

**FY 2018-19: HIGHER EDUCATION**  
**Summary: As Passed by the House**  
**Article III, House Bill 5579 (H-1) as Amended**



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IDG/IDT	FY 2017-18 YTD as of 2/7/18	FY 2018-19 Executive	FY 2018-19 House	FY 2018-19 Senate	FY 2018-19 Enacted	Difference: House From FY 2017-18 YTD	
						Amount	%
	\$0	\$0	\$0			\$0	--
<b>Federal</b>	111,526,400	113,026,400	119,026,400			7,500,000	6.7
<b>Local</b>	0	0	0			0	--
<b>Private</b>	0	0	0			0	--
<b>Restricted</b>	238,443,500	385,688,300	385,688,300			147,244,800	61.8
<b>GF/GP</b>	1,279,254,500	1,160,217,900	1,145,602,800			(133,651,700)	(10.4)
<b>Gross</b>	<b>\$1,629,224,400</b>	<b>\$1,658,932,600</b>	<b>\$1,650,317,500</b>			<b>\$21,093,100</b>	<b>1.3</b>

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

**Overview**

The Higher Education budget, contained in Article III of the compiled School Aid Act, provides funding for operational support of the state's 15 public universities, the AgBioResearch and Extension programs operated by Michigan State University, various financial aid programs for students attending public and independent colleges and universities in the state, and several other smaller higher education-related programs.

**Major Budget Changes From FY 2017-18 YTD Appropriations**

**1. University Operations Funding**

Executive increases university operations funding by \$28.6 million School Aid Fund (SAF), a 2.0% increase. The increase is distributed under the performance funding formula, where 50% is allocated based on each university's share of operational funding appropriated in the baseline year of FY 2010-11, while the remaining increase is distributed based on other formula components (weighted completions, research and development spending, and comparison to Carnegie peers). Attainment of performance funding would be conditioned on restraining resident undergraduate tuition and fee increases to 3.8% or \$490 (set at 3.8% or \$475 in the current year). Projected funding increases for individual universities range from 1.5 to 3.1%. Also includes a fund shift of \$120.0 million from GF/GP to SAF.

	FY 2017-18 Year-to-Date (as of 2/7/18)	FY 2018-19 House Change
<b>Gross</b>	<b>\$1,428,345,000</b>	<b>\$14,283,500</b>
Restricted	231,219,500	148,566,800
GF/GP	\$1,197,125,500	(\$134,283,300)

House increases university operations funding by \$14.3 million SAF, a 1.0% increase. The House concurs with the condition that resident undergraduate tuition and fee increases must be restrained to 3.8% or \$490, whichever is greater. The House increases the fund shift of GF/GP to SAF from \$120 million to \$134.3 million. Adds stipulation that operations funding will be reduced by 10% for universities that fail to submit Title IX reports specified in Sec. 274c and Sec. 274d or fail to comply with various Title IX and sexual assault stipulations found in Sec. 265b. Projected funding increases for individual universities range from 0.8% to 1.5%.

**2. Michigan Competitive Scholarship**

Executive increases funding for Michigan Competitive Scholarships by \$6.0 million in federal Temporary Assistance for Needy Families (TANF) funds. The scholarships are awarded to students with a qualifying ACT/SAT score and demonstrated financial need. The funding is taken from the Tuition Grant Program, due to higher than expected demand in Michigan Competitive Scholarships and lower participation in the Tuition Grant Program. Total funding for Michigan Competitive Scholarships would be \$32.4 million.

	Gross	\$26,361,700	\$6,000,000
Federal	18,361,700		6,000,000
GF/GP	\$8,000,000		\$0

House concurs with the funding increase for Michigan Competitive Scholarships but does not change the Tuition Grant Program funding levels.

