

FY 2017-18 EDUCATION OMNIBUS BUDGET
Summary: As Reported by House Appropriations Committee
House Bill 4313 (H-1)



Mary Ann Cleary, Director

TOTAL APPROPRIATIONS BY BUDGET AREA

Budget Area (Bill Page) [Summary Page]	FY 2017-18		
	Gross	SAF	GF/GP
School Aid (3) [2]	\$14,309,450,700	\$12,296,507,100	\$215,000,000
Community College (267) [13]	395,142,600	395,142,600	0
Higher Education (292) [16]	1,619,624,400	235,643,500	1,272,354,500
TOTAL	\$16,324,217,700	\$12,927,293,200	\$1,487,354,500

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

FY 2017-18: SCHOOL AID
Summary: As Reported by House Appropriations Committee
Article I, House Bill 4313 (H-1)



Analysts: Bethany Wicksall
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	FY 2016-17 YTD as of 2/8/17	FY 2017-18 Executive	FY 2017-18 House	FY 2017-18 Senate	FY 2017-18 Enacted	Difference: House From FY 2016-17 YTD	
						Amount	%
IDG/IDT	\$0	\$0	\$0			\$0	--
Federal	1,818,632,700	1,726,943,500	1,726,943,500			(91,689,200)	(5.0)
Local	0	0	0			0	--
Private	0	0	0			0	--
Restricted	12,124,309,400	12,360,145,300	12,367,507,200			243,197,800	2.0
GF/GP	218,900,000	215,000,000	215,000,000			(3,900,000)	(1.8)
Gross	\$14,161,842,100	\$14,302,088,800	\$14,309,450,700			\$147,608,600	1.0

Notes: (1) FY 2016-17 year-to-date figures include mid-year budget adjustments through February 8, 2017. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Overview

The School Aid budget makes appropriations to the state's 536 local school districts, 300 public school academies, the Education Achievement System, and 56 intermediate school districts (ISDs) for operations and certain categorical programs. It also appropriates funds to the Center for Educational Performance and Information, the Workforce Development Agency, and other entities to implement certain grants and other programs related to K-12 education.

Major Budget Changes From FY 2016-17 YTD Appropriations	FY 2016-17 Year-to-Date (as of 2/8/17)	FY 2017-18 House Change
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1. Foundation Allowance – Increase (Secs. 22a and 22b)

Executive increases foundation allowances from \$50 to \$100 using the 2x formula at a cost of \$128.0 million. The minimum foundation allowance would increase from \$7,511 to \$7,611, and the state maximum guaranteed foundation allowance would increase from \$8,229 to \$8,279.

House increases foundation allowances by \$100 per pupil across the board at a cost of \$143.0 million. The minimum foundation allowance would increase from \$7,511 to \$7,611, and the state maximum guaranteed foundation allowance would increase from \$8,229 to \$8,329.

Gross	\$9,105,000,000	\$143,000,000
Restricted	8,932,597,200	143,000,000
GF/GP	\$172,402,800	\$0

2. Foundation Allowance – Cost Revisions (Secs. 22a and 22b)

Executive reduces the state share of foundation allowance costs to reflect estimated increases in the local share due to increased taxable values and estimated decreases in pupils.

House concurs with Executive.

Gross	\$9,105,000,000	(\$45,000,000)
Restricted	8,932,597,200	(45,000,000)
GF/GP	\$172,402,800	\$0

3. Foundation Allowance – Cyber Schools (Secs. 22a and 22b)

Executive reduces foundation allowances of cyber schools to 80% of the minimum foundation allowance after the school's first year of operation for a savings of \$16.0 million.

House keeps cyber school foundations at 100% of the minimum foundation allowance.

Gross	\$80,000,000	\$0
Restricted	80,000,000	0
GF/GP	\$0	\$0

4. Shared-time Instruction for Nonpublic and Homeschool Pupils (Sec. 23f)

Executive revises state support for shared-time instruction programs where districts provide nonessential courses to nonpublic and home-schooled students from a per pupil foundation allowance to a categorical funding program. Caps total funding at \$60.0 million which is estimated to be a \$55.0 million reduction from current-year shared-time costs. Districts would receive prorated funding if total funding requests exceeded the appropriation.

House maintains current law and funds shared-time instruction through the foundation allowance.

Gross	\$115,000,000	\$0
Restricted	115,000,000	0
GF/GP	\$0	\$0

Major Budget Changes From FY 2016-17 YTD Appropriations		FY 2016-17 Year-to-Date (as of 2/8/17)	FY 2017-18 House Change
5. At-Risk (Sec. 31a)		Gross	\$378,988,200
<u>Executive</u> increases by \$150.0 million to a total of \$529.0 million. Expands to include hold harmless and out-of-formula districts that are currently excluded. Also revises the distribution formula from	Restricted	378,988,200	\$129,111,800
<ul style="list-style-type: none"> • 11.5% x District Foundation x Free Lunch Eligible Pupils to • 11.5% x Statewide Weighted Average Foundation x Economically Disadvantaged Pupils. Economically disadvantaged pupils are currently collected and reported by CEPI to the US Department of Education and include pupils who are eligible for both free and reduced-price lunch, Temporary Assistance to Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), or are homeless, migrant, or in foster care. The expanded definition is estimated to increase the number of pupils for whom districts receive funding by 131,000.	GF/GP	\$0	\$0
<u>House</u> increases by \$129.1 million to a total of \$508.1 million. Concurs with Executive change regarding eligible pupils. House concurs with the revised distribution formula but caps the at-risk per-pupil allocation for newly eligible hold harmless and out-of-formula districts at 50% of their total before any proration.			
6. High School Per Pupil Bonus (Sec. 22n) – NEW		Gross	\$0
<u>Executive</u> includes \$22.0 million to provide districts with an additional \$50 per pupil for each pupil in grades 9 to 12 to reflect the higher costs of high school instruction.	Restricted	0	0
<u>House</u> does not include this section.	GF/GP	\$0	\$0
7. Declining Enrollment (Sec. 29) – NEW		Gross	\$0
<u>Executive</u> includes \$7.0 million to districts that have experienced enrollment declines of more than 5% over the last 2 years. Funding would equal 1/3 of a district's foundation allowance multiplied by the difference between a 2-year average pupil membership blend and the district's actual membership blend. A district would be eligible for this funding for 2 years.	Restricted	0	0
<u>House</u> does not include this section.	GF/GP	\$0	\$0
8. Career and Technical Education (CTE) Programs (Sec. 61a)		Gross	\$36,690,300
<u>Executive</u> maintains current funding for CTE added costs.	Restricted	36,690,300	\$1,000,000
<u>House</u> adds \$1.0 million for competitive grants to up to 3 intermediate school districts (ISDs) to hire career and technical education counselors. Gives priority to the ISD with the greatest number of pupils, with the additional ISDs chosen in a way that distributes funding among urban and rural communities.	GF/GP	\$0	\$0
9. Career and Technical Education (CTE) – Early/Middle College (Sec. 61b)		Gross	\$9,000,000
<u>Executive</u> maintains funding to expand CTE early/middle colleges.	Restricted	9,000,000	(\$9,000,000)
<u>House</u> eliminates.	GF/GP	\$0	\$0
10. Career and Technical Education (CTE) – Equipment Upgrades (Sec. 61c)		Gross	\$3,200,000
<u>Executive</u> increases by \$16.8 million to expand the CTE equipment grant program begun in FY 2016-17. Eliminates the \$200,000 earmark to the Hudson School District Mechatronics program. Revises from a formula allocation to regional career education planning districts and replaces it with a competitive grant program for districts or ISDs administered by both MDE and the department of Talent and Economic Development (TED). Grants could be between \$250,000 and \$1,000,000.	Restricted	3,200,000	\$6,800,000
<u>House</u> increases by \$6.8 million to a total of \$10.0 million. Concurs with Executive in revising to a competitive grant program, but gives priority to districts that lease equipment from private industry partners. Increases the allocation for grants to districts with mechatronics programs from \$200,000 to \$1.0 million.	GF/GP	\$0	\$0

