

PUBLIC UNIVERSITY FY 2022-23 OPERATIONS INCREASE AND FYES FLOOR FUNDING

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FAST FACTS

- A performance formula typically determines the annual funding increase for universities, although the formula has not been used since FY 2019-20.
- FY 2022-23 allocates \$52.3 million in ongoing operations increase, with increases based on MPSERS participation.
- \$17.7 million was allocated for universities that fell below a \$4,500 FYES funding floor
- Universities must comply with various requirements to receive the operations increase and FYES floor funding, including restricting tuition increases to the greater of 5.0% or \$722 for FY 2021-22.

INTRODUCTION

Between FY 2012-13 and FY 2019-20 university operations increases were determined through the use of a performance formula. The FY 2020-21 Higher Education budget did not increase funding for public universities, and therefore the performance formula was not used. The FY 2021-22 Higher Education budget allocated a \$14.6 million one-time supplemental payment, which was distributed as a 1% increase to universities across-the-board. However, this one-time supplemental payment was not added to base operations funding for FY 2022-23.

Continuing this trend, the FY 2022-23 Higher Education budget, 2022 PA 86, does not appropriate performance funding. Instead, the FY 2022-23 budget appropriates increased Higher Education operations funding through two components: 1) a modified across-the-board operations increase (based on MPSERS participation) totaling \$52.3 million, and 2) a supplemental payment totaling \$17.7 million with each university payment determined through a fiscal year equated student (FYES) funding floor.

FY 2022-23 MODIFIED ACROSS-THE-BOARD OPERATIONS INCREASE

The first component of the FY 2022-23 ongoing operations increase was distributed in an across-the-board manner. The seven public universities that participated in the Michigan Public School Employee Retirement System (MPSERS), which include Central Michigan, Eastern Michigan, Ferris State, Lake Superior State, Michigan Tech, Northern Michigan and Western Michigan, would receive a 2% across-the-board operations increase. The remaining eight public universities that did not participate in MPSERS, would receive up to a 5% across-the-board operations increase.

The difference in ongoing operations increases between MPSERS and non-MPSERS institutions was to account for a separate \$300.0 million FY 2021-22 supplemental payment for MPSERS unfunded actuarial accrued liability (UAAL) related to the universities in the system. Since the supplemental UAAL payment would lower MPSERS costs for the seven universities and allow those savings to be used for other operational purposes, non-MPSERS universities received a higher ongoing operations increase to account for the potential difference.

FY 2022-23 FISCAL YEAR EQUATED STUDENT FUNDING FLOOR SUPPLEMENTAL PAYMENT

The FY 2022-23 Higher Education budget allocated increased ongoing operations funding through an additional component, implementing a \$4,500 fiscal year equated student (FYES) funding floor that is scheduled to be implemented over a three-year period. FYES is a calculated student measure that indicates the number of full-time students at universities, and is often used to determine a per-student funding measure. Five public universities, Grand Valley State, Oakland, Saginaw Valley State, University of Michigan - Dearborn and University of Michigan - Flint, were below the \$4,500 funding floor and received a FYES funding floor supplemental payment, totaling \$17.7 million. **Table 1** shows the distribution of FYES funding floor supplemental payments.

University	FYES Floor Funding
Grand Valley State	\$7,661,000
Oakland	7,259,200
Saginaw Valley State	132,900
UM Dearborn	1,702,700
UM Flint	953,900
TOTAL	\$17,709,700

The FYES funding floor supplemental payment factored into the 5% ongoing operations increase described in the prior section, as all five universities below the FYES funding floor were non-MPSERS universities. Grand Valley State, Oakland, and Saginaw Valley State received more than a 5% increase through the FYES funding floor supplemental payment, resulting in the three universities not receiving any increase under the 5% ongoing increase calculation. UM Dearborn and Flint received an FYES funding floor supplemental payment and an ongoing increase which totaled 5% overall.

The legislature intends to continue FYES funding floor supplemental payments over a three-year period, which would result in the operations funding for the five universities hitting the \$4,500 per FYES floor at a total approximate cost of \$53.1 million. However, future legislatures are not bound to follow that timeline and can discontinue supplemental payments or compress the timeline to two years.

INCREASED OPERATIONS FUNDING AND FYES FUNDING FLOOR REQUIREMENTS

Obtainment of the modified across-the-board operations funding and the FYES funding floor supplemental payment are 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 2022-23 resident undergraduate tuition and mandatory fee increases to 5.0% or \$722, whichever is greater, compared to FY 2021-22.
- Participating in reverse transfer agreements with at least three Michigan community colleges.

