

Comments on the FY 2025 Executive Budget Recommendation for Higher Education

House Appropriations Subcommittee on Higher Education and Community Colleges



Daniel Hurley
CEO



February 22, 2024

Public Universities' State Funding Priorities

Increased State Support

- 1) Institutional operating dollars
- 2) State financial aid (Michigan Achievement Scholarship)
- 3) Sustained capital outlay investments
 - Related: Deferred maintenance monies for campus upgrades (ITEMS payments)

The result?

Increased college affordability, college enrollment, academic quality, student success, stronger workforce, higher personal incomes

State Investment in Public Universities

-- Recent Reinvestment --

- FY 2024 higher education budget: The best in years.
- 5% operations increase
- Floor funding (institutional funding equity)
- \$79M ITEMS funding (Infrastructure, Technology, Equipment, Maintenance, Safety) First ITEMS \$ in 20+ years!
- MPSEERS debt relief for seven universities
- \$50M in statutory intended deposit in Postsecondary Scholarship Fund (Michigan Achievement Scholarship)
- Major streamlining of institutional reporting requirements

Let's keep the reinvestment momentum going!

MASU's Request

Operating Support: +5.2%

Continuation of ITEMS Funding

Capital Outlay Projects

**Michigan Achievement
Scholarship Build-out**

Executive Recommendation

+2.5%

Not Included

Not Included

Included

*Below original Statutory Intent of \$50M
based on updated cost estimate*

State Investment in Public Universities

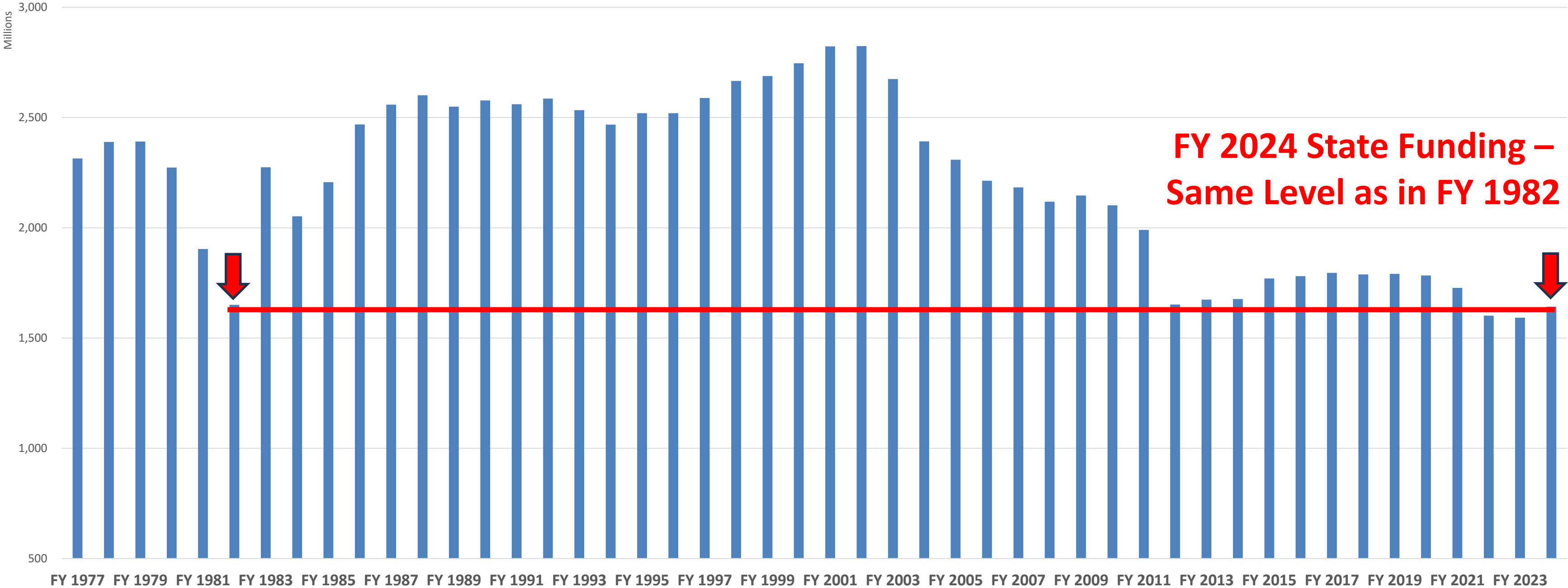
-- *The Bigger Picture* --

- Michigan's rank in per capita state fiscal support for higher ed
 - 2001: 20th 2023: 41st
- 72% (\$274) of the national average (\$378) in per capita funding
- State appropriations to universities since 2011: \$364 million *reduction* (-18%) (inflation-adjusted). Almost \$1.2 billion *reduction* since 2002.
- Current funding on per-full time student basis:
 - Community colleges: \$11,156 (110% of U.S. average)
 - Public universities: \$7,684 (80% of U.S. average)
- Consumer Price Index Dec. 2021—Dec. 2023: **+10.7**
- Operations dollars are essential for steady planning, boosting student supports, and minimizing tuition and fee increases.

State Investment in Public Universities

-- *The Longer View* --

Michigan Public University Base Operations Appropriations Adjusted to FY2024 dollars, CPI-U



ITEMS Funding

Infrastructure, Technology, Equipment, Maintenance, Safety

- Michigan's 15 public universities: \$4.4B in combined deferred maintenance needs
- Collective age of the 15 campuses: 1,767 years!
Eight campuses established in the 19th Century.
- Our campuses are among the state's most premier public assets—let's maintain them accordingly.
