



STATE BUDGET OFFICE

EDUCATION OMNIBUS BUDGET EXECUTIVE BUDGET FISCAL YEARS 2017 AND 2018

Presented February 10, 2016

The Executive Budget for fiscal year 2017 contains one budget bill for all government agencies and one for education. The education omnibus budget bill supports the state's education system at all levels from preschool to higher education. The Executive Budget for education totals \$16.2 billion - \$14.2 billion for public schools, \$399 million for community colleges and nearly \$1.6 billion for higher education.

Highlights of the Education Omnibus Budget Bill

- Despite the challenging state revenue situation, the education omnibus bill is still increased by a total of \$357.6 million, or 2.3%, from fiscal year 2016 enacted levels.

FY 2017 Education Omnibus Budget Summary of Appropriations (in millions)

Revenue Sources	School Aid	Community Colleges	Higher Education	Total
School Aid Fund Revenues	\$12,062.5	\$260.4	\$237.1	\$12,560.0
General Fund	\$230.0	\$138.6	\$1,262.4	\$1,631.0
Other State Restricted	\$72.0	\$0.0	\$0.1	\$72.1
Federal Funds	<u>\$1,818.6</u>	<u>\$0.0</u>	<u>\$99.0</u>	<u>\$1,917.7</u>
Total Appropriations	\$14,183.1	\$399.0	\$1,598.7	\$16,180.8

- Over \$1 billion of the education budget supports MPSERS unfunded accrued liability (UAL) costs. As part of recent MPSERS reforms, a cap of 20.96% of salary and wages was placed on the share of retirement UAL costs that school districts, community colleges and libraries are obligated to pay, with the state paying the amount over the cap.

The budget also includes a similar payment for universities over a payroll cap of 25.73% to the seven participating universities, at an estimated cost of \$5.9 million in fiscal year 2017. Legislation effectuating the cap continues to be pending.

In addition, the budget provides for \$101.7 million to offset normal retirement costs, bringing total MPSERS spending to \$1.16 billion.

**FY 2017 Education Omnibus Budget
 MPSERS Appropriations
 (in millions)**

	State share over UAL cap	Other costs	Total
Community Colleges	\$73.2	\$1.7	\$74.9
Higher Education	\$5.9	\$0.0	\$5.9
School Aid	\$982.2	\$100.0	\$1,082.2
District Libraries	<u>\$0.6</u>	<u>\$0.0</u>	<u>\$0.6</u>
Total Appropriations	\$1,061.9	\$101.7	\$1,163.6



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Community Colleges
FY 2017 Executive Budget Highlights

Overview: The governor proposes a fiscal year 2017 budget for community colleges of \$399 million, an increase of 2.9 percent in total funding over fiscal year 2016. Operations funding receives a 2.4 percent increase (\$7.5 million) to a total of \$319 million. Since fiscal year 2011, combined operations and retirement funding for community colleges has increased by \$98 million, an increase of 33 percent.

Operations: An inflationary increase of \$7.5 million for performance-based funding is distributed through a modification of the enacted fiscal year 2016 formula. In keeping with the governor's goal of increasing the number of Michigan citizens employed in the skilled trades, 20 percent of funding is distributed based on the weighted degree and certificate metric, which rewards colleges for skilled trades graduates. The metrics are as follows:

- Across-the-board distribution: 30 percent of the formula.
- The number of student contact hours, weighted for increased program costs in health and technology: 30 percent of the formula.
- The two-year average number of weighted associate degree and certificate completions. Degree and certificate completions continue to be weighted with an emphasis on natural sciences, engineering, technology, and health: 20 percent of the formula.
- The completion improvement rate, which rewards colleges for an increase in the percentage of students who completed a certificate, degree, or transfer within six years: 10 percent of the formula.
- The two-year average of the percentage of institutional expenditures spent on administration: 5 percent of the formula.
- Across-the-board distribution of presumed local strategic value funds, because all colleges had met best practices in the past: 5 percent of the formula.

As a prerequisite for new funding, community colleges will continue to be required to actively participate in the Michigan Transfer Network, similar to universities, which informs students how their credits will transfer in and out to other Michigan postsecondary education institutions.

Retirement Reform Payments: The governor's budget continues to cap the amount of unfunded accrued liability contributions paid by community colleges to the Michigan Public School Employees Retirement System, with the state making payments for amounts over the cap of 20.96%. The budget increases the state's payments for retirement liabilities by \$3.7 million, bringing the total state support for the community colleges' MPSERS obligations to \$74.9 million in fiscal year 2017. The fiscal year 2018 budget assumes an additional increase of \$500,000 for a total of \$75.4 million.