Major Budget Changes From FY 2016-17 YTD Appropriations		FY 2016-17 Year-to-Date (as of 2/8/17)	FY 2017-18 House Change
11. Flint Water Emergency Funds (Sec. 11s)	Gross	\$10,142,600	(\$1,412,500)
<u>Executive</u> reduces funding by \$1.4 million to Flint School District and Genesee ISD related to providing additional services for early childhood and supplemental school services, bringing the total to \$8.7 million for FY 2017-18. Funds would be allocated to expanded Great Start Readiness Program (GSRP) eligibility (\$3.0 million), school nurses and social workers (\$2.6 million) in Flint schools, ISD support to Flint residents that attend districts other than Flint (\$2.5 million), and nutrition programs (\$605,000). <u>House</u> concurs with Executive.	Restricted	0	0
	GF/GP	\$10,142,600	(\$1,412,500)
12. State School Reform/Redesign (Sec. 21)	Gross	\$5,000,000	(\$5,000,000)
<u>Executive</u> maintains current law for funding to districts in which the SRO has assigned a CEO. <u>House</u> eliminates.	Restricted	5,000,000	(5,000,000)
	GF/GP	\$0	\$0
13. Competency Based Funding Pilot (Sec. 21g)	Gross	\$500,000	(\$499,900)
<u>Executive</u> eliminates funding for a competency-based transcript and market place pilot. <u>House</u> provides a \$100 placeholder to expand competency-based education programs.	Restricted	0	0
	GF/GP	\$500,000	(\$499,900)
14. Partnership Model Districts (Sec. 21h) – NEW	Gross	\$0	\$0
<u>Executive</u> provides \$3.0 million (along with \$641,800 and 4.0 FTEs in the MDE budget) for interventions in districts identified as needing additional academic supports. Target districts would be districts not yet under the authority of the School Reform Office. <u>House</u> does not include this section.	Restricted	0	0
	GF/GP	\$0	\$0
15. Consolidation Incentive Grants (Sec. 22g)	Gross	\$3,000,000	(\$2,000,000)
<u>Executive</u> eliminates funding for competitive assistance grants to districts or ISDs for reimbursement of transition costs associated with the dissolution, consolidation, or annexation of districts or ISDs. <u>House</u> reduces to \$1.0 million.	Restricted	3,000,000	(2,000,000)
	GF/GP	\$0	\$0
16. Technology Regional Data Hubs (Sec. 22m) – NEW	Gross	\$0	\$1,200,000
<u>Executive</u> provides \$2.2 million to support the Michigan Data Hub Network which was begun with former Sec. 22i Technology Readiness Infrastructure grants. The regional data hubs are designed to improve the efficiency of local school data collection and create common data reporting as required under Sec. 19. <u>House</u> appropriates \$1.2 million.	Restricted	0	1,200,000
	GF/GP	\$0	\$0
17. Strict Discipline Academy (Sec. 25f)	Gross	\$750,000	\$0
<u>Executive</u> eliminates funding for the added costs of educating strict discipline academy pupils. <u>House</u> maintains current funding.	Restricted	750,000	0
	GF/GP	\$0	\$0
18. Dropout Recovery Programs (Sec. 25g)	Gross	\$750,000	\$0
<u>Executive</u> eliminates funding for the additional costs of educating pupils in a year-round dropout recovery program. <u>House</u> maintains current funding.	Restricted	750,000	0
	GF/GP	\$0	\$0
19. Year-Round Instruction Programs (Sec. 31b)	Gross	\$1,500,000	\$0
<u>Executive</u> increases the total for year-round, balanced-calendar instruction grants to \$3.0 million. Grants support districts with funds for building modifications or other nonrecurring costs related to the transition to a balanced-calendar. <u>House</u> maintains current year appropriation.	Restricted	1,500,000	0
	GF/GP	\$0	\$0
20. School Breakfast and Lunch Programs (Sec. 31d and 31f)	Gross	\$538,195,100	\$12,000,000
<u>Executive</u> increases by a total of \$12.0 million including \$10.0 million additional Federal funds for the school lunch program and an additional \$2.0 million SAF for the school breakfast program to reflect updated reimbursement cost estimates. <u>House</u> concurs with Executive.	Federal	513,200,000	10,000,000
	Restricted	24,995,100	2,000,000
	GF/GP	\$0	\$0

Major Budget Changes From FY 2016-17 YTD Appropriations		FY 2016-17 Year-to-Date (as of 2/8/17)	FY 2017-18 House Change
21. Early Literacy District Grants (Sec. 35 and 35a)	Gross	\$24,900,000	\$500,000
<u>Executive</u> adds \$3.0 million to a total of \$6.0 million for early literacy coaches and eliminates \$1.0 million for Michigan Education Corps. Maintains funding for department implementation (\$1.0 million) professional development (\$950,000), screening and diagnostic tools (\$1.5 million), and added instructional time (\$17.5 million).	Restricted	22,900,000	2,500,000
<u>House</u> eliminates department implementation (\$1.0 million) and concurs to eliminate the Michigan Education Corps (\$1.0 million). House rolls up remaining funding along with a \$500,000 increase for a total of \$25.4 million distributed to eligible districts in an amount equal to \$245 for each 1 st grade pupil. Allows districts to use funds for all of the currently funded activities including professional development, screening and diagnostic tools, early literacy coaches, and additional instructional time.	GF/GP	\$2,000,000	(\$2,000,000)
22. Michigan Behavior and Learning Support Initiative (MiBLSI) (Sec. 54b)	Gross	\$1,125,000	\$475,000
<u>Executive</u> increases by \$475,000 to a total \$1.6 million to continue to pilot the implementation of positive behavioral intervention and supports and to support a statewide structure to support local initiatives for an integrated behavior and reading program.	Restricted	1,125,000	475,000
<u>House</u> concurs with Executive.	GF/GP	\$0	\$0
23. Information Technology Certifications (Sec. 64d) – NEW	Gross	\$0	\$1,000,000
<u>Executive</u> does not include this section.	Restricted	0	0
<u>House</u> adds \$1.0 million for a competitive grant to provide information technology education opportunities to students attending districts, ISDs, or PSAs, CTE programs, and Community Colleges.	GF/GP	\$0	\$1,000,000
24. Statewide School Drinking Water Quality Program (Sec. 78) – NEW	Gross	\$0	\$0
<u>Executive</u> transfers this program, begun in FY 2016-17, from the MDE budget to the School Aid budget. Reimburses districts and nonpublic schools with up to \$950 per school building for the costs of voluntary water testing.	Restricted	0	0
<u>House</u> does not include this section.	GF/GP	\$0	\$0
25. Center for Educational Performance and Information (CEPI) (Sec. 94a)	Gross	\$12,336,700	\$2,042,800
<u>Executive</u> provides an additional \$4.0 million in ongoing support for CEPI to replace Federal funds that have been available through work projects for several years which are used for the support of longitudinal data collection and a web-based school data portal.	Federal	193,500	0
<u>House</u> increases by \$2.0 million.	GF/GP	\$12,173,200	\$2,042,800
26. Educator Evaluations (Sec. 95a)	Gross	\$0	\$0
<u>Executive</u> includes \$7.0 million to fund professional development and training for teachers and administrators in implementing educator evaluations as required under PA 173 of 2015. Initial funding of \$14.8 million was provided in the FY 2015-16 budget, but carried forward as a work project into the current year. This would represent the cost of training the remaining evaluators.	Restricted	0	0
<u>House</u> does not include this section.	GF/GP	\$0	\$0
27. Educator Evaluations – Value-added Growth Model (Sec. 95b) – NEW	Gross	\$0	\$2,500,000
<u>Executive</u> does not include this section.	Restricted	0	0
<u>House</u> provides \$2.5 million GF/GP to develop a statewide value-added growth and projection analytics system to support educator and administrator evaluations as required under sections 1249, 1249a, and 1249b of the School Aid Act.	GF/GP	\$0	\$2,500,000
28. Cyber Security Competition Grants (Sec. 99k) – NEW	Gross	\$0	\$0
<u>Executive</u> adds \$500,000 for competitive grants to districts to support teams of pupils in grades 6-12 participating in cybersecurity competitive events through either the Michigan High School Cyber Challenge or CyberPatriot.	Restricted	0	0
<u>House</u> does not include this section.	GF/GP	\$0	\$0