- ITEMS dollars are for deferred maintenance. Capital outlay authorizations are for new buildings. Separate purposes. Separate funding sources. Decouple the two as it involves allocation to the universities.

Capital Outlay Project Authorizations

- Maintaining world-class teaching and research facilities is vital
- Much-appreciated capital outlay packaged passed in Nov. 2023

Requests:

- Moving forward: consistent (**annual**) and measured (**a few projects**) capital outlay authorizations instead of a feast and famine cycle.
- Again, decouple any campus capital outlay authorizations from ITEMS dollars.

Proposed Community College Guarantee

Appreciation for a focus on increasing educational attainment!

But....Some potential impacts on the public universities & students.

- Likelihood of decline in freshmen and sophomore enrollment.
 - Data from TN showed an enrollment drop at regional public universities once the TN Promise took effect.
 - When backing out FSU, LSSU, NMU (serve CC missions), 11 of 12 remaining universities have a community college within 6 miles of campus.
 - Will this draw in new students or just reshuffle existing students?
- MI public universities delivered 1.8M credit hours to resident freshmen and sophomore students in FY2022. That's roughly \$871M in gross tuition & fees revenue, equal to over half of all operations funding.
 - The same enrollment decline as witnessed in TN would equate to a \$108M tuition revenue loss.

Proposed Community College Guarantee

Alternative or Complimentary Approaches

- Include public universities as originally proposed by the Growing Michigan Together Council
- Provide one year tuition free at either a community college or public university
- Eliminate “last-dollar” component of MAS; making award a flat amount, packaged before refundable Pell Grant, to maximize impact of Pell.
- Increase MAS award for students enrolled at a public university - \$7,800 would equate to half of average tuition and fees.

In sum: Help public universities continue to drive enrollment and meet the state’s educational attainment and workforce goals

Michigan Achievement Scholarship

- We are not currently meeting the projections made of student eligibility when the program was initially designed.
- Financial aid in the U.S. is currently unstable because of federal delays in the new FAFSA.
- MASU believes that the gap in expenditures plus the regular scheduled increase could be used to expand eligibility for students in all three sectors to help meet original expectations.
- MILEAP is soon convening a workgroup to advise on MAS program administration, and we look forward to collaboratively participating to find program improvements in the coming months.

There's a University for Every Student

