

**Summary: Executive Budget Recommendation
for Fiscal Year 2022-23
HIGHER EDUCATION**



Analyst: Perry Zielak

| | FY 2021-22 Year-to-Date as of 2/9/22 | FY 2022-23 Executive | Difference: FY 2022-23 vs. FY 2021-22 | |
|--------------|--|-------------------------|--|------------|
| | | | Amount | % |
| IDG/IDT | \$0 | \$0 | \$0 | -- |
| Federal | 128,526,400 | 122,426,400 | (6,100,000) | (4.7) |
| Local | 0 | 0 | 0 | -- |
| Private | 0 | 0 | 0 | -- |
| Restricted | 361,403,300 | 347,888,300 | (13,515,000) | (3.7) |
| GF/GP | 1,317,821,500 | 1,382,300,200 | 64,478,700 | 4.9 |
| Gross | \$1,807,751,200 | \$1,852,614,900 | \$44,863,700 | 2.5 |

Notes: (1) FY 2021-22 year-to-date figures include mid-year budget adjustments through February 9, 2022. (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; some retirement costs for employees who participate in the state public school employee retirement system; 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 2021-22 Year-to-Date (YTD) Appropriations | FY 2021-22 YTD (as of 2/9/22) | Executive Change from YTD |
|---|--|--|
| 1. University Operations Increase | Gross \$1,487,758,800 | \$143,863,600 |
| Includes a net increase of \$143.9 million GF/GP for university operations, a 9.7% increase. This includes: | Restricted 343,168,300 | 0 |
| | GF/GP \$1,144,590,500 | \$143,863,600 |

- \$146.0 million GF/GP (\$73.0 million GF/GP ongoing and \$73.0 million GP/GP one-time), or 10.0%, increase to operations grants for universities.
- \$12.7 million GF/GP increase to fund the first year of a four-year phase-in of a \$4,500 funding floor based on fiscal year equated students (FYES).
- Removal of \$14.6 million GF/GP of FY 2021-22 one-time operations funding.
- \$344,700 GF/GP decrease based on FY 2020-21 North American Indian Tuition Waiver program costs reported by institutions.

Attainment of the ongoing and one-time operations increases, labeled operational support payments, would be conditioned on restraining resident undergraduate tuition and fee increases to the greater of 5.0% or \$722 (set at 4.2% or \$590 in the current year). Projected funding increases for universities would range from 8.4% to 20.0%. Total funding for operations would be \$1.6 billion Gross (\$1.3 billion GF/GP).

