FY 2017-18: HIGHER EDUCATION
Summary: As Passed by the Senate
Senate Bill 138 (S-1)

Analyst: Perry Zielak

	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: Senate From FY 2016-17 YTD* Amount	%
IDG/IDT	$0	$0	$0	$0		*$0*	--
Federal	101,526,400	111,526,400	111,526,400	111,526,400		*10,000,000*	*9.8*
Local	0	0	0	0		*0*	--
Private	0	0	0	0		*0*	--
Restricted	237,209,500	235,743,500	235,743,500	235,743,500		*(1,466,000)*	*(0.6)*
GF/GP	1,243,904,500	1,289,954,500	1,273,854,500	1,282,954,500		*39,050,000*	*3.1*
Gross	**$1,582,640,400**	**$1,637,224,400**	**$1,621,124,400**	**$1,630,224,400**		***$47,584,000***	***3.0***

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.

NOTE: Information on House budget action in this document is based on House Bill 4313 as passed by the House.

Major Budget Changes From FY 2016-17 YTD Appropriations		FY 2016-17 Year-to-Date (as of 2/8/17)	FY 2017-18 Senate Change
1. University Operations Grants	**Gross**	**$1,400,345,000**	**$28,000,000**
	Restricted	231,219,500	0
	GF/GP	$1,169,125,500	$28,000,000

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%.

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%.

Senate increase university operations funding by $28.0 million GF/GP, a 2.0% increase. The Senate concurs with the use of the performance formula distribution measure and restricting resident undergraduate tuition and fee increases to 3.8% or $475, whichever is greater. Projected funding increases for individual universities range from 1.5 to 2.7%.

2. Tuition Incentive Program	**Gross**	**$53,000,000**	**$5,300,000**
	Federal	48,300,000	10,000,000
	GF/GP	$4,700,000	($4,700,000)

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.
House concurs. Senate concurs.

Major Budget Changes From FY 2016-17 YTD Appropriations		FY 2016-17 Year-to-Date (as of 2/8/17)	FY 2017-18 Senate Change
3. Michigan Competitive Scholarship Executive 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). House 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). Senate concurs with Executive.	**Gross** Federal GF/GP	**$18,361,700** 18,361,700 $0	**$8,000,000** 0 $8,000,000
4. Tuition Grant Program Executive 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). House 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). Senate concurs with Executive.	**Gross** Federal GF/GP	**$35,021,500** 31,664,700 $3,356,800	**$3,000,000** 0 $3,000,000
5. Michigan Public School Employee Retirement System (MPSERS) Executive reduces funding by $1.9 million School Aid Fund (SAF) for MPSERS. This includes a reduction of $4.3 million SAF for the state's share of the universities' unfunded liability to MPSERS and a $2.4 million SAF increase to cover the reduction in the assumed rate of return for MPSERS 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 MPSERS employees (Central, Eastern, Ferris, Lake Superior State, Michigan Tech, Northern, and Western). Total funding for the state share of MPSERS would be $4.0 million SAF. House concurs. Senate concurs.	**Gross** Restricted GF/GP	**$5,890,000** 5,890,000 $0	**($1,885,000)** (1,885,000) $0
6. MPSERS Normal Cost Offset Executive includes $419,000 SAF to reimburse universities for the normal cost increase to reduce the assumed rate of return for MPSERS from 8% to 7.5%. House concurs. Senate concurs.	**Gross** Restricted GF/GP	**$0** 0 $0	**$419,000** 419,000 $0
7. MSU AgBioResearch and Extension Programs Executive 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. House concurs. Senate increases funding for AgBioResearch by $670,000 GF/GP and Extension program by $580,000, a 2.0% increase for both.	**Gross** GF/GP	**$61,915,700** $61,915,700	**$1,250,000** $1,250,000
8. Removal of One-Time Funding Executive eliminates $500,000 GF/GP of one-time funding for MSU's Diagnostic Center for Population and Animal Health. House concurs. Senate concurs.	**Gross** GF/GP	**$500,000** $500,000	**($500,000)** ($500,000)
9. Michigan State University Fruit and Vegetable Laboratory House adds $1.5 million GF/GP of one-time funding for MSU's Fruit and Vegetable Processing Teaching laboratory. Senate does not include.	**Gross** GF/GP	**$0** $0	**$0** $0

Major Budget Changes From FY 2016-17 YTD Appropriations		FY 2016-17 Year-to-Date (as of 2/8/17)	FY 2017-18 Senate Change
10. Michigan State University Animal Agriculture Initiative	**Gross**	**$0**	**$2,500,000**
Executive 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. House does not include. Senate concurs with Executive.	GF/GP	$0	$2,500,000
11. MSU Agriculture Workforce Initiative	**Gross**	**$0**	**$1,200,000**
Executive 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. House does not include. Senate concurs with Executive.	GF/GP	$0	$1,200,000
12. North American Indian Tuition Waiver Funding	**Gross**	**$0**	**$300,000**
Senate adds $300,000 GF/GP to partially address the estimated $6.1 million difference between state aid and the cost to universities for the tuition waivers.	GF/GP	$0	$300,000

Major Boilerplate Changes From FY 2016-17

Sec. 236e. FY 2016-17 Supplemental Funding **– NEW**
Senate adds $2.6 million in federal TANF funding for the Tuition Incentive Program (TIP). Total FY 2016-17 program funding would be $55.6 million.

Sec. 239a. University Automobile Purchases **– NOT INCLUDED**
House adds language which states intent that funds appropriated to universities not be used to purchase or lease vehicles assembled outside the U.S. Senate does not include.

