

## MEMORANDUM



**DATE:** November 17, 2011  
**TO:** House Appropriations Subcommittee on Community Colleges  
**FROM:** Erik Jonasson, Fiscal Analyst  
**RE:** Performance Indicators Formula

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 FY 2011-12 Community Colleges budget (Article II, PA 62 of 2011). In the FY 2011-12 budget, \$18 million was removed from the community colleges budget, with \$6 million added back in through the Performance Indicators Formula.

The Performance Indicators Task Force 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 three areas is allocated a certain percentage of the funds to be distributed. Enrollment and Completion are both weighted at 17.5%, and Local Strategic Value is weighted at 15%. The remaining 50% is distributed in proportion to the base Operations funding of each community college. Thus, in the example of the FY 2011-12 budget, only \$3 million was actually allocated according to the measures identified by the Performance Indicators formula; the remainder was distributed in the same proportion as the base appropriation.

In the FY 2011-12 budget, Local Strategic Value was not measured as recommended by the Performance Indicators report. Instead, this value was measured by two new indicators:

- **Public Service**, measured as a college's relative share of spending on services for the specific purpose of responding to a community need, including those outside regular instructional programs. Public Service spending at community colleges ranges from 0%-4% of a community college's total operations spending, averaging approximately 1.2% of a college's spending.
- **Administrative costs**, 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%-17% administrative spending.

Each of these measures is weighted at 7.5%, replacing the 15% previously allotted to Local Strategic Value. Values for both Public Service and Administrative costs are reported in the ACS data book. The formula used in FY 2011-12 is outlined in **Table 1** below:

**Table 1: Amount Distributed According to Performance Indicators Formula in FY2011-12**

<b>Value Measured</b>	<b>% Appropriation</b>	<b>Amount Distributed</b>
Across-the-Board Allocaton	50.0%	\$3,000,000
Student Contact Hours	17.5%	\$1,050,000
Degrees and Certificates	17.5%	\$1,050,000
Public Service	7.5%	\$450,000
Administrative Costs	<u>7.5%</u>	<u>\$450,000</u>
<b>Total</b>	100%	\$6,000,000

**Appendices 2-5** show the origins of each of the values in Appendix 1, identifying the data used to determine each college's allocation. 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 \$1,050,000 awarded according to student enrollment.

### **Changes Relative to Base Appropriations**

Performance Indicators funding affects each community college's budget differently. **Appendix 1** shows the distribution of funds under the Performance Indicators Formula in FY 2011-12, as well as the changes in funds received compared to a scenario in which these funds were distributed in proportion to base funding.

As only \$6.0 million of the FY 2011-12 budget was allocated according to the Performance Indicators Formula (half of which is allocated identically to base appropriations), the actual amount of operational funding gained or lost was never more than a fraction of a percentage point of a college's overall operational funding. The gains or losses would increase if more of a college's appropriation is distributed according to the Performance Indicators Formula.

