

**FY 2016-17: HIGHER EDUCATION
Summary: Conference Report
Senate Bill 790 (S-2) CR-1**



Analyst: Marilyn Peterson

IDG/IDT	FY 2015-16 YTD as of 2/10/16	FY 2016-17 Executive	FY 2016-17 House (HB 5291)	FY 2016-17 Senate (SB 801)	FY 2016-17 Conference	Difference: Conference From FY 2015-16 YTD	
						Amount	%
	\$0	\$0	\$0	\$0	\$0	\$0	--
Federal	97,026,400	99,026,400	99,026,400	100,179,200	101,526,400	\$4,500,000	4.6
Local	0	0	0	0	0	0	--
Private	0	0	0	0	0	0	--
Restricted	205,279,500	237,209,500	237,209,600	237,209,500	237,209,500	31,930,000	15.6
GF/GP	1,232,418,500	1,262,418,500	1,250,047,300	1,262,418,500	1,243,904,500	11,486,000	0.9
Gross	\$1,534,724,400	\$1,598,654,400	\$1,586,283,300	\$1,599,807,200	\$1,582,640,400	\$47,916,000	3.1

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." (3) "House" refers to budget as passed by the House in HB 5291; "Senate" refers to budget as passed by the Senate in SB 801.

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

Conference increases university operations funding by 2.9% (\$39.8 million), a reduction of \$20.0 million GF/GP from the Executive, and concurs with Executive, House, and Senate in reinstating the formula component that distributes 50% of the performance funding 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.

	FY 2015-16 Year-to-Date (as of 2/10/16)	FY 2016-17 Conference Change
Gross	\$1,360,557,600	\$39,787,400
Restricted	200,019,500	31,200,000
GF/GP	\$1,160,538,100	\$8,587,400

Performance funding that would otherwise be allocated to Eastern and Oakland is reduced by \$400,000 for each school and divided equally among the four other institutions that would still be below FY 2010-11 funding levels: Michigan State, UM-Ann Arbor, Wayne State, and Western.

Receipt of performance funding conditioned on restraining tuition/fee increases to 4.2% (set at 3.2% in current year). Projected funding increases for individual universities range from 2.4% to 4.5%.

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 thus halved. Receipt of performance funding conditioned on restraining resident undergraduate tuition/fee increases to 4.8%. Projected funding increases for individual universities ranging from 3.5% to 6.8%.

Major Budget Changes From FY 2015-16 YTD Appropriations

**FY 2015-16
Year-to-Date
(as of 2/10/16)**

**FY 2016-17
Conference
Change**

**See previous
page for
Conference
change**

1. University Operations, continued

House increases university operations funding by 3.4% (\$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 ranging from 2.8% to 4.7%.

Senate concurs with Executive in total amount of university performance funding and formula changes, but reduces funding for Eastern and Oakland by the amounts that they otherwise would have received under the formula component distributing 50% of the performance funding based on FY 2010-11 appropriations. The resulting \$2.7 million (about \$1.6 million from Eastern and about \$1.7 million from Oakland) divided equally between the remaining four universities that would still be below FY 2010-11 funding levels, thereby providing \$667,100 each for Michigan State, University of Michigan – Ann Arbor, Wayne State, and Western. Senate concurs with Executive in 4.8% tuition restraint cap. Projected funding increases for individual universities ranging from 2.4% to 5.2%.

2. MSU AgBioResearch and MSU Extension

Executive provides increases for Michigan State's AgBioResearch and Extension programs, bringing funding for each to FY 2010-11 levels. AgBioResearch with 2.3% (\$734,800 GF/GP) increase, bringing funding to \$33.2 million; Extension with 2.4% (\$677,800 GF/GP) increase, bringing funding to \$28.7 million.

House, Senate, and Conference concur.