| <u>Major Budget Changes from FY 2021-22 Year-to-Date (YTD) Appropriations</u> | | <u>FY 2021-22 YTD (as of 2/9/22)</u> | <u>Executive Change from YTD</u> |
|---|--------------|---|---|
| 2. Michigan State University Extension and AgBioResearch Programs Increase | Gross | \$65,724,200 | \$5,856,800 |
| | GF/GP | \$65,724,200 | \$5,856,800 |
| Includes a net increase of \$5.9 million GF/GP total for MSU's AgBioResearch and Extension program funding. This includes an ongoing operations increase for the MSU AgBioResearch program of \$1.7 million GF/GP, a one-time funding increase of \$1.7 million GF/GP, and removal of one-time FY 2021-22 funding of \$349,400 GF/GP. Additionally, the MSU Extension program includes a net increase of \$2.7 million GF/GP comprising an ongoing and one-time operations increase of \$1.5 million GF/GP and the removal of one-time FY 2021-22 funding of \$301,400 GF/GP. These adjustments represent a 10.0% increase for both programs. Total funding for AgBioResearch and Extension programs would be \$71.6 million GF/GP. | | | |
| 3. Michigan Public School Employee Retirement System (MPERS) State Share of Unfunded Actuarial Accrued Liability (UAAL) Stabilization Payment | Gross | \$13,495,000 | (\$13,425,000) |
| | Restricted | 13,495,000 | (13,425,000) |
| | GF/GP | \$0 | \$0 |
| Decreases funding by \$13.4 million School Aid Fund (SAF) for the state's share of the universities' MPERS UAAL contribution, a 99.5% decrease. The state's share is the difference between the calculated UAAL 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). The amount needed for the state share was reduced due to the one-time MPERS payment of \$84.7 million GF/GP appropriated in FY 2021-22. Total funding for the state share of MPERS UAAL would be \$70,000 SAF. | | | |
| 4. MPERS Normal Cost Offset | Gross | \$4,740,000 | (\$90,000) |
| | Restricted | 4,740,000 | (90,000) |
| | GF/GP | \$0 | \$0 |
| Decreases reimbursement funding provided to universities by \$90,000 SAF, a 1.9% decrease, for the normal cost required to maintain the assumed rate of return for MPERS at 6.8%. Total funding for the MPERS Normal Cost Offset would be \$4.7 million SAF. | | | |
| 5. MPERS UAAL One-Time Payment | Gross | \$84,741,700 | (\$84,741,700) |
| | GF/GP | \$84,741,700 | (\$84,741,700) |
| Removes \$84.7 million GF/GP in one-time funding for the state's share of the universities' MPERS UAAL contribution. | | | |
| 6. Tuition Incentive Program | Gross | \$71,300,000 | (\$6,100,000) |
| | Federal | 71,300,000 | (6,100,000) |
| | GF/GP | \$0 | \$0 |
| Decreases Tuition Incentive Program (TIP) by \$6.1 million federal TANF funding, a 8.6% decrease. TIP pays Medicaid-eligible students' tuition costs for associate degrees under Phase I and bachelor's degrees under Phase II. The decrease is due to potential cost savings 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 \$65.2 million TANF. | | | |
| 7. Japan Center for Michigan Universities | Gross | \$500,000 | (\$500,000) |
| | GF/GP | \$500,000 | (\$500,000) |
| Removes \$500,000 GF/GP in one-time funding to support operations at the Japan Center for Michigan Universities hosted by Michigan State University. | | | |

Major Boilerplate Changes from FY 2021-22

Sec. 236h. MPERS One-Time Payment Detail – DELETED

Deletes language detailing the one-time payment for MPERS UAAL contributions to the system for the seven universities with MPERS employees (Central, Eastern, Ferris, Lake Superior State, Michigan Tech, Northern, and Western) and states payments will be distributed no later than December 31, 2021.

Major Boilerplate Changes from FY 2021-22

Sec. 236i. FY 2022-23 One-Time Operational Support Payment Detail – REVISED

Details the one-time operational support payment for FY 2020-21. Revises language to detail the FY 2022-23 one-time operational support payment allocations for each university and the MSU AgBioResearch and Extension programs.

Sec. 236k. \$4,500 Fiscal Year Equated Student (FYES) Funding Floor – NEW

Adds language detailing the four-year implementation of a \$4,500 FYES funding floor for each university below that funding calculation.

Sec. 245. Transparency Website and Various Reporting Requirements – 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. Requires universities submit information to the state budget director, who would compile and report the data to the House and Senate appropriation subcommittees on higher education and the House and Senate fiscal agencies. Deletes reporting requirement on submission of reports to the state budget director and 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.

Sec. 245a. Campus Safety Information and Resources, Safety Reporting Requirements – REVISED

Requires universities to develop a “campus safety information and resources” webpage, which must be linked and displayed on their home webpage. The page must display various safety information and policies, and the schools must certify compliance to the state budget director by October 1, 2021, or have monthly state payments withheld. Deletes certification requirement to the state budget director.

Sec. 251. Michigan Competitive Scholarship Program Detail – REVISED

Provides for distribution of funds appropriated for State Competitive Scholarships. Specifies grant amount of \$1,000, unless insufficient funds are available, in which case a report is required. Revises award amount from \$1,000 to \$1,200.

