FY 2016-17 EDUCATION OMNIBUS BUDGET
Summary: As Reported by House Appropriations Committee
House Bill 5291 (H-1)

Mary Ann Cleary, Director

TOTAL APPROPRIATIONS BY BUDGET AREA

Budget Area (Bill Page) [Summary Page]	FY 2016-17		
	Gross	SAF	GF/GP
School Aid (3) [2]	$14,187,682,900	$12,076,050,000	$221,000,100
Community College (262) [12]	402,116,300	260,414,800	141,701,500
Higher Education (291) [15]	1,586,283,300	237,109,600	1,250,047,300
TOTAL	**$16,176,082,500**	**$12,573,574,400**	**$1,612,748,900**

Note: Appropriation figures include all proposed appropriation amounts, including amounts designated as one-time.

FY 2016-17: SCHOOL AID
Summary: As Reported by House Appropriations Committee
Article I, House Bill 5291 (H-1)

Analysts: Bethany Wicksall
Samuel Christensen

	FY 2015-16 YTD as of 2/10/16	FY 2016-17 Executive	FY 2016-17 House	FY 2016-17 Senate	FY 2016-17 Enacted	*Difference: House From FY 2015-16 YTD Amount*	*%*
IDG/IDT	$0	$0	$0			*$0*	*--*
Federal	1,775,769,200	1,818,632,700	1,818,632,700			*42,863,500*	*2.4*
Local	0	0	0			*0*	*--*
Private	0	0	0			*0*	*--*
Restricted	12,078,985,100	12,134,479,400	12,148,050,100			*69,065,000*	*0.6*
GF/GP	45,900,000	230,000,000	221,000,100			*175,100,100*	*381.5*
Gross	**$13,900,654,300**	**$14,183,112,100**	**$14,187,682,900**			***$287,028,600***	***2.1***

Notes: (1) FY 2015-16 year-to-date figures include mid-year budget adjustments through February 10, 2016. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Overview

The School Aid budget makes appropriations to the state's 541 local school districts, 300 public school academies, the Education Achievement System, and 56 intermediate school districts (ISDs) for operations and certain categorical programs. It also appropriates funds to the Center for Educational Performance and Information, the Workforce Development Agency, and other entities to implement certain grants and other programs related to K-12 education.

Major Budget Changes From FY 2015-16 YTD Appropriations		FY 2015-16 Year-to-Date (as of 2/10/16)	FY 2016-17 House Change
1. Foundation Allowances (Secs. 22a and 22b)	**Gross**	**$9,009,700,000**	**$108,800,000**
Executive increases foundations using the 2x funding formula with increases ranging from $60 to $120 per pupil. Increases the State Maximum Guaranteed Foundation (the Basic) from $8,169 to $8,229 and the Minimum Foundation from $7,391 to $7,511. The increase costs $150.0 million, but after a cost reduction of $126.7 million due to increasing local share from increasing taxable values and declining pupils, the net increase totals $ 23.3 million. (*See FY 2015-16 supplemental items below.)*	Restricted	8,993,379,500	(57,376,300)
	GF/GP	$16,320,500	$166,176,300
Also adds $72.0 million in Detroit Public Schools (DPS) Trust Funds (redirected from Tobacco Settlement Funds) to support the foundation allowance costs of the newly proposed Detroit Community district to offset the loss of local school operating millage revenue, which would be redirected to pay off the debts of the former district.			
Also adds $1.0 million to change the pupil membership blend from 90% of the October count plus 10% of the previous February count to 50% of the fall count plus 50% of the previous February count.			
House concurs with Executive on foundation increases and $72.0 million from the Community District Trust Funds for DPS but revises the pupil membership blend from 90% of the October count plus 10% of the prior February count to 85% of the current October count plus 15% of the previous October count. Includes $13.5 million for proposed pupil membership blend changes.			
2. MPSERS Unfunded Liability – State Share (Sec. 147c)	**Gross**	**$893,500,000**	**$89,300,000**
Executive increases funding for the state share of Michigan Public School Employees' Retirement System (MPSERS) unfunded liability costs for districts, ISDs, and public libraries pursuant to PA 300 of 2012 by $89.3 million, bringing the total to $982.8 million.	Restricted	892,900,000	89,300,000
	GF/GP	$600,000	$0
House concurs with Executive.			

Major Budget Changes From FY 2015-16 YTD Appropriations		FY 2015-16 Year-to-Date (as of 2/10/16)	FY 2016-17 House Change
***3. Flint Declaration of Emergency (Sec. 11s)* – NEW** Executive provides $10.1 million for half-year funding to provide universal Early On testing to identify and provide services to children 0-3 ($6.4 million), universal access to preschool for 4-year-olds ($1.5 million), additional district school nurses and school social workers ($1.3 million), and ISD staff and services including ($1.0 million). Additional funding, if necessary, would be available for transfer from a $50.0 million Flint Emergency Reserve Fund proposed in the FY 2015-16 supplemental for DTMB. Additionally, it would appropriate up to $15.0 million in state restricted contingency funds, which would not be available for expenditure until approval of a transfer by the Legislature. (*See FY 2015-16 supplemental items below.)* House concurs with Executive.	**Gross** Restricted GF/GP	**$0** 0 $0	**$10,142,600** 100 $10,142,500
***4. Statewide School Water Testing (Sec. 78)* – NEW** Executive adds $9.0 million to provide 2nd of 3 years of funding to test school building water systems for lead based on a strategic statewide plan developed by MDE in collaboration with DEQ and LARA. (*See FY 2015-16 supplemental items below for 1st year funding.)* House does not include this section.	**Gross** Restricted	**$0** 0	**$0** 0
***5. State School Reform/Redesign (Sec. 21)* – NEW** Executive adds $5.0 million for CEOs and supplemental payments to districts with schools identified as being in the lowest achieving 5% of public schools in the state and under the control of the State School Reform/Redesign Office (SRRO). Districts would receive a 20% foundation allowance premium for each high school FTE to compensate for the loss in foundation allowance funds remaining with elementary FTEs, since elementary foundation allowance funds often subsidize higher cost secondary schools, but would no longer be available to do so under a takeover. (*See FY 2015-16 supplemental items below.)* House includes with a $100 placeholder.	**Gross** Restricted	**$0** 0	**$100** 100
***6. Competency-Based Funding Pilot (Sec. 21g)* – NEW** House provides $1.0 million GF/GP to pilot a competency-based transcript and market place to establish an articulation framework for Michigan academic, technical, and global competencies and to establish assessment criteria for measuring these competencies and awarding universally recognized credentials.	**Gross** GF/GP	**$0** 0	**$1,000,000** 1,000,000
7. "At Risk" Pupil Support (Sec. 31a) Executive maintains current year appropriation levels. House increases by $18.0 million to allow both Hold Harmless and Out-of-Formula districts to be eligible if more than 50% of their prior year membership pupils were eligible for Free Lunch. Currently, eligible districts receive 11.5% of a district's foundation allowance for each student qualifying for free lunch; however, the appropriation doesn't support full funding, so district allocations are prorated.	**Gross** Restricted	**$378,988,200** 378,988,200	**$18,000,000** 18,000,000
***8. Year-Round School Grants (Sec. 31b)* – NEW** House adds $3.5 million for grants to districts for building modifications or other nonrecurring costs related to implementing a new year-round school.	**Gross** Restricted	**$0** 0	**$3,500,000** 3,500,000
9. Gang Prevention Grants (Sec. 31c) Executive eliminates funding of $1.0 million and repealed Sec. 31c. House increases funding by $3.0 million for a total of $4.0 million.	**Gross** Restricted	**$1,000,000** 1,000,000	**$3,000,000** 3,000,000
***10. Special Education Reforms (Sec. 54b)* – NEW** Executive adds $1.4 million for the implementation of recommendations of the Special Education Reform Task Force published in January 2016. $750,000 would be used to pilot statewide implementation of the Michigan Integrated Behavior and Learning Support Initiative (MiBLSI), a program of positive behavioral intervention and supports, in at least 3 ISDs. $620,000 would be used for training related to the safe implementation of emergency restraints and seclusion. House concurs with Executive.	**Gross** Restricted	**$0** 0	**$1,370,000** 1,370,000

