

**Summary: Executive Budget Recommendation
for Fiscal Year 2024-25
HIGHER EDUCATION**



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	FY 2023-24	FY 2024-25	Difference: FY 2024-25	
	Enacted as of 2/7/24	Executive	Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal	131,026,400	3,200,000	(127,826,400)	(97.6)
Local	0	0	0	--
Private	0	0	0	--
Restricted	482,268,300	545,468,300	63,200,000	13.1
GF/GP	1,677,754,100	1,765,528,700	87,774,600	5.2
Gross	\$2,291,048,800	\$2,314,197,000	\$23,148,200	1.0

Note: Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Overview

The Higher Education budget, contained in Article 3 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 2023-24 Enacted Appropriations

1. University Operations Increase

Includes a net increase of \$41.3 million Gross (\$52.5 million GF/GP reduction) for university operations, a 2.5% increase. This includes:

- \$40.7 million GF/GP ongoing increase to operations grants for universities, with all universities receiving a 2.5% increase.
- \$507,800 GF/GP increase based on FY 2022-23 North American Indian Tuition Waiver program costs reported by institutions.
- Replaces \$93.8 million GF/GP with a corresponding amount of School Aid Fund (SAF).

Attainment of the operations increase would be conditioned on restraining resident undergraduate tuition and fee increases to the greater of 5.0% or \$781 (set at 4.5% or \$676 in the current year). Projected funding changes for universities would range from 1.9% to 2.7%. Total funding for operations would be \$1.7 billion Gross (\$1.1 billion GF/GP).

	FY 2023-24 Enacted (as of 2/7/24)	Executive Change from Enacted
Gross	\$1,642,043,900	\$41,251,000
Restricted	443,168,300	93,800,000
GF/GP	\$1,198,875,600	(\$52,549,000)

2. Michigan State University Extension and AgBioResearch Programs Increase

Includes a net increase of \$1.8 million GF/GP for MSU's AgBioResearch and Extension program funding. This includes:

- \$963,000 GF/GP ongoing operations increase for the MSU AgBioResearch program, a 2.5% increase.
- \$830,600 GF/GP ongoing operations increase for the MSU Extension program, a 2.5% increase.

Total funding for AgBioResearch and Extension programs would be \$73.5 million GF/GP.

Gross	\$71,743,400	\$1,793,600
GF/GP	\$71,743,400	\$1,793,600

<u>Major Budget Changes from FY 2023-24 Enacted Appropriations</u>		<u>FY 2023-24 Enacted (as of 2/7/24)</u>	<u>Executive Change from Enacted</u>
3. Michigan Public School Employee Retirement System (MPERS) Normal Cost Offset	Gross	\$9,100,000	(\$600,000)
Decreases reimbursement funding provided to universities by \$600,000 SAF, a 6.6% decrease, due to maintaining the assumed rate of return for MPERS at 6.0%. Total funding for the MPERS Normal Cost Offset would be \$8.5 million SAF.	Restricted	9,100,000	(600,000)
	GF/GP	\$0	\$0
4. Michigan Reconnect Program	Gross	NA	\$62,000,000
Transfers \$62.0 million GF/GP from the Michigan Department of Labor and Economic Opportunity (LEO) for the Michigan Reconnect Program. The program provides last-dollar scholarships primarily to individuals 25 or older (temporarily expanded to 21-24 year-olds through November 2024) with a high school diploma or equivalency certificate to complete a Pell-eligible associate degree or skills-based certificate. Total funding for the Michigan Reconnect Program would be \$62.0 million GF/GP.	GF/GP	NA	\$62,000,000
5. Michigan Achievement Scholarship/Postsecondary Scholarship Fund Deposit	Gross	\$300,000,000	\$30,000,000
Includes a net increase of \$30.0 million GF/GP for deposit into the Postsecondary Scholarship Fund, a 10.0% increase, which is the funding source for Michigan Achievement Scholarships. The scholarships are awarded to eligible in-state students that graduate high school or achieve an equivalency certificate in 2023 or after and attend an eligible Michigan public university, community college, tribal college or independent nonprofit college or university full-time. Includes the new Community College Guarantee, which would expand last-dollar aid and a \$1,000 needs-based stipend for community college students. After a total \$330.0 million GF/GP deposit into the Postsecondary Scholarship Fund, total funding for Michigan Achievement Scholarships for FY 2024-25 would be \$330.0 million restricted.	GF/GP	\$300,000,000	\$30,000,000
6. Tuition Incentive Program	Gross	\$73,800,000	\$20,000,000
Includes a net increase of \$20.0 million Gross (\$93.8 million GF/GP) for the Tuition Incentive Program (TIP), a 27.1% Gross increase. This includes adding GF/GP to replace federal Temporary Assistance for Needy Families (TANF) funding that would instead be used to increase supports for low-income families including cash assistance rate increases, emergency relief, and child care rate increases in other budget areas. TIP pays Medicaid-eligible students' tuition costs for associate degrees under Phase I and bachelor's degrees under Phase II. The increase addresses increased student participation and increased tuition and fees. Total funding for TIP would be \$93.8 million GF/GP.	Federal	73,800,000	(73,800,000)
	GF/GP	\$0	\$93,800,000
7. Tuition Grant Program	Gross	\$42,021,500	(\$7,095,600)
Includes a net decrease of \$7.1 million Gross (increase of \$34.9 million GF/GP) for the Tuition Grant Program, a 16.9% Gross decrease. This includes adding GF/GP to replace federal TANF funding that would instead be used to increase supports for low-income families including cash assistance rate increases, emergency relief, and child care rate increases in other budget areas. The program provides need-based tuition assistance to students at Michigan independent (i.e., private, non-profit) colleges and universities. The reduction is due to the anticipated phase-out of the scholarship program as student awards increase under the Michigan Achievement Scholarship program. Total funding for Tuition Grants would be \$34.9 million GF/GP.	Federal	30,095,600	(30,095,600)
	GF/GP	\$11,925,900	\$23,000,000

