

FISCAL BRIEF



FY 2019-20 PUBLIC UNIVERSITY PERFORMANCE FUNDING

Perry Zielak, Senior Fiscal Analyst
October 30, 2019

FAST FACTS

- A Performance Formula 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 increases, including restricting tuition increases to the greater of 4.4% or \$587 for FY 2019-20.
- 10% of total operations funding is tied to Title IX and sexual assault prevention requirements.

INTRODUCTION

The FY 2019-20 Higher Education budget, 2019 PA 62, appropriates a total of \$7.9 million for 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 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 previous fiscal year.

PERFORMANCE FORMULA

Performance funding is 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).
- 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.

PERFORMANCE FUNDING REQUIREMENTS

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

- Restraining FY 2019-20 resident undergraduate tuition and mandatory fee increases to 4.4% (double the rate of inflation) or \$587, whichever is greater, compared to FY 2018-19.
- 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 (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 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 where 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.

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 15, 2019, 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 2019-20 along with comparable figures for FY 2018-19. University tuition and fee rates are computed as unweighted averages; rates for full-time undergraduate enrollment in FY 2019-20 range from \$10,814 at Saginaw Valley to \$17,639 at Michigan Tech. The overall average tuition rate is \$13,779, up from \$13,356 in FY 2018-19. Percentage increases range from 0.0% to 4.93%. The unweighted average increase for all 15 universities is 3.17%.

Attachment 2 shows performance funding allocated for each university. The performance funding increase from FY 2018-19 is 0.5% (\$7.9 million). When ITW funding is factored in, the overall increase is 1.0% (\$14.9 million). Performance funding increases for individual universities range from 0.4% to 0.8%, while overall increases range from 0.5% to 2.7%.

ATTACHMENT 1

FY 2019-20 Resident Undergraduate Tuition/Fee Rate Increases

University	FY 2018-19 Rates					FY 2019-20 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	\$12,960	\$12,960	\$12,960	\$12,960	\$13,350	\$13,350	\$13,350	\$13,253	2.26	\$293	\$442
Eastern	12,708	12,508	13,558	13,558	13,083	13,433	13,233	13,983	13,983	13,658	4.40	575	455
Ferris	12,630	12,630	13,050	13,050	12,840	12,930	12,930	13,560	13,560	13,245	3.15	405	442
Grand Valley	12,484	12,484	13,108	13,108	12,796	12,860	12,860	13,500	13,500	13,180	3.00	384	439
Lake Superior	12,090	11,830	11,830	11,830	11,895	12,450	12,190	12,190	12,190	12,255	3.03	360	409
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	15,646	15,646	18,940	18,940	17,293	15,960	15,960	19,318	19,318	17,639	2.00	346	588
Northern	10,983	10,729	11,245	11,245	11,051	11,520	11,255	11,795	11,795	11,592	4.90	541	386
Oakland	12,893	12,893	14,940	14,940	13,916	13,463	13,463	15,593	15,593	14,528	4.39	611	484
Saginaw Valley	10,308	10,308	10,308	10,308	10,308	10,814	10,814	10,814	10,814	10,814	4.90	506	360
UM-Ann Arbor	15,262	15,262	17,188	17,188	16,225	15,558	15,558	17,522	17,522	16,540	1.94	315	551
UM-Dearborn	12,930	12,930	13,290	13,290	13,110	13,304	13,304	13,754	13,754	13,529	3.20	419	451
UM-Flint	11,820	11,820	11,964	11,964	11,892	12,406	12,406	12,550	12,550	12,478	4.93	586	416
Wayne State	13,347	13,097	15,253	15,253	14,238	13,766	13,516	15,741	15,741	14,691	3.19	454	490
Western	12,483	12,483	13,685	13,685	13,084	13,017	13,017	14,275	14,275	13,646	4.30	562	455
Unweighted Avg.	\$12,867	\$12,827	\$13,865	\$13,865	\$13,356	\$13,260	\$13,245	\$14,306	\$14,306	\$13,779	3.17	\$424	\$459

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 2019-20 resident tuition rate increase is restrained to either 4.4% or \$587, whichever is greater.

