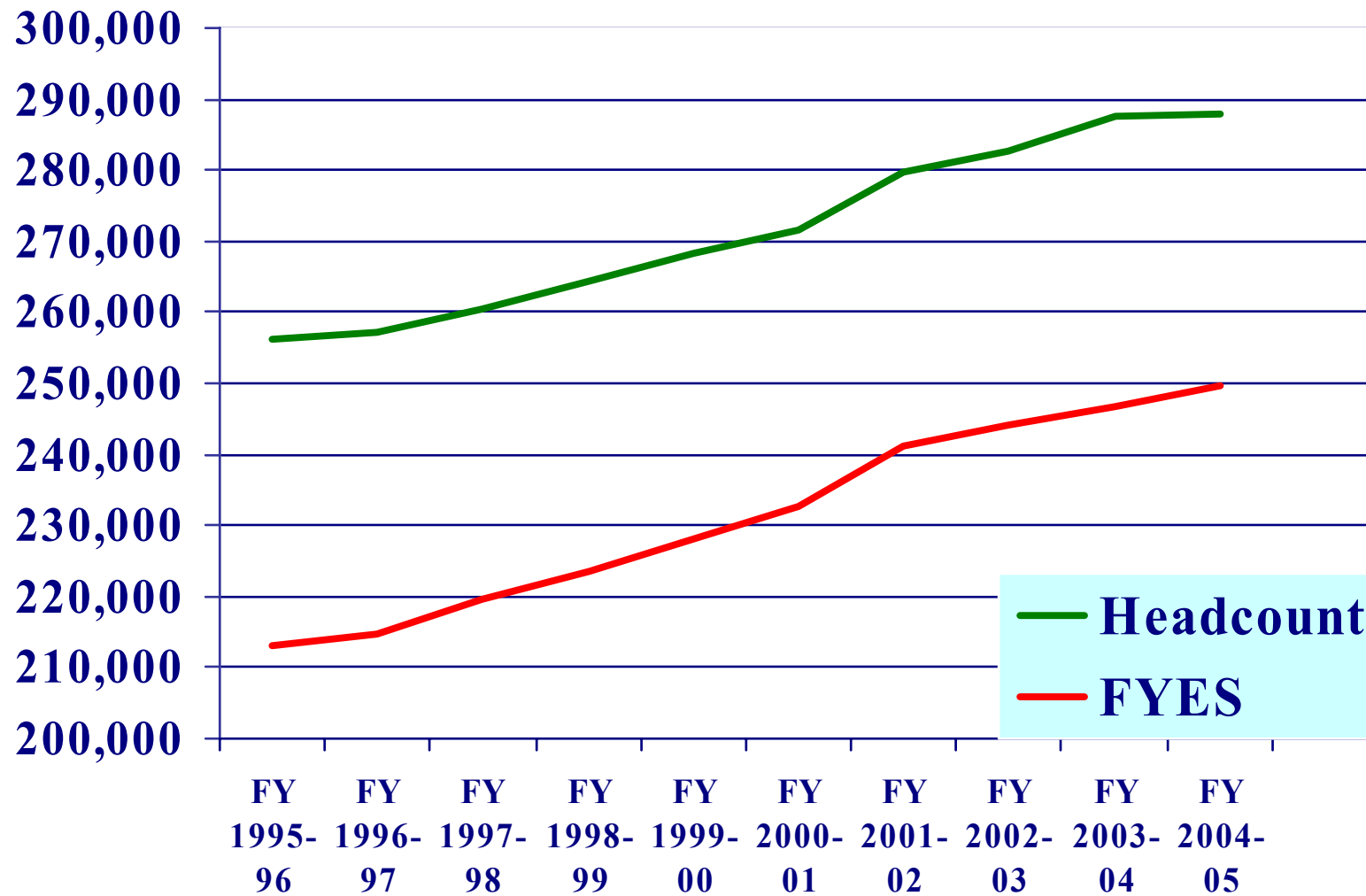
*A unique, nationally envied constellation of market-responsive public universities*

## State Universities of Michigan

- Central Michigan University
- Eastern Michigan University
- Ferris State University
- Grand Valley State University
- Lake Superior State University
- Michigan State University
- Michigan Technological University
- Northern Michigan University
- Oakland University
- Saginaw Valley State University
- University of Michigan - Ann Arbor
- University of Michigan - Dearborn
- University of Michigan - Flint
- Wayne State University
- Western Michigan University



# Enrollment at Michigan's Public Universities: *9 straight years of increases*



# The Investment Payoff

## Public

### Economic

Increased Tax Revenues  
Greater Productivity  
Increased Workforce Flexibility  
Decreased Reliance on  
Government Financial Support

### Social

Reduced Crime Rates  
Increased Charitable  
Giving/Community Service  
Increased Quality of Civic Life  
Social Cohesion/Appreciation of  
Diversity  
Improved Ability to Adapt to  
and Use Technology

## Private

Higher Salaries and Benefits  
Employment  
Higher Savings Levels  
Improved Working Conditions  
Personal/Professional Mobility

Improved Health/Life Expectancy  
Improved Quality of Life for Offspring  
Better Consumer Decision Making  
Increased Personal Status  
More Hobbies, Leisure Activities

*Source: Institute for Higher Education Policy*

# Universities' Contribution to Economic Development

*Are tangible, and come in many forms....*

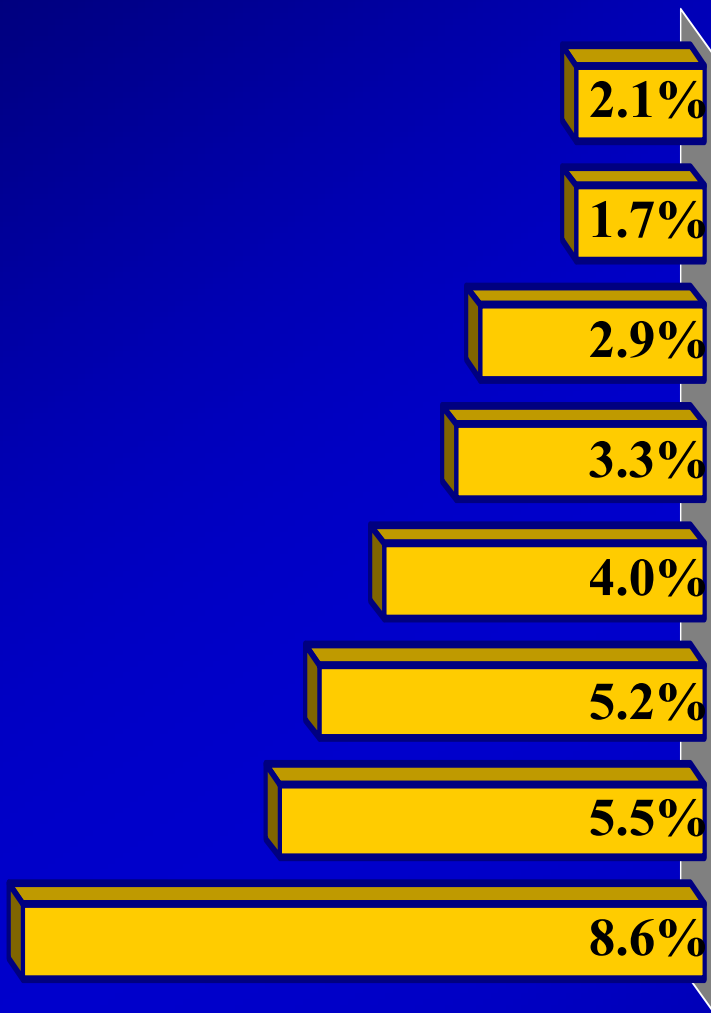


- **Michigan public university graduates: the foundation of a strong economy**
  - 1.8 million living alumni / 1.1 million living in MI
- **Technology transfer– commercialization of research**
  - **FY 2005: Company start-ups in MI 20, Licensing agreements 162, invention disclosures 536**
- **Social/Health/Economic research**
  - **\$1.29 Billion in Research & Development Expenditures in FY 2003**
- **Employee salaries**

