

FISCAL BRIEF



FY 2018-19 PUBLIC UNIVERSITY PERFORMANCE FUNDING

Perry Zielak, Fiscal Analyst
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FAST FACTS

- A Performance Formula determines the annual funding increase for universities.
- Performance Formula funding is added to a university's base, which is the amount received in the prior fiscal year.
- Universities must comply with various requirements to receive their performance increases, including restricting tuition increases to 3.8% or \$490 for FY 2018-19.
- 10% of total operations funding is tied to new Title IX and sexual assault prevention requirements.

INTRODUCTION

The FY 2018-19 Higher Education budget, Article III of 2018 PA 265, appropriates a total of \$28.0 million for performance funding increases for the state's 15 public universities. Since FY 2012-13, the state appropriation for a university's yearly operations funding includes two pieces: the base and the performance funding increase. The base amount is the university's appropriation from the prior fiscal year. Performance funding is the increased funding amount added to the base for the new fiscal year.

PERFORMANCE FORMULA

Performance funding is allocated according to a formula based on the following criteria:

- 50.0% proportional to each university's share of total operations funding in the baseline year of FY 2010-11.
- 33.3% based on comparisons with Carnegie classification peers¹ or three-year improvement on four metrics weighted by full-time equivalent undergraduate students²:
 - Six-year graduation rate
 - Total degree completions
 - Institutional support as a percentage of core expenditures
 - Percentage of students receiving federal Pell grants.
- 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 the eight universities classified as doctoral universities: moderate/higher/highest research activity).

¹ To assist with its research and policy analysis, the Carnegie Commission of Higher Education established a classification of colleges and universities that has been revised periodically since 1976. The performance funding formula uses the 2015 Basic Classification, which divides postsecondary institutions into categories based generally on numbers, levels, and types of degrees granted and the amount of research activity. Indiana University's Center for Postsecondary Research is responsible for the Carnegie Classification.

² The measure is undergraduate fiscal year equated students (FYES). One FYES is equal to 30 undergraduate credit hours.

PERFORMANCE FUNDING REQUIREMENTS

Obtainment of performance funding is governed by sections 265, 265a, and 265b of the budget (MCL 388.1865 et al.) and conditioned on compliance with four requirements:

- Restraining FY 2017-18 resident undergraduate tuition and mandatory fee increases to 3.8% (double the rate of inflation) or \$475, whichever is greater, compared to FY 2016-17.
- Participating in reverse transfer agreements with at least three Michigan community colleges.
- Having a dual enrollment credit policy that does not consider whether the credits were applied to high school graduation requirements in determining acceptance for college credit.
- Actively participating in the Michigan Transfer Network (an online system that provides transparency regarding course transfer equivalencies among Michigan colleges and universities).

NEW TITLE IX AND SEXUAL ASSAULT PREVENTION REQUIREMENTS

In addition, under section 265b, universities must certify that they have complied with policy requirements related to sexual assault prevention and Title IX reporting requirements found in sections 274c and 274d. Lack of compliance results in a 10% reduction to a university's operations funding. The requirements include all of the following:

- Prohibiting the use of medical experts with an actual or apparent conflict of interest in Title IX investigations.
- Prohibiting the issuance of divergent Title IX investigation reports.
- Informing the victims of sexual assault about their option to report the incident to law enforcement, the university, both or neither.
- Instituting an in-person sexual assault prevention course or presentation for all freshmen and incoming transfer students and an electronic course or presentation for all other students.
- Prohibiting compensation for medical procedures and related charges from medical professionals convicted of a felony.
- Having a third party review the Title IX office and policies before the end of the 2018-19 academic year and providing it to the State Budget Office, the House and Senate Higher Education appropriations subcommittees and the fiscal agencies. A third party review must take place every three years after the 2018-19 academic year.
- Requiring that the governing board and the president or chancellor receive at least quarterly reports from the Title IX office on aggregated data on sexual misconduct. A governing body member may request a Title IX report against an employee. The universities must protect the anonymity of complainants in the reports.
- Requiring a school's Title IX office to notify the president or chancellor and the governing board about allegations against an employee where more than one Title IX complaint that resulted in a no misconduct filing and taking steps to ensure the complaint is being investigated thoroughly.
- Certifying to the State Budget Director that the president or chancellor and one governing body board member have reviewed all Title IX reports involving university employees.
- Reporting efforts to develop and implement sexual assault response training for key personnel.
- Submitting the annual Title IX report on student sexual misconduct and a Title IX summary report to the Higher Education appropriations subcommittees, the fiscal agencies, the Attorney General and the state budget director.

