Analysis of Appropriations to Michigan's Public Four-Year Universities, with Recommendations

John P. McHugh

A paper submitted in (partial) fulfillment of the
requirements for the degree of Masters of the Arts
("Plan B")

(Previously submitted in fulfillment of the requirements for
PSc 300, taken for graduate level credit in the Fall, 2004
semester)

Department of Political Science

Central Michigan University
Mount Pleasant, Michigan
November, 2007

Abstract

State appropriations to Michigan's 15 state universities are allocated on the basis of a system that reflects decades of largely political maneuvering rather than any rational formula, such as the number of students attending each school. As a result there is wide variation across these institutions in the level of state appropriation per student, tuition levels and the total cost to educate a resident undergraduate student for one year. Among other things this system has the effect of weakening the incentive within institutions to contain costs. A voucher-like, equalized per-student "foundation grant" system would be a more rational basis on which to distribute state funding to universities, and by increasing competition between schools for students would sharpen the incentive to contain costs. This paper analyzes how the implementation of such a system would affect the funding at each state university. It concludes with several recommendations based on this research and analysis.

Table of Contents

I

Foreword

The state of Michigan distributes annual state aid to its 15 four-year colleges and universities through a formula that is essentially based on political factors. The appropriations range from a low of $3,473 per resident undergraduate Full Year Equated Student (FYES) at Grand Valley State University to a high of $15,369 at the University of Michigan – Ann Arbor (Fiscal Year 2002-2003 figures). Tuition levels also vary widely. If the state money were distributed purely on the basis of the number of FYES at each institution, each school would receive $6,300 per student.

Looking at Michigan higher education spending through the "lens" of an equalized per-pupil "foundation grant," and reviewing the analysis that produced the figure suggests several recommendations regarding the future of college finance in the Great Lakes state, and regarding the future shape of our university system. These include equalizing the appropriations per student, and letting the money "follow the student," as is now done with K-12 spending.

II

Introduction and Background

Why Higher Education Costs Exceed Inflation

For the past 20 years inflation has been mild in the United States, and directly related to this, productivity measured in output-per-worker has risen rapidly. There are two exceptions to this positive inflation: In health care and higher education, prices have increased much more rapidly than the overall inflation rate.

Both of these sectors have in common heavy government involvement and extensive third party payer arrangements. This means that unlike other areas of the economy, there is a disconnect between these sectors and market processes that increase productivity and restrain prices in other sectors of the economy. The phenomena and its causes were described by economist Richard Vedder in his book, "Going Broke by Degree."

> The basic problem is that universities are mostly nonprofit organizations, subject to only muted competitive forces, and lacking market-imposed discipline to economize and innovate. University presidents, deans, maintenance supervisors, department chairs, and other administrators do not benefit from reducing costs. Major policy issues are typically decided in committees, where advocates of the status quo (often faculty with tenure) usually have the upper hand. With third parties such as government and private donors footing much of the cost, there is little fear that higher prices will trigger a consumer backlash. [1]

Evidence that excessive higher education price increases are at least partially the result of a decline in productivity can be seen in decreases in the number of students per employee at Michigan universities. Between 1977 and 2002 the three major research campuses saw the ratio of students for each instructor decline from 14-to-1, to 12-to-1. At the other 12 campuses the ratio fell from 20-to-1, to 18-to-1.[2] At the three research campuses, the

number of students per non-faculty employee (administrators, professional and service staff) has been steady to slightly lower over the same period. At the other 12 campuses, the number of students per non-faculty employee has decreased steadily.[3] In other words, there are more workers per unit of output (educated student), rather than fewer workers as in other sectors of the economy.

Note that more faculty members per student is NOT the same as smaller class sizes. To the extent that professors spend less time teaching and more time doing other things, it is entirely possible for there to be both a higher faculty-to-student ratio AND larger class sizes.

In the careful phrasing of Dr. Hank Prince of the Michigan House Fiscal Agency, this increase in staff per student represents the "development of what is called an administrative 'lattice' . . . Cost efficiencies frequently require revision or dismantling of the 'lattice.'"[4] These trends stand in stark contrast with the other sectors of the U.S. economy (health care excepted), where output per employee (productivity) has increased dramatically over the same period.

Cost Increases at Michigan's University System

In Michigan, this has resulted in a pattern of costs rising at a faster-than-inflation pace at the state's four-year universities. Increases in both tuition paid by students and in direct funding to universities from the state have exceeded inflation. Between 1994 and 2002, state aid to Michigan's 15 public universities rose by more than $260 million in real (adjusted for inflation) terms.[5] As a result of lower than expected revenues, a February 2003 Executive Order cut $25.5 million from the previously adopted 2002-2003 Higher Education appropriation. This initiated a series of reductions in overall Higher

Education appropriations that trimmed the gains of the previous decade. However, even after these cuts, the Fiscal Year (FY) 2004-2005 budget is still some $50 million higher than the FY 1994-1995 budget in real terms.[*]

Tuition levels also have galloped ahead at a level far greater than inflation, with only feeble restraint efforts by Lansing. Between 1994 and 2004, annual resident tuition rose 61.2 percent in real terms, from an average of $3,815 (in 2004 dollars) to $6,148.

Since 2003, Gov. Jennifer Granholm and the legislature have used the threat of even greater appropriation cuts as a "stick" to force universities to restrain combined tuition and required fee increases to no more than the cost of living. This has been fairly effective, but it comes after years of futile or feeble tuition restraint efforts.[†]

These figures do not include state dollars that have contributed to an ongoing "building boom" on Michigan college campuses. Since 1993, some $1.843 billion in new construction has been undertaken, with $1.465 billion of this coming directly from the state.

---

[*] These calculations apply the U.S. Bureau of Labor Standards overall consumer price index adjustments to the gross appropriation in the annual Higher Education annual budget bills, and to average tuition rates. Some analyses of higher education costs, in particular those that are sponsored by public universities, use a "Higher Education Price Index" (HEPI) that is considerably higher than the official consumer price index. This report rejects the use of HEPI, which is comprised of cost inputs that are considered "unique" to higher education. The HEPI measures is heavily influenced by changes in faculty compensation and fringe benefit amounts. Therefore HEPI allows public universities to compare their cost increases not to changes in the general price level for all goods and services, but only to increases in the costs incurred by other institutions of higher education. This methodology is flawed because it is "circular": If all colleges and universities yield to employee demands for excessive pay hikes, when any single institution compares its own pay hikes to the average of all the others it is likely to show only a small difference. HEPI therefore masks the fact that a particular institution's payroll and related cost increases may be much greater than the general inflation level.

[†] Just how feeble some of these efforts were was seen in "boilerplate" language in the FY 2002-2003 budget that imposed funding penalties on institutions that increased tuition by more than *8.5 percent*! Tuition increases for the previous year averaged nine percent.

In 2003, the Mackinac Center for Public Policy examined higher education spending increases over a longer period. It found that from FY 1985 through FY 2002, total spending at Michigan's 15 public universities increased by more than $5 billion in nominal terms, from about $2.4 billion to $7.6 billion. In inflation adjusted terms, that is an increase of some $3.3 billion in 2002 dollars.[6]

How the Money is Distributed

In FY 2002-2003, $1.558 billion was appropriated for "university operations" in Michigan. (The original $1.615 billion enacted by the legislature was reduced by an Executive Order budget balancing cut.) Another $200.9 million was appropriated for various scholarship programs. This includes $64.3 million in Merit Scholarship awards (which go to students who pass the state MEAP student assessments), need-based scholarships at state schools, and $66.0 million for tuition grants to Michigan residents who attend an independent, nonprofit college or university (instead of a state institution).

