

Michigan Resident Undergraduate Net Tuition: FY2007 - FY2010

Presidents Council, State Universities of Michigan

Patricia L. Farrell, Ph.D., PCSUM
Ruth Kallio, Ph.D., University of Michigan-Ann Arbor
Chris Scanlon, M.A., PCSUM
Reese Havlatka, M.A., PCSUM

Summer 2011

Over the past decade (2000-01 to 2010-11), the published tuition and fees at public four-year universities has increased at an average rate of 5.6 percent per year beyond the rate of general inflation (College Board, 2010). However, the published tuition and fees do not reflect the prices most students ultimately pay. The net price, or the amount actually paid by students for tuition and fees, is most significant with respect to college access and affordability. Net price is calculated as the average price paid by all full-time students, both those individuals who do and do not receive financial aid, after subtracting aid from any type of grants, federal tax credits and deductions (College Board, 2010). Calculating the net tuition figure most directly impacts those funding a student's college education, as the figure indicates true out-of-pocket expense.

The purpose of this report is to compare funding and net tuition trends at public four-year institutions in the state of Michigan with national trends in funding and net tuition. Data from Fiscal Year (FY) 2007 through FY2010 are presented for the fifteen public universities in Michigan, offering a longitudinal perspective of the net tuition rates in the state.

Methodology

The methodology of this study seeks to replicate a 2004 net tuition study conducted for the fifteen public four-year universities in Michigan. The 2004 and 2011 studies used the Higher Education Institutional Data Inventory (HEIDI). HEIDI is used by Michigan public universities to report financial and student information to the State of Michigan. The data is used by state universities for planning and evaluation and to assist state policy makers in their decision-making processes.

The 2004 study covered FY1998 through FY2003; the current study covers FY2007 through FY2010. The fiscal years between FY2003 and FY2006 were not calculated because the HEIDI data collection criteria changed, providing us with more accurate financial aid data in

FY2007 and beyond. Previously, expenditures in financial aid were split out by *Type of Aid* (Need-based grants, Merit Scholarships, Loans and Work-Study) and did not take into consideration where the aid came from. Starting in FY2007, institutions began reporting by *Source of Aid* (Federal, State of Michigan, Institutional General Fund, Institutional Restricted Fund, and Private/Endowments) as well as by *Type of Aid* (Need, Merit, Loans, and Work-Study).

The net undergraduate tuition/fee rate was calculated as follows:

$$\text{Net Undergraduate Tuition/Fee Rate} = \frac{\text{Nominal undergraduate tuition/fee rate} - \text{Per-resident undergraduate grants/scholarships/work study} - \text{Per-resident undergraduate federal education tax credit}}{\text{Per-resident undergraduate federal education tax credit}}$$

1. *Nominal Undergraduate Tuition/Fee Rate* – Resident undergraduate fiscal year equated student (FYES) data were pulled from the HEIDI summary reports by institution and for each undergraduate class (FR, SO, JR, SR and TOTAL). FYES is calculated by taking the number of credits hours for a student by FR, SO, JR, or SR, and dividing it by 30. Next, resident undergraduate tuition and fee rates by undergraduate class were retrieved from the HEIDI summary reports and the resident undergraduate tuition revenue were calculated for each university and class standing. The *nominal resident undergraduate tuition/fee rate* was calculated based on the total tuition/fee weighted average for the fifteen universities divided by total resident undergraduate weighted FYES for the fifteen universities.

2. *Per Resident Undergraduate Grants/Scholarships/Work Study* – The financial aid data for each university was retrieved from the HEIDI Survey Collection tool. For this study, the Net Price Tuition/Fee was calculated for FY2007, FY2008, FY2009 and FY2010. In the previous study, net price tuition/fee was determined for FY1998 to FY2003. The years FY2004 to FY2006 were not calculated for this study because starting in FY2007 the universities started submitting more in-depth financial aid data – number of students receiving the aid and the total dollar amount for that aid – for HEIDI as shown in the example table below.

