

FY 2012-13 EDUCATION OMNIBUS BUDGET
Summary: House Committee Substitute
House Bill 5372 (H-1) Draft 1



Mary Ann Cleary, Director

TOTAL APPROPRIATIONS BY BUDGET AREA

Budget Area (Bill Page) [Summary Page]	FY 2012-13		
	Gross	SAF	GF/GP
School Aid (3) [2]	\$12,816,014,800	\$10,781,973,400	\$333,000,000
Community College (197) [10]	294,130,500	197,614,100	96,516,400
Higher Education (214) [13]	1,399,641,600	200,465,700	1,100,049,500
TOTAL	\$14,509,786,900	\$11,180,053,200	\$1,529,565,900

Notes: (1) FY 2011-12 year-to-date (YTD) figures include mid-year budget adjustments through February 9, 2012 for Community College and Higher Education and February 27, 2012 for School Aid.
(2) Appropriation figures include all proposed appropriation amounts, including both standard appropriation items and appropriations designated as one-time.

FY 2012-13: SCHOOL AID

Summary: As Reported by House Subcommittee (HB 5388)

Article I, House Bill 5372 (H-1) Draft 1



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IDG/IDT	FY 2011-12 YTD as of 2/27/12	FY 2012-13 Executive	FY 2012-13 House	FY 2012-13 Senate	FY 2012-13 Enacted	Difference: House From FY 2011-12 YTD	
						Amount	%
	\$0	\$0	\$0			\$0	--
Federal	1,658,031,800	1,701,041,400	1,701,041,400			43,009,600	2.6
Local	0	0	0			0	--
Private	0	0	0			0	--
Restricted	10,967,333,600	10,785,973,400	10,781,973,400			(185,360,200)	(1.7)
GF/GP	118,642,400	200,000,000	333,000,000			214,357,600	180.7
Gross	\$12,744,007,800	\$12,687,014,800	\$12,816,014,800			\$72,007,000	0.6

FTEs

Notes: FY 2011-12 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 27, 2012.

Overview

The School Aid budget makes appropriations to the state's 549 local school districts, 256 public school academies, and 57 intermediate school districts (ISDs) for operations and certain categorical programs. It also appropriates funds to the Center for Educational Performance and Information, the Michigan Strategic Fund, and other entities to implement certain grants and other programs related to K-12 education.

Major Budget Changes From FY 2011-12 YTD Appropriations

1. Prop A Obligation - Foundation Allowances (Sec. 22a)

Executive decreases by \$62.0 million from the current YTD for FY 2012-13 to incorporate taxable values and pupil estimates. Decreases by an additional \$115.0 million due to taxable value changes and further pupil declines for FY 2013-14.

House concurs with Executive.

	FY 2011-12 Year-to-Date (as of 2/27/12)	FY 2012-13 House Change
Gross	\$5,769,000,000	(\$62,000,000)
Restricted	5,769,000,000	(62,000,000)

2. Discretionary - Foundation Allowances (Sec. 22b)

Executive reduces by \$25 million to recognize the elimination of \$17.5 million in small class-size and district-specific foundation allowance adjustments (See Major Boilerplate Changes below, Section 20), \$50 million in assumed savings for requiring full day kindergarten for a full foundation, as well as estimated changes in taxable values and pupil estimates. FY 2013-14 estimates are adjusted to assume only \$25 million for kindergarten foundation savings as well as further changes in estimated taxable value and pupils.

House concurs with Executive on the elimination of the small class-size and district-specific adjustments, but assumes no savings related to the requirement of full day kindergarten for a full foundation allowance, increasing the line by a total of \$25.0 million.

Gross	\$3,052,000,000	\$25,000,000
Restricted	2,955,028,100	(192,818,300)
GF/GP	\$96,971,900	\$217,818,300

3. School Bond Redemption Fund (Sec. 11j)

Executive increases by \$26.8 million to a total of \$120.4 million in FY 2012-13 and by another \$11.3 million to a total of \$131.7 million in FY 2013-14 to pay for increased interest payments.

House concurs with Executive.

