



## STATE BUDGET OFFICE

### EDUCATION OMNIBUS BUDGET EXECUTIVE BUDGET FISCAL YEARS 2015 AND 2016

Presented February 5, 2014

The Executive Budget for fiscal year 2015 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 \$15.7 billion - \$13.8 billion for public schools, \$371.5 million for community colleges and slightly over \$1.5 billion for higher education.

#### Highlights of the Education Omnibus Budget Bill

- In total, the education omnibus bill is increased by \$597.9 million, or 4.0%, from fiscal year 2014 enacted levels. Adjusting the total by removing the \$50 million deposit to the Michigan Public School Employees Retirement System (MPERS) Reserve Fund in the School Aid budget results in a \$547.9 million, or 3.6%, increase.

#### FY 2015 Education Omnibus Budget Summary of Appropriations (in millions)

Revenue Sources	K-12 School Aid	Community Colleges	Higher Education	Total
School Aid Fund Revenues	\$11,841.0	\$197.6	\$200.5	\$12,239.1
General Fund	\$180.0	\$173.9	\$1,214.9	\$1,568.8
Other State Restricted	\$18.0	\$0.0	\$0.1	\$18.1
Federal Funds	<u>\$1,808.2</u>	<u>\$0.0</u>	<u>\$97.0</u>	<u>\$1,905.2</u>
<b>Total Appropriations</b>	\$13,847.1	\$371.5	\$1,512.5	\$15,731.2
MPERS Reserve Deposit	<u>\$50.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$50.0</u>
<b>Adjusted Total Approp.</b>	\$13,791.1	\$371.5	\$1,512.5	\$15,681.2

- Nearly \$850 million of the education budget supports MPERS costs. As part of recent MPERS reforms, a cap of 20.96% of salary and wages was placed on the share of unfunded accrued liability (UAL) retirement costs that school districts, community colleges and libraries are obligated to pay. The state is required to pay the rest, estimated at \$730.9 million in fiscal year 2015. The governor also proposes a further reduction of 1.2% in this cap in fiscal year 2015, by transferring

another \$116.4 million in retirement costs from schools, libraries and community colleges to the state.

**FY 2015 Education Omnibus Budget  
MPERS Appropriations  
(in millions)**

	<b>State share over cap*</b>	<b>Total</b>
Community Colleges	\$60.8	\$60.8
Higher Education	\$0.0	\$2.4
School Aid	\$783.9	\$783.9
Libraries	<u>\$2.6</u>	<u>\$2.6</u>
<b>Total Appropriations</b>	<b>\$847.3</b>	<b>\$849.8</b>

(\*Calculated using a rate cap of 19.76%, as proposed in the Executive Budget)

- The Executive Budget Recommendation continues to include best practices and performance-based funding for districts, best practices for intermediate school districts, best practices and performance-based funding for public community colleges and universities, and best practices for private colleges and universities.



**STATE BUDGET OFFICE**  
**February 5, 2014**

**Community Colleges**  
**FY 2015 Executive Budget Highlights**

---

**Overview:** The governor proposes an FY2015 budget for community colleges of \$371.5 million, an increase of 10.6 percent in total funding over FY 2014. Operations receives a 3 percent increase (\$8.9 million) to a total of 307.2 million. Michigan Public School Employees Retirement System (MPERS) payments increase by \$27.7 million to a total of \$60.8 million in FY 2015, and are expected to climb to \$79.5 million in FY 2016.

**Operations:** A total of \$8.9 million in new general fund for performance-based funding is proposed, furthering the Governor's efforts to have 60 percent of citizens hold a high-quality degree or other credential by 2025. This new funding is distributed through the enacted FY 2014 formula, improving predictability in state appropriations to community colleges, and allowing for better long-range institutional planning. The metrics are as follows:

- Across the board distribution. 50 percent of the formula.
- The two-year average number of weighted associate degree and certificate completions. 17.5 percent of the formula.
- The two-year average number of contact hour equated students. 10 percent of the formula.
- The two-year average of the percentage of institutional expenditures spent on administration. 7.5 percent of the formula.
- Compliance with a set of best practices that reflect local strategic values. 15 percent of the formula.

New for FY 2015 is a requirement to limit tuition increases. Community colleges must keep any tuition and fee increases for resident students at 3.2 percent or less in order to qualify for any new performance funding.

