



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.



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Higher Education
FY 2017 Executive Budget Highlights

Overview: The governor proposes investing an additional \$61.2 million, or 4.3 percent, in state university operations. This increase brings total operating funds for universities to over \$1.48 billion and restores aggregate university funding to fiscal year 2011 levels. Total funding for higher education is nearly \$1.6 billion.

Operations: A total of \$59.8 million 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.

All of last year's performance-based metrics are continued in this Executive Budget, providing stability to universities, and allowing for long-range institutional planning. The metrics are as follows:

- The two-year average number of undergraduate degree and certificate completions in critical skills areas. Critical skills areas are science, technology, engineering, mathematics, and health.
- Research and development expenditures for only those universities that are ranked as research universities under Carnegie Classifications, as classified prior to February 1, 2016.
- Several metrics that are scored by comparison with national Carnegie Classification peers, and then weighted by undergraduate FYES. Scoring is done using the enacted fiscal year 2016 values (3 points for Top 20 percentile performance, and 2 points for performance above the national median or improved performance).
 - Six-year graduation rate.
 - Total degree completions.
 - Institutional support costs as a percentage of total core expenditures.
 - The percentage of students receiving a Pell Grant.

Michigan State University AgBioResearch and Extension also receive a combined 2.3 percent increase, or \$1.4 million. This brings total funding for these programs to \$61.9 million.

The prerequisites for funding are those enacted in fiscal year 2016 and include the following requirements:

- Universities must limit tuition and fee increases to 4.8 percent or less in order to receive new performance funding provided in this recommendation. This cap represents double the level of expected inflation.

FY 2017 University Performance Funding
4.3% Increase From FY 2016 in Operations Funding

