

# HIGHER EDUCATION

## PUBLIC ACT 271 OF 1998

Analyst: Hank Prince

	FY 1997-98 YEAR-TO-DATE APPROPRIATIONS	FY 1998-99 ENACTED APPROPRIATION	FY 1998-99 ENACTED CHANGE FROM FY 1997-98	
			AMOUNT	PERCENT
<b>FTE POSITIONS</b>	1.0	1.0	0.0	0.0
<b>GROSS</b>	\$1,561,031,791	\$1,604,100,000	\$43,068,209	2.8
<b>IDG/IDT</b>	0	0	0	0.0
<b>ADJUSTED GROSS</b>	\$1,561,031,791	\$1,604,100,000	\$43,068,209	2.8
<b>FEDERAL</b>	5,100,000	3,600,000	(1,500,000)	(29.4)
<b>LOCAL</b>	0	0	0	0.0
<b>PRIVATE</b>	0	0	0	0.0
<b>OTHER</b>	0	0	0	0.0
<b>GF/GP</b>	\$1,555,931,791	\$1,600,500,000	\$44,568,209	2.9

### SB 911

Referred to  
Appropriations  
02/24/98

Passed Senate  
03/25/98

Passed House  
06/10/98

Conference  
Approved by Senate  
07/01/98

Conference  
Approved by House  
07/01/98

Effective  
07/21/98



## OVERVIEW - HIGHER EDUCATION

Article VIII, Section 4 of the state constitution provides that “*the legislature shall appropriate moneys to maintain*” the state university system. Accordingly, of the \$1.6 billion appropriated in the higher education budget, more than 90% is allocated for the state operating support of Michigan’s 15 public universities. The remainder of this budget provides state resources for need-based student financial aid (6.3%), direct support for independent colleges and universities (0.7%), and other higher education related programs (0.5%). This proportional funding relationship in the higher education budget has remained essentially unchanged in recent years.

The FY 1998-99 higher education budget is basically a continuation of the funding policies contained in the prior year’s enacted budget. The legislature continues the notion of a per-student funding floor, initiated in FY 1994-95, for master’s-level and doctoral-level universities and implements an increase in the floor for master’s level universities.

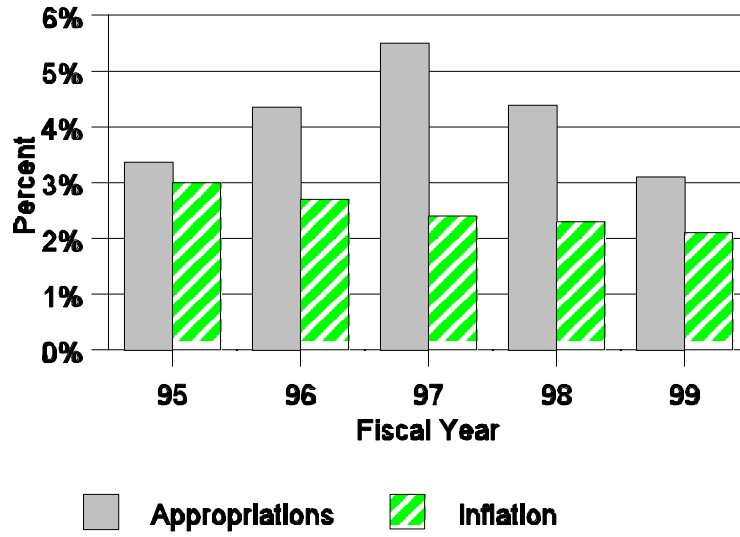
The only revenue-source change for the student financial aid programs involves funding associated with the Tuition Incentive/High School Completion Program (TIP). In this case, the federal funding available for the state from federal welfare reform (TANF) has been deleted and is replaced by GF/GP monies and combined with prior-year appropriation balances to support the program in FY 1998-99.

The payment schedule of state support to public universities has been changed to 11 payments. This was to match the university payment schedule to the schedule for K-12 districts and to assist the state’s cash flow. This change from nine payments impacts the universities by approximately 0.5% of state appropriations.