Sec. 252. Tuition Grant Program Detail – 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. Revises award amount from \$2,800 to \$2,900 and 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 Detail – 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. Adds 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.

Sec. 260. Student Loan and Financial Aid Website – REVISED

Requires the Department of Treasury, working with the Michigan College Access Network, the Michigan Association of School Counselors, the Michigan Association of State Universities (MASU), the Michigan Community College Association (MCCA), and Michigan Independent Colleges and Universities (MICU) to the extent possible, create a website for students containing various student loan and other financial aid information. Requires universities to post a link to the website on its homepage and directs the Department of Treasury to inform each high school about the website. Deletes references to evaluating financial aid offers and a list of state loan providers.

Sec. 261. University of Michigan’s Douglas Lake Biological Station – DELETED

Deletes legislative intent language 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 Tuition and Fees Restraint Requirement – REVISED

Provides tuition restraint requirements in order to receive performance funding increase. Revises requirements to apply to both one-time and on-going operational support payments for FY 2022-23. Revises tuition restraint cap for universities to the greater of 5.0% or \$722 (currently set at 4.2% or \$590). Deletes legislative intent language that indicates universities that violate the tuition restraint cap shall not receive a capital outlay project authorization in FY 2022-23 and FY 2023-24 and will have its appropriation adjusted.

Major Boilerplate Changes from FY 2021-22

Sec. 265a. Performance Funding Formula Detail and Additional Requirements – REVISED

Includes requirements for a university to receive the performance funding increase. Revises language specifying funding applies to FY 2022-23 only. Replaces “performance funding” with “operational support payments and one-time operational support payments.” Revises reporting date from October 1 to the last business day of August. Deletes language detailing the performance formula and revises to state that universities receive operational support payments as an across-the-board funding increase proportional to each university’s share of total operations funding from the prior fiscal year. Deletes intent language about allocating more funding based on performance metrics in future years.

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

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

Sec. 268. North American Indian Tuition Waiver Reporting Requirements – REVISED

States legislative intent that funds be allocated for unfunded Indian Tuition Waiver costs at public universities from the General Fund. Requires Department of Civil Rights to report certain information related to the waivers by January 15, and requires universities and tribal colleges receiving waiver pass-through funding to provide data under guidelines and procedures developed by the Department of Civil Rights by January 1. Deletes legislative intent language that states unfunded Indian Tuition Waiver costs be allocated from the General Fund.

Sec. 269. Saginaw Chippewa Tribal College North American Indian Tuition Waiver Funding – REVISED

Specifies an \$82,400 pass-through payment from Central Michigan’s North American Indian Tuition Waiver appropriation to Saginaw Chippewa Tribal College for costs of the Indian Tuition Waiver Program. Requires the tribal college to report waiver information specified under Sec. 268 to the Department of Civil Rights. Revises payment from \$82,400 to \$31,000.

Sec. 270c. Keweenaw Bay Ojibwa Community College North American Indian Tuition Waiver Funding – REVISED

Specifies a \$50,000 pass-through payment from Northern Michigan’s North American Indian Tuition Waiver appropriation to Keweenaw Bay Ojibwa Community College for costs of the Indian Tuition Waiver Program. Requires the tribal college to report waiver information specified under Sec. 268 to the Department of Civil Rights. Revises payment from \$50,000 to \$87,800.

Sec. 271a. Union-Related Activities Prohibition – DELETED

Deletes legislative intent language that prohibits universities from knowingly and directly using state funds to offer instructional activity that targets specific companies or specific groups of companies for unionization or decertification of a union.

Sec. 274. Embryonic Stem Cell Research Reporting – DELETED

Deletes legislative intent language that requires universities conducting research using human embryonic stem cells to report to the Department of Health and Human Services regarding compliance with federal guidelines and stem cell lines derived by university.

Sec. 275a. Self-Liquidating Projects Restriction and Capital Outlay Reporting – 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% appropriation reduction if funds are used for a self-liquidating project.