**Retirement Reform Payments:** As part of recent reforms in the Michigan Public School Employees Retirement System (MPERS), the community college contribution rate for unfunded accrued liabilities was capped at the FY 2012 level of 20.96%. The state pays the amount over the cap. To further lessen the burden of retirement costs on community colleges, the governor proposes an additional reduction of 1.2% in the capped rate. The budget increases the state's payments for retirement liabilities by \$27.7 million in general fund, bringing the total state support for the community colleges' MPERS obligations to \$60.8 million in fiscal year 2015. The fiscal year 2016 budget assumes an additional increase of \$18.7 million, for a total of \$79.5 million.

**Best Practices:** For greater transparency, community colleges are asked to continue their transparency and performance dashboard websites.

**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 \$26.5 million in general fund, although appropriated in another budget, represents additional state support for community colleges.

**FY 2015 Community College Performance Funding  
3% Increase From FY 2014 in Operations Funding**

	50.0%		17.5%		10.0%		7.5%		15.0%		% Change from FY14		
	FY14 Current Law Payments	Relative to FY14 Funding	Weighted Completions	Metric Funding	Contact Hour Eq. Students	Metric Funding	Adjusted Admin. Costs	Metric Funding	Total Appropriated Performance Funding	FY15 Executive Rec.		Assumed LSV Funding	Assumed Total FY15 Funding
Alpena	5,236,500	1.8%	1,050	\$20,374	1,556	\$7,346	8.9%	\$24,344	\$130,600	\$5,367,100	\$23,600	\$5,390,700	2.9%
Bay de Noc	5,279,300	1.8%	1,239	\$24,053	2,009	\$9,488	1.3%	\$3,660	\$116,400	\$5,395,700	\$23,800	\$5,419,500	2.7%
Delta	14,063,500	4.7%	4,469	\$86,758	9,004	\$42,521	11.7%	\$31,892	\$372,100	\$14,435,600	\$63,300	\$14,498,900	3.1%
Glen Oaks	2,441,500	0.8%	1,009	\$19,578	1,143	\$5,397	0.7%	\$1,963	\$63,600	\$2,505,100	\$11,000	\$2,516,100	3.1%
Gogebic	4,330,300	1.5%	714	\$13,861	1,028	\$4,853	6.6%	\$17,882	\$101,600	\$4,431,900	\$19,500	\$4,451,400	2.8%
Grand Rapids	17,454,900	5.9%	3,204	\$62,200	12,891	\$60,876	10.7%	\$29,226	\$414,100	\$17,869,000	\$78,500	\$17,947,500	2.8%
Henry Ford	21,060,000	7.1%	3,730	\$315,899	13,447	\$63,497	6.3%	\$17,230	\$469,000	\$21,529,000	\$94,800	\$21,623,800	2.7%
Jackson	11,758,200	3.9%	3,025	\$176,373	4,996	\$23,594	6.4%	\$17,546	\$275,200	\$12,034,400	\$52,900	\$12,087,300	2.8%
Kalamazoo Valley	12,122,500	4.1%	3,530	\$181,837	8,652	\$40,857	12.8%	\$34,744	\$326,000	\$12,448,500	\$54,600	\$12,503,100	3.1%
Kellogg	9,522,000	3.2%	2,531	\$142,830	4,846	\$22,883	12.4%	\$33,849	\$248,700	\$9,770,700	\$42,800	\$9,813,500	3.1%
Kirtland	3,055,700	1.0%	1,180	\$45,835	1,490	\$7,037	8.2%	\$22,397	\$98,200	\$3,153,900	\$13,800	\$3,167,700	3.7%
Lake Michigan	5,178,100	1.7%	1,069	\$77,671	3,570	\$16,859	9.7%	\$26,254	\$141,500	\$5,319,600	\$23,300	\$5,342,900	3.2%
