Higher Education & Community College Analysis

Spring 2021

Introduction:

- Higher Education has been funded by a formula that does not incentivize students from the state of Michigan to attend Michigan institutions.

- Each university receives funding, based on their historical contributions and incremental increases (along with several insignificant variables.)

- Performance Funding - A complex funding formula based on complex calculation, with minimal financial impact by institution is designed to provide accountability, but realistically has low rewards. Only additional dollars are impacted by this complex formula.

- Michigan has very diverse Higher Education institutions offering Bachelor's degrees from Art & Design to Welding. This broad range in programs makes "performance" based incentives difficult to manage, and to truly incentivize universities

Goals of new appropriations model:

- Empower Michigan students to stay in Michigan institutions
- Ensure Michigan tax-payer dollars help Michigan students
- Utilize FYES (Fiscal Year Equated Students) to transition to a more equitable funding model (similar to K-12, Michigan Tuition Grant Waiver)
- Simplify the appropriation / allocation process for Higher Education institutions
- Reduce bureaucracy by removing the "performance-based funding" model
- Reduce disparity by institution appropriations by the state
- Implement new model over three years to mitigate significant disruption

Model:

- The calculations for this proposed model are based on the FY 19 Appropriations and FYES of Michigan Students at all institutions receiving appropriations

- Total Appropriation: $1,471,780,900

- Currently the range of appropriation by institution by MI FYES:
    - Low = $2,863 Oakland University
    - High = $ 10,000 University of Michigan
    - Average $5,698

- An additional $100 million is allocated equally to the three Tier I research institutions: Wayne State, University of Michigan & Michigan State University.

- The North American Indian Tuition Waiver (ITW) program funding will be maintained to continue to match each university's most recent reported cost in providing the tuition waiver to eligible students

Implementation:

Student counts occur at each institution annually

- October 1 – student count is calculated, reported to the state how many FYES with Michigan residency
- State calculates total appropriation and divides by the total number of FYES
- Model will provides "credit" for both undergraduate as well as graduate student FYES
- State issues funds to the university no later than November 1 of that year
- Funding may vary depending upon the MI FYES as well as the total annual appropriation
- Implementation may not match model as described, depending upon total annual appropriation and total FYES, each which would require to be updated annually.

Community Colleges

- A similar situation occurs in Community Colleges

- The model would be the same for Higher Education and Community Colleges – a 3-year phase in to prepare for their future.

- Some community colleges have been disproportionally and adversely affected by the current model – both over funding and underfunded

- Similar to the K-12 model & previously discussed higher eduction model, this moves toward "per pupil" type funding in 3 years to minimize disruption

Higher Education – funding by fiscal year

Higher Education Funding
by Fiscal Year (Appropriation & Peformance funds)
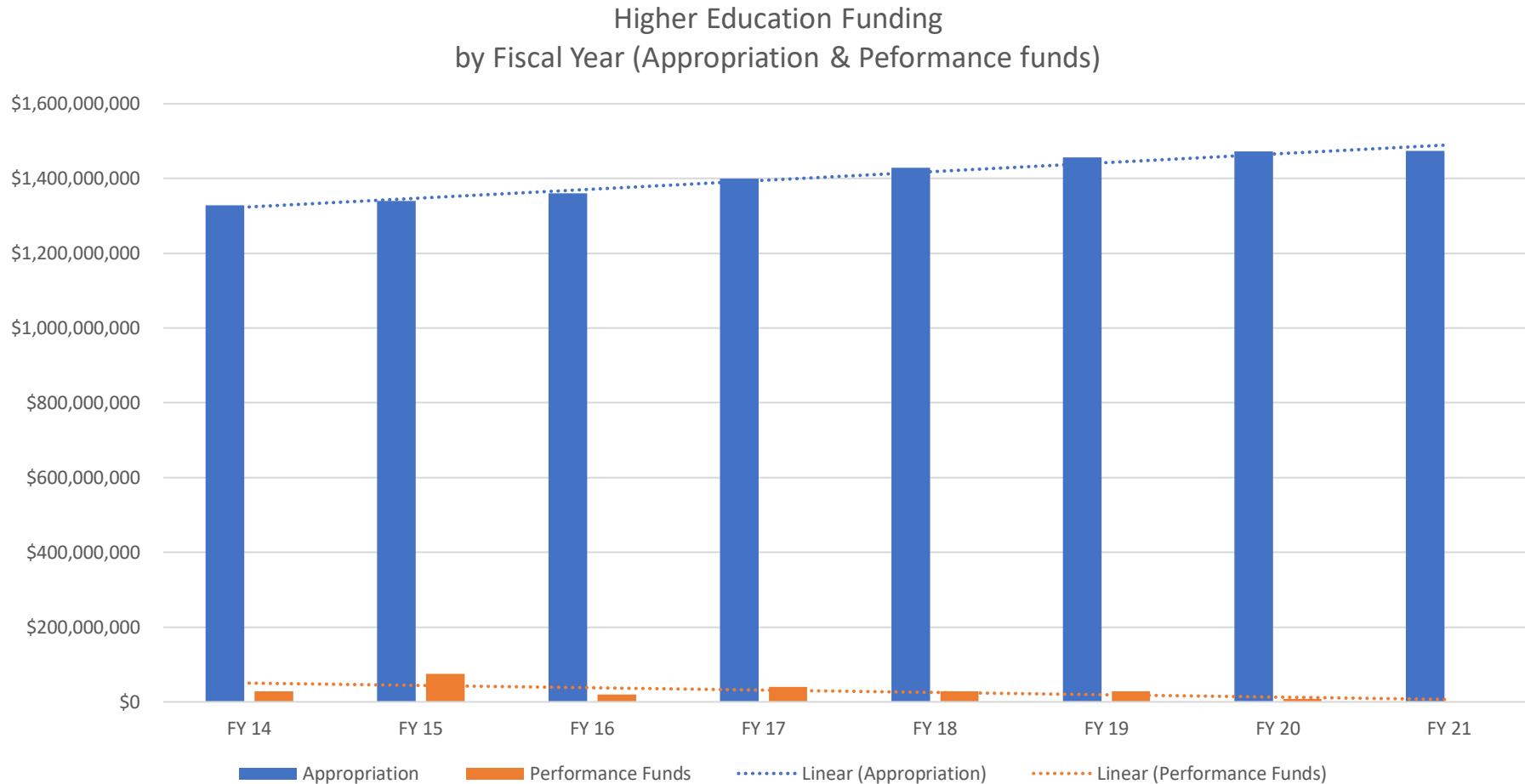
CURRENT MODEL - Appropriation per FYES
based on Appropriation 2019 / Average FYES ('17, '18, '19)