<u>Major Budget Changes from FY 2023-24 Enacted Appropriations</u>		<u>FY 2023-24 Enacted (as of 2/7/24)</u>	<u>Executive Change from Enacted</u>
8. Michigan Competitive Scholarships	Gross	\$26,861,700	(\$6,930,800)
Includes a net decrease of \$6.9 million Gross (increase of \$19.9 million GF/GP) for Michigan Competitive Scholarships, a 25.8% Gross decrease. This includes adding GF/GP to replace federal TANF funding that would instead be used to increase supports for low-income families including cash assistance rate increases, emergency relief, and child care rate increases in other budget areas. The scholarships are awarded to students with a qualifying SAT score and demonstrated financial need. The reduction is due to the anticipated phase-out of the scholarship program as student awards increase under the Michigan Achievement Scholarship program. Total funding for Michigan Competitive Scholarships would be \$19.9 million GF/GP.	Federal	23,930,800	(23,930,800)
	GF/GP	\$2,930,900	\$17,000,000
9. Children of Veterans and Officer's Survivor Tuition Grant Programs	Gross	\$1,400,000	\$600,000
Increases funding by \$600,000 GF/GP for Children of Veterans and Officer's Survivor Tuition Grant programs, a 42.9% increase. The grants are awarded to children of deceased or permanently disabled military veterans or to surviving spouses and children of Michigan police officers and firefighters killed in the line of duty. The increases are due to increased student participation in the programs and increased tuition and fee costs. Total funding for the Children of Veterans and Officer's Survivor Tuition Grant programs would be \$2.0 million GF/GP.	GF/GP	\$1,400,000	\$600,000
10. Removal of FY 2023-24 One-Time Appropriations	Gross	\$117,870,000	(\$117,870,000)
Removes \$117.9 million Gross (\$87.9 million GF/GP) of one-time funding that was included in the FY 2023-24 budget to support the following:	Restricted	30,000,000	(30,000,000)
	GF/GP	\$87,870,000	(\$87,870,000)
<ul style="list-style-type: none"> Infrastructure, Technology, Equipment, Maintenance, and Safety (\$79.0 million GF/GP) MSU Engineering and Digital Innovation Center (\$30.0 million SAF) Critical Incident Mapping (\$5.0 million GF/GP) Michigan Geological Survey (\$3.0 million SAF) Michigan Technological University Bachelor of Science in Nursing Program Creation (\$870,000 GF/GP) 			

Major Boilerplate Changes from FY 2023-24

Sec. 236h. MPERS One-Time Payment Detail – DELETED

Deletes language that details the \$200.0 million one-time payment for MPERS unfunded actuarial accrued liability contributions to the system for the seven universities with MPERS employees (Central, Eastern, Ferris, Lake Superior State, Michigan Tech, Northern, and Western) and states payments will be distributed no later than September 30, 2023.

Sec. 236j. Postsecondary Scholarship Fund Detail – REVISED

Creates the Postsecondary Scholarship Fund in the Department of Treasury. States money in the fund would require an appropriation to be expended; provides that money in the fund at the end of a fiscal year does not lapse. Revises language to include \$330.0 million deposit into the fund for FY 2024-25 and deletes legislative intent language to increase annual deposits into the fund by \$50.0 million each year.