Appendix 1: FY2011-12 Performance Indicators Formula Component Calculations

College	Base Funding Changes				Performance Indicator Changes										Alternate Scenario	
	FY 2011 Funding	FY 2012 Across-The-Board Funding Cut	FY 2012 Funding Before Performance Indicators	FY 2012 Funding Performance Indicators	17.5%										Previous Appropriation (Proportionate to Base Funding)	Total Difference Due to Formula
					50% Distribution Proportionate to Base Funding	17.5% Student Contact Hour Formula Funding	Weighted Degrees Formula Funding	7.5% Public Service Spending	7.5% Administrative Costs	Total Increase (After across-the-board cuts)	FY 2012 Funding After Performance Indicators					
Alpena	\$5,126,100	(\$315,390)	\$4,810,710	\$4,810,710	\$52,600	\$8,900	\$18,600	\$3,200	\$11,200	\$94,500	\$94,500	\$4,905,210	\$105,200	\$10,700		
Bay de Noc	\$5,178,400	(\$318,608)	\$4,859,792	\$4,859,792	\$53,100	\$11,100	\$17,200	\$2,600	\$8,200	\$92,200	\$92,200	\$4,951,992	\$106,200	\$14,000		
Delta	\$13,751,600	(\$846,085)	\$12,905,515	\$12,905,515	\$141,000	\$48,900	\$79,200	\$29,100	\$22,900	\$321,100	\$321,100	\$13,226,615	\$282,000	(\$39,100)		
Glen Oaks	\$2,304,800	(\$141,806)	\$2,162,994	\$2,162,994	\$23,600	\$7,400	\$9,600	\$4,800	\$10,600	\$56,000	\$56,000	\$2,218,994	\$47,200	(\$8,800)		
Gogebic	\$4,275,200	(\$263,037)	\$4,012,163	\$4,012,163	\$43,800	\$5,400	\$11,600	\$3,000	\$9,900	\$73,700	\$73,700	\$4,085,863	\$87,600	\$13,900		
Grand Rapids	\$17,219,800	(\$1,059,471)	\$16,160,329	\$16,160,329	\$176,600	\$69,400	\$47,400	\$38,300	\$18,100	\$349,800	\$349,800	\$16,510,129	\$353,200	\$3,400		
Henry Ford	\$20,898,900	(\$1,285,832)	\$19,613,068	\$19,613,068	\$214,300	\$68,500	\$53,600	\$0	\$18,300	\$354,700	\$354,700	\$19,967,768	\$428,600	\$73,900		
Jackson	\$11,542,300	(\$710,155)	\$10,832,145	\$10,832,145	\$118,400	\$33,000	\$36,200	\$23,600	\$16,500	\$227,700	\$227,700	\$11,059,845	\$236,800	\$9,100		
Kalamazoo	\$11,888,600	(\$731,462)	\$11,157,138	\$11,157,138	\$121,900	\$47,300	\$49,800	\$43,000	\$14,500	\$276,500	\$276,500	\$11,433,638	\$243,800	(\$32,700)		
Kellogg	\$9,311,800	(\$572,921)	\$8,738,879	\$8,738,879	\$95,500	\$24,600	\$35,800	\$0	\$22,400	\$178,300	\$178,300	\$8,917,179	\$191,000	\$12,700		
Kirtland	\$2,842,800	(\$174,907)	\$2,667,893	\$2,667,893	\$29,200	\$8,600	\$16,500	\$6,900	\$17,600	\$78,800	\$78,800	\$2,746,693	\$58,400	(\$20,400)		
Lake Michigan	\$5,012,100	(\$308,376)	\$4,703,724	\$4,703,724	\$51,400	\$17,700	\$12,200	\$1,500	\$4,200	\$87,000	\$87,000	\$4,790,724	\$102,800	\$15,800		
Lansing	\$29,762,500	(\$1,831,177)	\$27,931,323	\$27,931,323	\$305,200	\$83,600	\$103,500	\$61,200	\$25,200	\$578,700	\$578,700	\$28,510,023	\$610,400	\$31,700		
Macomb	\$31,773,900	(\$1,954,931)	\$29,818,969	\$29,818,969	\$325,800	\$105,900	\$94,600	\$42,100	\$21,600	\$590,000	\$590,000	\$30,408,969	\$651,600	\$61,600		
Mid Michigan	\$4,289,200	(\$263,898)	\$4,025,301	\$4,025,301	\$44,000	\$21,200	\$19,500	\$21,500	\$11,700	\$117,900	\$117,900	\$4,143,201	\$88,000	(\$29,900)		
Monroe	\$4,142,800	(\$254,891)	\$3,887,909	\$3,887,909	\$42,500	\$18,700	\$16,200	\$7,300	\$20,600	\$105,300	\$105,300	\$3,993,209	\$61,200	(\$20,600)		
Montcalm	\$2,981,600	(\$183,447)	\$2,798,153	\$2,798,153	\$30,600	\$8,700	\$13,200	\$11,900	\$17,400	\$81,800	\$81,800	\$2,879,953	\$85,000	(\$20,600)		
Muskegon	\$8,518,600	(\$524,118)	\$7,994,482	\$7,994,482	\$87,400	\$22,100	\$18,600	\$14,300	\$23,200	\$165,600	\$165,600	\$8,160,082	\$174,800	\$9,200		
North Central	\$2,893,600	(\$178,033)	\$2,715,567	\$2,715,567	\$29,700	\$11,400	\$9,100	\$0	\$20,100	\$70,300	\$70,300	\$2,785,867	\$59,400	(\$10,900)		
Northwestern	\$8,682,000	(\$534,171)	\$8,147,829	\$8,147,829	\$89,000	\$21,100	\$15,600	\$9,300	\$17,400	\$152,400	\$152,400	\$8,300,229	\$178,000	\$25,600		
Oakland	\$20,133,700	(\$1,238,752)	\$18,894,948	\$18,894,948	\$206,500	\$114,800	\$64,200	\$7,700	\$22,400	\$415,600	\$415,600	\$19,310,548	\$413,000	(\$2,600)		
St. Clair	\$6,729,800	(\$414,060)	\$6,315,740	\$6,315,740	\$69,000	\$21,600	\$23,300	\$3,900	\$9,300	\$127,100	\$127,100	\$6,442,840	\$138,000	\$10,900		
Schoolcraft	\$11,767,000	(\$723,980)	\$11,043,020	\$11,043,020	\$120,700	\$56,000	\$66,700	\$56,600	\$16,200	\$316,200	\$316,200	\$11,359,220	\$241,400	(\$74,800)		
Southwestern	\$6,276,900	(\$386,194)	\$5,890,706	\$5,890,706	\$64,400	\$12,100	\$10,800	\$400	\$8,600	\$96,300	\$96,300	\$5,987,006	\$128,800	\$32,500		
Washtenaw	\$12,149,000	(\$47,483)	\$12,101,517	\$12,101,517	\$124,600	\$61,400	\$109,100	\$800	\$20,600	\$316,500	\$316,500	\$12,418,017	\$249,200	(\$67,300)		
Wayne County	\$15,889,900	(\$977,647)	\$14,912,253	\$14,912,253	\$162,900	\$81,600	\$41,200	\$34,400	\$15,400	\$335,500	\$335,500	\$15,247,753	\$325,800	(\$9,700)		
West Shore	\$2,198,500	(\$135,266)	\$2,063,234	\$2,063,234	\$22,500	\$5,900	\$6,200	\$8,000	\$6,800	\$49,400	\$49,400	\$2,112,634	\$45,000	(\$4,400)		
<b>TOTAL</b>	<b>\$292,557,800</b>	<b>(\$18,000,000)</b>	<b>\$274,557,800</b>	<b>\$274,557,800</b>	<b>\$3,000,200</b>	<b>\$1,049,900</b>	<b>\$1,050,100</b>	<b>\$450,100</b>	<b>\$449,800</b>	<b>\$6,000,100</b>	<b>\$6,000,100</b>	<b>\$280,557,900</b>	<b>\$6,000,000</b>	<b>\$0</b>		

