

**Summary: Executive Budget Recommendation
for Fiscal Year 2021-22
HIGHER EDUCATION**



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	FY 2020-21 Year-to-Date as of 2/11/21	FY 2021-22 Executive	Difference: FY 2021-22 vs. FY 2020-21	
			Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal	126,026,400	122,726,400	(3,300,000)	(2.6)
Local	0	0	0	--
Private	0	0	0	--
Restricted	356,063,300	361,403,300	5,340,000	1.5
GF/GP	1,217,835,700	1,247,837,600	30,001,900	2.5
Gross	\$1,699,925,400	\$1,731,967,300	\$32,041,900	1.9

Notes: (1) FY 2020-21 year-to-date figures include mid-year budget adjustments through February 11, 2021. (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; some retirement costs for employees who participate in the state public school employee retirement system; 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 2020-21 Year-to-Date (YTD) Appropriations	FY 2020-21 YTD (as of 2/11/21)	Executive Change from YTD
1. University Operations Increase	Gross \$1,473,667,300	\$29,698,700
Increases university operations funding by \$29.7 million GF/GP. This includes a one-time \$29.2 million GF/GP increase to operations grants for universities, a 2.0% increase, and a \$484,000 GF/GP increase based on FY 2019-20 North American Indian Tuition Waiver program costs reported by institutions. Attainment of the one-time operations increase, labeled operational support payments, would be conditioned on restraining resident undergraduate tuition and fee increases to the greater of 4.2% or \$590 (set at 4.25% or \$586 in the current year). Total funding for operations would be \$1.5 billion Gross (\$1.2 billion GF/GP).	Restricted 343,168,300	0
	GF/GP \$1,130,499,000	\$29,698,700
2. Michigan State University Extension and AgBioResearch Programs One-Time Funding Increase	Gross \$65,073,400	\$1,301,400
Includes a one-time operations increase for MSU's AgBioResearch program of \$698,700 GF/GP and Extension program of \$602,700 GF/GP, a 2.0% increase for both programs. Total funding for AgBioResearch and Extension programs would be \$66.4 million GF/GP.	GF/GP \$65,073,400	\$1,301,400
3. Michigan Public School Employee Retirement System (MPERS) State Share of Unfunded Actuarial Accrued Liability (UAAL) Stabilization Payment	Gross \$11,695,000	\$1,800,000
Increases funding by \$1.8 million School Aid Fund (SAF) for the state's share of the universities' UAAL contribution to MPERS, a 15.4% increase. 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 MPERS employees (Central, Eastern, Ferris, Lake Superior State, Michigan Tech, Northern, and Western). Funding for the state share of MPERS would be \$13.5 million SAF.	Restricted 11,695,000	1,800,000
	GF/GP \$0	\$0

<u>Major Budget Changes from FY 2020-21 Year-to-Date (YTD) Appropriations</u>		<u>FY 2020-21 YTD (as of 2/11/21)</u>	<u>Executive Change from YTD</u>
4. MPSERS Normal Cost Offset	Gross	\$1,200,000	\$3,540,000
Increases reimbursement funding provided to universities by \$3.5 million SAF, a 295.0% increase, for the normal cost required to maintain the assumed rate of return for MPSERS at 6.8%. Total funding for the MPSERS Normal Cost Offset would be \$4.7 million GF/GP.	Restricted	1,200,000	3,540,000
	GF/GP	\$0	\$0
5. Tuition Incentive Program	Gross	\$68,800,000	(\$3,300,000)
Decreases Tuition Incentive Program (TIP) by \$3.3 million federal TANF funding, a 4.8% decrease. TIP pays Medicaid-eligible students' tuition costs for associate degrees under Phase I and bachelor's degrees under Phase II. The decrease is the net result of a \$2.5 million increase to address anticipated program growth in FY 2021-22, and a \$5.8 million reduction through implementation of a program reimbursement rate cap of 2.5 times the average in-district community college tuition rate. Total funding for TIP would be \$65.5 million TANF.	Federal	68,800,00	(3,300,000)
	GF/GP	\$0	\$0
6. Bay Mills Community College One-Time Pass-through Payment	Gross	\$1,000,000	(\$1,000,000)
Removes \$1.0 million GF/GP in one-time funding to Bay Mills Community College, a tribal college, as a pass-through payment through Lake Superior State University. The payment helps the college offset the costs of educating non-Native American students.	GF/GP	\$1,000,000	(\$1,000,000)

Major Boilerplate Changes from FY 2020-21

Sec. 236i. One-Time Operational Support Payment Detail – NEW

Adds language detailing the one-time operational support payment allocations for each university, along with one-time appropriations for MSU's AgBioResearch and Extension programs.

Sec. 245. Transparency Website and Various Reporting Requirements – 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. Deletes requirement that state budget director determine compliance and language granting authority to withhold payments for a university not in compliance. Deletes reporting requirements about institutional positions in addition to reporting on career and technical programs, dual enrollment and early middle college programs.