This FY 2002-2003 amount understated the level of scholarships going to state institutions, due to an "accounting shift" that transferred approximately half of the Merit Scholarship award payments into a different fiscal year. When "accounting gimmicks" are excluded, approximately $200 million per year in state scholarships flow to state colleges and universities. This is the only state money that "follows the student," rather than going directly to the college without regard to the number of students attending.

The annual "operations" funding grants that Michigan universities receive from the state, which constitutes the lion's of state funding, are not distributed on the basis of how many students attend each institution. Each school receives a lump sum which varies from year to year based on the total Higher Education budget, and on other factors

(discussed below). A per-student appropriation figure can be calculated by simply dividing the "university operations" line item for each institution in the annual budget bill by the number of resident students[*] at the institution. In FY 2002-2003, per-resident student operations funding to the 15 state campuses ranged from a low of $3,473 per resident undergraduate Full Year Equated Student (FYES) at Grand Valley State University to a high of $15,369 at the University of Michigan – Ann Arbor.

The of University of Michigan's Ann Arbor campus, Michigan State, and Wayne State are considered "research institutions," because they have large graduate and professional programs, including medical schools. It is argued that these three institutions generate large amounts of federal and private research grants which benefit the state directly and indirectly. On this basis, these three institutions have successfully made the case that legislators should grant them substantially higher appropriations, resulting in higher per-student appropriation amounts.

The other 12 institutions are considered "non-research" campuses, and so they are often compared to each other when looking at funding levels, with the "research institutions" considered separately. Five of the "non-research" schools - Western Michigan, Eastern Michigan, Central Michigan, Oakland, and Northern Michigan — offer some graduate programs, but are primarily undergraduate schools. Michigan Tech focuses primarily on engineering courses, and Ferris State on vocational and technical programs. The remaining five campuses - the University of Michigan's two sub-universities in Flint and Dearborn, Grand Valley State, Saginaw Valley State, and Lake Superior State - offer primarily undergraduate liberal arts programs.

[*] For purposes of this analysis it is assumed that the entire "operations" grant to each institution is for resident students only. See "Methodology" below for more on this point.

Other than the distinction between "research" and "non-research" universities, why is there such wide variation in funding even between the non-research institutions? To a large extent, each institution's funding is the fossilized expression of past and present legislative and political maneuvering

For example, it is not a coincidence that for many years Rep. Dominic Jacobetti of Negaunee in the Upper Peninsula dominated the pre-term limits appropriations process, and the fact that Northern Michigan University in Marquette receives from 22 percent to 106 percent more than every other "non research" university, except for Michigan Tech, another school in the western Upper Peninsula. Similarly, while Sen. John Schwartz chaired the Senate Higher Education Appropriations subcommittee, his *alma mater* the University of Michigan did very well in garnering an outsized proportion of the budget.[*] When the Detroit legislative delegation had more clout than it does today, and Rep. Morris Hood of Detroit chaired the House Higher Education Appropriations subcommittee, Wayne State saw its funding boosted.

Also, in annual budget bills of the past, various special programs were frequently authorized for specific schools, and the amount for those programs would then become a part of the "base" on which the college's subsequent budgets would be set. (House Higher Education Appropriations Subcommittee Chair Rep. Sandy Caul, personal communication, Nov. 30, 2004.) While this practice has ceased, Detroit's clout has declined, and "Jake" Jacobetti is 10 years in the grave, legislative inertia nevertheless maintains Wayne State's and Northern Michigan University's appropriations at high

[*] This led to an unusual floor statement by Speaker of the House Chuck Perricone during the final House session before a scheduled summer recess on June 20, 2000. Schwarz's partisanship on behalf of UM meant that legislators would depart until September having concluded every budget bill except Higher Education. Perricone accused Schwarz of lying about the process and trying to sabotage the bill so as to gain additional funds for UM.

levels. In addition, because annual appropriations are not based on the number of students at each school, and at these two institutions the number of students has declined relative to the total number of students attending all state universities, their relative appropriations per student have increased proportionately. Finally, some institutions, such as Grand Valley State University, receive lower levels of funding because they are thought to be better able to attract private funding from philanthropic individuals and organizations in their service area.

Needless to say, this is a system that cries out for rationalization. Efforts toward that end have been made for several years, but have made little progress against the political headwinds.

III

Analyzing the Numbers

Methodology

This paper analyzes the figures presented in Table 1 and Table 2, which compare four-year state universities on the basis of tuition, student counts, and state operations funding. The focus is on undergraduate education. Table 3 includes data on nonresident students and tuition, and additional data which were used to calculate figures in Tables 1 and 2, or which answer questions suggested by the information in these two tables. Table 1 compares all 15 colleges. Table 2 compares just the 12 non-research institutions. All figures refer to actual FY 2002-2003 spending amounts and student counts. The sources of the figures are identified on the Tables, and in a separate *References for Tables* section.

The first column in Tables 1 and 2 ("**Operations grants**") is the amount of the "Operations" line item in the FY 2002-2003 Higher Education budget[*] that was earmarked for each institution. These figures come from the Michigan House Fiscal Agency, and are the actual "operations" appropriation or grant for each university in the FY 2002-2003 budget, less the amount these were reduced by the budget-balancing "Executive Order No. 2003-3" issued in February, 2003.[7]

The figures in the next column ("**Per res UG approp**") are the per-resident undergraduate appropriation, calculated by dividing the resident undergraduate Full Year Equated Students (FYES, described below) into the operations grant for each university.

The next five columns provide the **resident and non-resident undergraduate tuition rates** for each school, the total number of **"Full Year Equated Students"**

[*] Senate Bill 1105 of 2002, Public Act 144 of 2002.

(FYES), and the **number of resident and non-resident undergraduate students** at each school. FYES figures, also called "Fiscal Year Equated Students" in some reports, are 20 percent to 25 percent lower than actual campus headcounts, and account for the presence of part time students. The figure essentially takes the total number of credit hours taken by all students during a school year and divides this by 30, which is considered the number of credit hours for a full time student. The total resident undergraduate students figures are actual 2002-2003 figures reported by the House Fiscal Agency. These are based on Full Year Equated Students (FYES). Tuition figures are from the Presidents Council, State Universities of Michigan "Report on Tuition and Fees, 2002-2003,"[8] and are the average of "upper division" and "lower division" tuition, which reflects the fact that some schools charge more for higher level classes.

The next column ("**Total res UG approp**") contains an estimate of the total portion of the annual operations appropriation that is used to educate resident undergraduates for each school, which is derived by dividing the operations appropriation by the number of all graduate and undergraduate resident FYES at each school, and then multiplying the per-student amount by the number of resident undergraduate FYES attending a particular school. (The difference between this figure and the school's "Operations grant" figure is the amount that is spent educating resident graduate students.) A grand total for all institutions is the sum of these figures at the bottom of this column.

Note: These figures assume that all Operations grant appropriations are for resident students only, an assumption buttressed by likelihood that legislative appropriators are

uninterested in subsidizing the education of nonresidents, and by the fact that non-resident tuition rates are far, far higher that resident rates.

The figures in the next column (**"Total res UG tuition")** are the tuition per resident undergraduate student charged at a school multiplied by the number of full time equated resident undergraduates. A grand total for the tuition charged to resident undergraduates at all universities is calculated at the bottom of this column. Table 3 includes the total amount of tuition charged to nonresident undergraduates.

The figures in the next column, "**Res Current Total Cost**" (referred to hereafter as "Total Cost") is the sum of each school's undergraduate resident tuition plus its per resident undergraduate student appropriation. This figure represents an estimate of how much an institution actually spends to educate a resident student for one year.

The next three columns, described shortly, should be looked at in the context of the equalized undergraduate "Foundation Grant" ("**Equalized UG 'Foundation Grant'**") figure, which is in boldface type below the main body of the table. This Foundation Grant is the amount that would have gone to each university per resident undergraduate student in FY 2002-2003 if operations funding were distributed solely on the basis of how many resident students attend each school, with each school getting the same amount per student. As discussed above, this is not how money is currently distributed. The figure is derived by dividing the grand total of resident undergraduate appropriations for all schools by the grand total of all resident undergraduate students.