	Type of Aid							
	Gift Aid							
	Need Based Grants		Merit Scholarships		Loans		Work Study	
Source of Aid	#	\$	#	\$	#	\$	#	%
<i>Federal</i>								
<i>State of Michigan</i>								
<i>Institutional General Fund</i>								
<i>Institutional Restricted Fund</i>								
<i>Private/Endowment</i>								

The financial aid data was calculated by adding the gift aid columns (need-based grants and merit scholarships) and work study for each source of aid and institution. Federal, Institutional General and Restricted Funds, and Private/Endowments sources of aid (in italics) were added together and then divided by the FYES total (resident and non-resident) because the data for the FYES sources of aid are not separated out by resident and non-resident student. Financial aid from the state of Michigan was then separated from the other sources of aid because state aid is only offered to in-

state students. The Michigan aid was summed for the fifteen public universities and then divided by resident FYES.

3. *Per-Resident Undergraduate Federal Education Tax Credit/Deduction* – The last piece of data in the Net Undergraduate Tuition/Fee Rate calculation to consider is the Federal tax credits and deductions. In 2008, the Internal Revenue Service (IRS) granted about \$5.3 billion in Hope and Lifetime Learning tax credits to parents and students (College Board, 2008). Federal tax credits are included in the formula because they cover only tuition and fees. In 2009, federal education tax credits also took into account expenses for course materials. However, the latest IRS tax credits are for 2008 and the average was \$488 per tax return. In FY2003 the average for Federal education tax credit was \$471.

Findings and Discussion

Policymakers and researchers share the concerns that college freshmen have about being able to finance their education (Wei, 2010). In the Higher Education Opportunity Act of 2008, Congress mandated a host of price-related measures including institutional net price calculators on college web sites and reporting of net price data to the U.S. Department of Education (Institute for Education Sciences, 2010, December). For the 2010-2011 academic year, the national average published price of public four-year in-state tuition was \$7,605 (College Board, 2010). In the Midwest, average tuition and fee charges by public four-year universities were \$8,461. Currently, about one-third of full-time undergraduate students pay for college without the assistance of grant aid, though some do receive federal tax credits and deductions to help

cover their expenses (College Board, 2010). In 2010, full-time students received an estimated average of \$6,100 in grant aid from all sources, including federal tax benefits.

Even accounting for inflation, the national average net tuition is decreasing because grant aid, particularly at the federal level, has increased. The Federal Pell Grant, which is the single largest source of federal grant aid supporting undergraduate students, is based on a student's Expected Family Contribution, cost of attendance at the university, and number of credit hours, can be awarded to resident and nonresident students. Thus, Federal grants are often cited (College Board, 2010; College Board, 2010; Wei, 2010) as the major source of funding that has driven down net price even as published prices increase.

In addition, the number of eligible students has also increased because of the weakened economy and more students enrolling in college. The Pell program has grown from roughly 6 million students in 2008 to an anticipated 9.4 million students in 2012-13. In FY2010, the Pell Grant program provided over \$33 billion to approximately 8.7 million students (Mahan, 2011).

As for Michigan public four-year universities, financial aid is one of the fastest growing "cost factors" in the university expenditures mix. These university-funded programs are especially helpful given the cancellation by the state of the Promise Grant and near-elimination of the State Competitive Scholarship. A report from the National Association of State Student Grant and Aid Programs shows that between 2008-09 and 2009-10 (NASSGAP, 2011), Michigan had the largest loss of state financial aid – a 71.7 percent cut – due largely to the loss of the Michigan Promise Grant, but also to other financial aid eliminations. Even worse, over a 10-year period (1999-00 to 2009-10) Michigan again endured the largest loss of state financial aid among the 50 states and Puerto Rico – a 48.3 percent cut. Only three other states and Puerto

Rico incurred losses in state financial aid over that same time period. As for state financial aid dollars per estimated population, Michigan ranked 45th in 2009-10.