The most significant aspect of the higher education budget for FY 1998-99 is that the increase in appropriations for the support of the state university system is above the projected rate of general inflation. The May Revenue Consensus Conference estimated inflation for the state FY 1998-99 at 2.1%. With an aggregate appropriation increase of 3.1%, the state universities will receive a state funding increase over and above what is needed to cover the effects of inflation as measured by the consumer price index. Even the minimum base increase of 2.8% provided to each university ensures all 15 will have an increase in funding greater than inflation, even after considering the payment schedule change. See the following chart for a historical profile of state appropriations to higher education and inflation.

### Yearly Percentage Change

State Appropriations and Inflation



**MAJOR BUDGET CHANGES: FY 1998-99**

<u>Budget Issue</u>		<u>Change from FY 1997-98</u>
<b>1. University Operating Appropriations</b>	FTEs	0.0
This funding provides unrestricted state operating support for each of the 15 public universities. Appropriated for FY 1997-98 was \$1.38 billion for this purpose. The Governor recommended that each university receive a 1.5% increase in state funding support for FY 1998-99 with no funding-floor adjustment.	<b>Gross</b>	<b>\$41,956,510</b>
	GF/GP	41,956,510
<p>Two basic elements comprise the funding policies adopted by the Legislature for FY 1998-99: (a) a minimum across-the-board increase of 2.8% for public universities, and (b) per-student funding floors. As a point of reference, the May Consensus Revenue Conference projected a 2.1% increase in the Detroit Consumer Price Index for FY 1998-99. This across-the-board increase totals more than \$39,000,000.</p> <p>Additional funding of \$2.4 million was provided to ensure that each university's per-student funding in 1998-99 would be at least \$4,296. The funding floor for FY 1997-98 was \$4,290. The incremental amount needed to reach the funding floor for each university was determined after the across-the-board increases were applied and affected four universities: Central Michigan, Grand Valley State, Oakland, and UM-Flint.</p>		
<b>2. Agriculture Experiment Station (AES) Cooperative Extension Service (CES)</b>	FTEs	0.0
These two statewide programs are operated by Michigan State University. The AES is the principal research arm of the University's agricultural mission. The CES is part of the University's statewide public service mission. FY 1997-98 funding for the AES was \$29.6 million and for the CES it was \$25.5 million. The Governor recommended a 1.5% increase, after adjusting each program's 1997-98 base figure by \$250,000 to reflect the transfer of a total of \$500,000 to the Department of Agriculture budget for Project GREEN. The Legislature increased the adjusted figures by 2.8%.	<b>Gross</b>	<b>\$1,056,942</b>
	GF/GP	\$1,056,942
<b>3. Japan Center for Michigan Universities</b>	FTEs	0.0
This program is a consortium of Michigan public universities offering an education program in the Japanese language and culture in the Shiga Prefecture of Japan. FY 1997-98 funding for this program was \$350,000. The Governor recommended a 1.5% increase for the program, and the legislature appropriated a 2.7% increase.	<b>Gross</b>	<b>\$9,351</b>
	GF/GP	\$9,351

<b>MAJOR BUDGET CHANGES: FY 1998-99</b>
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<u>Budget Issue</u>	<u>Change from FY 1997-98</u>
<p><b>4. State Student Financial Aid Programs State Support for Independent Colleges</b></p> <p>For FY 1997-98, there was appropriated \$118.6 million (\$5.1 million in federal funds) for need-based student financial aid programs and for support for independent colleges and universities. The Governor recommended a 1.5% increase in the General Fund portion of these programs.</p>	<p>FTEs 0.0</p> <p><b>Gross \$2,859,811</b></p> <p>GF/GP 3,359,811</p>

The legislature appropriated a 2.3% increase in funding. This matched the across-the-board percentage for the public universities, after adjusting the minimum public-university increase to reflect the impact of the payment schedule change.

Federal funding for these programs was reduced by \$0.5 million.

<p><b>5. Tuition Incentive Program (TIP)</b></p> <p>This program provides the incentive of a college education to students who are Medicaid-eligible to complete high school.</p>	<p>FTEs 0.0</p> <p><b>Gross \$750,000</b></p> <p>GF/GP \$1,750,000</p>
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The Governor recommended \$2 million in additional GF/GP funds and the Legislature approved an allocation of \$1.75 million in GF/GP funding to support the Tuition Incentive Program; \$1.0 million replaced federal Temporary Assistance to Needy Families (TANF) monies that were used in 1997-98 to support this program.

