

**Summary: Executive Budget Recommendation
for Fiscal Year 2016-17
HIGHER EDUCATION**



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	FY 2015-16 Year-to-Date as of 2/10/16	FY 2016-17 Executive	Difference: FY 2016-17 Vs. FY 2015-16	
			Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal	97,026,400	99,026,400	2,000,000	2.1
Local	0	0	0	--
Private	0	0	0	--
Restricted	205,279,500	237,209,500	31,930,000	15.6
GF/GP	1,232,418,500	1,262,418,500	30,000,000	2.4
Gross	\$1,534,724,400	\$1,598,654,400	\$63,930,000	4.2
FTEs	0.0	0.0	0.0	--

Notes: (1) FY 2015-16 year-to-date figures include mid-year budget adjustments through February 10, 2016. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

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.

Major Budget Changes From FY 2015-16 Year-to-Date (YTD) Appropriations	FY 2015-16 YTD (as of 2/10/16)	Executive Change from YTD
1. University Operations	Gross \$1,360,557,600	\$59,787,400
Increases university operations funding by \$59.8 million (\$31.2 million School Aid Fund, \$28.6 million GF/GP), a 4.4% increase that brings total support to FY 2010-11's level of \$1.4 billion. Increase to be distributed under performance funding formula revised to reinstate a component that distributes 50% of the increase based on each university's share of operational funding appropriated in the baseline year of FY 2010-11. Percentages applying to other formula components (weighted completions, research and development, and comparisons to Carnegie peers) thus would be halved. Receipt of performance funding would be conditioned on restraining resident undergraduate tuition/fee increases to 4.8% (set at 3.2% in the current year). Projected funding increases for individual universities range from 3.5% to 6.8%.	Restricted 200,019,500	31,200,000
	GF/GP \$1,160,538,100	\$28,587,400
2. MSU AgBioResearch and MSU Extension	Gross \$60,503,100	\$1,412,600
Provides increases for Michigan State's AgBioResearch and Extension programs, bringing funding for each to FY 2010-11 levels. AgBioResearch with 2.3% (\$734,000 GF/GP) increase, bringing funding to \$33.2 million; Extension with 2.4% (\$677,800 GF/GP) increase, bringing funding to \$28.7 million.	GF/GP \$60,503,100	\$1,412,600
3. Michigan Public School Employees' Retirement System (MPSERS)	Gross \$5,160,000	\$730,000
Assumes enactment of a cap of 25.73% of payroll on university payments for unfunded accrued liability under MPSERS. Executive provides \$5.8 million in School Aid Fund (SAF) revenues to pay the difference between the 25.73% cap and universities' unfunded accrued liability. This would affect the seven universities with MPSERS employees: Central, Eastern, Ferris, Lake Superior State, Michigan Tech, Northern, and Western. Current-year funding is \$5.2 million, which also assumes enactment of the 25.73% cap.	Restricted 5,160,000	730,000

<u>Major Budget Changes From FY 2015-16 Year-to-Date (YTD) Appropriations</u>	FY 2015-16 YTD (as of 2/10/16)		Executive Change from YTD
4. Tuition Incentive Program	Gross	\$48,500,000	\$2,000,000
Adds \$2.0 million federal TANF funds for Tuition Incentive Program, which pays associate's degree tuition for Medicaid-eligible students completing high school, and provides tuition assistance of up to \$2,000 for participants continuing on with a baccalaureate. Total funding would be \$50.5 million (\$45.8 million TANF, \$4.7 million GF/GP). FY 2014-15 expenditures were \$49.4 million, and the Executive also is seeking a \$2.0 million FY 2015-16 supplemental appropriation for the program, which would bring current-year funding to \$50.5 million. Executive also establishes annual cap of \$8.5 million on awards at any one institution (affects Ferris State University).	Federal	43,800,000	2,000,000
	GF/GP	\$4,700,000	\$0

Major Boilerplate Changes From FY 2015-16

GENERAL SECTIONS

Sec. 236a. Intent Regarding Succeeding Fiscal Year – DELETED

Executive replaces Sec. 236a, which expresses legislative intent to maintain appropriations, with a new Article IV containing an itemized summary of appropriations for FY 2016-17 and anticipated appropriations for FY 2017-18, with the only FY 2017-18 change being an additional \$200,000 in funding for MPERS unfunded accrued liabilities in excess of the proposed 25.73% employer cap.

Sec. 236c. State Building Authority Rent Payments – REVISED

Itemizes estimated SBA rent payments to be made under the DTMB budget for university capital outlay projects. Current-year payments total an estimated \$136.0 million, updated to \$145.0 million for FY 2016-17.

Sec. 239a. Foreign Vehicles – DELETED

States intent that funds appropriated to universities not be used to purchase vehicles assembled outside the United States.

Sec. 242. Federal or Private Funds – REVISED

Appropriates federal or private funds received by the state for use by a college or university. Executive deletes language specifying that acceptance of funds does not place an ongoing obligation on the legislature.

