

**Summary: Executive Budget Recommendation
for Fiscal Year 2020-21
HIGHER EDUCATION**



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	FY 2019-20 Year-to-Date as of 2/6/20	FY 2020-21 Executive	Difference: FY 2020-21 Vs. FY 2019-20	
			Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal	134,026,400	116,026,400	(18,000,000)	(13.4)
Local	0	0	0	--
Private	0	0	0	--
Restricted	349,419,300	356,063,300	6,644,000	1.9
GF/GP	1,207,949,300	1,271,755,900	63,806,600	5.3
Gross	\$1,691,395,000	\$1,743,845,600	\$52,450,600	3.1

Notes: (1) FY 2019-20 year-to-date figures include mid-year budget adjustments through February 6, 2020. (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 2019-20 Year-to-Date (YTD) Appropriations	FY 2019-20 YTD (as of 2/6/20)	Executive Change from YTD
1. University Operations Funding	Gross \$1,471,780,900	\$36,521,800
Increases university operations funding by \$36.5 million GF/GP, a 2.5% increase. The increase is distributed across-the-board, so that each university receives a 2.5% increase. Attainment of the increase, labeled student affordability funding, would be conditioned on restraining resident undergraduate tuition and fee increases to the greater of 4.25% or \$586 (set at 4.4% or \$587 in the current year). Total funding for operations would be \$1.5 billion Gross (\$1.2 billion GF/GP).	Restricted 343,168,300 GF/GP \$1,128,612,600	0 \$36,521,800
2. Michigan State Extension and AgBioResearch Programs	Gross \$65,073,400	\$1,626,800
Increases Michigan State's AgBioResearch program by \$873,400 GF/GP and Extension program by \$753,400 GF/GP, a 2.5% increase for both programs. Total funding for AgBioResearch and Extension programs would be \$66.7 million GF/GP.	GF/GP \$65,073,400	\$1,626,800
3. Tuition Grant Program	Gross \$38,021,500	(\$6,000,000)
Reduces Tuition Grant Program by \$6.0 million of federal Temporary Assistance for Needy Families (TANF) funds, a 15.8% decrease. The program provides need-based tuition assistance to students at Michigan independent (i.e., private, non-profit) colleges and universities. Replaces \$12.0 million of TANF with a corresponding amount of GF/GP. Total funding for Tuition Grants would be \$32.0 million Gross (\$15.9 million GF/GP).	Federal 34,095,600 GF/GP \$3,925,900	(18,000,000) \$12,000,000

<u>Major Budget Changes from FY 2019-20 Year-to-Date (YTD) Appropriations</u>	<u>FY 2019-20 YTD (as of 2/6/20)</u>	<u>Executive Change from YTD</u>	
4. Tuition Incentive Program	Gross	\$64,300,000	\$3,658,000
Increases Tuition Incentive Program (TIP) by \$3.7 million GF/GP, a 5.7% increase, which pays for Medicaid-eligible students' tuition costs for associate degrees under Phase I and bachelor's degrees under Phase II. The increase is the net result of a \$9.0 million GF/GP increase to address anticipated program shortfalls in FY 2020-21 due to higher program participation levels, and a \$5.3 million reduction through implementation of a program reimbursement rate cap of 2.5 times the average in-district community college tuition rate. Total funding for TIP would be \$68.0 million Gross (\$3.7 million GF/GP).	Federal	64,300,000	0
	GF/GP	\$0	\$3,658,000
5. Michigan Public School Employee Retirement System (MPERS) State Share of Unfunded Actuarial Accrued Liability (UAAL) Stabilization Payment	Gross	\$5,017,000	\$6,678,000
Increases funding by \$6.7 million School Aid Fund (SAF) for the state's share of the universities' UAAL contribution to MPERS, a 133.1% increase, due to implementing recommendations made by the 2018 Actuarial Experience Study. The state's share is the difference between the calculated unfunded accrued liability contribution 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). Funding for the state share of MPERS would be \$11.7 million GF/GP.	Restricted	5,017,000	6,678,000
	GF/GP	\$0	\$0
6. MPERS Normal Cost Offset	Gross	\$1,234,000	(\$34,000)
Reduces reimbursement funding provided to universities by \$34,000 SAF, a 2.8% decrease, for the normal cost required to reduce the assumed rate of return for MPERS from 7.05% to 6.8% due to the dedicated gains policy. Total funding for the MPERS Normal Cost Offset would be \$1.2 million GF/GP.	Restricted	1,234,000	(34,000)
	GF/GP	\$0	\$0
7. Michigan Student Loan Refinance Program	Gross	\$0	\$10,000,000
Includes \$10.0 million GF/GP of one-time funding to establish the Michigan Student Loan Refinance Program, which would allow individuals who qualify to refinance up to \$50,000 of federal or non-federal student loans through the Department of Treasury at a lower interest rate.	GF/GP	\$0	\$10,000,000