Major Budget Changes From FY 2015-16 YTD Appropriations		FY 2015-16 Year-to-Date (as of 2/10/16)	FY 2016-17 House Change
11. Career and Technology Education Programs (Sec. 61a)	**Gross**	**$36,611,300**	**$115,000**
Executive maintains current year appropriation levels.	Restricted	36,611,300	0
House includes $115,000 GF/GP to a non-profit organization that provides curriculum and training to CTE programs in restaurant management and culinary training.	GF/GP	$0	$115,000
12. CTE Early/Middle Colleges (Sec. 61b)	**Gross**	**$10,000,000**	**$5,000,000**
Executive increases funding to $15.0 million for career & technical education (CTE) early/middle colleges that allow a student to graduate in 5 years with both a high school diploma and postsecondary credentials. Revises to make districts that receive funding for CTE program added costs under Section 61a eligible for funding under this section, as long as combined payments under Sections 61a and 61b do not exceed the total allowable costs of the program.	Restricted	10,000,000	5,000,000
House concurs with Executive recommendation increase but allows up to $500,000 for grants for planning new or expanded programs and caps planning grants to $50,000 per program.			
***13. CTE Equipment Upgrades (Sec. 61c)* – NEW**	**Gross**	**$0**	**$10,000,000**
Executive provides $10.0 million in a competitive grant program to districts and ISDs to improve capital infrastructure for their CTE programs including the purchase of equipment, renovations related to installation of equipment, installation costs, and training for instructors providing instruction using the equipment. Caps individual grant awards at $500,000.	Restricted	0	10,000,000
House concurs with Executive.			
14. Intermediate School District (ISD) General Operations (Sec. 81)	**Gross**	**$67,108,000**	**$1,074,000**
Executive increases ISD funding by 1.6%, or $1.1 million, to a total of $68.2 million.	Restricted	67,108,000	1,074,000
House concurs with Executive.			
15. Educator Evaluations (Sec. 95a)	**Gross**	**$0**	**$100**
Executive adds $10.0 million into the Educator Evaluation reserve fund to provide training in educator evaluation systems.	Restricted	0	100
House instead adds $100 placeholder in Sec. 95b for a statewide student growth tool for the purposes of educator evaluations.			
16. FIRST Robotics (Sec. 99h)	**Gross**	**$2,000,000**	**$0**
Executive increases funding for district grants for FIRST Robotics programs to a total of $2.5 million. Funds may be used for coach stipends and program expenses.	Restricted	2,000,000	0
House maintains current year appropriation.			
17. MiSTEM Grants (Sec. 99s)	**Gross**	**$9,274,300**	**$0**
Executive adds $1.3 million bringing total funding to $10.5 million to support science, technology, engineering and mathematics (STEM) education programs. Maintains existing funding for Math/Science Centers ($8.0 million). Rolls up funding currently going to Science Olympiad, STEM professional development, MI STEM Partnership, and VanAndel Institute along with the increased $1.3 million to implement grants based on the MiSTEM Council recommendations, which are due in March 2016.	Federal	5,249,300	0
	Restricted	3,250,000	0
	GF/GP	$775,000	$0
House maintains current year appropriation total, and maintains current year individual grant levels but revises Math/Science Center funding as follows: creates 10 MiSTEM Centers in each prosperity region (with an ISD fiscal agent for each); MiSTEM Centers would coordinate with the MiSTEM council and Change the Equation STEMworks and distribute at least half of the funding to districts for participation in eligible STEM programs.			
***18. Online Algebra tool (Sec. 99t)* – NEW**	**Gross**	**$0**	**$2,000,000**
House provides $2.0 million GF/GP for a statewide online algebra tool that provides students with algebra related videos, adaptive diagnostics, online supports, practice assessments, and professional development for teachers.	GF/GP	$0	$2,000,000

Major Budget Changes From FY 2015-16 YTD Appropriations		FY 2015-16 Year-to-Date (as of 2/10/16)	FY 2016-17 House Change
19. Financial Data Analysis Tools (Sec. 102d)	**Gross**	**$1,500,000**	**$100,000**
Executive maintains current year appropriation levels.	Restricted	1,500,000	100,000
House adds $100,000 SAF for ISD reimbursements of financial data analysis tools. Currently, funds are only provided to districts to reimburse them for the cost of licensing school data analytical tools, and this additional allocation is for ISD reimbursements.			
20. M-STEP Assessments (Sec. 104)	**Gross**	**$50,244,400**	**($21,994,400)**
Executive reduces by $10.1 million bringing total funding for student assessments to $40.1 million. Eliminates $8.5 million in one-time funding to convert assessments to online tests, expand writing assessments to additional grades, and create additional constructed response test questions, all of which has been completed. Also eliminates funding that had supported the Kindergarten Entry Assessment, which has been replaced by a kindergarten summative assessment.	Restricted	43,994,400	(21,994,400)
	Federal	6,250,000	0
House reduces funding by $22.0 million and eliminates the M-STEP. The remaining $22.0 million SAF and $6.3 million Federal funding would instead be used for a statewide contract for a computer adaptive test, which would replace M-STEP.			
21. Nonpublic School Reimbursements (Sec. 152b) **– NEW**	**Gross**	**$0**	**$1,000,000**
House adds $1,000,000 SAF to reimburse nonpublic schools for the costs related to activities identified in the nonpublic schools mandate report required under Sec. 236 of PA 252 of 2014.	Restricted	0	1,000,000
22. Early Literacy (3rd Grade Reading) Initiative (Sec. 35 and 35a)	**Gross**	**$26,400,000**	**($2,500,000)**
Executive reduces total funding for by $2.5 million by eliminating a Parent University Pilot ($1.0), a grant to Michigan Education Corps ($1.0 million), and one-time funding for an early literacy certification test ($500,000). Maintains funding for administration ($1.0 million), professional development ($950,000), diagnostic tools ($1.5 million), literacy teacher coaches ($3.0 million), and added instructional time ($17.0 million).	Restricted	23,900,000	(1,000,000)
	GF/GP	$2,500,000	($1,500,000)
House concurs with Executive.			
23. Technology Readiness Infrastructure Grants (Sec. 22i)	**Gross**	**$23,500,000**	**($23,500,000)**
Executive eliminates funding and repeals this section.	Restricted	23,500,000	(23,500,000)
House concurs with Executive.			
24. Other Program Eliminations	**Gross**	**$6,160,000**	**($6,160,000)**
Executive eliminates funding and repeals the following sections:	Restricted	4,360,000	(4,360,000)
• Sec. 31h – Cooperative Education (Albion/Marshall) - $300,000	GF/GP	$1,800,000	($1,800,000)
• Sec. 43 – Teacher Certification Test Rewrite - $1.8 million			
• Sec. 99c – Civics Education - $60,000			
• Sec. 104d – Computer Adaptive Tests - $4.0 million			
House concurs with repealing of sections 31h, 43, 99c, and 104d.			
25. Michigan College Access Network (MCAN) (Sec. 67)	**Gross**	**$3,600,000**	**($550,000)**
Executive reduces funding by $550,000 to eliminate funding for an online career planning tool, leaving $3.1 million for the balance of MCAN efforts to expand access to college.	Restricted	3,600,000	(550,000)
House concurs with Executive.			
26. Special Education (Sec. 51a, 51c, 51d, 53a, 54, and 56)	**Gross**	**$1,359,546,100**	**$54,500,000**
Executive increases funding for special education by $54.5 million to a total of $1.4 billion to reflect updated estimates. (*See FY 2015-16 supplemental items below.)*	Restricted	918,546,100	54,500,000
	Federal	441,000,000	0
House concurs with Executive.			

Major Budget Changes From FY 2015-16 YTD Appropriations		FY 2015-16 Year-to-Date (as of 2/10/16)	FY 2016-17 House Change
27. Other Cost Adjustments	**Gross**	**NA**	**($10,786,700)**
Executive adjusts appropriation levels based on actual prior year costs for the following:	Restricted	NA	(10,786,700)
• Sec. 11m - Cash Flow Borrowing Costs - $1.0 million increase to $3.0 million.			
• Sec. 26a - Renaissance Zones - $6.3 million decrease to $20.0 million.			
• Sec. 31f - School Breakfast Program - $3.1 million decrease to $2.5 million.			
• Sec. 24a - Juvenile Detention Facilities - $861,700 decrease to $1.3 million.			
• Sec. 25f - Strict Discipline Academies - $750,000 decrease to $250,000.			
• Sec. 25g - Dropout Recovery Programs - $750,000 decrease to $250,000.			
House concurs with Executive.			
28. Federal NCLB/ESSA Funding (Sec. 39a(1))	**Gross**	**$779,076,400**	**$42,863,400**
Executive recognizes increase in funding under the new Every Student Succeeds Act (ESSA) of $55.9 million for student support and academic enrichment. Reduces Drug-Free School and Community funds by $3.0 million to a total of $2.0 million, and eliminates all but $250,000, a reduction of $10.0 million, in charter school subgrant funds.	Federal	779,076,400	42,863,400
House concurs with Executive.			

Major Boilerplate Changes From FY 2015-16

***Sec. 6. Pupil Membership Definitions* – REVISED**

Executive revises pupil membership blend in (4) from 90% of the October count plus 10% of the prior February count to 50% fall count plus 50% prior February count. Caps the number for which a district may claim a nonpublic school pupil membership, for the purposes of receiving state aid, at no more than 1/3 of an FTE for grades 1 to 12 to align it with Sec. 166b, which requires that a nonpublic student be part-time and limited to nonessential elective courses. (*See also Sec. 166b below*). Strikes language added in FY 2015-16 that would count allow a student to be counted as homeless if he or she was counted in membership in FY 2014-15 even if the student didn't meet the Federal homeless definition.

House revises pupil membership blend in (4) from 90% of the October count plus 10% of the prior February count to 85% of the current October count plus 15% of the previous October count. Does not cap the number of FTEs a nonpublic school pupil membership. House concurs to strike the homeless exception added in FY 2015-16. Adds that for a special education student who was expelled on the pupil count day but reinstated after, the district's membership shall be adjusted to count the student.

