

# If we give colleges even more money, will they keep tuition down?

Michigan taxpayers would have had to spend an additional \$4.8 billion to keep state university tuition constant

By James M. Hohman and Jennifer Majorana | March 2023

Some people believe the only reason tuition at Michigan's state universities has been going up is that state lawmakers have not given the schools enough money to keep tuition down.

Is that true? Theoretically, lawmakers could write checks so large that colleges would then be able to bring down tuition. But it would take a huge amount of taxpayer dollars to keep up with what the schools want to spend. Such an investment would not pass the test of a simple cost-benefit analysis.

Universities compete with each other over students, and the competition can be fierce. That is particularly true in a state like Michigan, which produced 7.6% fewer public high school graduates in 2022 than in 2012. Fifteen public four-year colleges and 31 public two-year community colleges, in addition to private, for-profit and out-of-state institutions, compete for that shrinking population of high school graduates.

Students make college decisions for many reasons. Cost doesn't always seem to be the most important factor. Michigan State University and University of

Michigan-Ann Arbor have the highest 2021-2022 enrollments in the state yet charge the second-most and third-most for tuition, respectively.

Colleges make budget choices for many reasons, too. The fact that their costs keep increasing

above inflation indicates that keeping costs down isn't the schools' highest priority.

When costs go up, schools must either charge higher tuition or get more money from state taxpayers.

Yes, there are many other sources of revenue, such as grants and donations. But state funding and tuition are the two big ways that universities pay their bills.

State universities have been getting more money from both of their primary sources of funding: state taxpayers and tuition.

**“The fact that their costs keep increasing above inflation indicates that keeping costs down isn't the schools' highest priority.”**

Taxpayer funding of universities increased from \$1.3 billion to \$1.5 billion from 2011-12 to 2020-21, a 4.6% increase above inflation. But universities' costs grew at much faster rates, rising from \$5.5 billion to \$7.0 billion, a 9.4% increase above inflation. To make up the difference, the schools increased tuition, and total collections bumped up from \$4.0 billion to \$5.2 billion, or 11.7% more than inflation.

All told, lawmakers sent the universities \$13.6 billion in taxpayer money over this period. To keep tuition constant, elected officials would have needed to spend \$18.4 billion, or \$4.7 billion more than they did.

If cost is not a priority for the people responsible for paying tuition, or the people responsible for university budgets, is \$4.7 billion a worthwhile return on investment?

It won't increase the number of students who attend universities. Few make their decisions based on tuition prices.

It won't increase the number of students who graduate. Universities do what they can to help keep students in school, regardless of how much they get from the state. More taxpayer dollars may even prove counterproductive, since extra state funding would decrease schools' reliance on tuition and diminish incentives for schools to retain tuition-paying students.

Since it wouldn't have increased the number of students or improved student completion, that extra cash likely wouldn't have increased the number of people in the state who have degrees. It's unclear what better outcome taxpayers (not all of whom go to college themselves) would have gotten from all the spending necessary to keep tuition down.

So increasing taxpayer funding of universities is all cost and no benefit for the public.

Some would make the state out to be the villain in this story, for failing to keep up with university's rising costs of providing a college education.

It's true that state appropriations have not increased in lockstep with college's costs.

But colleges find a new bottom line every year, and it only goes in one direction.

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