<b>Major Budget Changes From FY 2017-18 YTD Appropriations</b>		<b>FY 2017-18 Year-to-Date (as of 2/7/18)</b>	<b>FY 2018-19 House Change</b>
<b>3. Michigan Public School Employee Retirement System (MPERS) Rate Cap Costs</b>	<b>Gross</b>	<b>\$6,705,000</b>	<b>(\$1,572,000)</b>
<u>Executive</u> reduces funding by \$1.6 million SAF for the state's share of the universities' unfunded liability to MPERS. The state's share is the difference between the unfunded accrued liability to the system and the employer contribution cap of 25.73% of payroll for the seven universities with MPERS employees (Central, Eastern, Ferris, Lake Superior State, Michigan Tech, Northern, and Western). Total funding for the state share of MPERS would be \$5.1 million SAF. <u>House</u> concurs.	Restricted	6,705,000	(1,572,000)
	GF/GP	\$0	\$0
<b>4. Tuition Incentive Program</b>	<b>Gross</b>	<b>\$58,300,000</b>	<b>\$1,500,000</b>
<u>Executive</u> increases funding for Tuition Incentive Program by \$1.5 million in federal TANF funds, a 2.6% increase, which pays for Medicaid-eligible students' tuition costs for associate's degrees. Total funding for TIP would be \$59.8 million. <u>House</u> concurs.	Federal	58,300,000	1,500,000
	GF/GP	\$0	\$0
<b>5. MSU Extension and AgBioResearch Programs</b>	<b>Gross</b>	<b>\$63,165,700</b>	<b>\$631,600</b>
<u>Executive</u> increases funding for Michigan State's AgBioResearch program by \$678,300 GF/GP and Extension program by \$585,100 GF/GP, a 2.0% increase for both.	GF/GP	\$63,165,700	\$631,600
<u>House</u> increases funding for AgBioResearch by \$339,100 GF/GP and Extension program by \$292,500 GF/GP, a 1.0% increase for both programs.			
<b>6. MPERS Normal Cost Offset</b>	<b>Gross</b>	<b>\$419,000</b>	<b>\$250,000</b>
<u>Executive</u> increases funding by \$250,000 SAF to reimburse universities for the normal cost increase for the second year of a two-year phase in to reduce the assumed rate of return for MPERS from 8% to 7.5%. Total funding for the offset would be \$669,000 SAF. <u>House</u> concurs.	Restricted	419,000	250,000
	GF/GP	\$0	\$0
<b>7. Tuition Grant Program</b>	<b>Gross</b>	<b>\$38,021,500</b>	<b>\$0</b>
<u>Executive</u> decreases funding for the Tuition Grant Program by \$6.0 million in federal TANF funds. The program provides need-based tuition assistance to students at Michigan independent (i.e. private, non-profit) colleges and universities. The \$6.0 million reduction is transferred to Michigan Competitive Scholarships, due to higher than expected demand in Michigan Competitive Scholarships and lower participation in the Tuition Grant Program. Tuition Grant maximum per-student annual award amounts would increase from \$2,000 to \$2,100. Total funding for the Tuition Grant Program would be \$32.0 million.	Federal	31,664,700	0
<u>House</u> maintains current funding levels. Tuition Grant maximum per-student annual award amounts would increase from \$2,000 to \$2,300. Total funding for the Tuition Grant Program would be \$38.0 million.	GF/GP	\$6,356,800	\$0
<b>8. North American Indian Tuition Waiver One-Time Funding</b>	<b>Gross</b>	<b>\$300,000</b>	<b>\$0</b>
<u>Executive</u> eliminates \$300,000 GF/GP of one-time funding for the North American Indian Tuition Waiver Program.	GF/GP	\$300,000	\$0
<u>House</u> maintains current funding levels.			

### **Major Boilerplate Changes From FY 2017-18**

#### **Sec. 242. Federal or Private Funds – RETAINED**

Executive deletes language specifying that acceptance of federal or private funds does not place an ongoing obligation on the legislature. House retains.

#### **Sec. 245. University Transparency – RETAINED**

Executive deletes requirement that state budget director determine compliance and language granting authority to withhold payments for a university not in compliance. House retains.

