

**Summary: Executive Budget Recommendation
for Fiscal Years 2015-16 and 2016-17
HIGHER EDUCATION**



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	FY 2014-15 Year-to-Date as of 2/11/15	Proposed FY 2014-15 Adjustments	Adjusted FY 2014-15 Year-to-Date	FY 2015-16 Executive Recommendation	Change: FY 2015-16 vs. FY 2014-15 Adjusted	
					Amount	%
IDG/IDT	\$0	\$0	\$0	\$0	\$0	--
Federal	97,026,400	0	97,026,400	97,026,400	0	0.0
Local	0	0	0	0	0	--
Private	0	0	0	0	0	--
Restricted	204,567,900	2,000,000	206,567,900	205,279,500	(1,288,400)	(0.6)
GF/GP	\$1,214,902,000	(\$2,000,000)	\$1,212,902,000	\$1,238,913,300	26,011,300	2.1
Gross	\$1,516,496,300	\$0	\$1,516,496,300	\$1,541,219,200	\$24,722,900	1.6

Notes: (1) FY 2014-15 year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments include Executive Order 2015-5 and House Bill 4110 (H-1). (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Overview

The Higher Education budget, as 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 Adjusted FY 2014-15 Appropriations

1. University Operations

Increases university operations funding by \$26.8 million GF/GP (2.0%), bringing total support to \$1.4 billion (\$1.2 billion GF/GP). Funding increase to be distributed according to a performance funding formula, which would be revised to eliminate the component that distributes 50% of performance funding based on each university's share of operational funding appropriated in the baseline year of FY 2010-11. Percentages applying to the other formula components (weighted completions, research and development, and comparison to Carnegie peers) thus would be doubled. Receipt of performance funding would be conditioned on restraining resident undergraduate tuition/fee increases to 2.8% (set at 3.2% in the current year). Projected funding increases for individual universities range from 0.6% to 4.0%.

	FY 2014-15 Adjusted Year-to-Date	FY 2015-16 Executive Change
Gross	\$1,339,958,200	\$26,799,100
Restricted	200,019,500	0
GF/GP	\$1,139,938,700	\$26,799,100

2. Michigan Public School Employees Retirement System (MPSERS)

Institutes a cap of 25.73% of payroll on university payments for unfunded accrued liability under MPSERS. Funding of \$5.2 million in School Aid Fund (SAF) revenues would be provided to pay the difference between the 25.73% cap and universities' unfunded accrued liability rate. This would affect the seven universities with MPSERS employees: Central, Eastern, Ferris, Lake Superior State, Michigan Tech, Northern, and Western. Current-year funding of \$6.4 million includes \$4.0 million designated as one-time appropriations. Current-year funding is allocated based on specified payroll and appropriated "solely for the purpose of offsetting a portion of the retirement contributions owed by the university."