*NOTE: While it may appear that only \$1.75 million will be available for this program, boilerplate in the higher education appropriation act allows any funding remaining at the end of the fiscal year to carry forward into FY 1998-99 for continuing program support. The Department of Management and Budget estimates that almost \$3.1 million will remain unspent at the end of FY 1997-98 and be available for FY 1998-99. Total program support of approximately \$4.9 million is expected to be sufficient to continue the program.*

Higher Education

**MAJOR BUDGET CHANGES: FY 1998-99**

<u>Budget Issue</u>		<u>Change from FY 1997-98</u>
<b>6. Michigan Molecular Institute (MMI)</b>	FTEs	0.0
The Michigan Molecular Institute is a private, nonprofit research organization located in Midland, Michigan, which conducts research in complex polymers and has cooperative ties with some of the state's public universities. Since FY 1984-85, the state has provided more than \$9.2 million in funding support for the institute. In FY 1997-98, \$125,000 was appropriated for the institute. For FY 1998-99 the Governor recommended a 1.5% increase in funding, the Senate provided a 3.0% increase, and the House version reduced funding by one-half.	<b>Gross</b>	<b>(\$55,000)</b>
	GF/GP	(\$55,000)

The enacted FY 1998-99 budget provides an appropriation of \$70,000 for the institute.

**ECONOMIC AND RETIREMENT ISSUES: FY 1998-99**

**ECONOMIC ISSUES**

None

**RETIREMENT ISSUES**

None

**MAJOR BOILERPLATE CHANGES: FY 1998-99**

**1. Per-Student Funding Floors**

Initiated with the FY 1994-95 higher education budget was the concept of providing a funding "floor," i.e., a base of state funding below which a university's per-student funding would not fall. Differential funding floors were established for the universities according to their classification by the Carnegie Foundation for the Advancement of Teaching. This classification system categorizes the state's public universities as Masters, Doctoral, or Research universities. Section 409 of the FY 1996-97 appropriation act expressed legislative intent that the per-student funding floors utilizing the Carnegie classification system be continued into future fiscal years as a basis for allocating state appropriations. (The Governor recommended the elimination of this language, consistent with his funding recommendation that did not include any funding floors.) For FY 1997-98, Section 409 was changed to establish a "legislative goal" of achieving per-student funding floors of \$4,500 and \$6,000 for Masters and Doctoral universities respectively. A funding floor goal for the three Research universities was not included.

The 1998-99 enacted bill contains a funding floor of \$4,296 for master's-level universities.

**MAJOR BOILERPLATE CHANGES: FY 1998-99**

**2. *Payment Schedule***

In SB 911, the legislature did not approve a change in the payment schedule. The Executive had proposed a change to 11 instead of 9 payments, to smooth the state's cashflow. However, in SB 905 (which was enacted after SB 911), the payment schedule was changed to 11 payments.

**3. *Central Michigan University (CMU) Higher Education Charter School Center***

Section 421 requires Central Michigan to report to the House and Senate Appropriations Committees and the fiscal agencies, by April 1 and September 30 of 1998, on the activities and effectiveness of the University's Higher Education Charter School Center. Specifically, the university is required to report each public school academy provided assistance, the type of assistance provided, the result of the assistance, and an itemized accounting of all revenues and expenditures of the center. This reporting requirement was contained in the higher education budget for FY1997-98 and is continued for FY1998-99.

**4. *Student Access to Text Book Lists***

This portion of the FY1997-98 boilerplate has been amended to state legislative intent that universities provide accurate and timely lists of required text books to private bookstores and to student governments conducting book swaps, and that universities allow students on financial aid to decide where to purchase their text books.

**5. *Auditor General Access to Records***

This new section provides for an adjustment in state appropriations for each public university that has not provided documentation requested by the Auditor General pursuant to an audit of the university's performance of its chartering activities related to public school academies in the previous fiscal year.

**VETOES: FY 1998-99**

None

**REVENUE INCREASES: FY 1998-99**

None

**SUPPLEMENTAL APPROPRIATIONS: FY 1997-98**

None.

There are supplemental appropriations for Higher Education in the Capital Outlay portion of the state budget.