

MEMORANDUM



DATE: September 22, 2015
TO: House Appropriations Subcommittee on Higher Education
FROM: Marilyn Peterson, Senior Fiscal Analyst
RE: FY 2015-16 Public University Performance Funding (Updated)

The FY 2015-16 Higher Education budget, Article III of 2015 PA 85, appropriates a total of \$20.1 million for performance funding¹ increases for the state's 15 public universities. Receipt of performance funding is governed by sections 265 and 265a of the budget (MCL 388.1865 and 388.1865a) and conditioned on compliance with four requirements:

- Restraining resident undergraduate tuition and mandatory fee increases to 3.2% or less, compared to FY 2014-15.
- Participation in reverse transfer agreements with at least three Michigan community colleges (or a good faith effort to enter into such agreements).
- A dual enrollment credit policy that does not consider whether the credits were utilized toward high school graduation requirements in determining acceptance for college credit.
- Participation in the Michigan Transfer Network (and online system that provides transparency regarding course transfer equivalencies among Michigan colleges and universities).

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, and the state budget director has confirmed compliance for all but two universities: Eastern Michigan University and Oakland University, both of which forfeit their FY 2015-16 performance funding due to exceeding the 3.2% cap on tuition and fee increases (the two universities were in compliance with the other performance funding conditions).

Attachment 1 shows university resident undergraduate tuition and fee rates for FY 2015-16 along with comparable figures for FY 2014-15. Eastern Michigan University's tuition/fee increase is 7.78% and Oakland University's increase is 8.48%. Increases for other universities range from 2.60% to 3.20%. The unweighted average increase for all 15 universities is 3.60%; for the 13 fully-compliant universities, the average increase is 2.97%.

¹ Performance funding is allocated according to a formula that distributes 22.2% of the funding based on weighted completions in critical skills areas, 11.2% based on research and development expenditures (for high-research universities), and 66.6% based on comparisons with Carnegie classification peers on four metrics: six-year graduation rate, total degree completions, institutional support as a percentage of core expenditures, and percentage of students receiving federal Pell grants.

Under the terms of the Higher Education budget, when a university fails to qualify for performance funding, its forfeited performance funding is distributed to qualifying public universities in proportion to their appropriated performance funding amounts.² By September 30, the state budget director is to report to the House and Senate appropriations subcommittees on Higher Education regarding any performance funding amounts that are not paid to a public university because it did not comply with one or more of the performance funding requirements, and on any consequent reappropriation of funds.

In a memo dated September 17, 2015, the state budget director notified the subcommittees that neither Eastern nor Oakland would receive FY 2015-16 performance funding, and that their original performance funding allocations would be redistributed proportionately to the other 13 public universities

Attachment 2 shows originally-appropriated performance funding amounts for each university, together with re-allocations of forfeited performance funding. Appropriated performance funding is about \$1.1 million for Eastern and \$1.2 million for Oakland, meaning that about \$2.3 million is being distributed to the remaining 13 universities. Resulting increases range from \$23,800 for Lake Superior State University to \$544,400 for the University of Michigan – Ann Arbor.

Please contact me if you have any questions or would like additional information.

Attachments

c: Mary Ann Cleary, Director
Kyle I. Jen, Deputy Director
Bethany Wicksall, Associate Director

² Section 265a(2) provides that “any performance funding amounts...that are not paid to a public university because it did not comply with 1 or more requirements...are unappropriated and reappropriated for performance funding to those public universities that meet the requirements...distributed in proportion to their performance funding appropriation amounts.”

