

MEMORANDUM



DATE: July 26, 2010
TO: House Appropriations Subcommittee on Higher Education
FROM: Kyle I. Jen, Associate Director
RE: Public University Tuition Rates

This memo provides preliminary information regarding FY 2010-11 public university tuition rates, as well as historical context on changes in tuition rates, state appropriations, and overall university resources available for student instruction.

FY 2010-11 Tuition Rates

As of July 23, all 15 public universities have adopted new tuition and fee rates for the 2010-11 academic year. Under section 440 of the annual Higher Education budget act, the universities will submit tuition and fee information for resident undergraduate students to the Higher Education Institutional Data Inventory (HEIDI) by August 31. In advance of that deadline, I have gathered preliminary data on tuition rates based on information posted on university websites and inquiries with university staff.

Attachment A shows FY 2009-10 and FY 2010-11 resident undergraduate tuition rates for the 15 universities. Please note the following regarding this information:

- The information should be considered preliminary. I have confirmed as many details as possible at this point, but further review of tuition/fee information could result in revisions to the rate information ultimately reported to HEIDI.
- The spreadsheet shows tuition rates for full-time resident undergraduate students enrolled for 30 credit hours over the upcoming academic year. The rates include mandatory fees but do not include fees that are not paid by a majority of students in a given class level (i.e., most course fees).
- Because of the increasing complexity of tuition and fee structures at various universities, the HEIDI Advisory Committee has adopted a reporting structure based on academic class (freshman, sophomore, junior, senior). The percentage increase in tuition/fees for each university is calculated based on the average rate for the four classes.
- The tuition rate increases reported to the public by the universities are based on varying methodologies. In some cases, therefore, the tuition rate increases shown on the attached spreadsheet, which are based on the uniform HEIDI reporting structure, differ somewhat from the increases reported to the public.

The FY 2010-11 resident undergraduate tuition rates for the 15 public universities (based on the average across the four academic classes) range from \$7,307 to \$12,954. The unweighted average rate for all 15 universities is \$9,732—an increase of \$421 from the FY 2007-08 average of \$9,311.

The percentage changes from FY 2009-10 rates for the 15 universities range from 0.4 percent to 8.8 percent. The percentage change in the unweighted average rate for all 15 universities is 4.5 percent. Nine of the 15 universities adopted percentage increases in the range of 3.9 to 5.9 percent.

The changes in tuition rates for the universities at the two ends of the spectrum in terms of percentage increases from FY 2009-10 require additional technical explanation:

- *Central Michigan:* Students initially enrolling at Central from academic years 2005-06 through 2007-08 were eligible for the CMU Promise initiative, which locked in a student's tuition rate for the duration of their enrollment at the university. The initiative was ended beginning with students enrolling for the 2008-09 academic year. Continuing senior students will not see an increase from the rates they paid last year. Other continuing students will see an increase of 2.1%. The tuition increase of 8.8 percent shown for Central is largely a function of replacing the rate for 2009-10 seniors with rate for 2010-11 freshmen.
- *Eastern Michigan:* Eastern replaced a one-time \$88 record initiation fee with a \$300 new-student fee starting with the winter 2010 semester. Under the HEIDI reporting structure, the net fee increase is reflected in the university's FY 2010-11 tuition/fee rate. All other tuition/fee charges at Eastern were held flat from FY 2009-10 to FY 2010-11.

Historical Context: Tuition Rates and State Appropriations

Over the last twenty years, the average public university resident undergraduate tuition rate has quadrupled (in non-inflation-adjusted terms), increasing from \$2,434 in FY 1990-91 to \$9,732 in FY 2010-11. This equates to an annualized increase of 7.2 percent per year.

Public universities receive well over 90 percent of their general fund revenue—which funds student instruction and related services—from the combination of student tuition/fees and state appropriations. The level of tuition increases adopted by the universities each year, therefore, tends to correlate inversely with changes in state appropriations made to the universities.

