

# FISCAL BRIEF



## FY 2018-19 PUBLIC UNIVERSITY PERFORMANCE FUNDING

Perry Zielak, Fiscal Analyst  
October 10, 2018

### 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 their performance increases, including restricting tuition increases to 3.8% or \$490 for FY 2018-19.
- 10% of total operations funding is tied to new Title IX and sexual assault prevention requirements.

### INTRODUCTION

The FY 2018-19 Higher Education budget, Article III of 2018 PA 265, appropriates a total of \$28.0 million for performance funding increases for the state's 15 public universities. Since FY 2012-13, the state appropriation for a university's yearly operations funding includes two pieces: the base and the performance funding increase. 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.

### 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 peers<sup>1</sup> or three-year improvement on four metrics weighted by full-time equivalent undergraduate students<sup>2</sup>:
  - 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).

<sup>1</sup> 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.

<sup>2</sup> 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 2017-18 resident undergraduate tuition and mandatory fee increases to 3.8% (double the rate of inflation) or \$475, whichever is greater, compared to FY 2016-17.
- 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).

## **NEW 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 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 filing and taking steps to ensure the complaint is being investigated thoroughly.
- 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 August 31, 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 the September 14, 2018 letter, the state budget director has confirmed compliance with performance funding conditions for all 15.

Attachment 1 shows university resident undergraduate tuition and fee rates for FY 2018-19 along with comparable figures for FY 2017-18. University tuition and fee rates are computed as unweighted averages; rates for full-time undergraduate enrollment in FY 2018-19 range from \$10,308 at Saginaw Valley to \$17,293 at Michigan Tech. The overall average rate is \$13,356, up from \$12,885 in FY 2017-18. Percentage increases range from 1.76% to 4.98%. The unweighted average increase for all 15 universities is 3.66%.

Attachment 2 shows performance funding allocated for each university. The overall increase from FY 2017-18 is 2.0% (\$28.0 million). Funding increases for individual universities range from 1.5% to 3.1%.

**ATTACHMENT 1**

**FY 2018-19 Resident Undergraduate Tuition/Fee Rate Increases**

University	FY 2017-18 Rates					FY 2018-19 Rates					% Change Avg Rate	Annual Increase	Cost per Credit Hr
	Fresh	Soph	Junior	Senior	Average	Fresh	Soph	Junior	Senior	Average			
Central	\$12,510	\$12,510	\$12,510	\$12,510	\$12,510	\$12,960	\$12,960	\$12,960	\$12,960	\$12,960	3.60	\$450	\$432
Eastern	12,219	12,019	13,069	13,069	12,594	12,708	12,508	13,558	13,558	13,083	3.88	489	436
Ferris	12,180	12,180	12,570	12,570	12,375	12,630	12,630	13,050	13,050	12,840	3.76	465	428
Grand Valley	11,994	11,994	12,618	12,618	12,306	12,484	12,484	13,108	13,108	12,796	3.98	490	427
Lake Superior	11,622	11,362	11,362	11,362	11,427	12,090	11,830	11,830	11,830	11,895	4.10	468	397
Michigan State	14,460	14,460	16,290	16,290	15,375	14,460	14,820	16,650	16,650	15,645	1.76	270	522
Michigan Tech	15,074	15,074	18,247	18,247	16,661	15,646	15,646	18,940	18,940	17,293	3.80	633	576
Northern	10,490	10,240	10,756	10,756	10,561	10,983	10,729	11,245	11,245	11,051	4.64	490	368
Oakland	12,420	12,420	14,393	14,393	13,407	12,893	12,893	14,940	14,940	13,916	3.80	510	464
Saginaw Valley	9,819	9,819	9,819	9,819	9,819	10,308	10,308	10,308	10,308	10,308	4.98	489	344
UM-Ann Arbor	14,826	14,826	16,696	16,696	15,761	15,262	15,262	17,188	17,188	16,225	2.94	464	541
UM-Dearborn	12,472	12,472	12,802	12,802	12,637	12,930	12,930	13,290	13,290	13,110	3.74	473	437
UM-Flint	11,334	11,334	11,478	11,478	11,406	11,820	11,820	11,964	11,964	11,892	4.26	486	396
Wayne State	12,979	12,729	14,823	14,823	13,839	13,347	13,097	15,253	15,253	14,238	2.88	399	475
Western	12,243	11,943	13,097	13,097	12,595	12,483	12,483	13,685	13,685	13,084	3.88	489	436
<b>Unweighted Avg.</b>	<b>\$12,443</b>	<b>\$12,359</b>	<b>\$13,369</b>	<b>\$13,369</b>	<b>\$12,885</b>	<b>\$12,867</b>	<b>\$12,827</b>	<b>\$13,865</b>	<b>\$13,865</b>	<b>\$13,356</b>	<b>3.66</b>	<b>\$471</b>	<b>\$445</b>

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 2018-19 resident tuition rate increase is restrained to either 3.8% or \$490.

