

FISCAL BRIEF

PUBLIC UNIVERSITY PERFORMANCE FUNDING AND ONE-TIME SUPPLEMENTAL FUNDING

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FAST FACTS

- A performance formula typically 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 performance funding, including restricting tuition increases to the greater of 4.2% or \$590 for FY 2021-22.
- FY 2021-22 allocates \$14.6 million of one-time supplemental funding but does not use the performance funding formula.

INTRODUCTION

The state appropriation for a university's yearly operations funding typically 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, less ITW funding. 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.

Similar to FY 2020-21, the FY 2021-22 Higher Education budget, 2021 PA 86, does not appropriate performance funding. Instead the act appropriates \$14.6 million of one-time supplemental funding to provide a 1.0% across-the-board increase to the state's 15 public universities. Because the funding is considered one-time, it is not assumed that the supplemental funding will be added to the base funding.

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 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).

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.

- 5.6% based on research and development expenditures (applies only to the eight universities classified as doctoral universities: doctoral, high research activity, and very high research activity).

For approximately eight years, Anderson Economic Group (AEG), in partnership with Business Leaders for Michigan and the Snyder Administration, gathered the data and analysis that serves as the foundation for the Carnegie comparison categories in the performance formula. This arrangement came to an end in FY 2019-20, leaving missing components in the current formula.

Future legislatures will need to determine if the performance formula will continue to be used to distribute new and/or existing base funding to public universities and whether changes need to be made to the formula and its application on university appropriations. For example, the FY 2021-22 House passed Higher Education budget did include an entirely new funding formula that impacted all appropriations made to universities, but was not included in the final FY 2021-22 budget³.

PERFORMANCE FUNDING AND ONE-TIME SUPPLEMENTAL FUNDING REQUIREMENTS

Obtainment of performance funding and the one-time supplemental 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 2021-22 resident undergraduate tuition and mandatory fee increases to 4.2% (approximately double the rate of inflation) or \$590, whichever is greater, compared to FY 2020-21.
- 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.

³ More information on the proposed FY 2021-22 House Higher Education formula can be found here: <https://www.legislature.mi.gov/documents/2021-2022/billanalysis/House/pdf/2021-HLA-4400-2A7708D3.pdf>

- 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 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.

FY 2021-22 ONE-TIME SUPPLEMENTAL FUNDING DISTRIBUTION

The FY 2021-22 Higher Education budget appropriates one-time supplemental funding for increased allocations to public universities instead of the traditional performance funding and therefore does not use the performance formula to distribute performance funding. The one-time supplemental funding is distributed across-the-board, meaning each university received a 1% increase over FY 2020-21 funding levels. Similar to FY 2020-21 in which no performance funding was appropriated, the performance formula was not formally repealed in the FY 2021-22 budget and remains unchanged as a standing statute, as the Higher Education budget is compiled as Article III of the State School Aid Act.

PERFORMANCE FUNDING AND ONE-TIME SUPPLEMENTAL FUNDING CERTIFICATION

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 4, 2021, the state budget director confirmed compliance with performance funding conditions for all 15 institutions.

Attachment 1 shows university resident undergraduate tuition and fee rates for FY 2021-22 along with comparable figures for FY 2020-21. University tuition and fee rates are computed as unweighted averages; rates for full-time resident undergraduate enrollment in FY 2021-22 range from \$11,130 at Saginaw Valley to \$18,751 at Michigan Tech. The overall average tuition rate is \$14,449, up from \$14,040 in FY 2020-21. Percentage increases range from 0.0% at University of Michigan - Flint to 4.19% at Northern Michigan. The unweighted average increase for all 15 universities is 2.91%. Dollar increases range from \$0 at University of Michigan - Flint to \$608 at Oakland. The unweighted dollar average increase for all 15 universities is \$409.

Attachment 2 shows operations funding allocated for each university. While there is no performance funding increase for FY 2021-22, universities received a one-time supplemental funding increase of 1.0% or \$14.6 million. When ITW funding and the removal of a one-time pass-through appropriation for Lake Superior State are factored in, the overall increase is 1.0% or \$14.1 million. Overall funding increases range from (5.8%) at Lake Superior State to 1.1% at Ferris State, Michigan State, Michigan Tech, and Oakland.

