

FY 2013-14: HIGHER EDUCATION
Summary: As Reported by the House Subcommittee
House Bill 4221 (H-1) Draft 1



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	FY 2012-13 YTD as of 2/7/13	FY 2013-14 Executive	FY 2013-14 House	FY 2013-14 Senate	FY 2013-14 Enacted	<i>Difference: House From FY 2012-13 YTD</i>	
						<i>Amount</i>	<i>%</i>
IDG/IDT	\$0	\$0	\$0			\$0	--
Federal	97,026,400	97,026,400	97,026,400			0	0.0
Local	0	0	0			0	--
Private	0	0	0			0	--
Restricted	200,565,700	200,565,700	200,565,700			0	0.0
GF/GP	1,101,628,300	1,132,981,400	1,132,981,400			31,353,100	2.8
Gross	\$1,399,220,400	\$1,430,573,500	\$1,430,573,500			\$31,353,100	2.2
FTEs	0.0	0.0	0.0			0.0	--

Overview

The Higher Education budget, as contained in Article III of the compiled School Aid Act, provides funding for operational support of the state's 15 public universities, the Agricultural Experiment Station and Cooperative Extension Service 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 2012-13 YTD Appropriations

	FY 2012-13 YTD (as of 2/7/13)	FY 2013-14 House Change
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1. University Funding

Executive includes \$24.9 million GF/GP increase (2.0%) in total funding for university operations. University base appropriations for FY 2012-13 include performance funding and tuition restraint increases received for that fiscal year. The increase for FY 2013-14 is based on a model that is basically identical to that used in the final FY 2012-13 budget:

- \$4.1 million based on critical skill area undergraduate degree completions.
- \$2.1 million in proportion to research and development expenditures (only for universities in "research university" Carnegie classifications).
- \$12.4 million each for three components (\$4.1 million each) based on national comparisons to Carnegie peers: six-year graduation rate, total degree completions, and institutional support as a percentage of core expenditures.
- \$6.2 million for tuition restraint, to be allocated to universities holding resident undergraduate tuition/fee rate increases below 4.0%.

The three requirements to be eligible for performance funding are maintained from FY 2012-13: participation in at least three reverse transfer agreements, a dual enrollment policy that does not consider whether the credits were used toward high school graduation, and participation in the Michigan Transfer Network.

House appropriates same overall level of funding, but:

- Makes 15.0% of each university's base appropriation contingent on compliance with requirements related to employee contracting (section 265b).
- Lowers tuition restraint limit to 3.0% and makes tuition restraint an additional requirement to receive performance funding (rather than a separate funding allocation).
- Allocates the full \$24.9 million in new funding through the first three formula components listed above (\$5.5 million, \$2.8 million, and \$16.6 million, respectively), with the Carnegie-based component scoring weighted based on resident undergraduate fiscal year equated students.

Funding amounts not paid to universities due to noncompliance with performance funding or employee contracting requirements would be reappropriated for various purposes (in order):

- Up to \$2.2 million for MSU AgBioResearch and Extension
- Up to \$7.0 million for MPSERS reimbursement to universities in the system
- Any remaining funds to universities in proportion to performance funding

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		FY 2012-13 YTD (as of 2/7/13)	FY 2013-14 House Change
2. MSU AgBioResearch and Extension	Gross	\$54,204,600	\$1,084,100
<u>Executive</u> includes \$1.1 million GF/GP increase (2.0%) in the appropriation for the programs. <u>House</u> concurs with overall funding level but unrolls appropriation: \$29.7 million for AgBioResearch and \$25.6 million for Extension.	GF/GP	\$54,204,600	\$1,084,100
3. Tuition Grant Program	Gross	\$31,664,700	\$0
<u>Executive</u> and <u>House</u> maintain appropriation amount at current year level (\$31.7 million Federal TANF).	Federal	\$31,664,700	\$0
4. Tuition Incentive Program (TIP)	Gross	\$43,800,000	\$3,200,000
<u>Executive</u> includes \$3.2 million GF/GP increase (7.3%) for projected cost growth due to continued increases in participation by Medicaid-eligible students. (Existing appropriation is funded from Federal TANF revenue.) Proposes statutory provisions for program (currently boilerplate only), including new reimbursement limit at public universities at 300% of the average community college tuition rate beginning in FY 2014-15. <u>House</u> concurs with funding increase; retains existing boilerplate language, with statement of intent for FY 2014-15 policy change.	Federal	43,800,000	0
	GF/GP	\$0	\$3,200,000
5. Children of Veterans Tuition Grant Program	Gross	\$1,200,000	\$200,000
<u>Executive</u> includes an increase of \$200,000 GF/GP due to an increased number of program applicants. <u>House</u> concurs.	Restricted	100,000	0
	GF/GP	\$1,100,000	\$200,000
6. College Access Program	Gross	NA	\$2,000,000
<u>Executive</u> transfers \$2.0 million GF/GP for program from Department of Education budget. No net increase in state appropriations. Funding is provided as grant to Michigan College Access Network, which seeks to increase college readiness, participation, and completion in Michigan. <u>House</u> concurs.	GF/GP	NA	\$2,000,000
7. Other Budget Items	Gross	\$24,899,400	\$0
<u>Executive</u> and <u>House</u> maintain funding levels for other Higher Education items at current year levels:	Federal	21,561,700	0
• State Competitive Scholarships (\$18.4 million Federal TANF)	Restricted	446,200	0
• Project GEAR UP (\$3.2 million Federal)	GF/GP	\$2,891,500	\$0
• King-Chavez-Parks grant programs (\$2.7 million GF/GP)			
• Michigan Public School Employees Retirement System (MPSERS) retiree health care reimbursement (\$446,200 School Aid Fund)			
• Higher Education database (\$105,000 GF/GP)			
• Midwestern Higher Education Compact dues (\$95,000 GF/GP)			