Note: In other sources, including reports by the legislative fiscal agencies, a per-student appropriation figure is derived using all FYES, including resident and nonresident students. For this study the figure is calculated using resident students only. Therefore,

compared to those other sources, the per-student appropriation figure reported here will be lower for schools with a greater portion of nonresident students, and higher for schools with a relatively lower proportion of nonresidents.

The first of these last three columns, "**FG vs. per-UG approp.**" shows the amount that the Foundation Grant for a particular school would be higher or lower than the actual per-student appropriation currently going to the school. Figures in parentheses indicate that the Foundation Grant a school would receive under an equalized per-student funding formula would be less than the school's current per student appropriation – in other words, the school would be a loser under this system.

The "**Tuition w/ FG**" column shows the amount of tuition a school would need to charge resident undergraduates to maintain its Total Cost if it received the equalized undergraduate Foundation Grant, rather than its current per student appropriation. This assumes that there would be no change in the number of nonresident undergraduates or the tuition they pay.

The "**Tuition change if FG**" column shows the amount that the resident tuition for a particular school would have to increase or decrease in order to maintain its Total Cost under a Foundation Grant system. Figures in parentheses indicate that the tuition a school would charge under an equalized per student funding formula would be lower than what is charged under the current system, other things being equal. In other words, the school would be a winner under this system.

Below the main body of Tables 1 and 2 is a list of other relevant figures. The first of these is the equalized "Foundation Grant" for resident undergraduates ("**Equalized UG 'Foundation Grant' [FG]")**, described above In Table 1 this equalizes the total

undergraduate appropriation for all 15 state universities. In Table 2, the three research universities are excluded, and the figure equalizes the undergraduate appropriations for just the other 12 universities.

Below the “Foundation Grant” figure is the **average (mean) tuition across all schools**, and the next three figures are **statewide medians for resident tuition, per-student appropriations and Total Cost** (a school’s undergraduate tuition plus per-undergraduate appropriation) Again, in Table 1 these are calculated for all 15 universities, and in Table 2 for just the 12 “non-research” institutions. The medians and Foundation Grant calculated on Table 2 are for non-research universities only, and are derived without including figures for the three research universities.

IV

Observations

The upshot of the preceding section is that there is wide variation across Michigan's 15 state universities in the level of state appropriation per student, tuition levels and the total cost to educate an undergraduate student for one year. Further, the effect of a voucher-like, equalized per-student "foundation grant" system would affect different institutions very differently depending on where they fall on the continuum of those figures.

Winners and Losers

Under a "Foundation Grant" system that equalized funding for all institutions, 10 schools would gain more funding, and five would see their funding reduced. These five losing schools and the amount their per-resident undergraduate student appropriation would fall are Michigan State ($2,078), Michigan Tech ($4,669), Northern Michigan University ($865), UM-Ann Arbor ($9,070), and Wayne State ($5,154). The other 10 schools would see their per-student funding increase from $637 at Ferris to $2,704 at Grand Valley. See Table 1 for details.

Under a "Foundation Grant" system that equalized funding for all institutions but contained two separate "tiers" for research and non-research institutions, within the latter category six schools would gain more funding, and six would see their funding reduced. This assumes that the total amount appropriated to all schools within each "tier" would not change. The six losing schools would see their per-pupil funding fall from $6,298 at Michigan Tech to $15 at UM-Flint. The other six schools would see their per-student

funding increase from $161 at UM-Dearborn to $1,198 at Grand Valley. See Table 2 for details.

Appropriations and tuition appear unrelated

Note that there appears to be no relationship between a school's tuition and the level of its per-student appropriation. Many schools that receive more than the median per-student appropriation do *not* charge less in tuition, and vice versa. This is the case even when the three "research" universities are taken out of the equation. Here is how the tuition and per student appropriations for the 12 "non-research" campuses compare to the median "non-research" amounts:

- Six schools receive *below* median appropriations and charge *below* median tuition (which is counter-intuitive).
- Five schools receive *above* median appropriations and charge *above* median tuition (which is counter-intuitive).
- Two schools receive *below* median appropriations and charge *above* median tuition (which one might expect).
- Two schools receive *above* median appropriations and charge median-level tuition *or less* (which one might expect).

In other words, just because a particular school receives more from the state, it does not necessarily charge less in tuition. And just because a school receives less from the state, it does not necessarily charge more in tuition.

Huge Variation in Total Cost may indicate muted competitive forces

Next, look at the current resident student "Total Cost," or combined resident tuition plus per-student state appropriation figures. The range is stunning, from a low of $8,268

at Saginaw Valley, to a high of $23,329 at University of Michigan, Ann Arbor. Even among the “non-research” schools there is a tremendous range: From $8,268 at Saginaw Valley to $17,560 at Michigan Tech, located in Houghton in the Upper Peninsula.

Now everyone knows that the heating bills and snow removal costs are higher in Houghton than in Saginaw, and it may cost somewhat more to focus on training engineers than to turn out liberal arts graduates, but it is hard to believe that these differences account for $9,292 worth of cost difference.

It is much more likely that these huge cost variations are a characteristic of institutions “subject to only muted competitive forces, and lacking market-imposed discipline to economize and innovate,” to use Vedder’s phrasing. Were these institutions operating in a genuine competitive free market environment, there probably would be far less cost variation, and excursions from the mean in either direction would be easily (and probably noisily) explained by pointing to a differing emphasis on either higher quality or greater affordability.

Above median Total Cost may indicate trouble

Several schools would require large tuition increases in order maintain their current “Total Cost” (tuition plus per-student state appropriation) under an equalized Foundation Grant system. This may be a sign of trouble at these institutions. Table 2 excludes the three research institutions and their higher funding from all calculations, and therefore comes up with a Foundation Grant” figure of $4,671 per student, rather than $6,300 per student when all 15 colleges are included in the Foundation Grant calculation.

Given the lower $4,671 per-pupil grant, six of these 12 schools would need to raise tuition to maintain their Total Cost under a Foundation Grant system: Ferris, Lake Superior State, Michigan Tech, Northern, U-M Flint, and Western Michigan University.

All but one of these schools are at or above the median Total Cost for non-research institutions; UM-Flint comes in below it by just $113 or 1.1 percent. At four of these schools the 2004 fall term enrollment shows a decline from the previous year, according to a report by the *Detroit News*.[9] At the other two, enrollment is essentially flat. Only one university that would have lower tuition with a Foundation Grant system saw its enrollment fall: Eastern Michigan University..

Two of the schools in this declining or stagnant enrollment category, Northern and Michigan Tech, feature Total Costs that are in the stratosphere compared to the non-research median of $9,585: Northern Michigan University's Total Cost is $2,360 above the median, and Michigan Tech's is *$7,975* above the median. Northern added just 24 students in its 2004 enrollment (up .26 percent), and Michigan Tech lost 29 (down .44 percent). Northern would need to raise its tuition by $2,494 if it received the non-research institution Foundation Grant of $4,671 per student, and Michigan Tech would need to raise tuition by *$6,298.*

Ferris is a third school whose current cost of $11,307 is substantially above the non-research median of $9,585, and Western is in the fourth position with a Total Cost of $10,477. Both of these universities experienced enrollment decline in the fall of 2004.

The link between above-median Total Cost and stagnant or falling enrollment may be coincidence. In the private sector, however, a combination of above average costs and flat or declining customer base usually means something, and is a loud-and-clear signal to owners and managers that changes are needed.