Major Budget Changes From FY 2016-17 YTD Appropriations		FY 2016-17 Year-to-Date (as of 2/8/17)	FY 2017-18 House Change	
29. MiSTEM Grants (Sec. 99s)		Gross	\$9,549,300	\$950,700
<u>Executive</u> increases by nearly \$1.0 million but adds \$1.5 million in additional state funds which are offset by a loss of \$549,300 in federal funds. Significantly revises the funding allocations as follows:		Federal	5,249,300	(549,300)
		Restricted	3,000,000	1,850,000
		GF/GP	\$1,300,000	(\$350,000)
<ul style="list-style-type: none"> • \$50,000 for MiSTEM Advisory Council Administration (No Change). • \$3.0 million for MiSTEM Advisory Council grants (increase of \$2.0 million). • \$7.5 million for the MiSTEM Centers Network which would replace 33 existing MathScience Centers with 10 regional MiSTEM Centers (decrease of \$549,300). • Eliminates \$250,000 for Science Olympiad. • Eliminates \$250,000 for VanAndel Education Institute. 				
<u>House</u> concurs with Executive funding levels except provides \$2.85 million for MiSTEM Advisory Council grants and \$150,000 for VanAndel Education Institute.				
30. Online Algebra Tool (Sec. 99t)		Gross	\$1,500,000	(\$500,000)
<u>Executive</u> eliminates funding for statewide access to an online algebra tool.		Restricted	0	0
<u>House</u> reduces by \$500,000 for a total of \$1.0 million to continue the contract for FY 2017-18. Allocates a \$100 placeholder for an additional online math tool.		GF/GP	\$1,500,000	(\$500,000)
31. Financial Data Analysis Tools (Sec. 102d)		Gross	\$1,500,000	\$0
<u>Executive</u> eliminates funding to reimburse districts and ISDs for the licensing of school data analytical tools.		Restricted	1,500,000	0
<u>House</u> maintains current funding.		GF/GP	\$0	\$0
32. Statewide Student Assessments (Sec. 104)		Gross	\$40,144,400	(\$185,000)
<u>Executive</u> reduces by \$185,000 to reflect the elimination of funding for the kindergarten readiness assessment pilot.		Restricted	33,894,400	(185,000)
<u>House</u> maintains total funding levels but allocates \$1.1 million from the total for the implementation of an assessment digital literacy preparation pilot project for pupils enrolled in grades K to 8 through a district contract with a third party experienced in the assessment of digital literacy skills.		Federal	6,250,000	0
		GF/GP	\$0	\$0
33. Computer Adaptive Tests (Sec. 104d)		Gross	\$4,000,000	\$0
<u>Executive</u> eliminates funding to reimburse districts for the purchase of computer adaptive tests and benchmark assessments.		Restricted	4,000,000	0
<u>House</u> maintains current funding.		GF/GP	\$0	\$0
34. MPSERS Assumed Rate of Return (AROR) – Employer Normal Cost Increase Offset (Sec. 147a(2))		Gross	\$0	\$48,969,000
<u>Executive</u> reimburses districts and ISDs for the employer normal cost increases related to the AROR reduction from 8.0% to 7.5% at a cost of \$48.9 million for FY 2017-18 and a total of \$97.8 million in FY 2018-19.		Restricted	0	48,940,000
<u>House</u> concurs with Executive.		GF/GP	\$0	\$29,000
35. MPSERS Assumed Rate of Return (AROR) – Unfunded Liability State Share (Sec. 147c)		Gross	\$982,800,000	(\$22,016,000)
<u>Executive</u> proposes a 2-year phase-in to reduce the MPSERS AROR from 8.0% to 7.5% at a cost of \$90.8 million FY 2017-18 and double that in FY 2018-19. The FY 2017-18 cost increase is offset by savings due to improved health care cost experience and higher rates of investment returns during the most recent 5-year actuarial smoothing period. Overall costs for the State Share are reduced by \$22.0 million to a total of \$960.8 million for FY 2017-18.		Restricted	982,200,000	(22,070,000)
<u>House</u> concurs with Executive.		GF/GP	\$600,000	\$54,000

<u>Major Budget Changes From FY 2016-17 YTD Appropriations</u>		<u>FY 2016-17 Year-to-Date (as of 2/8/17)</u>	<u>FY 2017-18 House Change</u>
36. Nonpublic School Reimbursement (Sec. 152b)	Gross	\$2,500,000	\$250,000
<u>Executive</u> eliminates funding to reimburse nonpublic schools for the costs of complying with state statute.	Restricted	0	0
<u>House</u> maintains \$2.5 million for reimbursements but revises language to specify that reimbursements are for complying with state statutory or administrative rule requirements related to the health, safety, and welfare of students. Also adds \$250,000 for competitive grants to nonpublic schools for FIRST Robotics and Science Olympiad programs.	GF/GP	\$2,500,000	\$250,000
37. Program Eliminations	Gross	\$6,404,000	(\$6,404,000)
<u>Executive and House</u> eliminate an additional 9 categorical programs including the following:	Restricted	5,735,000	(5,735,000)
<ul style="list-style-type: none"> • Sec. 20g – Dissolved District Transition Grants (\$1.9 million) • Sec. 31c – Gang Prevention Programs (\$3.0 million) • Sec. 31h – Cooperative Education (Marshall/Albion) (\$300,000) • Sec. 31j – Local Produce in School Meals (\$250,000) • Sec. 32q – Early Learning Cooperative (\$175,000) • Sec. 55 – Conductive Learning Study (\$150,000) • Sec. 61a(4) – CTE Restaurant Curriculum (\$79,000) • Sec. 63 – ISD Health Department Partnership for CTE/Health (\$250,000) • Sec. 65 – Detroit PreCollege Engineering Program (\$340,000) 	GF/GP	\$669,000	(\$669,000)
38. Special Education (Secs. 51a, 51c, 51d, 53a, 54, and 56)	Gross	\$1,414,046,100	(\$19,900,000)
<u>Executive</u> updated to reflect revised consensus cost estimates based on actual FY 2015-16 year-end special education cost data.	Federal	441,000,000	(10,000,000)
<u>House</u> concurs with Executive.	Restricted	973,046,100	(9,900,000)
	GF/GP	\$0	\$0
39. Federal Grant Reductions (Sec. 39a)	Gross	\$852,739,900	(\$91,139,900)
<u>Executive</u> reduces Federal grants estimated under the Every Student Succeeds Act (ESSA) to reflect revised estimates for anticipated federal funds, the majority of which are being reduced for FY 2016-17 as well. (See <i>Supplemental Recommendations below.</i>)	Federal	852,739,900	(91,139,900)
<u>House</u> concurs with Executive.	GF/GP	\$0	\$0
40. Other Major Cost Adjustments	Gross	NA	\$1,000,000
<u>Executive</u> revises the following to reflect updated cost estimates:	Restricted	NA	1,000,000
Sec 11j – School Bond Redemption Fund reduced by \$1.0 million to \$125.5 million.	GF/GP	NA	\$0
Sec. 11m – Cash Flow Borrowing Costs increased by \$3.5 million to \$6.5 million.			
Sec. 26a – Renaissance Zone Reimbursements decreased by \$2.0 million to \$18.0 million.			
Sec. 26c – Promise Zone Funding increased by \$500,000 to \$1.5 million.			
<u>House</u> concurs with Executive.			

Major Boilerplate Changes From FY 2016-17

Secs. 3(1)(2) and 4(1). Achievement Authority, Achievement School, Education Achievement System – DELETED

Executive deletes definitions and references throughout the budget to the Education Achievement Authority, as it will be dissolved at the end of the current fiscal year.

House concurs with Executive.

Sec. 6(4)(ii). Counting Middle College Pupils – REVISED

Executive does not include this subdivision.

House revises the pupil membership definition to allow for a pupil in a middle college program to be counted for more than 1.0 FTE if the pupil is enrolled in more than the minimum number of instructional days and hours required under section 101 such that the pupil is expected to complete the 5-year program with both a high school diploma and 60 transferable college credits or an associate's degree in fewer than 5 years.

Major Boilerplate Changes From FY 2016-17

Sec. 8b(3). Cyber Public School Academies (PSAs) – Assignment of District Codes – REVISED

Executive provides that for a cyber PSA that does not provide instruction at a specific location, and is authorized by a non-statewide entity, the ISD of assignment shall be the ISD that would normally provide programs and services to the resident school district in which the administrative office of the cyber PSA is located. Also provides that the ISD required to provide programs and services remains the same for as long as the cyber PSA is operating.

House concurs with Executive

Sec. 31a. At-Risk – REVISED

Executive does the following:

- (1) Expands the goals of the program from A) English Language Arts (ELA) proficiency in grade 3 and B) college and career ready high school graduates to include C) math proficiency in grade 8 and D) pupils attending school regularly.
- (2) Deletes the prohibition of funding to hold harmless or out-of-formula districts.
- (3) Expands the requirement that the district uses a multi-tiered systems of supports (MTSS) from K-3 to K-8.
- (4) Revises to base the district allocation formula on economically disadvantaged pupils rather than free lunch eligible pupils. Economically disadvantaged pupils are currently collected and reported by CEPI to the US Department of Education and include pupils who are eligible for both free and reduced-price lunch, Temporary Assistance to Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), or are homeless, migrant, or in foster care. The expanded definition is estimated to increase the number of pupils for whom districts receive funding by 131,000.
- (5) Revises to base the district allocation formula on 11.5% times a statewide weighted average foundation allowance rather than each district's foundation allowance to eliminate the variation in per pupil funding among districts.
- (6) Requires a district to use at-risk funds for 4 goals or metrics that will be used to measure a district's success beginning in FY 2020-21 including chronic absenteeism rates, ELA proficiency in grade 3, Math proficiency in grade 8 and that at least 65% of high school pupils enroll in CTE, advanced placement, international baccalaureate, or dual-enrollment programs and that at least 80% of those pupils have successfully completed the courses.
- (7) Allows a district to use up to 5% of its funds for professional development related to MTSS and improving the goal metrics.
- (8) Revises the definition of at-risk pupil for the provision of services to pupils who are economically disadvantaged or English language learners and who failed or is at risk of failing to be proficient in grade 3 ELA or grade 8 math or is chronically absent.
- (9) Requires that MDE identify districts that do not meet the goal metrics by FY 2020-21 and partner with the district to review and revise district programs and practices.

