

# FY 2018-19: HIGHER EDUCATION

## Summary: As Passed by the Senate

### Senate Bill 857 (S-1)



Analyst: Perry Zielak

	FY 2017-18 YTD as of 2/7/18	FY 2018-19 Executive	FY 2018-19 House	FY 2018-19 Senate	FY 2018-19 Enacted	Difference: Senate From FY 2017-18 YTD	
IDG/IDT						Amount	%
<b>Federal</b>	\$0	\$0	\$0	\$0		\$0	--
<b>Local</b>	111,526,400	113,026,400	119,026,400	119,026,400		7,500,000	6.7
<b>Private</b>	0	0	0	0		0	--
<b>Restricted</b>	0	0	0	0		0	--
<b>GF/GP</b>	238,443,500	385,688,300	385,688,300	385,688,300		147,244,800	61.8
<b>Gross</b>	1,279,254,500	1,160,217,900	1,145,602,800	1,175,433,000		(103,821,500)	(8.1)
	<b>\$1,629,224,400</b>	<b>\$1,658,932,600</b>	<b>\$1,650,317,500</b>	<b>\$1,680,147,700</b>		<b>\$50,923,300</b>	<b>3.1</b>

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) Information on House budget action in this document is based on House Bill 5579 as passed by the House.

#### 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.

	FY 2017-18 Year-to-Date (as of 2/7/18)	FY 2018-19 Senate Change
<b>Gross</b>	<b>\$1,428,345,000</b>	<b>\$42,850,300</b>
Restricted	231,219,500	148,566,800
GF/GP	\$1,197,125,500	(\$105,716,500)

#### Major Budget Changes From FY 2017-18 YTD Appropriations

##### 1. University Operations Funding

Executive increases university operations funding by \$28.6 million School Aid Fund (SAF), a 2.0% increase. The increase is distributed under the performance funding formula, where 50% 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, and comparison to Carnegie peers). Attainment of performance funding would be conditioned on restraining resident undergraduate tuition and fee increases to 3.8% or \$490 (set at 3.8% or \$475 in the current year). Projected funding increases for individual universities range from 1.5 to 3.1%. Also includes a fund shift of \$120.0 million from GF/GP to SAF.

House increases university operations funding by \$14.3 million SAF, a 1.0% increase. The House concurs with the condition that resident undergraduate tuition and fee increases must be restrained to 3.8% or \$490, whichever is greater. The House increases the fund shift of GF/GP to SAF from \$120 million to \$134.3 million. Adds stipulation that operations funding will be reduced by 10% for universities that fail to submit Title IX reports specified in Sec. 274c and Sec. 274d or fail to comply with various Title IX and sexual assault stipulations found in Sec. 265b. Projected funding increases for individual universities range from 0.8% to 1.5%.

Senate increases university operations funding by \$28.6 million SAF, a 2.0% increase, and includes an additional \$14.3 million GF/GP to be used for sexual assault prevention, campus safety and mental health programs. Includes \$120.0 million fund shift from GF/GP to SAF. Concurs with Executive on undergraduate tuition and fee increase restrictions. Projected funding increases for individual universities range from 2.5% to 4.1%.