Schools with more nonresidents would be "cushioned" from the effect of a Foundation Grant system

The University of Michigan – Ann Arbor received approximately $202 million in tuition payments from nonresident undergraduates in 2002-2003, which is equal to 84 percent of the amount of appropriations it received from the legislature for resident undergraduates in that year. Lake Superior State received $492,000 from nonresident undergraduates, which is equal to 3.6 percent of the amount it received from the legislature for resident undergraduates. In addition, UM could probably increase its proportion of nonresidents, while it is likely that fewer nonresidents are lining up to get into Lake Superior State.

This is not meant to pick on LSSU, but simply to demonstrate the extent that nonresident tuition revenues varies at different state universities. Given that one of the assumptions of this study is that appropriations to state universities are for the benefit of resident and not nonresident students (the per-student appropriation calculated here for each institution is based on the number of resident students), the level in nonresident tuition revenue to a particular school makes a difference. In short, those schools that would receive less from the state under a Foundation Grant system would be "cushioned" from the impact of that change if they receive a great deal of nonresident tuition revenue.

Lack of transparency and consistency in university accounting raises questions about some comparisons

Finally, the Total Cost figures at the three research institutions are *very* high (although Michigan State's is actually lower than the non-research Michigan Tech), but the figures for them may be somewhat overstated. Recall that the per-student appropriation for each school is derived by dividing the university operations appropriation by the number of resident FYES at each school (operations grant/FYES). Recall also that the resulting figure is a "byproduct" of the size of the operations appropriation, not a determinant of it. Each school's appropriation is a lump sum that it not directly related to the number of students attending.

Therefore, if a substantial part of a school's operations grant is used to fund activities not directly related to educating graduate and undergraduate students, such as medical schools and hospitals, research programs, etc., then the "numerator" in the equation is too high, and the "quotient" (per student appropriation) will also be too high.

It is beyond the scope of this paper to parse out what portions of each university's budget is actually spent on educating students. An attempt to do so may not yield very satisfactory answers in any case, because of a lack of transparency and uniform accounting practices at public universities. This was noted by the 2002 report of the "University Investment Commission" chaired by former House Speaker Paul Hillegonds, which stated, "The public and political leaders deserve transparency of information, especially with regard to tuition and state appropriations."[10] Stating that the legislature should demand transparency is an excellent transition to the next section of this paper.

V

Recommendations

Getting more value for the money Michigan taxpayers and families spend on higher education requires policies that increase the amount of "market-imposed discipline to economize and innovate." With this standard in mind, the above analysis suggests several policy recommendations.

Recommendation One

State money should "follow the students," just as it now does in Michigan's K-12 schools.

To a large extent, universities already have an incentive to attract more students. Obviously, schools only collect tuition from students who attend. In addition, approximately $200 million in annual state scholarships do "follow the student." Therefore, schools do compete for students, and there are winners and losers in the competition.

The Detroit News article cited above stated that approximately 30 percent of 18-year-olds are "college bound," and that the numbers in this age group are expected to rise slightly through 2008. That article did not look beyond 2008, but projections from the federal Department of Education's National Center for Education Statistics show similar growth in the number of high school graduates in Michigan through 2008, but then the number drops, so that by 2012 there will be virtually the same number of high school graduates as there are in 2004.[11] This suggests that the competition for students among

Michigan universities may be somewhat muted in the next four years as the pool of candidates grows, but then will become sharper as there are "fewer students to go around."

Nevertheless, making the link between pupil counts and state appropriations even more direct will increase the incentive for university administrators to "sharpen their pencils," by removing the "cushion" of annual appropriations that are assured regardless of how many students attend.

Policy makers must exercise caution in shifting universities to "foundation grant" funding, lest the schools seek to "game the system" by artificially boosting the number of admissions with students who have little chance of graduating. It would not be difficult to avoid this problem by developing funding formulas that take into account the proportion of students who actually graduate.

Another "dodge" might be for universities to lower standards, establishing a "race to the bottom" in which competition between schools would be based on which is considered the "easiest" by prospective students. To a large extent this would be self correcting, because the value of a degree from a dumbed-down institution would eventually decline. (The extent to which a school could get away with this in the short time is an indication of the crying need for objective performance indicators that allow academic quality comparisons between colleges. No such instrument currently exists, and some suggest that the higher education establishment likes it that way.)

Recommendation Two

The huge differences in per-student appropriations at different schools should be eliminated. Universities should compete for students on the basis of which offers the best

value with a comparable amount of state funding, not which has the best lobbyists or the most legislative friends in Lansing.

Furthermore, once the state shifts to a "foundation grant" system for undergraduate schooling, the rationale for the somewhat arbitrary difference between funding at the "research institutions" and the other 12 campuses will become purely artificial, and can be eliminated. If there is a relationship between the value of a degree offered by one of the research universities, and substantially higher costs directly associated with educating undergraduates at that school, then students will willingly make up for lower appropriations by paying higher tuitions. If there is no such relationship, students won't pay more, and these schools will have to rein in their costs in order to attract students.

But uncovering such a relationship requires first that there be properly transparent accounting, which as the Hillegonds report cited above suggests, is not now the case. Transparent accounting requires that, to the extent that the state benefits from non-educational research or health care or other functions of particular universities, funding for those activities should be contained in separate line items, and not be bundled in with undergraduate education in a single "university operations" line item. Given continuing structural deficits in the state budget, serious consideration should be given to transferring these non-educational functions to the private sector.

There is no serious intellectual argument against leveling out funding. According to at least one university lobbyist active in the process, the spokesmen for the schools benefiting from the disproportional payments do not even try to make a case for it – they

just work behind the scenes to maintain the status quo. (Central Michigan University lobbyist Kathy Wilbur, conversation with CMU PSc 300 students during a "Day at the Capitol" field trip, Dec. 3, 2004.)

Summary of Recommendations One and Two

Under these two recommendations, universities would be free to raise or lower their tuition to a level that covers costs, and that allows them to compete in the market. If the latter amount is less than the former (that is, the tuition is too high to attract enough students to cover costs), then the school would have a strong incentive to lower costs. Alternatively, it could seek ways to add value so that students would be willing to pay the higher tuition.

As the introduction to this paper pointed out, costs at universities have risen much faster than inflation because these institutions are insulated from the same market forces that have driven costs down and quality up in every sector of the economy where there is not heavy government interference. Reducing this "insulation" is the ultimate solution to reining in costs.

The interaction of these recommendations - conditioning the receipt of state money on attracting students, and equalizing the per-student appropriations of each university, would create a huge change in the incentives that drive college administrators and boards. To survive, universities would be forced even more to "separate themselves from the competition" and offer greater value in order to compete successfully for students. In some cases this added value will come in the form of "niche" programs, or higher quality and more prestigious academic programs. Other schools will emphasize affordability.

Some may not have anything unique and valuable to offer, and will close without the "cushion" of an annual guaranteed handout from the state. That is how it should be.

Recommendation Three:

The state should privatize, consolidate programs, and "right size" the higher education system.

The very high Total Costs at some institutions, and declining enrollments at some schools, suggests that Michigan should consider convening a higher education version of the "military base closing commission." Do we really need 15 public universities? Can we afford them? Do three of them need to be located in the Upper Peninsula? While it is somewhat beyond the scope of this paper, it is appropriate to at least glance at some examples of how a higher education system for the 21st century might differ from the current system.

Governor Jennifer Granholm has set a goal of doubling the number of number of citizens with a post-secondary degree, citing the need for better educated workers to compete in the world knowledge economy. Meeting this goal does not require that those post-secondary degrees come from Michigan's 15 four-year universities, however. Indeed, it is likely that the lion's share of any large increase in post-secondary degrees will come from community colleges offering vocational education programs.

"When something becomes expensive, people tend to look for substitutes," writes Richard Vedder.[12] As the figures above demonstrate, higher education in Michigan has certainly become expensive. Vedder discusses three developments that could transform the current system: for-profit universities, distance learning, and private certification of skills.