## **Major Boilerplate Changes From FY 2017-18**

### ***Sec. 252. Tuition Grant Program – REVISED***

Executive revises program application deadline from July 1 to March 1 to be considered for a tuition grant award. Deletes language that a tuition grant may not be renewed for more than 10 semesters or its equivalent in trimesters or quarters, or if a student has not completed using the grant within 10 years of determined eligibility by the Department of Treasury. Increases maximum award amount from \$2,000 to \$2,100. Deletes expiration date of unexpended funds as a work project. Increases individual institution cap on awards from \$3.5 million to \$4.2 million.

House concurs with deadline revision, deletion of renewal language and increasing individual institution cap from \$3.5 million to \$4.2 million. Increases maximum award amount from \$2,000 to \$2,300. Retains work project expiration date.

### ***Sec. 256. Tuition Incentive Program – REVISED***

Executive deletes requirement for unexpended funds to continue to be available in the next fiscal year as a work project.

House retains work project language. Increases award cap on institutions from \$8.5 million to \$10.0 million and specifies students who currently receive program funds have priority in receiving funds in the upcoming academic year.

### ***Sec. 261. Douglas Lake Biological Station – RETAINED***

Executive deletes legislative intent section that designates University of Michigan's Douglas Lake Biological Station as a unique research resource and aims to protect the lake area. House retains.

### ***Sec. 265. Performance Funding Criteria: Tuition Restraint – REVISED***

Executive revises tuition restraint cap for universities to 3.8% or \$490.00, whichever is greater. Deletes language that defines fees to include the cost of a university-affiliated health insurance policy for a university that compels resident undergraduate students to have health insurance coverage. Deletes legislative intent language that indicates universities that violate the tuition restriction cap shall not receive a capital outlay project authorization in FY 2018-19 and FY 2019-20 and will have its appropriation adjusted.

House concurs on the tuition restraint cap of 3.8% or \$490.00, whichever is greater. Retains language on fee definition and tuition restraint violation penalties.

### ***Sec. 265a. Performance Funding Criteria and Formula – REVISED***

Executive revises language around weighted undergraduate completions in critical skills areas. Deletes legislative intent language to lower score for three-year improvement criteria from 2 points to 1 point. Deletes intent language about allocating more funding based on performance metrics in future years.

House retains current weighted levels for undergraduate completions in critical skills areas. Retains language on current scoring system and intent to allocate more funding based on metrics in future years.

### ***Sec. 265b. Operations Funding Criteria and Sexual Assault/Title IX Standards – NEW***

House adds language penalizing universities that fail to comply with Title IX reporting requirements found in sections 274c and 274d and a number of other requirements with a 10% reduction in operations funding, including:

- Prohibiting the use of medical experts in Title IX investigations with an actual or apparent conflict of interest.
- Prohibiting the issuance of divergent Title IX investigation reports.
- Informing the complainant about the right to notify a law enforcement agency.
- Instituting an in-person sexual assault prevention course or presentation for all freshmen and incoming transfer students and an electronic course or presentation for all other students.
- Prohibiting compensation for medical procedures and related charges from medical professionals convicted of a felony.
- Having a third party review the Title IX office and policies before the end of 2018-19 academic year.
- Requiring that a summary of all Title IX reports against employees are shared with the university's governing body.
- Requiring a third-party Title IX investigation against an employee with more than one "no misconduct" finding.
- Certifying that the president or chancellor and one governing body board member has reviewed all Title IX reports involving university employees.

### ***Sec. 265c. Articulation Agreements and Academic Partnerships Reporting – NEW***

Executive adds language that requires that the Michigan Community College Association (MCCA), the Michigan Association of State Universities (MASU), and the Michigan Independent Colleges and Universities (MICU) report on the names and number of baccalaureate degree programs offered on community college campuses, the names of articulation agreements between universities and community colleges, and the number of students enrolled and degrees awarded through articulation agreements and on-campus baccalaureate programs.

House concurs but changes to Sec. 265c.

### ***Sec. 265d. Sexual Misconduct Memorandum of Understanding – NEW***

House adds language encouraging public universities to enter into at least one memorandum of understanding (MOU) with a local law enforcement agency for communication and response coordination of sexual assault incidents.

