

MEMORANDUM



DATE: July 16, 2012
TO: All Interested Parties
FROM: Erik Jonasson, Fiscal Analyst
RE: Performance Indicators Formula (Updated for Enacted FY 2012-13 Budget)

This memorandum summarizes the distribution formula set out by the Performance Indicators Task Force in a 2006 report and used in some subsequent budget years, including the 2012-13 community colleges budget (Article II, PA 201 of 2012) In the FY 2012-13 budget, \$8.5 million is appropriated according to a modified version of the Performance Indicators formula. These additional funds, while rolled into the operations lines for community colleges, are required by boilerplate to be used solely for use in offsetting Michigan Public School Employee's Retirement System (MPERS) contributions. The formula is outlined in boilerplate section 230(2) of the community colleges budget.

Background

The Performance Indicators Task Force, established in 2006, consisted of four members of the Legislature and four community college presidents. The task force report states that the goal of the formula is to "fulfill the state's desire for a mechanism to measure community colleges' performance while sustaining the viability of Michigan's 28 community colleges." To accomplish this goal, the task force identified three factors that contribute to a community college's performance: Enrollment, Completion, and Local Strategic Value. These factors are measured as follows:

- **Enrollment** is based on the average number of Contact Hour Equated Students (CHES) at a given college over two years, as reported in the Activities Classification Structure (ACS) data book published by the Michigan Workforce Development Agency.
- **Completion** is measured by the two-year average of weighted degree completion rates. This weighting ranks degrees as: four points for a health, engineering, or technology degree; two points for a natural sciences degree; and one point for a general or business degree. The number and type of degrees are reported from the Integrated Postsecondary Education Data System (IPEDS), as released by the U.S. Department of Education's National Center for Education Statistics.
- **Strategic Value** is not measured by one specific metric, but instead provides a series of potential goals for community colleges to attain in order to satisfy this requirement. Initially these funds were distributed in proportion to a college's base funding.

Weighting

Under the Performance Indicators Formula, each of these areas is allocated a certain percentage of the funds to be distributed, with additional funding tied to administrative costs. These weightings were modified in the FY 2011-12 community colleges budget, and further altered in the FY 2012-13 budget. In the FY 2012-13 budget, Completion is weighted at 17.5%, Enrollment is weighted at 10%, and Local Strategic Value is weighted at 15%, and Administrative costs are weighted at 7.5%. The remaining 50% is distributed in proportion to the base Operations funding of each community college.

For the FY 2011-12 budget, Local Strategic Value was determined by a college's share of administrative costs and spending on public services. This method was not used in the FY 2012-13 budget, although administrative costs were retained as a performance funding measure. Instead, Local Strategic Value is awarded based on the presence of programs or services provided by a community college in three different categories: economic development and business industry partnerships, educational partnerships, and community services. If a college board of trustees certifies to the State Budget Director that the college has met four of the five listed requirements for each category, the college receives its share of the Local Strategic Value funding, in proportion to the college's base appropriation.

Administrative costs are measured as the percentage of total college spending allocated to administration, where colleges with lower percentages of administrative expenditures receive larger portions of the appropriation. A college's two-year average of their percentage of spending on administrative costs is subtracted from a base of 20%. Funds are allocated based on the difference between a community college's administrative spending and this base. All colleges were below this 20% threshold, ranging from 10% to 17% of administrative spending.

The formula used in the FY 2012-13 budget is outlined in **Table 1** below:

Table 1: Amount Distributed According to Performance Indicators Formula in PA 201 of 2012

Performance Metric	Percent Allocation
Proportionate to Base Funding	50.0%
Weighted Degree Completions	17.5%
Local Strategic Value	15.0%
Student Contact Hours	10.0%
Administrative Costs	7.5%

As only 50% of the Performance Indicators formula relies on performance-related data, only about \$4.25 million is allocated according to the measures identified by the formula. The remainder is distributed in the same proportion as the college's base appropriations.

