

MEMORANDUM



**DATE:** September 28, 2016  
**TO:** House Appropriations Subcommittee on Higher Education  
**FROM:** Marilyn Peterson, Senior Fiscal Analyst  
**RE:** FY 2016-17 Public University Performance Funding

The FY 2016-17 Higher Education budget, Article III of 2016 PA 249, appropriates a total of \$39.8 million for performance funding increases for the state's 15 public universities. Performance funding is allocated according to a formula that distributes performance funding as follows:

- 50.0% proportional to each university's share of total operations funding in the baseline year of FY 2010-11.
- 11.1% based on weighted undergraduate completions in critical skills areas (generally, STEM fields).
- 5.6% based on research and development expenditures (applies only to research universities).
- 33.3% based on comparisons with Carnegie classification peers<sup>1</sup> or three-year improvement on four metrics weighted by full-time equivalent undergraduate students:<sup>2</sup>
  - Six-year graduation rate
  - Total degree completions
  - Institutional support as a percentage of core expenditures
  - Percentage of students receiving federal Pell grants.

In addition, for FY 2016-17, performance funding that otherwise would have been allocated to Eastern and Oakland was reduced by \$400,000 for each school and divided equally among the four other universities that would still be below FY 2010-11 funding levels: Michigan State, UM-Ann Arbor, Wayne State, and Western.<sup>3</sup>

Receipt of performance funding is governed by sections 265 and 265a of the budget (MCL 388.1865 and 388.1865a) and conditioned on compliance with four requirements:

- Restraining resident undergraduate tuition and mandatory fee increases to 4.2% or less, compared to FY 2015-16.

<sup>1</sup> To assist with its research and policy analysis, the Carnegie Commission of Higher Education (part of the Carnegie Foundation) established a classification of colleges and universities that was first published in 1976 and revised periodically since then. The performance funding formula utilizes the 2010 Basic Classification, which divides postsecondary institutions into categories based generally on numbers, levels, and types of degrees granted and the amount of research activity. Effective January 1, 2015, responsibility for the Carnegie Classification was transferred to Indiana University's Center for Postsecondary Research, which issued a revised classification (the 2015 classification) on February 1, 2016.

<sup>2</sup> The measure is that of undergraduate fiscal year equated students (undergraduate FYES). One FYES is equal to 30 credit hours at the undergraduate level.

<sup>3</sup> The adjustments were a response to Eastern and Oakland exceeding the tuition restraint cap of 3.2% in FY 2015-16.

- Participation in reverse transfer agreements with at least three Michigan community colleges.
- A dual enrollment credit policy that does not consider whether the credits were utilized toward high school graduation requirements in determining acceptance for college credit.
- Active participation in the Michigan Transfer Network (an online system that provides transparency regarding course transfer equivalencies among Michigan colleges and universities).

Universities are required to certify compliance with the performance funding conditions by August 31, and under the terms of the budget act, the state budget director has the sole authority to determine if a public university has complied with tuition restraint conditions.

All 15 public universities have submitted their certifications to the state budget director, and, in a letter dated September 12, the state budget director has confirmed compliance with performance funding conditions for all 15.

Attachment 1 shows university resident undergraduate tuition and fee rates for FY 2016-17 along with comparable figures for FY 2015-16. University tuition and fee rates are computed as unweighted averages; rates for full-time undergraduate enrollment in FY 2016-17 range from \$9,345 at Saginaw Valley to \$16,051 at Michigan Tech. The overall average rate is \$12,416, up from \$11,950 in FY 2015-16. Percentage increases range from 2.53% to 4.20%. The unweighted average increase for all 15 universities is 3.90%.

Attachment 2 shows performance funding allocated for each university. The overall increase from FY 2015-16 is 2.9% (\$39.8 million). Funding increases for individual universities range from 2.4% to 4.5%.

Please contact me if you have any questions or would like additional information.