Attachment B shows the annual percentage changes in both the average resident undergraduate tuition rate and state appropriations per fiscal year equated student (FYES) over the last two decades. Three periods of change are evident:

- From FY 1991-92 to FY 1993-94, the average tuition rate increased by roughly 10 percent per year as state appropriations per student increased by less than 3 percent each year.
- From FY 1994-95 to FY 2000-01, tuition increases moderated as increases in appropriations per student exceeded 3 percent in several years.
- Beginning in FY 2001-02, as the state has dealt with persistent budget difficulties, the average tuition rate has increased by close to or greater than 10 percent in most years. The major exception was FY 2004-05, when a portion of university appropriations was made contingent on tuition restraint.

The increases in the average public university tuition rate have gradually declined over the last three years. The FY 2010-11 increase is the lowest since FY 2000-01, ignoring the tuition restraint year of FY 2004-05. One potential factor in the recent downward trend in tuition increases is that, as tuition revenue makes up a larger and larger percentage of university resources, a smaller percentage increase in tuition results in a larger revenue increase.

Historical Context: Overall University Resources

The combination of university tuition increases and changes in state appropriations drives the annual change in overall resources available at each university for student instruction and related services. Attachments C and D provides more detailed data on changes in state appropriations, tuition/fee revenue, and combined appropriation/tuition resources over the most recent time period described above, when tuition increases have been relatively large. Note, however, that FY 2008-09 is the most recent year for which tuition revenue data (rather than tuition rate data) are available for public universities, so the analysis ends with that year.

From FY 2000-01 to FY 2008-09, the following changes occurred in total per-student revenue amounts across all 15 public universities (data are not adjusted for inflation):

- State appropriations per student declined from \$6,853 to \$5,704—a reduction of 16.8 percent.
- Tuition revenue per student grew from \$6,367 to \$12,148—an increase of 90.8 percent.
- Combined appropriation/tuition resources per student grew from \$13,220 to \$17,852—an increase of 35.0 percent.

(Note that the data in this section include revenue and enrollment for all degree-seeking students, including out-of-state and graduate-level students. In some cases, increases in total resources per student at a university may be related to shifts in enrollment trends by program area and/or academic level. For example, the increase in Eastern Michigan's tuition revenue per student is partially a function of increased graduate-level enrollment and tuition rates.)

On an annualized basis, the growth in combined appropriation/tuition resources over the eight-year period equates to an increase of 3.8 percent per year. For comparison, that figure is higher than the annualized increase of 2.4 percent per year in the U.S. Consumer Price Index over the same time period but slightly lower than the annualized increase of 4.0 percent per year in the Higher Education Price Index. (The Higher Education Price Index tends to rise more quickly than the Consumer Price Index due to the high percentage of higher education costs composed of faculty/staff compensation.)

Annualized percentage increases in combined appropriation/tuition resources for individual universities over the eight-year period ranged from 2.2 percent to 7.1 percent per year, as shown Attachment E. Generally, universities with growing enrollments have been able to restrain annual per-student revenue increases, as the marginal costs of adding students tend to be lower than the average costs of educating existing students. Conversely, those universities with declining or stagnant enrollments have tended to experience higher per-student revenue increases, as fixed costs are spread across a smaller number of students.

Note that the data presented here on tuition revenue per student are not adjusted to account for institutional financial aid expenditures made from university general fund resources, which effectively act as tuition discounts rather than real financial expenditures. Generally, the universities have increased institutional financial aid by at least the same percentage increase as their tuition rates over the last several years, so that institutional financial aid makes up a growing percentage of university general fund expenditures. Based on preliminary information available from the universities, it appears that this trend will continue in FY 2010-11 for all, or nearly all, 15 universities.