- Prohibiting the use of the following criteria when determining if credits taken outside the university count towards a degree or certificate program:
 - Whether the credits were earned in a dual enrollment program that counted the credits towards high school graduation requirements.
 - Whether the credits were earned in course delivered in a high school classroom, community college classroom or campus, or another location.
 - Whether the credits were earned in a course that was online, in-person, or hybrid.
 - Whether other students enrolled in the course credits were earned were enrolled in high school or applied the course towards high school graduation requirements.
- Actively participating and submitting updates to 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 would result 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 reports at least quarterly 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.

SUSPENDED HIGHER EDUCATION PERFORMANCE FORMULA

Although the Higher Education Performance Formula has not been used to determine operations increases since FY 2019-20, the performance formula was not formally repealed in the FY 2022-23 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 had been 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
 - Institution 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: 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 a performance formula will 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 2022-23 Senate-passed Higher Education budget did include an entirely new funding formula that used new measures to determine operations increases, but it was not included in the final FY 2022-23 budget³.

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 used 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.

³ More information on the proposed FY 2022-23 Senate Higher Education formula can be found here: <https://www.legislature.mi.gov/documents/2021-2022/billanalysis/House/pdf/2021-HLA-0842-31E2A857.pdf>

INCREASED OPERATIONS FUNDING AND FYES FUNDING FLOOR CERTIFICATION

Universities are required to certify compliance with the modified across-the-board operations funding and FYES funding floor supplemental payment 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 13, 2022, 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 2022-23 along with comparable figures for FY 2021-22. University tuition and fee rates are computed as unweighted averages; rates for full-time resident undergraduate enrollment in FY 2022-23 range from \$11,603 at Saginaw Valley to \$19,467 at Michigan Tech. The overall average tuition rate is \$15,027, up from \$14,449 in FY 2021-22. Percentage increases range from 2.89% at Grand Valley State to 4.92% at Eastern Michigan. The unweighted average increase for all 15 universities is 3.99%. Dollar increases range from \$402 at Grand Valley State to \$730 at Eastern Michigan. The unweighted dollar average increase for all 15 universities is \$576.

Attachment 2 shows operations funding allocated for each university. While there is no performance funding increase for FY 2022-23, universities received an ongoing modified across-the-board operations increase of \$52.3 million and FYES funding floor supplemental payments totaling \$17.7 million for universities that fell below the \$4,500 FYES funding floor. When ITW funding and the removal of FY 2021-22 one-time operations appropriation are factored in, the overall increase is 3.7% or \$55.0 million. Overall funding increases range from (0.0%) at Lake Superior State to 12.5% at Oakland.

ATTACHMENT 1

FY 2022-23 Resident Undergraduate Tuition and Fee Rate Increases

University	FY 2021-22 Rates					FY 2022-23 Rates					% Change Avg Rate	Annual Increase	Cost per Credit Hr
	Fresh	Soph	Junior	Senior	Average	Fresh	Soph	Junior	Senior	Average			
Central	\$13,200	\$13,200	\$13,950	\$13,800	\$13,538	\$13,650	\$13,650	\$14,670	\$14,670	\$14,160	4.60	\$623	\$472
Eastern	14,260	14,060	15,500	15,500	14,830	14,810	14,610	16,410	16,410	15,560	4.92	730	519
Ferris	13,650	13,650	14,610	14,610	14,130	14,010	14,010	15,150	15,150	14,580	3.18	450	486
Grand Valley	13,560	13,560	14,240	14,240	13,900	13,952	13,952	14,652	14,652	14,302	2.89	402	477
Lake Superior	13,312	13,162	13,162	13,162	13,200	13,840	13,690	13,690	13,690	13,728	4.00	528	458
Michigan State	14,850	15,216	17,083	17,083	16,058	15,372	15,750	17,672	17,672	16,617	3.48	559	554
Michigan Tech	16,966	16,966	20,536	20,536	18,751	17,614	17,614	21,320	21,320	19,467	3.82	716	649
Northern	12,437	12,172	12,748	12,748	12,526	12,913	12,648	13,248	13,248	13,014	3.90	488	434
Oakland	14,025	14,025	16,245	16,245	15,135	14,573	14,573	16,875	16,875	15,724	3.89	589	524
Saginaw Valley	11,205	11,130	11,130	11,130	11,149	11,715	11,565	11,565	11,565	11,603	4.07	454	387
UM-Ann Arbor	16,178	16,178	18,208	18,208	17,193	16,736	16,736	18,836	18,836	17,786	3.45	593	593
UM-Dearborn	13,816	13,816	14,266	14,266	14,041	14,320	14,320	15,070	15,070	14,695	4.66	654	490
UM-Flint	12,892	12,892	13,036	13,036	12,964	13,524	13,524	13,674	13,674	13,599	4.90	635	453
Wayne State	14,293	14,043	16,354	16,354	15,261	14,925	14,675	17,090	17,090	15,945	4.48	684	532
Western	13,434	13,434	14,728	14,728	14,081	13,950	13,950	15,296	15,296	14,623	3.85	542	487
Unweighted Avg.	\$13,872	\$13,834	\$15,053	\$15,043	\$14,450	\$14,394	\$14,351	\$15,681	\$15,681	\$15,027	3.99	\$576	\$501