House concurs with Executive except does not allow a district to use up to 5% of its funds for professional development; requires MDE to identify districts that do not meet the goal metrics by FY 2018-19 rather than FY 2020-21; and requires that the form and manner prescribed by MDE for the district report on use of at-risk funds be prescribed in a way that does not limit a district's ability to use funds on any activity permissible under this section.

Secs. 31a and 39a(1)(f). Transportation Reimbursement/Voucher – NEW

Executive does not include this section.

House adds intent language for FY 2018-19 that a portion funds appropriated in Sections 31a (At-Risk) and 39a(1)(f) (federal Title I) shall be used to reimburse districts that provide transportation or transportation vouchers or passes to students attending a district that is not their resident district or a public school academy.

Sec 32d. Great Start Readiness Program (GSRP) – REVISED

Executive revises to require that 100% rather than 90% of GSRP participants meet the income eligibility of family income less than 250% of the federal poverty level. Deletes provision that allows a program to serve children in families with income up to 300% of the federal poverty level if all of the eligible children under 250% are served.

House concurs with Executive, but makes the following revisions: bars an entity that has an approved GSRP curriculum from being eligible for a grant to conduct a longitudinal evaluation of children who have participated in GSRP programs; adds Connect4Learning as an age-appropriate educational curriculum for GSRP.

Sec. 39. Great Start Readiness Program (GSRP) Formula Allocation – REVISED

Executive eliminates the process whereby ISDs individually estimate the number of children eligible for the program and replaces it with an estimate provided by the MDE based on American Community Survey Census data.

Revises the formula allocation from being based on a half-day slot to number of children served in a school day program. The allocation for a child in a school day program would remain \$7,250 per day, or \$3,625 if in blended GSRP/Head Start program. An ISD would be allocated under the initial round of funding an amount equal to the amount they received in the prior year or an amount necessary to fund their available capacity if it is less than the prior year. Creates a statewide benchmark of the percent of eligible children that were served by the program in previous year, currently at 60%. If funds remain after the initial allocations, remaining funding would be distributed to ISDs based on their proportional share of children unserved if they are below the state benchmark.

House concurs with Executive.

Major Boilerplate Changes From FY 2016-17

Sec. 164g. Legal Action Against the State – NEW

House establishes a penalty in an amount equal to the amount spent if a district or ISD uses funds appropriated under this act to pay for an expense relating to any legal action initiated by the district or ISD against the state.

Sec. 164h. Collective Bargaining Agreement Penalty – NEW

House establishes a penalty equal to 5% of total state aid if a district or ISD enters into a collective bargaining agreement that does any of the following: establishes racial and religious preferences for employees; automatically deducts union dues from employee compensation; is in conflict with any state or federal laws regarding district transparency; includes a method of compensation that does not comply with the requirements of section 1250 of the Revised School Code, MCL 380.1250.

Supplemental Recommendations for FY 2016-17 Appropriations	FY 2016-17 Recommendation
1. Cash Flow Borrowing (Sec. 11m)	Gross \$2,500,000
<u>Executive</u> increases by \$2.5 million to a total of \$5.5 million to reflect updated cost estimates for the interest costs of inter-fund borrowing between the School Aid Fund and the General Fund to balance the timing of revenue collections and required state aid payments.	Restricted 2,500,000
<u>House</u> concurs with Executive.	GF/GP \$0
2. Distressed Districts Emergency Grant Fund (Sec. 11r)	Gross \$0
<u>Executive</u> revises to lapse the remaining \$1.0 million in the fund to the School Aid Fund.	Restricted 0
<u>House</u> concurs with Executive.	GF/GP \$0
3. Flint Declaration of Emergency (Sec. 11s)	Gross \$0
<u>Executive</u> reduces the pupil count for an eligible district from 5,000 to 4,500 to reflect the drop in Flint School District pupil membership to 4,945. Revises such that payments may be distributed in a manner other than the 11 monthly state aid payments as required under Sec. 17b.	Restricted 0
<u>House</u> concurs with Executive.	GF/GP \$0
4. State Aid Payment Adjustments (Sec. 15)	Gross NA
Revises to permit the department to waive all or a portion of a districts adjusted school aid if the following apply: district would otherwise experience a significant hardship in satisfying financial obligations; district would otherwise experience a significant hardship in its responsibility to provide instruction to its pupils; the district has taken sufficient corrective action to ensure that the circumstance that necessitated the adjustment under this subsection does not recur.	Restricted NA
	GF/GP NA
5. Foundation Allowances (Secs. 22a and 22b)	Gross \$10,000,000
<u>Executive</u> increases by \$10.0 million to a total of \$9,115.0 million to reflect updated consensus cost estimates for pupil membership counts and taxable values. Also provides technical revisions to shift the reimbursement for the Detroit Community School District's absence of local school operating revenue with revenue from the Community District Education Trust Fund from Sec. 22a to Sec. 22b to align with the requirements of PA 193 of 2016.	Restricted 10,000,000
<u>House</u> concurs with Executive.	GF/GP \$0
6. Renaissance Zone Reimbursements (Sec. 26a)	Gross (\$2,000,000)
<u>Executive</u> reduces reimbursement payments by \$2.0 million to a total of \$18.0 million to reflect the reduction in required payments due to both expiring renaissance zones and the impact of reimbursements for personal property tax reductions through the Local Community Stabilization Authority under PA 86 of 2014.	Restricted (2,000,000)
<u>House</u> concurs with Executive.	GF/GP \$0
7. School Breakfast Programs (Sec. 31f)	Gross \$2,000,000
<u>Executive</u> increases by \$2.0 million to a total of \$4.5 million to reflect actual FY 2015-16 costs. The initial FY 2016-17 appropriation had been reduced based on a one-time decline in required reimbursements in FY 2014-15.	Restricted 2,000,000
<u>House</u> concurs with Executive.	GF/GP \$0

Supplemental Recommendations for FY 2016-17 Appropriations

**FY 2016-17
Recommendation**

8. Federal ESSA Grants (Sec. 39a)

Executive reduces Federal grants estimated under the Every Student Succeeds Act (ESSA) to reflect the following revised estimates for anticipated federal funds:

- \$30.0 million reduction in anticipated Title 1 grant funding bringing it to \$535.0 million.
- \$6.6 million reduction in anticipated School Improvement Grants (SIG) to \$18.0 million.
- \$40.5 million reduction in the Student Support and Academic Enrichment grants, which were newly added to the FY 2016-17 budget, down to a total of \$15.4 million.

House concurs with Executive.

Gross	(\$77,900,000)
Federal	(77,900,000)
GF/GP	\$0

9. Special Education (Secs. 51a, 51c, 51d, 53a, 54, and 56)

Executive reduces by a total of \$38.0 million to reflect revised consensus cost estimates based on actual FY 2015-16 year-end special education cost data. Total estimated special education costs for FY 2016-17 are \$1.4 billion (\$945.0 million SAF, \$431.0 million Federal).

House concurs with Executive.

Gross	(\$38,000,000)
Federal	(10,000,000)
Restricted	(28,000,000)
GF/GP	\$0

10. Special Education Millage Equalization (Sec. 56)

Executive revises the equalization formula based on updated taxable values estimates. The special education millage equalization guarantee level is increased from \$179,600 to \$180,700.

House revises to \$180,900.

Gross	\$0
Restricted	0
GF/GP	\$0

11. Career and Technical Education (CTE) – Early/Middle College (Sec. 61b)

Executive maintains current law for funding to expand CTE early/middle colleges.

House reduces appropriation by \$1.0 million to a total of \$8,000,000.

Gross	(\$1,000,000)
Restricted	(1,000,000)
GF/GP	\$0

12. Vocational Education Millage Equalization (Sec. 62)

Executive revises the equalization formula based on updated taxable values estimates. The vocational education millage equalization guarantee level is increased from \$196,300 to \$198,400.

House concurs with Executive.