State appropriation amounts for university operations in FY 2010-11 have yet to be finalized. Based on executive and legislative action to date, FY 2010-11 amounts are likely to be either flat or reduced from FY 2009-10 amounts. Given the lower level of percentage increases in university tuition rates compared to recent years, it appears that overall increases in university financial resources per student will grow at a relatively modest rate for FY 2010-11.

Please call if you have questions or would like additional information on this topic.

Attachments (5)

ATTACHMENT A
FY 2010-11 Resident Undergraduate Tuition/Fee Rate Increases
Based on Preliminary Information

University	FY 2009-10 Rates					FY 2010-11 Rates					% Change Avg Rate
	Fresh	Soph	Junior	Senior	Average	Fresh	Soph	Junior	Senior	Average	
Central*	\$10,170	\$10,170	\$9,120	\$7,530	\$9,248	\$10,380	\$10,380	\$10,380	\$9,120	\$10,065	8.8
Eastern*	8,465	8,377	8,377	8,377	8,399	8,589	8,377	8,377	8,377	8,430	0.4
Ferris	9,480	9,480	9,480	9,480	9,480	9,930	9,930	9,930	9,930	9,930	4.7
Grand Valley	8,630	8,630	9,060	9,060	8,845	9,088	9,088	9,540	9,540	9,314	5.3
Lake Superior	8,409	8,284	8,284	8,284	8,315	8,889	8,764	8,764	8,764	8,795	5.8
Michigan State	10,880	10,880	11,885	11,885	11,383	11,153	11,153	12,188	12,188	11,670	2.5
Michigan Tech	11,348	12,588	12,588	12,588	12,278	12,024	13,264	13,264	13,264	12,954	5.5
Northern*	7,679	7,454	7,454	7,454	7,511	7,897	7,672	7,672	7,672	7,728	2.9
Oakland	8,783	8,783	9,593	9,593	9,188	9,285	9,285	10,148	10,148	9,716	5.8
Saginaw Valley	6,900	6,900	6,900	6,900	6,900	7,307	7,307	7,307	7,307	7,307	5.9
UM-Ann Arbor*	11,659	11,659	13,141	13,141	12,400	11,838	11,838	13,344	13,344	12,591	1.5
UM-Dearborn*	9,100	9,100	9,331	9,331	9,216	9,455	9,455	9,695	9,695	9,575	3.9
UM-Flint	8,278	8,278	8,385	8,385	8,332	8,601	8,601	8,711	8,711	8,656	3.9
Wayne State	8,642	8,642	9,995	9,995	9,319	9,025	9,025	10,438	10,438	9,732	4.4
Western*	8,682	8,382	9,184	9,184	8,858	9,306	9,006	9,864	9,864	9,510	7.4
Unweighted Avg.	\$9,140	\$9,174	\$9,518	\$9,412	\$9,311	\$9,518	\$9,543	\$9,975	\$9,891	\$9,732	4.5

General Notes

- 1) Per HEIDI requirements, rates are reported based on four class levels; assumes freshmen first enrolled in fall 2010, sophomores in fall 2009, juniors in fall 2008, seniors in fall 2007.
- 2) Rates are based on 30 credit hours and exclude fees not paid by a majority of students in a given class (most course fees), as well as refundable fees.

*University-Specific Notes

Central: Senior students see no increase from 2009-10 to FY 2010-11 as rates are locked in through CMU Promise; non-Promise students see a 2.1% increase; 8.8% increase in average rate is largely a function of replacing rate for 2009-10 seniors with rate for 2010-11 freshmen.
Eastern: One-time \$88 record initiation fee replaced with \$300 new student fee starting with winter 2010 semester; all other charges held flat from FY 2009-10 to FY 2010-11.

Northern: FY 2010-11 rates reflect credit of \$192/student for resident students in fall 2010 semester, funded from federal ARRA funds.

UM-Ann Arbor: Rates are for College of Literature, Science, and Arts.

UM-Dearborn: Rates are for College of Arts, Sciences, and Letters.