# The Education Premium

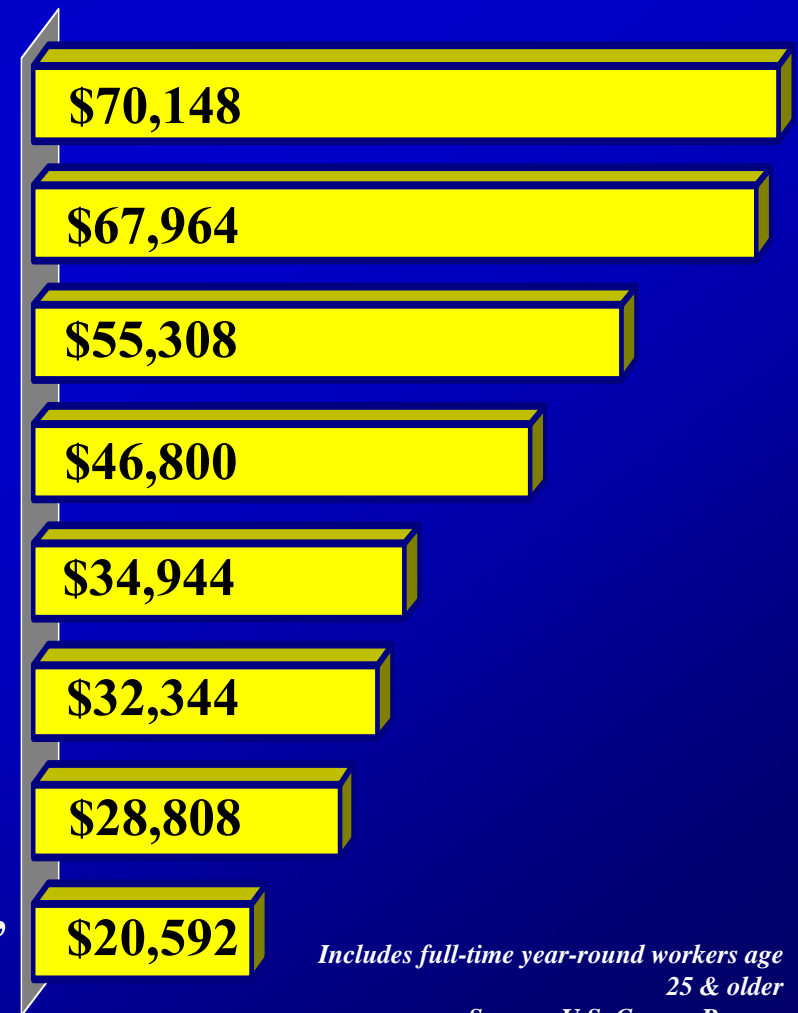
*More Education = More Earnings = Lower Unemployment*

## Unemployment Rate in 2004



Doctorate degree  
Professional degree  
Master's degree  
Bachelor's degree  
Associate's degree  
Some college, no degree  
High school diploma  
Some high school, no diploma