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. In the September 14, 2018 letter, 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 2018-19 along with comparable figures for FY 2017-18. University tuition and fee rates are computed as unweighted averages; rates for full-time undergraduate enrollment in FY 2018-19 range from \$10,308 at Saginaw Valley to \$17,293 at Michigan Tech. The overall average rate is \$13,356, up from \$12,885 in FY 2017-18. Percentage increases range from 1.76% to 4.98%. The unweighted average increase for all 15 universities is 3.66%.

Attachment 2 shows performance funding allocated for each university. The overall increase from FY 2017-18 is 2.0% (\$28.0 million). Funding increases for individual universities range from 1.5% to 3.1%.

ATTACHMENT 1

FY 2018-19 Resident Undergraduate Tuition/Fee Rate Increases

| University | FY 2017-18 Rates | | | | | FY 2018-19 Rates | | | | | % Change Avg Rate | Annual Increase | Cost per Credit Hr |
|------------------------|------------------|-----------------|-----------------|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|-----------------|----------------------|--------------------|-----------------------|
| | Fresh | Soph | Junior | Senior | Average | Fresh | Soph | Junior | Senior | Average | | | |
| Central | \$12,510 | \$12,510 | \$12,510 | \$12,510 | \$12,510 | \$12,960 | \$12,960 | \$12,960 | \$12,960 | \$12,960 | 3.60 | \$450 | \$432 |
| Eastern | 12,219 | 12,019 | 13,069 | 13,069 | 12,594 | 12,708 | 12,508 | 13,558 | 13,558 | 13,083 | 3.88 | 489 | 436 |
| Ferris | 12,180 | 12,180 | 12,570 | 12,570 | 12,375 | 12,630 | 12,630 | 13,050 | 13,050 | 12,840 | 3.76 | 465 | 428 |
| Grand Valley | 11,994 | 11,994 | 12,618 | 12,618 | 12,306 | 12,484 | 12,484 | 13,108 | 13,108 | 12,796 | 3.98 | 490 | 427 |
| Lake Superior | 11,622 | 11,362 | 11,362 | 11,362 | 11,427 | 12,090 | 11,830 | 11,830 | 11,830 | 11,895 | 4.10 | 468 | 397 |
| Michigan State | 14,460 | 14,460 | 16,290 | 16,290 | 15,375 | 14,460 | 14,820 | 16,650 | 16,650 | 15,645 | 1.76 | 270 | 522 |
| Michigan Tech | 15,074 | 15,074 | 18,247 | 18,247 | 16,661 | 15,646 | 15,646 | 18,940 | 18,940 | 17,293 | 3.80 | 633 | 576 |
| Northern | 10,490 | 10,240 | 10,756 | 10,756 | 10,561 | 10,983 | 10,729 | 11,245 | 11,245 | 11,051 | 4.64 | 490 | 368 |
| Oakland | 12,420 | 12,420 | 14,393 | 14,393 | 13,407 | 12,893 | 12,893 | 14,940 | 14,940 | 13,916 | 3.80 | 510 | 464 |
| Saginaw Valley | 9,819 | 9,819 | 9,819 | 9,819 | 9,819 | 10,308 | 10,308 | 10,308 | 10,308 | 10,308 | 4.98 | 489 | 344 |
| UM-Ann Arbor | 14,826 | 14,826 | 16,696 | 16,696 | 15,761 | 15,262 | 15,262 | 17,188 | 17,188 | 16,225 | 2.94 | 464 | 541 |
| UM-Dearborn | 12,472 | 12,472 | 12,802 | 12,802 | 12,637 | 12,930 | 12,930 | 13,290 | 13,290 | 13,110 | 3.74 | 473 | 437 |
| UM-Flint | 11,334 | 11,334 | 11,478 | 11,478 | 11,406 | 11,820 | 11,820 | 11,964 | 11,964 | 11,892 | 4.26 | 486 | 396 |
| Wayne State | 12,979 | 12,729 | 14,823 | 14,823 | 13,839 | 13,347 | 13,097 | 15,253 | 15,253 | 14,238 | 2.88 | 399 | 475 |
| Western | 12,243 | 11,943 | 13,097 | 13,097 | 12,595 | 12,483 | 12,483 | 13,685 | 13,685 | 13,084 | 3.88 | 489 | 436 |
| Unweighted Avg. | \$12,443 | \$12,359 | \$13,369 | \$13,369 | \$12,885 | \$12,867 | \$12,827 | \$13,865 | \$13,865 | \$13,356 | 3.66 | \$471 | \$445 |

