

**Summary: Executive Budget Recommendation  
for Fiscal Year 2019-20  
HIGHER EDUCATION**



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	FY 2018-19	FY 2019-20	Difference: FY 2019-20	
	Year-to-Date as of 3/5/19	Executive	Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal	123,526,400	123,526,400	0	0.0
Local	0	0	0	--
Private	0	0	0	--
Restricted	500,188,300	0	(500,188,300)	(100.0)
GF/GP	1,046,017,900	1,587,795,400	541,777,500	51.8
<b>Gross</b>	<b>\$1,669,732,600</b>	<b>\$1,711,321,800</b>	<b>\$41,589,200</b>	<b>2.5</b>

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (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.

<b>Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations</b>	FY 2018-19 YTD (as of 3/5/19)	Executive Change from YTD
<b>1. University Operations Funding</b>	<b>Gross \$1,456,911,800</b>	<b>\$43,707,400</b>
Increases university operations funding by \$43.7 million GF/GP, a 3.0% increase. The increase is distributed across-the-board, so that each university receives a 3.0% increase. Attainment of the additional student affordability funding would be conditioned on restraining resident undergraduate tuition and fee increases to 3.2% or \$427, whichever is greater (set at 3.8% or \$490 in the current year). Replaces \$494.3 million School Aid Fund (SAF) with a corresponding amount of GF/GP. Total funding for operations would be \$1.5 billion GF/GP.	Restricted 494,286,300 GF/GP \$962,625,500	(494,286,300) \$537,993,700
<b>2. Michigan State Extension and AgBioResearch Programs</b>	<b>Gross \$64,429,100</b>	<b>\$1,932,800</b>
Increases funding for Michigan State's AgBioResearch program by \$1.0 million GF/GP and Extension program by \$895,100 GF/GP, a 3.0% increase for both programs.	GF/GP \$64,429,100	\$1,932,800
<b>3. Tuition Incentive Program</b>	<b>Gross \$64,300,000</b>	<b>(\$4,500,000)</b>
Reduces funding for Tuition Incentive Program by \$4.5 million in federal Temporary Assistance for Needy Families (TANF) funds, a 7.0% decrease, which pays for Medicaid-eligible students' tuition costs for associate's degrees. Implements program reimbursement rate cap of 3x the average community college in-district tuition rate. Total funding for TIP would be \$59.8 million.	Federal 64,300,000 GF/GP \$0	(4,500,000) \$0
<b>4. Michigan Competitive Scholarships Fund Swap</b>	<b>Gross \$32,361,700</b>	<b>\$0</b>
Maintains current funding levels for Michigan Competitive Scholarships but replaces \$2.1 million GF/GP with a corresponding amount of TANF funding.	Federal 24,361,700 GF/GP \$8,000,000	2,069,100 (\$2,069,100)
<b>5. Tuition Grant Program Fund Swap</b>	<b>Gross \$38,021,500</b>	<b>\$0</b>
Maintains current funding levels for the Tuition Grant Program but replaces \$2.4 million GF/GP with a corresponding amount of TANF funding.	Federal 31,664,700 GF/GP \$6,356,800	2,430,900 (\$2,430,900)

<u>Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations</u>		<u>FY 2018-19 YTD (as of 3/5/19)</u>	<u>Executive Change from YTD</u>
<b>6. Children of Veterans and Officer's Survivor Tuition Grant Program</b>	<b>Gross</b>	<b>\$1,400,000</b>	<b>\$0</b>
	Restricted	100,000	(100,000)
	GF/GP	\$1,300,000	\$100,000
Maintains current funding levels for the Children of Veterans and Officer's Survivor Tuition Grant Program but replaces \$100,000 in restricted funding with a corresponding amount of GF/GP.			
<b>7. Michigan Public School Employee Retirement System (MPSERS) Normal Cost Offset</b>	<b>Gross</b>	<b>\$669,000</b>	<b>\$565,000</b>
	Restricted	669,000	(669,000)
	GF/GP	\$0	\$1,234,000
Increases funding by \$565,000 GF/GP to reimburse universities for the normal cost increase required to reduce the assumed rate of return for MPSERS from 7.5% to 7.05% and incorporates \$669,000 into the base from previous one-time funding that lowered the assumed rate of return from 8% to 7.5%. Total funding for the MPSERS normal cost offset would be \$1.2 million GF/GP.			
<b>8. MPSERS State Share of UAL Stabilization Payment</b>	<b>Gross</b>	<b>\$5,133,000</b>	<b>(\$116,000)</b>
	Restricted	5,133,000	(5,133,000)
	GF/GP	\$0	\$5,017,000
Reduces funding by \$116,000 GF/GP for the state's share of the universities' unfunded liability contribution to MPSERS. 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 MPSERS employees (Central, Eastern, Ferris, Lake Superior State, Michigan Tech, Northern, and Western). Replaces \$5.0 million SAF with a corresponding amount of GF/GP. Total funding for the state share of MPSERS would be \$5.0 million GF/GP.			

### Major Boilerplate Changes From FY 2018-19

#### **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.

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

Provides for distribution of funds appropriated for Tuition Grants; specifies maximum grant amount of at least \$2,400, unless insufficient funds are available, in which case a report is required. Deletes language that specifies that the \$4.2 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**

Includes new language that states the program will cover tuition and fees that do not exceed 3x the in-district community college tuition per-credit rate of the previous academic year. 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 2019-20, 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. Student Affordability Criteria: Tuition Restraint – REVISED**

Provides tuition restraint requirements in order to receive performance funding increase. Revises tuition restraint cap for universities to 3.2% or \$427.00, whichever is greater. Deletes legislative intent language that indicates universities that violate the tuition restraint cap shall not receive a capital outlay project authorization in FY FY 2019-20, FY 2020-21, and FY 2021-22 and will have its appropriation adjusted.