## Median Earnings in 2004

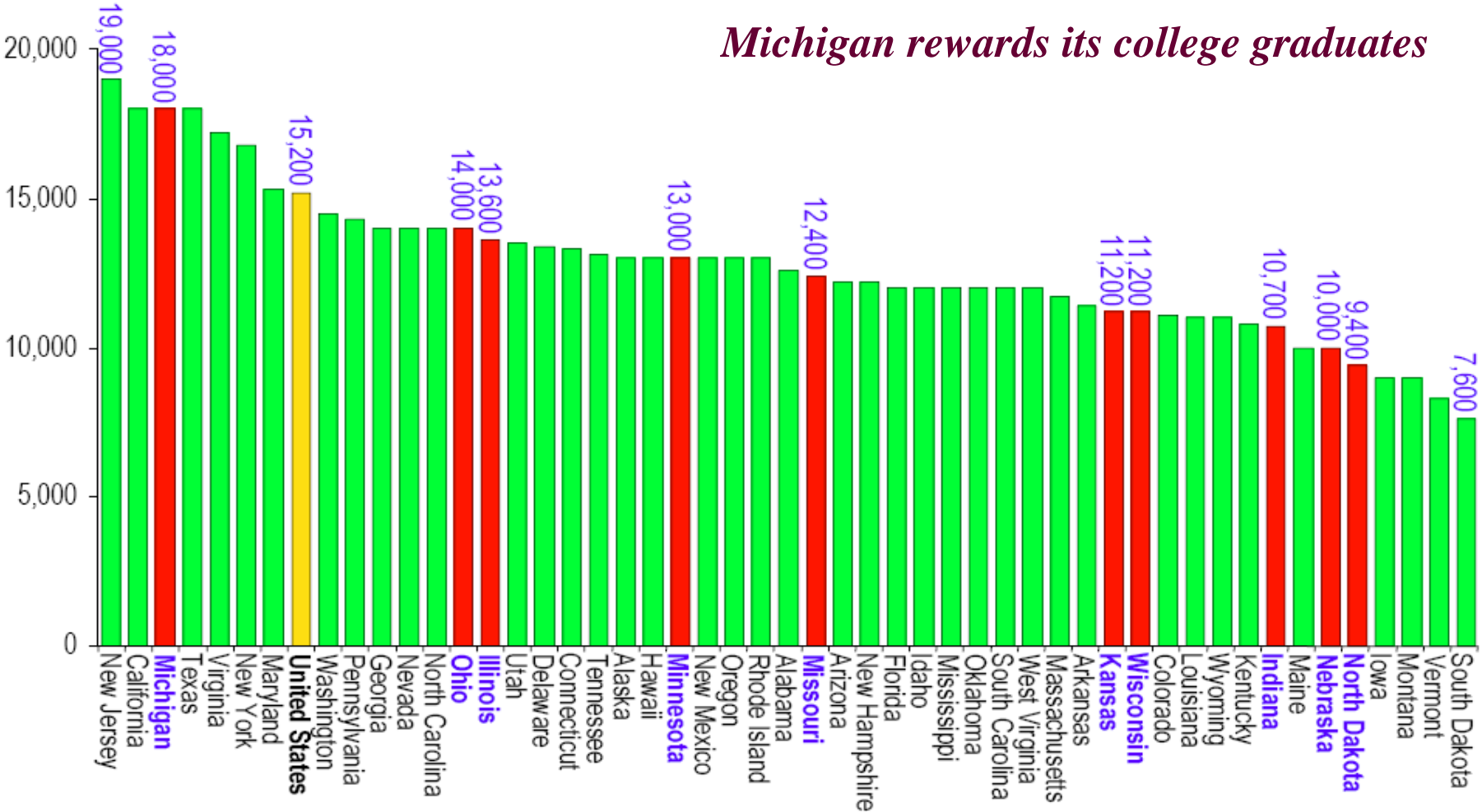


*Includes full-time year-round workers age 25 & older*

*Source: U.S. Census Bureau*

# Difference in Median Earnings Between a High School Diploma and a Bachelor's Degree

*Michigan rewards its college graduates*



Source: U.S. Census Bureau's Public Use Samples, based on 2000 census



# Higher Education: A Good Investment for the State

- **\$1.5 billion:** The State's investment in higher ed
- **\$39 billion:** Resulting economic impact
- **12.6%:** Proportion of Michigan's gross state product from investment in higher education

*No other public investment realizes such a high rate of return.*

*- SRI International (study coordinators)*

## The Economic Impact of Michigan's Public Universities



SRI Project#: PDH 02-019



May 2002

# Too much leakage in Michigan's Educational Pipeline



In Michigan, for every 100 ninth grade students ...



... 70 students graduate from high school four years later.



... 41 students immediately enter college.



... 29 students are still enrolled in their second year.



... 18 students graduate with either an associate's degree within three years or a bachelor's degree within six years.

*Source: National Center for  
Public Policy and Higher  
Education*

# The Issue of College Completion

## Why completion rates are low

- Poor tracking system
- Academic preparedness of high school graduates
- Institutional missions
- Non-traditional students
- Working students
- Semester abroad programs
- College transfer



# Academic Intensity Pays Off

- **The rigor of a student's high school curriculum is the strongest indicator of whether he or she will earn a college degree, regardless of major**
- **The “academic intensity” of students' high-school courses played a larger role than did their grades and standardized test scores**



*“The Toolbox Revisited: Paths to Degree Completion from High School Through College*

*- U.S. Dept. of Education, Released Feb. 2006*

# Michigan's Human Capital Economy in 2004

## Educational Attainment of Michigan's Citizens (Age 25 and over)

	High School or More	Bachelor's or More	
United States	85.2%	27.7%	A difference of 211,548 people (3.3% of Michigan population over the age of 25)
MICHIGAN	86.5%	24.4%	

*Michigan must address this gap in order to boost our competitive  
workforce advantage*

Source: U.S. Census Bureau  
Annual Demographic Supplement to the Current Population Survey

# Cherry Commission on Higher Education and Economic Growth

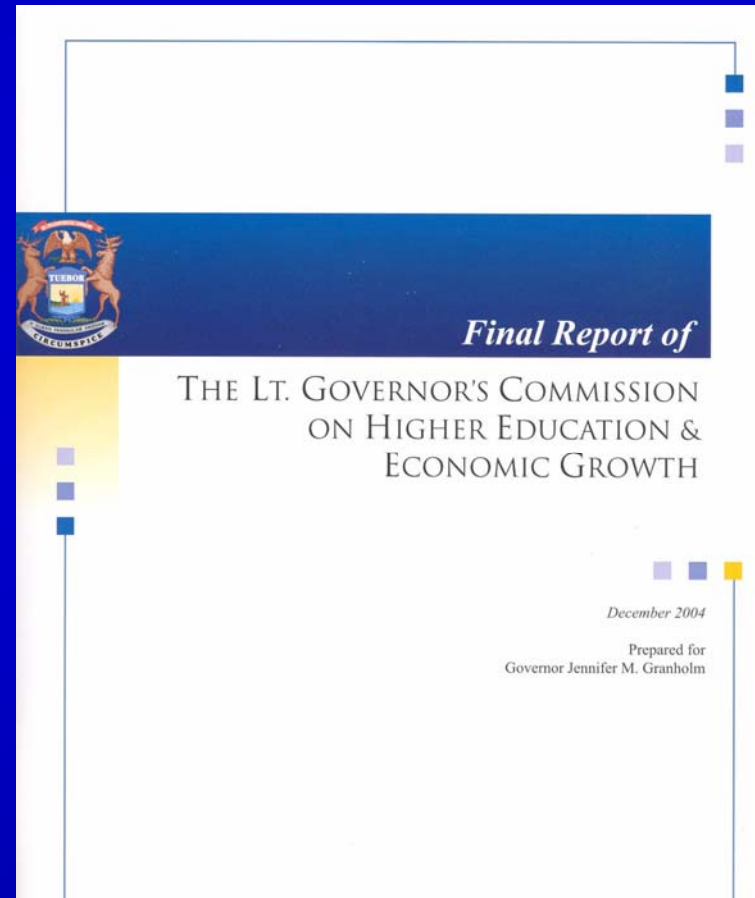
19 recommendations made

Some great successes to date:

- Establishment of a new high school assessment – MEAP to ACT
- New high school graduation requirements

*“There’s not an issue more basic or important to Michigan’s future”*

- Lt. Gov. John Cherry



[www.cherrycommission.org](http://www.cherrycommission.org)

# Primary Sources of Revenue

- Annual appropriations from the state
  - Tuition and fees
- } **General Fund**
- Research related grants and contracts
  - Auxiliary enterprises (housing, dining, athletics, etc.)
  - Contributions, grants
- } **Non-General Fund**

# Primary Expenditures

- **Employee salaries, health care, and retirement contributions**
  - **By far the largest component of every university's budget**
  - **Majority of payroll supports instruction and academic support**
- **Operations (utilities, infrastructure, etc.)**
- **Institutional student financial aid**



# Funding of Capital Projects at Michigan's Public Universities

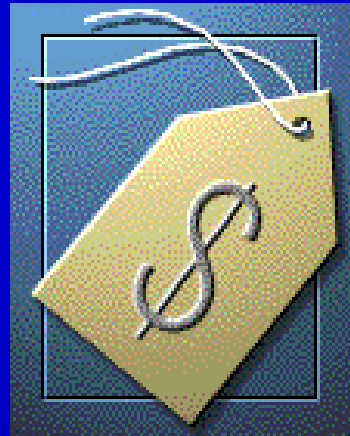
- Pre-1980:** Capital outlay from state was direct appropriation, included operations funding
- 1980s:** Capital outlay from bonding proceeds
- 1990s:** New building operating funding eliminated, now come from general fund
- Now:** 25% match from universities on all new state-sponsored buildings