Major Boilerplate Changes From FY 2012-13

NOTE: Boilerplate sections with no changes from current law do not appear in budget bill but would remain in compiled School Aid Act and apply to FY 2013-14 appropriations.

Sec. 239. American Goods and Services – RETAINED

States preference for American goods and services, as well as those produced in Michigan and those produced by businesses owned by veterans. Executive deletes; House retains.

Sec. 239a. Foreign Auto Manufacturers – RETAINED

States intent that funds appropriated to universities not be used to purchase vehicles assembled outside U.S. Executive deletes; House retains.

Sec. 245. University Transparency – REVISED

Requires universities to post various budget, compensation (including salary list), other financial, and performance data on its website, using a standard format; allows Budget Director to withhold payments for a university not in compliance. Executive revises to replace the salary list with a list of all active employees and add requirements to report general fund budget projections, a listing of all debt service obligations, and the number of Pell Grant graduates. House retains salary list and adds new items proposed by Executive.

Major Boilerplate Changes From FY 2012-13

Sec. 252. Tuition Grant Program – RETAINED

Provides for distribution of funds appropriated for Tuition Grants; specifies maximum grant amount of at least \$1,512, unless insufficient funds are available, in which case a report is required; limits award eligibility to undergraduate students; provides that unexpended funds at close of fiscal year remain available for expenditure in subsequent year; caps awards received by students at a single institution at \$3.0 million. Executive revises to eliminate provision regarding carry forward of unexpended funds, move application deadline from July 1 to March 1, and add requirement that independent colleges and universities with students participating in the program participate in the state P-20 longitudinal data system and report on the number of Tuition Grant students graduating, the number of such students taking remedial education classes, and the number of Pell Grants students graduating each year. House retains current provisions in all cases.

Sec. 256. Tuition Incentive Program – REVISED

Specifies criteria for Tuition Incentive Program eligibility; provides for award conditions and limits under Phases I and II of the program. Executive proposes to include program provisions in permanent statute, consistent with other major state financial aid programs. Major change under proposed statutory provisions would be limiting reimbursement at public universities at 300% of the average community college tuition rate beginning in FY 2014-15. A new section 256a would simply reference the new statute. House retains boilerplate language and adds statement of intent to adopt the Executive-proposed policy change beginning in FY 2014-15.

Sec. 259. College Access Program – NEW

Specifies allowable uses of funding, to be administered by Department of Treasury: Michigan College Access Network operations, local college access networks, the Michigan College Access Portal, public awareness and outreach campaigns, and subgrants to postsecondary institutions. (Similar language is currently included in the Department of Education budget.) Executive and House include new section.

Sec. 261. Douglas Lake Biological Station – DELETED

Designates University of Michigan Douglas Lake Biological Station as a unique resource. Executive and House delete.

Sec. 263a. MSU AgBioResearch and MSU Extension – REVISED

Provides for establishment of a strategic growth initiative for the food and agriculture industry and state intent regarding metric goals that will be used to evaluate impacts of MSU AgBioResearch and MSU Extension; requires annual report containing financial data and metric goals for the two organizations. Executive revises to remove language related to strategic growth initiative but retain metric goals and reporting requirement; House concurs.

Sec. 265. Tuition Restraint Funding – REVISED

Provides for allocation of funding component tied to tuition restraint in FY 2012-13. Executive makes minor revision to require that universities hold tuition rate increases below 4.0%, rather than to 4.0% or below. Removes language defining the term "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 sets threshold at 3.0%, makes tuition restraint a requirement to receive performance funding (rather than a separate funding allocation), and retains language related to health insurance coverage.