Lansing	30,023,700	10.1%	8,499	\$164,993	14,725	\$69,533	12.5%	\$33,950	\$718,800	\$30,742,500	\$135,100	\$30,877,600	2.8%
Macomb	31,931,200	10.7%	6,907	\$134,078	19,820	\$93,596	12.9%	\$35,040	\$741,700	\$32,672,900	\$143,700	\$32,816,600	2.8%
Mid Michigan	4,517,900	1.5%	1,867	\$36,235	3,583	\$16,919	8.4%	\$22,875	\$143,800	\$4,661,700	\$20,300	\$4,682,000	3.6%
Monroe County	4,342,600	1.5%	1,056	\$20,491	3,072	\$14,506	11.3%	\$30,682	\$130,800	\$4,473,400	\$19,500	\$4,492,900	3.5%
Montcalm	3,121,200	1.0%	821	\$15,938	1,407	\$6,646	8.1%	\$22,065	\$91,500	\$3,212,700	\$14,000	\$3,226,700	3.4%
Mott	15,247,100	5.1%	3,505	\$68,034	9,392	\$44,351	10.8%	\$29,299	\$370,400	\$15,617,500	\$68,600	\$15,686,100	2.9%
Muskegon	8,653,500	2.9%	1,576	\$30,595	3,932	\$18,565	10.9%	\$29,685	\$208,600	\$8,862,100	\$38,900	\$8,901,000	2.9%
North Central	3,064,400	1.0%	700	\$13,580	1,918	\$9,057	9.4%	\$25,633	\$94,200	\$3,158,600	\$13,800	\$3,172,400	3.5%
Northwestern	8,825,300	3.0%	1,717	\$33,333	4,245	\$20,046	10.3%	\$28,065	\$213,800	\$9,039,100	\$39,700	\$9,078,800	2.9%
Oakland	20,483,100	6.9%	5,503	\$106,831	22,085	\$104,290	10.9%	\$29,666	\$548,000	\$21,031,100	\$92,200	\$21,123,300	3.1%
Schoolcraft	12,112,200	4.1%	4,722	\$91,660	10,495	\$49,560	8.9%	\$24,108	\$347,000	\$12,459,200	\$54,500	\$12,513,700	3.3%
Southwestern	6,404,300	2.1%	1,106	\$21,471	2,366	\$11,173	5.4%	\$14,578	\$143,300	\$6,547,600	\$28,800	\$6,576,400	2.7%
St Clair County	6,860,100	2.3%	1,433	\$27,819	3,580	\$16,907	8.4%	\$22,982	\$170,600	\$7,030,700	\$30,900	\$7,061,600	2.9%
Washtenaw	12,610,800	4.2%	7,275	\$141,232	10,457	\$49,381	11.0%	\$29,984	\$409,800	\$13,020,600	\$56,700	\$13,077,300	3.7%
Wayne County	16,194,300	5.4%	6,769	\$131,399	12,645	\$59,710	9.7%	\$26,386	\$460,400	\$16,654,700	\$72,900	\$16,727,600	3.3%
West Shore	2,349,800	0.8%	455	\$8,833	1,118	\$5,281	1.9%	\$5,059	\$54,500	\$2,404,300	\$10,600	\$2,414,900	2.8%
<b>TOTAL:</b>	<b>\$298,244,000</b>	<b>100.0%</b>	<b>80,655</b>	<b>\$1,565,778</b>	<b>189,473</b>	<b>\$894,730</b>	<b>246.7%</b>	<b>\$671,048</b>	<b>\$7,605,200</b>	<b>\$305,849,200</b>	<b>\$1,342,100</b>	<b>\$307,191,300</b>	
<b>New funding:</b>	<b>\$8,947,300</b>												
<b>Total FY15 funds:</b>	<b>\$307,191,300</b>												<b>3.0%</b>

Percent increase:

- Notes:
- FY14 Current Law includes the base operations appropriations plus each college's rounded allocation from Local Strategic Value (LSV).
  - All calculations are based on a 2 year average of FY12 and FY13 data. The FY14 enacted formula is the source of all methodology for existing metrics.
  - Contact Hour Equated Students and Adjusted Administrative Cost data are preliminary data provided by the Workforce Development Agency. Completions data are from IPEDS.
  - Adjusted Administrative Cost percentages are subtracted from a ceiling of 22%. The ceiling was 23% in the FY14 enacted formula.