# Strains on University Budgets

## External

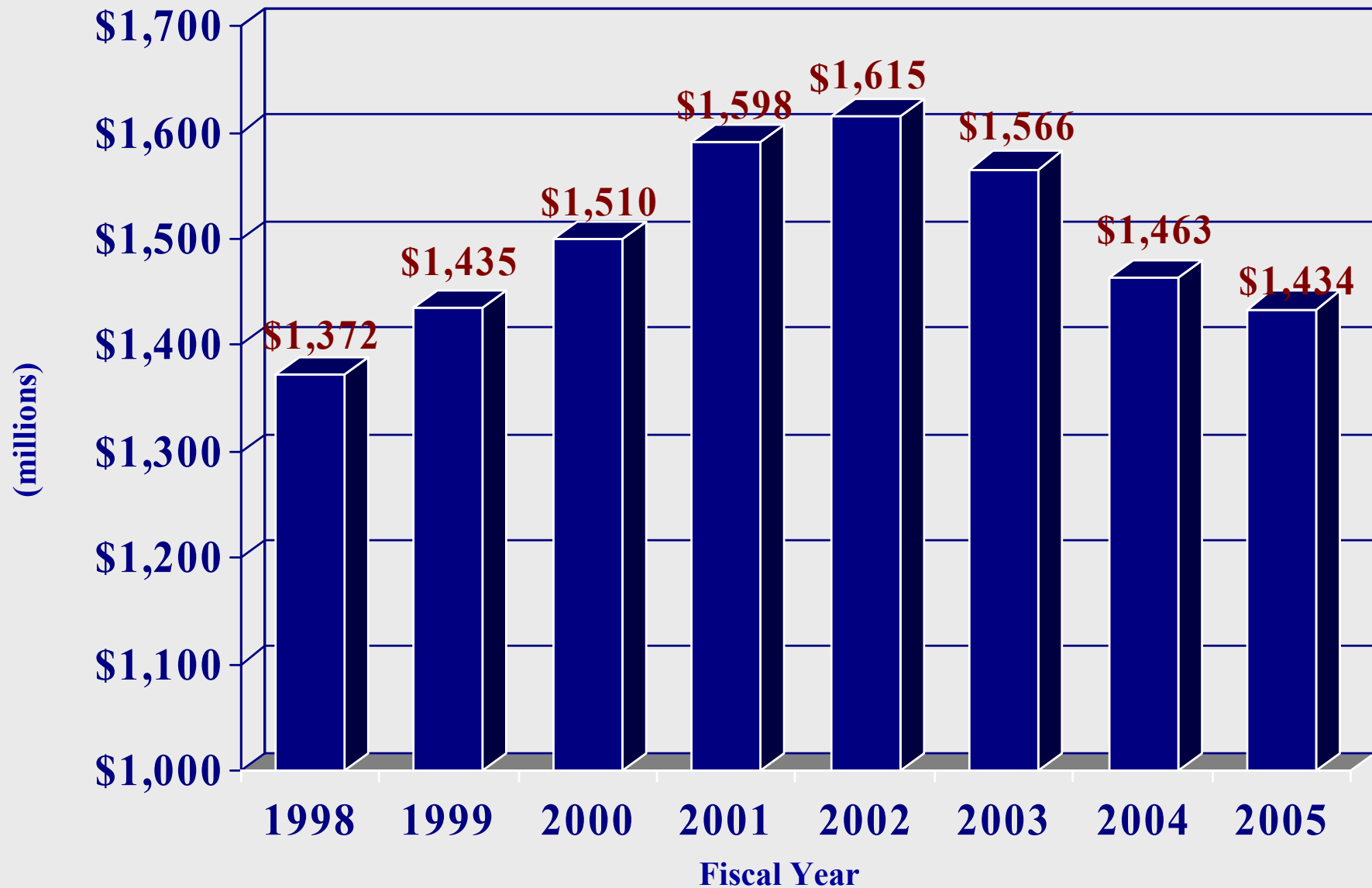
- **Increasing enrollment**
- **Decreasing state appropriations**
- **Security**
- **Rising costs**
  - Health care
  - Pensions
  - Energy



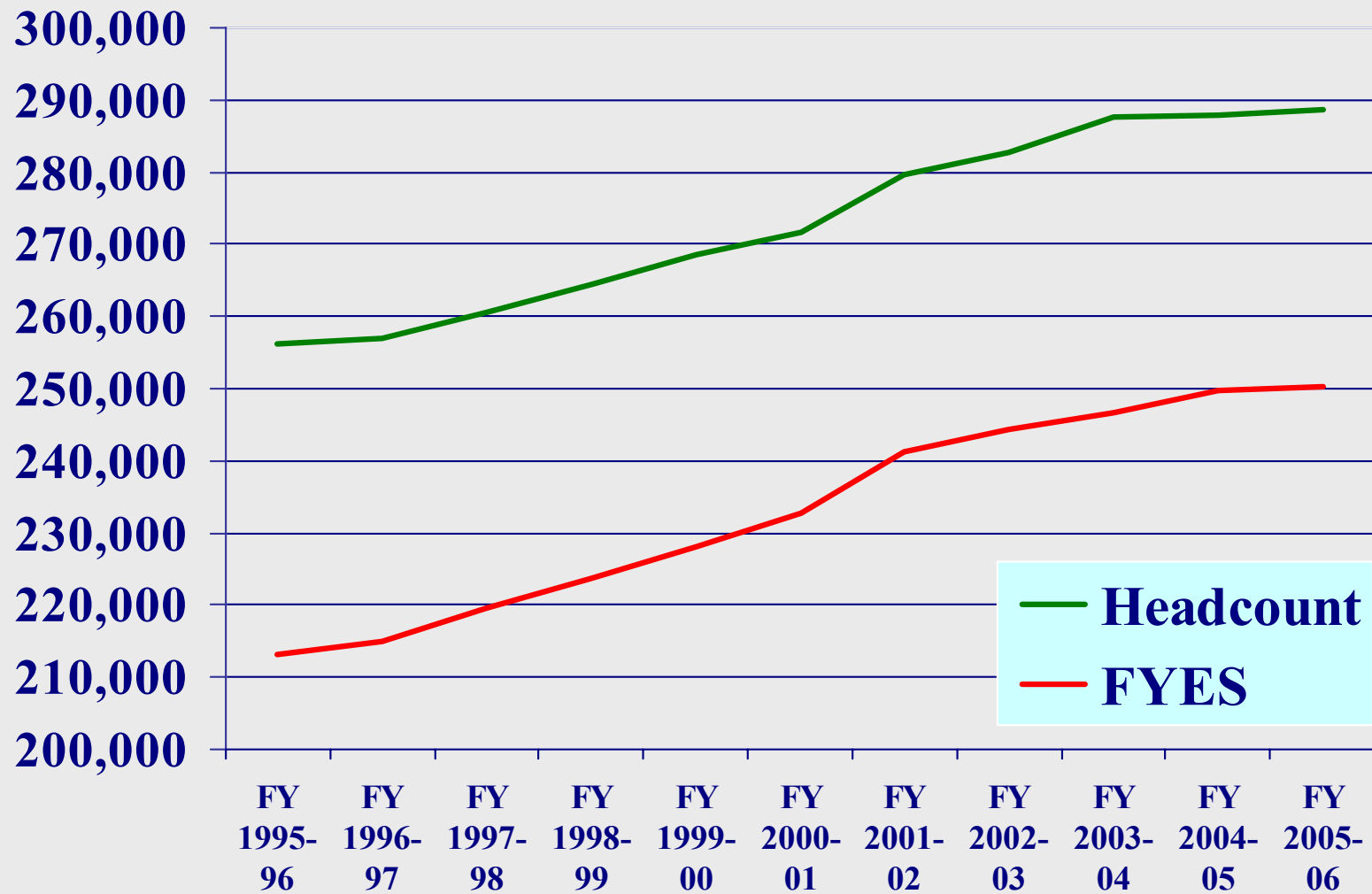
## Internal

- **Emphasis on quality programs**
  - Good facilities
  - Top professors
- **High-cost programs**
  - Engineering
  - Health professions
  - Applied technologies
- **Deferred maintenance on very old buildings**
- **Information technology**
  - Hardware
  - Software
  - Training