### ***Sec. 268. Indian Tuition Waivers – RETAINED***

Executive deletes language that states unfunded Indian Tuition Waiver costs be allocated from the general fund. Deletes language around distribution of funds from one-time appropriation. House retains.

## **Major Boilerplate Changes From FY 2017-18**

### ***Sec. 271a. Instructional Activity Pertaining to Unionization – RETAINED***

Executive deletes legislative intent language that instructs public universities not to use appropriations to offer instructional activity that targets companies or groups of companies for unionization or decertification of a union. House retains.

### ***Sec. 274. Embryonic Stem Cell Research – RETAINED***

Executive deletes legislative intent language that instructs organizations conducting research using human embryonic stem cells report to the Department of Health and Human Services regarding compliance with federal guidelines and detailing usage of stem cell lines. House retains.

### ***Sec. 274d. Sexual Assault Reports – REVISED***

House adds language that requires universities to send the annual Title IX report to the Attorney General, the Department of Civil Rights and relevant county sheriff in addition to current report recipients. Adds a Title IX summary report requirement.

### ***Sec. 274e. Auditor General Audits of Title IX Operations – NEW***

House adds language that requires the Auditor General to audit Title IX operations of all public universities a minimum of once every three years.

### ***Sec. 274f. Sexual Assault Prevention and Education Initiative Grants – NEW***

House adds language providing for allowable uses of grant money in the Department of State Police budget for sexual assault prevention programs and initiatives.

### ***Sec. 275a. Capital Outlay Requirements – RETAINED***

Executive deletes section that prohibits use of state funds for self-liquidating projects and requires compliance with Joint Capital Outlay Subcommittee reporting requirements, with specified penalty of 1.0% of appropriation for failure to comply. (Executive Recommendation originally repeals Sec. 275. The State Budget Office notified the fiscal agencies of the mistake.) House retains.

### ***Sec. 289. Audit of Higher Education Institutional Data Inventory (HEIDI) Data – REVISED***

Executive revises language that the Auditor General shall audit the HEIDI data and selected universities from periodically to not less than every four years. House concurs.

### ***Sec. 292. Performance Formula Review Task Force – NEW***

House adds language that creates a task force created by August 15, 2019 to review and recommend changes to the Performance Formula. The task force would comprise two members from the House, two members from the Senate, one member from the Department of Technology, Management and Budget, and four members from the universities, and would have to submit a report by November 15, 2019.