Sources: HEIDI database, university websites

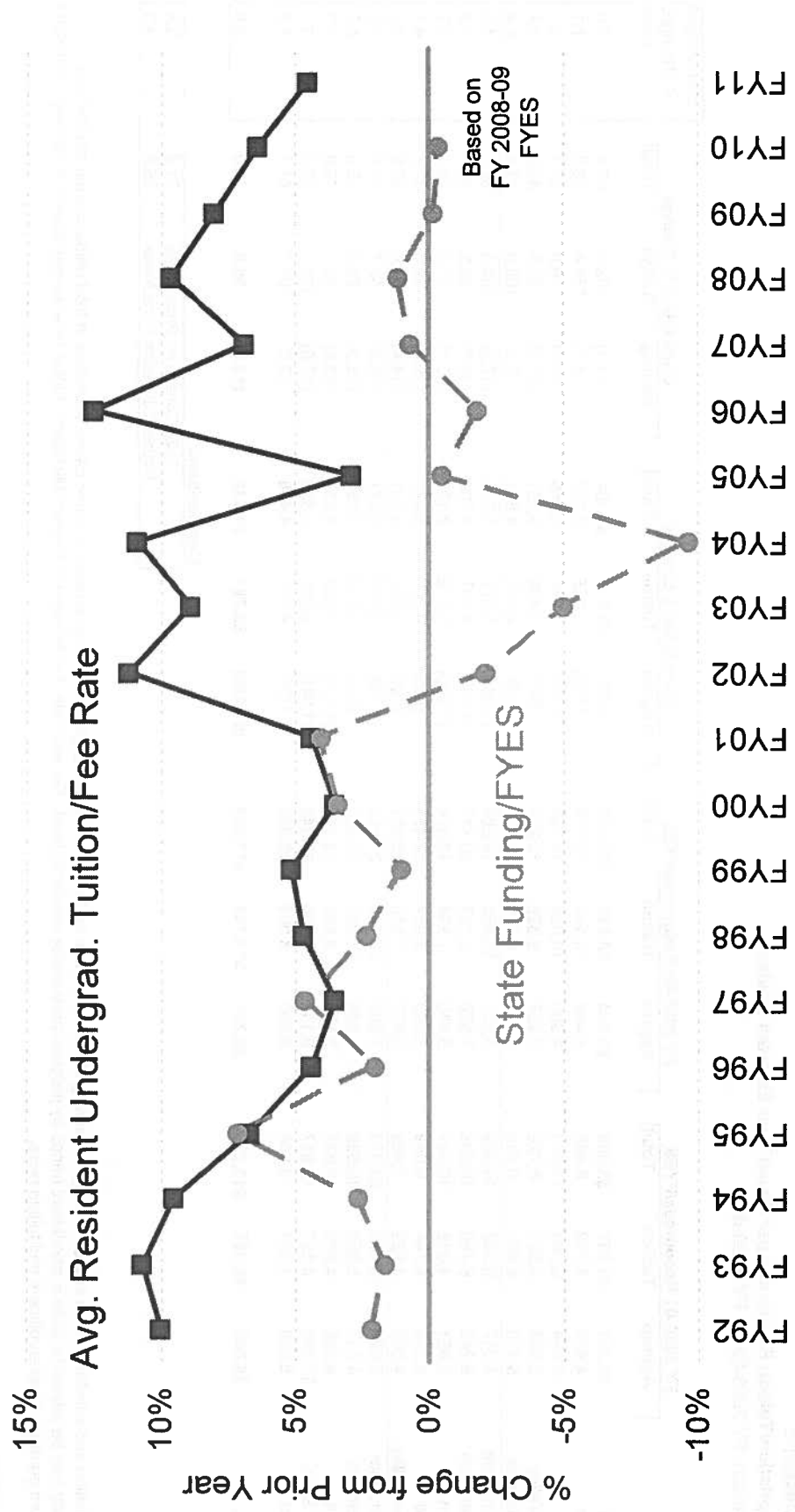
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ATTACHMENT B Tuition Rates and State Funding



