

**Summary: Executive Budget Recommendation
for Fiscal Year 2017-18
HIGHER EDUCATION**



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	FY 2016-17 Year-to-Date as of 2/8/17	FY 2017-18 Executive	Difference: FY 2017-18 Vs. FY 2016-17	
			Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal	101,526,400	111,526,400	10,000,000	9.8
Local	0	0	0	--
Private	0	0	0	--
Restricted	237,209,500	235,743,500	(1,466,000)	(0.6)
GF/GP	1,243,904,500	1,289,954,500	46,050,000	3.7
Gross	\$1,582,640,400	\$1,637,224,400	\$54,584,000	3.4

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 Year-to-Date (YTD) Appropriations	FY 2016-17 YTD (as of 2/8/17)	Executive Change from YTD
1. University Operations Grants	Gross \$1,400,345,000	\$35,000,000
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%.	Restricted 231,219,500 GF/GP \$1,169,125,500	0 \$35,000,000
2. Michigan Competitive Scholarship	Gross \$18,361,700	\$8,000,000
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 \$636 to \$1,000. Total funding for the scholarship would be \$26.4 million (\$8.0 million GF/GP).	Federal 18,361,700 GF/GP \$0	0 \$8,000,000
3. Tuition Incentive Program	Gross \$53,000,000	\$5,300,000
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.	Federal 48,300,000 GF/GP \$4,700,000	10,000,000 (\$4,700,000)
4. Tuition Grant Program	Gross \$35,021,500	\$3,000,000
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 \$1,830 to \$2,000. Total funding for the program would be \$38.0 million (\$6.4 million GF/GP).	Federal 31,664,700 GF/GP \$3,356,800	0 \$3,000,000

Major Budget Changes From FY 2016-17 Year-to-Date (YTD) Appropriations		FY 2016-17 YTD (as of 2/8/17)	Executive Change from YTD
5. Michigan Public School Employee Retirement System (MPERS)	Gross	\$5,890,000	(\$1,885,000)
Reduces funding by \$1.9 million School Aid Fund (SAF) for MPERS. This includes a reduction of \$4.3 million SAF for the state's share of the universities' unfunded liability to MPERS and a \$2.4 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 unfunded accrued liability to the system and the employer contribution cap of 25.73% of payroll for the seven universities with MPERS employees (Central, Eastern, Ferris, Lake Superior State, Michigan Tech, Northern, and Western). Total funding for the state share of MPERS would be \$4.0 million SAF.	Restricted	5,890,000	(1,885,000)
	GF/GP	\$0	\$0
6. MPERS Normal Cost Offset	Gross	\$0	\$419,000
Includes \$419,000 SAF to reimburse universities for the normal cost increase to reduce the assumed rate of return for MPERS from 8% to 7.5%.	Restricted	0	419,000
	GF/GP	\$0	\$0
7. Michigan State University Animal Agriculture Initiative	Gross	\$0	\$2,500,000
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.	GF/GP	\$0	\$2,500,000
8. MSU Agriculture Workforce Initiative	Gross	\$0	\$1,200,000
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.	GF/GP	\$0	\$1,200,000
9. MSU AgBioResearch and Extension Programs	Gross	\$61,915,700	\$1,550,000
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.	GF/GP	\$61,915,700	\$1,550,000
10. Removal of One-Time Funding	Gross	\$500,000	(\$500,000)
Eliminates \$500,000 GF/GP of one-time funding for MSU's Diagnostic Center for Population and Animal Health.	GF/GP	\$500,000	(\$500,000)

Major Boilerplate Changes From FY 2016-17

- Sec. 242. Federal or Private Funds – REVISED**
Deletes language specifying that acceptance of federal or private funds does not place an ongoing obligation on the legislature.
- Sec. 244. Postsecondary Student Data System – REVISED**
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.
- Sec. 245. University Transparency – REVISED**
Deletes requirement that state budget director determine compliance and language granting authority to withhold payments for a university not in compliance.
- Sec. 246. Children of Veterans and Officer's Survivor Tuition Grant Programs – NEW**
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.
- Sec. 250. Free Application for Federal Student Aid (FAFSA) Filing Requirement – NEW**
Adds language that students must file a FAFSA to be considered for any grant or scholarship program administered by the Department of Treasury.
- Sec. 251. State Competitive Scholarship Program – REVISED**
Revises language that increases maximum award amount for the Competitive Scholarship Program to \$1,000.
- Sec. 252. Tuition Grant Program – REVISED**
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.

Major Boilerplate Changes From FY 2016-17

Sec. 254. Financial Aid Payment Schedule – REVISED

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.

Sec. 256. Tuition Incentive Program – REVISED

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.