***Sec. 20j. Foundation Calculations for Hold Harmless Districts* – NEW**

Executive due to an inflationary cap on Hold Harmless (HH) District Foundation Allowances, which was put in statute along with the school funding reforms tied to Proposal A in 1994, HH districts (currently foundation allowances greater than $8,169) would be capped at increases ranging from $8-$15. The Executive budget reintroduces former Section 20j, which would allow the difference between each HH district's inflationary increase and the $60 increase in the State Maximum Guaranteed foundation allowance to be allocated under a separate calculation than its foundation calculation in Sec. 20.

House concurs with Executive.

***Sec. 21f. Virtual Classes* – REVISED**

Executive makes several changes including the following 3 major policy changes:

- Requires a district to provide written notification and a description of appeal process if denying enrollment. Also requires a district if disallowing a course for sufficient rigor to "enroll" a pupil in an alternative course, rather than "make a reasonable effort to assist" a student in finding an alternative.
- Requires primary enrolling districts to provide a student enrolled in more than 2 virtual courses per term with hardware, software, and internet access without charge to the pupil, in addition to the expenses paid for the virtual course under (9), currently 6.67% of the minimum foundation.
- Requires MDE to establish standards for appropriate hardware, software, and internet access and to establish minimum requirements to count a pupil in a virtual course in a district's pupil membership, for the purpose of receiving of state aid.
- Deletes requirement that online courses offered by community colleges generate postsecondary credit.

House concurs with changes regarding denying enrollment or disallowing a course, but does not include the other Executive recommendations.

Major Boilerplate Changes From FY 2015-16

***Sec. 25e. Pupil Transfer Process* – DELETED**
Executive repeals this section and eliminates the pupil transfer process, which currently allows districts to transfer a portion of a pupil membership FTE, and thus the state aid funding tied to it, if a pupil transfers from one district to another between the Fall count date and the following February count date.

House concurs with Executive.

***Sec. 32d. Great Start Readiness Program (GSRP)* – REVISED**
Executive prioritizes children who are homeless, in foster care, or have an IEP that requires preschool as if they are in the lowest income quintile. Reduces program eligibility notification requirements to community-based providers to those that are currently non-participating and to just one notice, which could be done electronically.

House concurs with Executive and revises the cap on ISD administration expenses from either 7% or 4% depending on whether or not the ISD is subcontracting services to 5% either way, and eliminates the 4% cap for subrecipient administration costs and instead counts them as direct services.

***Sec. 39. Great Start Readiness Program Formula* – REVISED**
Executive revises application and formula to base it on number of half-day slots filled rather children served such that the hold harmless provision, guaranteeing an ISD at least its prior slot allocation, would include slots used to provide full-day programs.

House concurs with Executive.

***Sec. 51a(15). Special Education Penalty* – REVISED**
Executive deletes legislative intent that, beginning in FY 2016-17, would penalize a district, PSA, or ISD by 10% of its total state aid if it does not comply with the process for special education services for PSA pupils under subsection (14) or federal regulations.

House maintains the penalty and implements it beginning in FY 2016-17.

***Sec. 101. Days and Hours of Instruction* – REVISED**
Executive deletes district reports of days and hours of instruction and replaces with district certification to MDE that it is in full compliance or district reports to MDE for each instance of noncompliance.

House concurs with Executive.

***Sec. 104b. Assessments* – DELETED**
Executive maintains current law.

House repeals this section, which requires that districts administer the Michigan Merit Exam including a college entrance test (SAT, formerly ACT), a work skills test (WorkKeys), and a state summative assessment (M-STEP).

***Sec. 104c. Assessments* – DELETED**
Executive revises to require fall and spring assessments in grades K to 2, and eliminates the kindergarten entry assessment.

House repeals this section.

***Sec. 107. Adult Education* – REVISED**
Executive revises eligible programs to add adult secondary education programs, eliminate job- or employment-related programs, and revise GED to high school equivalency test prep programs. Deletes all current participant eligibility criteria, and replaces with either a) is at least 20 years of age or b) is an out-of-school youth as defined in federal Workforce Innovation and Opportunity Act. Deletes FTE funding formula based on 80% enrollment and 20% completion. Makes payments based on statewide allocation criteria including 3-year average enrollments, census data, and local needs as well as participant completion data, and allowable expenditures.

House concurs with Executive except maintains current law in regards to participant eligibility criteria.

***Sec. 166. Penalty for Family Planning* – REVISED**
Executive repeals this section.

House revises the penalty under which a district currently forfeits 5% of its total state aid if a board member or staff distributes family planning drugs or devices or makes referrals for abortions. Instead it would require a district to adopt a disciplinary policy for school officials or staff for violations of MCL 380.1507 (regarding Sex Education and prohibits distribution of family planning drugs or devices) or for making abortion referrals. A district that fails to adopt a disciplinary policy would forfeit $100,000 of its state aid. The policy must create financial penalties for school officials, staff, or contractors and require that penalties be negotiated in collective bargaining agreements.

Major Boilerplate Changes From FY 2015-16

***Sec. 166b. Nonpublic Students* – RETAINED**
Executive revises to clarify that a district may count nonpublic students as FTEs, to receive state aid, for nonessential, elective courses "that are offered **AND BEING PROVIDED**" to full-time pupils in the same grade level or age group during regularly scheduled school hours.
House maintains current law.

***Sec. 167a. Expelled or Suspended Pupils* – NEW**
House adds language that would reduce a district's foundation allowance funding by 1/180 per day for a student that was expelled or suspended for more than 10 days.

Flint-related Supplemental Recommendations for FY 2015-16 Appropriations		FY 2015-16 Recommendation
***1. Flint Declaration of Emergency (Sec. 11o)* – NEW** Executive adds $9.2 million to provide universal Early On testing to identify and provide services to children 0-4 with potential developmental delays due to lead exposure. House concurs with Executive.	**Gross** GF/GP	**$9,200,000** $9,200,000

Other Supplemental Recommendations for FY 2015-16 Appropriations		FY 2015-16 Recommendation
***1. State School Reform/Redesign (Sec. 21)* – NEW** Executive adds $1.0 million to pay CEOs appointed by the School Reform/Redesign Office (SRRO) to take control of school buildings that are identified in the lowest achieving 5% of schools in the state. House does not include.	**Gross** Restricted	**$0** 0
***2. Statewide School Water Testing (Sec. 78)* – NEW** Executive adds $9.0 million to provide the 1st of 3 years of funding to test school building water systems for lead based on a statewide strategic plan developed by MDE in collaboration with DEQ and LARA. House does not include.	**Gross** Restricted	**$0** 0
3. Special Education (Secs. 51a, 51c, 51d, 53a, 54, and 56) Executive increases the state share of court-mandated special education costs to a total of $947.2 million to reflect updated estimates based on actual FY 2014-15 costs. House concurs with Executive.	**Gross** Restricted	**$28,700,000** 28,700,000
4. Foundation Allowances (Secs. 22a and 22b) Executive reduces the state share of foundation costs to a total of $8.9 billion to reflect revised consensus estimates due to an increasing local share due to higher taxable values. House concurs with Executive.	**Gross** Federal	**($64,700,000)** (64,700,000)
5. School Bond Loan Redemption Fund (Sec. 11j) Executive reduces costs paid on behalf of districts in the school bond loan program to $99.5 million to reflect lower costs from an increased number of districts refinancing bonds to access lower interest rates. House concurs with Executive.	**Gross** Restricted	**($27,000,000)** (27,000,000)
6. Renaissance Zone Reimbursements (Sec. 26a) Executive reduces reimbursements to $20.0 million based on actual FY 2014-15 costs. House concurs with Executive.	**Gross** Restricted	**($6,300,000)** (6,300,000)
7. School Breakfast (Sec. 31f) Executive reduces school breakfast costs to $2.5 million based on actual FY 2014-15 program costs. Cost reductions due to increased federal funding for in FY 2014-15. House concurs with Executive.	**Gross** Restricted	**($3,125,000)** (3,125,000)
8. Juvenile Detention Facilities (Sec. 24a) Executive reduces the costs of education expenses in juvenile detention facilities operated by DHHS to reflect the closure of the Maxey facility. House concurs with Executive.	**Gross** Restricted	**($888,800)** (888,800)

Other Supplemental Recommendations for FY 2015-16 Appropriations		FY 2015-16 Recommendation
9. Promise Zone Payments (Sec. 26c)	**Gross**	**($332,000)**
Executive reduces payments to promise zone authorities based on updated cost estimates. Promise zones receive half the growth in the State Education Tax (SET) revenue from property within the zone compared to base year SET revenues.	Restricted	(332,000)
House concurs with Executive.		