Sec. 275d. Communication with the Legislature – DELETED

Deletes legislative intent language that urges a university to not take disciplinary action against an employee for communicating with the legislature.

Sec. 275f. Free and Open Speech Policies Reporting Requirement – DELETED

Deletes legislative intent language that requires universities to report on activities related to strategic planning or assessment of policies that provide for open and free speech while protecting students from hate speech and discrimination.

Sec. 275g. COVID-19 Federal Funding Reporting Requirement – DELETED

Deletes language that requires universities to report all federal funding received related to the COVID-19 pandemic and requires report to be posted on a public website.

Sec. 275h. Campus Advocacy Policy – DELETED

Deletes legislative intent language that requires universities adopt advocacy policies for distribution and demonstrations around first amendment activities and political speech.

Sec. 275h. Post-Secondary Degree, Certification or Credential Obtainment Goal – NEW

Adds language that states a goal is set of 60% of Michigan residents achieve a post-secondary credential, certification or degree by 2030.

Major Boilerplate Changes from FY 2021-22

Sec. 276. Martin Luther King, Jr. – Cesar Chavez – Rosa Parks (KCP) Future Faculty Program – REVISED

Provides for program, funded by allocations from public university appropriations, intended to increase number of academically or economically disadvantaged candidates pursuing faculty teaching careers, and details requirements of unexpended and unencumbered program funds. Adds language to include revenue collected from defaulted fellowship agreements.

Sec. 278. KCP Select Student Support Services Program – REVISED

Provides for program, funded by distinct appropriation for grants to public/independent institutions, intended to develop academically/economically disadvantaged student retention programs. Adds language specifying a two-year award period.

Sec. 279. KCP College/University Partnership Program – REVISED

Provides for program, funded by distinct appropriation for grants to public/independent institutions, intended to increase the number of academically or economically disadvantaged students who transfer from community colleges to baccalaureate institutions. Adds language specifying a two-year award period.

Sec. 280. KCP Visiting Professors Program – REVISED

Provides for program, funded by allocations from public university appropriations, intended to increase the number of instructors to provide role models for academically or economically disadvantaged students, and details requirements of unexpended and unencumbered program funds. Adds language specifying a two-year award period.

Sec. 281a. KCP Reporting Requirements – DELETED

Deletes language that requires public universities to report various data about the six support programs behind the King-Chavez-Parks university programs to the Department of Labor and Economic Opportunity (LEO) by December 15 and requires LEO report the compiled information to the legislature and state budget director by February 15.

Sec. 286b. Bachelor of Science in Nursing Articulation Agreements Reporting – DELETED

Deletes language that requires any university with a bachelor of science in nursing program to report on a summary of efforts on establishing articulation agreements with community colleges.

Sec. 291. Auditor General University Performance Audits – DELETED

Deletes language that permits the Office of Auditor General to conduct performance audits of public universities.

Supplemental Recommendations for FY 2021-22 Appropriations

**FY 2021-22
Recommendation**

1. Infrastructure, Technology, Equipment, and Maintenance (ITEM) Funding

Includes \$141.5 million GF/GP for ITEM. The funds would allow universities to repair, improve, or maintain existing buildings, facilities, equipment and technological and physical infrastructure. Individual university allocations would be distributed based on calculated FY 2020-21 fiscal year equated student (FYES) enrollment.

| | |
|--------------|----------------------|
| Gross | \$141,492,400 |
| GF/GP | \$141,492,400 |