Gross	\$93,575,300	\$26,814,700
Restricted	93,575,300	26,814,700

4. Cash Flow Borrowing Costs (Sec. 11m)

Executive increases to \$10.0 million in FY 2012-13 and to \$20.0 million for FY 2013-14 costs for anticipated interest rate increases.

House concurs with Executive.

Gross	\$8,500,000	\$1,500,000
Restricted	8,500,000	1,500,000

Major Budget Changes From FY 2011-12 YTD Appropriations		FY 2011-12 Year-to-Date (as of 2/27/12)	FY 2012-13 House Change
5. Michigan Business Tax (MBT) Impact on Out of Formula District Grants (Sec. 22e)	Gross	\$700,000	(\$700,000)
<u>Executive</u> eliminates funding which held out-of-formula districts harmless from local personal property tax exemptions when the MBT was created. <u>House</u> concurs with Executive.	Restricted	700,000	(700,000)
6. Best Practices Grants (Sec. 22f)	Gross	\$154,000,000	(\$39,000,000)
<u>Executive</u> decreases the allocation for best practices grants from \$154.0 million to an estimated \$120.0 million. Overall, funding for the combined best practices grants and performance-based grants totals \$190.0 million under the Executive proposal, with the performance-based grants awarded first from this allocation (estimated at \$70.0 million), with the remaining funds, estimated at \$120.0 million, funding best-practices grants. (Depending on the allocation of the performance-based grants, the best practices grants could total more or less than the currently estimated \$120.0 million.) The Executive proposes distributing best practice grants to districts on a per pupil basis (\$100 maximum) to all districts that meet 5 out of 6 revised best practices criteria. <u>House</u> decreases the allocation for best practices grants to \$115.0 million, and decouples funding from the Executive-proposed performance based funding. The House distributes best practices grants to districts on a \$75 per pupil basis to all districts that meet 6 out of 8 revised best practices criteria. (See Major Boilerplate Changes below for a detailed discussion of the best practices criteria.)	Restricted	154,000,000	(39,000,000)
7. Consolidation Innovation Grants (Sec. 22g)	Gross	\$0	\$10,000,000
<u>Executive</u> adds \$10.0 million in funding, designated as one-time, for competitive assistance grants to help defray transition costs associated with the consolidation of operations or services among districts and ISDs that occur on or after October 1, 2012. <u>House</u> concurs with Executive on the amount, but moves the date to June 1, 2012. The House also permits consolidation of services or operations between ISDs and with local units of government, and specifies that a district or ISD that receives grant assistance for consolidating services under the competitive assistance grant program in the Department of Treasury budget is not eligible for an award under this section.	Restricted	0	10,000,000
8. Technology Infrastructure Improvement Grants (Sec. 22i)	Gross	\$0	\$75,000,000
<u>Executive</u> establishes a new performance-based grant program, providing awards of up to \$100 per pupil based student achievement proficiency measures (estimated at a total of \$70.0 million). Funds were appropriated as part of the \$190.0 million appropriation in Sec. 22f <u>House</u> does not concur with the Executive, and instead creates a \$75.0 million competitive grant program, providing grant awardees (districts or ISDs on behalf of constituent districts) to support technology infrastructure upgrades in preparation for the planned implementation of online student achievement growth assessments in 2014-15. Grants would be capped at \$2.0 million per district.	Restricted	0	75,000,000
9. Juvenile Detention Facility Programs (Sec. 24a)	Gross	\$2,114,800	\$21,000
<u>Executive</u> increases by \$21,000 for economic adjustments for FY 2012-13. <u>House</u> concurs with Executive.	Restricted	2,114,800	21,000
10. Renaissance Zone Reimbursements (Sec. 26a)	Gross	\$26,300,000	\$3,000,000
<u>Executive</u> makes no changes in funding for renaissance zone reimbursements to school districts and ISDs. <u>House</u> concurs with Executive on reimbursements to school districts and ISDs, but provides \$3.0 million GF/GP to reimburse libraries.	Restricted	26,300,000	0
	GF/GP	\$0	\$3,000,000
11. Federal Funding (Sec. 39a)	Gross	\$794,333,300	\$51,509,300
<u>Executive</u> increases anticipated funding for "No Child Left Behind" and other federal funding by \$51.5 million to a total of \$845.8 million for both FY 2012-13 and FY 2013-14. <u>House</u> concurs with Executive.	Federal	794,333,300	51,509,300
	Restricted	0	0