ATTACHMENT C
Appropriation/Tuition Resources per Fiscal Year Equated Student
 Comparison: FY 2008-09 vs. FY 2000-01

	FY 2000-01 Resources/FYES			FY 2008-09 Resources/FYES			Cumulative \$ Change			Cumulative % Change			Annualized % Change: Total
	Approp	Tuition	Total	Approp	Tuition	Total	Approp	Tuition	Total	Approp	Tuition	Total	
Central	\$4,351	\$4,237	\$8,588	\$3,844	\$8,848	\$12,692	(\$507)	\$4,611	\$4,104	(11.7)	108.8	47.8	5.0
Eastern	4,629	3,779	8,408	4,466	10,144	14,610	(163)	6,365	6,202	(3.5)	168.4	73.8	7.1
Ferris	6,094	5,580	11,673	4,306	10,024	14,329	(1,788)	4,444	2,656	(29.3)	79.6	22.7	2.6
Grand Valley	3,808	4,921	8,729	2,962	9,328	12,290	(847)	4,408	3,561	(22.2)	89.6	40.8	4.4
Lake Superior	5,115	4,093	9,208	5,491	8,549	14,039	375	4,456	4,831	7.3	108.9	52.5	5.4
Michigan State	8,017	6,392	14,409	6,636	13,063	19,699	(1,381)	6,670	5,289	(17.2)	104.3	36.7	4.0
Michigan Tech	9,248	6,760	16,008	7,520	13,197	20,717	(1,728)	6,437	4,709	(18.7)	95.2	29.4	3.3
Northern	6,931	4,016	10,947	5,540	7,534	13,074	(1,390)	3,518	2,127	(20.1)	87.6	19.4	2.2
Oakland	4,305	4,744	9,049	3,480	8,994	12,474	(825)	4,250	3,425	(19.2)	89.6	37.8	4.1
Saginaw Valley	4,063	3,923	7,986	3,477	7,510	10,987	(586)	3,587	3,001	(14.4)	91.4	37.6	4.1
UM-Ann Arbor	9,674	13,699	23,373	7,906	21,743	29,650	(1,768)	8,045	6,277	(18.3)	58.7	26.9	3.0
UM-Dearborn	4,617	5,952	10,569	4,054	11,267	15,321	(563)	5,314	4,751	(12.2)	89.3	45.0	4.7
UM-Flint	4,788	4,849	9,637	3,660	9,508	13,168	(1,128)	4,658	3,531	(23.6)	96.1	36.6	4.0
Wayne State	11,090	4,827	15,917	9,142	11,108	20,249	(1,948)	6,281	4,333	(17.6)	130.1	27.2	3.1
Western	5,228	4,287	9,514	5,090	8,902	13,992	(138)	4,615	4,478	(2.6)	107.7	47.1	4.9
TOTAL	\$6,853	\$6,367	\$13,220	\$5,704	\$12,148	\$17,852	(\$1,149)	\$5,781	\$4,632	(16.8)	90.8	35.0	3.8

Comparisons:

U.S. Consumer Price Index	21.3
Higher Education Price Index	36.5
	2.4
	4.0

Note: Tuition and enrollment data include all degree-seeking students: in-state and out-of-state; undergraduate and graduate. In some cases, increases in total resources per student at a university may be related to shifts in enrollment trends by program area and/or academic level. For example, the increase in Eastern Michigan's tuition revenue per student is partially a function of increased graduate-level enrollment and tuition rates.