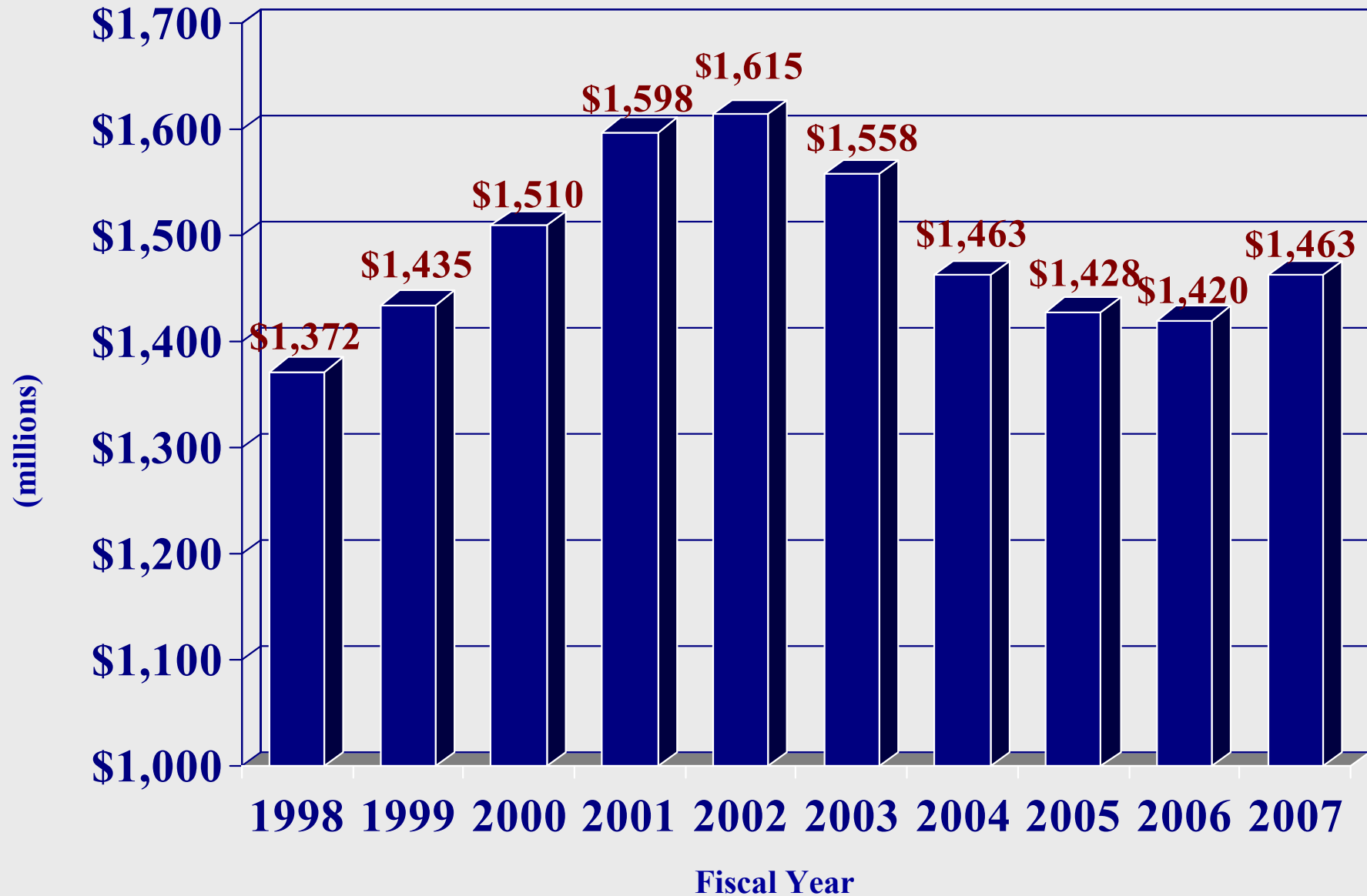
# State Appropriations to Michigan's Public Universities



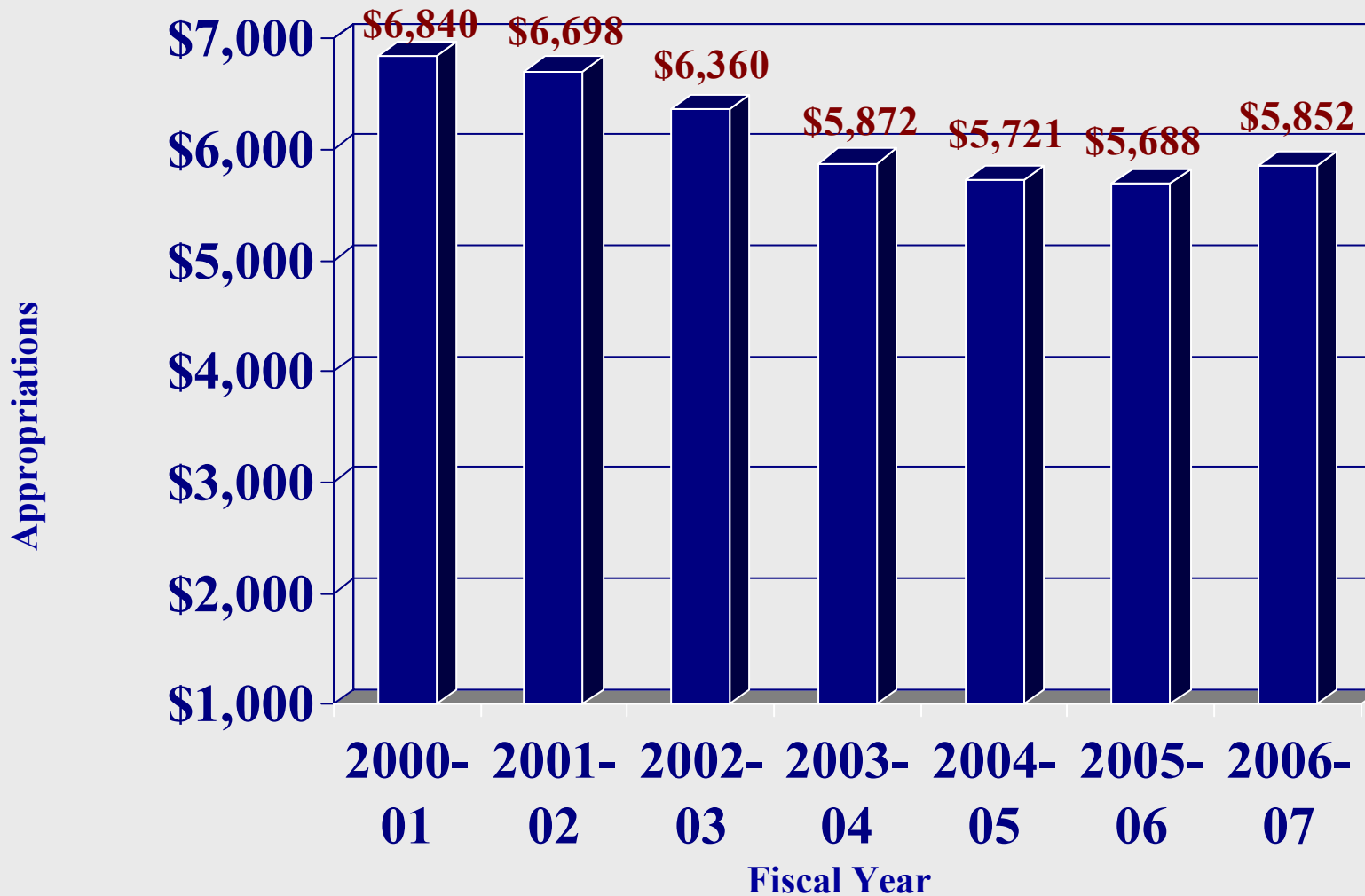
# Enrollment at Michigan's Public Universities: *10 straight years of increases*