The University of Phoenix (UOP), and its subsidiary UOP-Online are the best known examples of the first two of these developments. This private company offers bachelors and masters degrees in a number of disciplines, with an emphasis on vocationally oriented programs. Vedder explains that "for-profits like UOP have one mission: to educate students in a profitable fashion. There are no research aspirations, no athletic teams, no sense of obligation to provide community services."[13] The result is that the "administrative 'lattice'" described by Hank Prince is ruthlessly squelched, productivity grows rather than diminishes, and costs are contained.

Students attend college for two reasons: to acquire knowledge, and to earn a certification that they have done so. By so doing they hope to demonstrate the possession of discipline and the acquisition of skills that will make themselves attractive to potential employers. Such certifications need not come from traditional institutions of higher learning. As an example, Vedder observes that ". . . the information technology field is paving the way for non-college related certifications. Major companies like Microsoft, Cisco, Oracle, and Novell have their own certification programs." [14]

Surely Gov. Granholm's concern about needing a better trained workforce for a knowledge economy will in part be just as well served by this kind of alternative certification as by traditional college programs. (Indeed, the "Microsoft Certified Technician" label is almost surely more valuable to many employers than a University of Michigan "Bachelor of General Studies" degree with a concentration on medieval history and a dearth of mathematical, science, or foreign language training.)

Conclusion of Recommendations

In her second State of the State address on Jan. 27, 2004, Gov. Jennifer Granholm stated that, "Universities must coordinate, not duplicate, specialties and services (to promote efficiency and stretch dollars to maximize services to the public)."[15]

Clearly, coordination is not a term that characterizes Michigan's university system, and duplication is rife. Indeed, "empire building" seems to be the order of the day: Central Michigan University maintains an extensive network of 8,600 distance learning students and curricula at 60 centers in Michigan and across the continent. Ferris State, located in Big Rapids, has had a presence in downtown Grand Rapids for many years, and is looking to expand its operation there. Western Michigan University has campuses in six other cities besides its main location in Kalamazoo. Michigan State offers a study more than 150 study abroad programs in more than 50 countries. Many schools offer "niche" programs and degrees that inefficiently serve tiny student populations.[16]

Given the budget challenges facing this state, and the unsustainability of ever increasing tuition rates and/or appropriation levels, the governor's vision of a somewhat less duplicative version of current system almost certainly does not go far enough. The Michigan Constitution requires the legislature to "appropriate moneys to maintain (named schools)." The constitution does not define "maintain," does not require any specific amounts, and does not impose any particular funding formula.

This gives the governor and legislators a great deal of latitude to revise the current system in ways that make state universities more efficient and a better value for students and taxpayers. This paper has suggested a few steps toward this end that are really nothing more than common sense. Given that the current trends in higher education costs

are unsustainable, if these steps or others like them are not taken, Michigan's university system risks becoming a playground for the rich made irrelevant by competition from alternative private sector institutions.

VI

Endnotes

[1] Vedder, R. (2004). *Going Broke by Degree*. AEI Press: Washington, D.C. , xv-xvi.

[2] Prince, H. (2003). *The Long View: State University Enrollments, Revenues and Expenditures: FY 1977 through FY 2002. A Report to the House Appropriations Subcommittee on Higher Education.* Michigan House Fiscal Agency, 26.
http://www.house.mi.gov/hfa/PDFs/thelongview.pdf

[3] Ibid, 28.

[4] Ibid, 29.

[5] Michigan Office of the State Budget (2003). *2003-2004 Executive Budget*. Table titled, "Historical Expenditures/Appropriations, Gross," C-32.
http://www.michigan.gov/documents/totalbudget2_59046_7.pdf

[6] LaFaive, M. (2002). *Recommendations to Strengthen Civil Society and Balance Michigan's State Budget: An Analysis of Fiscal-Year 2002-03 Appropriations and Recommendations for 2003-04*. Mackinac Center for Public Policy: Midland, MI, pp. 98.
http://www.mackinac.org/article.asp?ID=5046

[7] Michigan House Fiscal Agency (2002). *Higher Education Appropriations Report, September 2003*. Table 1: FY2003-04 Higher Education Enacted Appropriations, based on 2002 Senate Bill 1105, Public Act 144 of 2002.
http://www.house.mi.gov/hfa/pdfs/hied2004.pdf Fiscal Year 2003-04

[8] Presidents Council, State Universities of Michigan (2003). *Report on Tuitions and Fees*.
http://pcsum.org/pdfs/2002_03_tuition_fees.pdf

[9] Guthrie, D. (2004, Nov. 9) Fewer enroll at six state colleges. *The Detroit News*.

[10] Presidents Council, State Universities of Michigan (2002). *Final Report* (of the University Investment Commission). pp. 13.
http://www.pscinc.com/Documents/uic/UIC_index.htm

[11] U.S. Department of Education, National Center for Education Statistics (2004). *Projection of Education Statistics to 2012*. Table titled, "High school graduates in public schools, by region and state, with projections: 1993–94 to 2011–12."
http://nces.ed.gov/pubs2002/proj2012/Table_24_2.asp

[12] Vedder (2004), 151.

[13] Ibid, 156.

[14] Ibid, 165.

[15] Gov. Jennifer Granholm, "Our Determination, Our Destination: A 21st Century Economy," State of the State speech, Jan. 20, 2004.
http://mi.gov/gov/0,1607,7-168-23442_21981-84911--,00.html

[16] Presidents Council, State Universities of Michigan (2003). *Michigan's Public Universities*, links to referenced universities.
http://pcsum.org/universities.html

VII

References for Tables

House Fiscal Agency (2003). *Higher Education Appropriations Report, Fiscal Year 2003-04*. Prepared by Hank Prince and Ellen Jeffries. See Table 1. http://www.house.mi.gov/hfa/PDFs/hied2004.pdf

Presidents Council, State Universities of Michigan (2003). *Enrollment Report*. See Table 2, titled "Full Year Equated Students by Institution and Fiscal Year." http://pcsum.org/pdfs/Enrollmt2003.pdf

Senate Fiscal Agency (January 11, 2005). Unpublished table showing Full Year Equated Student History broken down by institution, resident and nonresident. Created from the Michigan Higher Education Institutional Data Inventory (HEIDI) database and provided to the author by Senate Fiscal Agency analyst Ellen Jeffries. Table is attached. Note: Breakdown of resident vs. non-resident graduate and undergraduate FTEs provided verbally by Ms. Jeffries over the telephone, these figures also from HEIDI database.

House Fiscal Agency, 2003. Higher Education Appropriations Report, Fiscal Year 2003-04,Table 1. http://www.house.mi.gov/hfa/PDFs/hied2004.pdf

Summary of Tuition and Required Fees. Resident Students -- FYES Basis 2002-03. Average of upper and lower tuition amounts. htp://www.pcsum.org/pdfs/2002_03_tuition_fees.pdf

From unpublished table given to author by Senate Fiscal Agency, showing Full Year Equated Student History (attached).

