

FY 2016-17: HIGHER EDUCATION
Summary: as Reported by the House Subcommittee
House Bill 5280 (H-1) Draft 2



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| | FY 2015-16 YTD as of 2/10/16 | FY 2016-17 Executive | FY 2016-17 House | FY 2016-17 Senate | FY 2016-17 Enacted | <i>Difference: House From FY 2015-16 YTD</i> | |
|-------------------|---------------------------------|-------------------------|------------------------|----------------------|-----------------------|--------------------------------------------------|------------|
| | | | | | | Amount | % |
| IDG/IDT | \$0 | \$0 | \$0 | | | \$0 | -- |
| Federal | 97,026,400 | 99,026,400 | 99,026,400 | | | 2,000,000 | 2.1 |
| Local | 0 | 0 | 0 | | | 0 | -- |
| Private | 0 | 0 | 0 | | | 0 | -- |
| Restricted | 205,279,500 | 237,209,500 | 237,209,600 | | | 31,930,100 | 15.6 |
| GF/GP | 1,232,418,500 | 1,262,418,500 | 1,250,047,300 | | | 17,628,800 | 1.4 |
| Gross | \$1,534,724,400 | \$1,598,654,400 | \$1,586,283,300 | | | \$51,558,900 | 3.4 |
| FTEs | 0.0 | 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 YTD Appropriations

1. University Operations

Executive 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 distributed under a revised performance funding formula that reinstates 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 are thus halved; those other components are weighted completions, research and development expenditures, and comparisons to Carnegie peers, the latter of which includes four metrics. 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%.

| | FY 2015-16 Year-to-Date (as of 2/10/16) | FY 2016-17 House Change |
|--------------|-----------------------------------------------|-------------------------------|
| Gross | \$1,360,557,600 | \$46,259,000 |
| Restricted | 200,019,500 | 31,200,000 |
| GF/GP | \$1,160,538,100 | \$15,059,000 |

House increases university operations funding by 3.4% or \$46.3 million, a reduction of \$13.5 million GF/GP from the Executive. House concurs with Executive's reinstatement of a performance funding formula 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. House further revises formula to incorporate a fifth Carnegie metric: whether the university received a 2010 or 2015 Community Engagement classification. House conditions performance funding on restraining resident undergraduate tuition/fee increases to 4.8% or \$500, whichever was more. Projected funding increases for universities range from 2.8% to 4.7%.

| Major Budget Changes From FY 2015-16 YTD Appropriations | | FY 2015-16 Year-to-Date (as of 2/10/16) | FY 2016-17 House Change |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------------------------------------------------|----------------------------------------|
| 2. MSU AgBioResearch and MSU Extension | Gross | \$60,503,100 | \$1,412,600 |
| <u>Executive</u> 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 |
| <u>House</u> concurs. | | | |
| 3. Michigan Public School Employees' Retirement System (MPSERS) | Gross | \$5,160,000 | \$730,000 |
| <u>Executive</u> assumes enactment of a cap of 25.73% of payroll on university payments for unfunded accrued liability under MPSERS. <u>Executive</u> 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 25.73% cap. | Restricted | \$5,160,000 | \$730,000 |
| <u>House</u> concurs. | | | |
| 4. Tuition Incentive Program | Gross | \$48,500,000 | \$2,000,000 |
| <u>Executive</u> 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 <u>Executive</u> also seeks a \$2.0 million FY 2015-16 supplemental appropriation for the program, which would bring current-year funding to \$50.5 million. <u>Executive</u> also proposes annual cap of \$8.5 million on total awards at any one college or university (affects Ferris State University). | Federal | 43,800,000 | 2,000,000 |
| <u>House</u> concurs in funding increase, but does not include cap on total awards at any one institution. | GF/GP | \$4,700,000 | \$0 |
| 5. Tuition Grant Program | Gross | \$34,035,500 | \$1,157,200 |
| <u>House</u> increases funding by \$1.2 million GF/GP, a 3.4% increase for this financial aid program for students at independent colleges and universities. | Federal | 31,664,700 | 0 |
| | GF/GP | \$2,370,800 | \$1,157,200 |
| 6. Indian Tuition Waiver Program | Gross | N/A | \$100 |
| <u>House</u> provides a \$100 placeholder, funded with School Aid Fund revenues, for potential funding to offset some portion of the gap between Indian Tuition Waiver funding previously rolled into university appropriations and actual costs. | Restricted | N/A | \$100 |

Major Boilerplate Changes From FY 2015-16

GENERAL SECTIONS

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

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 for FY 2017-18, with the only FY 2017-18 change being an additional \$200,000 in funding for MPSERS unfunded accrued liabilities in excess of the proposed 25.73% employer cap. House retains current-year language.