**Summary: FY 2018-19 University Performance Funding Increases**  
As Passed by the House

University	Proportional to FY 2010-11			Performance Funding Proportional to Share of Total				Performance Funding Scored vs. National Carnegie Peers								*Total Performance Funding Increase	Proposed FY 2018-19 Appropriation	Percent Change
	% of formula:	50.0%		11.1%		5.6%		33.3%										
	Funding per unit:	\$0.005 per dollar		\$89.95 per completion		\$0.0005 per dollar		\$3.36 per weighted point										
FY 2017-18 Year-to-Date Appropriation	FY 2010-11 Appropriation	Funding	Critical Skills Undergrad Completions	Funding	Research & Development Expenditures	Funding	6-year Grad Rate	Total Degrees	Instl. Support as % of Expend.	% Students Receiving Pell Grants	Total Points	Undergrad FYES	FYES-Weighted Points	Funding				
Michigan State	\$281,239,100	\$283,685,200	\$1,426,420	3,232	\$290,708	\$349,725,075	\$184,621	2	3	0	0	5	36,703	183,515	\$615,838	\$2,517,600	\$283,756,700	0.9%
UM-Ann Arbor	314,589,100	\$316,254,500	1,590,185	3,159	284,097	\$857,589,000	452,725	3	3	2	0	8	28,671	229,371	769,720	\$3,096,700	317,685,800	1.0%
Wayne State	199,169,800	\$214,171,400	1,076,892	961	86,394	\$181,378,000	95,750	2	2	0	3	7	14,375	100,622	337,664	1,596,700	200,766,500	0.8%
Central Michigan	85,654,400	\$80,132,000	402,918	822	73,891	\$14,889,698	7,860	2	3	0	2	7	16,842	117,894	395,627	880,300	86,534,700	1.0%
Michigan Tech	49,052,200	\$47,924,200	240,972	921	82,841	\$59,326,199	31,319	3	0	2	0	5	5,577	27,884	93,571	448,700	49,500,900	0.9%
Western Michigan	109,376,800	\$109,615,100	551,164	1,173	105,463	\$22,801,658	12,037	0	2	0	2	4	16,272	65,087	218,419	887,100	110,263,900	0.8%
Eastern Michigan	75,169,900	\$76,026,200	382,273	938	84,370	\$4,847,557	2,559	2	3	2	2	9	14,419	129,775	435,496	904,700	76,074,600	1.2%
Oakland	51,235,900	\$50,761,300	255,237	1,348	121,248	\$12,609,712	6,657	2	2	2	2	8	15,216	121,728	408,493	791,600	52,027,500	1.5%
Grand Valley	70,100,100	\$61,976,400	311,629	1,389	124,936			3	3	2	0	8	20,178	161,420	541,691	978,300	71,078,400	1.4%
Saginaw Valley	29,766,100	\$27,720,700	139,385	495	44,479			2	2	2	2	8	7,341	58,726	197,071	380,900	30,147,000	1.3%
UM-Dearborn	25,421,900	\$24,726,200	124,328	481	43,300			2	2	2	2	8	5,861	46,885	157,337	325,000	25,746,900	1.3%
UM-Flint	23,061,800	\$20,898,000	105,079	610	54,823			2	2	0	2	6	5,062	30,372	101,921	261,800	23,323,600	1.1%
Ferris State	53,595,500	\$48,619,200	244,466	1,381	124,216			2	3	2	2	9	10,229	92,061	308,937	677,600	54,273,100	1.3%
Northern Michigan	47,137,400	\$45,140,300	226,974	556	50,010			2	3	2	0	7	6,534	45,738	153,487	430,500	47,567,900	0.9%
Lake Superior	13,775,000	\$12,694,200	63,829	181	16,280			2	2	0	0	4	1,929	7,716	25,893	106,000	13,881,000	0.8%
<b>TOTAL:</b>	<b>\$1,428,345,000</b>	<b>\$1,420,344,900</b>	<b>\$7,141,750</b>	<b>17,644</b>	<b>\$1,587,056</b>	<b>\$1,503,166,899</b>	<b>\$793,528</b>	<b>31</b>	<b>35</b>	<b>18</b>	<b>19</b>	<b>103</b>	<b>205,208</b>	<b>1,418,792</b>	<b>\$4,761,167</b>	<b>\$14,283,500</b>	<b>\$1,442,628,500</b>	<b>1.0%</b>

Component	Source	Years	Notes
Critical skills undergrad completions	State HEIDI	FYs 2016-2017	STEM/health/etc.
Research & develop expend	Federal IPEDS	FY 2016	Carnegie research universities only
Six-year graduation rate	Federal IPEDS^	FYs 2012-2015	First-time, full-time degree seeking students
Total degree completions	Federal IPEDS^	FYs 2012-2015	Includes graduate degrees
Inst support as % of core expend	Federal IPEDS^	FYs 2012-2015	Measure of administrative costs
Pell grant students	Federal IPEDS^	FYs 2013-2015	Federal need-based aid for undergrads
Undergrad FYES	State HEIDI	FY 2017	Includes nonresident students

^ via Business Leaders for Michigan and Anderson Economic Group

Scoring Based on Carnegie Peers	
Top 20% nationally	3
Above national median	2
Improving over 3 years	2

\*Requirements to receive funding increase:

1. Restrain FY 2018-19 resident undergraduate tuition/fee rate increase to 3.8% or \$490 (whichever is greater)
2. Participate in at least three reverse transfer agreements with community colleges
3. Maintain a dual enrollment credit policy that does not consider whether credits were used toward high school graduation
4. Actively participate in and submit timely updates to the Michigan Transfer Network

Requirements to avoid a 10% reduction in operations funding:

1. Submit Sec. 274c & 274d Title IX reports
2. Comply with various Title IX requirements listed in Sec. 265b