Activities Classification Structure (ACS) Transfer: Responsibility for the maintenance and coordination of the state community college database (ACS) is transferred from the Workforce Development Agency (WDA) to the Center for Educational Performance and Information (CEPI).

State Building Authority Rent: Included in the bill is a schedule of estimated payments the state makes to support debt service for recently constructed community college building projects. This \$30.9 million in general fund, although appropriated in the DTMB budget, represents additional state support for community colleges.

**FY 2017 Community College Performance Funding
2.4% Inflationary Increase From FY 2016 in Operations Funding**

	30.0%		30.0%		20.0%		10.0%		5.0%		5.0%		FY2017 Executive Recommendation		
	Proportional to FY16 Operations Funding	Metric Funding	Weighted Student Hours	Metric Funding	Weighted Degrees and Certificates	Metric Funding	Completion Improvement	Metric Funding	Adjusted Admin. Costs	Metric Funding	Presumed Local Strategic Value Funds	Metric Funding	Total FY17 Operations Funding	% Change from FY16	% of Total Funding
Alpena	0.7%	\$39,471	835,940	\$19,457	1,112	\$21,853	32.27%	\$63,741	8.2%	\$11,626	0.1%	\$6,578	\$5,627,100	3.0%	2.2%
Bay de Noc	0.7%	\$5,490,200	1,018,644	\$23,709	1,129	\$32,187	-3.26%	\$0	6.2%	\$8,784	0.1%	\$6,610	\$5,591,100	1.8%	1.3%
Delta	0.7%	\$14,704,000	4,258,709	\$99,123	3,893	\$76,536	0.11%	\$32,334	11.6%	\$17,702	0.1%	\$17,702	\$5,052,400	2.4%	4.6%
Glen Oaks	0.7%	\$2,551,100	\$45,016	\$12,685	556	\$10,927	-12.60%	\$0	0.2%	\$3,451	0.1%	\$3,071	\$4,596,700	1.8%	0.6%
Gogebic	0.7%	\$4,509,900	636,539	\$14,816	681	\$13,383	17.99%	\$41,337	6.7%	\$9,470	0.1%	\$5,429	\$4,666,900	2.6%	1.6%
Grand Rapids	0.7%	\$18,187,300	6,949,500	\$161,752	3,761	\$73,912	8.63%	\$38,484	12.0%	\$17,026	0.1%	\$21,895	\$444,400	2.4%	5.9%
Henry Ford	0.7%	\$21,893,300	6,324,830	\$147,213	3,602	\$70,788	3.03%	\$34,054	12.4%	\$17,644	0.1%	\$26,357	\$22,347,500	2.1%	6.1%
Jackson	0.7%	\$12,245,300	2,551,706	\$59,392	2,504	\$49,209	1.64%	\$33,182	10.0%	\$14,137	0.1%	\$14,742	\$259,100	2.1%	3.5%
Kalamazoo Valley	0.7%	\$12,689,400	4,267,480	\$99,327	3,522	\$69,215	0.00%	\$32,254	13.1%	\$18,557	0.1%	\$15,277	\$326,300	2.6%	4.4%
Kellogg	0.7%	\$9,950,100	2,683,801	\$62,467	2,321	\$45,613	-9.40%	\$0	12.5%	\$17,724	0.1%	\$11,979	\$209,700	2.1%	2.8%
Kirtland	0.7%	\$3,221,500	925,555	\$21,545	1,009	\$19,829	-3.17%	\$0	9.4%	\$13,319	0.1%	\$3,878	\$81,800	2.5%	1.1%
Lake Michigan	0.7%	\$5,417,700	1,779,793	\$41,425	933	\$18,336	0.33%	\$32,458	7.1%	\$10,022	0.1%	\$6,522	\$147,900	2.7%	2.0%
Lansing	0.7%	\$31,288,200	7,773,347	\$180,928	8,367	\$164,431	-2.15%	\$0	12.7%	\$18,089	0.1%	\$37,667	\$627,100	2.0%	8.4%
Macomb	0.7%	\$33,239,500	10,471,280	\$243,723	6,029	\$118,484	-0.41%	\$0	13.0%	\$40,016	0.1%	\$40,016	\$660,700	2.0%	8.8%
Mid Michigan	0.7%	\$4,757,700	1,817,998	\$42,315	1,666	\$32,741	2.50%	\$33,820	7.5%	\$10,603	0.1%	\$5,728	\$159,600	3.4%	2.1%
Monroe County	0.7%	\$4,565,600	1,587,325	\$36,946	1,087	\$21,362	-1.42%	\$0	11.8%	\$16,682	0.1%	\$5,496	\$113,500	2.5%	1.5%