<b>Major Budget Changes From FY 2017-18 YTD Appropriations</b>		<b>FY 2017-18 Year-to-Date (as of 2/7/18)</b>	<b>FY 2018-19 Senate Change</b>
<b>2. MSU Extension and AgBioResearch Programs</b>	<b>Gross</b>	<b>\$63,165,700</b>	<b>\$1,895,000</b>
<u>Executive</u> increases funding for Michigan State's AgBioResearch program by \$678,300 GF/GP and Extension program by \$585,100 GF/GP, a 2.0% increase for both.	GF/GP	\$63,165,700	\$1,895,000
<u>House</u> increases funding for AgBioResearch by \$339,100 GF/GP and Extension program by \$292,500 GF/GP, a 1.0% increase for both programs.			
<u>Senate</u> increases funding for AgBioResearch by \$1.0 million GF/GP and Extension program by \$877,600, a 3.0% increase for both programs.			
<b>3. Michigan Competitive Scholarship</b>	<b>Gross</b>	<b>\$26,361,700</b>	<b>\$6,000,000</b>
<u>Executive</u> increases funding for Michigan Competitive Scholarships by \$6.0 million in federal Temporary Assistance for Needy Families (TANF) funds. The scholarships are awarded to students with a qualifying ACT/SAT score and demonstrated financial need. The funding is taken from the Tuition Grant Program, due to higher than expected demand in Michigan Competitive Scholarships and lower participation in the Tuition Grant Program. Total funding for Michigan Competitive Scholarships would be \$32.4 million.	Federal	18,361,700	6,000,000
<u>House</u> concurs with the funding increase for Michigan Competitive Scholarships but does not change the Tuition Grant Program funding levels.	GF/GP	\$8,000,000	\$0
<u>Senate</u> concurs with House.			
<b>4. Tuition Grant Program</b>	<b>Gross</b>	<b>\$38,021,500</b>	<b>\$0</b>
<u>Executive</u> decreases funding for the Tuition Grant Program by \$6.0 million in federal TANF funds. The program provides need-based tuition assistance to students at Michigan independent (i.e. private, non-profit) colleges and universities. The \$6.0 million reduction is transferred to Michigan Competitive Scholarships, due to higher than expected demand in Michigan Competitive Scholarships and lower participation in the Tuition Grant Program. Tuition Grant maximum per-student annual award amounts would increase from \$2,000 to \$2,100. Total funding for the Tuition Grant Program would be \$32.0 million.	Federal	31,664,700	0
<u>House</u> maintains current funding levels. Tuition Grant maximum per-student annual award amounts would increase from \$2,000 to \$2,300. Total funding for the Tuition Grant Program would be \$38.0 million.	GF/GP	\$6,356,800	\$0
<u>Senate</u> concurs with House on funding levels but increases award amounts from \$2,000 to \$2,400.			
<b>5. Tuition Incentive Program</b>	<b>Gross</b>	<b>\$58,300,000</b>	<b>\$1,500,000</b>
<u>Executive</u> increases funding for Tuition Incentive Program by \$1.5 million in federal TANF funds, a 2.6% increase, which pays for Medicaid-eligible students' tuition costs for associate's degrees. Total funding for TIP would be \$59.8 million. <u>House</u> concurs. <u>Senate</u> concurs.	Federal	58,300,000	1,500,000
	GF/GP	\$0	\$0
<b>6. North American Indian Tuition Waiver One-Time Funding</b>	<b>Gross</b>	<b>\$300,000</b>	<b>\$0</b>
<u>Executive</u> eliminates \$300,000 GF/GP of one-time funding for the North American Indian Tuition Waiver Program.	GF/GP	\$300,000	\$0
<u>House</u> maintains current funding levels. <u>Senate</u> concurs with House.			
<b>7. Michigan Public School Employee Retirement System (MPERS) Rate Cap Costs</b>	<b>Gross</b>	<b>\$6,705,000</b>	<b>(\$1,572,000)</b>
<u>Executive</u> reduces funding by \$1.6 million SAF for the state's share of the universities' unfunded liability to MPERS. The state's share is the difference between the unfunded accrued liability 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). Total funding for the state share of MPERS would be \$5.1 million SAF. <u>House</u> concurs. <u>Senate</u> concurs.	Restricted	6,705,000	(1,572,000)
	GF/GP	\$0	\$0
<b>8. MPERS Normal Cost Offset</b>	<b>Gross</b>	<b>\$419,000</b>	<b>\$250,000</b>
<u>Executive</u> increases funding by \$250,000 SAF to reimburse universities for the normal cost increase for the second year of a two-year phase in to reduce the assumed rate of return for MPERS from 8% to 7.5%. Total funding for the offset would be \$669,000 SAF. <u>House</u> concurs. <u>Senate</u> concurs.	Restricted	419,000	250,000
	GF/GP	\$0	\$0

## **Major Boilerplate Changes From FY 2017-18**

### ***Sec. 242. Federal or Private Funds – RETAINED***

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

### ***Sec. 245. University Transparency – REVISED***

Executive deletes requirement that state budget director determine compliance and language granting authority to withhold payments for a university not in compliance. House retains. Senate retains but deletes campus security language subsection.