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

College	2008-09 Contact Hour Equated Students	2009-10 Contact Hour Equated Students	Two-Year Average	Percentage of Total	Contact Hour Formula Funding Distribution
Alpena	1,638	1,749	1,694	0.85%	\$8,900
Bay de Noc	1,945	2,268	2,107	1.06%	\$11,100
Delta	8,939	9,615	9,277	4.66%	\$48,900
Glen Oaks	1,363	1,438	1,401	0.70%	\$7,400
Gogebic	966	1,100	1,033	0.52%	\$5,400
Grand Rapids	12,218	14,134	13,176	6.61%	\$69,400
Henry Ford	12,069	13,921	12,995	6.52%	\$68,500
Jackson	5,745	6,775	6,260	3.14%	\$33,000
Kalamazoo	8,484	9,477	8,981	4.51%	\$47,300
Kellogg	4,257	5,071	4,664	2.34%	\$24,600
Kirtland	1,458	1,787	1,623	0.81%	\$8,600
Lake Michigan	2,832	3,885	3,359	1.69%	\$17,700
Lansing	15,179	16,558	15,869	7.96%	\$83,600
Macomb	19,191	20,996	20,094	10.08%	\$105,900
Mid Michigan	3,752	4,278	4,015	2.02%	\$21,200
Monroe	3,499	3,599	3,549	1.78%	\$18,700
Montcalm	1,593	1,696	1,645	0.83%	\$8,700
Mott	9,137	10,972	10,055	5.05%	\$53,000
Muskegon	3,993	4,393	4,193	2.10%	\$22,100
North Central	2,076	2,262	2,169	1.09%	\$11,400
Northwestern	3,603	4,409	4,006	2.01%	\$21,100
Oakland	20,378	23,202	21,790	10.94%	\$114,800
St. Clair	3,810	4,405	4,108	2.06%	\$21,600
Schoolcraft	10,208	11,058	10,633	5.34%	\$56,000
Southwestern	2,065	2,534	2,300	1.15%	\$12,100
Washtenaw	10,939	12,349	11,644	5.84%	\$61,400
Wayne County	15,041	15,945	15,493	7.78%	\$81,600
West Shore	1,033	1,197	1,115	0.56%	\$5,900
<b>Total</b>	<b>187,411</b>	<b>211,073</b>	<b>199,242</b>	<b>100.00%</b>	<b>\$1,049,900</b>

Source: Michigan Workforce Development Agency

Appendix 3: Average Weighted Degrees Granted Per Year (2008-09 and 2009-10)