Montcalm	0.7%	\$3,280,800	791,560	\$18,424	1,051	\$20,655	17.70%	\$43,751	9.1%	\$12,974	0.1%	\$3,949	\$123,400	3.8%	1.6%
Mott	0.7%	\$15,901,700	4,743,368	\$110,404	4,078	\$80,142	6.31%	\$36,314	11.2%	\$15,867	0.1%	\$19,144	\$376,700	2.4%	5.0%
Muskegon	0.7%	\$9,020,700	2,134,901	\$49,691	1,333	\$26,196	31.25%	\$77,734	12.9%	\$18,374	0.1%	\$10,860	\$248,000	2.7%	3.3%
North Central	0.7%	\$3,224,800	1,001,885	\$23,319	648	\$12,735	15.16%	\$41,606	10.9%	\$15,461	0.1%	\$3,882	\$120,300	3.7%	1.6%
Northwestern	0.7%	\$9,200,500	2,170,087	\$50,510	1,581	\$31,070	5.16%	\$35,686	10.3%	\$14,666	0.1%	\$11,076	\$209,500	2.3%	2.8%
Oakland	0.7%	\$21,429,400	10,619,828	\$247,181	5,546	\$108,992	-21.28%	\$0	8.5%	\$12,009	0.1%	\$25,798	\$548,800	2.6%	7.3%
Schoolcraft	0.7%	\$12,706,400	5,184,774	\$120,678	3,787	\$74,423	1.56%	\$33,120	11.4%	\$16,137	0.1%	\$15,297	\$351,400	2.8%	4.7%
Southwestern	0.7%	\$6,657,600	1,315,393	\$30,616	1,167	\$22,984	-0.39%	\$0	4.5%	\$6,330	0.1%	\$8,015	\$116,000	1.7%	1.5%
St Clair County	0.7%	\$158,000	2,004,628	\$46,658	1,410	\$27,710	0.68%	\$32,616	8.3%	\$11,838	0.1%	\$8,617	\$179,100	2.5%	2.4%
Washtenaw	0.7%	\$13,301,100	6,830,364	\$131,049	6,477	\$127,288	7.27%	\$36,967	11.4%	\$16,211	0.1%	\$16,013	\$423,600	3.2%	5.6%
Wayne County	0.7%	\$16,989,800	6,042,965	\$140,652	6,603	\$129,764	5.11%	\$36,274	9.2%	\$20,454	0.1%	\$20,454	\$463,000	2.7%	6.2%
West Shore	0.7%	\$2,446,200	601,310	\$13,996	474	\$9,315	2.88%	\$34,271	2.7%	\$3,083	0.1%	\$2,945	\$81,300	3.3%	1.1%
TOTAL:	0.7%	\$311,492,000	96,668,626	\$2,250,000	76,327	\$1,500,000	264.2%	\$750,000	\$375,000	\$375,000	0.1%	\$375,000	\$7,500,000	2.4%	100.0%
New funding:		\$7,500,000													
Total FY17 funds:		\$318,992,000													

FY17 Recommended MPERS: \$74,933,600
FY17 Total Operations Incl. MPERS: \$393,925,600

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Notes:
1. Calculations for weighted contact hours are based on data provided by the Workforce Development Agency from FY 2014.
2. Calculations for completion improvement are based on data provided to the Governor's dashboard on completion rates from the Michigan Community College Association annually.

3. The completion improvement metric utilizes six-year completions for each college from 2007 and 2008 cohorts. The metric measures the college against itself over the two year cohort period. Completions include certificates, degrees and transfers.
4. Weighted completions and adjusted administrative costs are based on a two-year average of data from FY 2014 and FY 2015. Adjusted administrative costs are preliminary data provided by the Workforce Development Agency while completions data are from IPEDS. The FY16 enacted formula is the source of the methodology for weighted completions, administrative costs, and local strategic value.
5. Adjusted administrative cost percentages are subtracted from a ceiling of 24%, which was the same ceiling amount in the FY16 enacted formula.

FY17 Executive Recommendation
State Budget Office
February 10, 2016