Sec. 261. Douglas Lake Biological Station – DELETED

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.

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

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%.

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

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.

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

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.

Sec. 268. Indian Tuition Waivers – REVISED

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.

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

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.

Sec. 274. Embryonic Stem Cell Research – DELETED

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.

Sec. 275. Veterans' Policies and Reports – REVISED

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.

Sec. 275a. Capital Outlay Requirements – DELETED

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.

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

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

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

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.

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

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.

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

Revises language that the Auditor General may periodically audit the HEIDI data and selected universities if necessary.

Supplemental Recommendations for FY 2016-17 Appropriations

**FY 2016-17
Recommendation**

1. Tuition Incentive Program

Increases funding by \$2.6 million in federal TANF funds to meet anticipated costs of Tuition Incentive Program, increasing total appropriation to \$55.6 million (\$4.7 million GF/GP).

Gross	\$2,600,000
Federal	2,600,000
GF/GP	\$0

Summary: FY 2017-18 University Performance Funding Increases
Executive Recommendation

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:	\$0.0123 per dollar		\$230.35 per completion		\$0.0015 per dollar		\$7.93 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 Points	Total Undergrad FYES	FYES-Weighted Points	Funding				
Michigan State	\$275,862,100	\$283,685,200	\$3,495,271	2,967	\$683,448	\$328,397,061	\$502,678	2	3	2	0	7	36,765	257,355	\$2,039,895	\$6,721,300	\$282,583,400	2.4%
UM-Ann Arbor	308,639,000	\$316,254,500	3,896,556	3,033	698,665	\$701,964,000	1,074,499	3	3	2	0	8	27,880	223,041	1,767,908	\$7,437,500	316,076,500	2.4%
Wayne State	196,064,500	\$214,171,400	2,638,795	958	220,680	\$146,978,189	224,980	2	2	0	3	7	14,366	100,565	797,115	3,881,600	199,946,100	2.0%
Central	83,925,500	\$80,132,000	987,302	858	197,644	\$11,746,601	17,981	2	3	0	2	7	17,270	120,890	958,221	2,161,100	86,086,600	2.6%
Michigan Tech	48,097,500	\$47,924,200	590,472	922	212,373	\$52,321,902	80,089	3	2	2	0	7	5,595	39,168	310,462	1,193,400	49,290,900	2.5%
Western	107,440,900	\$109,615,100	1,350,562	1,102	253,736	\$16,982,080	25,995	0	2	2	2	6	16,603	99,616	789,597	2,419,900	109,860,800	2.3%
Eastern	73,593,800	\$76,026,200	936,715	901	207,549	\$3,160,633	4,838	0	3	2	2	7	14,798	103,585	821,053	1,970,200	75,564,000	2.7%
Oakland	49,920,700	\$50,761,300	625,427	1,214	279,535	\$8,744,299	13,385	2	2	2	0	6	15,258	91,548	725,645	1,644,000	51,564,700	3.3%
Grand Valley	68,227,900	\$61,976,400	763,608	1,350	311,079			3	3	2	0	8	19,957	159,657	1,265,502	2,340,200	70,568,100	3.4%
Saginaw Valley	29,114,000	\$27,720,700	341,545	465	107,115			2	2	2	0	6	7,706	46,233	366,464	815,100	29,929,100	2.8%
UM-Dearborn	24,803,300	\$24,726,200	304,650	438	100,780			2	2	2	2	8	5,801	46,411	367,869	773,300	25,576,600	3.1%
UM-Flint	22,549,300	\$20,898,000	257,483	581	133,836			0	2	2	2	6	5,241	31,446	249,256	640,600	23,189,900	2.8%
Ferris	52,259,900	\$48,619,200	599,035	1,357	312,534			2	3	2	2	9	10,624	95,616	757,889	1,669,500	53,929,400	3.2%
Northern	46,279,200	\$45,140,300	556,171	562	129,387			2	3	2	0	7	6,978	48,846	387,172	1,072,700	47,351,900	2.3%
Lake Superior	13,567,400	\$12,694,200	156,405	176	40,528			2	2	0	0	4	1,975	7,900	62,618	259,600	13,827,000	1.9%
TOTAL:	\$1,400,345,000	\$1,420,344,900	\$17,500,000	16,882	\$3,888,889	\$1,270,294,765	\$1,944,444	27	37	24	15	103	206,818	1,471,877	\$11,666,667	\$35,000,000	\$1,435,345,000	2.5%

Funding Increase: \$35,000,000
Percent Increase: 2.5%

Data Notes	Source	Years	Notes
Critical skills undergrad completions	State HEIDI	FYs 2015-2016	STEM/health/etc.
Research & develop expends	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 expends	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