Gross	\$0
Restricted	0
GF/GP	\$0

SCHOOL AID LINE ITEM SUMMARY



Sec.	
11j	School Bond Redemption Fund
11m	Cash Flow Borrowing Costs
11s	Flint Declaration of Emergency
20f	Categorical Offset Payments
20g	Dissolved District Transition Grants
21	State School Reform/Redesign
21g	Competency Based Funding Pilot
21h	Partnership Model Districts - NEW
21j	Academic Early Warning Restricted Fund - NEW
22a	Foundations: Proposal A Obligation Payment
22b	Foundations: Discretionary Payment
22d	Isolated District Funding
22g	Consolidation Innovation Grants
22m	Technology Regional Data Hubs - NEW
22n	High School Per Pupil Bonus - NEW
23f	Shared Time Pupils - NEW
24	Court-Placed Pupils
24a	Juvenile Detention Facility Programs
24c	Youth Challenge Program
25f	Strict Discipline Academy
25g	Dropout Recovery Programs
26a	Renaissance Zone Reimbursement
26b	PILT Reimbursement
26c	Promise Zone Funding
29	Declining Enrollment Support - NEW
31a	"At Risk" Pupil Support
31a(7)	School Based Health Centers
31a(8)	Hearing and Vision Screening
31b	Year-round Instruction Grants
31c	Gang Prevention and Intervention Programs
31d	State School Lunch Programs
31d	Federal School Lunch Programs
31f	School Breakfast Program
31h	Cooperative Education Grant
31j	Local Produce in School Meals
32d	Great Start Readiness Program
32p	Early Childhood Block Grants
32q	Early Learning Cooperative
35	Early Literacy Implementation
35a(1)	Early Literacy District Grants
35a(2)	Early Literacy Professional Development
35a(3)	Early Literacy Diagnostic Tools
35a(4)	Early Literacy Teacher Coaches
35a(5)	Early Literacy Added Instructional Time
35a(6)	Early Literacy - Michigan Education Corps
39a(1)	Federal NCLB/ESSA Grant Funds
39a(2)	Other Federal Funding
41	Bilingual Education Grants
51a(1)	Special Education - Federal Reimbursement
51a(2)	Special Ed ISD Foundation and Costs
51a(3)	Special Ed ISD Hold Harmless Payment
51a(6)	Special Ed Admin Rules Changes
51a(11)	Special Ed Foundations for Non Sec. 52 to ISDs
51c	Special Ed Headlee Obligation (Durant)
51d	Special Education - Other Federal Grants
53a	Special Ed for Court Placed Pupils
54	Special Ed Michigan School Blind/Deaf
54b	Special Education Task Force Reforms (MiBLSI)
55	Conductive Learning Study

FY 2016-17		
SB 801 (PA 249) Enacted	Change from FY17 YTD	HB 4235 Revised Supplemental
		\$126,500,000
	\$2,500,000	\$5,500,000
		\$10,142,600
		\$18,000,000
		\$1,860,000
		\$5,000,000
		\$500,000
	\$0	\$0
	\$0	\$0
		\$5,205,000,000
	\$16,000,000	\$3,916,000,000
		\$5,000,000
		\$3,000,000
	\$0	\$0
	\$0	\$0
		\$8,000,000
		\$1,328,100
		\$1,632,400
		\$750,000
		\$750,000
	(\$2,000,000)	\$18,000,000
		\$4,405,100
		\$1,000,000
	\$0	\$0
		\$378,988,200
		\$5,557,300
		\$5,150,000
		\$1,500,000
		\$3,000,000
		\$22,495,100
		\$513,200,000
	\$2,000,000	\$4,500,000
		\$300,000
		\$250,000
		\$243,900,000
		\$13,400,000
		\$175,000
		\$1,000,000
	\$0	\$0
		\$950,000
		\$1,450,000
		\$3,000,000
		\$17,500,000
		\$1,000,000
	(\$77,900,000)	\$744,039,900
		\$30,800,000
		\$1,200,000
		\$370,000,000
	(\$10,200,000)	\$261,400,000
	(\$100,000)	\$1,000,000
		\$2,200,000
	(\$100,000)	\$3,600,000
	(\$17,600,000)	\$626,900,000
	(\$10,000,000)	\$61,000,000
		\$10,500,000
		\$1,688,000
		\$1,125,000
		\$150,000

FY 2017-18	
Change from FY17 YTD	Exec Rec
	\$125,500,000
	\$6,500,000
	\$8,730,100
	\$18,000,000
	\$0
	\$5,000,000
	\$0
	\$3,000,000
	\$0
	\$5,107,000,000
	\$3,950,000,000
	\$5,000,000
	\$0
	\$2,200,000
	\$2,200,000
	\$0
	\$60,000,000
	\$8,000,000
	\$1,339,000
	\$1,528,400
	\$0
	\$0
	\$18,000,000
	\$4,405,100
	\$1,500,000
	\$7,000,000
	\$528,988,200
	\$5,557,300
	\$5,150,000
	\$3,000,000
	\$0
	\$22,495,100
	\$523,200,000
	\$4,500,000
	\$0
	\$0
	\$243,900,000
	\$13,400,000
	\$0
	\$1,000,000
	\$0
	\$950,000
	\$1,450,000
	\$6,000,000
	\$17,500,000
	\$0
	\$0
	\$731,600,000
	\$30,000,000
	\$1,200,000
	\$370,000,000
	\$266,000,000
	\$1,000,000
	\$2,200,000
	\$3,600,000
	\$640,400,000
	\$61,000,000
	\$10,500,000
	\$1,688,000
	\$1,600,000
	\$0

FY 2017-18	
Change from FY17 YTD	HB 4313 (H-1) HAC
	\$125,500,000
	\$6,500,000
	\$8,730,100
	\$18,000,000
	\$0
	\$0
	\$100
	\$0
	\$0
	\$5,178,000,000
	\$4,025,000,000
	\$5,000,000
	\$1,000,000
	\$1,200,000
	\$0
	\$0
	\$8,000,000
	\$1,339,000
	\$1,528,400
	\$750,000
	\$750,000
	\$18,000,000
	\$4,405,100
	\$1,500,000
	\$0
	\$508,100,000
	\$5,557,300
	\$5,150,000
	\$1,500,000
	\$0
	\$22,495,100
	\$523,200,000
	\$4,500,000
	\$0
	\$0
	\$243,900,000
	\$13,400,000
	\$0
	\$0
	\$1,000,000
	\$0
	\$25,400,000
	\$0
	\$950,000
	\$0
	\$3,000,000
	\$0
	\$0
	\$731,600,000
	\$30,000,000
	\$1,200,000
	\$370,000,000
	\$266,000,000
	\$1,000,000
	\$2,200,000
	\$3,600,000
	\$640,400,000
	\$61,000,000
	\$10,500,000
	\$1,688,000
	\$1,600,000
	\$0

FY 2017-18	
Change from FY17 YTD	SB 149 (S-1) Draft 2 Subcommittee
	\$125,500,000
	\$6,500,000
	\$8,730,100
	\$18,000,000
	\$0
	\$100
	\$0
	\$100
	\$8,000,000
	\$5,176,000,000
	\$4,110,000,000
	\$5,000,000
	\$0
	\$1,100,000
	\$0
	\$0
	\$8,000,000
	\$1,339,000
	\$1,528,400
	\$750,000
	\$750,000
	\$18,000,000
	\$4,405,100
	\$1,500,000
	\$0
	\$478,988,200
	\$6,057,300
	\$5,150,000
	\$1,500,000
	\$0
	\$22,495,100
	\$523,200,000
	\$4,500,000
	\$0
	\$0
	\$243,900,000
	\$13,400,000
	\$175,000
	\$1,000,000
	\$0
	\$950,000
	\$1,450,000
	\$6,000,000
	\$17,500,000
	\$2,500,000
	\$731,600,000
	\$30,000,000
	\$1,200,000
	\$370,000,000
	\$266,000,000
	\$1,000,000
	\$2,200,000
	\$3,600,000
	\$640,400,000
	\$61,000,000
	\$10,500,000
	\$1,688,000
	\$1,600,000
	\$150,000

FY 2017-18: COMMUNITY COLLEGES
Summary: As Reported by House Appropriations Committee
Article II, House Bill 4313 (H-1)



Analyst: Perry Zielak

IDG/IDT	FY 2016-17 YTD as of 2/8/17	FY 2017-18 Executive	FY 2017-18 House	FY 2017-18 Senate	FY 2017-18 Enacted	Difference: House From FY 2016-17 YTD	
						Amount	%
	\$0	\$0	\$0			\$0	--
Federal	0	0	0			0	--
Local	0	0	0			0	--
Private	0	0	0			0	--
Restricted	260,414,800	395,142,600	395,142,600			134,727,800	51.7
GF/GP	135,510,800	3,025,000	0			(135,510,800)	(100.0)
Gross	\$395,925,600	\$398,167,600	\$395,142,600			(\$783,000)	(0.2)

Notes: (1) FY 2016-17 year-to-date figures include mid-year budget adjustments through February 8, 2017. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Overview

The Community Colleges budget supports the 28 public community colleges located throughout the state. Community colleges offer a wide variety of educational programs, including traditional two-year transfer programs, associates' degrees, career and technical education, developmental and remedial education, continuing education, and, after 2012, baccalaureate programs in a limited number of areas. The colleges are supported primarily through a combination of state aid, local property tax revenue, and tuition and fees.