College	General (Weight = 1)	Business (Weight = 1)	Natural Science (Weight = 2)	Engineering and Technology (Weight = 4)	Health (Weight = 4)	Total Weighted Degrees	Percentage of Total	Formula Distribution Based on Weighted Degrees
Alpena	150.5	44.0	7.5	142.5	107.0	1,207.5	1.73%	\$18,600
Bay de Noc	155.5	90.0	0.0	61.5	156.5	1,117.5	1.60%	\$17,200
Delta	1,108.0	446.5	25.5	317.0	567.0	5,141.5	7.37%	\$79,200
Glen Oaks	69.0	62.0	0.0	23.5	97.5	615.0	0.88%	\$9,600
Gogebic	78.0	35.5	0.5	29.0	132.0	758.5	1.09%	\$11,600
Grand Rapids	920.5	322.0	18.5	181.0	267.5	3,073.5	4.41%	\$47,400
Henry Ford	591.5	401.5	18.5	217.0	394.0	3,474.0	4.98%	\$53,600
Jackson	219.5	198.5	35.5	169.0	295.5	2,347.0	3.37%	\$36,200
Kalamazoo Valley	504.0	164.0	0.0	359.0	281.5	3,230.0	4.63%	\$49,800
Kellogg	486.5	119.5	0.0	70.5	358.5	2,322.0	3.33%	\$35,800
Kirtland	95.0	27.0	0.0	44.0	193.5	1,072.0	1.54%	\$16,500
Lake Michigan	139.5	76.0	0.0	33.0	111.0	791.5	1.13%	\$12,200
Lansing	1,048.0	374.0	12.5	370.0	947.0	6,715.0	9.63%	\$103,500
Macomb	1,734.0	618.5	5.0	462.5	482.0	6,140.5	8.80%	\$94,600
Mid Michigan	134.5	72.5	4.5	56.5	205.0	1,262.0	1.81%	\$19,500
Monroe County	288.5	77.0	2.5	64.5	105.5	1,050.5	1.51%	\$16,200
Montcalm	150.0	74.5	0.0	18.0	139.5	854.5	1.23%	\$13,200
Mott	895.0	135.5	94.0	133.5	365.5	3,214.5	4.61%	\$50,600
Muskegon	247.5	38.0	0.0	54.0	177.0	1,209.5	1.73%	\$18,600
North Central Michigan	157.5	326.0	12.5	4.0	84.5	862.5	1.24%	\$9,100
Northwestern Michigan	327.0	64.5	0.0	53.5	103.0	1,017.5	1.46%	\$15,600
Oakland	1,150.0	504.0	0.0	116.0	511.5	4,164.0	5.97%	\$64,200
Schoolcraft	638.0	381.0	0.0	158.5	719.0	4,529.0	6.49%	\$23,300
Southwestern Michigan	125.5	22.5	0.0	35.5	102.5	700.0	1.00%	\$66,700
St Clair County	289.5	117.5	0.0	58.0	219.0	1,515.0	2.17%	\$10,800
Washtenaw	933.0	447.5	0.0	558.5	865.5	7,076.5	10.15%	\$109,100
Wayne County	773.0	1,327.5	0.0	80.0	365.0	3,880.5	5.56%	\$41,200
West Shore	101.5	37.0	0.0	5.0	60.5	400.5	0.57%	\$6,200
<b>Total</b>	<b>13,510.0</b>	<b>6,604.0</b>	<b>237.0</b>	<b>3,875.0</b>	<b>8,413.5</b>	<b>69,742.0</b>	<b>100.00%</b>	<b>\$1,050,100</b>