Sec. 245a. Campus Safety Information and Resources, Safety Reporting Requirements – REVISED

Requires universities to develop a "campus safety information and resources" webpage, which must be linked and displayed on their home webpage. The page must display various safety information and policies, and the schools must certify compliance to the state budget director by October 1, 2020, or have monthly state payments withheld. Deletes certification requirement to the state budget director.

Sec. 252. Tuition Grant Program Detail – REVISED

Provides for distribution of funds appropriated for Tuition Grants; specifies grant amount of \$2,800, unless insufficient funds are available, in which case a report is required. Deletes language that specifies that the \$4.8 million institutional cap does not apply to any other student financial aid program or in combination with any other financial aid program.

Sec. 256. Tuition Incentive Program Detail – REVISED

Specifies criteria for Tuition Incentive Program (TIP) eligibility; provides for award conditions and limits under Phases I (associate degree and certificate programs) and II (third and fourth years toward bachelor's degree) of the program. Includes new language that states the program will cover tuition and fees that do not exceed 2.5x the in-district community college tuition per-credit rate of the previous academic year.

Sec. 259. Department of Treasury Financial Aid Information Program – DELETED

Deletes legislative intent language that instructs the Department of Treasury to launch an aggressive information campaign about state scholarships and the eligibility requirements.

Major Boilerplate Changes from FY 2020-21

Sec. 260. Student Loan and Financial Aid Website – REVISED

Requires the Department of Treasury, working with the Michigan College Access Network, the Michigan Association of State Universities (MASU), the Michigan Community College Association (MCCA), and Michigan Independent Colleges and Universities (MICU) to the extent possible, create a website containing various student loan and other financial aid information. Requires universities to post a link to the website on its homepage. Deletes list of loan servicers and student loan information. Adds information on the federal public service loan forgiveness program.

Sec. 261. University of Michigan's Douglas Lake Biological Station – DELETED

Deletes legislative intent language that designates the University of Michigan's Douglas Lake Biological Station as a unique research resource and aims to protect the lake area.

Sec. 265. Performance Funding Tuition and Fees Restraint Requirement – REVISED

Provides tuition restraint requirements in order to receive performance funding increase. Revises requirement to apply to one-time operational support payments for FY 2021-22. Revises tuition restraint cap for universities to the greater of 4.2% or \$590. Revises reporting date from October 1 to the last business day of August. Deletes legislative intent language that indicates universities that violate the tuition restraint cap shall not receive a capital outlay project authorization in FY 2020-21, FY 2021-22, and FY 2022-23 and will have its appropriation adjusted.

Sec. 265a. Performance Funding Formula Detail and Additional Requirements – REVISED

Includes requirements for a university to receive the performance funding increase. Revises language specifying funding applies to FY 2021-22 only. Replaces "performance funding" with "operational support payments." Revises reporting date from October 1 to the last business day of August. Deletes language detailing the performance formula and revises to state that universities receive one-time operational support payments as an across-the-board funding increase proportional to each university's share of total operations funding from the prior fiscal year. Deletes legislative intent language about allocating more funding based on performance metrics in future years.

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

Deletes legislative intent language that encourages universities to use a portion of operations funding for sexual assault prevention, campus safety, and student mental health programs.

Sec. 268. North American Indian Tuition Waiver Reporting Requirements – REVISED

Requires Department of Civil Rights to report certain information related to the waivers, and requires universities and tribal colleges receiving waiver pass-through funding to provide data under guidelines and procedures developed by the Department of Civil Rights by January 15. Deletes legislative intent language that states unfunded Indian Tuition Waiver costs be allocated from the General Fund.

Sec. 269. Saginaw Chippewa Tribal College North American Indian Tuition Waiver Funding – REVISED

Specifies a \$79,700 pass-through payment from Central Michigan's North American Indian Tuition Waiver appropriation to Saginaw Chippewa Tribal College for costs of the Indian Tuition Waiver Program. Requires the tribal college to report waiver information specified under Sec. 268 to the Department of Civil Rights. Revises payment from \$79,700 to \$82,380.

Sec. 270. Bay Mills Community College North American Indian Tuition Waiver Funding – DELETED

Deletes language that specifies a \$0 pass-through payment from Lake Superior State's North American Indian Tuition Waiver appropriation to Bay Mills Community College for costs of Indian Tuition Waiver Program and requires the institution to report waiver information specified under Sec. 268 to the Department of Civil Rights.

Sec. 270b. Bay Mills Community College Non-Native Students Pass-Through Payment – DELETED

Deletes language that specifies a \$1.0 million pass-through payment from Lake Superior State University to Bay Mills Community College for the costs of educating non-Native American students and that requires Bay Mills to comply with various reporting requirements to the Center for Educational Performance and Information (CEPI) or the state treasurer will have LSSU withhold payments of the pass-through.