		FY 2016-17 Year-to-Date (as of 2/8/17)	FY 2017-18 House Change
Major Budget Changes From FY 2016-17 YTD Appropriations			
1. Community College Operations Grants			
<u>Executive</u> shifts funding by \$130.4 million from GF/GP to School Aid Fund (SAF), as the entirety of operations grants are funded through SAF. Maintains current FY 2016-17 funding levels for community colleges operations grants of \$315.9 million. <u>House</u> concurs.	Gross	\$315,892,000	\$0
	Restricted	185,481,200	130,410,800
	GF/GP	\$130,410,800	(\$130,410,800)
2. Michigan Public School Employee Retirement System (MPERS)			
<u>Executive</u> reduces funding by \$2.4 million SAF for MPERS. This includes a reduction of \$9.1 million SAF for the state's share of colleges' unfunded liability to MPERS and a \$6.7 million SAF increase to cover the reduction in the assumed rate of return for MPERS from 8% to 7.5%. The state's share is the difference between the actuarial accrued liability to the system and the employer contribution cap of 20.96% of payroll set by the Public School Employees Retirement act (MCL 38.1341). Total funding for the state share of MPERS would be \$70.8 million SAF. <u>House</u> concurs.	Gross	\$73,200,000	(\$2,395,000)
	Restricted	73,200,000	(2,395,000)
	GF/GP	\$0	\$0
3. MPERS Normal Cost Offset			
<u>Executive</u> includes \$3.6 million SAF to reimburse community colleges for their normal cost portion to reduce the assumed rate of return for MPERS from 8% to 7.5%. <u>House</u> concurs.	Gross	\$0	\$3,612,000
	Restricted	0	3,612,000
	GF/GP	\$0	\$0
4. Renaissance Zone Reimbursements			
<u>Executive</u> reduces funding by \$2.0 million GF/GP for Renaissance Zone reimbursements to community colleges. Estimated reimbursement payments required by statute have decreased due to recent Personal Property Tax reforms. Also includes funding shift of \$3.1 million from GF/GP to SAF, bringing total funding to \$3.1 million SAF. <u>House</u> concurs.	Gross	\$5,100,000	(\$2,000,000)
	Restricted	0	3,100,000
	GF/GP	\$5,100,000	(\$5,100,000)

Major Budget Changes From FY 2016-17 YTD Appropriations		FY 2016-17 Year-to-Date (as of 2/8/17)	FY 2017-18 House Change
5. Independent Part-Time Student Grant	Gross	\$0	\$0
<u>Executive</u> includes \$2.0 million GF/GP for a pilot program that provides financial support to part-time adult students who have earned 15 credits or more. The grants are limited to students enrolled at community colleges who are near the completion of a degree or certificate.	GF/GP	\$0	\$0
<u>House</u> does not include.			
6. Michigan Transfer Network	Gross	\$0	\$0
<u>Executive</u> includes \$1.0 million GF/GP in one-time funds to support the enhancement of the Michigan Transfer Network website. The new site will better assist students in transferring credits between different institutions of Higher Education within the state.	GF/GP	\$0	\$0
<u>House</u> does not include.			

Major Boilerplate Changes From FY 2016-17

Sec. 201(7). Independent Part-Time Student Grants – NOT INCLUDED

Executive specifies that priority for grants will be given to students with greatest financial need as determined by each institution if applicants exceed anticipated numbers. Also requires report in FY 2018-19 from community colleges on number of students who received a grant and number of students who received a grant and completed a degree or certificate program. House does not include.

Sec. 201(8). Independent Part-Time Student Grants – NOT INCLUDED

Executive states that community colleges that fail to submit the report specified in 201(7), shall not receive further Independent Part-Time Student Grants. Adds that Department of Treasury will report information by November 1. House does not include.

Sec. 201(9). Michigan Transfer Network – NOT INCLUDED

Executive specifies that the \$1,025,000 appropriation to the Michigan Community College Association (MCCA) is to enhance the transfer network website. Requires MCCA to update appropriations committees, fiscal agencies and State Budget Office on project status until completion. House does not include.

Sec. 206. Community Colleges Activities Classification Structure (ACS) Data – REVISED

Executive specifies required information and datasets that community colleges must report to the Center of Educational Performance and Information (CEPI) by November 1. House concurs.

Sec. 208. Self-Liquidating Projects – RETAINED

Executive deletes language that prohibits colleges from using state funds for construction or maintenance of self-liquidating projects. Requires colleges to comply with Joint Capital Outlay Subcommittee (JCOS) use and finance policy for any capital outlay project. Subjects colleges that fail to comply with a penalty of 1% of the operations funding for each violation. House retains.

Sec. 209. Community College Transparency – REVISED

Executive deletes from college transparency reporting requirements a requirement to post the estimated cost resulting from the Affordable Care Act. Deletes requirement that each college's board of trustees post a resolution of compliance with best practices for the local strategic value component. Also deletes a provision authorizing state budget director to withhold payment from a college that failed to comply with the reporting requirements.

House retains deleted sections and concurs with minor technical changes.

Sec. 210b. Colleges and Universities Transfer Agreement – REVISED

Executive revises language around reporting requirements for the Michigan Community College Association and the Michigan Association of State Universities on course transfer agreements between community colleges and state universities. House concurs.

Sec. 212. Cost Containment Initiatives – RETAINED

Executive deletes language that encourages colleges to evaluate and pursue efficiency and cost-containment measures, including joint ventures, consolidating services, program collaboration, increasing web-based instruction, improving energy efficiency, eliminating low-volume/high-cost instructional programs, self-insurance and group purchasing. House retains.

Sec. 217. Activities Classification Structure (ACS) Data – REVISED

Executive deletes language requiring CEPI to assist community colleges in complying with state and federal audits. House concurs.

Sec. 222. Financial Statements – RETAINED

Executive revises language requiring community colleges to submit annual audits to CEPI by November 15 and states that CEPI will make audits available to the House and Senate subcommittees on Community Colleges, the House and Senate fiscal agencies and the State Budget Director. House retains.

Major Boilerplate Changes From FY 2016-17

Sec. 223. North American Indian Tuition Waiver – REVISED

Executive changes reporting requirement for community colleges from prior fiscal year to prior academic year. House concurs.

Sec. 224. Aggregate Academic Status – REVISED

Executive specifies that CEPI will use reported community college data in its P-20 longitudinal data system to inform high schools and the public of the aggregate academic status of each institution's students for the previous academic year. House concurs but does retain language stating that community colleges shall cooperate with CEPI.

Sec. 225. Tuition Rate Reports – REVISED

Executive revises language that indicates community colleges will submit tuition and fee reports to CEPI by August 31 and CEPI will make information available to the fiscal agencies and State Budget Office. House concurs but revises language to require CEPI to provide information to the fiscal agencies and State Budget Office.

Sec. 227. Community College Automobile Purchases – RETAINED

Executive deletes language that forbids lease or purchase of foreign-made vehicles if vehicles made in Michigan or elsewhere in the U.S. are competitively priced and of comparable quality. House retains.

Sec. 228. Communication with the Legislature – RETAINED

Executive deletes language that forbids a community college from taking disciplinary action against an employee for communicating with the legislature. House retains.

FY 2017-18: HIGHER EDUCATION

Summary: As Reported by House Appropriations Committee Article III, House Bill 4313 (H-1)



Analyst: Perry Zielak

IDG/IDT	FY 2016-17 YTD as of 2/8/17	FY 2017-18 Executive	FY 2017-18 House	FY 2017-18 Senate	FY 2017-18 Enacted	Difference: House From FY 2016-17 YTD	
						Amount	%
	\$0	\$0	\$0			\$0	--
Federal	101,526,400	111,526,400	111,526,400			10,000,000	9.8
Local	0	0	0			0	--
Private	0	0	0			0	--
Restricted	237,209,500	235,743,500	235,743,500			(1,466,000)	(0.6)
GF/GP	1,243,904,500	1,289,954,500	1,272,354,500			28,450,000	2.3
Gross	\$1,582,640,400	\$1,637,224,400	\$1,619,624,400			\$36,984,000	2.3

Notes: (1) FY 2016-17 year-to-date figures include mid-year budget adjustments through February 8, 2017. (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 2016-17 YTD Appropriations

1. University Operations Grants

Executive increases university operations funding by \$35.0 million GF/GP, a 2.5% increase. The increase is distributed under the performance funding formula, where 50% is allocated based on each university's share of operational funding appropriated in the baseline year of FY 2010-11, while the remaining increase is distributed based on other formula components (weighted completions, research and development spending, and comparison to Carnegie peers). Attainment of performance funding would be conditioned on restraining resident undergraduate tuition and fee increases to 3.8%, which is double the rate of inflation (set at 4.2% in the current year), or \$475. Projected funding increases for individual universities range from 1.9 to 3.4%.