#### Attachments

c: Mary Ann Cleary, Director  
Kyle I. Jen, Deputy Director  
Bethany Wicksall, Associate Director

**ATTACHMENT 1**

**FY 2016-17 Resident Undergraduate Tuition/Fee Rate Increases**

University	FY 2015-16 Rates					FY 2016-17 Rates					% Change Avg Rate
	Fresh	Soph	Junior	Senior	Average	Fresh	Soph	Junior	Senior	Average	
Central	\$11,850	\$11,850	\$11,850	\$11,850	\$11,850	\$12,150	\$12,150	\$12,150	\$12,150	\$12,150	2.53
Eastern	11,269	10,417	12,434	12,434	11,638	12,062	11,209	12,604	12,604	12,120	4.13
Ferris	11,460	11,460	11,760	11,760	11,610	11,760	11,760	12,090	12,090	11,925	2.71
Grand Valley	11,078	11,078	11,648	11,648	11,363	11,520	11,520	12,144	12,144	11,832	4.13
Lake Superior	10,767	10,517	10,517	10,517	10,580	11,214	10,954	10,954	10,954	11,019	4.15
Michigan State	13,560	13,560	15,105	15,105	14,333	14,063	14,063	15,698	15,698	14,880	3.82
Michigan Tech	14,286	14,286	16,520	16,520	15,403	14,634	14,634	17,467	17,467	16,051	4.20
Northern	9,860	9,620	9,620	9,620	9,680	10,012	9,766	10,282	10,282	10,086	4.20
Oakland	11,513	11,513	13,350	13,350	12,431	11,970	11,970	13,875	13,875	12,923	3.95
Saginaw Valley	8,969	8,969	8,969	8,969	8,969	9,345	9,345	9,345	9,345	9,345	4.20
UM-Ann Arbor	13,856	13,856	15,602	15,602	14,729	14,402	14,402	16,218	16,218	15,310	3.94
UM-Dearborn	11,562	11,562	11,832	11,832	11,697	12,032	12,032	12,332	12,332	12,182	4.15
UM-Flint	10,458	10,458	10,596	10,596	10,527	10,884	10,884	11,028	11,028	10,956	4.08
Wayne State	12,064	11,814	13,676	13,676	12,807	12,519	12,269	14,287	14,287	13,340	4.16
Western	11,329	11,029	12,087	12,087	11,633	11,793	11,493	12,599	12,599	12,121	4.19
<b>Unweighted Avg.</b>	<b>\$11,592</b>	<b>\$11,466</b>	<b>\$12,371</b>	<b>\$12,371</b>	<b>\$11,950</b>	<b>\$12,024</b>	<b>\$11,897</b>	<b>\$12,872</b>	<b>\$12,872</b>	<b>\$12,416</b>	<b>3.90</b>

General Note: Per HEIDI reporting requirements, and consistent with Sec. 265 of budget act, rates are reported based on four class levels. Rates are based on 30 credit hours (15 in Fall, 15 in Winter/Spring) and exclude fees not paid by a majority of students in a given class (most course fees), as well as refundable fees.

FY 2016-17 University-Specific Notes

- Eastern:* FY 2015-16 rates are adjusted consistent with FY 2015-16 total charges that include fees paid by a majority of students
- Michigan Tech:* Assumes engineering/computer science majors (majority of MTU enrollment)
- UM-Ann Arbor:* Rates are for College of Literature, Science, and Arts
- UM-Dearborn:* Rates are for College of Arts, Sciences, and Letters
- Wayne State:* FY 2015-16 rates are adjusted consistent with FY 2015-16 total charges that include fees paid by a majority of students