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

Executive 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. House concurs.

Sec. 239a. Foreign Vehicles – RETAINED

States intent that funds appropriated to universities not be used to purchase vehicles assembled outside the United States. Executive deletes, House retains.

Sec. 242. Federal or Private Funds – RETAINED

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; House retains this language.

Major Boilerplate Changes From FY 2015-16

Sec. 245. University Transparency – RETAINED

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; House retains this language.

GRANTS AND FINANCIAL AID

Sec. 252. Tuition Grant Program – RETAINED

Establishes conditions for the Tuition Grant Program, which provides need-based tuition assistance at Michigan independent (i.e., private and 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. House does not concur.
- Executive reduces annual cap on awards at any one institution from the current \$3.2 million to \$3.0 million. House does not concur.
- Executive moves application deadline from July 1 to March 1. House does not concur.

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%. House concurs.

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 proposes 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. House does not include this cap.

UNIVERSITY OPERATIONS

Sec. 261. Douglas Lake Biological Station – RETAINED

Designates University of Michigan Douglas lake Biological Station as a unique resource. Executive deletes, House retains.

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%. House sets the tuition restraint limit at 4.8% or \$500, whichever is more.
- Executive 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. House retains this language.
- Executive clarifies various terms consistent with usage. House concurs.

Major Boilerplate Changes From FY 2015-16

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. House concurs.
- 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. House concurs.

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. House concurs.

Executive also deletes statement of intent to lower score for three-year improvement from 2 points to 1 point. House concurs.

House further revises formula to include a fifth Carnegie metric: whether a university received a Carnegie Community Engagement classification in 2010 or 2015. This metric is scored at 3 points. Eight universities have this classification: Eastern, Michigan State, Northern, Saginaw Valley, UM-Flint, UM-Dearborn, Wayne State, and Western.

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."

House retains statement of legislative intent regarding allocation of Indian Tuition Waiver costs, and revises and clarifies reporting requirements to include university data on number of undergraduate and graduate waiver students, costs of waivers, and degree and certification completion, by degree or certificate level. In conjunction with providing a \$100 placeholder for potential funding, House also includes language providing for distribution of Indian Tuition Waiver appropriations.

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

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; House retains.

Sec. 274. Embryonic Stem Cell Research – RETAINED

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; House retains.

Sec. 275. Veterans' Policies and Reports – RETAINED

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. House retains current law.

Sec. 275a. Capital Outlay Requirements – RETAINED

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; House retains.

Sec. 293. Student Records – DELETED

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

**FY 2016-17 Performance Funding Increases
HB 5280 (H-1) Draft 2 - As Reported from House Subcommittee**

3.4% Increase; Distribute 50% Proportional to FY 2010-11 Appropriations; Include Community Engagement Metric