**Major Boilerplate Changes From FY 2018-19**

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

Revises language specifying funding applies only to the appropriation year of FY 2019-20. Replaces “performance funding” with “student affordability.” Deletes language detailing the performance formula and revises to state that universities receive a 3% funding increase 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**

Specifies that \$300,000 appropriation be proportional to each institution's shortfall. 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.

**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 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.

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

Requires auditor general to review HEIDI data; excludes certain credit hours from those reported to HEIDI; states that legislature retains authority to exclude specific academic programs for enrollment reporting purposes. Deletes language defining certain restrictions on what can be reported as student credit hours, including distance learning and hours generated through inmate prison programs. Deletes definition of distance learning instruction.

		<b>FY 2018-19</b>
<b><u>Supplemental Recommendations for FY 2018-19 Appropriations</u></b>		<b><u>Recommendation</u></b>
<b>1. Talent Investment Fund Deposit</b>	<b>Gross</b>	<b>\$50,000,000</b>
Deposits \$50.0 million GF/GP in the Talent Investment Fund. The Talent Investment Fund currently supports various projects and scholarships connected to the Marshall Plan for Talent (2018 PA 227) and would be repurposed for the Michigan Reconnect Grant Program. Total funding would be \$110.0 million, made up of the Marshall Plan for Talent work project lapse of \$60.0 million and the \$50.0 million GF/GP deposit.	Restricted	0
	GF/GP	\$50,000,000
<b>2. Michigan Reconnect Grant Program</b>	<b>Gross</b>	<b>\$110,000,000</b>
Creates 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. Total funding for the Michigan Reconnect Grant Program would be \$110.0 million, made up of the Marshall Plan for Talent work project lapse of \$60.0 million and a \$50.0 million GF/GP deposit. The program would be available through FY 2019-20 as a work project.	Restricted	110,000,000
	GF/GP	\$0

**Summary: FY 2019-20 University Performance/Student Affordability Funding Increases**  
Executive Recommendation

University	Proportional to FY 2010-11			Performance Funding Proportional to Share of Total				Performance Funding Scored vs. National Carnegie Peers								*Total Student Affordability Funding Increase	Proposed FY 2019-20 Appropriation	Percent Change
	% 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 2018-19 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	Total Undergrad FYES	FYES-Weighted Points	Funding				
Michigan State	\$286,274,200	\$283,685,200	\$0	3,423	\$0	\$380,486,534	\$0	2	3	2	0	7	36,995	258,965	\$0	\$8,588,200	\$294,862,400	3.0%
UM-Ann Arbor	320,782,400	\$316,254,500	0	3,290	0	\$914,018,000	0	3	3	2	0	8	29,411	235,287	0	9,623,400	330,405,800	3.0%
Wayne State	202,363,200	\$214,171,400	0	1,057	0	\$191,999,000	0	2	2	0	3	7	14,614	102,295	0	6,070,900	208,434,100	3.0%
Central	87,415,000	\$80,132,000	0	836	0	\$15,736,994	0	2	3	2	2	9	16,211	145,899	0	2,622,500	90,037,500	3.0%
Michigan Tech	49,949,600	\$47,924,200	0	965	0	\$59,970,863	0	3	2	2	0	7	5,570	38,993	0	1,498,500	51,448,100	3.0%
Western	111,151,000	\$109,615,100	0	1,235	0	\$24,093,220	0	0	2	2	2	6	16,160	96,960	0	3,334,500	114,485,500	3.0%
Eastern	76,979,300	\$76,026,200	0	991	0	\$5,085,290	0	2	3	2	0	7	13,918	97,424	0	2,309,400	79,288,700	3.0%
Oakland	52,819,200	\$50,761,300	0	1,427	0	\$12,772,918	0	2	3	3	0	8	14,760	118,080	0	1,584,600	54,403,800	3.0%
Grand Valley	72,056,600	\$61,976,400	0	1,487	0			3	3	2	0	8	19,899	159,190	0	2,161,700	74,218,300	3.0%
Saginaw Valley	30,528,000	\$27,720,700	0	537	0			0	0	2	0	2	6,857	13,714	0	915,800	31,443,800	3.0%
UM-Dearborn	26,071,800	\$24,726,200	0	534	0			2	2	2	2	8	5,937	47,499	0	782,200	26,854,000	3.0%
UM-Flint	23,585,400	\$20,898,000	0	600	0			0	2	0	2	4	4,938	19,750	0	707,600	24,293,000	3.0%
Ferris	54,950,700	\$48,619,200	0	1,443	0			0	3	2	0	5	9,866	49,330	0	1,648,500	56,599,200	3.0%
Northern	47,998,400	\$45,140,300	0	553	0			2	3	2	0	7	6,373	44,611	0	1,440,000	49,438,400	3.0%
Lake Superior	13,987,000	\$12,694,200	0	194	0			2	2	0	0	4	1,824	7,296	0	419,600	14,406,600	3.0%
<b>TOTAL:</b>	<b>\$1,456,911,800</b>	<b>\$1,420,344,900</b>	<b>\$0</b>	<b>18,570</b>	<b>\$0</b>	<b>\$1,604,162,819</b>	<b>\$0</b>	<b>25</b>	<b>36</b>	<b>25</b>	<b>11</b>	<b>97</b>	<b>203,332</b>	<b>1,435,293</b>	<b>\$0</b>	<b>\$43,707,400</b>	<b>\$1,500,619,200</b>	<b>3.0%</b>

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 2019-20 resident undergraduate tuition/fee rate increase to 3.2% or \$427 (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