Sec. 265a. Performance Funding – REVISED

Specifies requirements for a university to receive performance funding: participation in at least three reverse transfer agreements, a dual enrollment policy that does not consider whether the credits were used toward high school graduation, and participation in the Michigan Transfer Network. Executive revises to specify performance component metrics. House concurs but adjusts to reflect formula change (weighting based on resident undergraduate fiscal year equated students). Adds tuition restraint compliance as a requirement to receive performance funding.

Sec. 265b. Employee Contracting – NEW

Provides that funds appropriated for fiduciary responsibility in employee contracting be paid to a university only if it does not extend, renew, or enter into a labor contract under certain circumstances between December 10, 2012 and March 28, 2013 without achieving 10% or greater savings and does not enter into a contract between the same dates that contains only terms that constitute a union security agreement that requires any of several specified employee actions as a condition of employment. House adds new section.

Sec. 265c. Reappropriated Funds – NEW

Reappropriates any funding amounts not received by universities due to noncompliance with performance funding or employee contracting requirements for the following purposes (in order):

- Up to \$2.2 million for MSU AgBioResearch and MSU Extension
- Up to \$7.0 million for MPERS reimbursement to universities in the system (based on total MPERS payments)
- Any remaining funds to universities in proportion to performance funding amounts (excluding any amounts not paid due to noncompliance)

House adds new section.

Sec. 268. Unfunded Indian Tuition Waiver Costs – RETAINED

States legislative intent to allocate funds for unfunded Indian Tuition Waiver costs at universities from the General Fund. Executive deletes; House retains.

Major Boilerplate Changes From FY 2012-13

Sec. 272a. Transfer Credit Reporting – NEW

Requires universities to report on the number of transfer credits, with grade of C or better, rejected for incoming students, by both academic area and prior institution. House adds new section (similar language appeared in FY 2011-12 budget).

Sec. 273. Student Religious Beliefs – RETAINED

States intent that universities report on efforts to accommodate the religious beliefs of students in accredited counseling programs. Executive deletes; House retains.

Sec. 273a. Non-Profit Worker Centers – DELETED

States intent that universities not use appropriated funds to benefit a non-profit worker center whose documented activities include coercion through protest, demonstration, or organization against a Michigan business. Executive and House delete.

Sec. 274. Embryonic Stem Cell Research – RETAINED

States intent that universities conducting research using human embryonic stem cells report to the Department of Community Health regarding compliance with federal guidelines and stem cell lines derived by university. Executive deletes; House retains.

Sec. 274a. Adult Coresident Health Benefits – RETAINED

States intent that universities not provide benefits to unmarried adult coresidents or their dependents and report on the costs of providing any such benefits. Executive deletes; House retains.

Sec. 275a. Capital Outlay Reporting – DELETED

Prohibits use of state funds for self-liquidating projects; requires compliance with Joint Capital Outlay Subcommittee reporting requirements, with specified penalty of 1.0% appropriation reduction. Executive and House delete.

Sec. 282. Reallocation of King-Chavez-Parks (KCP) Funds – RETAINED

Provides for reallocation of KCP grant funds from institutions that do not fully expend their funds. Executive revises to allow funds remaining after reallocation to be expended for program administration. House does not concur with proposed revision.

Sec. 290. Degree Programs – REVISED

Lists new degree programs established by public universities for which credit hours may be reported to HEIDI. House inserts new list submitted by Presidents Council.

Sec. 293. Student Records – DELETED

Requires universities to provide information from the records of a student to persons authorized by the student pursuant to federal law. Executive and House delete.

Sec. 293a. State Building Authority (SBA) Rent Payments – REVISED

States amounts appropriated through Department of Technology, Management, and Budget for SBA rent payments associated with state costs for previous capital projects at universities. Executive revises to reflect updated total of \$125.4 million (vs. \$124.0 million in FY 2012-13 budget act). House concurs and renumbers to section 236c.