As of FY2010, Michigan has two grant programs: 1) Michigan Competitive Scholarship – a need and merit-based scholarship program for students attending public and private higher education institutions, and 2) Michigan Tuition Grant – a need-based grant for students attending private institutions. As of FY2011, 78.0% of the state financial aid went to students attending Michigan private institutions. Only 20.57% of the funding went to students attending the four-year universities.

The landscape for financial aid has changed drastically in Michigan and through the extensive efforts of our 15 public institutions to increase scholarship aid, universities have reduced the net cost of attendance to less than 50 percent.

The table below illustrates that the net tuition as a percentage of nominal tuition has increased slightly since FY2003. In FY2003, the percentage of “sticker price” paid was 45% and in FY2009 the percentage of sticker price was 56.1%. But, in FY2010 this percentage dropped to 49.5% because the nominal resident undergraduate tuition rate, which is based on enrollment by year enrolled, was lower by \$125.00 and need-based financial aid increased by 28.8%. In addition, Merit Aid decreased between FY2009 and FY2010 by 9.7%, primarily based on the State of Michigan defunding the Promise Grant. It is also important to note that institutional aid has increased to help offset the defunding of the Promise Grant.

FY2007 to FY2010 Best Approximation of Net Resident Undergraduate Tuition/Fees*
[in current dollars]

	FY2007	FY2008	FY2009	FY2010
Nominal Resident Undergraduate Tuition/Fee Rate (Enrollment-weight average)	\$7,650	\$8,409	\$9,786	\$9,661
Need-based Financial Aid (divided by Total Undergraduate FYES)**	\$1,446	\$1,626	\$1,833	\$2,573
Merit-based Financial Aid (divided by Total Undergraduate FYES)**	\$1,761	\$1,830	\$1,885	\$1,718
Work-Study Financial Aid (divided by Total Undergraduate FYES)**	\$74	\$86	\$90	\$95
Sub-Total Approximated Financial Aid for Resident Undergraduates	\$3,281	\$3,542	\$3,808	\$4,386
Federal Tax Credits and Deductions***	\$488	\$488	\$488	\$488
TOTAL Estimated Financial Aid & Federal Tax Credits/Deductions for Resident Undergraduates	\$3,769	\$4,030	\$4,296	\$4,874
Net Resident Undergraduate Tuition Rate [nominal less estimated aid and tax credits/deductions]	\$3,881	\$4,379	\$5,490	\$4,787
Percentage of “Sticker Price” Paid	50.7%	52.1%	56.1%	49.5%

* All data was compiled from HEIDI and includes General and Restricted Funds and Private/Endowment Funds