### ***Sec. 245a. Campus Safety Information and Resources – NEW***

Senate adds language requiring 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 schools must certify compliance to the State Budget Director or have monthly state payments withheld.

### ***Sec. 252. Tuition Grant Program – REVISED***

Executive revises program application deadline from July 1 to March 1 to be considered for a tuition grant award. Deletes language that a tuition grant may not be renewed for more than 10 semesters or its equivalent in trimesters or quarters, or if a student has not completed using the grant within 10 years of determined eligibility by the Department of Treasury. Increases maximum award amount from \$2,000 to \$2,100. Deletes expiration date of unexpended funds as a work project. Increases individual institution cap on awards from \$3.5 million to \$4.2 million.

House concurs with deadline revision, deletion of renewal language and increasing individual institution cap from \$3.5 million to \$4.2 million. Increases maximum award amount from \$2,000 to \$2,300. Retains work project expiration date.

Senate concurs with Executive but increases maximum award amount from \$2,000 to \$2,400 and adds language stating that the limits in this section do not apply to any other financial aid program or in combination with another aid program.

### ***Sec. 256. Tuition Incentive Program – REVISED***

Executive deletes requirement for unexpended funds to continue to be available in the next fiscal year as a work project.

House retains work project language. Increases award cap on institutions from \$8.5 million to \$10.0 million and specifies students who currently receive program funds have priority in receiving funds in the upcoming academic year.

Senate deletes award cap on institutions and the 3x community college credit reimbursement rate cap. Retains work project language.

### ***Sec. 261. Douglas Lake Biological Station – RETAINED***

Executive deletes legislative intent section that designates University of Michigan’s Douglas Lake Biological Station as a unique research resource and aims to protect the lake area. House retains. Senate retains.

### ***Sec. 265. Performance Funding Criteria: Tuition Restraint – REVISED***

Executive revises tuition restraint cap for universities to 3.8% or \$490.00, whichever is greater. Deletes language that defines fees to include the cost of a university-affiliated health insurance policy for a university that compels resident undergraduate students to have health insurance coverage. Deletes legislative intent language that indicates universities that violate the tuition restriction cap shall not receive a capital outlay project authorization in FY 2018-19 and FY 2019-20 and will have its appropriation adjusted.

House concurs on the tuition restraint cap of 3.8% or \$490.00, whichever is greater. Retains language on fee definition and tuition restraint violation penalties. Senate concurs with House.

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

Executive revises language around weighted undergraduate completions in critical skills areas. Deletes legislative intent language to lower score for three-year improvement criteria from 2 points to 1 point. Deletes intent language about allocating more funding based on performance metrics in future years.

House retains current weighted levels for undergraduate completions in critical skills areas. Retains language on current scoring system and intent to allocate more funding based on metrics in future years. Senate concurs with House.

### ***Sec. 265b. Operations Funding Criteria and Sexual Assault/Title IX Standards – NOT INCLUDED***

House adds language penalizing universities that fail to comply with Title IX reporting requirements found in sections 274c and 274d and a number of other requirements with a 10% reduction in operations funding, including:

- Prohibiting the use of medical experts in Title IX investigations with an actual or apparent conflict of interest.
- Prohibiting the issuance of divergent Title IX investigation reports.
- Informing the complainant about the right to notify a law enforcement agency.
- 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 a third party review the Title IX office and policies before the end of 2018-19 academic year.
- Requiring that a summary of all Title IX reports against employees are shared with the university’s governing body.
- Requiring a third-party Title IX investigation against an employee with more than one “no misconduct” finding.
- Certifying that the president or chancellor and one governing body board member has reviewed all Title IX reports involving university employees.

Senate does not include.

## **Major Boilerplate Changes From FY 2017-18**

### ***Sec. 265b. Distribution of Sexual Assault Prevention, Safety, and Mental Health Funds – NEW***

Senate adds language that specifies funding in Sec. 236 for “campus initiatives” shall only be expended for sexual assault prevention, campus safety, and student mental health programs. Also requires universities to comply with sections 265 and 265a.