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University	FY 2012-13 Year-to-Date	Funding Proportional to Share of Total						Scored vs. National Carnegie Peers								**Total Performance Funding	FY 2013-14 Approp w/ Compliance/ Perf Funding	Change from FY 2012-13	
		15% Across- the-Board Reduction	*Employee Contracting Funding	22.2%		11.1%		Six-year Graduation Rate	Total Degree Completions	Inst Support as % of Core Expends	Total Score	Resident Undergrad FYES	66.7%		Dollar			Percent	
				Funding per unit: \$387 per completion	Critical Skills Undergrad Completions	Funding	Research & Develop Expends						Funding	FYES- Weighted Score					Funding
Michigan State	\$245,037,000	(\$36,755,600)	\$36,755,600	2,664	\$1,031,298	\$293,704,711	\$632,048	3	3	1	7	28,978	202,846	3,394,255	\$5,057,600	\$250,094,600	\$5,057,600	2.1	
UM-Ann Arbor	274,156,700	(41,123,500)	41,123,500	2,629	1,017,844	728,871,000	1,568,519	3	3	1	7	17,421	121,947	2,040,559	4,626,900	278,783,600	4,626,900	1.7	
Wayne State	183,398,300	(27,509,700)	27,509,700	659	255,139	163,944,192	352,805	0	0	0	0	15,479	0	0	608,000	184,006,300	608,000	0.3	
Michigan Tech	42,579,100	(6,386,900)	6,386,900	903	349,654	52,917,000	113,877	3	3	0	6	4,094	24,564	411,033	874,600	43,453,700	874,600	2.1	
Western	95,487,500	(14,323,100)	14,323,100	1,037	401,485	27,538,940	59,263	1	1	3	5	16,782	83,910	1,404,080	1,864,800	97,352,300	1,864,800	2.0	
Central	71,352,300	(10,702,800)	10,702,800	681	263,462	7,527,977	16,200	2	2	3	7	19,015	133,105	2,227,267	2,506,900	73,859,200	2,506,900	3.5	
Oakland	44,964,100	(6,744,600)	6,744,600	918	355,413	9,531,111	20,511	0	3	0	3	13,687	41,061	687,080	1,063,000	46,027,100	1,063,000	2.4	
Eastern***	66,466,700	(9,970,000)	9,970,000	642	248,557			0	3	0	3	14,749	44,247	740,392	988,900	67,455,600	988,900	1.5	
Ferris	44,250,700	(6,637,600)	6,637,600	1,212	469,335			3	3	3	9	10,256	92,304	1,544,538	2,013,900	46,264,600	2,013,900	4.6	
Grand Valley	55,436,000	(8,315,400)	8,315,400	1,182	457,454			3	3	2	8	18,710	149,680	2,504,620	2,962,100	58,398,100	2,962,100	5.3	
Saginaw Valley	25,656,700	(3,848,500)	3,848,500	362	139,958			3	0	0	3	7,782	23,346	390,652	530,600	26,187,300	530,600	2.1	
UM-Dearborn	22,237,300	(3,335,600)	3,335,600	356	137,829			1	0	0	1	5,703	5,703	95,429	233,300	22,470,600	233,300	1.0	
UM-Flint	19,526,600	(2,929,000)	2,929,000	375	145,185			3	3	0	6	5,297	31,782	531,813	677,000	20,203,600	677,000	3.5	
Northern	40,856,600	(6,128,500)	6,128,500	472	182,812			1	2	1	4	6,765	27,060	452,799	635,600	41,492,200	635,600	1.6	
Lake Superior	12,046,100	(1,806,900)	1,806,900	183	71,020			3	1	0	4	2,313	9,252	154,815	225,800	12,271,900	225,800	1.9	
TOTAL:	\$1,243,451,700	(\$186,517,700)	\$186,517,700	14,274	\$5,526,444	\$1,284,034,931	\$2,763,222	29	30	14	73	187,031	990,807	\$16,579,333	\$24,869,000	\$1,268,320,700	\$24,869,000	2.0	

Total performance funding: **\$24,869,000**

Data Notes	Component	Source	Years	Other
Critical skills undergrad awards	State HEIDI	FYs 2011-2012	Removed accounting/multi-disciplinary	
Research & develop expends	Federal IPEDS	FY 2011	Carnegie research universities only	
Six-year graduation rate	Federal IPEDS*	FYs 2007-2010		
Total degree completions	Federal IPEDS*	FYs 2007-2010	Includes graduate degrees	
Inst support as % of core expends	Federal IPEDS*	FYs 2007-2010	Measure of administrative costs	
Resident Undergrad FYES	State HEIDI	FY 2012	Based on university residency definitions	

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

***Requirements to receive employee contracting funding amounts:**

1. Comply with section 265b provisions related to "fiduciary responsibility in employee contracting"

****Requirement to receive performance funding amounts:**

1. Restrain FY 2013-14 resident undergraduate tuition/fee rate increase to 3.0% or below
2. Participate in at least three reverse transfer agreements with community colleges (or make good-faith effort)
3. Maintain a dual enrollment credit policy that does not consider whether credits were used toward high school graduation
4. Participate in the Michigan Transfer Network

NOTE: Employee contracting or performance funding amounts not paid to universities due to noncompliance with budget bill provisions to be reappropriated for the following purposes:

1. Up to \$2,168,200 for MSU AgBioResearch and Extension
2. Up to \$7,000,000 for MPERS reimbursement to universities in system (based on total MPERS payments)
3. Any remaining funds for performance funding, in proportion to appropriated amounts (excluding any funds unappropriated due to discompliance)

***Appropriation amounts in budget bill substitute for operations and performance funding to Eastern Michigan are incorrect due to drafting error.