Gross	\$60,503,100	\$1,412,600
GF/GP	\$60,503,100	\$1,412,600

3. MSU Veterinary Diagnostic Laboratory

Conference provides one-time appropriation of \$500,000 GF/GP for MSU's Diagnostic Center for Population and Animal Health, which assists in identifying emerging animal and public health issues and works with national, state, and local officials on research and responses to threats such as avian influenza, bovine tuberculosis, West Nile virus, and chronic wasting disease.

Gross	NA	\$500,000
GF/GP	NA	\$500,000

4. Michigan Public School Employees' Retirement System (MPSERS)

Executive assumes enactment of a cap of 25.73% of payroll on university payments for unfunded accrued liability under MPSERS. Executive provides \$5.9 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.

House, Senate, and Conference concur.

Gross	\$5,160,000	\$730,000
Restricted	\$5,160,000	\$730,000

5. State Competitive Scholarships

Senate provides a 2.2% increase, adding \$404,000 in federal TANF funding to this program, which assists with tuition and mandatory fees for undergraduate students pursuing their first degrees who have demonstrated both financial need and academic merit. Executive, House, and Conference make no changes.

Gross	\$18,361,700	\$0
Federal	18,361,700	0
GF/GP	\$0	\$0

	FY 2015-16 Year-to-Date (as of 2/10/16)	FY 2016-17 Conference Change
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Major Budget Changes From FY 2015-16 YTD Appropriations

6. Tuition Incentive Program

Executive adds \$2.0 million federal TANF funds for Tuition Incentive Program, which pays associate's degree tuition for Medicaid-eligible students completing high school, and provides tuition assistance of up to \$2,000 for participants continuing on with a baccalaureate. Total funding would be \$50.5 million (\$45.8 million TANF, \$4.7 million GF/GP). FY 2014-15 expenditures were \$49.4 million, and the Executive also seeks a \$2.0 million FY 2015-16 supplemental appropriation for the program, which would bring current-year funding to \$50.5 million. Executive also proposes annual cap of \$8.5 million on total awards at any one college or university (affects Ferris State University).

House and Senate concur in funding increase, but do not include cap on total awards at any one institution. Senate further requires Phase I payments to be prorated as necessary to reflect available resources and the amount appropriated.

Conference concurs with Executive on per-institution cap on total awards, and increases funding by \$4.5 million TANF, for total appropriations of \$53.0 million. The conference report also increases current-year funding by \$4.5 million TANF (see below).

Gross	\$48,500,000	\$4,500,000
Federal	43,800,000	4,500,000
GF/GP	\$4,700,000	\$0

7. Tuition Grant Program

Executive proposes no funding change for this financial aid program for students at independent colleges and universities.

House increases funding by \$1.2 million GF/GP, a 3.4% increase.

Senate increases by \$748,800 using federal TANF revenues, providing a 2.2% increase for the program.

Conference increases by \$986,000 GF/GP, a 2.9% increase in total funding.

Gross	\$34,035,500	\$986,000
Federal	31,664,700	0
GF/GP	\$2,370,800	\$986,000

8. Indian Tuition Waiver Program

House 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.

Executive, Senate, and Conference do not include.

Gross	NA	\$0
Restricted	NA	\$0

FY 2015-16 SUPPLEMENTAL APPROPRIATIONS

1. Tuition Incentive Program

In a revised supplemental request made May 6, 2016, the Executive seeks an additional \$4.5 million in federal TANF authorization to meet anticipated current-year costs of the Tuition Incentive Program. Senate Bill 790 (S-2) CR-1 includes language to provide this supplemental appropriation.

	FY 2015-16 Year-to-Date (as of 2/10/16)	FY 2015-16 Supplemental Appropriations
Gross	\$48,500,000	\$4,500,000
Federal	43,800,000	4,500,000
GF/GP	\$4,700,000	\$0

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. Conference, House, and Senate retain current-year language.

Major Boilerplate Changes From FY 2015-16

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. Conference, House, and Senate concur.

Sec. 239a. Foreign Vehicles – DELETED

States intent that funds appropriated to universities not be used to purchase vehicles assembled outside the United States. Executive and Conference delete, House and Senate retain.

