

**FY 2019-20: HIGHER EDUCATION
Summary: As Passed by the House
House Bill 4236 (H-2)**



Analyst: Perry Zielak

| IDG/IDT | FY 2018-19 YTD as of 3/5/19 | FY 2019-20 Executive | FY 2019-20 House | FY 2019-20 Senate | FY 2019-20 Enacted | Difference: House From FY 2018-19 YTD | |
|-------------------|--------------------------------|-------------------------|------------------------|----------------------|-----------------------|--|------------|
| | | | | | | Amount | % |
| | \$0 | \$0 | \$0 | | | \$0 | -- |
| Federal | 123,526,400 | 123,526,400 | 123,526,400 | | | 0 | 0.0 |
| Local | 0 | 0 | 0 | | | 0 | -- |
| Private | 0 | 0 | 0 | | | 0 | -- |
| Restricted | 500,188,300 | 0 | 150,000 | | | (500,038,300) | (99.9) |
| GF/GP | 1,046,017,900 | 1,587,795,400 | 1,557,368,700 | | | 511,350,800 | 48.9 |
| Gross | \$1,669,732,600 | \$1,711,321,800 | \$1,681,045,100 | | | \$11,312,500 | 0.7 |

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (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, 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 2018-19 YTD Appropriations

1. University Operations Funding

Executive increases university operations funding by \$43.7 million GF/GP, a 3.0% increase. The increase is distributed across-the-board, so that each university receives a 3.0% increase. Attainment of the additional student affordability funding would be conditioned on restraining resident undergraduate tuition and fee increases to 3.2% or \$427, whichever is greater (set at 3.8% or \$490 in the current year). Replaces \$494.3 million School Aid Fund (SAF) with a corresponding amount of GF/GP. Total funding for operations would be \$1.5 billion GF/GP.

House increases university operations funding by \$5.3 million GF/GP, a 0.4% increase. The increase is distributed under a revised performance funding formula, where 30% is allocated based on each university's share of operational funding appropriated in the baseline year of FY 2010-11, while the remaining increase is distributed based on other formula components (weighted completions, research and development spending, comparison to Carnegie peers and comparison to State peers). Attainment of performance funding would be conditioned on restraining resident undergraduate tuition and fee increases to 3.2% or \$427, whichever is greater. House concurs with Executive on replacing \$494.3 million School Aid Fund (SAF) with a corresponding amount of GF/GP. Total funding for operations would be \$1.5 billion GF/GP.

| | FY 2018-19 Year-to-Date (as of 3/5/19) | FY 2019-20 House Change |
|--------------|--|-------------------------------|
| Gross | \$1,456,911,800 | \$5,251,200 |
| Restricted | 494,286,300 | (494,286,300) |
| GF/GP | \$962,625,500 | \$499,537,500 |

2. North American Indian Tuition Waiver Shortfall Payment

House increases funding for the Indian Tuition Waiver program by \$6.4 million GF/GP and places the appropriation into a delineated category in the operations line. The shortfall payment addresses an estimated \$6.7 million shortfall between waiver program costs and funding for public universities. Total funding for the Indian Tuition Waiver shortfall payment would be \$6.7 million.

| | | |
|--------------|------------------|--------------------|
| Gross | \$300,000 | \$6,387,100 |
| GF/GP | \$300,000 | \$6,387,100 |

