

FY 2017-18: HIGHER EDUCATION

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



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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	Gross	\$18,361,700	\$4,000,000
<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).	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	Gross	\$35,021,500	\$1,500,000
<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).	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 (MPERS)	Gross	\$5,890,000	(\$1,885,000)
<u>Executive</u> 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)
<u>House</u> concurs.	GF/GP	\$0	\$0
6. MPERS Normal Cost Offset	Gross	\$0	\$419,000
<u>Executive</u> 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
<u>House</u> concurs.	GF/GP	\$0	\$0
7. MSU AgBioResearch and Extension Programs	Gross	\$61,915,700	\$1,550,000
<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.	GF/GP	\$61,915,700	\$1,550,000
<u>House</u> concurs.			
8. Removal of One-Time Funding	Gross	\$500,000	(\$500,000)
<u>Executive</u> 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)
<u>House</u> concurs.			
9. Michigan State University Animal Agriculture Initiative	Gross	\$0	\$0
<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.	GF/GP	\$0	\$0
<u>House</u> does not include.			
10. MSU Agriculture Workforce Initiative	Gross	\$0	\$0
<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.	GF/GP	\$0	\$0
<u>House</u> does not include.			

Major Boilerplate Changes From FY 2016-17

Sec. 239a. University Automobile Purchases – NEW

House 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 Points	Undergrad 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	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	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