Appendix 1 shows the funding amounts that compose each college's performance funding allocation, with **Appendices 2-4** showing the data used to calculate each column. Funds were allocated based on each college's proportion of the overall number of students, weighted degrees, public service spending, or reduced administrative costs. For example, a college with 10% of all Contact Hour Equated Students would receive 10% of the \$851,600 awarded according to student enrollment. Under this formula, community colleges receive percentage increases ranging from 2.9% to 4.0% in FY 2012-13, with an additional \$1.7 million distributed for MPERS payments according to section 201(4) of the FY 2012-13 Community Colleges budget.

Appendix 1: Community College Performance Indicators Funding Distribution in PA 201 of 2012
Performance Indicators Formula Components

College	FY 2011-12 Appropriation	50% Distribution Proportionate to Base Funding	10.0% Student Contact Hour	7.5% Admin. Costs	17.5% Weighted Degrees	15.0% Strategic Value	\$1.7 million MPERS payments	FY 2012-13 Increase*	FY 2012-13 Appropriation	FY 2012-13 Change from FY 2011-12 Percent
Alpena	\$4,984,300	\$74,800	\$7,000	\$18,100	\$27,000	\$22,400	\$30,400	\$179,700	\$5,164,000	3.61%
Bay de Noc	\$5,040,200	\$75,600	\$9,200	\$11,100	\$25,200	\$22,700	\$30,800	\$174,600	\$5,214,800	3.46%
Delta	\$13,336,200	\$200,000	\$38,900	\$31,800	\$105,800	\$60,000	\$81,400	\$517,900	\$13,854,100	3.88%
Glen Oaks	\$2,320,900	\$34,800	\$5,500	\$10,500	\$11,300	\$10,500	\$14,200	\$86,800	\$2,407,700	3.74%
Gogebic	\$4,140,500	\$62,100	\$4,600	\$10,500	\$15,400	\$18,600	\$25,300	\$136,500	\$4,277,000	3.30%
Grand Rapids	\$16,649,700	\$249,700	\$57,400	\$28,700	\$68,800	\$74,900	\$101,700	\$581,200	\$17,230,900	3.49%
Henry Ford	\$20,145,000	\$302,200	\$57,200	\$20,500	\$71,800	\$90,700	\$123,000	\$665,400	\$20,810,400	3.30%
Jackson	\$11,219,700	\$168,300	\$26,100	\$25,300	\$52,100	\$50,500	\$68,500	\$390,800	\$11,610,500	3.48%
Kalamazoo	\$11,522,700	\$172,800	\$38,100	\$32,200	\$62,500	\$51,900	\$70,400	\$427,900	\$11,950,600	3.71%
Kellogg	\$9,047,900	\$135,700	\$20,900	\$32,400	\$52,400	\$40,700	\$55,300	\$337,400	\$9,385,300	3.73%
Kirtland	\$2,872,900	\$43,100	\$7,100	\$20,700	\$24,500	\$12,900	\$17,500	\$125,800	\$2,998,700	4.38%
Lake Michigan	\$4,937,700	\$74,100	\$16,200	\$13,100	\$18,200	\$22,200	\$30,200	\$174,000	\$5,111,700	3.52%
Lansing	\$28,651,900	\$429,800	\$67,600	\$40,100	\$145,600	\$128,900	\$175,000	\$987,000	\$29,638,900	3.44%
Macomb	\$30,490,300	\$457,300	\$85,100	\$33,400	\$140,400	\$137,200	\$186,200	\$1,039,600	\$31,529,900	3.41%
Mid Michigan	\$4,266,800	\$64,000	\$17,500	\$11,900	\$33,200	\$19,200	\$26,100	\$171,900	\$4,438,700	4.03%
Monroe	\$4,094,000	\$61,400	\$14,300	\$31,300	\$22,500	\$18,400	\$25,000	\$172,900	\$4,266,900	4.22%
Montcalm	\$2,946,800	\$44,200	\$6,600	\$23,700	\$17,200	\$13,300	\$18,000	\$123,000	\$3,069,800	4.17%
Mott	\$14,526,400	\$217,900	\$43,400	\$31,200	\$71,500	\$65,400	\$88,700	\$518,100	\$15,044,500	3.57%
Muskegon	\$8,256,700	\$123,900	\$17,800	\$30,700	\$27,000	\$37,200	\$50,400	\$287,000	\$8,543,700	3.48%
North Central	\$2,886,500	\$43,300	\$8,400	\$25,900	\$15,800	\$13,000	\$17,600	\$124,000	\$3,010,500	4.30%
Northwestern	\$8,430,300	\$126,500	\$18,300	\$24,500	\$24,500	\$37,900	\$51,500	\$283,200	\$8,713,500	3.36%
Oakland	\$19,455,900	\$291,800	\$94,600	\$36,800	\$98,500	\$87,600	\$118,800	\$728,100	\$20,184,000	3.74%
St. Clair	\$6,534,100	\$98,000	\$17,300	\$14,700	\$33,200	\$29,400	\$39,900	\$232,500	\$6,766,600	3.56%
Schoolcraft	\$11,477,300	\$172,200	\$45,000	\$21,100	\$84,900	\$51,600	\$70,100	\$444,900	\$11,922,200	3.88%
Southwestern	\$6,143,700	\$92,200	\$10,900	\$5,800	\$16,400	\$27,600	\$37,500	\$190,400	\$6,334,100	3.10%
Washtenaw	\$11,827,300	\$177,400	\$48,900	\$29,900	\$158,500	\$53,200	\$72,200	\$540,100	\$12,367,400	4.57%
Wayne County	\$15,425,900	\$231,400	\$62,900	\$20,900	\$57,400	\$69,400	\$94,200	\$536,200	\$15,962,100	3.48%
West Shore	\$2,248,900	\$33,700	\$4,800	\$2,000	\$8,800	\$10,100	\$13,700	\$73,100	\$2,322,000	3.25%
Total	\$283,880,500	\$4,258,200	\$851,600	\$638,800	\$1,490,400	\$1,277,400	\$1,733,600	\$10,250,000	\$294,130,500	3.68%