| <u>Major Budget Changes From FY 2018-19 YTD Appropriations</u> | | <u>FY 2018-19 Year-to-Date (as of 3/5/19)</u> | <u>FY 2019-20 House Change</u> |
|--|--------------|--|---|
| 3. Michigan State Extension and AgBioResearch Programs | Gross | \$64,429,100 | \$644,300 |
| <u>Executive</u> increases funding for Michigan State's AgBioResearch program by \$1.0 million GF/GP and Extension program by \$895,100 GF/GP, a 3.0% increase for both programs. | GF/GP | \$64,429,100 | \$644,300 |
| <u>House</u> increases funding for AgBioResearch by \$345,900 GF/GP and Extension program by \$298,400 GF/GP, a 1.0% increase for both programs. Total funding for the Extension and AgBioResearch programs would be \$65.1 million. | | | |
| 4. Michigan Competitive Scholarships | Gross | \$32,361,700 | (\$2,069,100) |
| <u>Executive</u> maintains current funding levels for Michigan Competitive Scholarships but replaces \$2.1 million GF/GP with a corresponding amount of TANF funding. The scholarships are awarded to students with a qualifying SAT score and demonstrated financial need. | Federal | 24,361,700 | 0 |
| <u>House</u> decreases funding by \$2.1 million GF/GP, a 6.4% decrease. Total funding for Michigan Competitive Scholarships would be \$30.3 million. | GF/GP | \$8,000,000 | (\$2,069,100) |
| 5. Tuition Grant Program | Gross | \$38,021,500 | \$500,000 |
| <u>Executive</u> maintains current funding levels for the Tuition Grant Program but replaces \$2.4 million GF/GP with a corresponding amount of TANF funding. The program provides need-based tuition assistance to student students at Michigan independent (i.e. private, non-profit) colleges and universities. | Federal | 31,664,700 | 0 |
| <u>House</u> increases funding by \$500,000 GF/GP, a 1.3% increase. Tuition Grant maximum per-student annual award amounts would increase from \$2,400 to \$2,450. Total funding for the Tuition Grant Program would be \$38.5 million. | GF/GP | \$6,356,800 | \$500,000 |
| 6. Tuition Incentive Program | Gross | \$64,300,000 | \$0 |
| <u>Executive</u> reduces funding for Tuition Incentive Program by \$4.5 million in federal Temporary Assistance for Needy Families (TANF) funds, a 7.0% decrease, which pays for Medicaid-eligible students' tuition costs for associate's degrees under Phase I and bachelor's degrees under Phase II. Implements program reimbursement rate cap of 3x the average community college in-district tuition rate. Total funding for TIP would be \$59.8 million. | Federal | 64,300,000 | 0 |
| <u>House</u> maintains current funding levels. Total funding for the Tuition Incentive Program would be \$64.3 million. | GF/GP | \$0 | \$0 |
| 7. Children of Veterans and Officer's Survivor Tuition Grant Program | Gross | \$1,400,000 | \$0 |
| <u>Executive</u> maintains current funding levels for the Children of Veterans and Officer's Survivor Tuition Grant Program but replaces \$100,000 in restricted funding with a corresponding amount of GF/GP. | Restricted | 100,000 | (100,000) |
| <u>House</u> concurs. | GF/GP | \$1,300,000 | \$100,000 |
| 8. Michigan Public School Employee Retirement System (MPERS) Normal Cost Offset | Gross | \$669,000 | \$565,000 |
| <u>Executive</u> increases funding by \$565,000 GF/GP to reimburse universities for the normal cost increase required to reduce the assumed rate of return for MPERS from 7.5% to 7.05% and incorporates \$669,000 into the base from previous one-time funding that lowered the assumed rate of return from 8% to 7.5%. Total funding for the MPERS normal cost offset would be \$1.2 million GF/GP. | Restricted | 669,000 | (669,000) |
| <u>House</u> concurs. | GF/GP | \$0 | \$1,234,000 |

| <u>Major Budget Changes From FY 2018-19 YTD Appropriations</u> | | <u>FY 2018-19 Year-to-Date (as of 3/5/19)</u> | <u>FY 2019-20 House Change</u> |
|--|--------------|--|---|
| 9. MPSERS State Share of UAL Stabilization Payment | Gross | \$5,133,000 | (\$116,000) |
| <u>Executive</u> reduces funding by \$116,000 GF/GP for the state's share of the universities' unfunded liability contribution to MPSERS. The state's share is the difference between the calculated unfunded accrued liability contribution to the system and the employer contribution cap of 25.73% of payroll for the seven universities with MPSERS employees (Central, Eastern, Ferris, Lake Superior State, Michigan Tech, Northern, and Western). Replaces \$5.0 million SAF with a corresponding amount of GF/GP. Total funding for the state share of MPSERS would be \$5.0 million GF/GP. | Restricted | 5,133,000 | (5,133,000) |
| <u>House</u> concurs. | GF/GP | \$0 | \$5,017,000 |
| | | | |
| 10. Pregnant and Parenting Student Services | Gross | \$0 | \$150,000 |
| <u>House</u> adds \$150,000 of restricted funds for pregnant and parenting services. Universities that establish and operate a pregnant and parenting student services office according to the guidelines found in 2004 PA 500 are eligible for grants to operate the office. | Restricted | 0 | 150,000 |
| | GF/GP | \$0 | \$0 |

Major Boilerplate Changes From FY 2018-19

Sec. 242. Federal or Private Funds – RETAINED

Appropriates federal or private funds received by the state for use by a college or university.