Sec. 236k. Fiscal Year Equated Student (FYES) Funding Floor – DELETED

Deletes language that details the one-year implementation of a \$4,500 FYES funding floor for each university below the per-student funding calculation.

Sec. 236m. Infrastructure, Technology, Equipment, Maintenance, and Safety (ITEMS) Appropriation Detail – DELETED

Deletes language that details infrastructure, technology, equipment, maintenance, safety and debt categories that ITEMS funding could be used for by universities and language on program eligibility and distribution of funding.

Major Boilerplate Changes from FY 2023-24

Sec. 236n. Tuition Incentive Program FY 2022-23 Supplemental Appropriation Detail – DELETED

Deletes language that increases FY 2022-23 funding for the Tuition Incentive Program by \$2.5 million federal TANF funding.

Sec. 236o. Infrastructure, Technology, Equipment, Maintenance, and Safety (ITEMS) Certification and Payment Detail – DELETED

Deletes language that details the certification process public universities must complete and have approved by the state budget director in order to receive an ITEMS payment.

Sec. 241c. University Tuition and Fee Restraint and Annual Rate Reporting Requirements – REVISED

Requires tuition and fee data to be submitted to the HEIDI database and a report of any revisions to tuition and fees within 15 days of adoption, and specifies tuition and fee restraint requirements in order to receive the operations increase and FYES student floor funding for FY 2023-24, set at 4.5% or \$676, whichever is greater. Revises language that limits FY 2024-25 resident tuition and fee increases to 5.0% or \$781, whichever is greater, and limits FY 2025-26 resident tuition and fee increases to the greater of 5.0% and \$820.

Sec. 241d. Michigan Office of Postsecondary Educational Attainment – DELETED

Deletes language that created the Michigan Office of Postsecondary Educational Attainment in the Department of Labor and Economic Opportunity, which would review, evaluate and recommend improvements to all state financial aid programs within the Executive branch, serve as the coordinating office for agencies responsible for state financial aid programs, survey stakeholders on improving financial aid program administration, consolidate reports and make them available to the Executive and legislature, and provide data analysis to assist prospective students on postsecondary options.

Sec. 247. Michigan Reconnect Program – NEW

Adds language that details the Michigan Reconnect program is administered by the Department of Lifelong Education, Advancement, and Potential (MiLEAP), and authorizes the department to use remaining program funds for outreach, enrollment support, program administration, and Reconnect-eligible student support in connection with higher education institutions or nonprofit organizations to increase degree or credential completion.

Sec. 248. Michigan Achievement Scholarship Program Detail – REVISED

Provides for distribution of funds appropriated for Michigan Achievement Scholarships. Specifies criteria for scholarship eligibility. Details award amounts of up to \$2,750 for students at a community college or tribal institution, up to \$4,000 for students at an independent nonprofit college or university, and up to \$5,500 for students at public universities or baccalaureate programs at community colleges. Revises language to add Student Aid Index eligible student definition and revises criteria to account for recent changes to the Free Application for Federal Student Aid (FAFSA). Revises residency definition from institutional criteria to as determined by the FAFSA. Revises award amounts for community college or tribal institution to cover last-dollar amounts and a \$1,000 additional payment. Revises department reporting due date to February 1, scholarship reporting requirements for institutions, and adds language that allows the state budget director to declare institutions ineligible for program funding if tuition restraint requirements are exceeded for two consecutive years.

Sec. 250. Free Application for Federal Student Aid (FAFSA) Filing Requirement – REVISED

States students must file a FAFSA to be considered for any grant or scholarship program administered by the Department of Treasury. Revises references from Treasury to MiLEAP and adds language allowing MiLEAP to not require FAFSA completion as a scholarship condition.

Sec. 251. Michigan Competitive Scholarship Program Detail – REVISED

Provides for distribution of funds appropriated for State Competitive Scholarships. Specifies grant amount of \$1,500, unless insufficient funds are available, in which case a report is required. Students enrolled less than full-time in a semester or term will receive a proportional scholarship amount. Deletes reference to the Michigan Educational Trust program and revises references from the Department of Treasury to MiLEAP.

Sec. 252. Tuition Grant Program Detail – REVISED

Provides for distribution of funds appropriated for Tuition Grants; specifies grant amount of \$3,000, unless insufficient funds are available, in which case a report is required. Adds language stating students who receive a Michigan Achievement Scholarship are not eligible for Tuition Grants and adds intent language detailing students enrolled in college after the end of FY 2023-24 would be ineligible for Tuition Grants due to potential eligibility for the Michigan Achievement Scholarship.