Major Boilerplate Changes from FY 2019-20

Sec. 236a. FY 2020-21 Appropriations – DELETED

Deletes legislative intent language for FY 2020-21 appropriations to be the same as those for FY 2019-20, adjusted for caseloads, available federal funds, economic factors, and available revenue, with an estimated MPERS FY 2020-21 payment to be \$7.3 million.

Sec. 242. Federal or Private Funds – REVISED

Appropriates federal or private funds received by the state for use by a college or university. Deletes language specifying that acceptance of federal or private funds does not place an ongoing obligation on the legislature.

Sec. 245. University Transparency – REVISED

Requires each university to post on its website specified data on budget, revenue, expenditures, and employee compensation, as well as university performance data, information on transfer policies and opportunities for high school students to earn college credit, collective bargaining agreements, benefit plans, and audits. Deletes requirement that State Budget Director determine compliance and language granting authority to withhold payments for a university not in compliance. Deletes reporting requirements about institutional positions in addition to reporting on career and technical programs, dual enrollment and early middle college programs.

Major Boilerplate Changes from FY 2019-20

Sec. 248. Michigan Student Loan Refinance Program – NEW

Adds language that creates the Michigan Student Loan Refinance Program, which would be administered by the Department of Treasury by paying off the balance of eligible student loans and issuing new loans at a lower interest rate. Defines various terms; limits eligible borrowers to residents who have resided in the state 12 months prior to the application, have been current on payments for 3 years and are currently in good standing on their existing loan. Limits eligible loans to federal and non-federal student loans for students attending private or public higher education institutions in the state. Sets loan amounts between \$5,000 and \$50,000; establishes reporting requirements.

Sec. 248a. Michigan Student Loan Refinance Fund – NEW

Adds language that creates the Michigan Student Loan Refinance Fund in the Department of Treasury. Authorizes loan repayments and other assets to be deposited into the fund. Specifies funds do not lapse into the General Fund. Authorizes \$10.0 million GF/GP deposit into the fund and adds one-year work project language.

Sec. 252. Tuition Grant Program – REVISED

Provides for distribution of funds appropriated for Tuition Grants; specifies grant amount of \$2,800, unless insufficient funds are available, in which case a report is required. Deletes language that specifies that the \$4.8 million institutional cap does not apply to any other student financial aid program or in combination with any other financial aid program.

Sec. 256. Tuition Incentive Program – REVISED

Specifies criteria for Tuition Incentive Program (TIP) eligibility; provides for award conditions and limits under Phases I (associate degree and certificate programs) and II (third and fourth years toward bachelor's degree) of the program. Includes new language that states the program will cover tuition and fees that do not exceed 2.5x the in-district community college tuition per-credit rate of the previous academic year. Deletes work project language. Deletes language directing universities to report TIP Phase I student enrollment and students receiving Pell grants by December 1 because language is currently present that states, beginning in FY 2020-21, the reporting deadline is October 15.