Executive deletes language specifying that acceptance of federal or private funds does not place an ongoing obligation on the legislature. House retains.

Sec. 245. University Transparency – 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.

Executive deletes requirement that state budget director determine compliance and language granting authority to withhold payments for a university not in compliance.

House retains language, adds reporting requirement on graduates who remain in Michigan, and adds reporting requirement on the number and percentage of enrolled students who complete the Free Application for Federal Student Aid (FAFSA).

Sec. 252. Tuition Grant Program – REVISED

Provides for distribution of funds appropriated for Tuition Grants; specifies maximum grant amount of at least \$2,400, unless insufficient funds are available, in which case a report is required.

Executive deletes language that specifies that the \$4.2 million institutional cap does not apply to any other student financial aid program or in combination with any other financial aid program. House retains language, increases individual award amount to \$2,450 and increases institutional cap to \$5.0 million.

Sec. 256. Tuition Incentive Program – REVISED

Specifies criteria for Tuition Incentive Program (TIP) eligibility; provides for award conditions and limits under Phases I (associate's degree and certificate programs) and II (third and fourth years toward bachelor's degree) of the program.

Executive includes new language that states the program will cover tuition and fees that do not exceed 3x the in-district community college tuition per-credit rate of the previous academic year. Deletes language directing universities to report TIP Phase I student enrollment and students receiving Pell grants by December 1 because language is currently present that states beginning in FY 2019-20, the reporting deadline is October 15.

House does not include the 3x in-district rate reimbursement. Retains December 1 deadline and pushes back October 15 deadline to FY 2020-21. Removes program restriction on incarcerated individuals.

Sec. 261. Douglas Lake Biological Station – RETAINED

Designates the University of Michigan's Douglas Lake Biological Station as a unique research resource and aims to protect the lake area. Executive deletes section. House retains.

Major Boilerplate Changes From FY 2018-19

Sec. 265. Student Affordability Criteria: Tuition Restraint – REVISED

Provides tuition restraint requirements in order to receive performance funding increase.

Executive revises tuition restraint cap for universities to 3.2% or \$427.00, whichever is greater. Deletes legislative intent language that indicates universities that violate the tuition restraint cap shall not receive a capital outlay project authorization in FY FY 2019-20, FY 2020-21, and FY 2021-22 and will have its appropriation adjusted.

House concurs with 3.2% or \$427.00 cap but specifies percentage is 115% of the FY 2018 Higher Education Price Index. Retains language on the tuition restraint cap violation impacting capital outlay projects for FY 2020-21 and future appropriation adjustments.

Sec. 265a. Performance Funding Criteria and Formula – REVISED

Includes requirements for a university to receive the performance funding increase.

Executive revises language specifying funding applies only to the appropriation year of FY 2019-20. Replaces “performance funding” with “student affordability.” Deletes language detailing the performance formula and revises to state that universities receive a 3% funding increase from the prior fiscal year. Deletes legislative intent language about allocating more funding based on performance metrics in future years.

House revises to specify that language applies to FY 2019-20. Revises performance formula funding percentages to the following: proportional to FY 2010-11 from 50% to 30%, critical skills completions from 11.1% to 16.1%, research and development from 5.6% to 5.5%, Carnegie classification comparisons from 33.3% to 32.3% and adds new in-state graduate retention metric compared to state peers at 16.1%. Eliminates 6-year graduate rate and total degree completion metrics from Carnegie classification comparisons. Adds language explaining scoring for new in-state graduate retention metric.

Sec. 265c. Articulation Agreements and Academic Partnerships Reporting – REVISED

Requires the Michigan Community College Association (MCCA), the Michigan Association of State Universities (MASU), and the Michigan Independent Colleges and Universities (MICU) report on the names and number of baccalaureate degree programs offered on community college campuses, the names of articulation agreements between universities and community colleges, and the number of students enrolled and degrees awarded through articulation agreements and on-campus baccalaureate programs. Executive deletes section. House retains, updates dates, and makes report due every even-numbered year.

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

Legislative intent language that suggests that universities use a portion of operations funding on campus safety programs, sexual assault prevention programs and student mental health programs. Executive deletes section. House retains.

