An Investment in Michigan’s Future Prosperity: Observations on the Governor’s FY 2020 Executive Budget Recommendation for Higher Education

Senate Appropriations Subcommittee on Universities and Community Colleges
March 21, 2019

Daniel Hurley, CEO
Discussion Agenda

1) Demand & value of a college degree

2) Michigan’s higher education funding in context

3) Observations on FY 2020 Executive Budget Recommendation for Higher Education
Higher Education: Key to Michigan’s Prosperity
HOT 50: Michigan’s high-demand, high-wage careers

Of the 50 high-demand, high-wage occupations in Michigan through 2026, 36 require a four-year college degree or higher.

Annual HOT 50 job openings requiring a four-year degree: 51,100. Annual HOT 50 job openings not requiring degree: 30,290.

Source: Michigan Bureau of Labor Market Information and Strategic Initiatives
Michigan needs 175,000 new university grads – and 126,000 new certificate/associate grads

Estimated need by 2020

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Current</th>
<th>Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>HS Diploma or less</td>
<td>35.4%</td>
<td>30.0%</td>
</tr>
<tr>
<td>Some College, Associate or Certificate</td>
<td>34.5%</td>
<td>37.0%</td>
</tr>
<tr>
<td>Bachelor's Degree</td>
<td>18.7%</td>
<td>22.0%</td>
</tr>
<tr>
<td>Graduate or Professional</td>
<td>10.9%</td>
<td>11.0%</td>
</tr>
</tbody>
</table>

Oversupply: 301,667
Undersupply: 126,521
Undersupply: 171,214
Undersupply: 4,000

Source: Georgetown Center for Education & the Workforce
College grads earn more, have greater job security

Unemployment rates and earnings by educational attainment, 2017

<table>
<thead>
<tr>
<th>Educational Attainment</th>
<th>Unemployment Rate (%)</th>
<th>Median Usual Weekly Earnings ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doctoral degree</td>
<td>1.5</td>
<td>1,743</td>
</tr>
<tr>
<td>Professional degree</td>
<td>1.5</td>
<td>1,836</td>
</tr>
<tr>
<td>Master's degree</td>
<td>2.2</td>
<td>1,401</td>
</tr>
<tr>
<td>Bachelor's degree</td>
<td>2.5</td>
<td>1,173</td>
</tr>
<tr>
<td>Associate's degree</td>
<td>3.4</td>
<td>836</td>
</tr>
<tr>
<td>Some college, no degree</td>
<td>4.0</td>
<td>774</td>
</tr>
<tr>
<td>High school diploma</td>
<td>4.6</td>
<td>712</td>
</tr>
<tr>
<td>Less than a high school diploma</td>
<td>6.5</td>
<td>520</td>
</tr>
<tr>
<td>Total</td>
<td>3.6%</td>
<td>All workers: $907</td>
</tr>
</tbody>
</table>

The Same Holds True for States Collectively:
The Most Prosperous States have the most College Graduates
A More Accurate Portrait of the Value of College Attainment

When it comes to college attainment, increased earnings and job security are just the tip of the iceberg!

Factoring In:

- **Lifetime Taxes Paid**
  - Federal, social security, state, property, sales

- **Public Assistance**
  - Medicaid, food stamps, school lunches, cash assistance, energy assistance, housing subsidies

- **Social Insurance**
  - Unemployment insurance, supplemental security, disability, workers’ compensation

Study by Philip Trostel, Professor of Economics and Public Policy, Margaret Chase Smith Policy Center and School of Economics, University of Maine. Source: *The Tip of the Iceberg*, Change, the Magazine of Higher Learning, May/June 2017
Net Lifetime Fiscal Impact of College Attainment
Lifetime Taxes Paid, minus Public Assistance and Social Insurance

Present Value of Net Lifetime Fiscal Impact
(At Age 19 using 3% Discount Rate)

College Degree vs. High School Diploma:

$355,113 more in net lifetime fiscal impact

Source: The Tip of the Iceberg, Change, the Magazine of Higher Learning, May/June 2017

In Sum: Increased college attainment generates greater tax revenues and reduces the need for government spending on public assistance and social insurance.
Trends in Higher Education State Funding
Higher Education: The only area of state disinvestment during the past decade

