

Higher Education
CARES Act Maintenance-of-Effort

February 11, 2021



Background

In late March of 2020, Congress passed the CARES Act which included Education Stabilization Funds for states. This program consisted of funds allocated to support K-12 districts known as the Elementary and Secondary School Emergency Relief Fund (ESSER), funds allocated directly to colleges and universities known as the Higher Education Emergency Relief Fund (HEERF), and funds allocated to each State to be appropriated under the discretion of the Governor known as the Governor’s Emergency Education Relief Fund (GEER).

In order to receive the ESSER and GEER funding, the State was required to submit an application to the U.S. Department of Education which included assurances that the State would maintain funding support for K-12 and higher education and new federal funds would supplement state funding.

Baseline Maintenance of Effort (MOE)

Michigan’s baseline MOE estimates were due to the U.S. Department of Education by September 1, 2020. The chart below shows Michigan’s baseline MOE on a per FTE basis is \$4,811. State support for higher education in fiscal years 2020 and 2021 must be greater than or equal to that baseline. This requirement may be waived for States experiencing “precipitous decline in financial resources.” If the State fails to meet MOE and does not receive a waiver, the federal government may ask for the return of all ESSER and GEER funds.

Timeline of Events:

- **March 27, 2020:** CARES Act is signed into law.
- **May 15, 2020:** Consensus Revenue Estimating Conference (CREC) reveals an anticipated \$2 billion revenue shortfall for fiscal year 2020, which is only expected to grow in FY 2021.
- **August 6, 2020:** P.A. 146 of 2020 is signed into law balancing the FY 2020 budget. Virtually all areas of state spending are reduced. Reductions include an 11% (\$200m) reduction to higher education operations. A like amount of federal CRF funds are appropriated to assist with pandemic response.
- **August 24, 2020:** A special August CREC is held which reveals much higher than anticipated revenue projections just in time to negotiate the fiscal year 2021 budget.
- **September 30, 2020:** Governor signs the fiscal year 2021 budget. Due to increased revenues, operations funding for universities and community colleges is restored to pre-reduction levels.

As the timeline above demonstrates, the State had demonstrated precipitous decline in revenues and responded quickly to balance the fiscal year 2020 budget. Only after these measures were taken did the budget outlook improve. The fiscal year 2021 budget reversed the reductions to higher education funding.

Issue

Michigan’s fiscal year 2020 MOE estimate of \$4,627 is below the required level. Additional state funding of approximately \$70 million is needed to meet the MOE requirements for higher education. The fiscal year 2020 final revenues were not known until the January 2021 CREC, at which point it was too late to appropriate additional funding in fiscal year 2020.

Higher Education	FY17	FY18	FY19	3-Year Average (MOE Required)	FY20
Total State Support for Higher Education	\$1,782,689,693	\$1,820,194,859	\$1,857,931,985	\$1,820,272,179	\$1,681,811,963
Total FTE	384,486	378,177	372,430	378,364	\$ 363,473
Total State Support per FTE	\$ 4,637	\$ 4,813	\$ 4,989	\$ 4,811	\$ 4,627