Funding per unit: % of formula:	Funding Proportional to FY11		Funding Proportional to Share of Total				Scored vs. National Carnegie Peers							FY2017 Executive Recommendation					
	\$0.0210 per dollar		\$410.24 per completion		\$0.0026 per dollar		\$13.25 per weighted point							Total Performance Funding	FY17 & FY18 Executive Rec.	% Change from FY16	% of Total Perf Funding		
	50.0%		11.1%		5.6%		33.3%												
FY16 Current Law	FY11 Operations	Performance Funding	Critical Skills Undergrad Awards	Performance Funding	Research & Development Expenditures	Performance Funding	6-year Grad Rate	Total Degrees	Instit. Support as % of Expend.	% Students Receiving a Pell Grant	Total Points	Total FY15 Undergrad FYES	FYES-Weighted Score	Performance Funding					
Michigan State	\$268,770,700	\$283,685,200	\$5,970,663	2,767	\$1,135,199	\$311,961,007	\$822,172	2	3	0	0	5	36,653	183,265	\$2,427,490	\$10,355,500	\$279,126,200	3.9%	17.3%
UM-Ann Arbor	\$299,975,000	\$316,254,500	\$6,656,142	2,971	\$1,218,828	\$704,342,000	\$1,856,291	3	3	2	0	8	28,192	225,533	\$2,987,258	\$12,718,500	\$312,693,500	4.2%	21.3%
Wayne State	\$191,451,300	\$214,171,400	\$4,507,620	885	\$363,064	\$150,737,120	\$397,267	2	2	0	3	7	14,706	102,943	\$1,363,567	\$6,631,500	\$198,082,800	3.5%	11.1%
Michigan Tech	\$46,754,700	\$47,924,200	\$1,008,651	902	\$370,038	\$51,389,065	\$135,436	3	2	2	0	7	5,432	38,023	\$503,648	\$2,017,800	\$48,772,500	4.3%	3.4%
Western	\$104,334,100	\$109,615,100	\$2,307,046	1,089	\$446,753	\$18,997,041	\$50,067	2	2	0	3	7	16,870	118,087	\$1,564,149	\$4,368,000	\$108,702,100	4.2%	7.3%
Central	\$81,127,100	\$80,132,000	\$1,686,521	861	\$353,218	\$13,794,808	\$36,356	3	3	3	0	9	17,859	160,731	\$2,129,009	\$4,205,100	\$85,332,200	5.2%	7.0%
Oakland	\$48,371,900	\$50,761,300	\$1,068,362	1,119	\$459,061	\$9,080,916	\$23,933	2	3	2	0	7	14,851	103,957	\$1,376,993	\$2,928,300	\$51,300,200	6.1%	4.9%
Eastern	\$71,782,500	\$76,026,200	\$1,600,107	817	\$335,167			0	3	2	2	7	14,966	104,759	\$1,387,614	\$3,322,900	\$75,105,400	4.6%	5.6%
Ferris	\$50,369,800	\$48,619,200	\$1,023,278	1,305	\$535,365			2	3	2	2	9	10,750	96,750	\$1,281,530	\$2,840,200	\$53,210,000	5.6%	4.8%
Grand Valley	\$65,275,700	\$61,976,400	\$1,304,404	1,281	\$525,520			3	3	2	2	10	19,677	196,767	\$2,606,335	\$4,436,300	\$69,712,000	6.8%	7.4%
Saginaw Valley	\$28,181,200	\$27,720,700	\$583,432	463	\$189,942			0	2	2	2	6	7,906	47,434	\$628,304	\$1,401,700	\$29,582,900	5.0%	2.3%
UM-Dearborn	\$24,033,100	\$24,726,200	\$520,407	435	\$178,455			2	2	0	2	6	5,770	34,620	\$458,569	\$1,157,400	\$25,190,500	4.8%	1.9%
UM-Flint	\$21,815,400	\$20,898,000	\$439,836	558	\$228,915			0	2	2	2	6	5,462	32,775	\$434,126	\$1,102,900	\$22,918,300	5.1%	1.8%
Northern	\$45,107,700	\$45,140,300	\$950,058	550	\$225,633			2	2	2	0	6	7,356	44,136	\$584,616	\$1,760,300	\$46,868,000	3.9%	2.9%
Lake Superior	\$13,207,400	\$12,694,200	\$267,172	190	\$77,946			2	3	0	2	7	2,112	14,784	\$195,826	\$541,000	\$13,748,400	4.1%	0.9%
SUBTOTAL:	\$1,360,557,600	\$1,420,344,900	\$29,893,700	16,193	\$6,643,044	\$1,260,301,957	\$3,321,522	28	38	21	20	107	208,561	1,504,563	\$19,929,033	\$59,787,400	\$1,420,345,000	4.4%	100.0%
University Operations	\$1,360,557,600	\$1,420,344,900														\$59,787,400	\$1,420,345,000	4.4%	97.7%
MSU AgBioResearch	\$32,508,300	\$33,243,100														\$734,800	\$33,243,100	2.3%	1.2%
MSU Extension	\$27,994,800	\$28,672,600														\$677,800	\$28,672,600	2.4%	1.1%
GRAND TOTAL:	\$1,421,060,700	\$1,482,260,600														\$61,200,000	\$1,482,260,700	4.3%	100.0%

Scoring
3 = Top 20% nationally
2 = Above the national median
1 = Improving over 3 years

- Notes:
- The Business Leaders for Michigan & Anderson Economic Group is the source of all Carnegie-scored metric data. Methodology also provided by BLM/AEG. All data are from FY13, with growth compared to FY10, except Pell Grants, which compares FY13 to FY11.
 - Data for critical skills awards are from HEIDI. Average of FY14 and FY15 reported data. Methodology from FY16 enacted formula.
 - Data for research & development expenditures are from IPEDS from FY14. Methodology provided by BLM/AEG.
 - Institutional support as a percentage of core expenditures measures administrative spending. A lower percentage yields a better score.
 - The Pell Grants metric now measures the percentage of students receiving a Pell Grant at each campus instead of the absolute number.

FY17 Executive Recommendation
 February 10, 2016
 State Budget Office

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