	FY 2016-17 Year-to-Date (as of 2/8/17)	FY 2017-18 House Change
Gross	\$1,400,345,000	\$26,600,000
Restricted	231,219,500	0
GF/GP	\$1,169,125,500	\$26,600,000

House increases university operations funding by \$26.6 million GF/GP, a 1.9% increase. The House concurs with the use of the performance formula distribution measures and the condition that resident undergraduate tuition and fee increases must be restrained to 3.8% or \$475, whichever is greater. Projected funding increases for individual universities range from 1.5 to 2.6%

2. Tuition Incentive Program

Executive increases funding for Tuition Incentive Program by \$5.3 million in federal Temporary Assistance for Needy Families (TANF) funds, a 10% increase, which pays for Medicaid-eligible students' tuition costs for associate's degrees. Also includes a fund shift of \$4.7 million from GF/GP to federal TANF funding, bringing total funding to \$58.3 million TANF.

	Gross	FY 2017-18 House Change
Federal	\$53,000,000	\$5,300,000
GF/GP	48,300,000	10,000,000
	\$4,700,000	(\$4,700,000)

House concurs.

Major Budget Changes From FY 2016-17 YTD Appropriations		FY 2016-17 Year-to-Date (as of 2/8/17)	FY 2017-18 House Change
3. Michigan Competitive Scholarship			
<u>Executive</u> increases funding for Michigan Competitive Scholarships by \$8.0 million GF/GP, a 43.6% increase, awarded to students with a qualifying ACT/SAT score and demonstrated financial need. The increase raises the maximum per-student annual award from \$575 to \$1,000. Total funding for the scholarship would be \$26.4 million (\$8.0 million GF/GP).	Gross	\$18,361,700	\$4,000,000
	Federal	18,361,700	0
	GF/GP	\$0	\$4,000,000
<u>House</u> increases funding by \$4.0 million GF/GP, a 17.9% increase. The House raises the maximum per-student annual award from \$575 to \$775. Total funding for the scholarship would be \$22.4 million (\$4.0 million GF/GP).			
4. Tuition Grant Program			
<u>Executive</u> increases funding for Tuition Grant program by \$3.0 million GF/GP, an 8.6% increase, which provides need-based tuition assistance to students at Michigan independent (i.e. private, non-profit) colleges and universities. The increase raises the maximum per-student annual award from \$1,512 to \$2,000. Total funding for the program would be \$38.0 million (\$6.4 million GF/GP).	Gross	\$35,021,500	\$1,500,000
	Federal	31,664,700	0
	GF/GP	\$3,356,800	\$1,500,000
<u>House</u> increases funding by \$1.5 million GF/GP, a 4.3% increase. The House raises the maximum per-student annual award from \$1,512 to \$1,750. Total funding for the program would be \$36.5 million (\$4.9 million GF/GP).			
5. Michigan Public School Employee Retirement System (MPSERS)			
<u>Executive</u> reduces funding by \$1.9 million School Aid Fund (SAF) for MPSERS. This includes a reduction of \$4.3 million SAF for the state's share of the universities' unfunded liability to MPSERS and a \$2.4 million SAF increase to cover the reduction in the assumed rate of return for MPSERS from 8% to 7.5%. The state's share is the difference between the unfunded accrued liability to the system and the employer contribution cap of 25.73% of payroll for the seven universities with MPSERS employees (Central, Eastern, Ferris, Lake Superior State, Michigan Tech, Northern, and Western). Total funding for the state share of MPSERS would be \$4.0 million SAF. <u>House</u> concurs.	Gross	\$5,890,000	(\$1,885,000)
	Restricted	5,890,000	(1,885,000)
	GF/GP	\$0	\$0
6. MPSERS Normal Cost Offset			
<u>Executive</u> includes \$419,000 SAF to reimburse universities for the normal cost increase to reduce the assumed rate of return for MPSERS from 8% to 7.5%. <u>House</u> concurs.	Gross	\$0	\$419,000
	Restricted	0	419,000
	GF/GP	\$0	\$0
7. MSU AgBioResearch and Extension Programs			
<u>Executive</u> increases funding for Michigan State's AgBioResearch program by \$831,100 GF/GP and Extension program by \$718,900 GF/GP, a 2.5% increase for both. <u>House</u> concurs.	Gross	\$61,915,700	\$1,550,000
	GF/GP	\$61,915,700	\$1,550,000
8. Removal of One-Time Funding			
<u>Executive</u> eliminates \$500,000 GF/GP of one-time funding for MSU's Diagnostic Center for Population and Animal Health. <u>House</u> concurs.	Gross	\$500,000	(\$500,000)
	GF/GP	\$500,000	(\$500,000)
9. Michigan State University Animal Agriculture Initiative			
<u>Executive</u> adds \$2.5 million GF/GP in one-time funding for an initiative between MSU, the Department of Agricultural and Rural Development (MDARD), and the animal agricultural industry to address issues such as food safety and infectious disease that limit industry growth and sustainability. <u>House</u> does not include.	Gross	\$0	\$0
	GF/GP	\$0	\$0
10. MSU Agriculture Workforce Initiative			
<u>Executive</u> adds \$1.2 million GF/GP in one-time funding for an initiative between MSU, MDARD, and the agricultural industry to support workforce development in food processing, education, and agriculture technology. <u>House</u> does not include.	Gross	\$0	\$0
	GF/GP	\$0	\$0

Major Boilerplate Changes From FY 2016-17

Sec. 239a. University Automobile Purchases – NEW

Executive adds language which states intent that funds appropriated to universities not be used to purchase or lease vehicles assembled outside the U.S.

Sec. 242. Federal or Private Funds – RETAINED

Executive deletes language specifying that acceptance of federal or private funds does not place an ongoing obligation on the legislature. House retains.

Sec. 244. Postsecondary Student Data System – REVISED

Executive specifies that universities must provide its longitudinal data sets for the prior academic year to the Center for Educational Performance and Information (CEPI) by October 15. House concurs.

Sec. 245. University Transparency – RETAINED

Executive deletes requirement that state budget director determine compliance and language granting authority to withhold payments for a university not in compliance. House retains.

Sec. 249. Children of Veterans and Officer's Survivor Tuition Grant Programs – NEW

Executive adds language that funds appropriated for Children of Veterans and Officer's Survivor Tuition Grant Programs are restricted funding and unexpended funds shall not lapse to the general fund at the end of the fiscal year. House concurs.

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

Executive adds language that students must file a FAFSA to be considered for any grant or scholarship program administered by the Department of Treasury. House concurs.

Sec. 251. State Competitive Scholarship Program – REVISED

Executive revises language that increases maximum award amount for the Competitive Scholarship Program to \$1,000.

House revises maximum award amount to \$775 and adds language stating unexpended and unencumbered program funds shall carry forward to the next fiscal year as a work project.

Sec. 252. Tuition Grant Program – REVISED

Executive adds language that starting with the 2018-2019 academic year, students must apply before June 1 to be considered for a tuition grant award. Includes language that a tuition grant may not be renewed for more than 10 semesters or its equivalent in trimesters or quarters, or if a student has not completed using the grant within 10 years of determined eligibility by the Department of Treasury. Increases maximum award amount to \$2,000. Deletes requirement for unexpended funds to continue to be available in the next fiscal year as a work project.

House concurs but revises language that a grant may not be renewed for more than 10 semesters beginning with the 2018-2019 academic year. Revises maximum award amount to \$1,750. Increases cap on individual colleges' total award amount to \$3.5 million. Retains requirement for unexpended funds to continue to be available in the next fiscal year as a work project. Revises reporting requirement deadline for independent colleges and universities from September 30 to October 31.

Sec. 254. Financial Aid Payment Schedule – REVISED

Executive revises payment schedule for the Tuition Incentive Program (TIP) to indicate universities receive 65% of TIP payments in the state's first fiscal quarter and 35% during the state's second fiscal quarter. House concurs.