Gross	\$6,448,400	(\$1,228,400)
Restricted	6,448,400	(1,228,400)
GF/GP	\$0	\$0

Major Budget Changes From Adjusted FY 2014-15 Appropriations		FY 2014-15 Adjusted Year-to-Date	FY 2015-16 Executive Change
3. MSU Extension Service and AgBioResearch	Gross	\$59,609,000	\$1,192,200
Provides 2.0% increase (\$1.2 million GF/GP) for Michigan State's AgBioResearch (\$640,600) and Extension (\$551,600) programs, bringing total funding to \$60.8 million.	GF/GP	\$59,609,000	\$1,192,200
4. Michigan College Access Network (MCAN)	Gross	\$2,000,000	(\$2,000,000)
Moves support for the Michigan College Access Network, currently funded in the Higher Education budget at \$2.0 million GF/GP, to the K-12 budget.	GF/GP	\$2,000,000	(\$2,000,000)
5. Midwest Higher Education Compact	Gross	\$95,000	\$20,000
Funds dues increase for participation in the Midwest Higher Education Compact, which promotes regional cooperation and economies of scale in purchasing, encourages tuition reciprocity programs, and conducts research into higher education issues.	GF/GP	\$95,000	\$20,000
6. Indian Tuition Waivers	Gross	\$500,000	\$0
Rolls current-year appropriation for Indian Tuition Waivers into individual university operations appropriations based on the number of eligible students at each university. Current-year appropriation was distributed based on the amount of tuition waived at each university, adjusted for amounts included in university operations appropriations. (Funding for Indian Tuition Waivers was rolled into university operations appropriations in FY 1996-97, and has been assumed to rise or fall with subsequent across-the-board increases and decreases.)	GF/GP	\$500,000	\$0
7. Grants and Financial Aid	Gross	\$104,994,200	\$0
Maintains current-year funding levels for the various financial aid programs:	Federal	97,026,400	0
	Restricted	100,000	0
<ul style="list-style-type: none"> Tuition Incentive Program (total \$48.5 million, \$43.8 million federal TANF funds and \$4.7 million GF/GP). Tuition Grant Program (total \$33.5 million, \$31.7 million TANF and \$1.9 million GF/GP). State competitive scholarships (\$18.4 million, all TANF). Project GEAR-UP scholarships (\$3.2 million federal program funds) Children of Veterans and Officer's Survivor Tuition Grant Programs (\$1.3 million GF/GP, \$100,000 restricted revenue). 	GF/GP	\$7,867,800	\$0
8. King-Chavez-Parks (KCP) Programs	Gross	\$2,691,500	\$0
In addition to allocations contained in each university's operations appropriation, Executive maintains funding for the three KCP programs that are separately funded:	GF/GP	\$2,691,500	\$0
<ul style="list-style-type: none"> Select Student Support Services (\$2.0 million) Michigan College/University Partnership Program (\$586,800) Morris Hood, Jr. Educator Development Program (\$148,600) 			
9. Higher Education Institutional Data Inventory (HEIDI)	Gross	\$200,000	\$0
Maintains funding for the state's higher education database. Public universities submit finance, enrollment, and other data annually under statutory and budget act requirements.	GF/GP	\$200,000	\$0

Major Boilerplate Changes From FY 2014-15

GENERAL SECTIONS

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

Replaces Sec. 236a, which expresses legislative intent to maintain appropriations, with a new Article IV containing an itemized summary of appropriations for FY 2015-16 and anticipated appropriations for FY 2016-17, with the only FY 2016-17 change being an additional \$180,000 in funding for MPSERS unfunded accrued liabilities in excess of the proposed 25.73% employer cap.

Sec. 236c. State Building Authority (SBA) Rent Payments – REVISED

Itemizes SBA rent payments made for university capital outlay projects. Current-year payments total \$124.8 million, updated to \$136.0 million in FY 2015-16. SBA rent is appropriated under the budget for the Department of Technology, Management, and Budget.

Sec. 239a. Foreign Auto Manufacturers – DELETED

States intent that funds appropriated to universities not be used to purchase vehicles assembled outside U.S.

Sec. 242. Federal or Private Funds – REVISED

Appropriates federal or private funds received by the state for use by a college or university. Deletes language specifying that acceptance of funds does not create an ongoing obligation.

Sec. 245. University Transparency – REVISED

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

Sec. 246. Michigan Public School Employees' Retirement System (MPSERS) – REVISED

Allocates MPSERS funding based on each participating university's percentage of the total combined payrolls of employees who are MPSERS members hired before January 1, 1996, and employees who would have been MPSERS members but for enactment of 1995 PA 272, which closed the system to new hires. New language would assume a maximum employer rate of 25.73% of payroll and would specify that the amount of a university's MPSERS payment would be equal to the difference between the capped rate and the rate that would otherwise apply in order to meet the unfunded accrued actuarial liability. Language requiring funding to be used "solely for the purpose of offsetting a portion of the retirement contributions owed by the university" would be replaced with language requiring each university that receives MPSERS support to forward the amount received to MPSERS.

GRANTS AND FINANCIAL AID

Sec. 252. Tuition Grant Program – REVISED

Revises conditions for the tuition grant program, which provides need-based tuition assistance at Michigan independent (i.e., private nonprofit) colleges and universities:

- Deletes requirement for unexpended funds to continue to be available in the next fiscal year; unexpended funds thus would lapse to the General Fund.
- Reduces cap on awards at any one institution from the current \$3.2 million to \$3.0 million.
- Conditions student eligibility for awards on the college's submission of annual P-20 longitudinal data system data sets to the Center for Education Performance and Information (CEPI).
- Moves application deadline from July 1 to March 1.
- Deletes requirement for Department of Treasury to report projected year-end appropriation balance.
- Revises requirement for Department of Treasury to confirm by December 15 and again by February 18 whether appropriations are sufficient for awards, deleting the December 15 requirement.
- Moves deadline for institutional reporting from August 31 to September 30.