FY 2019-20 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 2019-20 University Performance Funding Increases**

University	Proportional to FY 2010-11			Performance Funding Proportional to Share of Total				Performance Funding Scored vs. National Carnegie Peers						Indian Tuition Waiver				Proposed FY 2019-20 Appropriation	Percent Change		
	% of formula: Funding per unit:	50% \$0.0028 per dollar	11.1% \$47.11 per completion	5.6% \$0.0003 per dollar	6-year Grad Rate	Total Degrees	Instl. Support As % of Expend.	% Students Receiving Pell Grants	Total Undergrad FYES	FYES-Weighted Points	Funding	*Total Performance Funding Increase	Indian Tuition Waiver Payment	Indian Tuition Waiver Shortfall Payment	** Total Indian Tuition Waiver Payment						
Michigan State	\$286,274,200	\$283,685,200	\$787,135	3,423	\$161,250	\$380,486,534	\$104,692	2	3	2	0	7	36,995	258,965	\$473,567	\$1,526,600	469,100	998,600	1,467,700	\$288,799,400	0.9%
UM-Ann Arbor	320,782,400	\$316,254,500	877,504	3,290	155,002	\$914,018,000	251,496	3	3	2	0	8	29,411	235,287	430,267	\$1,714,300	526,600	276,900	803,500	\$322,773,600	0.6%
Wayne State	202,363,200	\$214,171,400	594,257	1,057	49,775	\$191,999,000	52,829	2	2	0	3	7	14,614	102,295	187,066	\$884,000	250,500	166,700	417,200	\$203,413,900	0.5%
Central Michigan Tech	87,415,000	\$80,132,000	222,341	836	39,363	\$15,736,994	4,330	2	3	2	2	9	16,211	145,899	266,804	\$532,800	318,100	1,280,000	1,598,100	\$89,227,800	2.1%
Western	49,949,600	\$47,924,200	132,974	965	45,482	\$59,970,863	16,501	3	2	2	0	7	5,570	38,993	71,307	\$266,300	114,300	352,200	466,500	\$50,568,100	1.2%
Eastern Oakland	76,979,300	\$76,026,200	210,948	991	46,689	\$5,085,290	1,399	2	3	2	0	7	13,918	97,424	178,158	\$437,200	162,800	139,500	302,300	\$77,556,000	0.7%
Grand Valley	52,819,200	\$50,761,300	140,846	1,427	67,207	\$12,772,918	3,515	2	3	3	0	8	14,760	118,080	215,932	\$427,500	99,300	185,800	285,100	\$53,432,500	1.2%
Saginaw Valley	72,056,600	\$61,976,400	171,965	1,487	70,072			3	3	2	0	8	19,899	159,190	291,108	\$533,100	276,200	798,800	1,075,000	\$73,388,500	1.8%
UM-Dearborn	30,528,000	\$27,720,700	76,916	537	25,300			0	0	2	0	2	6,857	13,714	25,079	\$127,300	71,500	152,400	223,900	\$30,807,700	0.9%
UM-Flint	26,071,800	\$24,726,200	68,607	534	25,147			2	2	2	2	8	5,937	47,499	86,860	\$180,600	85,400	74,800	160,200	\$26,327,200	1.0%
Ferris Northern	23,585,400	\$20,898,000	57,985	600	28,268			0	2	0	2	4	4,938	19,750	36,117	\$122,400	91,600	185,400	277,000	\$23,893,200	1.3%
Lake Superior	54,950,700	\$48,619,200	134,903	1,443	67,993			0	3	2	0	5	9,866	49,330	90,209	\$293,100	218,300	789,000	1,007,300	\$56,032,800	2.0%
TOTAL:	\$1,456,911,800	\$1,420,344,900	\$3,941,000	18,570	\$874,902	\$1,604,162,819	\$441,392	25	36	25	11	97	203,332	1,435,293	\$2,624,706	\$7,882,000	\$3,918,600	\$6,987,100	10,905,700	\$1,471,780,900	1.0%

Data Notes			
Component	Source	Years	Notes
Critical skills undergrad completions	State HEIDI	FYs 2017-2018	STEM/health/etc.
Research & develop expend	Federal IPEDS	FY 2017	Carnegie research universities only
Six-year graduation rate	Federal IPEDS^	FYs 2013-2016	First-time, full-time degree seeking students
Total degree completions	Federal IPEDS^	FYs 2013-2016	Includes graduate degrees
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

^ via Business Leaders for Michigan and Anderson Economic Group

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

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

1. Restrain FY 2019-20 resident undergraduate tuition/fee rate increase to 4.4% or \$587 (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

** Indian Tuition Waiver Payments are unrolled from the Operations base amounts. ITW Payments and Shortfall Payment amounts are combined into a "Indian Tuition Waiver Costs Incurred" that are broken out in each university's operations listing in the budget bill