

FISCAL BRIEF



FY 2020-21 PUBLIC UNIVERSITY PERFORMANCE FUNDING

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FAST FACTS

- A Performance Formula distributes 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 performance increases, including restricting tuition increases to the greater of 4.2% or \$586 for FY 2020-21.
- FY 2020-21 does not appropriate any performance funding increase and does not use the performance funding formula.

INTRODUCTION

The FY 2020-21 Higher Education budget, 2020 PA 165, does not appropriate any performance funding increases for the state's 15 public universities. The state appropriation for a university's yearly operations funding includes three pieces: the base, the performance funding increase, and the North American Indian Tuition Waiver (ITW) funding. 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. Indian Tuition Waiver funding is the amount of funding appropriated to cover a university's ITW cost from the most recently reported fiscal year data, which typically has a lag of two fiscal years.

HIGHER EDUCATION PERFORMANCE FORMULA

Performance funding is typically 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 students:²
 - 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.

The FY 2020-21 Higher Education budget does not appropriate increased funding to public universities and therefore does not use the above formula to distribute performance funding. However, the formula was not formally repealed in the FY 2020-21 budget and remains unchanged as a standing statute, as the Higher Education budget is compiled as Article III of the State School Aid Act.

Additionally, Anderson Economic Group (AEG), in partnership with Business Leaders for Michigan and the prior Snyder Administration, gathered the data and analysis that serve as the foundation for the Carnegie comparison categories in the performance formula. This arrangement came to an end in FY 2019-20, leaving a missing component in the current formula. Future legislatures will need to determine if the performance formula will continue to be used to distribute new funding to public universities and what changes would need to be made to the formula.

PERFORMANCE FUNDING REQUIREMENTS

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

- Restraining FY 2020-21 resident undergraduate tuition and mandatory fee increases to 4.2% (double the rate of inflation) or \$586, whichever is greater, compared to FY 2019-20.
- 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, which is an online system that provides transparency regarding course transfer equivalencies among Michigan colleges and universities.

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 overall 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 had 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 who has had more than one Title IX complaint that resulted in a no misconduct finding and taking steps to ensure that the complaint is being investigated thoroughly, including hiring an outside investigator for future cases involving that employee.
- 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 October 1, 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 a letter dated October 14, 2020, the state budget director confirmed compliance with performance funding conditions for all 15.

Attachment 1 shows university resident undergraduate tuition and fee rates for FY 2020-21 along with comparable figures for FY 2019-20. University tuition and fee rates are computed as unweighted averages; rates for full-time resident undergraduate enrollment in FY 2020-21 range from \$10,814 at Saginaw Valley to \$18,165 at Michigan Tech. The overall average tuition rate is \$14,040, up from \$13,779 in FY 2019-20. Percentage increases range from (0.74%) at Central Michigan to 4.24% at Eastern Michigan. The unweighted average increase for all 15 universities is 1.89%. Dollar increases range from (\$98) to \$580. The unweighted dollar average increase for all 15 universities is \$261.

Attachment 2 shows operations funding allocated for each university. There is no performance funding increase for FY 2020-21. When ITW funding and a one-time pass-through appropriation for Lake Superior State are factored in, the overall increase is 0.1% (\$1.9 million). Overall funding increases range from (0.2%) at Ferris State to 6.2% at Lake Superior State.

ATTACHMENT 1

FY 2020-21 Resident Undergraduate Tuition/Fee Rate Increases

University	FY 2019-20 Rates					FY 2020-21 Rates					% Change Avg Rate	Annual Increase	Cost per Credit Hr
	Fresh	Soph	Junior	Senior	Average	Fresh	Soph	Junior	Senior	Average			
Central	\$12,960	\$13,350	\$13,350	\$13,350	\$13,253	\$12,960	\$12,960	\$13,350	\$13,350	\$13,155	(0.74)	(\$98)	\$439
Eastern	13,433	13,233	13,983	13,983	13,658	13,810	13,610	14,765	14,765	14,238	4.24	580	475
Ferris	12,930	12,930	13,560	13,560	13,245	13,290	13,290	14,100	14,100	13,695	3.40	450	457
Grand Valley	12,860	12,860	13,500	13,500	13,180	13,244	13,244	13,908	13,908	13,576	3.00	396	453
Lake Superior	12,450	12,190	12,190	12,190	12,255	12,856	12,706	12,706	12,706	12,744	3.99	489	425
Michigan State	14,460	14,820	16,650	16,650	15,645	14,460	14,820	16,650	16,650	15,645	0.00	0	522
Michigan Tech	15,960	15,960	19,318	19,318	17,639	16,436	16,436	19,894	19,894	18,165	2.98	526	606
Northern	11,520	11,255	11,795	11,795	11,592	11,945	11,680	12,232	12,232	12,022	3.71	431	401
Oakland	13,463	13,463	15,593	15,593	14,528	13,463	13,463	15,593	15,593	14,528	0.00	0	484
Saginaw Valley	10,814	10,814	10,814	10,814	10,814	10,814	10,814	10,814	10,814	10,814	0.00	0	360
UM-Ann Arbor	15,558	15,558	17,522	17,522	16,540	15,948	15,948	17,948	17,948	16,948	2.47	408	565
UM-Dearborn	13,304	13,304	13,754	13,754	13,529	13,552	13,552	14,002	14,002	13,777	1.83	248	459
UM-Flint	12,406	12,406	12,550	12,550	12,478	12,892	12,892	13,036	13,036	12,964	3.89	486	432
Wayne State	13,766	13,516	15,741	15,741	14,691	13,766	13,516	15,741	15,741	14,691	0.00	0	490
Western	13,017	13,017	14,275	14,275	13,646	13,017	13,017	14,275	14,275	13,646	0.00	0	455
Unweighted Avg.	\$13,260	\$13,245	\$14,306	\$14,306	\$13,779	\$13,497	\$13,463	\$14,601	\$14,601	\$14,040	1.89	\$261	\$468