Sec. 268. Indian Tuition Waivers – REVISED

Specifies that \$300,000 appropriation be proportional to each institution's shortfall. Requires Department of Civil Rights to report certain information related to the waivers, and requires universities to provide data under guidelines and procedures developed by the Department of Civil Rights.

Executive deletes legislative intent language that states unfunded Indian Tuition Waiver costs be allocated from the general fund. House retains intent language and deletes language on supplemental payment distribution.

Sec. 271a. Instructional Activity Pertaining to Unionization – RETAINED

Legislative intent language that instructs public universities not to use appropriations to offer instructional activity that targets companies for unionization or decertification of a union. Executive deletes section. House retains.

Sec. 274. Embryonic Stem Cell Research – RETAINED

Legislative intent language that instructs organizations conducting research using human embryonic stem cells report to the Department of Health and Human Services regarding compliance with federal guidelines and detailing usage of stem cell lines. Executive deletes section. House retains.

Sec. 275a. Capital Outlay Requirements – RETAINED

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% of appropriation for failure to comply. Executive deletes section. House retains.

Sec. 289. Audit of Higher Education Institutional Data Inventory (HEIDI) Data – REVISED

Requires the Office of the Auditor General to review HEIDI data; excludes certain credit hours from those reported to HEIDI; states that legislature retains authority to exclude specific academic programs for enrollment reporting purposes.

Executive deletes language defining certain restrictions on what can be reported as student credit hours, including distance learning and hours generated through inmate prison programs. Deletes definition of distance learning instruction. House concurs.

Summary: FY 2019-20 University Performance Funding Increases
As Passed by the House