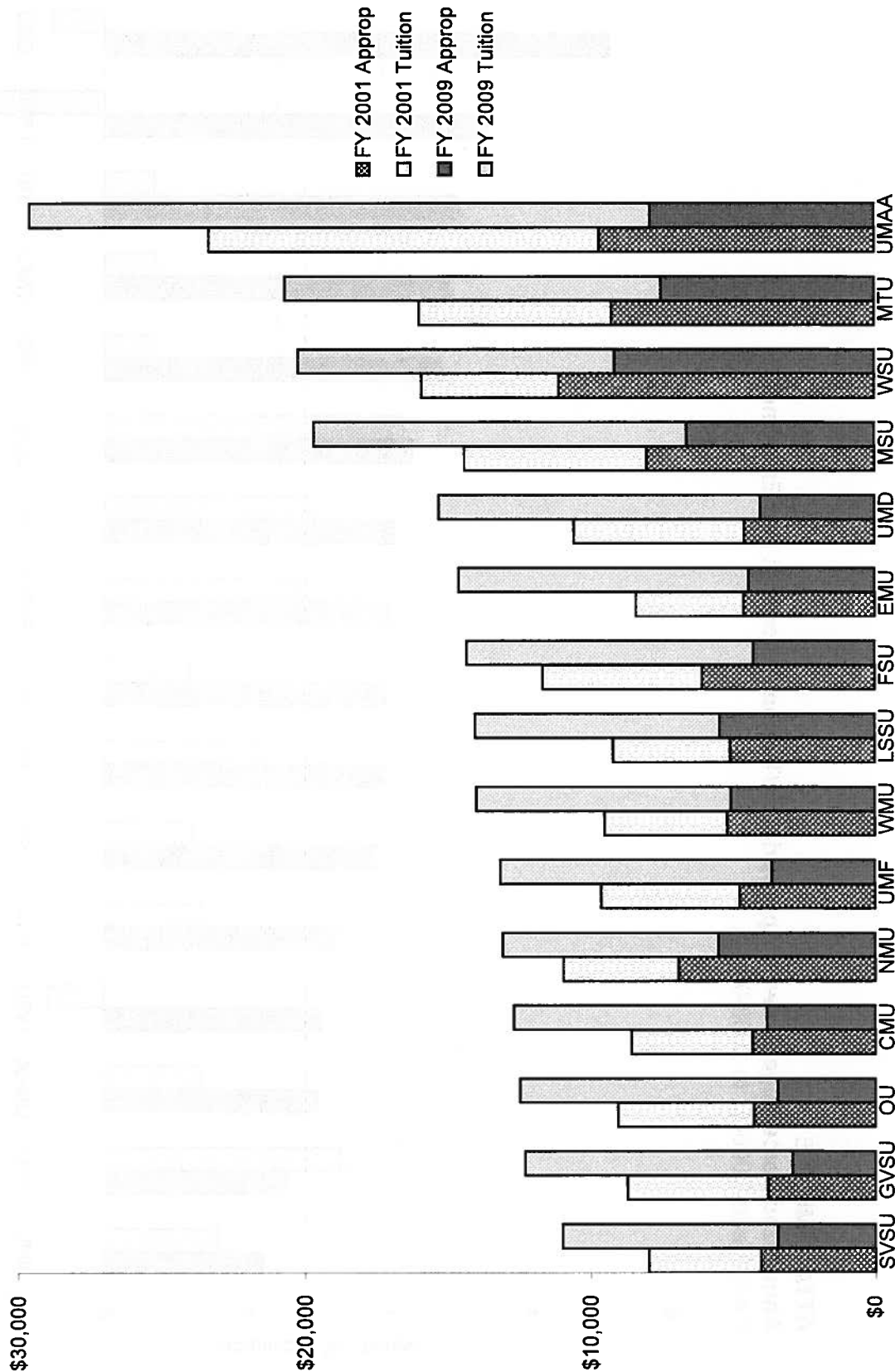
Source: HEIDI database

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ATTACHMENT D
Appropriation/Tuition Revenue per Student
 Nominal Data (Not Adjusted for Inflation)



ATTACHMENT E
Annualized Percentage Growth: Appropriation/Tuition Resources and Enrollment
 Fiscal Years 2000-01 to 2008-09