Major Budget Changes From FY 2011-12 YTD Appropriations		FY 2011-12 Year-to-Date (as of 2/27/12)	FY 2012-13 House Change
12. Special Education (Sec. 51a)	Gross	\$1,392,169,100	\$37,100,000
<u>Executive</u> increases by \$37.1 million for FY 2012-13 and by another \$32.6 million for FY 2013-14 to adjust for consensus estimates for the growth in special education reimbursement costs.	Federal	437,400,000	1,600,000
<u>House</u> concurs with Executive.	Restricted	954,769,100	35,500,000
13. Vocational Education (Sec. 61a)	Gross	\$26,611,300	\$3,388,700
<u>Executive</u> maintains funding at FY 2011-12 levels.	Restricted	26,611,300	3,388,700
<u>House</u> increases funding to \$30.0 million.			
14. School Bus Inspections (Sec. 74(4))	Gross	\$1,608,900	\$26,000
<u>Executive</u> increases by \$26,000 for economic adjustments for FY 2012-13.	Restricted	1,608,900	26,000
<u>House</u> concurs with Executive.			
15. ISD General Operations (Sec. 81)	Gross	\$62,108,000	\$3,105,000
<u>Executive</u> maintains funding for ISD general operations at FY 2011-12 levels, but reduces base awards to 95% of the current-year level, with ISDs eligible to receive the final 5% of the FY 2011-12 allocation if they meet 4 out of 5 performance criteria.	Restricted	62,108,000	3,105,000
<u>House</u> maintains base funding for ISD general operations at FY 2011-12 levels, and increases by \$3.1 million to provide ISDs meeting 4 out of 5 performance criteria with an additional 5% of their FY 2011-12 allocation.			
16. Center for Educational Performance and Information (Sec. 94a)	Gross	\$8,661,900	\$750,000
<u>Executive</u> increases by \$750,000 for economic adjustments for FY 2012-13 and FY 2013-14, and offsets federal funding transferred to MDE budget with GF/GP.	Federal	2,893,200	(2,699,700)
<u>House</u> concurs with Executive.	GF/GP	\$5,768,700	\$3,449,700
17. Principal Educator Evaluator Training (Sec. 95)	Gross	\$0	\$1,750,000
<u>Executive</u> provides \$1.75 million in FY 2012-13 and \$500,000 in FY 2013-14 for grants to districts to support professional development for principals and assistant principals in a department-approved training program on implementing educator evaluation programs. (See Major Boilerplate Changes below for a detailed discussion of this program.)	Restricted	0	1,750,000
<u>House</u> concurs with Executive.			
18. Michigan Virtual University (MVU) (Sec. 98)	Gross	\$4,387,500	\$0
<u>Executive</u> maintains current year total appropriations but shifts support of the program from partial federal funding to full funding from GF/GP. (See Major Boilerplate Changes below for a detailed discussion of other proposed changes for the MVU.)	Federal	2,700,000	(2,700,000)
<u>House</u> concurs with Executive.	GF/GP	\$1,687,500	\$2,700,000
19. Math and Science Centers (Sec. 99)	Gross	\$7,874,300	\$0
<u>Executive</u> maintains current year total appropriations but shifts \$110,000 in GF/GP fund support to School Aid Fund.	Federal	5,249,300	0
<u>House</u> concurs with Executive.	Restricted	2,515,000	110,000
	GF/GP	\$110,000	(\$110,000)
20. Michigan Education Assessment Program (Sec. 104)	Gross	\$43,444,400	(\$8,500,000)
<u>Executive</u> adjusts FY 2012-13 funding to remove \$8.5 million in two-year funding for FY 2010-11 and FY 2011-12 related to implementation of assessment changes required under 2009 state education reforms.	Federal	8,250,000	0
<u>House</u> concurs with Executive.	Restricted	35,194,400	(8,500,000)
21. MPSERS Cost Offset (Sec. 147a)	Gross	\$155,000,000	\$93,506,300
<u>Executive</u> increases the current appropriation of \$155.0 million to \$179.0 million for both FY 2012-13 and FY 2013-14. This would reimburse school districts (excluding ISDs) by approximately 2% of their MPSERS payroll.	Restricted	155,000,000	93,506,300
<u>House</u> increases funding by \$93.5 million to a total of \$248.5 million and makes funding available to ISDs as well as districts. Reimbursements would equal approximately 2.8% of MPSERS payroll.			