FY 2018-19 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

**ATTACHMENT 2  
FY 2018-19 University Performance Funding Increases**

University	% of formula: Funding per unit: FY 2017-18 Year-to-Date Appropriation	Proportional to FY 2010-11 50.0% \$0.0101 per dollar		Performance Funding Scored vs. National Carnegie Peers 33.3% \$6.71 per weighted point							Performance Funding Proportional to Share of Total 11.1% \$179.90 per completion 5.6% \$0.0011 per dollar				*Total Performance Funding Increase	Proposed FY 2018-19 Appropriation	Percent Change	
		FY 2010-11 Appropriation	FY 2010-11 Funding	6-year Grad Rate	Total Degrees	Instl. Support as % of Expend.	Students Receiving Pell Grant	Total Points	Total Undergrad FYES	FYES- Weighted Points	Funding	Critical Skills Undergrad Completions	Funding	Research & Development Expenditures				Funding
Michigan State	\$281,239,100	\$283,685,200	\$2,852,821	2	3	0	0	5	36,703	183,515	\$1,231,666	3,232	\$581,357	\$349,725,075	\$369,240	\$5,035,100	\$286,274,200	1.8%
UM-Ann Arbor	314,589,100	316,254,500	3,180,347	3	3	2	0	8	28,671	229,371	1,539,429	3,159	568,224	857,589,000	905,443	6,193,300	320,782,400	2.0%
Wayne State	199,169,800	214,171,400	2,153,770	2	2	0	3	7	14,375	100,622	675,324	961	172,797	181,378,000	191,499	3,193,400	202,363,200	1.6%
Central	85,654,400	80,132,000	805,831	2	3	0	2	7	16,842	117,894	791,249	822	147,790	14,889,698	15,721	1,760,600	87,415,000	2.1%
Michigan Tech	49,052,200	47,924,200	481,940	3	0	2	0	5	5,577	27,884	187,141	921	165,646	59,326,199	62,637	897,400	49,949,600	1.8%
Western	109,376,800	109,615,100	1,102,321	0	2	0	2	4	16,272	65,087	436,835	1,173	210,936	22,801,658	24,074	1,774,200	111,151,000	1.6%
Eastern	75,169,900	76,026,200	764,542	2	3	2	2	9	14,419	129,775	870,986	938	168,749	4,847,557	5,118	1,809,400	76,979,300	2.4%
Oakland	51,235,900	50,761,300	510,470	2	2	2	2	8	15,216	121,728	816,981	1,348	242,509	12,609,712	13,313	1,583,300	52,819,200	3.1%
Grand Valley	70,100,100	61,976,400	623,253	3	3	2	0	8	20,178	161,420	1,083,375	1,389	249,885			1,956,500	72,056,600	2.8%
Saginaw Valley	29,766,100	27,720,700	278,767	2	2	2	2	8	7,341	58,726	394,140	495	88,962			761,900	30,528,000	2.6%
UM-Dearborn	25,421,900	24,726,200	248,654	2	2	2	2	8	5,861	46,885	314,672	481	86,569			649,900	26,071,800	2.6%
UM-Flint	23,061,800	20,898,000	210,156	2	2	0	2	6	5,062	30,372	203,840	610	109,651			523,600	23,585,400	2.3%
Ferris	53,595,500	48,619,200	488,929	2	3	2	2	9	10,229	92,061	617,870	1,381	248,412			1,355,200	54,950,700	2.5%
Northern	47,137,400	45,140,300	453,944	2	3	2	0	7	6,534	45,738	306,972	556	100,049			861,000	47,998,400	1.8%
Lake Superior	13,775,000	12,694,200	127,657	2	2	0	0	4	1,929	7,716	51,786	181	32,552			212,000	13,987,000	1.5%
<b>TOTAL:</b>	<b>\$1,428,345,000</b>	<b>\$1,420,344,900</b>	<b>\$14,283,400</b>	<b>31</b>	<b>35</b>	<b>18</b>	<b>19</b>	<b>103</b>	<b>205,208</b>	<b>1,418,792</b>	<b>\$9,522,267</b>	<b>17,643</b>	<b>\$3,174,089</b>	<b>\$1,503,166,899</b>	<b>\$1,587,044</b>	<b>\$28,566,800</b>	<b>\$1,456,911,800</b>	<b>2.0%</b>

Component	Source	Years	Notes
Critical skills undergrad completions	State HEIDI	FYs 2016-2017	STEM/health/etc.
Research & develop expends	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 expends	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 performance funding increase for next 3 fiscal years:

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

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