# State Appropriations to Michigan's Public Universities



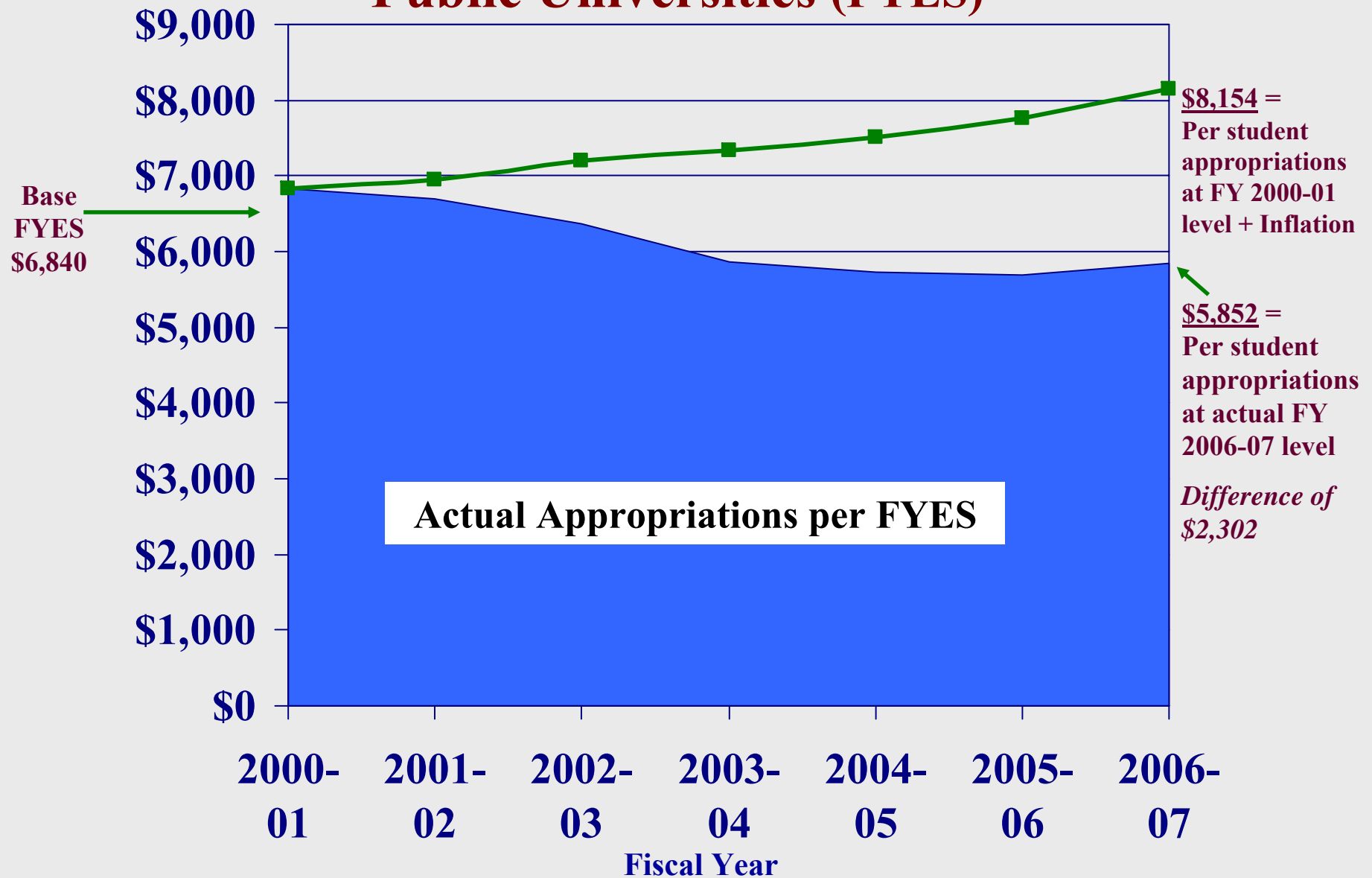
## State Appropriations Per Student at Michigan's Public Universities (FYES)



*Reduced appropriations, combined with increasing enrollments, has required universities to stretch their dollars further*