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. Senate 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. Senate 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. Senate 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. Senate 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. Senate 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. Senate increases maximum award amount to $1,000 and concurs with House on carry forward language.

Major Boilerplate Changes From FY 2016-17

***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.
Senate concurs with House but revises language that students must apply before March 1 for consideration of a tuition grant award. Increases maximum award amount to $2,000. Maintains reporting requirement date of September 30.

***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. Senate 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.
Senate concurs with House but does not include any program tuition and fee cap.

***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. Senate 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. Senate concurs.

***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. Senate concurs with House.

***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. Senate concurs with House but adds intent language stating that more funding will be based on performance metrics in future years.

***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. Senate concurs with House but adds language around distribution of the $300,000 appropriation to partially close the difference in program costs to universities.

***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. Senate 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. Senate retains.

Major Boilerplate Changes From FY 2016-17

***Sec. 274d. Sexual Assault Reports* – NOT INCLUDED**
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. Senate does not include.

***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. Senate retains current law with minor reference changes.

***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. Senate retains.

***Sec. 275c. Meningococcal Meningitis Vaccine Information* – NEW**
Senate adds language requiring universities to provide information around the causes and symptoms of meningococcal meningitis and to provide detail on where vaccines against meningitis may be obtained.

***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. Senate 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. Senate 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. Senate concurs.

***Sec. 286a. Academic Program Partnerships* – DELETED**
Senate deletes a report on the number of academic program partnerships between community colleges, public universities and private colleges and universities.

***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. Senate retains.

Summary: FY 2017-18 University Performance Funding Increases
As Passed by the Senate

		Proportional to FY 2010-11		Performance Funding Proportional to Share of Total				Performance Funding Scored vs. National Carnegie Peers										
	% of formula:	50.0%		11.1%		5.6%		33.3%										
	Funding per unit:	$0.0099 per dollar		$184.28 per completion		$0.0012 per dollar		$6.34 per weighted point										
University	**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 Expends.**	**% Students Receiving Pell Grants**	**Total Points**	**Total FY 2016 Undergrad FYES**	**FYES-Weighted Points**	**Funding**	***Total Performance Funding Increase**	**Proposed FY 2017-18 Appropriation**	**Percent Change**
Michigan State	$275,862,100	$283,685,200	$2,796,217	2,967	$546,758	$328,397,061	$402,143	2	3	2	0	7	36,765	257,355	$1,631,916	$5,377,000	$281,239,100	1.9%
UM-Ann Arbor	308,639,000	$316,254,500	3,117,245	3,033	558,932	$701,964,000	859,599	3	3	2	0	8	27,880	223,041	1,414,327	$5,950,100	314,589,100	1.9%
Wayne State	196,064,500	$214,171,400	2,111,036	958	176,544	$146,978,189	179,984	2	2	0	3	7	14,366	100,565	637,692	3,105,300	199,169,800	1.6%
Central	83,925,500	$80,132,000	789,842	858	158,115	$11,746,601	14,384	2	3	0	2	7	17,270	120,890	766,577	1,728,900	85,654,400	2.1%
Michigan Tech	48,097,500	$47,924,200	472,377	922	169,898	$52,321,902	64,071	3	2	2	0	7	5,595	39,168	248,370	954,700	49,052,200	2.0%
Western	107,440,900	$109,615,100	1,080,450	1,102	202,988	$16,982,080	20,796	0	2	2	2	6	16,603	99,616	631,677	1,935,900	109,376,800	1.8%
Eastern	73,593,800	$76,026,200	749,372	901	166,040	$3,160,633	3,870	0	3	2	2	7	14,798	103,585	656,842	1,576,100	75,169,900	2.1%
Oakland	49,920,700	$50,761,300	500,342	1,214	223,628	$8,744,299	10,708	2	2	2	0	6	15,258	91,548	580,516	1,315,200	51,235,900	2.6%
Grand Valley	68,227,900	$61,976,400	610,887	1,350	248,864			3	3	2	0	8	19,957	159,657	1,012,401	1,872,200	70,100,100	2.7%
Saginaw Valley	29,114,000	$27,720,700	273,236	465	85,692			2	2	2	0	6	7,706	46,233	293,171	652,100	29,766,100	2.2%
UM-Dearborn	24,803,300	$24,726,200	243,720	438	80,624			2	2	2	2	8	5,801	46,411	294,295	618,600	25,421,900	2.5%
UM-Flint	22,549,300	$20,898,000	205,987	581	107,069			0	2	2	2	6	5,241	31,446	199,405	512,500	23,061,800	2.3%
Ferris	52,259,900	$48,619,200	479,228	1,357	250,027			2	3	2	2	9	10,624	95,616	606,312	1,335,600	53,595,500	2.6%
Northern	46,279,200	$45,140,300	444,937	562	103,510			2	3	2	0	7	6,978	48,846	309,738	858,200	47,137,400	1.9%
Lake Superior	13,567,400	$12,694,200	125,124	176	32,422			2	2	0	0	4	1,975	7,900	50,095	207,600	13,775,000	1.5%
TOTAL:	**$1,400,345,000**	**$1,420,344,900**	**$14,000,000**	16,882	**$3,111,111**	**$1,270,294,765**	**$1,555,556**	**27**	**37**	**24**	**15**	**103**	**206,818**	**1,471,877**	**$9,333,333**	**$28,000,000**	**$1,428,345,000**	**2.0%**

Data Notes

Component	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