Sec. 261. Douglas Lake Biological Station – DELETED

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

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

Provides tuition restraint requirements in order to receive performance funding (relabelled student affordability) increase. Revises tuition restraint cap for universities to the greater of 4.25% or \$586. Deletes legislative intent language that indicates universities that violate the tuition restraint cap shall not receive a capital outlay project authorization in FY 2020-21, FY 2021-22, and FY 2022-23 and will have its appropriation adjusted.

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

Includes requirements for a university to receive the performance funding increase. Revises language specifying funding applies to FY 2020-21 only. Replaces "performance funding" with "student affordability." Deletes language detailing the performance formula and revises to state that universities receive an across-the-board funding increase proportional to each university's share of total operations funding from the prior fiscal year. Deletes legislative intent language about allocating more funding based on performance metrics in future years.

Sec. 265c. Articulation Agreements and Academic Partnerships Reporting – DELETED

Deletes requirement where 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.

Sec. 265e. Distribution of Sexual Assault Prevention, Safety, and Mental Health Funds – DELETED

Deletes legislative intent language that specifies universities use a portion of operations funding on campus safety programs, sexual assault prevention programs and student mental health programs.

Sec. 268. Indian Tuition Waivers – REVISED

Requires Department of Civil Rights to report certain information related to the waivers, and requires universities to provide data under guidelines and procedures developed by the Department of Civil Rights. Deletes legislative intent language that states unfunded Indian Tuition Waiver costs be allocated from the General Fund.

Sec. 271a. Instructional Activity Pertaining to Unionization – DELETED

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.

Major Boilerplate Changes from FY 2019-20

Sec. 274. Embryonic Stem Cell Research – DELETED

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.

Sec. 275a. Capital Outlay Requirements – DELETED

Deletes language 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.

Sec. 275d. Communication with the Legislature – DELETED

Deletes legislative intent language that discourages a university from taking disciplinary action against an employee for communicating with the legislature.

Sec. 291. Performance Audits – DELETED

Deletes legislative intent language encouraging the auditor general to conduct performance audits as needed of public universities receiving state funding.

Supplemental Recommendations for FY 2019-20 Appropriations

**FY 2019-20
Recommendation**

1. Michigan Reconnect Grant Program

Includes \$35.0 million of state restricted funding to create the Michigan Reconnect Grant Program. The program would provide tuition assistance for eligible recipients to obtain an associate degree or an industrial certificate at eligible community colleges, technical programs and community-based organizations. Funding for the Michigan Reconnect Grant Program would be available through FY 2020-21 as a work project.

Gross	\$35,000,000
Restricted	35,000,000
GF/GP	\$0

Summary: FY 2020-21 University Performance Funding Increases
Executive Recommendation