Source: HFA & Presidents Council

# State Appropriations Per Student at Michigan's Public Universities (FYES)

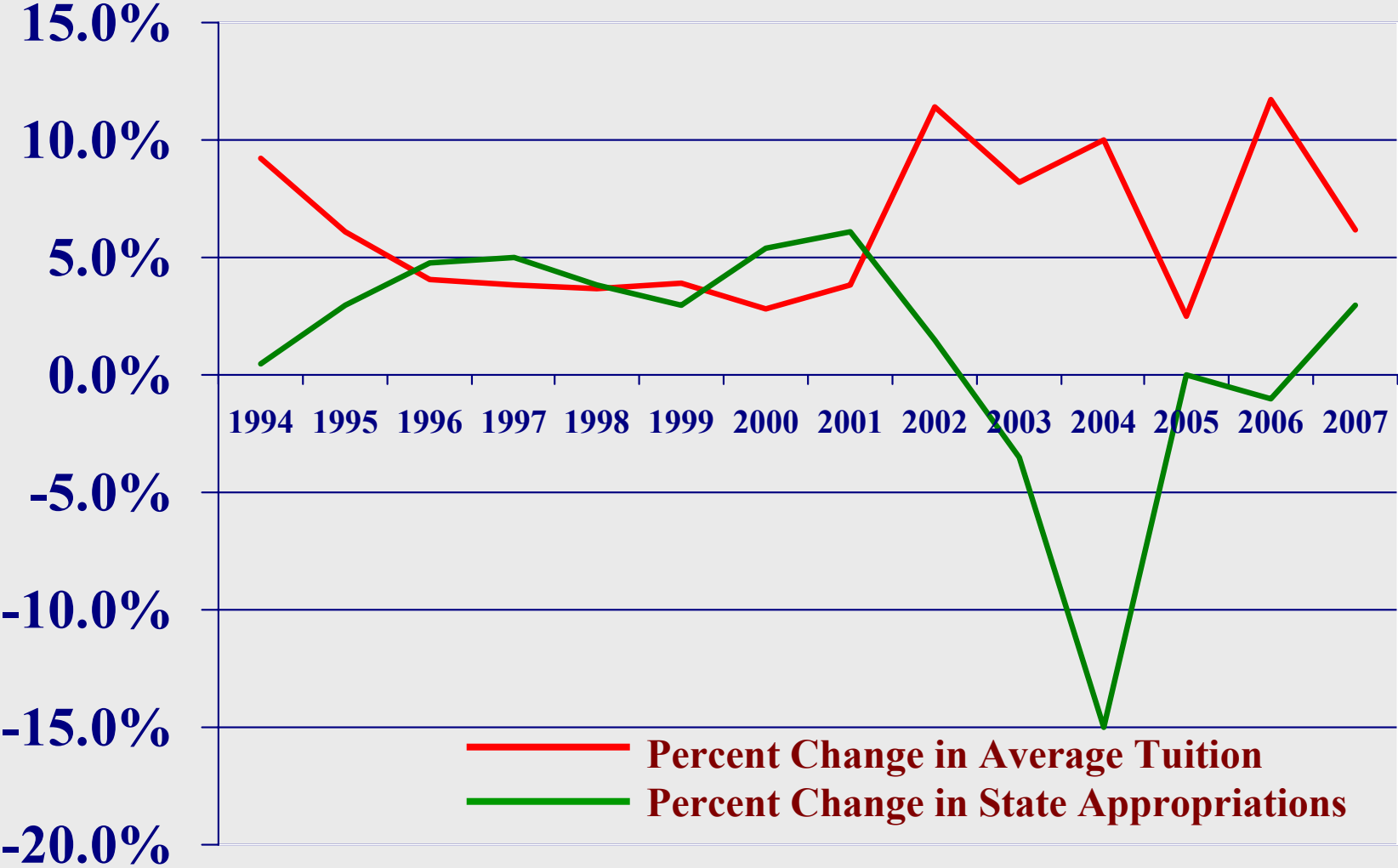


*State support decreases combined with enrollment increases have resulted in per-student appropriations falling far behind inflation*

# Per-student state appropriations plummeting at Michigan 15 public universities

<b>University</b>	<b>Percent change in per student appropriation, 2000-2005</b>	<b>Percent change in per student appropriation, adjusted for inflation, 2000-2005</b>
<b>Central Michigan University</b>	<b>-20.31%</b>	<b>-31.31%</b>
<b>Eastern Michigan University</b>	<b>-17.56</b>	<b>-28.56</b>
<b>Ferris State University</b>	<b>-22.60</b>	<b>-33.60</b>
<b>Grand Valley State University</b>	<b>-23.84</b>	<b>-34.84</b>
<b>Lake Superior State University</b>	<b>-12.19</b>	<b>-23.19</b>
<b>Michigan State University</b>	<b>-29.46</b>	<b>-40.46</b>
<b>Michigan Technological Univ.</b>	<b>-9.61</b>	<b>-20.61</b>
<b>Northern Michigan University</b>	<b>-22.35</b>	<b>-33.35</b>
<b>Oakland University</b>	<b>-21.88</b>	<b>-32.88</b>
<b>Saginaw Valley State University</b>	<b>-19.87</b>	<b>-30.87</b>
<b>University of Michigan</b>	<b>-15.06</b>	<b>-26.06</b>
<b>University of Michigan – Dearborn</b>	<b>-20.18</b>	<b>-31.18</b>
<b>University of Michigan – Flint</b>	<b>-9.31</b>	<b>-20.31</b>
<b>Wayne State University</b>	<b>-12.28</b>	<b>-23.28</b>
<b>Western Michigan University</b>	<b>-23.95</b>	<b>-34.95</b>