Table 1: All Universities

FY 2002-2003 Figures

	$	$	$	$	# Students	# Students	# Students	# Students
College	"Operations" grant	Per res ug approp	Res UG tuition	Nonres UG tuition	FYES	# Res UG	Nonres UG	Total UG
CMU	$ 86,853,522	$ 4,247	$ 4,747	$ 11,119	21,307	17,415	457	17,872
EMU	**$ 84,569,756**	**$ 4,535**	**$ 5,027**	**$ 13,760**	**19,582**	**15,521**	**539**	**16,060**
Ferris	$ 53,577,031	$ 5,890	$ 5,417	$ 10,826	9,840	8,372	646	9,018
GVSU	**$ 57,992,024**	**$ 3,473**	**$ 5,148**	**$ 11,120**	**17,167**	**14,438**	**440**	**14,878**
LSSU	$ 13,769,310	$ 4,850	$ 4,758	$ 8,073	2,900	2,834	61	2,895
MSU	**$ 314,572,583**	**$ 8,377**	**$ 6,412**	**$ 15,465**	**41,586**	**30,128**	**2,936**	**33,064**
MTU	$ 53,308,105	$ 10,969	$ 6,591	$ 15,101	6,008	4,695	741	5,436
NMU	**$ 50,192,383**	**$ 7,165**	**$ 4,780**	**$ 7,732**	**8,047**	**6,522**	**1,032**	**7,554**
OU	$ 50,551,147	$ 3,951	$ 5,031	$ 11,826	13,070	10,623	192	10,815
SVSU	**$ 26,434,503**	**$ 3,887**	**$ 4,381**	**$ 9,288**	**7,129**	**5,953**	**288**	**6,241**
UM-AA	$ 350,837,633	$ 15,369	$ 7,960	$ 24,185	38,651	15,674	8,362	24,036
UM-D	**$ 27,013,503**	**$ 4,511**	**$ 5,520**	**$ 12,892**	**6,335**	**4,974**	**187**	**5,161**
UM-F	$ 23,225,711	$ 4,686	$ 4,786	$ 9,314	5,019	4,593	43	4,636
WSU	**$ 244,766,818**	**$ 11,454**	**$ 5,104**	**$ 11,094**	**23,704**	**13,497**	**658**	**14,155**
WMU	$ 121,278,313	$ 5,322	$ 5,155	$ 12,272	25,461	19,886	1,724	21,610
Total (if applicable)	**1,558,942,342**				**245,806**	**175,125**	**18,306**	**193,431**

Equalized UG 'Foundation Grant' [FG]	**$ 6,300**
Statewide average resident tuition	5,563
Resident UG tuition median	5,104
Per res UG approp median	4,850
Total Cost median	10,031

This is the "per pupil undergrad foundation grant" that each school would receive if state assistance were equalized across all institutions based on student counts. See attached methodology statement for details.

Resident Current Total Cost (per student) = tuition + per-student grant (2002 figures).

Difference between the school's 2002 per-student grant and a system-wide "foundation grant."

This is the tuition the institution would need to charge given a system-wide "foundation grant" and no change in current cost.

Total res UG approp	Total res UG tuition	Total nonres UG tuition	**Res Current Total Cost**	"FG" vs. per-UG approp	Tuition w/ FG	Tuition change if FG
$ 73,967,142	$ 82,669,005	$ 5,081,383	$ 8,994	$ 2,053	$ 2,694	$ (2,053)
$ 70,392,405	**$ 78,024,067**	**$ 7,416,640**	**$ 9,562**	**$ 1,765**	**$ 3,262**	**$ (1,765)**
$ 49,312,544	$ 45,351,124	$ 6,993,596	$ 11,307	$ 410	$ 5,007	$ (410)
$ 50,149,068	**$ 74,326,824**	**$ 4,892,800**	**$ 8,621**	**$ 2,826**	**$ 2,322**	**$ (2,826)**
$ 13,745,060	$ 13,484,172	$ 492,453	$ 9,608	$ 1,450	$ 3,308	$ (1,450)
$ 252,395,280	**$ 193,180,736**	**$ 45,405,240**	**$ 14,789**	**$ (2,078)**	**$ 8,490**	***$ 2,078***
$ 51,498,262	$ 30,944,745	$ 11,189,841	$ 17,560	$ (4,669)	$ 11,260	*$ 4,669*
$ 46,731,581	**$ 31,175,160**	**$ 7,979,424**	**$ 11,945**	**$ (865)**	**$ 5,645**	***$ 865***
$ 41,976,459	$ 53,444,313	$ 2,270,592	$ 8,982	$ 2,348	$ 2,683	$ (2,348)
$ 23,141,852	**$ 26,080,093**	**$ 2,674,944**	**$ 8,268**	**$ 2,412**	**$ 1,969**	**$ (2,412)**
$ 240,900,209	$ 124,765,040	$ 202,234,970	$ 23,329	$ (9,070)	$ 17,030	*$ 9,070*
$ 22,435,325	**$ 27,456,480**	**$ 2,410,804**	**$ 10,031**	**$ 1,789**	**$ 3,731**	**$ (1,789)**
$ 21,524,554	$ 21,982,098	$ 400,502	$ 9,472	$ 1,613	$ 3,173	$ (1,613)
$ 154,591,378	**$ 68,888,688**	**$ 7,299,852**	**$ 16,558**	**$ (5,154)**	**$ 10,258**	**$ 5,154**
$ 105,824,508	$ 102,512,330	$ 21,156,928	$ 10,477	$ 978	$ 4,177	$ (978)
$ 1,218,585,627	**$ 974,284,875**	**$ 327,899,969**				

This is how much a school's 2002 tuition would have to either increase or (decrease) to maintain the "Current Cost" if each school received the same "foundation grant," vs. the politically determined per-student appropriation of the current system.

House Fiscal Agency, 2003. Higher Education Appropriations Report, Fiscal Year 2003-04,Table 1. http://www.house.mi.gov/hfa/PDFs/hied2004.pdf

Summary of Tuition and Required Fees. Resident Students -- FYES Basis 2002-03. Average of upper and lower tuition amounts. http://www.pcsum.org/pdfs/2002_03_tuition_fees.pdf

From unpublished table given to author by Senate Fiscal Agency, showing Full Year Equated Student History (attached)

Table 2: "Non Research" Universities Only

FY 2002-2003 Figures

College	$ "Operations" grant	$ Per res ug approp	$ Res UG tuition	$ Nonres UG tuition	# Students FYES	# Students # Res UG	# Students Nonres UG
CMU	$ 86,853,522	$ 4,247	$ 4,747	$ 11,119	21,307	17,415	457
EMU	**$ 84,569,756**	**$ 4,535**	**$ 5,027**	**$ 13,760**	**19,582**	**15,521**	**539**
Ferris	$ 53,577,031	$ 5,890	$ 5,417	$ 10,826	9,840	8,372	646
GVSU	**$ 57,992,024**	**$ 3,473**	**$ 5,148**	**$ 11,120**	**17,167**	**14,438**	**440**
LSSU	$ 13,769,310	$ 4,850	$ 4,758	$ 8,073	2,900	2,834	61
MTU	**$ 53,308,105**	**$ 10,969**	**$ 6,591**	**$ 15,101**	**6,008**	**4,695**	**741**
NMU	$ 50,192,383	$ 7,165	$ 4,780	$ 7,732	8,047	6,522	1,032
OU	**$ 50,551,147**	**$ 3,951**	**$ 5,031**	**$ 11,826**	**13,070**	**10,623**	**192**
SVSU	$ 26,434,503	$ 3,887	$ 4,381	$ 9,288	7,129	5,953	288
UM-D	**$ 27,013,503**	**$ 4,511**	**$ 5,520**	**$ 12,892**	**6,335**	**4,974**	**187**
UM-F	$ 23,225,711	$ 4,686	$ 4,786	$ 9,314	5,019	4,593	43
WMU	**$ 121,278,313**	**$ 5,322**	**$ 5,155**	**$ 12,272**	**25,461**	**19,886**	**1,724**
Total (if applicable)	$ 648,765,308				141,865	115,826	6,350

Equalized UG 'Foundation Grant' [FG]	**$ 4,671**
Statewide average resident tuition	$ 5,072
Resident UG tuition median	$ 5,029
Per res UG approp median	$ 4,611
Total Cost median	$ 9,585

This is the "per pupil undergrad foundation grant" that each school would receive if state assistance were equalized across all institutions based on student counts. See attached methodology statement for details.

