

Based on Testimony to the House Appropriations Higher Education  
Subcommittee Presented March 3, 1995, by President James J. Duderstadt,  
University of Michigan

The Governor's proposal to give Michigan State University (MSU) \$300 per student in addition to the 3 percent increase being recommended for the state's 15 universities would create, rather than eliminate, inequities in 1995-96 appropriations.

The 1994-95 state appropriations per fiscal-year-equated student for the state's three research universities are:

\$8,300 for Wayne State University (WSU);

\$8,200 for MSU;

\$7,900 for the University of Michigan, Ann Arbor (U-M).

Under the Governor's proposal, state appropriations would total:

\$9,059 for MSU;

\$8,446 for WSU;

\$8,137 for U-M.

The \$10.4 million windfall for MSU would create significant inequity.

The governor's recommendation also would break a two-decades-long practice of providing essentially the same appropriation for the U-M and MSU. This equity in appropriation has recognized the fact that both institutions are equally important to the state. [See Figure 1]

MSU's enrollments were somewhat larger during the 1980s, leading to slightly lower appropriations per fiscal-year-equated student (FYES) for MSU at that time. In recent years, enrollment in Ann Arbor has surpassed that in East Lansing [See Figure 2], leading to the present situation, in which the appropriation per FYES for the U-M is currently \$300 less than that of MSU. [See Figure 3].

Eliminating funding parity also could destroy the spirit of cooperation among Michigan's public institutions, even possibly unleashing a political battle among the universities for limited state dollars.

Claims that MSU suffers from funding inequity rely largely on creative – somewhat misleading – accounting.

In making its case to the Governor and the Legislature, MSU has omitted from its appropriations the \$45 million it receives in support of its land-grant

service outreach mission through its Agricultural Experiment Station (AES) and Cooperative Extension Service (CES). These funds contribute significantly to MSU's faculty, student and academic program support.

Not counting the \$45 million artificially lowers the appropriation per FYES for MSU, creating an apparent, but fictitious, discrepancy.

Other Michigan universities also receive funds dedicated to other than academic units and also budget some appropriations outside the general fund to support their missions.

However, that money has not been excluded from the calculations as has MSU's funds for AES and CES.

For example, the U-M's budget contains \$54 million for the U-M Medical Center. Wayne State's appropriation contains a component designed to support its mission as an urban university. If funds related to the U-M's and Wayne's service missions were subtracted from their total appropriations, as MSU has done with funds related to its agricultural mission, both the U-M and Wayne State would drop below MSU in state appropriations per FYES.

Fairness dictates that all appropriations to all universities be included uniformly in the calculations.

If the simple index of appropriation per FYES were used to measure equity, the Governor should have recommended increasing the funding for the U-M by \$300 per FYES relative to MSU.

However, such an index fails to recognize the important and unique missions of these institutions.

It has been suggested that the so-called Carnegie Classifications be used to create three groupings for Michigan's public universities and to justify the additional \$300 per FYES appropriation for MSU, \$200 per FYES for Western Michigan University and \$100 per FYES for Grand Valley State University.

Carnegie Classifications are useful when grouping institutions by their academic mission but are irrelevant when determining the adequacy of state support, as noted by the Governor's Commission on the Future of Higher Education in Michigan in 1984.

Because two universities share the same broad categorization of academic mission does not mean that their funding levels should be the same. Funding needs are instead determined by a number of factors such as:

- 1 Mission. Is it a major research university, a land-grant institution or an urban university?

1 Mission as reflected by program offerings. Does it offer a full array of graduate and professional programs and comprehensive coverage of disciplinary specialties and sub-specialties?

1 Composition and mix of the student body. What proportion of students are enrolled in graduate or professional programs or in undergraduate programs with higher costs such as engineering and music? How many students are enrolled part-time, come from disadvantaged backgrounds or are minorities?

1 Mix of activities. What academic and student services are needed and offered? Do students live on campus or commute? How large are the libraries and the information technology infrastructure? How extensive is the research, continuing education and service outreach of the faculty?

1 Specific characteristics. What is the size and age of the physical plant? Does the geographic location impose special burdens for security or maintenance? Who competes for the faculty and staff of the university? What impact does that competition have on salary and recruitment costs?

The Carnegie groupings ignore these factors and rely on a simplistic approach to a complex problem.

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