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; Conference, House, and Senate retain this language.

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; Conference, House, and Senate retain this language.

GRANTS AND FINANCIAL AID

Sec. 252. Tuition Grant Program – REVISED

Establishes conditions for the Tuition Grant Program, which provides need-based tuition assistance at Michigan independent (i.e., private 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. Conference, House, and Senate retain the rollover provision.
- Executive reduces annual cap on awards at any one institution (which affects awards at Baker College and Davenport University) from the current \$3.2 million to \$3.0 million. House raises cap to \$3.5 million, Senate raises cap to \$3.3 million, Conference retains current cap of \$3.2 million.
- Executive moves application deadline from July 1 to March 1. Conference, House, and Senate retain current deadline.

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%. Conference, House, and Senate concur.

Sec. 256. Tuition Incentive Program – REVISED

Provides for the tuition incentive program, which pays associate's degree ("Phase I") tuition for Medicaid-eligible students completing high school, and provides tuition assistance of up to \$2,000 for participants continuing on with a baccalaureate ("Phase II"). 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. Senate does not include cap, and instead requires proration of Phase I awards if appropriation insufficient. Conference concurs with Executive.

UNIVERSITY OPERATIONS

Sec. 261. Douglas Lake Biological Station – RETAINED

Designates University of Michigan Douglas lake Biological Station as a unique resource. Executive deletes; Conference, House, and Senate retain.

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 limit at 4.8% or \$500, whichever is more. Senate concurs with Executive. Conference sets at 4.2%.
- 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. Conference, House, and Senate retain this language.
- Executive clarifies various terms consistent with usage. Conference, House, and Senate concur.

Conference includes Senate language that says that universities that exceed the tuition restraint cap shall not receive a planning or construction authorization for a state-funded capital outlay project in FY 2017-18 or FY 2018-19.

Conference also adds a provision explicitly stating that the legislature may at any time adjust appropriations for a university that adopts a tuition and fee increase that exceeds the tuition restraint cap.

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. Conference, House, and Senate concur.
- 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. Conference, House, and Senate concur.

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. Conference, House, and Senate concur.

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

Conference does not include House's formula revision to add a fifth Carnegie metric (scored at 3 points) of whether a university received a Carnegie Community Engagement classification in 2010 or 2015.

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."

Conference, House, and Senate retain statement of legislative intent regarding allocation of Indian Tuition Waiver costs, and revise and clarify 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; Conference, House, and Senate retain.

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; Conference, House, and Senate retain.

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 yellow ribbon GI education program. Conference, House, and Senate retain 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; Conference, House, and Senate retain.

Sec. 286a. Academic Program Partnerships – NEW

Conference includes Senate language requiring Michigan Community College Association, Michigan Association of State Universities, and Michigan Independent Colleges and Universities to report on academic partnerships between public community colleges, public universities, and private colleges and universities.

Sec. 293. Student Records – DELETED

Requires universities to provide information from the records of a student to persons authorized by the student. Executive deletes; Conference, House, and Senate concur.

