

Institutional Governing Board Responsibility for Setting Tuition Policy is Important to Ensuring College Affordability and Student Success

The governing boards and leaders of Michigan’s 15 public universities believe deeply in the importance of college affordability. It is a moral and economic imperative. It is a precursor to ensuring educational opportunity and social mobility for our state’s next generation. And it is critical for Michigan to achieve its goal of boosting educational attainment levels. The universities’ collective efforts to maintain college affordability is evident in the tremendous efforts put forth to cut costs and keep the net costs of attendance lower through significant investments in student financial aid. State universities have increased spending by \$524.5 million in 2017 dollars on institutional financial aid from 1995 to 2017, a 220 percent increase. Put another way, universities have had to more than double the percentage of their total general fund expenditures spent on financial aid from six percent to over 13 percent to make up for what the state used to provide in student financial aid.ⁱ The institutions’ achievements in containing costs is most evident in the fact that revenues per full-year equated resident undergraduate student have collectively increased only \$439 since 2002 in inflation-adjusted dollars.ⁱⁱ That’s a mere 2.3 percent increase above inflation over 14 years.

The tuition policy-setting authority granted in the state’s constitution to institutional governing boards is a responsibility taken with great care by university trustees and institutional leaders. Careful deliberation is given in setting tuition rates, integrating myriad factors such as the impact on students’ ability to afford college prices, the ability to fund new institutional initiatives to boost student retention and degree completion rates, meeting accreditation standards and maintaining academic quality, and the ability to finance the delivery of new programs and partnerships designed to meet the state’s labor market needs, along with various other state goals and objectives.

Since 2012, the state budget for higher education has included provisions that withhold a portion of state appropriations for university operations if the institutions exceed a predetermined and artificially set increase in tuition rates, or does not meet other performance funding requirements. The arrangement, known as “tuition restraint” or “tuition caps” can actually work against state and institutional objectives to keep college affordable and improve student success. The utilization of state-imposed price controls on tuition in an era of dwindling or static state appropriations hamstring the ability of universities to drive resources into academic and student support areas that would in turn improve their performance on state metrics.

Other flaws associated with state-imposed caps on tuition increases include the fact that the impact on universities varies greatly based on the institutions’ base dollar tuition prices, and that they punish institutions that have historically kept tuition rates lower.

State funding represents less than 25 percent of general fund revenue for the majority of the state's public universities, with tuition revenues accounting for almost all the remaining three-fourths. As such, legislatively-mandated tuition caps, if continued to be included in state budget allocations to the institutions, will further inhibit the universities' efforts to strengthen college affordability for those with financial need and to strategically invest in programs designed to increase student success outcomes. Further, the inclusion of tuition caps in the appropriations process disregards the fact that the Michigan Constitution grants full authority of public university tuition policy to these institutions' governing boards.

Policy Actions:

- Eliminate the use of legislatively-imposed tuition price controls, which impinge Michigan's public universities' ability to maintain affordable net costs of attendance, to strategically invest in programs designed to boost student outcomes, and to make other strategic investments as evaluated by the institutions. Caps on tuition prices, particularly when the state does not appropriate reasonable levels of university operating support, inhibit these institutions' ability to meet state educational attainment and economic goals.
- Reinforce recognition that full authority in setting tuition policy at Michigan's public universities is best determined locally and lies with the governing boards of these institutions.

ⁱ Source: Data from HEIDI and House Fiscal Agency.

ⁱⁱ Source: *ibid.* Methodology uses state appropriations per resident undergraduate FYES plus the state average resident undergraduate tuition and fee rates.