**FY 2022-23 University Operations Appropriations
Executive Recommendation**

| University | FY 2021-22 Indian Tuition Waiver Payment | *FY 2021-22 Base Appropriation | Total Operational Support Payment | FY 21 Indian Tuition Waiver Cost | Indian Tuition Waiver Pass- through adjustments | Indian Tuition Waiver Adjustment | Total FY23 Indian Tuition Waiver Payment | One-Time Operational Support Payment | FYES Funding Floor Supplemental Payment | Proposed FY 2022-23 Appropriation | Percent Change | Change From FY 2021-22 Total |
|----------------|---|--------------------------------------|--|---|--|---|--|---|--|---|-------------------|------------------------------------|
| Central | \$1,964,500 | \$87,600,000 | \$4,380,000 | \$1,762,100 | \$31,000 | (\$171,400) | \$1,793,100 | \$4,380,000 | \$0 | \$98,153,100 | 9.6% | \$8,588,600 |
| Eastern | 279,700 | 77,253,700 | 3,862,700 | 353,600 | - | 73,900 | 353,600 | 3,862,700 | - | 85,332,700 | 10.1% | 7,799,300 |
| Ferris | 965,800 | 55,025,500 | 2,751,300 | 826,900 | - | (138,900) | 826,900 | 2,751,300 | - | 61,355,000 | 9.6% | 5,363,700 |
| Grand Valley | 1,177,200 | 72,313,500 | 3,615,700 | 1,279,300 | - | 102,100 | 1,279,300 | 3,615,700 | 5,453,300 | 86,277,500 | 17.4% | 12,786,800 |
| Lake Superior | 926,500 | 13,307,000 | 665,400 | 788,800 | - | (137,700) | 788,800 | 665,400 | - | 15,426,600 | 8.4% | 1,193,100 |
| Michigan State | 1,932,800 | 287,331,700 | 14,366,600 | 2,046,400 | - | 113,600 | 2,046,400 | 14,366,600 | - | 318,111,300 | 10.0% | 28,846,800 |
| Michigan Tech | 769,300 | 50,101,600 | 2,505,100 | 847,400 | - | 78,100 | 847,400 | 2,505,100 | - | 55,959,200 | 10.0% | 5,088,300 |
| Northern | 1,051,500 | 47,809,100 | 2,390,500 | 1,073,500 | 87,800 | 109,800 | 1,161,300 | 2,390,500 | - | 53,751,400 | 10.0% | 4,890,800 |
| Oakland | 334,000 | 53,147,400 | 2,657,400 | 355,300 | - | 21,300 | 355,300 | 2,657,400 | 5,378,200 | 64,195,700 | 20.0% | 10,714,300 |
| Saginaw Valley | 153,900 | 30,583,800 | 1,529,200 | 188,300 | - | 34,400 | 188,300 | 1,529,200 | 45,000 | 33,875,500 | 10.2% | 3,137,800 |
| UM-Ann Arbor | 1,075,600 | 321,970,100 | 16,098,600 | 837,700 | - | (237,900) | 837,700 | 16,098,600 | - | 355,005,000 | 9.9% | 31,959,300 |
| UM-Dearborn | 165,000 | 26,167,000 | 1,308,400 | 246,200 | - | 81,200 | 246,200 | 1,308,400 | 1,235,400 | 30,265,400 | 14.9% | 3,933,400 |
| UM-Flint | 345,000 | 23,616,200 | 1,180,900 | 384,400 | - | 39,400 | 384,400 | 1,180,900 | 628,100 | 26,990,500 | 12.6% | 3,029,300 |
| Wayne State | 469,700 | 202,996,700 | 10,149,900 | 353,100 | - | (116,600) | 353,100 | 10,149,900 | - | 223,649,600 | 9.9% | 20,183,200 |
| Western | 795,300 | 111,522,200 | 5,576,200 | 599,300 | - | (196,000) | 599,300 | 5,576,200 | - | 123,273,900 | 9.8% | 10,956,400 |
| TOTAL: | \$12,405,800 | \$1,460,745,500 | \$73,037,900 | \$11,942,300 | \$118,800 | (\$344,700) | \$12,061,100 | \$73,037,900 | \$12,740,000 | \$1,631,622,400 | 10.8% | 158,471,100 |

Requirements to receive operational support payment for FY 2022-23:

1. Restrain FY 2021-22 resident undergraduate tuition/fee rate increase to 5.0% or \$722 (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

*Does not include one-time funding for FY 2021-22