Sec. 255. Financial Aid Need Criteria – REVISED

Provides for Treasury to determine the needs analysis criteria for students to qualify for state competitive scholarship program and tuition grant program. Extends provision to Independent Part-Time Student Grants Program, which is proposed for funding under the Community Colleges budget.

Sec. 258. Treasury Financial Aid Reports – REVISED

Extends requirement for Treasury to post annual report on financial aid programs to include financial aid that is appropriated through university operations appropriations as well as financial aid programs that are funded under separate appropriations.

Sec. 259. Michigan College Access Network (MCAN) – DELETED

In conjunction with transferring the college access program to the K-12 budget, removes MCAN language from the Higher Education budget.

Major Boilerplate Changes From FY 2014-15

UNIVERSITY OPERATIONS

Sec. 260. Common Application for Admissions – NEW

Encourages public universities to adopt the common application (a standardized application developed by the eponymous and nonprofit The Common Application) in order to make postsecondary education more accessible.

Sec. 261. Douglas Lake Biological Station – DELETED

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

Sec. 262a. Textbook Policies – DELETED

States intent that universities develop policies for reviewing required textbook and course materials to minimize costs while maintaining quality of education; requires report on university policies.

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

Conditions receipt of performance funding on compliance with tuition restraint requirements (additional conditions set by Sec. 265a). To receive performance funding, resident undergraduate tuition/fee increases would have to be limited to 2.8% (set at 3.2% in the current year). 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.

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.
- Certification that dual enrollment policy does not consider use of credits toward high school graduation requirements.
- Participation in Michigan Transfer Network; Executive revises to specify active participation, including submission of timely updates.

Establishes process for universities to certify (by August 31) that they have complied with all requirements. Provides that performance funding forfeited by a university due to noncompliance be redistributed to other universities based on their performance funding appropriations.

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

- 50% proportional to each university’s share of total operations funding in the baseline year of FY 2010-11.
- 11.1% based on weighted undergraduate completions in critical skills areas.
- 5.6% based on research and development expenditures (for high-research universities)
- 33.3% based on comparisons with Carnegie classification peers on four metrics: six-year graduation rate, total degree completions, institutional support as a percentage of core expenditures, and number of students receiving Pell grants.

Executive deletes the component based on FY 2010-11 allocations, thereby doubling the percentages applying to the remaining three components, and revises the Pell grant metric to apply to the percentage of students receiving Pell grants, rather than the number of students receiving Pell grants. Also deletes statement of intent to lower scoring for university improving over three-year period from 2 points to 1 point.

Sec. 268. Indian Tuition Waivers – REVISED

Revises to require that a public university provide Department of Civil Rights any information necessary for preparing the report required by the budget.

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

Bars public universities from using appropriations to offer instructional activity that targets companies or groups of companies for unionization or decertification of a union.

Sec. 273. Student Religious Beliefs – DELETED

States intent that universities report on efforts to accommodate the religious beliefs of students in accredited counseling programs.

Sec. 274. Embryonic Stem Cell Research – DELETED

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

Sec. 274a. Adult Coresident Health Benefits – DELETED

States intent that universities not provide benefits to unmarried adult coresidents or their dependents, and that each university report on the costs of providing such benefits.

Sec. 275. Veterans’ Policies – REVISED

Retains provisions encouraging universities to provide various veterans-related services; deletes report requirements.

Major Boilerplate Changes From FY 2014-15

Sec. 275a. Capital Outlay Reporting – DELETED

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

GENERAL REPORTS AND AUDITS

Sec. 283. Former High School Students – REVISED

Explicitly requires universities to use the P-20 longitudinal data system to comply with requirement to systematically inform Michigan high schools regarding former students' academic status.

Sec. 284. Former Community College Students – REVISED

Explicitly requires universities to use the P-20 longitudinal data system to comply with requirement to systematically inform Michigan community colleges regarding transfer students' academic status.