Source: National Center for Education Statistics

Appendix 4: Public Service Spending

College	2008-09 Public Service Spending	2009-10 Public Service Spending	Two-Year Average	Percentage of Total	Public Service Formula Distribution
Alpena	\$81,241	\$140,804	\$111,023	0.71%	\$3,200
Bay de Noc	\$75,703	\$108,363	\$92,033	0.59%	\$2,600
Delta	\$1,002,159	\$1,016,773	\$1,009,466	6.46%	\$29,100
Glen Oaks	\$334,107	\$0	\$167,054	1.07%	\$4,800
Gogebic	\$0	\$210,008	\$105,004	0.67%	\$3,000
Grand Rapids	\$1,297,883	\$1,361,293	\$1,329,588	8.50%	\$38,300
Henry Ford	\$0	\$0	\$0	0.00%	\$0
Jackson	\$854,174	\$782,531	\$818,353	5.23%	\$23,600
Kalamazoo	\$1,564,837	\$1,421,692	\$1,493,265	9.55%	\$43,000
Kellogg	\$0	\$0	\$0	0.00%	\$0
Kirtland	\$218,264	\$259,398	\$238,831	1.53%	\$6,900
Lake Michigan	\$100,639	\$4,762	\$52,701	0.34%	\$1,500
Lansing	\$1,965,071	\$2,287,633	\$2,126,352	13.60%	\$61,200
Macomb	\$1,432,683	\$1,491,835	\$1,462,259	9.35%	\$42,100
Mid Michigan	\$746,384	\$750,889	\$748,637	4.79%	\$21,500
Monroe	\$291,425	\$218,358	\$254,892	1.63%	\$7,300
Montcalm	\$432,706	\$393,149	\$412,928	2.64%	\$11,900
Mott	\$450,112	\$571,571	\$510,842	3.27%	\$14,700
Muskegon	\$436,625	\$554,890	\$495,758	3.17%	\$14,300
North Central	\$0	\$0	\$0	0.00%	\$0
Northwestern	\$340,290	\$304,259	\$322,275	2.06%	\$9,300
Oakland	\$318,657	\$215,873	\$267,265	1.71%	\$7,700
St. Clair	\$145,451	\$124,679	\$135,065	0.86%	\$3,900
Schoolcraft	\$2,062,233	\$1,869,443	\$1,965,838	12.57%	\$56,600
Southwestern	\$1,864	\$25,000	\$13,432	0.09%	\$400
Washtenaw	\$15,731	\$41,506	\$28,619	0.18%	\$800
Wayne County	\$1,474,270	\$912,697	\$1,193,484	7.63%	\$34,400
West Shore	\$254,910	\$301,990	\$278,450	1.78%	\$8,000
<b>Total</b>	<b>\$15,897,419</b>	<b>\$15,369,396</b>	<b>\$15,633,408</b>	<b>100.00%</b>	<b>\$450,100</b>

Source: Michigan Workforce Development Agency

**Appendix 5: Administrative Costs Percentages**

College	2008-09	2009-10	Two-Year Average	Funding Percentage		Administrative Cost Formula Distribution
	Administrative Costs Percentage	Administrative Costs Percentage		Below 20%	Percentage of Total	
Alpena	15%	16%	16%	4%	2.49%	<b>\$11,200</b>
Bay de Noc	16%	17%	17%	3%	1.83%	<b>\$8,200</b>
Delta	11%	12%	11%	9%	5.09%	<b>\$22,900</b>
Glen Oaks	15%	17%	16%	4%	2.35%	<b>\$10,600</b>
Gogebic	16%	17%	16%	4%	2.20%	<b>\$9,900</b>
Grand Rapids	13%	13%	13%	7%	4.03%	<b>\$18,100</b>
Henry Ford	12%	14%	13%	7%	4.06%	<b>\$18,300</b>
Jackson	14%	13%	14%	6%	3.66%	<b>\$16,500</b>
Kalamazoo	11%	18%	14%	6%	3.23%	<b>\$14,500</b>
Kellogg	10%	12%	11%	9%	4.98%	<b>\$22,400</b>
Kirtland	12%	15%	13%	7%	3.92%	<b>\$17,600</b>
Lake Michigan	22%	15%	18%	2%	0.94%	<b>\$4,200</b>
Lansing	11%	10%	10%	10%	5.61%	<b>\$25,200</b>
Macomb	11%	12%	12%	8%	4.81%	<b>\$21,600</b>
Mid Michigan	15%	16%	15%	5%	2.60%	<b>\$11,700</b>
Monroe	12%	12%	12%	8%	4.58%	<b>\$20,600</b>
Montcalm	13%	14%	13%	7%	3.86%	<b>\$17,400</b>
Mott	12%	13%	13%	7%	4.20%	<b>\$18,900</b>
Muskegon	10%	13%	11%	9%	5.15%	<b>\$23,200</b>
North Central	12%	13%	12%	8%	4.46%	<b>\$20,100</b>
Northwestern	13%	14%	13%	7%	3.86%	<b>\$17,400</b>
Oakland	11%	12%	11%	9%	4.98%	<b>\$22,400</b>
St. Clair	16%	17%	16%	4%	2.06%	<b>\$9,300</b>
Schoolcraft	13%	15%	14%	6%	3.60%	<b>\$16,200</b>
Southwestern	17%	17%	17%	3%	1.92%	<b>\$8,600</b>
Washtenaw	11%	13%	12%	8%	4.58%	<b>\$20,600</b>
Wayne County	13%	15%	14%	6%	3.43%	<b>\$15,400</b>
West Shore	16%	19%	17%	3%	1.52%	<b>\$6,800</b>
<b>Total</b>	<b>12%</b>	<b>13%</b>	<b>13%</b>	<b>175%</b>	<b>100.00%</b>	<b>\$449,800</b>

Source: Michigan Workforce Development Agency