Sec. 271a. Union-Related Activities Prohibition – DELETED

Deletes legislative intent language that prohibits universities from knowingly and directly using state funds to offer instructional activity that targets specific companies or specific groups of companies for unionization or decertification of a union.

Sec. 274. Embryonic Stem Cell Research Reporting – DELETED

Deletes legislative intent language that requires universities conducting research using human embryonic stem cells to report to the Department of Health and Human Services regarding compliance with federal guidelines and stem cell lines derived by university.

Major Boilerplate Changes from FY 2020-21

Sec. 275a. Self-liquidating Projects Restriction and Capital Outlay Reporting – DELETED

Deletes language that 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% appropriation reduction.

Sec. 275d. Communication with the Legislature – DELETED

Deletes legislative intent language that urges a university to not take disciplinary action against an employee for communicating with the legislature.

Sec. 275f. Free and Open Speech Policies Reporting Requirement – DELETED

Deletes language that requires universities to report on activities related to strategic planning or assessment of policies that provide for open and free speech while protecting students from hate speech and discrimination.

Sec. 275g. 2020-21 Academic Year and Covid-19 Reporting Requirements – DELETED

Deletes language that requires universities to report various enrollment and student residential data for the 2020-21 academic year by September 30, 2021 and that requires universities to report information related to online and COVID-19 fees, along with COVID-19 mitigation strategies and related data by November 1, 2020.

Sec. 275i. Students with Dependent Children Data Reporting Requirement – DELETED

Deletes language that requires public universities to collect data on students with dependent children, such as the number of enrolled students with dependents, programs and resources available, and the barriers preventing students from completing a degree.

Sec. 291. Auditor General University Performance Audits – DELETED

Deletes language that permits the Office of Auditor General to conduct performance audits of public universities.

Supplemental Recommendations for FY 2020-21 Appropriations

**FY 2020-21
Recommendation**

1. University Operations Payment for Maintenance of Effort (MOE) Requirement

Includes \$57.3 million GF/GP for university operations grant funding. The funding partially restores reductions made to operations grants in FY 2019-20, which would meet the MOE requirements in the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act. Funding would be conditioned on adopting COVID-19-related polices, such as testing, contract tracing and campus mitigation strategies.

Gross	\$57,304,000
GF/GP	\$57,304,000

**FY 2021-22 University One-Time Operational Support Payment Appropriations
Executive Recommendation**

University	FY 2020-21 Indian Tuition Waiver Payment	FY 2020-21 Base Appropriation	Total Operational Support Payment	Indian Tuition Waiver Adjustment	*Total FY22 Indian Tuition Waiver Payment	Proposed FY 2021-22 Appropriation	Percent Change	
Central	\$1,964,500	\$87,600,000	\$1,752,000	\$0	\$1,964,500	\$91,316,500	2.0%	89,564,500
Eastern	301,500	77,253,700	1,545,100	(21,800)	279,700	79,078,500	2.0%	77,533,400
Ferris	908,800	55,025,500	1,100,500	57,000	965,800	57,091,800	2.1%	55,991,300
Grand Valley	1,177,200	72,313,500	1,446,300	-	1,177,200	74,937,000	2.0%	73,490,700
Lake Superior	945,100	13,307,000	266,100	(18,600)	926,500	14,499,600	1.7%	14,233,500
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Michigan State	1,604,000	287,331,700	5,746,600	328,800	1,932,800	295,011,100	2.1%	289,264,500
Michigan Tech	693,600	50,101,600	1,002,000	75,700	769,300	51,872,900	2.1%	50,870,900
Northern	1,060,600	47,809,100	956,200	(9,100)	1,051,500	49,816,800	1.9%	48,860,600
Oakland	266,100	53,147,400	1,062,900	67,900	334,000	54,544,300	2.1%	53,481,400
Saginaw Valley	219,500	30,583,800	611,700	(65,600)	153,900	31,349,400	1.8%	30,737,700
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UM-Ann Arbor	961,000	321,970,100	6,439,400	114,600	1,075,600	329,485,100	2.0%	323,045,700
UM-Dearborn	167,800	26,167,000	523,300	(2,800)	165,000	26,855,300	2.0%	26,332,000
UM-Flint	348,200	23,616,200	472,300	(3,200)	345,000	24,433,500	2.0%	23,961,200
Wayne State	462,200	202,996,700	4,059,900	7,500	469,700	207,526,300	2.0%	203,466,400
Western	841,700	111,522,200	2,230,400	(46,400)	795,300	114,547,900	1.9%	112,317,500
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TOTAL:	\$11,921,800	\$1,460,745,500	\$29,214,700	\$484,000	\$12,405,800	\$1,502,366,000	2.0%	1,473,151,300

Requirements to receive operational support payment for FY 2021-22:

1. Restrain FY 2021-22 resident undergraduate tuition/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 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. 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.