Sec. 293. Student Records – DELETED

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

**Summary: FY 2015-16 University Performance Funding Increases
Executive Recommendation**

University	FY 2014-15 Year-to-Date Appropriation	Performance Funding Proportional to Share of Total				Performance Funding Scored vs. National Carnegie Peers										*Total Funding Increase	Proposed FY 2015-16 Appropriation	Percent Change
		22.2%		11.1%		66.7%												
		Funding per unit: \$384.57 per completion		\$0.0022 per dollar		\$10.34 per weighted point												
Critical Skills Undergrad Completions	Funding	Research & Development Expenditures	Funding	6-year Grad Rate	Total Degrees	Instl. Support as % of Expend	% of Students Receiving Pell Grants	Total Points	Total Undergrad FYES	FYES- Weighted Points	Funding							
Michigan State	\$264,429,100	2,716	\$1,044,335	\$328,770,128	\$738,626	2	3	2	2	9	36,203	325,827	\$3,369,621	\$5,152,600	\$269,581,700	1.9%		
UM-Ann Arbor	\$295,174,100	2,911	1,119,470	746,124,000	1,676,268	3	3	2	2	10	28,048	280,480	2,900,654	\$5,696,400	300,870,500	1.9%		
Wayne State	\$190,519,800	731	281,117	155,643,759	349,675	0	0	0	3	3	14,909	44,727	462,555	\$1,093,300	191,613,100	0.6%		
Michigan Tech	\$45,923,100	886	340,557	53,719,135	120,687	3	2	2	2	9	5,466	49,194	508,752	\$970,000	46,893,100	2.1%		
Western	\$102,742,000	1,066	409,947	19,502,342	43,815	2	2	2	2	8	17,149	137,192	1,418,805	\$1,872,600	104,614,600	1.8%		
Central	\$79,115,000	766	294,577	11,338,433	25,473	3	3	3	2	11	17,740	195,140	2,018,089	\$2,338,100	81,453,100	3.0%		
Oakland	\$48,364,100	1,089	418,792	10,296,931	23,133	2	2	2	2	8	14,591	116,728	1,207,172	\$1,649,100	50,013,200	3.4%		
Eastern	\$71,771,100	741	284,771			0	3	2	2	7	15,601	109,207	1,129,392	\$1,414,200	73,185,300	2.0%		
Ferris	\$49,087,000	1,249	480,346			2	3	2	2	9	10,822	97,398	1,007,266	\$1,487,600	50,574,600	3.0%		
Grand Valley	\$63,136,000	1,293	497,315			3	3	2	2	10	19,594	195,940	2,026,363	\$2,523,700	65,659,700	4.0%		
Saginaw Valley	\$27,610,200	427	164,209			0	2	0	2	4	8,089	32,356	334,618	\$498,800	28,109,000	1.8%		
UM-Dearborn	\$23,689,300	404	155,364			2	0	0	2	4	5,786	23,144	239,349	\$394,700	24,084,000	1.7%		
UM-Flint	\$21,337,700	505	194,206			0	2	2	2	6	5,606	33,636	347,855	\$542,100	21,879,800	2.5%		
Northern	\$44,277,200	520	199,998			2	3	2	2	9	7,694	69,246	716,125	\$916,100	45,193,300	2.1%		
Lake Superior	\$12,782,500	183	70,351			2	2	2	2	8	2,169	17,352	179,450	\$249,800	13,032,300	2.0%		
TOTAL:	\$1,339,958,200	15,486	\$5,955,356	\$1,325,394,728	\$2,977,678	26	33	25	31	115	209,467	1,727,567	17,866,067	\$26,799,100	\$1,366,757,300	2.0%		

Total Funding Increase: \$26,799,100

Component	Source	Years	Notes
Critical skills undergrad completions	State HEIDI	FYs 2013-2014	STEM/health/etc.
Research & develop expends	Federal IPEDS	FY 2013	Carnegie research universities only
Six-year graduation rate	Federal IPEDS^	FYs 2009-2012	First-time, full-time degree seeking students
Total degree completions	Federal IPEDS^	FYs 2009-2012	Includes graduate degrees
Inst support as % of core expends	Federal IPEDS^	FYs 2009-2012	Measure of administrative costs
Pell grant students	Federal IPEDS^	FYs 2010-2012	Federal need-based aid for undergrads
Undergrad FYES	State HEIDI	FY 2013	Includes nonresident students

^ via BLM/AEG

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 2015-16 resident undergraduate tuition/fee rate increase to 2.8% or below
2. Participate in at least three reverse transfer agreements with community colleges (or make good-faith effort)
3. Maintain a dual enrollment credit policy that does not consider whether credits were used toward high school graduation
4. Actively participate in the Michigan Transfer Network