** HEIDI/IPEDS Financial Aid data includes resident and nonresident undergraduate aid.

*** The Federal Tax Credits and Deductions are for the calendar year, 2008

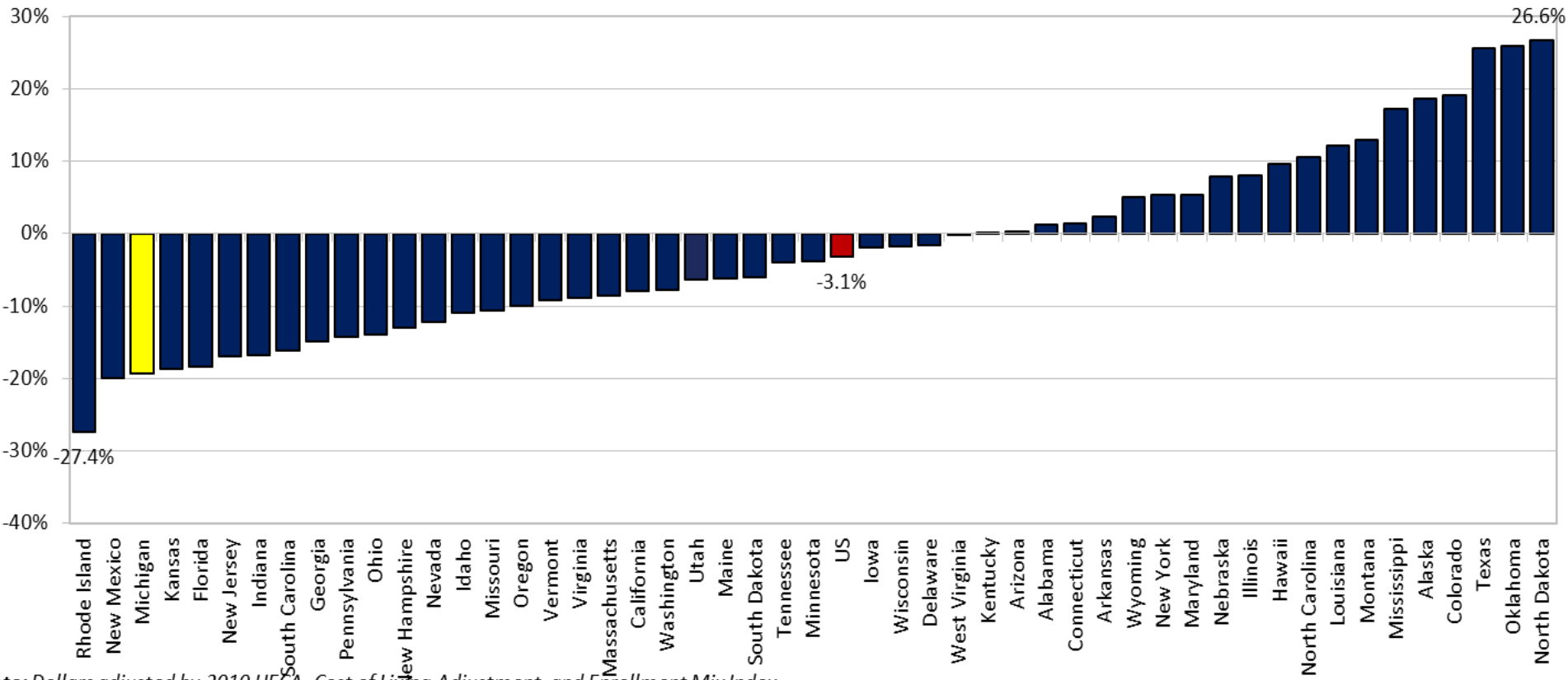
Conclusion

Michigan residents must understand how these facts and figures relate to the fifteen public four-year institution's options. In Michigan, there is significant attention paid to the appropriations allocated to the public institutions. From fiscal years 2005-2010, state appropriations per student in Michigan declined nearly 20 percent while the U.S. average showed a decrease of only 3.1 percent. Only two states – Rhode Island and New Mexico – in the U.S. had larger declines in state support per student (State Higher Education Executive Officers (SHEEO), 2011). As a result, Michigan public universities rely heavily on net tuition for operating revenue. In Michigan, net tuition appropriations comprise approximately 26% of institutional educational (MI House Fiscal Agency, 2011). Though Michigan public universities have seen some of the most dramatic cuts in appropriations while concurrently relying heavily on net tuition revenue, they have made only slightly above average increases in net tuition prices for students. While Michigan has comparably high net tuition revenue, the state has allocated less money than averaged (when compared nationally) in per student financial aid (SHEEO, 2011).