<table>
<thead>
<tr>
<th>Budget Area</th>
<th>FY 2008-09 Year-to-Date Appropriations</th>
<th>FY 2018-19 Initial Appropriations</th>
<th>Dollar Difference</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and Human Services</td>
<td>$5,445.1</td>
<td>$6,958.9</td>
<td>$1,513.8</td>
<td>27.8%</td>
</tr>
<tr>
<td>Corrections</td>
<td>1,832.5</td>
<td>2,002.8</td>
<td>170.3</td>
<td>9.3%</td>
</tr>
<tr>
<td>K-12 School Aid</td>
<td>11,097.8</td>
<td>13,040.7</td>
<td>1,942.9</td>
<td>17.5%</td>
</tr>
<tr>
<td>Community Colleges</td>
<td>299.4</td>
<td>408.2</td>
<td>108.9</td>
<td>36.4%</td>
</tr>
<tr>
<td><strong>Higher Education</strong></td>
<td>1,576.2</td>
<td>1,546.2</td>
<td>(30.0)</td>
<td>(1.9%)</td>
</tr>
<tr>
<td>Revenue Sharing-Constitutional</td>
<td>649.1</td>
<td>835.3</td>
<td>186.2</td>
<td>28.7%</td>
</tr>
<tr>
<td>Revenue Sharing-Statutory</td>
<td>391.0</td>
<td>479.1</td>
<td>88.1</td>
<td>22.5%</td>
</tr>
<tr>
<td>All Other Programs</td>
<td>5,018.8</td>
<td>7,786.9</td>
<td>2,768.1</td>
<td>55.2%</td>
</tr>
<tr>
<td><strong>Total State Spending</strong></td>
<td><strong>$26,309.9</strong></td>
<td><strong>$33,058.2</strong></td>
<td><strong>$6,748.3</strong></td>
<td><strong>25.6%</strong></td>
</tr>
</tbody>
</table>

**Addendum:**

- Medicaid Caseload: 1,708,157 vs 2,490,000, 781,843, 45.8%
- Prison Population: 48,010 vs 38,815, (9,195), (19.2%)
- K-12 Pupil Count: 1,619,744 vs 1,480,000, (139,744), (8.6%)
- **University Students**
  - 257,148 vs 259,711, 2,563, 1.0%
  - Community College Students: 157,225 vs 124,868, (32,357), (20.6%)

- Michigan Personal Income (millions): $339,681.2 vs $487,577.0, $147,895.8, 43.5%
- Detroit Consumer Price Index: 202.8 vs 235.4, 32.6, 16.1%

Source: Senate Fiscal Agency, State Budget Overview, October 1, 2018
Michigan’s Investment in Higher Education
--The Longer View--

- Michigan’s rank in per capita state fiscal support for higher ed:
  2001: 20th
  Today: 43rd
- One-half the national average in per-capita support
- State appropriations since 2002: $1 billion reduction*
- State appropriations since 2011: $165 million reduction*
  (Note: operating support increased 7 of 8 years)

*inflation adjusted

State University Operating Support
(inflation-adjusted)

<table>
<thead>
<tr>
<th>Year</th>
<th>2002</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$2.3 Billion</td>
<td>$1.4 Billion</td>
</tr>
<tr>
<td></td>
<td>$9,511 per full-time student</td>
<td>$5,546 per full-time student</td>
</tr>
</tbody>
</table>

....a 42% decrease in state funding per-student
The State-to-Student Cost Shift in Paying for a Michigan Public University Education
Observations on FY 2020 Executive Budget Recommendation for Higher Education
Attainment Goal / Operating Support

- Strong support for state educational goal
  - 60% credential/degree completion by 2030
  - Sends a powerful message
- Strong support for 3% increase in university operating support
  - Will help improve affordability, reverse long-term state disinvestment
Operating Support / *Tuition Caps*

- College affordability is a priority
- Tuition-setting is fiduciary & constitutional responsibility of governing boards
- Unintended consequences?
- Can limit flexibility for responding to market demand, student supports
Operating Support / Tuition Caps

- Timing with the state budget timeline
  - Tuition-setting takes place in spring
  - Prior administration: 7 Exec Recs proposed an increase; final budget was lower in 5 of them.

- Request: Let Governing Boards fulfill their fiduciary & constitutional responsibilities by removing artificial tuition price controls
If formula funding is revisited, moving forward:

- Include all institutions in discussions
- Consider institutional missions
- Consider fewer metrics, but add an optional "metrics menu" tailored to diverse missions
State Financial Aid

- Support for the Michigan Reconnect Program
- In months ahead—input on refinements to Michigan Opportunity Scholarship proposals (FY 2021 budget)
- Request: Do not add cap on TIP students
- Request: Shore-up state’s obligations under the Comstock Agreement to fund the Michigan Indian Tuition Waiver
  - Current state funding: $4.2M
  - Actual costs (incurred by universities): $10.9M
Michigan’s Future is in College