Resident Current Total Cost (per student) = tuition + per-student grant (2002 figures).

Difference between the school's 2002 per-student grant and a system-wide "foundation grant."

This is the tuition the institution would need to charge given a system-wide "foundation grant" and no change in current cost.

# Students	$	$	$	$	$	$	$
Total UG	Total res UG approp	Total res UG tuition	Total nonres UG tuition	**Res CurrentTotal Cost**	"FG" vs. per-UG approp	Tuition w/ FG	Tuition change if FG
17,872	$ 73,967,142	$ 82,669,005	$ 5,081,383	$ 8,994	$ 424	$ 4,323	$ (424)
16,060	**$ 70,392,405**	**$ 78,024,067**	**$ 7,416,640**	**$ 9,562**	**$ 136**	**$ 4,891**	**$ (136)**
9,018	$ 49,312,544	$ 45,351,124	$ 6,993,596	$ 11,307	$ (1,219)	$ 6,636	$ 1,219
14,878	**$ 50,149,068**	**$ 74,326,824**	**$ 4,892,800**	**$ 8,621**	**$ 1,198**	**$ 3,950**	**$ (1,198)**
2,895	$ 13,745,060	$ 13,484,172	$ 492,453	$ 9,608	$ (179)	$ 4,937	$ 179
5,436	**$ 51,498,262**	**$ 30,944,745**	**$ 11,189,841**	**$ 17,560**	**$ (6,298)**	**$ 12,889**	***$ 6,298***
7,554	$ 46,731,581	$ 31,175,160	$ 7,979,424	$ 11,945	$ (2,494)	$ 7,274	*$ 2,494*
10,815	**$ 41,976,459**	**$ 53,444,313**	**$ 2,270,592**	**$ 8,982**	**$ 720**	**$ 4,311**	**$ (720)**
6,241	$ 23,141,852	$ 26,080,093	$ 2,674,944	$ 8,268	$ 784	$ 3,597	$ (784)
5,161	**$ 22,435,325**	**$ 27,456,480**	**$ 2,410,804**	**$ 10,031**	**$ 161**	**$ 5,359**	**$ (161)**
4,636	$ 21,524,554	$ 21,982,098	$ 400,502	$ 9,472	$ (15)	$ 4,801	$ 15
21,610	**$ 105,824,508**	**$ 102,512,330**	**$ 21,156,928**	**$ 10,477**	**$ (711)**	**$ 5,866**	**$ 711**
122,176	$ 570,698,760	$ 587,450,411	$ 72,959,907				

This is how much a school's 2002 tuition would have to either increase or (decrease) to maintain the "Current Cost" if each school received the same "foundation grant," vs. the politically determined per-student appropriation of the current system.

FISCAL-YEAR-EQUATED STUDENT HISTORY

FYES = Fiscal Year Equated Student

	FISCAL YEAR 1993-94	FISCAL YEAR 1994-95	FISCAL YEAR 1995-96	FISCAL YEAR 1996-97	FISCAL YEAR 1997-98	FISCAL YEAR 1998-99	FISCAL YEAR 1999-2000	FISCAL YEAR 2000-01	FISCAL YEAR 2001-02	FISCAL YEAR 2002-03
Central Michigan University										
Total-Headcount	20,447	20,180	21,006	21,322	22,025	22,594	22,956	23,990	24,492	24,594
Resident	20,214	19,913	20,709	20,932	21,605	22,137	22,015	22,648	23,105	23,267
Nonresident	233	267	297	390	420	457	941	1,342	1,387	1,327
Total-FYES	16,230	16,167	16,704	17,253	17,733	18,813	19,438	20,349	20,961	21,307
Resident	16,018	15,917	16,406	16,881	17,350	18,402	18,686	19,392	19,989	20,449
Nonresident	212	250	298	372	383	411	752	957	972	858
Eastern Michigan University										
Total-Headcount	25,126	23,737	23,511	23,201	23,184	23,018	23,580	23,517	24,251	24,505
Resident	23,830	22,502	22,242	21,966	21,994	21,873	22,486	22,374	23,056	23,332
Nonresident	1,296	1,235	1,269	1,235	1,190	1,145	1,094	1,143	1,195	1,173
Total-FYES	18,590	17,478	17,447	17,447	17,563	18,038	18,539	18,657	19,256	19,582
Resident	17,465	16,360	16,289	16,324	16,521	17,048.57	17,610	17,662	18,258	18,647.21
Nonresident	1,125	1,118	1,158	1,123	1,043	989.29	929	995	998	934.35
Ferris State University										
Total-Headcount	11,188	10,258	9,767	9,495	9,468	9,651	9,668	9,847	10,929	11,074
Resident	10,498	9,589	9,098	8,817	8,752	8,877	8,915	9,039	10,003	10,325
Nonresident	690	669	669	678	716	774	753	808	926	749
Total-FYES	9,868	8,973	8,434	8,229	8,164	8,512	8,527	8,979	9,568	9,840
Resident	9,248	8,355	7,786	7,560	7,454	7,737	7,775	8,157	8,737	9,096
Nonresident	620	618	648	669	710	775	752	822	831	744
Grand Valley State University										
Total-Headcount	13,384	13,553	13,887	14,662	15,676	16,751	17,452	18,579	19,762	20,407
Resident	13,182	13,328	13,609	14,346	15,315	16,323	17,029	18,108	19,276	19,905
Nonresident	202	225	278	316	361	428	423	471	486	502
Total-FYES	10,191	10,279	10,801	11,511	12,435	13,651	14,477	15,512	16,779	17,566
Resident	10,002	10,069	10,548	11,227	12,102	13,251	14,077	15,081	16,320	17,096
Nonresident	189	210	253	284	333	400	400	431	459	470

FISCAL-YEAR-EQUATED STUDENT HISTORY

FYES = Fiscal Year Equated Student

	FISCAL YEAR 1993-94	FISCAL YEAR 1994-95	FISCAL YEAR 1995-96	FISCAL YEAR 1996-97	FISCAL YEAR 1997-98	FISCAL YEAR 1998-99	FISCAL YEAR 1999-2000	FISCAL YEAR 2000-01	FISCAL YEAR 2001-02	FISCAL YEAR 2002-03
Lake Superior State University										
Total-Headcount	3,244	3,301	3,437	3,392	3,369	3,412	3,244	3,125	3,218	3,320
Resident	3,179	3,228	3,375	3,330	3,318	3,347	3,185	3,075	3,154	3,262
Nonresident	65	73	62	62	51	65	59	50	64	58
Total-FYES	2,751	2,729	2,873	2,815	2,779	2,823	2,779	2,749	2,819	2,900
Resident	2,691	2,660	2,820	2,762	2,731	2,768	2,721	2,700	2,760	2,839
Nonresident	60	69	53	53	49	55	58	49	59	61
Michigan State University										
Total-Headcount	39,743	40,254	40,647	41,545	42,603	43,189	43,038	43,366	44,227	44,937
Resident	35,307	36,040	36,407	37,300	38,401	39,100	39,022	39,214	40,002	40,362
Nonresident	4,436	4,214	4,240	4,245	4,202	4,089	4,016	4,152	4,225	4,575
Total-FYES	34,584	35,093	35,627	36,588	37,893	39,666	39,455	40,060	40,936	41,586
Resident	30,707	31,384	31,901	32,915	34,219	35,950	35,916	36,381	37,202	37,550
Nonresident	3,877	3,709	3,726	3,673	3,674	3,716	3,539	3,679	3,734	4,036
Michigan Technological University										
Total-Headcount	6,603	6,460	6,390	6,195	6,302	6,257	6,321	6,335	6,582	6,592
Resident	4,928	4,823	4,728	4,580	4,601	4,554	4,607	4,866	5,212	5,366
Nonresident	1,675	1,637	1,662	1,615	1,701	1,703	1,714	1,469	1,370	1,226
Total-FYES	6,355	6,179	6,096	5,821	5,920	6,067	6,109	5,887	5,916	6,008
Resident	4,684	4,526	4,463	4,255	4,231	4,327	4,404	4,470	4,641	4,860.16
Nonresident	1,671	1,653	1,633	1,566	1,689	1,740	1,705	1,417	1,275	1,147.48
Northern Michigan University										
Total-Headcount	8,711	8,047	7,579	8,018	7,794	7,851	8,128	8,401	8,557	9,004
Resident	8,100	7,371	6,889	7,276	7,053	7,019	7,324	7,472	7,534	7,948
Nonresident	611	676	690	742	741	832	804	929	1,023	1,056
Total-FYES	7,009	6,448	6,243	6,423	6,595	6,999	7,133	7,396	7,718	8,047
Resident	6,460	5,883	5,643	5,787	5,908	6,177	6,332	6,495	6,704	7,005
Nonresident	549	565	600	636	686	822	801	901	1,014	1,042