ATTACHMENT 1

FY 2021-22 Resident Undergraduate Tuition and Fee Rate Increases

University	FY 2020-21 Rates					FY 2021-22 Rates					% Change Avg Rate	Annual Increase	Cost per Credit Hr
	Fresh	Soph	Junior	Senior	Average	Fresh	Soph	Junior	Senior	Average			
Central	\$12,960	\$12,960	\$13,350	\$13,350	\$13,155	\$13,200	\$13,200	\$13,950	\$13,800	\$13,538	2.91	\$383	\$451
Eastern	13,810	13,610	14,765	14,765	14,238	14,260	14,060	15,500	15,500	14,830	4.16	593	494
Ferris	13,290	13,290	14,100	14,100	13,695	13,650	13,650	14,610	14,610	14,130	3.18	435	471
Grand Valley	13,244	13,244	13,908	13,908	13,576	13,560	13,560	14,240	14,240	13,900	2.39	324	463
Lake Superior	12,856	12,706	12,706	12,706	12,744	13,312	13,162	13,162	13,162	13,200	3.58	456	440
Michigan State	14,460	14,820	16,650	16,650	15,645	14,850	15,216	17,083	17,083	16,058	2.64	413	535
Michigan Tech	16,436	16,436	19,894	19,894	18,165	16,966	16,966	20,536	20,536	18,751	3.23	586	625
Northern	11,945	11,680	12,232	12,232	12,022	12,437	12,172	12,748	12,748	12,526	4.19	504	418
Oakland	13,463	13,463	15,593	15,593	14,528	14,025	14,025	16,245	16,245	15,135	4.18	608	505
Saginaw Valley	10,814	10,814	10,814	10,814	10,814	11,130	11,130	11,130	11,130	11,130	2.93	317	371
UM-Ann Arbor	15,948	15,948	17,948	17,948	16,948	16,178	16,178	18,208	18,208	17,193	1.45	245	573
UM-Dearborn	13,552	13,552	14,002	14,002	13,777	13,816	13,816	14,266	14,266	14,041	1.92	264	468
UM-Flint	12,892	12,892	13,036	13,036	12,964	12,892	12,892	13,036	13,036	12,964	0.00	0	432
Wayne State	13,766	13,516	15,741	15,741	14,691	14,293	14,043	16,354	16,354	15,261	3.88	570	509
Western	13,017	13,017	14,275	14,275	13,646	13,434	13,434	14,728	14,728	14,081	3.19	435	469
Unweighted Avg.	\$13,497	\$13,463	\$14,601	\$14,601	\$14,040	\$13,867	\$13,834	\$15,053	\$15,043	\$14,449	2.91	\$409	\$482

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 2021-22 resident tuition rate increase is restrained to either 4.2% or \$590, whichever is greater.

FY 2021-22 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 2021-22 University Operations Appropriations

	FY 2020-21 Indian Tuition Waiver Payment*	FY 2020-21 Base Appropriation	FY 2021-22 One-Time Supplemental Funding	FY 20 Indian Tuition Waiver Cost	Indian Tuition Waiver Pass- through Adjustments	Indian Tuition Waiver Adjustment	Total FY 22 Indian Tuition Waiver Payment	Proposed Total FY 2021-22 Appropriation	Percent Change	Change From FY 2020-21 Total
Central	\$1,964,500	\$87,600,000	\$876,000	\$1,882,100	\$82,400	\$0	\$1,964,500	\$90,440,500	1.0%	\$876,000
Eastern	301,500	77,253,700	772,500	279,700		(21,800)	279,700	78,305,900	1.0%	750,700
Ferris	908,800	55,025,500	550,300	965,800		57,000	965,800	56,541,600	1.1%	607,300
Grand Valley	1,177,200	72,313,500	723,100	1,177,200		0	1,177,200	74,213,800	1.0%	723,100
Lake Superior	1,945,100	13,307,000	133,100	926,500		(1,018,600)	926,500	14,366,600	(5.8%)	(885,500)
Michigan State	1,604,000	287,331,700	2,873,300	1,932,800		328,800	1,932,800	292,137,800	1.1%	3,202,100
Michigan Tech	693,600	50,101,600	501,000	769,300		75,700	769,300	51,371,900	1.1%	576,700
Northern	1,060,600	47,809,100	478,100	1,001,500	50,000	(9,100)	1,051,500	49,338,700	1.0%	469,000
Oakland	266,100	53,147,400	531,500	334,000		67,900	334,000	54,012,900	1.1%	599,400
Saginaw Valley	219,500	30,583,800	305,800	153,900		(65,600)	153,900	31,043,500	0.8%	240,200
UM-Ann Arbor	961,000	321,970,100	3,219,700	1,075,600		114,600	1,075,600	326,265,400	1.0%	3,334,300
UM-Dearborn	167,800	26,167,000	261,700	165,000		(2,800)	165,000	26,593,700	1.0%	258,900
UM-Flint	348,200	23,616,200	236,200	165,000		(3,200)	345,000	24,197,400	1.0%	233,000
Wayne State	462,200	202,996,700	2,030,000	469,700		7,500	469,700	205,496,400	1.0%	2,037,500
Western	841,700	111,522,200	1,115,200	795,300		(46,400)	795,300	113,432,700	1.0%	1,068,800
TOTAL:	\$12,921,800	\$1,460,745,500	\$14,607,500	\$12,273,400	\$132,400	(\$516,000)	\$12,405,800	\$1,487,758,800	1.0%	\$14,091,500

* Includes a Lake Superior State \$1.0 million one-time pass-through payment to Bay Mills Community College

Requirements to receive one-time supplemental funding payment for FY 2021-22:

1. Restrain FY 2021-22 resident undergraduate tuition and fee rate increase to 4.2% or \$590 (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 if 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