ATTACHMENT 1

FY 2015-16 Resident Undergraduate Tuition/Fee Rate Increases

University	FY 2014-15 Rates					FY 2015-16 Rates					% Change Avg Rate
	Fresh	Soph	Junior	Senior	Average	Fresh	Soph	Junior	Senior	Average	
Central	\$11,550	\$11,550	\$11,550	\$11,550	\$11,550	\$11,850	\$11,850	\$11,850	\$11,850	\$11,850	2.60
Eastern	9,751	9,663	9,663	9,663	9,685	10,505	10,417	10,417	10,417	10,439	7.78
Ferris	11,190	11,190	11,430	11,430	11,310	11,460	11,460	11,760	11,760	11,610	2.65
Grand Valley	10,752	10,752	11,304	11,304	11,028	11,078	11,078	11,648	11,648	11,363	3.04
Lake Superior	10,498	10,248	10,248	10,248	10,311	10,767	10,517	10,517	10,517	10,580	2.60
Michigan State	13,200	13,200	14,708	14,708	13,954	13,560	13,560	15,105	15,105	14,333	2.71
Michigan Tech*	14,040	14,040	15,840	15,840	14,940	14,286	14,286	16,520	16,520	15,403	3.10
Northern	9,559	9,324	9,324	9,324	9,383	9,860	9,620	9,620	9,620	9,680	3.17
Oakland	10,613	10,613	12,308	12,308	11,460	11,513	11,513	13,350	13,350	12,431	8.48
Saginaw Valley	8,691	8,691	8,691	8,691	8,691	8,969	8,969	8,969	8,969	8,969	3.19
UM-Ann Arbor*	13,486	13,486	15,186	15,186	14,336	13,856	13,856	15,602	15,602	14,729	2.74
UM-Dearborn*	11,200	11,200	11,470	11,470	11,335	11,562	11,562	11,832	11,832	11,697	3.19
UM-Flint	10,138	10,138	10,270	10,270	10,204	10,458	10,458	10,596	10,596	10,527	3.17
Wayne State	11,448	11,448	13,251	13,251	12,350	11,814	11,814	13,676	13,676	12,745	3.20
Western	10,985	10,685	11,711	11,711	11,273	11,329	11,029	12,087	12,087	11,633	3.19
Unweighted Avg.	\$11,140	\$11,082	\$11,797	\$11,797	\$11,454	\$11,524	\$11,466	\$12,237	\$12,237	\$11,866	3.60

General Note: 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.

*University-Specific Notes

Lake Superior: FY 2014-15 rates are adjusted consistent with FY 2015-16 total charges that include fees paid by all incoming freshmen and transfer students.

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

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ATTACHMENT 2

FY 2015-16 Public University Appropriations and Performance Funding Adjustments

	FY 2014-15 Appropriation¹	Originally- Appropriated Performance Funding	Originally- Enacted Total Appropriation	Percent Change from FY 2014-15	Performance Funding Adjustments²	Adjusted Performance Funding	New Total Appropriation	Percent Change from FY 2014-15
Central	\$79,164,800	\$1,739,600	\$80,904,400	2.2%	\$222,700	\$1,962,300	\$81,127,100	2.5%
Eastern	71,782,500	1,052,800	72,835,300	1.5%	(1,052,800)	0	71,782,500	0.0%
Ferris	49,119,100	1,108,700	50,227,800	2.3%	142,000	1,250,700	50,369,800	2.5%
Grand Valley	63,156,500	1,878,700	65,035,200	3.0%	240,500	2,119,200	65,275,700	3.4%
Lake Superior	12,997,500	186,100	13,183,600	1.4%	23,800	209,900	13,207,400	1.6%
Michigan State	264,437,900	3,841,000	268,278,900	1.5%	491,800	4,332,800	268,770,700	1.6%
Michigan Tech	45,938,000	724,000	46,662,000	1.6%	92,700	816,700	46,754,700	1.8%
Northern	44,338,300	682,100	45,020,400	1.5%	87,300	769,400	45,107,700	1.7%
Oakland	48,371,900	1,228,400	49,600,300	2.5%	(1,228,400)	0	48,371,900	0.0%
Saginaw Valley	27,621,600	496,100	28,117,700	1.8%	63,500	559,600	28,181,200	2.0%
UM-Ann Arbor	295,178,500	4,252,100	299,430,600	1.4%	544,400	4,796,500	299,975,000	1.6%
UM-Dearborn	23,701,000	294,400	23,995,400	1.2%	37,700	332,100	24,033,100	1.4%
UM-Flint	21,359,600	404,100	21,763,700	1.9%	51,700	455,800	21,815,400	2.1%
Wayne State	190,529,900	816,800	191,346,700	0.4%	104,600	921,400	191,451,300	0.5%
Western	102,761,100	1,394,500	104,155,600	1.4%	178,500	1,573,000	104,334,100	1.5%
Totals	\$1,340,458,200	\$20,099,400	\$1,360,557,600	1.5%	\$0	\$20,099,400	\$1,360,557,600	1.5%

Notes:

1. Includes distribution of \$500,000 appropriation for Indian tuition waivers

2. Redistribution of \$2,281,200 of performance funding forfeited by Eastern and Oakland universities due to tuition/fee increases in excess of 3.2% limit.

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