Sec. 256. Tuition Incentive Program – REVISED

Executive adds language indicating that students must be enrolled in a certificate or associate's degree program to qualify for TIP Phase 1 funding. Adds restrictions on program eligibility to students under 21 if attended a middle college and less than 6 years removed from high school graduation or achievement of equivalent certificate. Includes new language that starting in FY 2018-19, TIP will cover fees and tuition that does not exceed 2 times the in-district tuition rate. Also adds reporting requirements to colleges on students receiving grants and recipients who complete a certificate or degree. Includes penalties for institutions that fail to comply with the reporting requirement.

House concurs but revises language that TIP will cover fees and tuition that does not exceed 3 times the in-district tuition rate. Adds requirement for unexpended program funds to continue to be available in the next fiscal year as a work project.

Sec. 261. Douglas Lake Biological Station – RETAINED

Executive deletes legislative intent section that designates University of Michigan's Douglas Lake Biological Station as a unique research resource and aims to protect the lake area. House retains.

Sec. 263a. MSU AgBioResearch and Extension Programs – REVISED

Executive revises various reporting metrics of AgBioResearch and Extension programs around increasing the agricultural sector's economic impact. Deletes metric that aims to increase jobs in the food and agricultural sector by 10%. House concurs.

Major Boilerplate Changes From FY 2016-17

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

Executive revises tuition restraint cap for universities to 3.8% or \$475.00, whichever is greater. Deletes language that defines fees to include the cost of a university-affiliated health insurance policy for a university that compels resident undergraduate students to have health insurance coverage. Deletes legislative intent language that indicates universities that violate the tuition restriction cap shall not receive a capital outlay project authorization in FY 2017-18 and FY 2018-19 and have an adjustment made to its appropriation.

House concurs with tuition restraint cap of 3.8% or \$475.00, whichever is greater. Retains definition of fee language and legislative intent language about violation of the tuition restriction cap.

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

Executive deletes legislative intent language to lower score for three-year improvement criteria from 2 points to 1 point, revises language with updated Carnegie classification categories.

House concurs with updated Carnegie classification categories but retains intent language to lower score for three-year improvement criteria starting in FY 2018-19.

Sec. 268. Indian Tuition Waivers – REVISED

Executive deletes legislative intent language that states unfunded Indian Tuition Waiver costs be allocated from the general fund. Changes reporting requirement from prior fiscal year to prior academic year.

House retains legislative intent language but concurs with reporting requirement changes.

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

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

Sec. 274. Embryonic Stem Cell Research – RETAINED

Executive deletes legislative intent language that instructs organizations conducting research using human embryonic stem cells report to the Department of Health and Human Services regarding compliance with federal guidelines and detailing usage of stem cell lines. House retains.

Sec. 274d. Sexual Assault Reports – NEW

House adds requirement that universities must submit a Title IX annual report on sexual assault incidents, as required under the Campus Save Act of 2013, to the House and Senate subcommittees on Higher Education, the House and Senate fiscal agencies, and the State Budget Director.

Sec. 275. Veterans' Policies and Reports – REVISED

Executive replaces legislative intent language with statement encouraging universities to provide veteran-related services. Deletes report requirement regarding participation in the Yellow Ribbon GI Education Enhancement Program. House revises language to require universities to provide veteran-related service and retains reporting requirement.

Sec. 275a. Capital Outlay Requirements – RETAINED

Executive deletes section that prohibits use of state funds for self-liquidating projects and requires compliance with Joint Capital Outlay Subcommittee reporting requirements, with specified penalty of 1.0% of appropriation for failure to comply. House retains.

Sec. 282. Reallocation of King-Chavez-Parks (KCP) Funds – REVISED

Executive adds requirement that each institution shall submit a plan by April 15 to expend remaining program funds by the end of the fiscal year. House concurs.

Sec. 283. Student Performance Reporting to High Schools – REVISED

Executive specifies that CEPI will use reported university data in its P-20 longitudinal data system to inform high schools and the public of the aggregate academic status of each institution's students for the previous academic year. House concurs.

Sec. 284. Student Performance Reporting to Community Colleges – REVISED

Executive specifies that CEPI will use reported university data in its P-20 longitudinal data system to inform community colleges of the academic status of community college transfer students for the previous academic year. House concurs.

Sec. 289. Audit of Higher Education Institutional Data Inventory (HEIDI) Data – RETAINED

Executive revises language that the Auditor General may periodically audit the HEIDI data and selected universities if necessary. House retains.

Summary: FY 2017-18 University Performance Funding Increases
As Reported by the House Appropriations Committee

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 2017-18 Appropriation	Percent Change
	% of formula:	50.0%		11.1%		5.6%		33.3%												
	Funding per unit:	\$0.0094 per dollar		\$175.07 per completion		\$0.0012 per dollar		\$6.02 per weighted point												
FY 2016-17 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 2016 FYES	FYES-Weighted Points	Funding						
Michigan State	\$275,862,100	\$283,685,200	\$2,656,406	2,967	\$519,420	\$328,397,061	\$382,036	2	3	2	0	7	36,765	257,355	\$1,550,320	\$5,108,200	\$280,970,300	1.9%		
UM-Ann Arbor	308,639,000	\$316,254,500	2,961,383	3,033	530,986	\$701,964,000	816,619	3	3	2	0	8	27,880	223,041	1,343,610	\$5,652,600	314,291,600	1.8%		
Wayne State	196,064,500	\$214,171,400	2,005,484	958	167,717	\$146,978,189	170,985	2	2	0	3	7	14,366	100,565	605,808	2,950,000	199,014,500	1.5%		
Central Michigan	83,925,500	\$80,132,000	750,350	858	150,210	\$11,746,601	13,665	2	3	0	2	7	17,270	120,890	728,248	1,642,500	85,568,000	2.0%		
Michigan Tech	48,097,500	\$47,924,200	448,759	922	161,403	\$52,321,902	60,868	3	2	2	0	7	5,595	39,168	235,951	907,000	49,004,500	1.9%		
Western Michigan	107,440,900	\$109,615,100	1,026,427	1,102	192,839	\$16,982,080	19,756	0	2	2	2	6	16,603	99,616	600,093	1,839,100	109,280,000	1.7%		
Eastern Michigan	73,593,800	\$76,026,200	711,903	901	157,738	\$3,160,633	3,677	0	3	2	2	7	14,798	103,585	624,000	1,497,300	75,091,100	2.0%		
Oakland	49,920,700	\$50,761,300	475,325	1,214	212,447	\$8,744,299	10,173	2	2	2	0	6	15,258	91,548	551,490	1,249,400	51,170,100	2.5%		
Grand Valley	68,227,900	\$61,976,400	580,342	1,350	236,420			3	3	2	0	8	19,957	159,657	961,781	1,778,500	70,006,400	2.6%		
Saginaw Valley	29,114,000	\$27,720,700	259,574	465	81,407			2	2	2	0	6	7,706	46,233	278,513	619,500	29,733,500	2.1%		
UM-Dearborn	24,803,300	\$24,726,200	231,534	438	76,593			2	2	2	2	8	5,801	46,411	279,580	587,700	25,391,000	2.4%		
UM-Flint	22,549,300	\$20,898,000	195,687	581	101,715			0	2	2	2	6	5,241	31,446	189,435	486,800	23,036,100	2.2%		
Ferris State	52,259,900	\$48,619,200	455,266	1,357	237,525			2	3	2	2	9	10,624	95,616	575,996	1,268,800	53,528,700	2.4%		
Northern Michigan	46,279,200	\$45,140,300	422,690	562	98,334			2	3	2	0	7	6,978	48,846	294,251	815,300	47,094,500	1.8%		
Lake Superior State	13,567,400	\$12,694,200	118,868	176	30,801			2	2	0	0	4	1,975	7,900	47,590	197,300	13,764,700	1.5%		
TOTAL:	\$1,400,345,000	\$1,420,344,900	\$13,300,000	16,882	\$2,955,556	\$1,270,294,765	\$1,477,778	27	37	24	15	103	206,818	1,471,877	\$8,866,667	\$26,600,000	\$1,426,945,000	1.9%		

Component	Source	Years	Notes
Critical skills undergrad completions	State HEIDI	FYs 2015-2016	STEM/health/etc.
Research & develop expend	Federal IPEDS	FY 2015	Carnegie research universities only
Six-year graduation rate	Federal IPEDS^	FYs 2011-2014	First-time, full-time degree seeking students
Total degree completions	Federal IPEDS^	FYs 2011-2014	Includes graduate degrees
Inst support as % of core expend	Federal IPEDS^	FYs 2011-2014	Measure of administrative costs
Pell grant students	Federal IPEDS^	FYs 2012-2014	Federal need-based aid for undergrads
Undergrad FYES	State HEIDI	FY 2016	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 2017-18 resident undergraduate tuition/fee rate increase to 3.8% or \$475 (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
 4. Actively participate in and submit timely updates to the Michigan Transfer Network