Sec. 245. University Transparency – REVISED

Requires universities to post various budget, compensation, financial, and performance data, as well as transfer policies, on its website, using a standard format. Executive deletes requirement that state budget director determine compliance and language granting authority to withhold payments for a university not in compliance.

GRANTS AND FINANCIAL AID

Sec. 252. Tuition Grant Program – REVISED

Establishes conditions for the Tuition Grant Program, which provides need-based tuition assistance at Michigan independent (i.e., private, nonprofit) colleges and universities. Executive:

- Deletes requirement for unexpended funds to continue to be available in the next fiscal year; unexpended funds thus would lapse to the General Fund.
- Reduces annual cap on awards at any one institution from the current \$3.2 million to \$3.0 million.
- Moves application deadline from July 1 to March 1.

Sec. 254. Financial Aid Payment Schedule – REVISED

Specifies quarterly payment schedule for financial aid programs: 50%, 30%, 10%, 10%. Executive recommends a revised quarterly payment schedule for the Tuition Incentive Program in which payments are completed in the first three quarters: 55%, 40%, 5%.

Sec. 256. Tuition Incentive Program – REVISED

Provides for the tuition incentive program, which pays associate's degree tuition for Medicaid-eligible students completing high school, and provides tuition assistance of up to \$2,000 for participants continuing on with a baccalaureate. Executive establishes annual limit of \$8.5 million in awards at any one college or university, beginning in FY 2017-18, a change that currently would affect only Ferris State University.

UNIVERSITY OPERATIONS

Sec. 261. Douglas Lake Biological Station – DELETED

Designates University of Michigan Douglas lake Biological Station as a unique resource.

Major Boilerplate Changes From FY 2015-16

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

Conditions receipt of performance funding in part on compliance with tuition restraint requirements that limit allowable resident undergraduate tuition/fee increases to 3.2% over the prior year. Executive increases the limit to 4.8%, deletes language that in part defines "fee" to include the cost of a university-affiliated health insurance policy for a university that compels resident undergraduate students to have health insurance coverage as a condition of enrollment, and clarifies various terms consistent with usage.

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

Conditions receipt of performance funding on:

- Compliance with tuition restraint provisions.
- Certification that university participates in reverse transfer agreements with at least three Michigan community colleges, or has made a good faith effort to do so. Executive deletes language regarding good faith effort.
- Certification that dual enrollment policy does not consider use of credits toward high school graduation requirements.
- Participation in Michigan Transfer Network; Executive revises to specify active participation, including submission of timely updates.

Establishes process for universities to certify compliance with all requirements. Provides for performance funding forfeited due to noncompliance to be redistributed to other universities based on their performance funding appropriations.

Sets the formula used to distribute performance funding, currently distributed as follows:

- 22.2% based on weighted undergraduate completions in critical skills areas.
- 11.1% based on research and development expenditures (for high-research universities)
- 66.7% based on comparisons with Carnegie classification peers (or improvement) on four metrics: six-year graduation rate, total degree completions, institutional support as a percentage of core expenditures, and percentage of students receiving Pell grants.

Executive reinstates a component that distributes 50% of performance funding proportional to each university's share of total operations funding in the baseline year of FY 2010-11, thereby halving the percentages applying to the remaining three components. Executive also deletes statement of intent to lower score for three-year improvement from 2 points to 1 point.

Sec. 268. Indian Tuition Waivers – REVISED

Executive deletes language expressing legislative intent for universities to allocate Indian Tuition Waiver costs from the general fund, and states that a report required from the Department of Civil Rights is to include specified information from each "public university," rather than "postsecondary institution."

Sec. 271a. Instructional Activity Pertaining to Unionization – DELETED

States intent that public universities not use appropriations to offer instructional activity that targets companies or groups of companies for unionization or decertification of a union. Executive deletes.

Sec. 274. Embryonic Stem Cell Research – DELETED

States intent that organizations conducting research using human embryonic stem cells report to the Department of Health and Human Services regarding compliance with federal guidelines and stem cell lines derived by university. Executive deletes.

Sec. 275. Veterans' Policies and Reports – REVISED

States legislative intent for universities to provide various veterans-related services and requires certain reports. Executive replaces intent statement with statement that universities "are encouraged" to provide services, and deletes report requirement pertaining to participation in the yellow ribbon GI education enhancement program.

Sec. 275a. Capital Outlay Requirements – DELETED

Prohibits use of state funds for self-liquidating projects; requires compliance with Joint Capital Outlay Subcommittee reporting requirements, with specified penalty of 1.0% of appropriation for failure to comply. Executive deletes.

Sec. 293. Student Records – DELETED

Requires universities to provide information from the records of a student to persons authorized by the student. Executive deletes.

Supplemental Recommendations for FY 2015-16 Appropriations

FY 2015-16 Recommendation

1. Tuition Incentive Program

Provides additional \$2.0 million in federal TANF funds to meet anticipated costs of Tuition Incentive Program, increasing total appropriation to \$50.5 million (\$4.7 million GP).