Summary: FY 2016-17 University Performance Funding Increases

University	Proportional to FY 2010-11		Performance Funding Proportional to Share of Total				Performance Funding Scored vs. National Carnegie Peers										Redistribute Across-the-Board Funding	*Total Performance Funding Increase	Proposed FY 2016-17 Appropriation	Percent Change
	% of formula:	50.0%	11.1%		5.6%		33.3%													
	Funding per unit:	\$0.0140 per dollar	\$273.01 per completion		\$0.0018 per dollar		\$8.81 per weighted point													
FY 2015-16 Year-to-Date Appropriation	FY 2010-11 Appropriation	Funding	Critical Skills Undergrad Completions	Funding	Research & Development Expenditures	Funding	6-year Grad Rate	Total Degrees	Instl. Support as % of Expend.	% Students Receiving Pell Grants	Total Points	Total FY 2015 Undergrad FYES	FYES-Weighted Points	Funding						
Michigan State	\$268,770,700	\$283,685,200	\$3,973,365	2,767	\$755,414	\$311,961,002	\$547,140	2	3	0	0	5	36,653	183,265	\$1,615,449	200,000	\$7,091,400	\$275,862,100	2.6%	
UM-Ann Arbor	299,975,000	\$316,254,500	4,429,538	2,971	811,107	\$704,342,000	1,235,327	3	3	2	0	8	28,192	225,533	1,988,031	200,000	\$8,664,000	308,639,000	2.9%	
Wayne State	191,451,300	\$214,171,400	2,999,737	885	241,612	\$150,737,120	264,374	2	2	0	3	7	14,706	102,943	907,428	200,000	\$4,613,200	196,064,500	2.4%	
Michigan Tech	46,754,700	\$47,924,200	671,238	902	246,253	\$51,389,065	90,130	3	2	2	0	7	5,432	38,023	335,168		\$1,342,800	48,097,500	2.9%	
Western	104,334,100	\$109,615,100	1,535,296	1,089	297,306	\$18,997,041	33,318	2	2	0	3	7	16,870	118,087	1,040,912	200,000	\$3,106,800	107,440,900	3.0%	
Central	81,127,100	\$80,132,000	1,122,349	861	235,060	\$13,794,808	24,194	3	3	3	0	9	17,859	160,731	1,416,816		\$2,798,400	83,925,500	3.4%	
Oakland	48,371,900	\$50,761,300	710,975	1,119	305,496	\$9,080,916	15,927	2	3	2	0	7	14,851	103,957	916,363	(400,000)	\$1,548,800	49,920,700	3.2%	
Eastern	71,782,500	\$76,026,200	1,064,842	817	223,048			0	3	2	2	7	14,966	104,759	923,431	(400,000)	\$1,811,300	73,593,800	2.5%	
Ferris	50,369,800	\$48,619,200	680,972	1,305	356,276			2	3	2	2	9	10,750	96,750	852,835		\$1,890,100	52,259,900	3.8%	
Grand Valley	65,275,700	\$61,976,400	868,057	1,281	349,724			3	3	2	2	10	19,677	196,767	1,734,467		\$2,952,200	68,227,900	4.5%	
Saginaw Valley	28,181,200	\$27,720,700	388,263	463	126,403			0	2	2	2	6	7,906	47,434	418,124		\$932,800	29,114,000	3.3%	
UM-Dearborn	24,033,100	\$24,726,200	346,321	435	118,759			2	2	0	2	6	5,770	34,620	305,169		\$770,200	24,803,300	3.2%	
UM-Flint	21,815,400	\$20,898,000	292,703	558	152,339			0	2	2	2	6	5,462	32,775	288,903		\$733,900	22,549,300	3.4%	
Northern	45,107,700	\$45,140,300	632,246	550	150,155			2	2	2	0	6	7,356	44,136	389,051		\$1,171,500	46,279,200	2.6%	
Lake Superior	13,207,400	\$12,694,200	177,798	190	51,872			2	3	0	2	7	2,112	14,784	130,318		\$360,000	13,567,400	2.7%	
TOTAL:	\$1,360,557,600	\$1,420,344,900	\$19,893,700	16,193	\$4,420,822	\$1,260,301,952	\$2,210,411	28	38	21	20	107	208,561	1,504,563	\$13,262,467	\$0	\$39,787,400	\$1,400,345,000	2.9%	

Funding Increase: \$39,787,400
Percent Increase: 2.9%

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

^ via Business Leaders for Michigan and Anderson Economic Group

Scoring Based on Carnegie Peers	
Top 20% nationally	3
Above national median	2
Improving over 3 years	2

***Requirements to receive funding increase:**

1. Restrain FY 2016-17 resident undergraduate tuition/fee rate increase to 4.2% or below
2. Participate in at least three reverse transfer agreements with community colleges
3. Maintain a dual enrollment credit policy that does not consider whether credits were used toward high school graduation
4. Actively participate in and submit timely updates to the Michigan Transfer Network