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 2020-21 resident tuition rate increase is restrained to either 4.2% or \$586, whichever is greater.

FY 2020-21 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

Sources: University websites, University tuition restraint responses, Higher Education Institutional Data Inventory (HEIDI)

ATTACHMENT 2

FY 2020-21 University Performance Funding Increases

University	FY 2019-20 Indian Tuition Waiver Payment	FY 2019-20 Year-to-Date Appropriation	Total FY 2020-21 Funding Increase	Indian Tuition Waiver			*Total FY21 Indian Tuition Waiver Payment	**Other Adjustments	Proposed FY 2020-21 Appropriation	Percent Change
				FY 19 Indian Tuition Waiver Cost	Indian Tuition Waiver Pass- through adjustments	Indian Tuition Waiver Adjustment				
Central	\$1,598,100	\$89,227,800	\$0	\$1,884,800	\$79,700	\$286,700	\$1,964,500	\$0	\$89,564,500	0.4%
Eastern	302,300	77,556,000	-	301,500	-	(800)	301,500	-	77,555,200	0.0%
Ferris	1,007,300	56,032,800	-	908,800	-	(98,500)	908,800	-	55,934,300	(0.2%)
Grand Valley	1,075,000	73,388,500	-	1,177,200	-	102,200	1,177,200	-	73,490,700	0.1%
Lake Superior	954,000	14,361,000	-	945,100	(100,000)	(8,900)	845,100	1,000,000	15,252,100	6.2%
Michigan State	1,467,700	288,799,400	-	1,604,000	-	136,300	1,604,000	-	288,935,700	0.0%
Michigan Tech	466,500	50,568,100	-	693,600	-	227,100	693,600	-	50,795,200	0.4%
Northern	1,100,000	48,909,100	-	1,010,600	50,000	(89,400)	1,060,600	-	48,869,700	(0.1%)
Oakland	285,100	53,432,500	-	266,100	-	(19,000)	266,100	-	53,413,500	0.0%
Saginaw Valley	223,900	30,807,700	-	219,500	-	(4,400)	219,500	-	30,803,300	0.0%
UM-Ann Arbor	803,500	322,773,600	-	961,000	-	157,500	961,000	-	322,931,100	0.0%
UM-Dearborn	160,200	26,327,200	-	167,800	-	7,600	167,800	-	26,334,800	0.0%
UM-Flint	277,000	23,893,200	-	348,200	-	71,200	348,200	-	23,964,400	0.3%
Wayne State	417,200	203,413,900	-	462,200	-	45,000	462,200	-	203,458,900	0.0%
Western	767,900	112,290,100	-	841,700	-	73,800	841,700	-	112,363,900	0.1%
TOTAL:	\$10,905,700	\$1,471,780,900	\$0	\$11,792,100	\$29,700	\$886,400	\$11,792,100	\$1,000,000	\$1,473,667,300	0.1%

Requirements to receive performance funding increase for the next 3 fiscal years:

- 1) Restrain FY 2020-21 resident undergraduate tuition/fee rate increase to 4.2% or \$586 (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

*Beginning in FY 2019-20, Indian Tuition Waiver Payments were unrolled from the Operations base amounts. FY 2020-21 unrolls tribal college pass-through amounts from Operations base amounts. ITW Adjustment amounts are made from the prior fiscal year's ITW payment compared to the most recent reported waiver cost. ITW Payments are listed as "Indian Tuition Waiver Costs Incurred" that is broken out in each university's operations listing in the budget bill

** LSSU has a one-time \$1.0 million increase for a pass-through payment to Bay Mills Community College