Appendix 2: Calculations for Contact Hour Equated Students (CHES) Performance Funding

College	2009-10 Contact Hour	2010-11 Contact Hour	Two-Year Average	Contact Hour Formula
Alpena	1,749	1,723	1,736	\$7,000
Bay de Noc	2,268	2,261	2,265	\$9,200
Delta	9,615	9,633	9,624	\$38,900
Glen Oaks	1,438	1,270	1,354	\$5,500
Gogebic	1,100	1,175	1,138	\$4,600
Grand Rapids	14,134	14,242	14,188	\$57,400
Henry Ford	13,921	14,352	14,137	\$57,200
Jackson	6,775	6,105	6,440	\$26,100
Kalamazoo	9,477	9,347	9,412	\$38,100
Kellogg	5,071	5,261	5,166	\$20,900
Kirtland	1,787	1,737	1,762	\$7,100
Lake Michigan	3,885	4,129	4,007	\$16,200
Lansing	16,558	16,840	16,699	\$67,600
Macomb	20,996	21,073	21,035	\$85,100
Mid Michigan	4,278	4,368	4,323	\$17,500
Monroe	3,599	3,490	3,545	\$14,300
Montcalm	1,696	1,571	1,634	\$6,600
Mott	10,972	10,467	10,720	\$43,400
Muskegon	4,393	4,380	4,387	\$17,800
North Central	2,262	1,891	2,077	\$8,400
Northwestern	4,409	4,633	4,521	\$18,300
Oakland	23,202	23,534	23,368	\$94,600
St. Clair	4,405	4,127	4,266	\$17,300
Schoolcraft	11,058	11,203	11,131	\$45,000
Southwestern	2,534	2,834	2,684	\$10,900
Washtenaw	12,349	11,842	12,096	\$48,900
Wayne County	15,945	15,127	15,536	\$62,900
West Shore	1,197	1,184	1,191	\$4,800
Total	211,073	209,799	210,436	\$851,600

Source: Michigan Workforce Development Agency

Appendix 3: Average Weighted Degrees Granted Per Year (2009-10 and 2010-11)