FISCAL-YEAR-EQUATED STUDENT HISTORY

FYES = Fiscal Year Equated Student

	FISCAL YEAR 1993-94	FISCAL YEAR 1994-95	FISCAL YEAR 1995-96	FISCAL YEAR 1996-97	FISCAL YEAR 1997-98	FISCAL YEAR 1998-99	FISCAL YEAR 1999-2000	FISCAL YEAR 2000-01	FISCAL YEAR 2001-02	FISCAL YEAR 2002-03
Oakland University										
Total-Headcount	12,895	13,165	13,600	13,962	14,379	14,289	14,726	15,235	15,875	16,059
Resident	12,698	12,968	13,351	13,706	14,108	14,024	14,462	14,929	15,547	15,728
Nonresident	197	197	249	256	271	265	264	306	328	331
Total-FYES	9,307	9,361	9,834	10,116	10,409	10,938	11,359	11,970	12,619	13,070
Resident	9,158	9,201	9,640	9,922	10,195	10,709	11,118.7	11,728	12,350	12,793
Nonresident	149	160	194	194	214	229	240.1	242	269	277
Saginaw Valley State University										
Total-Headcount	6,975	7,066	7,300	7,338	7,527	8,054	8,383	8,622	8,936	9,189
Resident	6,901	6,986	7,196	7,231	7,363	7,796	8,093	8,248	8,512	8,789
Nonresident	74	80	104	107	164	258	290	374	424	400
Total-FYES	5,065	5,141	5,202	5,219	5,366	5,883	6,272	6,632	6,857	7,130
Resident	4,987	5,063	5,115	5,096	5,191	5,640.54	5,965.19	6,294	6,492	6,800.1
Nonresident	78	78	87	123	175	242	306.45	338	365	329.5
University of Michigan-Ann Arbor										
Total-Headcount	36,696	36,407	36,534	36,365	36,881	36,814	37,437	37,482	38,090	38,618
Resident	23,506	22,773	22,649	22,353	22,946	23,100	22,935	22,435	22,627	22,757
Nonresident	13,190	13,634	13,885	14,012	13,935	13,714	14,502	15,047	15,463	15,861
Total-FYES	35,506	35,317	35,284	35,135	35,775	36,675	37,134	37,026	37,998	38,651
Resident	22,745	22,093	21,822	21,567	22,198	22,978	22,694	22,241	22,650	22,827
Nonresident	12,761	13,224	13,462	13,568	13,577	13,697	14,440	14,785	15,348	15,824
University of Michigan-Dearborn										
Total-Headcount	7,958	8,185	8,214	8,324	8,335	8,213	8,215	8,484	8,381	8,725
Resident	7,856	8,085	8,091	8,181	8,141	8,046	7,963	8,168	8,053	8,239
Nonresident	102	100	123	143	194	167	252	316	328	486
Total-FYES	5,254	5,332	5,364	5,453	5,446	5,649	5,773	5,973	6,062	6,335
Resident	5,182	5,265	5,288	5,351	5,339	5,529	5,609	5,770	5,836	5,989
Nonresident	72	67	76	102	107	120	164	203	226	346

FISCAL-YEAR-EQUATED STUDENT HISTORY

FYES = Fiscal Year Equated Student

	FISCAL YEAR 1993-94	FISCAL YEAR 1994-95	FISCAL YEAR 1995-96	FISCAL YEAR 1996-97	FISCAL YEAR 1997-98	FISCAL YEAR 1998-99	FISCAL YEAR 1999-2000	FISCAL YEAR 2000-01	FISCAL YEAR 2001-02	FISCAL YEAR 2002-03
University of Michigan-Flint										
Total-Headcount	6,448	6,236	6,312	6,444	6,488	6,656	6,524	6,316	6,397	6,434
Resident	6,410	6,206	6,273	6,408	6,446	6,602	6,473	6,252	6,337	6,360
Nonresident	38	30	39	36	42	54	51	64	60	74
Total-FYES	4,679	4,542	4,579	4,776	4,768	5,086	5,050	4,954	5,056	5,019
Resident	4,645	4,513	4,542	4,740	4,730	5,044	5,003	4,904	4,998	4,956
Nonresident	34	29	37	36	38	42	47	50	58	63
Wayne State University										
Total-Headcount	34,280	32,906	32,149	31,185	30,729	31,203	31,025	30,408	31,040	31,167
Resident	31,608	30,384	29,639	28,781	28,408	28,811	28,189	27,176	27,361	28,361
Nonresident	2,672	2,522	2,510	2,404	2,321	2,392	2,836	3,232	3,679	2,806
Total-FYES	23,882	23,056	22,823	22,353	22,677	23,234	23,095	22,811	23,754	23,704
Resident	21,570	20,881	20,622	20,228	20,588	20,946	20,440	19,896	20,602	21,370
Nonresident	2,312	2,175	2,201	2,125	2,089	2,288	2,655	2,915	3,152	2,334
Western Michigan University										
Total-Headcount	26,555	25,673	26,537	25,699	26,132	26,575	27,744	28,657	28,931	29,732
Resident	24,279	23,382	24,275	23,305	23,620	24,091	25,285	25,716	25,678	26,504
Nonresident	2,276	2,291	2,262	2,394	2,512	2,484	2,459	2,941	3,253	3,228
Total-FYES	20,896	20,226	20,393	20,278	20,644	21,633	22,833	23,693	24,906	25,461
Resident	18,771	18,105	18,245	18,099	18,398	19,394	20,668	21,171	22,054	22,790
Nonresident	2,125	2,121	2,148	2,179	2,246	2,239	2,165	2,522	2,852	2,671
TOTAL HEADCOUNT	**260,253**	**255,428**	**256,870**	**257,147**	**260,892**	**264,527**	**268,441**	**272,364**	**279,668**	**284,357**
Resident	**232,496**	**227,578**	**228,531**	**228,512**	**232,071**	**235,700**	**237,983**	**239,720**	**245,457**	**250,505**
Nonresident	**27,757**	**27,850**	**28,339**	**28,635**	**28,821**	**28,827**	**30,458**	**32,644**	**34,211**	**33,852**
TOTAL FYES	**210,167**	**206,321**	**207,704**	**209,417**	**214,167**	**223,667**	**227,972**	**232,648**	**241,205**	**246,205**
Resident	**184,333**	**180,275**	**181,130**	**182,714**	**187,154**	**195,901**	**199,019**	**202,342**	**209,593**	**215,067**
Nonresident	**25,834**	**26,046**	**26,574**	**26,703**	**27,012**	**27,766**	**28,954**	**30,306**	**31,612**	**31,138**

sfa/ej/1-11-05 Note: Beginning in FY 1998-99, FYES are based on 30 annual credits. Data Source: Higher Education Institutional Data Inventory (HEIDI)