General Notes:

- 1) 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.
- 2) FY 2018-19 resident tuition rate increase is restrained to either 3.8% or \$490.

FY 2018-19 University-Specific Notes

- 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

**ATTACHMENT 2
FY 2018-19 University Performance Funding Increases**

| University | % of formula: Funding per unit: FY 2017-18 Year-to-Date Appropriation | Proportional to FY 2010-11 50.0% \$0.0101 per dollar | | Performance Funding Scored vs. National Carnegie Peers 33.3% \$6.71 per weighted point | | | | | | | Performance Funding Proportional to Share of Total 11.1% \$179.90 per completion 5.6% \$0.0011 per dollar | | | | *Total Performance Funding Increase | Proposed FY 2018-19 Appropriation | Percent Change | |
|----------------|---|--|-----------------------|--|------------------|---|--|-----------------|---|------------------|---|---------------|---|------------------------|--|---|------------------------|-------------|
| | | FY 2010-11 Appropriation | FY 2010-11 Funding | 6-year Grad Rate | Total Degrees | Instl. Support as % of Expend. | Students Receiving Pell Grant | Total Points | Total FY 2017 FYES- Weighted Points | Funding | Critical Skills Undergrad Completions | Funding | Research & Development Expenditures | Funding | | | | |
| Michigan State | \$281,239,100 | \$283,685,200 | \$2,852,821 | 2 | 3 | 0 | 0 | 5 | 36,703 | 183,515 | \$1,231,666 | 3,232 | \$581,357 | \$349,725,075 | \$369,240 | \$5,035,100 | \$286,274,200 | 1.8% |
| UM-Ann Arbor | 314,589,100 | 316,254,500 | 3,180,347 | 3 | 3 | 2 | 0 | 8 | 28,671 | 229,371 | 1,539,429 | 3,159 | 568,224 | 857,589,000 | 905,443 | 6,193,300 | 320,782,400 | 2.0% |
| Wayne State | 199,169,800 | 214,171,400 | 2,153,770 | 2 | 2 | 0 | 3 | 7 | 14,375 | 100,622 | 675,324 | 961 | 172,797 | 181,378,000 | 191,499 | 3,193,400 | 202,363,200 | 1.6% |
| Central | 85,654,400 | 80,132,000 | 805,831 | 2 | 3 | 0 | 2 | 7 | 16,842 | 117,894 | 791,249 | 822 | 147,790 | 14,889,698 | 15,721 | 1,760,600 | 87,415,000 | 2.1% |
| Michigan Tech | 49,052,200 | 47,924,200 | 481,940 | 3 | 0 | 2 | 0 | 5 | 5,577 | 27,884 | 187,141 | 921 | 165,646 | 59,326,199 | 62,637 | 897,400 | 49,949,600 | 1.8% |
| Western | 109,376,800 | 109,615,100 | 1,102,321 | 0 | 2 | 0 | 2 | 4 | 16,272 | 65,087 | 436,835 | 1,173 | 210,936 | 22,801,658 | 24,074 | 1,774,200 | 111,151,000 | 1.6% |
| Eastern | 75,169,900 | 76,026,200 | 764,542 | 2 | 3 | 2 | 2 | 9 | 14,419 | 129,775 | 870,986 | 938 | 168,749 | 4,847,557 | 5,118 | 1,809,400 | 76,979,300 | 2.4% |