SCHOOL AID LINE ITEM SUMMARY

		FY 2015-16			FY 2016-17		FY 2016-17		FY 2016-17	
Sec.		HB 4115 (PA 85) SB 134 (PA 139) Enacted	Change from YTD	House Subcommittee Supplemental	Change from FY16 YTD	Executive Recommendation	Change from FY16	HB 5291 House Committee	Change from FY16	SB 796 Senate Subcommittee
11j	School Bond Redemption Fund	$126,500,000	($27,000,000)	$99,500,000		$126,500,000		$126,500,000		$126,500,000
11m	Cash Flow Borrowing Costs	$2,000,000		$2,000,000	$1,000,000	$3,000,000	$1,000,000	$3,000,000	$1,000,000	$3,000,000
11s	Flint Declaration of Emergency - **NEW**	$0	$9,200,000	$9,200,000	$10,142,600	$10,142,600	$10,142,600	$10,142,600	$10,142,600	$10,142,600
20f	Categorical Offset Payments	$18,000,000		$18,000,000		$18,000,000		$18,000,000	$9,000,000	$27,000,000
20g	Dissolved District Transition Grants	$2,200,000		$2,200,000		$2,200,000		$2,200,000		$2,200,000
21	State School Reform/Redesign - **NEW**	$0		$0	$5,000,000	$5,000,000	$100	$100		$0
21g	Competency Based Funding Pilot - **NEW**						$1,000,000	$1,000,000		$0
22a	Foundations: Proposal A Obligation Payment	$5,281,700,000	($26,700,000)	$5,255,000,000	($75,700,000)	$5,206,000,000	($63,200,000)	$5,218,500,000	($79,400,000)	$5,202,300,000
22b	Foundations: Discretionary Payment	$3,728,000,000	($38,000,000)	$3,690,000,000	$172,000,000	$3,900,000,000	$172,000,000	$3,900,000,000	$91,900,000	$3,819,900,000
22d	Isolated District Funding	$5,000,000		$5,000,000		$5,000,000		$5,000,000		$5,000,000
22g	Consolidation Innovation Grants	$5,000,000		$5,000,000		$5,000,000		$5,000,000	$1,500,000	$6,500,000
22i	Technology Infrastructure Improvement Grants	$23,500,000		$23,500,000	($23,500,000)	$0	($23,500,000)	$0	($23,500,000)	$0
24	Court-Placed Pupils	$8,000,000		$8,000,000		$8,000,000		$8,000,000		$8,000,000
24a	Juvenile Detention Facility Programs	$2,189,800	($888,800)	$1,301,000	($861,700)	$1,328,100	($861,700)	$1,328,100	($861,700)	$1,328,100
24c	Youth ChalleNGe Program	$1,497,400		$1,497,400	$25,000	$1,522,400	$25,000	$1,522,400	$235,000	$1,732,400
25f	Strict Discipline Academy	$1,000,000		$1,000,000	($750,000)	$250,000	($750,000)	$250,000		$1,000,000
25g	Dropout Recovery Programs	$1,000,000		$1,000,000	($750,000)	$250,000	($750,000)	$250,000		$1,000,000
26a	Renaissance Zone Reimbursement	$26,300,000	($6,300,000)	$20,000,000	($6,300,000)	$20,000,000	($6,300,000)	$20,000,000	($6,300,000)	$20,000,000
26b	PILT Reimbursement	$4,276,800		$4,276,800	$128,300	$4,405,100	$128,300	$4,405,100	$128,300	$4,405,100
26c	Promise Zone Funding	$610,000	($332,000)	$278,000	$390,000	$1,000,000	$390,000	$1,000,000	$390,000	$1,000,000
31a	"At Risk" Pupil Support	$378,988,200		$378,988,200		$378,988,200	$18,000,000	$396,988,200		$378,988,200
31a(7)	School Based Health Centers	$5,557,300		$5,557,300		$5,557,300		$5,557,300		$5,557,300
31a(8)	Hearing and Vision Screening	$5,150,000		$5,150,000		$5,150,000		$5,150,000		$5,150,000
31b	Year-round Instruction Grants			$0		$0	$3,500,000	$3,500,000		
31c	Gang Prevention and Intervention Programs	$1,000,000		$1,000,000	($1,000,000)	$0	$3,000,000	$4,000,000	($1,000,000)	$0
31d	State School Lunch Programs	$22,495,100		$22,495,100		$22,495,100		$22,495,100		$22,495,100
31d	Federal School Lunch Programs	$513,200,000		$513,200,000		$513,200,000		$513,200,000		$513,200,000
31f	School Breakfast Program	$5,625,000	($3,125,000)	$2,500,000	($3,125,000)	$2,500,000	($3,125,000)	$2,500,000	($3,125,000)	$2,500,000
31h	Cooperative Education Grant	$300,000		$300,000	($300,000)	$0	($300,000)	$0		$300,000
31j	Local Produce in School Meals - **NEW**	$0		$0		$0		$0	$500,000	$500,000
32d	Great Start Readiness Program	$243,900,000		$243,900,000		$243,900,000		$243,900,000		$243,900,000
32p	Early Childhood Block Grants	$13,400,000		$13,400,000		$13,400,000		$13,400,000		$13,400,000
32q	Early Learning Cooperative - **NEW**	$0		$0		$0		$0	$175,000	$175,000
35	Early Literacy Implementation	$1,000,000		$1,000,000		$1,000,000		$1,000,000		$1,000,000
35a(2)	Early Literacy Parents University Pilot	$1,000,000		$1,000,000	($1,000,000)	$0	($1,000,000)	$0	($1,000,000)	$0
35a(3)	Early Literacy Professional Development	$950,000		$950,000		$950,000		$950,000		$950,000
35a(4)	Early Literacy Diagnostic Tools	$1,450,000		$1,450,000		$1,450,000		$1,450,000		$1,450,000
35a(5)	Early Literacy Teacher Coaches	$3,000,000		$3,000,000		$3,000,000		$3,000,000		$3,000,000
35a(6)	Early Literacy Added Instructional Time	$17,500,000		$17,500,000		$17,500,000		$17,500,000		$17,500,000
35a(7)	Early Literacy - Michigan Education Corps	$1,000,000		$1,000,000	($1,000,000)	$0	($1,000,000)	$0		$1,000,000
35a(8)	Early Literacy Teacher Certification Test	$500,000		$500,000	($500,000)	$0	($500,000)	$0	($500,000)	$0
39a(1)	Federal NCLB/ESSA Grant Funds	$779,076,400		$779,076,400	$42,863,500	$821,939,900	$42,863,500	$821,939,900	$42,863,500	$821,939,900
39a(2)	Other Federal Funding	$30,800,000		$30,800,000		$30,800,000		$30,800,000		$30,800,000
41	Bilingual Education Grants	$1,200,000		$1,200,000		$1,200,000		$1,200,000		$1,200,000
43	Teacher Certification Test Rewrite	$1,800,000		$1,800,000	($1,800,000)	$0	($1,800,000)	$0	($1,800,000)	$0
51a(1)	Special Education - Federal Reimbursement	$370,000,000		$370,000,000		$370,000,000		$370,000,000		$370,000,000
51a(2)	Special Ed ISD Foundation and Costs	$251,800,000	$12,300,000	$264,100,000	$19,800,000	$271,600,000	$19,800,000	$271,600,000	$19,800,000	$271,600,000
51a(3)	Special Ed ISD Hold Harmless Payment	$1,300,000	($300,000)	$1,000,000	($200,000)	$1,100,000	($200,000)	$1,100,000	($200,000)	$1,100,000
51a(6)	Special Ed Admin Rules Changes	$2,200,000		$2,200,000		$2,200,000		$2,200,000		$2,200,000
51a(11)	Special Ed Foundations for Non Sec. 52 to ISDs	$3,300,000	$700,000	$4,000,000	$400,000	$3,700,000	$400,000	$3,700,000	$400,000	$3,700,000
51c	Special Ed Headlee Obligation (Durant)	$610,000,000	$16,000,000	$626,000,000	$34,500,000	$644,500,000	$34,500,000	$644,500,000	$34,500,000	$644,500,000
51d	Special Education - Other Federal Grants	$71,000,000		$71,000,000		$71,000,000		$71,000,000		$71,000,000
53a	Special Ed for Court Placed Pupils	$10,500,000		$10,500,000		$10,500,000		$10,500,000		$10,500,000
54	Special Ed Michigan School Blind/Deaf	$1,688,000		$1,688,000		$1,688,000		$1,688,000		$1,688,000
54b	Special Education Task Force Reforms - **NEW**	$0		$0	$1,370,000	$1,370,000	$1,370,000	$1,370,000	$1,370,000	$1,370,000
55	Conductive Learning Study	$150,000		$150,000		$150,000		$150,000		$150,000