### ***Sec. 265c. Articulation Agreements and Academic Partnerships Reporting – NOT INCLUDED***

Executive adds language that requires that 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.

House concurs but changes to Sec. 265c. Senate does not include.

### ***Sec. 265d. Sexual Misconduct Memorandum of Understanding – NOT INCLUDED***

House adds language encouraging public universities to enter into at least one memorandum of understanding (MOU) with a local law enforcement agency for communication and response coordination of sexual assault incidents. Senate does not include.

### ***Sec. 268. Indian Tuition Waivers – RETAINED***

Executive deletes language that states unfunded Indian Tuition Waiver costs be allocated from the general fund. Deletes language around distribution of funds from one-time appropriation. House retains. Senate retains.

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

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

### ***Sec. 274. Embryonic Stem Cell Research – RETAINED***

Executive deletes 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. House retains. Senate retains.

### ***Sec. 274d. Sexual Assault Reports – RETAINED***

House adds language that requires universities to send the annual Title IX report to the Attorney General, the Department of Civil Rights and relevant county sheriff in addition to current report recipients. Adds a Title IX summary report requirement.

Senate retains current law.

### ***Sec. 274e. Auditor General Audits of Title IX Operations – NOT INCLUDED***

House adds language that requires the Auditor General to audit Title IX operations of all public universities a minimum of once every three years. Senate does not include.

### ***Sec. 274e. State Funding Purpose and Annual Accounting – NEW***

Senate adds language stating purpose of appropriations made in section 236 according to the State Constitution is to maintain public universities. Adds requirement that universities provide an annual accounting of all income and expenditures.

### ***Sec. 274f. Sexual Assault Prevention and Education Initiative Grants – NOT INCLUDED***

House adds language providing for allowable uses of grant money in the Department of State Police budget for sexual assault prevention programs and initiatives. Senate does not include.

### ***Sec. 274f. Sexual Misconduct Reporting to Governing Boards – NEW***

Senate adds language requiring the governing board and president of each university to receive not less than quarterly summary reports from the Title IX coordinator or office that include the aggregate number of sexual misconduct reports and a summary of outcomes for the Title IX reports and investigations, while not containing specific identifying information .

### ***Sec. 275a. Capital Outlay Requirements – RETAINED***

Executive deletes section 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% of appropriation for failure to comply. (Executive Recommendation originally repeals Sec. 275. The State Budget Office notified the fiscal agencies of the mistake.) House retains. Senate retains.

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

Executive revises language that the Auditor General shall audit the HEIDI data and selected universities from periodically to not less than every four years. House concurs. Senate concurs.

### ***Sec. 292. Performance Formula Review Task Force – NOT INCLUDED***

House adds language that creates a task force created by August 15, 2019 to review and recommend changes to the Performance Formula. The task force would comprise two members from the House, two members from the Senate, one member from the Department of Technology, Management and Budget, and four members from the universities, and would have to submit a report by November 15, 2019. Senate does not include.