| 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: | \$0.0163 per dollar | \$317.41 per completion | | \$0.0020 per dollar | | \$8.41 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 | Carnegie Commt. Engagemt. Institutn. | Total Points | Total FY 2015 Undergrad FYES | FYES-Weighted Points | Funding | | | | |
| Michigan State | \$268,770,700 | \$283,685,200 | \$4,619,650 | 2,767 | \$878,285 | \$311,961,002 | \$636,135 | 2 | 3 | 0 | 0 | 3 | 8 | 36,653 | 293,224 | \$2,465,830 | \$8,599,900 | \$277,370,600 | 3.2% |
| UM-Ann Arbor | 299,975,000 | \$316,254,500 | 5,150,023 | 2,971 | 943,038 | \$704,342,000 | 1,436,259 | 3 | 3 | 2 | 0 | 0 | 8 | 28,192 | 225,533 | 1,896,588 | 9,425,900 | 309,400,900 | 3.1% |
| Wayne State | 191,451,300 | \$214,171,400 | 3,487,658 | 885 | 280,912 | \$150,737,120 | 307,376 | 2 | 2 | 0 | 3 | 3 | 10 | 14,706 | 147,062 | 1,236,699 | 5,312,600 | 196,763,900 | 2.8% |
| Michigan Tech | 46,754,700 | \$47,924,200 | 780,418 | 902 | 286,308 | \$51,389,065 | 104,790 | 3 | 2 | 2 | 0 | 0 | 7 | 5,432 | 38,023 | 319,752 | 1,491,300 | 48,246,000 | 3.2% |
| Western | 104,334,100 | \$109,615,100 | 1,785,019 | 1,089 | 345,664 | \$18,997,041 | 38,738 | 2 | 2 | 0 | 3 | 3 | 10 | 16,870 | 168,695 | 1,418,619 | 3,588,000 | 107,922,100 | 3.4% |
| Central | 81,127,100 | \$80,132,000 | 1,304,904 | 861 | 273,294 | \$13,794,808 | 28,130 | 3 | 3 | 3 | 0 | 0 | 9 | 17,859 | 160,731 | 1,351,647 | 2,958,000 | 84,085,100 | 3.6% |
| Oakland | 48,371,900 | \$50,761,300 | 826,619 | 1,119 | 355,187 | \$9,080,916 | 18,517 | 2 | 3 | 2 | 0 | 0 | 7 | 14,851 | 103,957 | 874,213 | 2,074,500 | 50,446,400 | 4.3% |
| Eastern | 71,782,500 | \$76,026,200 | 1,238,043 | 817 | 259,327 | | | 0 | 3 | 2 | 2 | 3 | 10 | 14,966 | 149,656 | 1,258,509 | 2,755,900 | 74,538,400 | 3.8% |
| Ferris | 50,369,800 | \$48,619,200 | 791,736 | 1,305 | 414,226 | | | 2 | 3 | 2 | 2 | 0 | 9 | 10,750 | 96,750 | 813,607 | 2,019,600 | 52,389,400 | 4.0% |
| Grand Valley | 65,275,700 | \$61,976,400 | 1,009,250 | 1,281 | 406,608 | | | 3 | 3 | 2 | 2 | 0 | 10 | 19,677 | 196,767 | 1,654,687 | 3,070,500 | 68,346,200 | 4.7% |
| Saginaw Valley | 28,181,200 | \$27,720,700 | 451,416 | 463 | 146,963 | | | 0 | 2 | 2 | 2 | 3 | 9 | 7,906 | 71,151 | 598,338 | 1,196,700 | 29,377,900 | 4.2% |
| UM-Dearborn | 24,033,100 | \$24,726,200 | 402,652 | 435 | 138,075 | | | 2 | 2 | 0 | 2 | 3 | 9 | 5,770 | 51,930 | 436,699 | 977,400 | 25,010,500 | 4.1% |
| UM-Flint | 21,815,400 | \$20,898,000 | 340,312 | 558 | 177,117 | | | 0 | 2 | 2 | 2 | 3 | 9 | 5,462 | 49,162 | 413,421 | 930,900 | 22,746,300 | 4.3% |
| Northern | 45,107,700 | \$45,140,300 | 735,084 | 550 | 174,578 | | | 2 | 2 | 2 | 0 | 3 | 9 | 7,356 | 66,204 | 556,734 | 1,466,400 | 46,574,100 | 3.3% |
| Lake Superior | 13,207,400 | \$12,694,200 | 206,718 | 190 | 60,309 | | | 2 | 3 | 0 | 2 | 0 | 7 | 2,112 | 14,784 | 124,324 | 391,400 | 13,598,800 | 3.0% |
| TOTAL: | \$1,360,557,600 | \$1,420,344,900 | \$23,129,500 | 16,193 | \$5,139,889 | \$1,260,301,952 | \$2,569,944 | 28 | 38 | 21 | 20 | 24 | 131 | 208,561 | 1,833,629 | \$15,419,667 | \$46,259,000 | \$1,406,816,600 | 3.4% |

Funding Increase: \$46,259,000
Percent Increase: 3.4%

| 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 |
| Community Engagement classif. | Carnegie Foundatn. | 2010, 2015 | Community partnerships and commitments |
| Undergrad FYES | State HEIDI | FY 2015 | Includes nonresident students |

^ via Business Leaders for Michigan and Anderson Economic Group

| Scoring Based on Carnegie Classifications | |
|---------------------------------------------------|---|
| Top 20% nationally | 3 |
| Above national median | 2 |
| Improving over 3 years | 2 |
| Community Engagement classification, 2010 or 2015 | 3 |

***Requirements to receive funding increase:**

1. Restrain FY 2016-17 resident undergraduate tuition/fee rate increase to 4.8% or \$500, whichever is more
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