SCHOOL AID LINE ITEM SUMMARY

		FY 2015-16			FY 2016-17		FY 2016-17		FY 2016-17	
		HB 4115 (PA 85) SB 134 (PA 139) Enacted	Change from YTD	House Subcommittee Supplemental	Change from FY16 YTD	Executive Recommendation	Change from FY16	HB 5291 House Committee	Change from FY16	SB 796 Senate Subcommittee
56	Special Ed ISD Millage Equalization	$37,758,100		$37,758,100		$37,758,100		$37,758,100		$37,758,100
61a	Career & Tech Ed Programs	$36,611,300		$36,611,300		$36,611,300	$115,000	$36,726,300		$36,611,300
61b	Career & Tech Ed Early/Middle College	$10,000,000		$10,000,000	$5,000,000	$15,000,000	$5,000,000	$15,000,000		$10,000,000
61c	Career & Tech Ed Equipment Upgrades - **NEW**	$0		$0	$10,000,000	$10,000,000	$10,000,000	$10,000,000	$10,000,000	$10,000,000
61d	Innovative Educational Pipeline Program - **NEW**	$0		$0		$0		$0	$500,000	$500,000
61e	Restaurant Management and Culinary Training - **NEW**	$0		$0		$0		$0	$100,000	$100,000
62	ISD Vocational Education Millage Equalization	$9,190,000		$9,190,000		$9,190,000		$9,190,000		$9,190,000
64b	Dual Enrollment Incentive Payments	$1,750,000		$1,750,000		$1,750,000		$1,750,000		$1,750,000
65	Detroit PreCollege Engineering	$340,000		$340,000		$340,000		$340,000		$340,000
67	Career and College Readiness Tools	$3,600,000		$3,600,000	($550,000)	$3,050,000	($550,000)	$3,050,000	($550,000)	$3,050,000
74	School Bus Driver Safety Instruction	$1,625,000		$1,625,000		$1,625,000		$1,625,000		$1,625,000
74	School Bus Inspections	$1,690,700		$1,690,700	$4,900	$1,695,600	$4,900	$1,695,600	$4,900	$1,695,600
78	Statewide School Water Testing - **NEW**	$0		$0	$9,000,000	$9,000,000		$0		$0
81	ISD General Operations Support	$67,108,000		$67,108,000	$1,074,000	$68,182,000	$1,074,000	$68,182,000	$1,074,000	$68,182,000
94	Advanced Placement (AP) Incentive Program	$250,000		$250,000		$250,000		$250,000		$250,000
94a	Center for Educational Performance and Information	$11,967,000		$11,967,000	$206,200	$12,173,200	$206,200	$12,173,200	$206,200	$12,173,200
94a	Center for Educational Performance and Info - Federal	$193,500		$193,500		$193,500		$193,500		$193,500
95a	Educator and Administrator Evaluations	$0		$0	$10,000,000	$10,000,000		$0		$0
95b	Statewide Student Growth Tool			$0		$0	$100	$100		
98	Michigan Virtual University	$7,387,500		$7,387,500		$7,387,500		$7,387,500	($387,500)	$7,000,000
99c	Civic Education	$60,000		$60,000	($60,000)	$0	($60,000)	$0		$60,000
99h	FIRST Robotics	$2,000,000		$2,000,000	$500,000	$2,500,000		$2,000,000	$500,000	$2,500,000
99s(2)	MiSTEM Grants - Council	$50,000		$50,000	$2,475,000	$2,525,000		$50,000	$1,475,000	$1,525,000
99s(3)	MiSTEM Grants - Math and Science Centers - State	$2,750,000		$2,750,000		$2,750,000		$2,750,000	$525,000	$3,275,000
99s(3)	MiSTEM Grants - Math and Science Centers - Federal	$5,249,300		$5,249,300		$5,249,300		$5,249,300		$5,249,300
99s(4)	MiSTEM Grants - Michigan STEM Partnership	$475,000		$475,000	($475,000)	$0		$475,000		$475,000
99s(5)	MiSTEM Grants - STEM Professional Development	$250,000		$250,000	($250,000)	$0		$250,000	($250,000)	$0
99s(6)	MiSTEM Grants - Science Olympiad	$250,000		$250,000	($250,000)	$0		$250,000	$250,000	$500,000
99s(7)	MiSTEM Grants - Van Andel Education Institute	$250,000		$250,000	($250,000)	$0		$250,000	$250,000	$500,000
99t	Online Algebra Tool - **NEW**						$2,000,000	$2,000,000	$100	$100
102d	Financial Data Analysis Tools	$1,500,000		$1,500,000		$1,500,000	$100,000	$1,600,000	$0	$1,500,000
104	Education Assessments - State	$43,994,400		$43,994,400	($10,100,000)	$33,894,400	($21,994,400)	$22,000,000	($8,757,600)	$35,236,800
104	Education Assessments - Federal	$6,250,000		$6,250,000		$6,250,000		$6,250,000		$6,250,000
104d	Computer Adaptive Test	$4,000,000		$4,000,000	($4,000,000)	$0	($4,000,000)	$0	$6,000,000	$10,000,000
107	Adult Education	$25,000,000		$25,000,000		$25,000,000		$25,000,000		$25,000,000
147a	MPSERS Cost Offset	$100,000,000		$100,000,000		$100,000,000		$100,000,000		$100,000,000
147c	MPSERS State Share of Unfunded Liability Payments	$893,500,000		$893,500,000	$89,300,000	$982,800,000	$89,300,000	$982,800,000	$89,300,000	$982,800,000
152a	Adair - Database Payment	$38,000,500		$38,000,500		$38,000,500		$38,000,500		$38,000,500
152b	Nonpublic School Reimbursement - **NEW**						$1,000,000	$1,000,000		$0
	TOTAL APPROPRIATIONS	**$13,900,654,300**	**($64,445,800)**	**$13,836,208,500**	**$282,457,800**	**$14,183,112,100**	**$287,028,600**	**$14,187,682,900**	**$196,457,800**	**$14,097,112,100**
	REVENUE BY SOURCE									
	Federal Aid	$1,775,769,200	$0	$1,775,769,200	$42,863,500	$1,818,632,700	$42,863,500	$1,818,632,700	$42,863,500	$1,818,632,700
	School Aid Fund	$12,078,985,100	($73,645,800)	$12,005,339,300	($16,505,800)	$12,062,479,300	($2,935,100)	$12,076,050,000	($21,505,700)	$12,057,479,400
	Community District Trust Fund/Other Restricted Fund	$0		$0	$72,000,100	$72,000,100	$72,000,100	$72,000,100		$0
	General Fund/General Purpose	$45,900,000	$9,200,000	$55,100,000	$184,100,000	$230,000,000	$175,100,100	$221,000,100	$175,100,000	$221,000,000
	TOTAL REVENUE	**$13,900,654,300**	**($64,445,800)**	**$13,836,208,500**	**$282,457,800**	**$14,183,112,100**	**$287,028,600**	**$14,187,682,900**	**$196,457,800**	**$14,097,112,100**

FY 2016-17: COMMUNITY COLLEGES
Summary: As Reported by House Subcommittee (HB 5265)
Article II, House Bill 5291 (H-1) Draft 1

Analyst: Perry Zielak

	FY 2015-16 YTD as of 2/10/16	FY 2016-17 Executive	FY 2016-17 House	FY 2016-17 Senate	FY 2016-17 Enacted	*Difference: House From FY 2015-16 YTD* *Amount*	*%*
IDG/IDT	$0	$0	$0			*$0*	--
Federal	0	0	0			*0*	--
Local	0	0	0			*0*	--
Private	0	0	0			*0*	--
Restricted	256,714,800	260,414,800	260,414,800			*3,700,000*	*1.4*
GF/GP	131,110,800	138,610,800	141,701,500			*10,590,700*	*8.1*
Gross	**$387,825,600**	**$399,025,600**	**$402,116,300**			***$14,290,700***	***3.7***

Notes: (1) FY 2015-16 year-to-date figures include mid-year budget adjustments through February 10, 2016. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Overview

The Community Colleges budget supports the 28 public community colleges located throughout the state. Community colleges offer a wide variety of educational programs, including traditional two-year transfer programs, associates' degrees, career and technical education, developmental and remedial education, continuing education, and, after 2012, baccalaureate programs in a limited number of areas. The colleges are supported primarily through a combination of state aid, local property tax revenue, and tuition and fees.

Major Budget Changes From FY 2015-16 YTD Appropriations		FY 2015-16 Year-to-Date (as of 2/10/16)	FY 2016-17 House Change
1. Community College Operations Grants	**Gross**	**$311,492,000**	**$10,590,700**
Executive increases funding for community college operations grants by $7.5 million GF/GP, to be distributed according to a revised performance funding formula. Shift of $50.7 million from School Aid Fund (SAF) to GF/GP. Projected increases for individual community colleges range from 1.7% to 3.8%. Total funding would be $318.9 million ($133.5 million GF/GP).	Restricted	236,181,200	(50,700,000)
	GF/GP	$75,310,800	$61,290,700
House increases operations grant funding by $10.6 million (3.4%), to be distributed under the revised performance funding formula created by the 2015 Performance Funding Task Force. Projected increases for individual colleges range from 2.7% to 4.9%. Total funding would be $322.1 million: $260.4 million School Aid Fund (SAF), $141.7 million GF/GP.			
2. Michigan Public School Employees' Retirement System (MPSERS)	**Gross**	**$69,500,000**	**$3,700,000**
Executive provides additional $3.7 million SAF for the state's share of colleges' unfunded liability to MPSERS, bringing total funding to $73.2 million SAF. There is a $56 million increase of SAF, used to account for the $3.7 million increase and an offset of a $52.3 million GF/GP reduction. The state's share is the difference between the actuarial accrued liability to the system and the employer contribution cap of 20.96% of payroll set by the Public School Employees Retirement act (MCL 38.1341). House concurs.	Restricted	17,200,000	56,000,000
	GF/GP	$52,300,000	($52,300,000)
3. Renaissance Zone Reimbursements	**Gross**	**$5,100,000**	**$0**
Executive replaces $1.6 million SAF reduction with $1.6 million GF/GP increase, resulting in entire $5.1 million reimbursement program funded by GF/GP. House concurs.	Restricted	1,600,000	(1,600,000)
	GF/GP	$3,500,000	$1,600,000

Major Boilerplate Changes From FY 2015-16

***Sec. 206. Community Colleges Activities Classification Structure (ACS) Data* – REVISED**
Executive requires Michigan community colleges to report ACS data to the Center for Educational Performance and Information (CEPI). House concurs.