College	2009-2010 Weighted Degrees	2010-2011 Weighted Degrees	Average Weighted Degrees	Weighted Degrees Distribution
Alpena	1,326	1,343	1,334.5	\$27,000
Bay de Noc	1,243	1,251	1,247.0	\$25,200
Delta	5,137	5,322	5,229.5	\$105,800
Glen Oaks	558	556	557.0	\$11,300
Gogebic	709	816	762.5	\$15,400
Grand Rapids	3,318	3,484	3,401.0	\$68,800
Henry Ford	3,684	3,413	3,548.5	\$71,800
Jackson	2,474	2,675	2,574.5	\$52,100
Kalamazoo	3,229	2,952	3,090.5	\$62,500
Kellogg	2,597	2,584	2,590.5	\$52,400
Kirtland	1,129	1,295	1,212.0	\$24,500
Lake Michigan	822	977	899.5	\$18,200
Lansing	6,677	7,716	7,196.5	\$145,600
Macomb	6,423	7,453	6,938.0	\$140,400
Mid Michigan	1,416	1,863	1,639.5	\$33,200
Monroe	1,090	1,129	1,109.5	\$22,500
Montcalm	783	912	847.5	\$17,200
Mott	3,542	3,522	3,532.0	\$71,500
Muskegon	1,280	1,387	1,333.5	\$27,000
North Central	679	879	779.0	\$15,800
Northwestern	1,137	1,286	1,211.5	\$24,500
Oakland	4,627	5,109	4,868.0	\$98,500
St. Clair	1,612	1,666	1,639.0	\$33,200
Schoolcraft	3,847	4,542	4,194.5	\$84,900
Southwestern	827	789	808.0	\$16,400
Washtenaw	7,308	8,354	7,831.0	\$158,500
Wayne County	2,848	2,827	2,837.5	\$57,400
West Shore	409	461	435.0	\$8,800
Subtotal	70,731	76,563	73,647	\$1,490,400

Source: National Center for Education Statistics

Appendix 4: Administrative Costs Percentages

College	2009-10 Percent Administrative costs	2010-11 Percent Administrative costs	Two-Year Average	Funding Percentage Below 20%	Percent	Administrative Cost Formula Distribution
Alpena	16.3	14.7	15.5	4.5	2.83%	\$18,100
Bay de Noc	17.4	17.1	17.3	2.8	1.73%	\$11,100
Delta	11.7	12.5	12.1	7.9	4.97%	\$31,800
Glen Oaks	16.7	18.1	17.4	2.6	1.64%	\$10,500
Gogebic	16.6	18.2	17.4	2.6	1.64%	\$10,500
Grand Rapids	13.3	12.4	12.9	7.2	4.50%	\$28,700
Henry Ford	14.0	15.8	14.9	5.1	3.21%	\$20,500
Jackson	13.2	14.2	13.7	6.3	3.96%	\$25,300
Kalamazoo	12.4	11.6	12.0	8.0	5.03%	\$32,200
Kellogg	12.2	11.7	12.0	8.1	5.07%	\$32,400
Kirtland	14.5	15.2	14.9	5.2	3.24%	\$20,700
Lake Michigan	15.2	18.3	16.8	3.3	2.05%	\$13,100
Lansing	9.6	10.4	10.0	10.0	6.29%	\$40,200
Macomb	12.2	11.2	11.7	8.3	5.22%	\$33,400
Mid Michigan	16.0	18.1	17.1	3.0	1.86%	\$11,900
Monroe	12.4	12.0	12.2	7.8	4.91%	\$31,400
Montcalm	13.5	14.7	14.1	5.9	3.71%	\$23,700
Mott	13.0	11.5	12.3	7.8	4.88%	\$31,200
Muskegon	12.5	12.2	12.4	7.7	4.81%	\$30,700
North Central	12.9	14.2	13.6	6.5	4.06%	\$25,900
Northwestern	13.8	14.0	13.9	6.1	3.84%	\$24,500
Oakland	11.5	10.2	10.9	9.2	5.76%	\$36,800
St. Clair	17.0	15.7	16.4	3.7	2.30%	\$14,700
Schoolcraft	14.5	15.0	14.8	5.3	3.30%	\$21,100
Southwestern	16.5	20.6	18.6	1.5	0.91%	\$5,800
Washtenaw	12.6	12.5	12.6	7.5	4.69%	\$29,900
Wayne County	14.7	14.9	14.8	5.2	3.27%	\$20,900
West Shore	18.8	20.2	19.5	0.5	0.31%	\$2,000
Total	14.1	14.5	14.3	158.9	100.00%	\$639,000

Source: Michigan Workforce Development Agency