# The Inverse Relationship Between State Appropriations and Tuition Charges

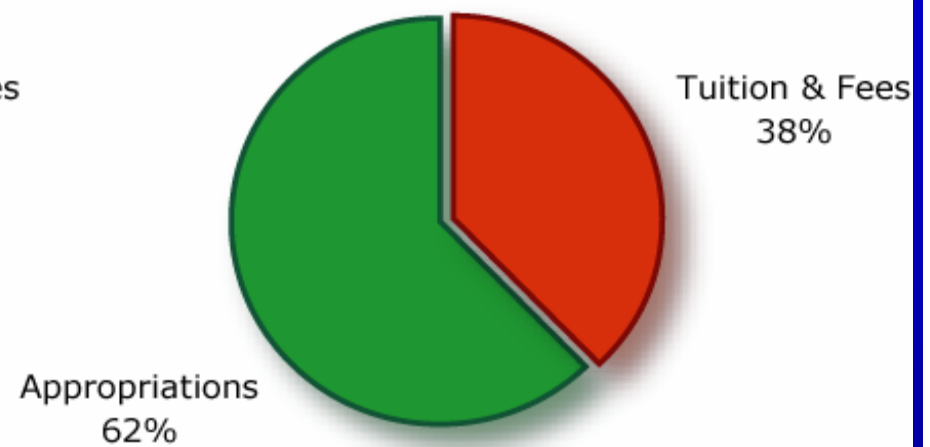


# Sources of General Fund Operating Revenues Michigan Public Universities

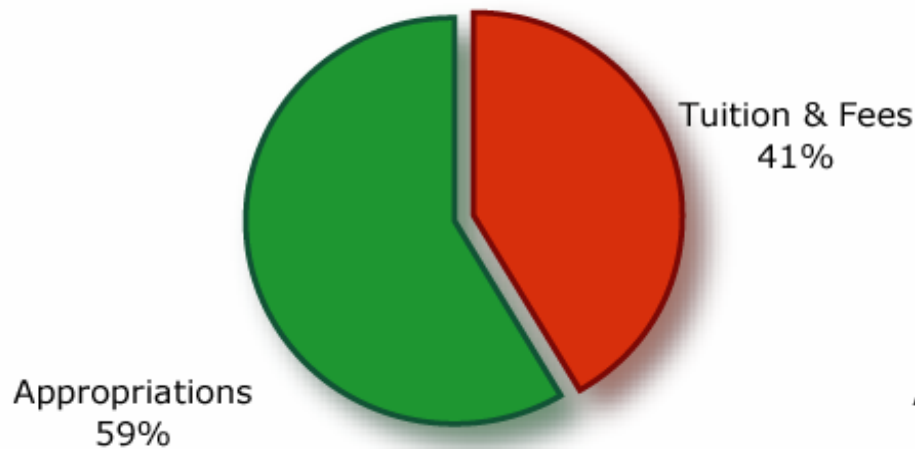
1972-73



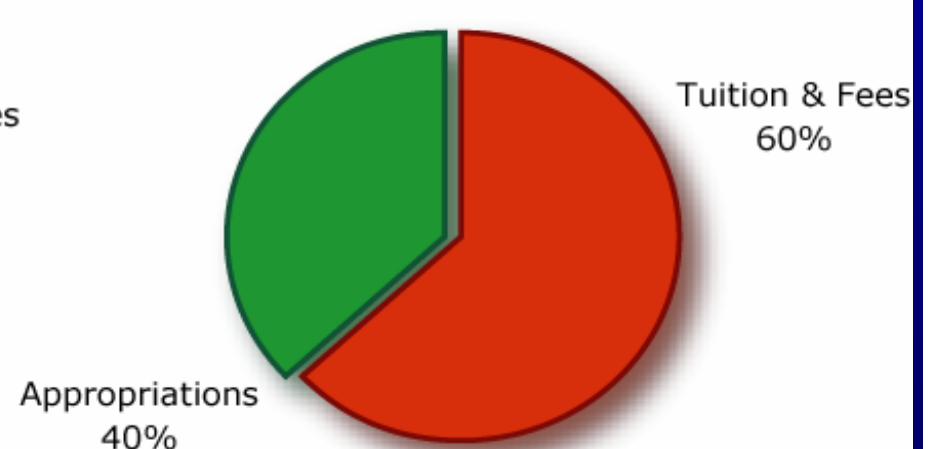
1982-83



1992-93



2005-06



# Michigan Higher Education's Share of State Resources: The Second Lowest Increase from 1980 - 2000

Growth in Adjusted Gross Appropriations by Major Program Area  
(percentage change increase)

Corrections	627%
K-12 education	475%
Agriculture and natural resources	270%
Capital outlay	259%
Economic development & regulatory	215%
Transportation	204%
Public safety	201%
Human services support	173%
Revenue sharing	159%
Higher education	146%
General government operations	68%
<i>Total appropriations</i>	<i>243%</i>

# Putting College Costs in Perspective

The value of a college degree *appreciates* remarkably, resulting in increased earnings, employment opportunities, & flexibility.

The more postsecondary education one has, the greater the payback.



**\$28,884**

**The cost of a college degree  
from a Michigan Public  
University**

(based on averages of fall 2006 tuition rates)



**\$28,540**

**The cost of a 2007  
Chevy Impala SS**

# Tuition: What Students & Families are Actually Paying on Average

## All Michigan Public Universities

**Average Sticker Price \$5,570**

**- Need-based Aid - \$1,013**

**- Merit-based Aid - \$1,494**

**- Work-Study Aid - \$96**

**- Federal tax credit - \$471**

***Net Tuition/Actual Price \$2,495***

For the 2002-2003 school year, students paid on average 45% of the sticker price of tuition, down from 60% in 1997-98.

*Source: Presidents Council*

# Tuition Increases Across the Country Outpace Michigan 2003 - 2006

## Fall 2006 Tuition Increases

National average for public universities: +6.3%

Michigan public universities: +6.2%

## Fall 2005 Tuition Increases

National average for public universities: +7.0%

Michigan public universities: +11.7%

## Fall 2004 Tuition Increases

National average for public universities: +10.5%

Michigan public universities: +2.8%

## Fall 2003 Tuition Increases

National average for public universities: +14.1%

Michigan public universities: +10.3%

Over the past four years, Michigan's public universities as a collective have kept their tuition increases 7% below those of all public universities nationally.

*Source: College Board & Presidents Council*

# Michigan's Public Universities: Exercising Fiscal Responsibility

- **Economic downturn has resulted in cuts at all institutions**
- **Most public universities experienced 12% State funding cut over last five years**
- **Collective staff reductions: 2,000 full time employees (FTEs) over past four years**
- **Collective budget reductions: \$250 million**



# **Fiscal Responsibility – Operational Efficiencies**

**In addition to staff reductions, many other efficiencies have been achieved**

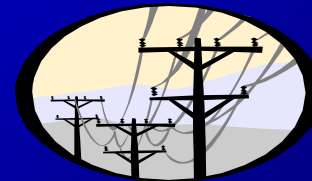
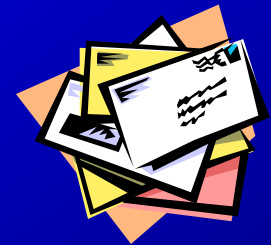
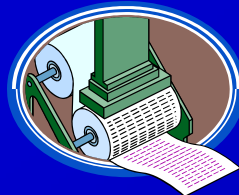
- Technology-facilitated efficiencies**
- Outsourcing of non-core activities**
- Review and incorporation of best practices**
- Redesign of health care plans**

## **Some Examples**

- MTU: implemented new medical insurance program for employees**
- GVSU: purchased natural gas through long-term contracts, avoiding spikes**
- SVSU: realigned custodial/maintenance resources, resulting in no related cost increases in bringing online 300,000 square feet in new facilities**

# Fiscal Responsibility – State of Michigan/Higher Education Purchasing Consortium

- Joint initiative among universities & State
- Group purchasing agreements in place
  - Printing
  - Postage
  - Fleet management
  - Travel
  - Utilities; gas and electricity



# Putting College Costs in Perspective

The REAL COST of college tuition for the *average* Michigan public university student decreased \$358 from 1997-98 to the 2002-03 school year, as increasing scholarships, grants and tuition tax credits have more than outpaced tuition increases after inflation



**\$22,280**

**The cost of a college degree  
from a Michigan Public  
University**

*(based on averages of fall 2004 tuition rates)*



**\$23,010**

**The cost of a 2005  
Chevy Impala**

*Sources: Presidents Council Commissioned Study: Best Approximation of Resident Undergraduate  
“Net Tuition Costs” for the period of FY 1998 through FY 2003.*

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***Net Tuition/Actual Price \$2,495***

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*Source: Presidents Council*

# Current Issues

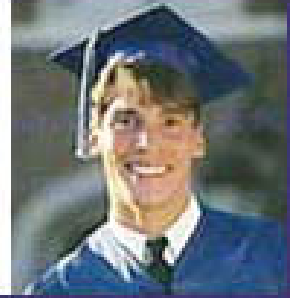
being addressed by Michigan's Public Universities

- **Maintaining current quality levels**
- **Maintaining accessibility and affordability**
- **Training knowledge workers; stemming job losses**
- **Increasing college preparation, participation, retention and completion rates**
- **Replacing retiring faculty**
- **Reversing the trend in state support of higher education - Public good vs. private good**
- **Competition in the national marketplace**
  - 4,197 colleges in the U.S.
- **Maintaining/refurbishing aging facilities**



# PRESIDENTS COUNCIL

State Universities of Michigan



## Michigan's 15 Public Universities



MICHIGAN STATE UNIVERSITY



MichiganTech



UNIVERSITY OF MICHIGAN



UNIVERSITY OF MICHIGAN-DEARBORN



FERRIS STATE UNIVERSITY

WAYNE STATE UNIVERSITY

WESTERN MICHIGAN UNIVERSITY

EASTERN MICHIGAN UNIVERSITY