Major Boilerplate Changes from FY 2023-24

Sec. 256. Tuition Incentive Program Detail – REVISED

Specifies criteria for Tuition Incentive Program (TIP) eligibility. Provides for award conditions and limits under Phase I dealing with associate degree and certificate programs and Phase II, third and fourth years toward bachelor's degree. Revises residency definition from institutional criteria to as determined by the FAFSA and updates references from the Department of Treasury to MiLEAP.

Sec. 263b. Michigan State University's SEEDSS Initiative – DELETED

Deletes language that allows funds from MSU's AgBioResearch and Extension appropriations to be used for the SEEDSS Initiative (Solving Emerging Environmental Developments and Securing Sustainability), which addresses sustainability issues in Michigan agriculture and educates agricultural workers on improving sustainability.

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

Specifies a \$63,200 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 \$63,200 to \$76,300.

Sec. 270c. Keweenaw Bay Ojibwa Community College North American Indian Tuition Waiver Funding – REVISED

Specifies an \$90,200 pass-through payment from Northern Michigan's North American Indian Tuition Waiver appropriation to Keweenaw Bay Ojibwa Community 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 \$90,200 to \$155,200.

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.

**FY 2024-25 University Operations Appropriations
Executive Recommendation**

University	Total FY 2023-24 Appropriation	FY 2023-24 Indian Tuition Waiver Payment	FY 2023-24 Base Appropriation	Total Ongoing Operations Increase	FY 23 Indian Tuition Waiver Cost	Indian Tuition Waiver Pass-Through Payments	Indian Tuition Waiver Adjustment	Total FY 25 Indian Tuition Waiver Payment	Total FY 2024-25 Appropriation	Percent Change	Change From FY 2023-24 Total
Central	\$95,413,800	\$1,594,200	\$93,819,600	\$2,345,500	\$1,530,500	\$76,300	\$12,600	\$1,606,800	\$97,771,900	2.5%	\$2,358,100
Eastern	83,144,700	406,000	82,738,700	2,068,500	401,200	0	(4,800)	401,200	85,208,400	2.5%	2,063,700
Ferris	59,646,500	714,200	58,932,300	1,473,300	732,100	0	17,900	732,100	61,137,700	2.5%	1,491,200
Grand Valley	97,365,000	1,253,800	96,111,200	2,402,800	1,323,200	0	69,400	1,323,200	99,837,200	2.5%	2,472,200
Lake Superior	15,190,300	938,500	14,251,800	356,300	874,400	0	(64,100)	874,400	15,482,500	1.9%	292,200
Michigan State	318,709,200	1,943,800	316,765,400	7,919,100	2,143,100	0	199,300	2,143,100	326,827,600	2.5%	8,118,400
Michigan Tech	54,525,700	866,900	53,658,800	1,341,500	781,600	0	(85,300)	781,600	55,781,900	2.3%	1,256,200
Northern	53,320,000	1,250,700	52,069,300	1,301,700	1,257,500	155,200	162,000	1,412,700	54,783,700	2.7%	1,463,700
Oakland	72,288,800	331,800	71,957,000	1,798,900	291,200	0	(40,600)	291,200	74,047,100	2.4%	1,758,300
Saginaw Valley	33,894,500	203,900	33,690,600	842,300	198,500	0	(5,400)	198,500	34,731,400	2.5%	836,900
UM-Ann Arbor	356,568,800	1,290,500	355,278,300	8,882,000	1,521,300	0	230,800	1,521,300	365,681,600	2.6%	9,112,800
UM-Dearborn	31,233,500	185,500	31,048,000	776,200	208,800	0	23,300	208,800	32,033,000	2.6%	799,500
UM-Flint	26,404,700	391,200	26,013,500	650,300	291,900	0	(99,300)	291,900	26,955,700	2.1%	551,000
Wayne State	224,354,500	403,600	223,950,900	5,598,800	425,700	0	22,100	425,700	229,975,400	2.5%	5,620,900
Western	119,983,900	543,700	119,440,200	2,986,000	613,600	0	69,900	613,600	123,039,800	2.5%	3,055,900
TOTAL:	\$1,642,043,900	\$12,318,300	\$1,629,725,600	\$40,743,200	\$12,594,600	\$231,500	\$507,800	\$12,826,100	\$1,683,294,900	2.5%	\$41,251,000

Requirements to receive operations increase and FYES Funding Floor for FY 2024-25:

1. Restrain FY 2024-25 resident undergraduate tuition/fee rate increase to 5.0% or \$781 (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, the course location, the course delivery method, or the student enrollment composition within the course.
4. Actively participate in and submit timely updates to the Michigan Transfer Network.