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 2022-23 resident tuition rate increase is restrained to either 5.0% or \$722, whichever is greater.
- 3) SVSU amended FY 2021-22 to account for an amended enrollment fee.

FY 2022-23 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 2022-23 University Operations Appropriations – Enacted Summary

University	Total FY 2021-22 Appropriation	FY 2021-22 Indian Tuition Waiver Payment	FY 2021-22 One-Time Appropriation	*FY 2021-22 Base Appropriation	Total Ongoing Operations Increase	Indian Tuition Waiver Pass-Through Payments	Indian Tuition Waiver Adjustment	Total FY23 Indian Tuition Waiver Payment	FYES Funding Floor Supplemental Payment	Total FY 2022-23 Appropriation	Percent Change	Change From FY 2021-22 Total	Estimated MPSERS Savings with \$300 Million Payment
Central	\$90,440,500	\$1,964,500	\$876,000	\$87,600,000	\$1,752,000	\$31,000	(\$171,400)	\$1,793,100	\$0	\$91,145,100	0.8%	\$704,600	\$7,035,400
Eastern	78,305,900	279,700	772,500	77,253,700	1,545,100	0	73,900	353,600	0	79,152,400	1.1%	846,500	3,511,550
Ferris	56,541,600	965,800	550,300	55,025,500	1,100,500	0	(138,900)	826,900	0	56,952,900	0.7%	411,300	4,625,800
Grand Valley	74,213,800	1,177,200	723,100	72,313,500	0	0	102,100	1,279,300	7,661,000	81,253,800	9.5%	7,040,000	0
Lake Superior	14,366,600	926,500	133,100	13,307,000	266,100	0	(137,700)	788,800	0	14,361,900	(0.0%)	(4,700)	868,100
Michigan State	292,137,800	1,932,800	2,873,300	287,331,700	14,349,600	0	113,600	2,046,400	0	303,727,700	4.0%	11,589,900	0
Michigan Tech	51,371,900	769,300	501,000	50,101,600	1,002,000	0	78,100	847,400	0	51,951,000	1.1%	579,100	3,197,100
Northern	49,338,700	1,051,500	478,100	47,809,100	1,780,700	87,800	109,800	1,161,300	0	50,751,100	2.9%	1,412,400	552,550
Oakland	54,012,900	334,000	531,500	53,147,400	0	0	21,300	355,300	7,259,200	60,761,900	12.5%	6,749,000	0
Saginaw Valley	31,043,500	153,900	305,800	30,583,800	1,369,600	0	34,400	188,300	132,900	32,274,600	4.0%	1,231,100	0
UM-Ann Arbor	326,265,400	1,075,600	3,219,700	321,970,100	16,390,200	0	(237,900)	837,700	0	339,198,000	4.0%	12,932,600	0
UM-Dearborn	26,593,700	165,000	261,700	26,167,000	0	0	81,200	246,200	1,702,700	28,115,900	5.7%	1,522,200	0
UM-Flint	24,197,400	345,000	236,200	23,616,200	204,700	0	39,400	384,400	953,900	25,159,200	4.0%	961,800	0
Wayne State	205,496,400	469,700	2,030,000	202,996,700	10,289,900	0	(116,600)	353,100	0	213,639,700	4.0%	8,143,300	0
Western	113,432,700	795,300	1,115,200	111,522,200	2,230,400	0	(196,000)	599,300	0	114,351,900	0.8%	919,200	6,462,900
TOTAL:	\$1,487,758,800	\$12,405,800	\$14,607,500	\$1,460,745,500	\$52,280,800	\$118,800	(\$344,700)	\$12,061,100	\$17,709,700	\$1,542,797,100	3.7%	\$55,038,300	\$26,253,400

Operations increase: 2% for the seven MPSERS universities; up to 5% for non-MPSERS universities. Universities below \$4,500 funding floor would realize an operations increase greater than 5%.

- 1) Restrain FY 2022-23 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, the course location, course delivery method, or student enrollment composition within the course
- 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