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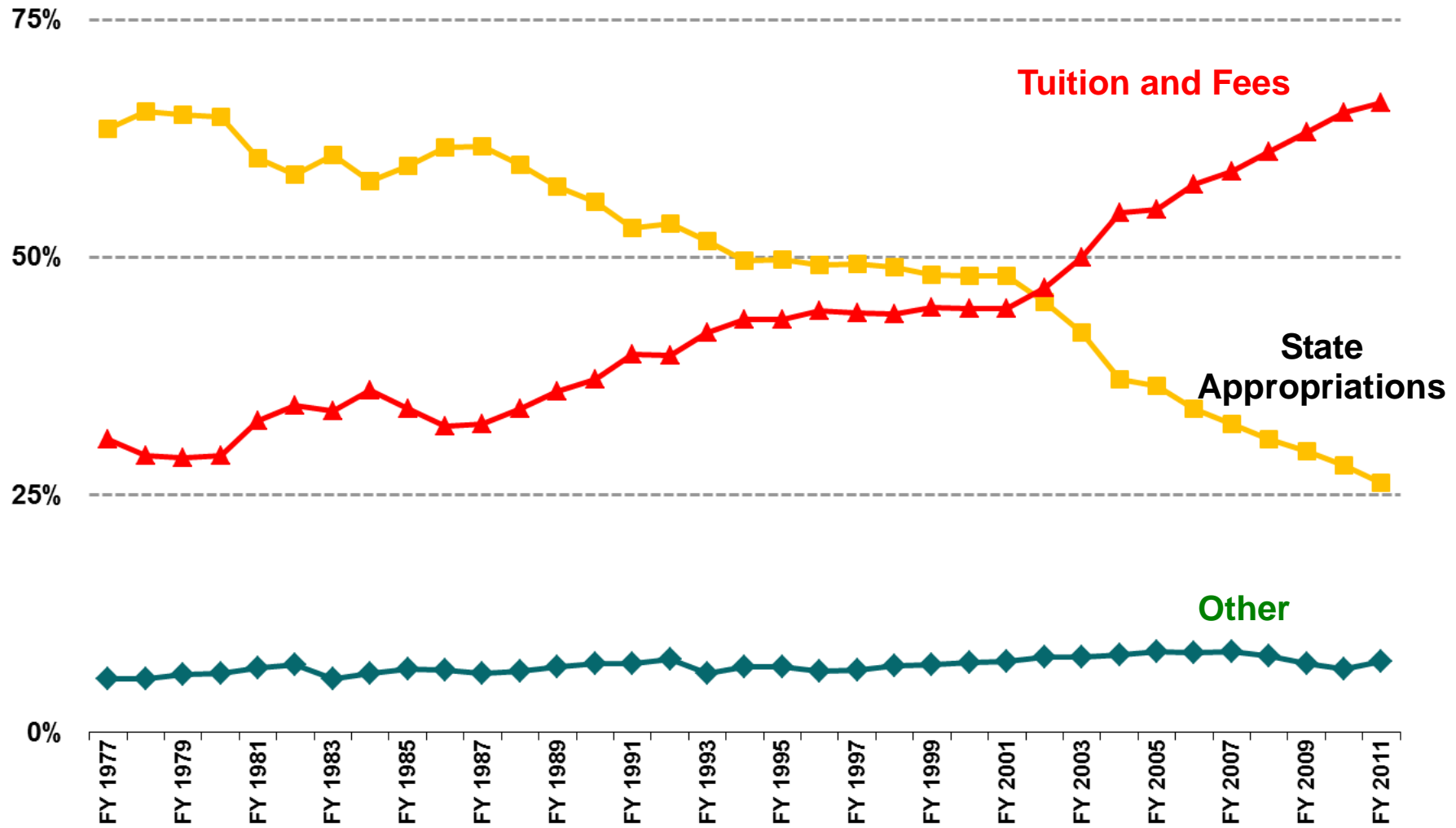
Figure 6
 Educational Appropriations per FTE
 Percent Change by State, Fiscal 2005-2010