FY15 Executive Recommendation  
State Budget Office  
February 5, 2014

**FY 2015 STATE BUILDING AUTHORITY RENT  
HIGHER ED AND COMMUNITY COLLEGE  
PROJECTED AMOUNTS BY INSTITUTION**

	<b>FY 2015 Projected</b>	<b>% of Subtotal</b>
<b><u>UNIVERSITIES:</u></b>		
Central	9,103,200	7.29%
Eastern	4,861,700	3.89%
Ferris	6,252,200	5.01%
Grand Valley	4,252,500	3.41%
Lake Superior	1,112,900	0.89%
Michigan State	16,101,200	12.90%
Michigan Tech	7,444,600	5.96%
Northern	8,016,400	6.42%
Oakland	10,969,800	8.79%
Saginaw Valley	9,777,400	7.83%
UM - Ann Arbor	9,159,200	7.34%
UM - Dearborn	6,296,200	5.04%
UM- Flint	2,855,000	2.29%
Wayne State	13,679,800	10.96%
Western	14,943,200	11.97%
Subtotal	124,825,300	100.00%
<b><u>COMMUNITY COLLEGES:</u></b>		
Alpena	485,400	1.83%
Bay de Noc	636,600	2.41%
Delta	2,842,800	10.74%
Glen Oaks	123,300	0.47%
Gogebic	16,900	0.06%
Grand Rapids	1,792,400	6.77%
Henry Ford	1,030,800	3.90%
Jackson	1,787,300	6.75%
Kalamazoo	1,471,000	5.56%
Kellogg	521,400	1.97%
Kirtland	364,000	1.38%
Lake Michigan	340,900	1.29%
Lansing	610,100	2.31%
Macomb	1,316,600	4.98%
Mid-Michigan	1,117,300	4.22%
Monroe	1,266,500	4.79%
Montcalm	973,700	3.68%
Mott	1,808,000	6.83%
Muskegon	198,500	0.75%
North Central	117,600	0.44%
Northwestern	1,308,600	4.95%
Oakland	466,300	1.76%
Schoolcraft	1,550,300	5.86%
Southwestern	231,100	0.87%
St. Clair	357,000	1.35%
Washtenaw	1,680,600	6.35%
Wayne County	1,466,000	5.54%
West Shore	578,600	2.19%
Subtotal	26,459,600	100.00%
<b>TOTAL</b>	<b>151,284,900</b>	



**STATE BUDGET OFFICE**  
February 5, 2014

**Michigan Strategic Fund**  
**Community College Skilled Trades Equipment**  
**Program**

---

**Proposal**

Governor Snyder's fiscal year 2015 budget includes a Community College Skilled Trades Equipment Program to address workforce talent needs. This program will provide community colleges the opportunity to compete for \$50 million in bond funds to re-tool instructional equipment to the latest technology so that they can deliver educational programs in high-wage, high-skill and high-demand skilled trade occupations. Community colleges desiring to participate in the program must demonstrate employer demand within their prosperity region in alignment with an annual talent needs plan.

**Program Details**

- Provides up to \$50 million in bond funds to be issued by the Michigan Strategic Fund for skilled trade equipment and related investments that will build and retain a talented workforce in Michigan. The program will reimburse eligible expenses related to the acquisition and installation of equipment, including any necessary renovations related to the installation, and training for instructors.
- The Michigan Strategic Fund will invite Michigan community colleges to participate in a competitive selection process.
- At a minimum, the selection process will require community colleges to address the following:
  - Describe the equipment to be purchased and present a detailed cost estimate.
  - Demonstrate alignment with a prosperity region annual talent plan that addresses the needs of Michigan businesses.
  - Provide that equipment and related improvements address the identified talent needs in the prosperity region, and will support industry-recognized credentials or degrees in high-skill, high-demand occupations.
- Community colleges will be required to provide a minimum match of twenty-five percent of the total project cost. Additional matching funds may also be provided from Michigan businesses on behalf of the community college, but not including paid internships or graduate employment.

### **Community College Skilled Trades Equipment Program (continued):**

- The Michigan Strategic Fund will convene a review panel consisting of staff from the Michigan Economic Development Corporation, the Workforce Development Agency and members of the Governor's Talent Investment Board to evaluate proposals and make recommendations to the Michigan Strategic Fund Board for the award of project grants.
- The Michigan Strategic Fund Board will approve the award of project grants no later than April 1, 2015. Approved award grants must commence no later than April 1, 2016 in order to be eligible for reimbursement from the bond funds.
- A total of \$4.6 million general fund has been included in the fiscal year 2015 Michigan Strategic Fund budget for annual debt service.