***Sec. 208. Self-Liquidating Projects* – RETAINED**
Prohibits colleges from using state funds for construction or maintenance of self-liquidating projects. Requires colleges to comply with Joint Capital Outlay Subcommittee (JCOS) use and finance policy for any capital outlay project. Subjects colleges that fail to comply with a penalty of 1% of the operations funding for each violation. Executive deletes. House retains.

***Sec. 209. Community College Transparency* – REVISED**
Executive deletes from college transparency reporting requirements a requirement to post the estimated cost resulting from the Affordable Care Act. Also deletes a provision authorizing state budget director to withhold payment from a college that failed to comply with the reporting requirements. House concurs.

***Sec. 210b. Colleges and Universities Transfer Agreement* – REVISED**
Executive deletes legislative intent language and revises to require the Michigan Community College Association and the Michigan Association of State Universities issue a report on the implementation of the transfer agreement between community colleges and state universities. House revises language to require report on the implementation of the transfer agreement.

***Sec. 210c. Block Transfer Study Committee* – REVISED**
Establishes study committee to develop a process to improve the transferability and applicability of associates' degrees as a block of credits between community colleges and public universities on a statewide basis. Executive deletes. House revises language to require the Michigan Community College Association and the Michigan Association of State Universities to issue a report on progress of implementing the study committee findings and recommendations.

***Sec. 212. Cost Containment Initiatives* – RETAINED**
Encourages colleges to evaluate and pursue efficiency and cost-containment measures, including joint ventures, consolidating services, program collaboration, increasing web-based instruction, improving energy efficiency, eliminating low-volume/high-cost instructional programs, self-insurance and group purchasing. Executive deletes. House retains.

***Sec. 217. Activities Classification Structure (ACS) Data* – REVISED**
Executive changes responsibility of drafting the ACS report from the Workforce Development Agency to the Center for Educational Performance and Information (CEPI). House concurs.

***Sec. 223. North American Indian Tuition Waiver* – REVISED**
Requires colleges to report to WDA on number and monetary value of Indian tuition waivers granted in previous fiscal year.
House revises to require colleges to report to the Department of Civil Rights on number of applications received and approved, number and monetary value of waivers, number of waiver students who withdraw, and the number of waiver students who completed a degree or certificate program.

***Sec. 227. Community College Automobile Purchases* – RETAINED**
Forbids lease or purchase of foreign-made vehicles if vehicles made in Michigan or elsewhere in the U.S. are competitively priced and of comparable quality. Executive deletes. House retains.

***Sec. 228. Communication with the Legislature* – RETAINED**
Forbids a community college from taking disciplinary action against an employee for communicating with the legislature. Executive deletes. House retains.

***Sec. 229a. State Building Authority (SBA) Rent Payments* – REVISED**
Executive updates itemized list of community college capital outlay projects on which the state will pay SBA rent in FY 2016-17. Funding for SBA rent is appropriated under the General Government budget. House concurs.

***Sec. 230. Performance Funding Formula* – REVISED**
Executive modifies the formula for distributing performance-based funding: reduces the across-the-board adjustment from 50% to 30%, increases the contact hours component from its current 10% unweighted to 30% weighted for health and technology/industrial fields, increases the performance based component from its current 17.5% based on weighted degree and certificate completions to 20%, adds 10% for completion improvement, reduces the local strategic value component from 15% to 5% and lowers the administrative costs component from 7.5% to 5%.

House modifies the formula according to the recommendations from the 2015 Performance Task Force: reduces the across-the-board adjustment from 50% to 30%, increases the contact hours component from its current 10% unweighted to 30% weighted for health and technology/industrial fields, adds 10% for completion performance improvement, adds 10% for performance completion number, adds 10% for performance completion rate, reduces the local strategic value component from 15% to 5% and lowers the administrative costs component from 7.5% to 5%.

***Sec. 230a. Performance Indicators Task Force* – DELETED**
Requires creation by October 15, 2015 of a task force to make recommendations on community college performance metrics with a report due January 15, 2016. Executive deletes. House concurs.

FY 2016-17 Community College Performance Funding Increases
HB 5291 (H-1)

New Money:	$10,590,700	30%	10%	10%	10%	30%	5%	5%	100%		
	FY 2015-16 Base	Sustainability	Performance-Improvement	Performance-Completion Number	Performance-Completion Rate	Contact Hours	Administrative	Local Strategic Value	Total Performance Funding	% Change from FY16	FY 2016-17 Appropriation
Alpena	$5,464,400	$55,737	$57,697	$11,699	$14,863	$27,475	$16,416	$9,289	**$193,200**	3.5%	**$5,657,600**
Bay de Noc	$5,490,200	$56,000	$14,933	$14,511	$29,441	$33,480	$12,403	$9,333	**$170,100**	3.1%	**$5,660,300**
Delta	$14,704,000	$149,980	$40,143	$71,892	$39,995	$139,971	$23,322	$24,997	**$490,300**	3.3%	**$15,194,300**
Glen Oaks	$2,551,100	$26,021	$6,939	$9,020	$21,539	$17,913	$487	$4,337	**$86,300**	3.4%	**$2,637,400**
Gogebic	$4,509,900	$46,001	$36,150	$7,774	$31,546	$20,921	$13,372	$7,667	**$163,400**	3.6%	**$4,673,300**
Grand Rapids	$18,187,300	$185,510	$60,919	$54,306	$49,469	$228,409	$24,043	$30,918	**$633,600**	3.5%	**$18,820,900**
Henry Ford	$21,893,300	$223,311	$63,571	$49,381	$74,181	$207,878	$24,915	$37,219	**$680,500**	3.1%	**$22,573,800**
Jackson	$12,245,300	$124,902	$35,483	$33,050	$48,472	$83,867	$19,962	$20,817	**$366,500**	3.0%	**$12,611,800**
Kalamazoo Valley	$12,689,400	$129,432	$34,516	$42,881	$49,233	$140,259	$26,204	$21,572	**$444,100**	3.5%	**$13,133,500**
Kellogg	$9,950,100	$101,491	$27,064	$30,899	$41,134	$88,209	$25,028	$16,915	**$330,700**	3.3%	**$10,280,800**
Kirtland	$3,221,500	$32,859	$8,762	$11,548	$8,762	$30,424	$18,807	$5,477	**$116,600**	3.6%	**$3,338,100**
Lake Michigan	$5,417,700	$55,260	$15,173	$13,624	$14,736	$58,496	$14,152	$9,210	**$180,600**	3.3%	**$5,598,300**
Lansing	$31,288,200	$319,139	$85,104	$98,979	$99,364	$255,487	$25,543	$53,190	**$936,800**	3.0%	**$32,225,000**
Macomb	$33,239,500	$339,042	$90,411	$104,046	$104,580	$344,160	$26,007	$56,507	**$1,064,800**	3.2%	**$34,304,300**
Mid-Michigan	$4,757,700	$48,528	$16,264	$23,228	$12,941	$59,752	$14,972	$8,088	**$183,800**	3.9%	**$4,941,500**
Monroe County	$4,565,600	$46,569	$12,418	$16,171	$12,418	$52,171	$23,556	$7,761	**$171,100**	3.7%	**$4,736,700**
Montcalm	$3,280,600	$33,462	$32,419	$10,501	$24,132	$26,016	$18,321	$5,577	**$150,400**	4.6%	**$3,431,000**
Mott	$15,901,700	$162,197	$51,626	$52,315	$43,253	$155,900	$22,405	$27,033	**$514,700**	3.2%	**$16,416,400**
Muskegon	$9,020,700	$92,011	$66,020	$18,539	$24,536	$70,168	$25,946	$15,335	**$312,600**	3.5%	**$9,333,300**
North Central	$3,224,800	$32,893	$28,894	$11,180	$24,627	$32,929	$21,833	$5,482	**$157,800**	4.9%	**$3,382,600**
Northwestern	$9,200,500	$93,845	$31,877	$24,351	$25,025	$71,324	$20,710	$15,641	**$282,800**	3.1%	**$9,483,300**
Oakland	$21,429,400	$218,579	$58,288	$84,469	$58,288	$349,042	$16,958	$36,430	**$822,100**	3.8%	**$22,251,500**
Schoolcraft	$12,706,400	$129,605	$36,630	$57,363	$50,009	$170,408	$22,786	$21,601	**$488,400**	3.8%	**$13,194,800**
Southwestern	$6,657,600	$67,907	$18,109	$12,633	$18,109	$43,233	$8,939	$11,318	**$180,200**	2.7%	**$6,837,800**
St. Clair	$7,158,000	$73,011	$20,367	$20,285	$35,329	$65,886	$16,717	$12,169	**$243,800**	3.4%	**$7,401,800**
Washtenaw	$13,301,100	$135,671	$45,830	$98,309	$50,222	$185,053	$22,891	$22,612	**$560,600**	4.2%	**$13,861,700**
Wayne County	$16,989,800	$173,296	$52,994	$69,835	$46,212	$198,614	$18,486	$28,883	**$588,300**	3.5%	**$17,578,100**
West Shore	$2,446,200	$24,951	$10,472	$6,283	$6,654	$19,763	$4,353	$4,159	**$76,600**	3.1%	**$2,522,800**
Total	**$311,492,000**	**$3,177,210**	**$1,059,070**	**$1,059,070**	**$1,059,070**	**$3,177,210**	**$529,535**	**$529,535**	**$10,590,700**	**3.4%**	**$322,082,700**

Notes:

1. The performance improvement metric utilizes improvements in six-year average rates completions for each college from 2007 and 2008 cohorts. Completions metric includes certificates, degrees and transf
2. Calculations for performance completion number are based on data from IPEDS.
3. Calculations for performance completion rate are based on data provided to the Governor's dashboard on completion rates and utilizes six year completions for each college from 2007 and 2008 cohorts.
4. Calculations for weighted contact hours are based on data provided by the Workforce Development Agency from FY 2014.
5. Adjusted Administrative Cost data are preliminary data provided by the Workforce Development Agency.