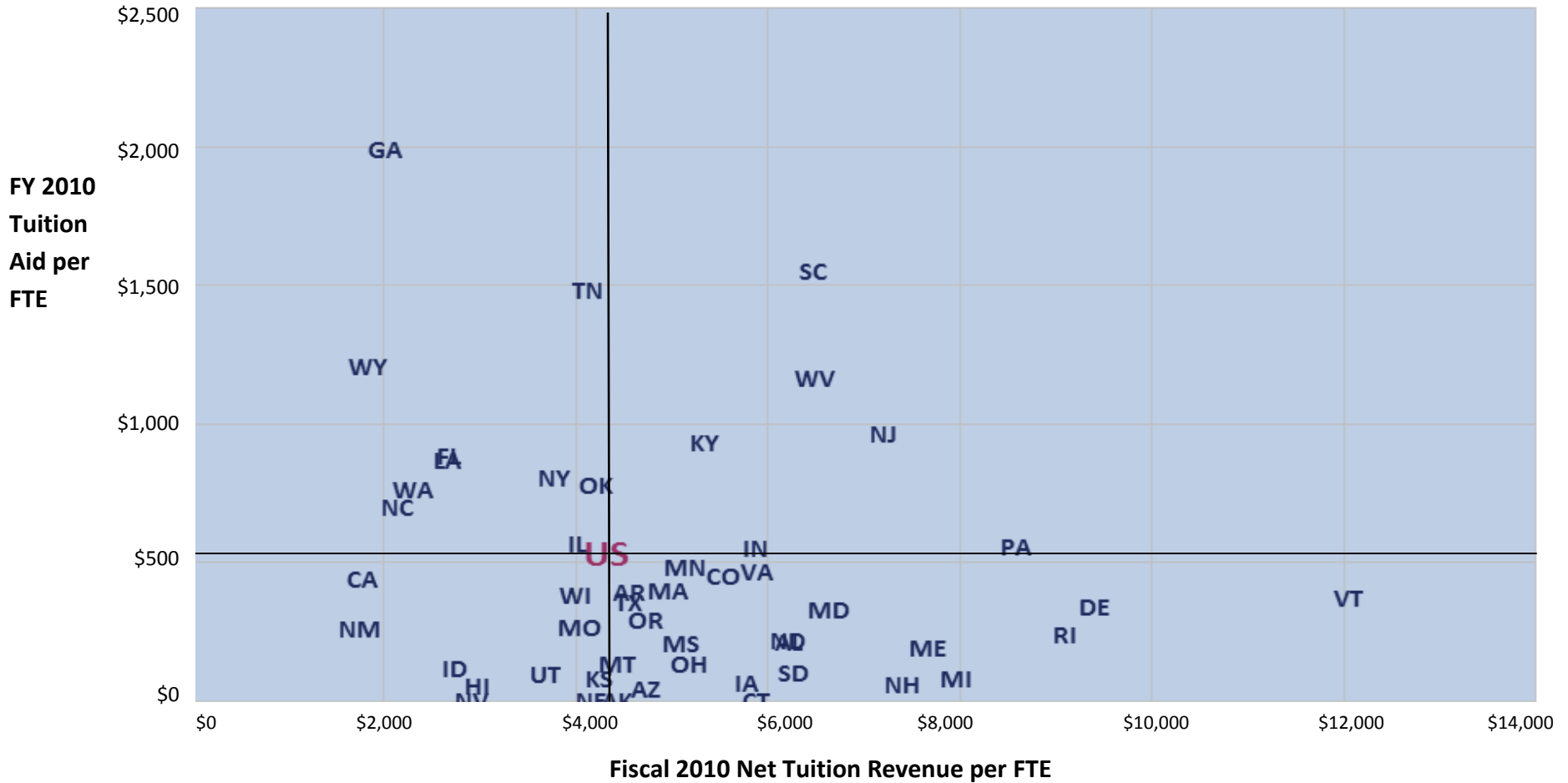
Note: Dollars adjusted by 2010 HECA, Cost of Living Adjustment, and Enrollment Mix Index.

State Higher Education Executive Officers, 2010 State Higher Education Finance Report.

Public University General Fund Revenue Source History



Net Tuition Revenue per FTE and State-Funded Tuition Aid per FTE by State



Note: Figures are adjusted for inflation, public system enrollment mix, and state cost of living.

Source: SSDB

State Higher Education Executive Officers, 2010 State Higher Education Finance Report.