| University | Proportional to FY 2010-11 | | | Performance Funding Proportional to Share of Total | | | | Performance Funding Scored vs. National Carnegie Peers | | | | | Additional Funding Scored vs State Peers | | | | *Total Performance Funding Increase | Indian Tuition Waiver Shortfall Payment | Proposed FY 2019-20 Appropriation | Percent Change | |
|-----------------------|---------------------------------|------------------------|---------------------|--|-----------|-----------------|--------------------------------|--|--------------|----------------------|----------------------|---------|--|--------------|----------------------|---------|-------------------------------------|---|-----------------------------------|-----------------|------|
| | % of formula: Funding per unit: | 30.0% | 16.1% | 5.5% | 32.3% | 16.1% | Instl. Support as % of Expend. | % Students Receiving Pell Grants | Total Points | Total Undergrad FYES | FYES-Weighted Points | Funding | In-State Retention Tier | Total Points | FYES Weighted Points | Funding | | | | | |
| | \$0.0011 per dollar | \$45.53 per completion | \$0.0002 per dollar | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | |
| Michigan State | \$286,274,200 | \$283,685,200 | \$314,646 | 3,423 | \$155,821 | \$380,486,534 | \$68,503 | 2 | 0 | 2 | 36,995 | 73,990 | \$246,553 | 1 | 1 | 36,995 | \$86,452 | \$872,000 | 988,900 | \$288,135,100 | 0.7% |
| UM-Ann Arbor | 320,782,400 | \$316,254,500 | 350,770 | 3,290 | 149,782 | \$914,018,000 | 164,561 | 2 | 0 | 2 | 29,411 | 58,822 | 196,009 | 1 | 1 | 29,411 | \$68,729 | \$929,800 | 274,500 | 321,986,700 | 0.4% |
| Wayne State | 202,363,200 | \$214,171,400 | 237,546 | 1,057 | 48,099 | \$191,999,000 | 34,568 | 0 | 3 | 3 | 14,614 | 43,841 | 146,088 | 3 | 3 | 43,841 | \$102,450 | \$568,800 | 164,400 | 203,096,400 | 0.4% |
| Central Michigan Tech | 87,415,000 | \$80,132,000 | 88,878 | 836 | 38,037 | \$15,736,994 | 2,833 | 2 | 2 | 4 | 16,211 | 64,844 | 216,076 | 2 | 2 | 32,422 | \$75,766 | \$421,600 | 1,240,200 | 89,076,800 | 1.9% |
| Western | 49,949,600 | \$47,924,200 | 53,155 | 965 | 43,950 | \$59,970,863 | 10,797 | 2 | 0 | 2 | 5,570 | 11,141 | 37,124 | 1 | 1 | 5,570 | \$13,017 | \$158,000 | 333,000 | 50,440,600 | 1.0% |
| Eastern Oakland | 111,151,000 | \$109,615,100 | 121,578 | 1,235 | 56,205 | \$24,093,220 | 4,338 | 2 | 2 | 4 | 16,160 | 64,640 | 215,397 | 1 | 1 | 16,160 | \$37,764 | \$435,300 | 578,200 | 112,164,500 | 0.9% |
| Grand Valley | 76,979,300 | \$76,026,200 | 84,324 | 991 | 45,117 | \$5,085,290 | 916 | 2 | 0 | 2 | 13,918 | 27,835 | 92,755 | 2 | 2 | 27,835 | \$65,048 | \$288,200 | 134,500 | 77,402,000 | 0.5% |
| Saginaw Valley | 52,819,200 | \$50,761,300 | 56,301 | 1,427 | 64,944 | \$12,772,918 | 2,300 | 3 | 0 | 3 | 14,760 | 44,280 | 147,552 | 3 | 3 | 44,280 | \$103,476 | \$374,600 | 176,300 | 53,370,100 | 1.0% |
| UM-Dearborn | 72,056,600 | \$61,976,400 | 68,740 | 1,487 | 67,712 | | | 2 | 0 | 2 | 19,899 | 39,797 | 132,615 | 2 | 2 | 39,797 | \$93,001 | \$362,100 | 768,900 | 73,187,600 | 1.6% |
| UM-Flint | 30,528,000 | \$27,720,700 | 30,746 | 537 | 24,448 | | | 2 | 0 | 2 | 6,857 | 13,714 | 45,699 | 1 | 1 | 6,857 | \$16,024 | \$116,900 | 139,500 | 30,784,400 | 0.8% |
| Ferris | 26,071,800 | \$24,726,200 | 27,425 | 534 | 24,300 | | | 2 | 2 | 4 | 5,937 | 23,749 | 79,139 | 3 | 3 | 17,812 | \$41,624 | \$172,500 | 68,100 | 26,312,400 | 0.9% |
| Northern | 23,585,400 | \$20,898,000 | 23,179 | 600 | 27,316 | | | 0 | 2 | 2 | 4,938 | 9,875 | 32,906 | 3 | 3 | 14,813 | \$34,615 | \$118,000 | 166,400 | 23,869,800 | 1.2% |
| Lake Superior | 54,950,700 | \$48,619,200 | 53,925 | 1,443 | 65,704 | | | 2 | 0 | 2 | 9,866 | 19,732 | 65,752 | 3 | 3 | 29,598 | \$69,166 | \$254,500 | 750,400 | 55,955,600 | 1.8% |
| TOTAL: | \$1,456,911,800 | \$1,420,344,900 | \$1,575,360 | 18,570 | \$845,443 | \$1,604,162,819 | \$288,816 | 25 | 11 | 36 | 203,332 | 509,007 | \$1,696,138 | 30 | 30 | 361,786 | \$845,443 | \$5,251,200 | \$6,687,100 | \$1,468,850,100 | 0.8% |

| Data Notes Component | Source | Years | Notes |
|---------------------------------------|-----------------|---------------|--|
| Critical skills undergrad completions | State HEIDI | FYs 2017-2018 | STEM/health/etc. |
| Research & develop expenditures | Federal IPEDS | FY 2017 | Carnegie research universities only |
| Inst support as % of core expend | Federal IPEDS^ | FYs 2013-2016 | Measure of administrative costs |
| Pell grant students | Federal IPEDS^ | FYs 2014-2016 | Federal need-based aid for undergrads |
| Undergrad FYES | State HEIDI | FY 2018 | Includes nonresident students |
| In-State graduate retention | University data | FY 2018 | % of students who remain in Michigan per reported data |

^ via Business Leaders for Michigan and Anderson Economic Group

| Scoring Based on Carnegie Peers | Score |
|---------------------------------|-------|
| Top 20% nationally | 3 |
| Above national median | 2 |
| Improving over 3 years | 2 |

| Scoring Based on State Peers | Score |
|---------------------------------|-------|
| Highest In-state retention Tier | 3 |
| Middle In-state retention Tier | 2 |
| Lowest In-state retention Tier | 1 |

- *Requirements to receive performance funding increase:**
1. Restrain FY 2019-20 resident undergraduate tuition/fee rate increase to 3.2% or \$427 (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