**Summary: FY 2018-19 University Performance Funding Increases**  
As Passed by the Senate

University	Proportional to FY 2010-11			Performance Funding Proportional to Share of Total				Performance Funding Scored vs. National Carnegie Peers								*Total Performance Funding Increase	Campus Initiatives Funding	Proposed FY 2018-19 Appropriation	Percent Change
	% of formula:	50.0%		11.1%		5.6%		33.3%											
	Funding per unit:	\$0.0101 per dollar		\$179.89 per completion		\$0.0011 per dollar		\$6.71 per weighted point											
	FY 2017-18 Year-to-Date Appropriation	FY 2010-11 Appropriation	Funding	Critical Skills Undergrad Completions	Funding	Research & Development Expenditures	Funding	6-year Grad Rate	Total Degrees	Instl. Support as % of Expend.	% Students Receiving Pell Grants	Total Points	Total FY 2016 Undergrad FYES	FYES- Weighted Points	Funding				
Michigan State	\$281,239,100	\$283,685,200	\$2,852,821	3,232	\$581,411	\$349,725,075	\$369,240	2	3	0	0	5	36,703	183,515	\$1,231,666	\$5,035,100	\$2,852,800	\$289,127,000	2.8%
UM-Ann Arbor	314,589,100	\$316,254,500	3,180,347	3,159	568,189	\$857,589,000	905,443	3	3	2	0	8	28,671	229,371	1,539,429	\$6,193,300	\$3,180,400	\$323,962,800	3.0%
Wayne State	199,169,800	\$214,171,400	2,153,770	961	172,786	\$181,378,000	191,499	2	2	0	3	7	14,375	100,622	675,324	3,193,400	2,153,800	\$204,517,000	2.7%
Central	85,654,400	\$80,132,000	805,831	822	147,781	\$14,889,698	15,721	2	3	0	2	7	16,842	117,894	791,249	1,760,600	805,800	88,220,800	3.0%
Michigan Tech	49,052,200	\$47,924,200	481,940	921	165,681	\$59,326,199	62,637	3	0	2	0	5	5,577	27,884	187,141	897,400	481,900	50,431,500	2.8%
Western	109,376,800	\$109,615,100	1,102,321	1,173	210,924	\$22,801,658	24,074	0	2	0	2	4	16,272	65,087	436,835	1,774,200	1,102,300	112,253,300	2.6%
Eastern	75,169,900	\$76,026,200	764,542	938	168,739	\$4,847,557	5,118	2	3	2	2	9	14,419	129,775	870,986	1,809,400	764,500	77,743,800	3.4%
Oakland	51,235,900	\$50,761,300	510,470	1,348	242,495	\$12,609,712	13,313	2	2	2	2	8	15,216	121,728	816,981	1,583,300	510,500	53,329,700	4.1%
Grand Valley	70,100,100	\$61,976,400	623,253	1,389	249,870			3	3	2	0	8	20,178	161,420	1,083,375	1,956,500	623,300	72,679,900	3.7%
Saginaw Valley	29,766,100	\$27,720,700	278,767	495	88,957			2	2	2	2	8	7,341	58,726	394,140	761,900	278,800	30,806,800	3.5%
UM-Dearborn	25,421,900	\$24,726,200	248,654	481	86,600			2	2	2	2	8	5,861	46,885	314,672	649,900	248,700	26,320,500	3.5%
UM-Flint	23,061,800	\$20,898,000	210,156	610	109,644			2	2	0	2	6	5,062	30,372	203,840	523,600	210,200	23,795,600	3.2%
Ferris	53,595,500	\$48,619,200	488,929	1,381	248,431			2	3	2	2	9	10,229	92,061	617,870	1,355,200	488,900	55,439,600	3.4%
Northern	47,137,400	\$45,140,300	453,944	556	100,020			2	3	2	0	7	6,534	45,738	306,972	861,000	453,900	48,452,300	2.8%
Lake Superior	13,775,000	\$12,694,200	127,657	181	32,560			2	2	0	0	4	1,929	7,716	51,786	212,000	127,700	14,114,700	2.5%
TOTAL:	\$1,428,345,000	\$1,420,344,900	\$14,283,400	17,644	\$3,174,089	\$1,503,166,899	\$1,587,044	31	35	18	19	103	205,208	1,418,792	\$9,522,267	\$28,566,800	\$14,283,500	\$1,471,195,300	3.0%

Data Notes			
Component	Source	Years	Notes
Critical skills undergrad completions	State HEIDI	FYs 2016-2017	STEM/health/etc.
Research & develop expend	Federal IPEDS	FY 2016	Carnegie research universities only
Six-year graduation rate	Federal IPEDS^	FYs 2012-2015	First-time, full-time degree seeking students
Total degree completions	Federal IPEDS^	FYs 2012-2015	Includes graduate degrees
Inst support as % of core expend	Federal IPEDS^	FYs 2012-2015	Measure of administrative costs
Pell grant students	Federal IPEDS^	FYs 2013-2015	Federal need-based aid for undergrads
Undergrad FYES	State HEIDI	FY 2017	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 funding increase:**

1. Restrain FY 2018-19 resident undergraduate tuition/fee rate increase to 3.8% or \$490 (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

Campus Initiatives funding is allocated proportionally to FY 2010-11 appropriations and can only be used for:

1. Campus safety programs
2. Sexual assault prevention programs
3. Student mental health programs