Sources: university websites, university tuition restraint responses

# ATTACHMENT 2 FY 2016-17 University Performance Funding Increases

University*	Proportional to FY 2010-11			Performance Funding Proportional to Share of Total				Performance Funding Scored vs. National Carnegie Peers										Funding Redistribution	*Total Performance Funding Increase	FY 2016-17 Appropriation	Percent Change
	% of formula:			11.1%		5.6%		33.3%													
	Funding per unit:	\$0.0140 per dollar		\$273.01 per completion		\$0.0018 per dollar		\$8.81 per weighted point													
FY 2015-16 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	Total FY 2015 FYES	Weighted Points	Funding						
Michigan State	\$268,770,700	\$283,685,200	\$3,973,365	2,767	\$755,414	\$311,961,002	\$547,140	2	3	0	0	5	36,653	183,265	\$1,615,449	200,000	\$7,091,400	\$275,862,100	2.6%		
UM-Ann Arbor	299,975,000	\$316,254,500	4,429,538	2,971	811,107	\$704,342,000	1,235,327	3	3	2	0	8	28,192	225,533	1,988,031	200,000	\$8,664,000	308,639,000	2.9%		
Wayne State	191,451,300	\$214,171,400	2,999,737	885	241,612	\$150,737,120	264,374	2	2	0	3	7	14,706	102,943	907,428	200,000	\$4,613,200	196,064,500	2.4%		
Michigan Tech	46,754,700	\$47,924,200	671,238	902	246,253	\$51,389,065	90,130	3	2	2	0	7	5,432	38,023	335,168		\$1,342,800	48,097,500	2.9%		
Western	104,334,100	\$109,615,100	1,535,296	1,089	297,306	\$18,997,041	33,318	2	2	0	3	7	16,870	118,087	1,040,912	200,000	\$3,106,800	107,440,900	3.0%		
Central	81,127,100	\$80,132,000	1,122,349	861	235,060	\$13,794,808	24,194	3	3	3	0	9	17,859	160,731	1,416,816		\$2,798,400	83,925,500	3.4%		
Oakland	48,371,900	\$50,761,300	710,975	1,119	305,496	\$9,080,916	15,927	2	3	2	0	7	14,851	103,957	916,363	(400,000)	\$1,548,800	49,920,700	3.2%		
Eastern	71,782,500	\$76,026,200	1,064,842	817	223,048			0	3	2	2	7	14,966	104,759	923,431	(400,000)	\$1,811,300	73,593,800	2.5%		
Ferris	50,369,800	\$48,619,200	680,972	1,305	356,276			2	3	2	2	9	10,750	96,750	852,835		\$1,890,100	52,259,900	3.8%		
Grand Valley	65,275,700	\$61,976,400	868,057	1,281	349,724			3	3	2	2	10	19,677	196,767	1,734,467		\$2,952,200	68,227,900	4.5%		
Saginaw Valley	28,181,200	\$27,720,700	388,263	463	126,403			0	2	2	2	6	7,906	47,434	418,124		\$932,800	29,114,000	3.3%		
UM-Dearborn	24,033,100	\$24,726,200	346,321	435	118,759			2	2	0	2	6	5,770	34,620	305,169		\$770,200	24,803,300	3.2%		
UM-Flint	21,815,400	\$20,898,000	292,703	558	152,339			0	2	2	2	6	5,462	32,775	288,903		\$733,900	22,549,300	3.4%		
Northern	45,107,700	\$45,140,300	632,246	550	150,155			2	2	2	0	6	7,356	44,136	389,051		\$1,171,500	46,279,200	2.6%		
Lake Superior	13,207,400	\$12,694,200	177,798	190	51,872			2	3	0	2	7	2,112	14,784	130,318		\$360,000	13,567,400	2.7%		
<b>TOTAL:</b>	<b>\$1,360,557,600</b>	<b>\$1,420,344,900</b>	<b>\$19,893,700</b>	<b>16,193</b>	<b>\$4,420,822</b>	<b>\$1,260,301,952</b>	<b>\$2,210,411</b>	<b>28</b>	<b>38</b>	<b>21</b>	<b>20</b>	<b>107</b>	<b>208,561</b>	<b>1,504,563</b>	<b>\$13,262,467</b>	<b>\$0</b>	<b>\$39,787,400</b>	<b>\$1,400,345,000</b>	<b>2.9%</b>		

Funding Increase: \$39,787,400  
Percent Increase: 2.9%

Component	Source	Years	Notes
Critical skills undergrad completions	State HEIDI	FYs 2014-2015	STEM/health/etc.
Research & develop expend	Federal IPEDS	FY 2014	Carnegie research universities only
Six-year graduation rate	Federal IPEDS <sup>A</sup>	FYs 2010-2013	First-time, full-time degree seeking students
Total degree completions	Federal IPEDS <sup>A</sup>	FYs 2010-2013	Includes graduate degrees
Inst support as % of core expend	Federal IPEDS <sup>A</sup>	FYs 2010-2013	Measure of administrative costs
Pell grant students	Federal IPEDS <sup>A</sup>	FYs 2011-2013	Federal need-based aid for undergrads
Undergrad FYES	State HEIDI	FY 2015	Includes nonresident students

<sup>A</sup> 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 2016-17 resident undergraduate tuition/fee rate increase to 4.2% or below
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

\* Universities are grouped by 2010 Carnegie classification