University	Proportional to FY 2010-11			Performance Funding Proportional to Share of Total				Performance Funding Scored vs. National Carnegie Peers							Indian Tuition Waiver						
	% of formula: 0.0%			0.0%		0.0%		0.0%													
	Funding per unit:	\$0.00 per dollar		\$0.00 per completion		\$0.00 per dollar		\$0.00 per weighted point													
	FY 2019-20 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 FY 2019 Undergrad FYES	FYES-Weighted Points	Funding	*Total Student Affordability Funding Increase	Indian Tuition Waiver Payment	Indian Tuition Waiver Adjustment	**Total Indian Tuition Waiver Payment	Proposed FY 2020-21 Appropriation	Percent Change	
Michigan State	\$287,331,700	\$283,685,200	\$0	0	\$0	\$0	\$0	0	0	0	0	0	37,287	0	\$0	\$7,183,300	\$1,467,700	\$0	\$1,467,700	\$294,515,000	2.5%
UM-Ann Arbor	321,970,100	316,254,500	0	0	0	0	0	0	0	0	0	0	30,029	0	0	8,049,300	803,500	0	803,500	330,019,400	2.5%
Wayne State	202,996,700	214,171,400	0	0	0	0	0	0	0	0	0	0	14,999	0	0	5,074,900	417,200	0	417,200	208,071,600	2.5%
Central	87,629,700	80,132,000	0	0	0	0	0	0	0	0	0	0	15,007	0	0	2,190,700	1,598,100	0	1,598,100	89,820,400	2.5%
Michigan Tech	50,101,600	47,924,200	0	0	0	0	0	0	0	0	0	0	5,595	0	0	1,252,500	466,500	0	466,500	51,354,100	2.5%
Western	111,522,200	109,615,100	0	0	0	0	0	0	0	0	0	0	15,951	0	0	2,788,100	767,900	0	767,900	114,310,300	2.5%
Eastern	77,253,700	76,026,200	0	0	0	0	0	0	0	0	0	0	13,030	0	0	1,931,300	302,300	0	302,300	79,185,000	2.5%
Oakland	53,147,400	50,761,300	0	0	0	0	0	0	0	0	0	0	14,587	0	0	1,328,700	285,100	0	285,100	54,476,100	2.5%
Grand Valley	72,313,500	61,976,400	0	0	0	0	0	0	0	0	0	0	19,894	0	0	1,807,800	1,075,000	0	1,075,000	74,121,300	2.5%
Saginaw Valley	30,583,800	27,720,700	0	0	0	0	0	0	0	0	0	0	6,809	0	0	764,600	223,900	0	223,900	31,348,400	2.5%
UM-Dearborn	26,167,000	24,726,200	0	0	0	0	0	0	0	0	0	0	5,990	0	0	654,200	160,200	0	160,200	26,821,200	2.5%
UM-Flint	23,616,200	20,898,000	0	0	0	0	0	0	0	0	0	0	4,749	0	0	590,400	277,000	0	277,000	24,206,600	2.5%
Ferris	55,025,500	48,619,200	0	0	0	0	0	0	0	0	0	0	9,342	0	0	1,375,600	1,007,300	0	1,007,300	56,401,100	2.5%
Northern	47,809,100	45,140,300	0	0	0	0	0	0	0	0	0	0	6,456	0	0	1,195,200	1,100,000	0	1,100,000	49,004,300	2.5%
Lake Superior	13,407,000	12,694,200	0	0	0	0	0	0	0	0	0	0	1,745	0	0	335,200	954,000	0	954,000	13,742,200	2.5%
TOTAL:	\$1,460,875,200	\$1,420,344,900	\$0	0	\$0	\$0	\$0	0	0	0	0	0	201,470	0	\$0	\$36,521,800	\$10,905,700	\$0	\$10,905,700	\$1,497,397,000	2.5%

Data Notes: The Components are not updated, as the Executive Recommendation does not use or update the formula

Component	Source	Years	Notes
Critical skills undergrad completions	State HEIDI	FYs 2017-2018	STEM/health/etc.
Research & develop expends	Federal IPEDS	FY 2017	Carnegie research universities only
Six-year graduation rate	Federal IPEDS^	FYs 2013-2016	First-time, full-time degree seeking students
Total degree completions	Federal IPEDS^	FYs 2013-2016	Includes graduate degrees
Inst support as % of core expends	Federal IPEDS^	FYs 2013-2016	Measure of administrative costs
Pell grant students	Federal IPEDS^	FYs 2014-2016	Federal need-based aid for undergrads
Undergrad FYES	State HEIDI	FY 2018	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 student affordability funding increase:**
1. Restrain FY 2020-21 resident undergraduate tuition/fee rate increase to 4.25% or \$586 (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

** Indian Tuition Waiver Payments are unrolled from the Operations base amounts. ITW Payments and Adjustment amounts are combined into a "Indian Tuition Waiver Costs Incurred" that is broken out in each university's operations listing in the budget bill