FY 2016-17: HIGHER EDUCATION
Summary: As Reported by House Appropriations Committee
Article III, House Bill 5291 (H-1)

Analyst: Marilyn Peterson

	FY 2015-16 YTD as of 2/10/16	FY 2016-17 Executive	FY 2016-17 House	FY 2016-17 Senate	FY 2016-17 Enacted	*Difference: House From FY 2015-16 YTD* *Amount*	*%*
IDG/IDT	$0	$0	$0			*$0*	*--*
Federal	97,026,400	99,026,400	99,026,400			*2,000,000*	*2.1*
Local	0	0	0			*0*	*--*
Private	0	0	0			*0*	*--*
Restricted	205,279,500	237,209,500	237,209,600			*31,930,100*	*15.6*
GF/GP	1,232,418,500	1,262,418,500	1,250,047,300			*17,628,800*	*1.4*
Gross	**$1,534,724,400**	**$1,598,654,400**	**$1,586,283,300**			***$51,558,900***	***3.4***

Notes: (1) FY 2015-16 year-to-date figures include mid-year budget adjustments through February 10, 2016. (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.

Major Budget Changes From FY 2015-16 YTD Appropriations		FY 2015-16 Year-to-Date (as of 2/10/16)	FY 2016-17 House Change
1. University Operations	**Gross**	**$1,360,557,600**	**$46,259,000**
	Restricted	200,019,500	31,200,000
	GF/GP	$1,160,538,100	$15,059,000

Executive increases university operations funding by $59.8 million ($31.2 million School Aid Fund, $28.6 million GF/GP), a 4.4% increase that brings total support to FY 2010-11's level of $1.4 billion. Increase distributed under a revised performance funding formula that reinstates a component that distributes 50% of the increase based on each university's share of operational funding appropriated in the baseline year of FY 2010-11. Percentages applying to other formula components are thus halved; those other components are weighted completions, research and development expenditures, and comparisons to Carnegie peers, the latter of which includes four metrics. Receipt of performance funding would be conditioned on restraining resident undergraduate tuition/fee increases to 4.8% (set at 3.2% in the current year). Projected funding increases for individual universities range from 3.5% to 6.8%.

House increases university operations funding by 3.4% or $46.3 million, a reduction of $13.5 million GF/GP from the Executive. House concurs with Executive's reinstatement of a performance funding formula component that distributes 50% of the increase based on each university's share of operational funding appropriated in the baseline year of FY 2010-11. House further revises formula to incorporate a fifth Carnegie metric: whether the university received a 2010 or 2015 Community Engagement classification. House conditions performance funding on restraining resident undergraduate tuition/fee increases to 4.8% or $500, whichever was more. Projected funding increases for universities range from 2.8% to 4.7%.

Major Budget Changes From FY 2015-16 YTD Appropriations		FY 2015-16 Year-to-Date (as of 2/10/16)	FY 2016-17 House Change
2. MSU AgBioResearch and MSU Extension	**Gross**	**$60,503,100**	**$1,412,600**
Executive provides increases for Michigan State's AgBioResearch and Extension programs, bringing funding for each to FY 2010-11 levels. AgBioResearch with 2.3% ($734,000 GF/GP) increase, bringing funding to $33.2 million; Extension with 2.4% ($677,800 GF/GP) increase, bringing funding to $28.7 million.	GF/GP	$60,503,100	$1,412,600
House concurs.			
3. Michigan Public School Employees' Retirement System (MPSERS)	**Gross**	**$5,160,000**	**$730,000**
Executive assumes enactment of a cap of 25.73% of payroll on university payments for unfunded accrued liability under MPSERS. Executive provides $5.8 million in School Aid Fund (SAF) revenues to pay the difference between the 25.73% cap and universities' unfunded accrued liability. This would affect the seven universities with MPSERS employees: Central, Eastern, Ferris, Lake Superior State, Michigan Tech, Northern, and Western. Current-year funding is $5.2 million, which also assumes enactment of 25.73% cap.	Restricted	$5,160,000	$730,000
House concurs.			
4. Tuition Incentive Program	**Gross**	**$48,500,000**	**$2,000,000**
Executive adds $2.0 million federal TANF funds for Tuition Incentive Program, which pays associate's degree tuition for Medicaid-eligible students completing high school, and provides tuition assistance of up to $2,000 for participants continuing on with a baccalaureate. Total funding would be $50.5 million ($45.8 million TANF, $4.7 million GF/GP). FY 2014-15 expenditures were $49.4 million, and the Executive also seeks a $2.0 million FY 2015-16 supplemental appropriation for the program, which would bring current-year funding to $50.5 million. Executive also proposes annual cap of $8.5 million on total awards at any one college or university (affects Ferris State University).	Federal	43,800,000	2,000,000
	GF/GP	$4,700,000	$0
House concurs in funding increase, but does not include cap on total awards at any one institution.			
5. Tuition Grant Program	**Gross**	**$34,035,500**	**$1,157,200**
House increases funding by $1.2 million GF/GP, a 3.4% increase for this financial aid program for students at independent colleges and universities. House also increases annual cap on awards at any one college or university from $3.2 million to $3.5 million, which would affect Baker College and Davenport University.	Federal	31,664,700	0
	GF/GP	$2,370,800	$1,157,200
6. Indian Tuition Waiver Program	**Gross**	**NA**	**$100**
House provides a $100 placeholder, funded with School Aid Fund revenues, for potential funding to offset some portion of the gap between Indian Tuition Waiver funding previously rolled into university appropriations and actual costs.	Restricted	NA	$100

Major Boilerplate Changes From FY 2015-16

GENERAL SECTIONS

***Sec. 236a. Intent Regarding Succeeding Fiscal Year* – RETAINED**
Executive replaces Sec. 236a, which expresses legislative intent to maintain appropriations, with a new Article IV containing an itemized summary of appropriations for FY 2016-17 and anticipated for FY 2017-18, with the only FY 2017-18 change being an additional $200,000 in funding for MPSERS unfunded accrued liabilities in excess of the proposed 25.73% employer cap. House retains current-year language.

***Sec. 236c. State Building Authority Rent Payments* – REVISED**
Executive itemizes estimated SBA rent payments to be made under the DTMB budget for university capital outlay projects. Current-year payments total an estimated $136.0 million, updated to $145.0 million for FY 2016-17. House concurs.

***Sec. 239a. Foreign Vehicles* – RETAINED**
States intent that funds appropriated to universities not be used to purchase vehicles assembled outside the United States. Executive deletes, House retains.

Major Boilerplate Changes From FY 2015-16

***Sec. 242. Federal or Private Funds* – RETAINED**
Appropriates federal or private funds received by the state for use by a college or university. Executive deletes language specifying that acceptance of funds does not place an ongoing obligation on the legislature; House retains this language.

***Sec. 245. University Transparency* – RETAINED**
Requires universities to post various budget, compensation, financial, and performance data, as well as transfer policies, on its website, using a standard format. Executive deletes requirement that state budget director determine compliance and language granting authority to withhold payments for a university not in compliance; House retains this language.

GRANTS AND FINANCIAL AID

***Sec. 252. Tuition Grant Program* – RETAINED**
Establishes conditions for the Tuition Grant Program, which provides need-based tuition assistance at Michigan independent (i.e., private and nonprofit) colleges and universities.

- Executive deletes requirement for unexpended funds to continue to be available in the next fiscal year; unexpended funds thus would lapse to the General Fund. House does not concur.
- Executive reduces annual cap on awards at any one institution from the current $3.2 million to $3.0 million. House raises the cap to $3.5 million. The cap affects awards for tuition at Baker College and Davenport University.
- Executive moves application deadline from July 1 to March 1. House does not concur.

***Sec. 254. Financial Aid Payment Schedule* – REVISED**
Specifies quarterly payment schedule for financial aid programs: 50%, 30%, 10%, 10%. Executive recommends a revised quarterly payment schedule for the Tuition Incentive Program in which payments are completed in the first three quarters: 55%, 40%, 5%. House concurs.

***Sec. 256. Tuition Incentive Program* – REVISED**
Provides for the tuition incentive program, which pays associate's degree tuition for Medicaid-eligible students completing high school, and provides tuition assistance of up to $2,000 for participants continuing on with a baccalaureate. Executive proposes annual limit of $8.5 million in awards at any one college or university, beginning in FY 2017-18, a change that currently would affect only Ferris State University. House does not include this cap.

UNIVERSITY OPERATIONS

***Sec. 261. Douglas Lake Biological Station* – RETAINED**
Designates University of Michigan Douglas lake Biological Station as a unique resource. Executive deletes, House retains.

