Campus Budget Forum

2012 Higher Education Budget

David L. Eisler, president
Sally DePew, budget planning
February 2011
Governor Snyder’s 2011-12 Budget Recommendation

- Addresses $1.4B deficit
- Eliminates Michigan Business Tax - $1.8B
- Total of $3.2 billion in budget changes
  - $1.5B in spending reductions
  - $1.7B in new revenue
New Revenue

Eliminates –
- Tax exemption retiree pensions - $900M/yr
- Business tax credits
  - Film, battery, Brownfield, others
- Personal tax credits
  - Contributions to public universities, earned income tax credit, city income tax credit

Impact by Taxpayer Type:
- Businesses  $-1.1B
- Individuals  $ .8B
Spending Reductions
(All Funds)

$1.5B Across Most State Departments

- Universities (-15%)
  • Largest percentage decrease of all areas
- Revenue Sharing (-13%)
- School Aid (-4.2%)
- Community Health (-4%)
Higher Education

- State Education Funding Act combines
  - School Aid (K-12)
  - Community Colleges
  - Higher Education

- School aid fund subsidized with general fund revenues
School Aid Fund Issues

• Creates P-20 funding structure

• Higher education priority vs. public schools, community colleges

• Stability of funding sources, School Aid Fund is supported by:
  • 73% of gross sales tax revenue
  • 100% of State 6-Mill Education tax
  • All net lottery sales
  • 33% of gross use tax revenue
  • 42% of cigarette tax revenue
  • All real estate transfer tax
  • All of state casino wagering tax
  • Approx. 23% of gross income tax revenue
Education Funding

- K-12 per-pupil foundation cut $300 (4%)
- Community Colleges – held at FY 11 levels
- Public Universities – 22% reduction
  - Tuition restraint grant brings reduction to 15%
    • Requires tuition restraint at 7% increase or less
    • Is tuition grant base or one-time
  - FY 2013 higher education appropriations determined through formula
State Financial Aid

• Tuition Incentive Program increased to $43.8M, only increase in financial aid funding

• Combines competitive scholarship and tuition grant into need-based Pathway to Higher Education grant

• Shifts funding for most all financial from state general fund to Federal TANF funding (Temporary Assistance Needy Families)
## FSU FY12 Appropriation

<table>
<thead>
<tr>
<th>Source of Funds</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Aid Fund</td>
<td>58%</td>
</tr>
<tr>
<td>General Fund</td>
<td>42%</td>
</tr>
</tbody>
</table>

### Operations: $37,971,600

### Tuition Restraint Incentive: $3,352,700

**Total:** $41,324,300
• Recommended cut is 21.9% reduction
  – Lowest appropriation level since 1989
  – Largest percentage reduction ever

• With tuition restraint grant cut becomes 15% reduction
  – Lowest appropriation since 1993

• Largest percentage reductions for higher education funding in history of Michigan
Ferris Response

• We will cut the budget by $7.3M

• Student tuition will not be used to cover this cut from the state

• 2012 Tuition will meet tuition restraint guidelines
Ferris Response

We have prepared for this reduction

– Budget forums beginning in 2009
– Initiated a series of 4 phased reductions
  • Phase 1 – $2.5M
    Used in 2009-10 for 3.2% State reduction, tuition restraint
  • Phases 2 through 4 - $7.3M
    Reductions identified and held by vice presidents
    Included early retirement incentive for staff
    Academic Affairs still finalizing Phase 4 reductions
Fiscal Year 2013

• Governor has proposed second-year “planning” budget
  – Not official, sets the tone for State plans

• Higher education maintained at FY 2012 level
  – University appropriations determined via incentive-based formula developed by state budget director and enacted by the legislature
Budget Concerns

• Governor proposes, legislature develops, what is final budget?
  – Do more tax cuts emerge, reducing revenue?
  – Includes state employee concessions

• Much attention on schools, revenue sharing, tax on pensions, little on higher education
  – What is the priority of higher education?
  – What happens to higher education in school aid fund?
  – No cuts to corrections

• Other uncertainties
  – Can TANF funds be used for nearly all student financial aid in this way?
  – What does funding formula do for next year?
Ferris State Funding History

Amounts in Millions of Dollars
Ferris State Today

• Planning makes us well prepared for 2011-12 reduction

• No additional University budget cuts are planned at this time

• Continue to control costs and find ongoing efficiencies

• Monitor carefully and work hard in Lansing
  – House Higher Education presentation Wednesday.
Thank You

Your help is needed, you are needed, your thoughts and your willingness to work through this together are needed.

Our success relies on your help.

With your help we will get through this and continue to build a greater university together.

Dave Eisler