Gross	\$2,000,000
Federal	\$2,000,000

FY 2016-17 University Performance Funding Increases Executive Budget Recommendation

University	Proportional to FY 2010-11		Performance Funding Proportional to Share of Total				Performance Funding Scored vs. National Carnegie Peers								*Total Performance Funding Increase	Proposed FY 2016-17 Appropriation	Percent Change	
	% of formula:	50.0%	11.1%		5.6%		33.3%											
	Funding per unit:	\$0.0210 per dollar	\$410.24 per completion		\$0.0026 per dollar		\$13.25 per weighted point											
FY 2015-16 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 Undergrad Points	Total FY 2015 FYES	FYES-Weighted Points	Funding				
Michigan State	\$268,770,700	\$283,685,200	\$5,970,663	2,767	\$1,135,139	\$311,961,002	\$822,172	2	3	0	0	5	36,653	183,265	\$2,427,490	\$10,355,500	\$279,126,200	3.9%
UM-Ann Arbor	299,975,000	\$316,254,500	6,656,142	2,971	1,218,828	\$704,342,000	1,856,291	3	3	2	0	8	28,192	225,533	2,987,358	12,718,500	312,693,500	4.2%
Wayne State	191,451,300	\$214,171,400	4,507,620	885	363,064	\$150,737,120	397,267	2	2	0	3	7	14,706	102,943	1,363,567	6,631,500	198,082,800	3.5%
Michigan Tech	46,754,700	\$47,924,200	1,008,651	902	370,038	\$51,389,065	135,436	3	2	2	0	7	5,432	38,023	503,648	2,017,800	48,772,500	4.3%
Western	104,334,100	\$109,615,100	2,307,046	1,089	446,753	\$18,997,041	50,067	2	2	0	3	7	16,870	118,087	1,564,149	4,368,000	108,702,100	4.2%
Central	81,127,100	\$80,132,000	1,686,521	861	353,218	\$13,794,808	36,356	3	3	3	0	9	17,859	160,731	2,129,009	4,205,100	85,332,200	5.2%
Oakland	48,371,900	\$50,761,300	1,068,362	1,119	459,061	\$9,080,916	23,933	2	3	2	0	7	14,851	103,957	1,376,993	2,928,300	51,300,200	6.1%
Eastern	71,782,500	\$76,026,200	1,600,107	817	335,167			0	3	2	2	7	14,966	104,759	1,387,614	3,322,900	75,105,400	4.6%
Ferris	50,369,800	\$48,619,200	1,023,278	1,305	535,365			2	3	2	2	9	10,750	96,750	1,281,530	2,840,200	53,210,000	5.6%
Grand Valley	65,275,700	\$61,976,400	1,304,404	1,281	525,520			3	3	2	2	10	19,677	196,767	2,606,335	4,436,300	69,712,000	6.8%
Saginaw Valley	28,181,200	\$27,720,700	583,432	463	189,942			0	2	2	2	6	7,906	47,434	628,304	1,401,700	29,582,900	5.0%
UM-Dearborn	24,033,100	\$24,726,200	520,407	435	178,455			2	2	0	2	6	5,770	34,620	458,569	1,157,400	25,190,500	4.8%
UM-Flint	21,815,400	\$20,898,000	439,836	558	228,915			0	2	2	2	6	5,462	32,775	434,126	1,102,900	22,918,300	5.1%
Northern	45,107,700	\$45,140,300	950,058	550	225,633			2	2	2	0	6	7,356	44,136	584,616	1,760,300	46,868,000	3.9%
Lake Superior	13,207,400	\$12,694,200	267,172	190	77,946			2	3	0	2	7	2,112	14,784	195,826	541,000	13,748,400	4.1%
TOTAL:	\$1,360,557,600	\$1,420,344,900	\$29,893,700	16,193	\$6,643,044	\$1,260,301,952	\$3,321,522	28	38	21	20	107	208,561	1,504,563	\$19,929,133	\$59,787,400	\$1,420,345,000	4.4%

Funding Increase: \$59,787,400
Percent Increase: 4.4%

Component	Source	Years	Notes
Critical skills undergrad completions	State HEIDI	FYs 2014-2015	STEM/health/etc.
Research & develop expends	Federal IPEDS	FY 2014	Carnegie research universities only
Six-year graduation rate	Federal IPEDS^	FYs 2010-2013	First-time, full-time degree seeking students
Total degree completions	Federal IPEDS^	FYs 2010-2013	Includes graduate degrees
Inst support as % of core expends	Federal IPEDS^	FYs 2010-2013	Measure of administrative costs
Pell grant students	Federal IPEDS^	FYs 2011-2013	Federal need-based aid for undergrads
Undergrad FYES	State HEIDI	FY 2015	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 2016-17 resident undergraduate tuition/fee rate increase to 4.8% or below
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