***Sec. 265. Performance Funding Criteria: Tuition Restraint* – REVISED**
Conditions receipt of performance funding in part on compliance with tuition restraint requirements that limit allowable resident undergraduate tuition/fee increases to 3.2% over the prior year.

- Executive increases the limit to 4.8%. House sets the tuition restraint limit at 4.8% or $500, whichever is more.
- Executive deletes language that in part defines "fee" to include the cost of a university-affiliated health insurance policy for a university that compels resident undergraduate students to have health insurance coverage as a condition of enrollment. House retains this language.
- Executive clarifies various terms consistent with usage. House concurs.

Major Boilerplate Changes From FY 2015-16

***Sec. 265a. Performance Funding Criteria and Formula* – REVISED**
Conditions receipt of performance funding on:

- Compliance with tuition restraint provisions.
- Certification that university participates in reverse transfer agreements with at least three Michigan community colleges, or has made a good faith effort to do so. Executive deletes language regarding good faith effort. House concurs.
- Certification that dual enrollment policy does not consider use of credits toward high school graduation requirements.
- Participation in Michigan Transfer Network; Executive revises to specify active participation, including submission of timely updates. House concurs.

Establishes process for universities to certify compliance with all requirements. Provides for performance funding forfeited due to noncompliance to be redistributed to other universities based on their performance funding appropriations.

Sets the formula used to distribute performance funding, currently distributed as follows:

- 22.2% based on weighted undergraduate completions in critical skills areas.
- 11.1% based on research and development expenditures (for high-research universities)
- 66.7% based on comparisons with Carnegie classification peers (or improvement) on four metrics: six-year graduation rate, total degree completions, institutional support as a percentage of core expenditures, and percentage of students receiving Pell grants.

Executive reinstates a component that distributes 50% of performance funding proportional to each university's share of total operations funding in the baseline year of FY 2010-11, thereby halving the percentages applying to the remaining three components. House concurs.

Executive also deletes statement of intent to lower score for three-year improvement from 2 points to 1 point. House concurs.

House further revises formula to include a fifth Carnegie metric: whether a university received a Carnegie Community Engagement classification in 2010 or 2015. This metric is scored at 3 points. Eight universities have this classification: Eastern, Michigan State, Northern, Saginaw Valley, UM-Flint, UM-Dearborn, Wayne State, and Western.

***Sec. 268. Indian Tuition Waivers* – REVISED**
Executive deletes language expressing legislative intent for universities to allocate Indian Tuition Waiver costs from the general fund, and states that a report required from the Department of Civil Rights is to include specified information from each "public university," rather than "postsecondary institution."
House retains statement of legislative intent regarding allocation of Indian Tuition Waiver costs, and revises and clarifies reporting requirements to include university data on number of undergraduate and graduate waiver students, costs of waivers, and degree and certification completion, by degree or certificate level. In conjunction with providing a $100 placeholder for potential funding, House also includes language providing for distribution of Indian Tuition Waiver appropriations.

***Sec. 271a. Instructional Activity Pertaining to Unionization* – RETAINED**
States intent that public universities not use appropriations to offer instructional activity that targets companies or groups of companies for unionization or decertification of a union. Executive deletes; House retains.

***Sec. 274. Embryonic Stem Cell Research* – RETAINED**
States intent that organizations conducting research using human embryonic stem cells report to the Department of Health and Human Services regarding compliance with federal guidelines and stem cell lines derived by university. Executive deletes; House retains.

***Sec. 275. Veterans' Policies and Reports* – RETAINED**
States legislative intent for universities to provide various veterans-related services and requires certain reports. Executive replaces intent statement with statement that universities "are encouraged" to provide services, and deletes report requirement pertaining to participation in the yellow ribbon GI education enhancement program. House retains current law.

***Sec. 275a. Capital Outlay Requirements* – RETAINED**
Prohibits use of state funds for self-liquidating projects; requires compliance with Joint Capital Outlay Subcommittee reporting requirements, with specified penalty of 1.0% of appropriation for failure to comply. Executive deletes; House retains.

***Sec. 293. Student Records* – DELETED**
Requires universities to provide information from the records of a student to persons authorized by the student. Executive deletes; House concurs.

FY 2016-17 Performance Funding Increases
HB 5291 (H-1) - As Reported by House Appropriations
3.4% Increase; Distribute 50% Proportional to FY 2010-11 Appropriations; Include Community Engagement Metric

		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:	$0.0163 per dollar		$317.41 per completion		$0.0020 per dollar		$8.41 per weighted point											
University	FY 2015-16 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	Carnegie Commty. Engagemt. Institutn.	Total Points	Total FY 2015 Undergrad FYES	FYES-Weighted Points	Funding	*Total Performance Funding Increase	Proposed FY 2016-17 Appropriation	Percent Change
Michigan State	$268,770,700	$283,685,200	$4,619,650	2,767	$878,285	$311,961,002	$636,135	2	3	0	0	3	8	36,653	293,224	$2,465,830	$8,599,900	$277,370,600	3.2%
UM-Ann Arbor	299,975,000	$316,254,500	5,150,023	2,971	943,038	$704,342,000	1,436,259	3	3	2	0	0	8	28,192	225,533	1,896,588	9,425,900	309,400,900	3.1%
Wayne State	191,451,300	$214,171,400	3,487,658	885	280,912	$150,737,120	307,376	2	2	0	3	3	10	14,706	147,062	1,236,699	5,312,600	196,763,900	2.8%
			0																
Michigan Tech	46,754,700	$47,924,200	780,418	902	286,308	$51,389,065	104,790	3	2	2	0	0	7	5,432	38,023	319,752	1,491,300	48,246,000	3.2%
Western	104,334,100	$109,615,100	1,785,019	1,089	345,664	$18,997,041	38,738	2	2	0	3	3	10	16,870	168,695	1,418,619	3,588,000	107,922,100	3.4%
			0																
Central	81,127,100	$80,132,000	1,304,904	861	273,294	$13,794,808	28,130	3	3	3	0	0	9	17,859	160,731	1,351,647	2,958,000	84,085,100	3.6%
Oakland	48,371,900	$50,761,300	826,619	1,119	355,187	$9,080,916	18,517	2	3	2	0	0	7	14,851	103,957	874,213	2,074,500	50,446,400	4.3%
			0																
Eastern	71,782,500	$76,026,200	1,238,043	817	259,327			0	3	2	2	3	10	14,966	149,656	1,258,509	2,755,900	74,538,400	3.8%
Ferris	50,369,800	$48,619,200	791,736	1,305	414,226			2	3	2	2	0	9	10,750	96,750	813,607	2,019,600	52,389,400	4.0%
Grand Valley	65,275,700	$61,976,400	1,009,250	1,281	406,608			3	3	2	2	0	10	19,677	196,767	1,654,687	3,070,500	68,346,200	4.7%
Saginaw Valley	28,181,200	$27,720,700	451,416	463	146,963			0	2	2	2	3	9	7,906	71,151	598,338	1,196,700	29,377,900	4.2%
UM-Dearborn	24,033,100	$24,726,200	402,652	435	138,075			2	2	0	2	3	9	5,770	51,930	436,699	977,400	25,010,500	4.1%
UM-Flint	21,815,400	$20,898,000	340,312	558	177,117			0	2	2	2	3	9	5,462	49,162	413,421	930,900	22,746,300	4.3%
			0																
Northern	45,107,700	$45,140,300	735,084	550	174,578			2	2	2	0	3	9	7,356	66,204	556,734	1,466,400	46,574,100	3.3%
			0																
Lake Superior	13,207,400	$12,694,200	206,718	190	60,309			2	3	0	2	0	7	2,112	14,784	124,324	391,400	13,598,800	3.0%
TOTAL:	**$1,360,557,600**	**$1,420,344,900**	**$23,129,500**	16,193	**$5,139,889**	**$1,260,301,952**	**$2,569,944**	**28**	**38**	**21**	**20**	**24**	**131**	**208,561**	**1,833,629**	**$15,419,667**	**$46,259,000**	**$1,406,816,600**	**3.4%**

Funding Increase:	**$46,259,000**
Percent Increase:	3.4%

Data Notes

Component	Source	Years	Notes
Critical skills undergrad completions	State HEIDI	FYs 2014-2015	STEM/health/etc.
Research & develop expends	Federal IPEDS	FY 2014	Carnegie research universities only
Six-year graduation rate	Federal IPEDS^	FYs 2010-2013	First-time, full-time degree seeking students
Total degree completions	Federal IPEDS^	FYs 2010-2013	Includes graduate degrees
Inst support as % of core expends	Federal IPEDS^	FYs 2010-2013	Measure of administrative costs
Pell grant students	Federal IPEDS^	FYs 2011-2013	Federal need-based aid for undergrads
Community Engagement classif.	Carnegie Foundatn.	2010, 2015	Community partnerships and commitments
Undergrad FYES	State HEIDI	FY 2015	Includes nonresident students

^ via Business Leaders for Michigan and Anderson Economic Group

Scoring Based on Carnegie Classifications	
Top 20% nationally	3
Above national median	2
Improving over 3 years	2
Community Engagement classification, 2010 or 2015	3

***Requirements to receive funding increase:**

1. Restrain FY 2016-17 resident undergraduate tuition/fee rate increase to 4.8% or $500, whichever is more
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