Commentary on State Investment in Higher Education and the Economic Impact of College Attainment

*Senate Appropriations Subcommittee on Higher Education*

Daniel J. Hurley, Ph.D., Chief Executive Officer
February 14, 2018
Agenda

• Campus sexual assault prevention and response
• FY 2019 Executive Budget recommendation
• State higher education funding: the longer view
• Economic impact of educational attainment
• Q&A
Commitment to Campus Sexual Assault Prevention and Response

• Diligence in ensuring campuses are safe places to learn, live, and work
• Extensive and continual outreach on sexual violence prevention (Sec. 274c reports)
• Transparency in reporting (Clery Act / Sec. 245 transparency website / Sec. 274d report)
• Michigan State Police Sexual Assault Program
• Campus sexual assault prevention summits
• MASU Title IX Directors committee
FY 2019 Executive Budget Recommendation for Higher Education
FY 2019 Executive Budget Recommendation for Higher Education

Operating Support
• 7th consecutive year of state reinvestment
• +2% ($29.8M) distributed half across the board, half through formula funding
• Collective restoration of state operating support (WSU still below FY 2011 level)
  • Non-inflation: 2.6%  Inflation-Adjusted: -7.7%
• Tuition increase incentive: 3.8% or $490, whichever is higher

Student Financial Aid—Michigan Competitive Scholarship
• Michigan Competitive Scholarship: $6M increase
  (available to students attending public and private colleges)
• Tuition Incentive Program: $1.5M increase
• Michigan Indian Tuition Waiver: $300K reduction

Capital Outlay
• No projects recommended, despite increasing scores
Longer Term Trend: State Higher Education Funding
<table>
<thead>
<tr>
<th>Budget Area</th>
<th>FY 2007-08 Year-to-Date Appropriations</th>
<th>FY 2017-18 Initial Appropriations</th>
<th>Dollar Difference</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and Human Services</td>
<td>$6,514.5</td>
<td>$6,799.9</td>
<td>$285.4</td>
<td>4.4%</td>
</tr>
<tr>
<td>Corrections</td>
<td>2,066.2</td>
<td>1,987.8</td>
<td>(78.5)</td>
<td>(3.8)</td>
</tr>
<tr>
<td>K-12 School Aid</td>
<td>11,421.8</td>
<td>12,851.9</td>
<td>1,430.1</td>
<td>12.5</td>
</tr>
<tr>
<td>Community Colleges</td>
<td>318.9</td>
<td>399.3</td>
<td>80.4</td>
<td>25.2</td>
</tr>
<tr>
<td>Higher Education</td>
<td>1,771.5</td>
<td>1,517.7</td>
<td>(253.8)</td>
<td>(14.3)</td>
</tr>
<tr>
<td>Revenue Sharing-Constitutional</td>
<td>688.2</td>
<td>798.1</td>
<td>109.9</td>
<td>16.0</td>
</tr>
<tr>
<td>Revenue Sharing-Nonconstitutional</td>
<td>388.2</td>
<td>480.1</td>
<td>91.9</td>
<td>23.7</td>
</tr>
<tr>
<td>All Other Programs</td>
<td>5,272.0</td>
<td>7,296.2</td>
<td>2,024.2</td>
<td>38.4</td>
</tr>
<tr>
<td><strong>Total State Spending</strong></td>
<td><strong>$28,441.3</strong></td>
<td><strong>$32,131.1</strong></td>
<td><strong>$3,689.8</strong></td>
<td><strong>13.0%</strong></td>
</tr>
</tbody>
</table>

**Addendum:**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid Caseload</td>
<td>1,550,654</td>
</tr>
<tr>
<td>Prison Population</td>
<td>51,454</td>
</tr>
<tr>
<td>K-12 Pupil Count</td>
<td>1,652,555</td>
</tr>
<tr>
<td>University Students</td>
<td>254,231</td>
</tr>
<tr>
<td>Community College Students</td>
<td>146,234</td>
</tr>
<tr>
<td>Michigan Personal Income (millions)</td>
<td>$353,728.0</td>
</tr>
<tr>
<td>Detroit Consumer Price Index</td>
<td>204.6</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: SFA, State Budget Overview, October 1, 2017
State Investment in Higher Education
--The Longer View--

- Michigan’s rank in per capita state fiscal support for higher ed
  2001: 20th  Today: 43rd
- Trend since 1980 (past 38 years) – reaches zero in 26 years

State University Operating Support

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$2.2 Billion</td>
<td>$1.4 Billion</td>
</tr>
<tr>
<td></td>
<td>$9,618 per full-time student</td>
<td>$5,392 per full-time student</td>
</tr>
</tbody>
</table>

...a 44% decrease in state funding per-student (inflation-adjusted)
The State-to-Student Cost Shift in Paying for a Public University Education
Economic Impact of Higher Education Attainment
Earnings & Employment Rate by Educational Attainment, 2016

<table>
<thead>
<tr>
<th>Educational Attainment</th>
<th>Median weekly earnings</th>
<th>Unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional degree</td>
<td>$1,745</td>
<td>1.6%</td>
</tr>
<tr>
<td>Doctoral degree</td>
<td>$1,664</td>
<td>1.6%</td>
</tr>
<tr>
<td>Master’s degree</td>
<td>$1,380</td>
<td>2.4%</td>
</tr>
<tr>
<td>Bachelor’s degree</td>
<td>$1,156</td>
<td>2.7%</td>
</tr>
<tr>
<td>Associate degree</td>
<td>$819</td>
<td>3.6%</td>
</tr>
<tr>
<td>Some College, no degree</td>
<td>$756</td>
<td>4.4%</td>
</tr>
<tr>
<td>High school diploma</td>
<td>$692</td>
<td>5.2%</td>
</tr>
<tr>
<td>Less than a high school diploma</td>
<td>$504</td>
<td>7.4%</td>
</tr>
</tbody>
</table>

The Most Prosperous States have the most College Graduates

- MICHIGAN: 30th in per capita income, 35th in college attainment

**Graph Details:**
- Rank in per capita income (2016)
- Rank in college attainment (2016)

**Data Sources:**
- Income: 2016 data U.S. Bureau of Economic Analysis (BEA)
- Education Attainment: 2016 data ACS 5-year average
The Four-Year Degree Wage Premium Continues to Grow

Cumulative percent change in real average hourly wages, by education, 2000–2016

Note: Sample based on all workers age 18–64.
Earnings and Job Security:

Just the tip of the iceberg in measuring total (lifetime) value of college attainment

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
A More Accurate Portrait of the Value of College Attainment

▪ **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

**Philanthropic Contributions:** Not factored in, but very relevant
Net Lifetime Fiscal Impact of College Attainment
Lifetime Taxes Paid, minus Public Assistance and Social Insurance

present_value_of_net_lifetime_fiscal_impact_graph.png

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
College Attainment...

- Creates higher incomes for graduates, but also for others
- Substantially reduces others’ tax burdens by creating greater tax revenues and lower government spending on public assistance and social insurance
- Leads to college graduates having lower rates of disabilities, significantly better health, and longer life expectancy
- Generates college graduates who give more to charities, and are more civically engaged in their communities and broader society
Thank You