| Oakland | 51,235,900 | 50,761,300 | 510,470 | 2 | 2 | 2 | 2 | 8 | 15,216 | 121,728 | 816,981 | 1,348 | 242,509 | 12,609,712 | 13,313 | 1,583,300 | 52,819,200 | 3.1% |
| Grand Valley | 70,100,100 | 61,976,400 | 623,253 | 3 | 3 | 2 | 0 | 8 | 20,178 | 161,420 | 1,083,375 | 1,389 | 249,885 | | | 1,956,500 | 72,056,600 | 2.8% |
| Saginaw Valley | 29,766,100 | 27,720,700 | 278,767 | 2 | 2 | 2 | 2 | 8 | 7,341 | 58,726 | 394,140 | 495 | 88,962 | | | 761,900 | 30,528,000 | 2.6% |
| UM-Dearborn | 25,421,900 | 24,726,200 | 248,654 | 2 | 2 | 2 | 2 | 8 | 5,861 | 46,885 | 314,672 | 481 | 86,569 | | | 649,900 | 26,071,800 | 2.6% |
| UM-Flint | 23,061,800 | 20,898,000 | 210,156 | 2 | 2 | 0 | 2 | 6 | 5,062 | 30,372 | 203,840 | 610 | 109,651 | | | 523,600 | 23,585,400 | 2.3% |
| Ferris | 53,595,500 | 48,619,200 | 488,929 | 2 | 3 | 2 | 2 | 9 | 10,229 | 92,061 | 617,870 | 1,381 | 248,412 | | | 1,355,200 | 54,950,700 | 2.5% |
| Northern | 47,137,400 | 45,140,300 | 453,944 | 2 | 3 | 2 | 0 | 7 | 6,534 | 45,738 | 306,972 | 556 | 100,049 | | | 861,000 | 47,998,400 | 1.8% |
| Lake Superior | 13,775,000 | 12,694,200 | 127,657 | 2 | 2 | 0 | 0 | 4 | 1,929 | 7,716 | 51,786 | 181 | 32,552 | | | 212,000 | 13,987,000 | 1.5% |
| TOTAL: | \$1,428,345,000 | \$1,420,344,900 | \$14,283,400 | 31 | 35 | 18 | 19 | 103 | 205,208 | 1,418,792 | \$9,522,267 | 17,643 | \$3,174,089 | \$1,503,166,899 | \$1,587,044 | \$28,566,800 | \$1,456,911,800 | 2.0% |

| Component | Source | Years | Notes |
|---------------------------------------|----------------|---------------|---|
| Critical skills undergrad completions | State HEIDI | FYs 2016-2017 | STEM/health/etc. |
| Research & develop expends | Federal IPEDS | FY 2016 | Carnegie research universities only |
| Six-year graduation rate | Federal IPEDS^ | FYs 2012-2015 | First-time, full-time degree seeking students |
| Total degree completions | Federal IPEDS^ | FYs 2012-2015 | Includes graduate degrees |
| Inst support as % of core expends | Federal IPEDS^ | FYs 2012-2015 | Measure of administrative costs |
| Pell grant students | Federal IPEDS^ | FYs 2013-2015 | Federal need-based aid for undergrads |
| Undergrad FYES | State HEIDI | FY 2017 | 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 performance funding increase for next 3 fiscal years:

1. Restrain FY 2018-19 resident undergraduate tuition/fee rate increase to 3.8% or \$490 (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