<u>Major Budget Changes From FY 2011-12 YTD Appropriations</u>		<u>FY 2011-12 Year-to-Date (as of 2/27/12)</u>	<u>FY 2012-13 House Change</u>
22. MPSERS Retirement Obligation Reform Reserve Fund (Sec. 147b)	Gross	\$133,000,000	(\$133,000,000)
<u>Executive</u> reflects a decrease in funding for this transfer, designated as a one-time allocation in FY 2011-12, into the MPSERS Retirement Obligation Reform Reserve fund. The \$133.0 million allocated into the fund has not yet been spent or distributed in the current year, nor does the Executive budget recommend any proposal for expending these funds.	Restricted	133,000,000	(133,000,000)
<u>House</u> concurs with Executive.			
23. Adair - Database Payment (Sec. 152a)	Gross	\$34,064,500	\$3,936,000
<u>Executive</u> increases reimbursements to districts and ISDs by \$3.9 million to a total of \$38.0 million for both FY 2012-13 and FY 2013-14 for the costs related to state-mandated collection, maintenance, and reporting of data.	Restricted	34,064,500	3,936,000
<u>House</u> concurs with Executive.			

Major Boilerplate Changes From FY 2011-12

Sec. 3 et al. Education Achievement Authority, Education Achievement System, Achievement School – NEW

Executive defines the Education Achievement Authority (EAA) and the Education Achievement System (EAS), as established in proposed amendments to the Revised School Code and defines an "achievement school" as a public school within the EAS operated, managed, authorized, established, or overseen by the EAA. An achievement school would be eligible in the same manner as a district for all applicable funding. The Executive adds references to achievement schools in sections throughout the bill in addition to districts and public school academies. Section 20 allocates funding to an achievement school based on the foundation allowance of the school district in which the achievement school is located.

House concurs with the Executive.

Sec. 6(4). Pupil Membership Definitions – REVISED

House adds legislative intent language that the state move to 8 pupil count dates, and requires the department to work with CEPI, districts, ISDs, and other interested stakeholders in recommending changes to implement this change. The House also requires that districts report (along with its pupil membership report) to the department and CEPI the number of instructional hours scheduled per kindergarten pupil and, if the number of hours is not the same for all kindergarten pupils, the number of kindergarten pupils by the number of scheduled instructional hours.

Sec. 12. Appropriation Estimates for Subsequent Fiscal Year – REVISED

House provides intent to continue funding in FY 2013-14 based on FY 2012-13 funding levels adjusted for changes in pupil memberships, taxable values, special education costs, interest costs, and available revenues, all of which would be determined at January 2013 Consensus Revenue Estimating Conference.

Sec. 19. Data Reporting Requirements – REVISED

House adds legislative intent language that the state move to a single statewide education data reporting system or a limited number of education data reporting systems approved by the department and CEPI by not later than 2014-15, and requires the department to work the CEPI, districts, ISDs, and other interested stakeholders to develop recommendations on implementing this change.

Sec. 20. Foundation Allowances – REVISED

Executive makes no changes to foundation allowances overall, but eliminates foundation allowance adjustments for certain districts for former small class size grants as well as adjustments for specific districts including Wayne-Westland, Gibraltar, Garden City and Huron. Both the small class size and 4 district-specific adjustments were reduced in FY 2011-12, and language was included for each that specified FY 2011-12 would be the final year of those adjustments.

House concurs with the Executive.

Sec. 22b. Discretionary - Foundation Allowances – REVISED

House requires that the department report to the Legislature by January 1, the estimated amount of savings realized in the fiscal year due to the requirement that districts provide the same number of instructional hours per kindergarten pupil as the number of instructional hours per pupil in grades 1-12. Provides legislative intent that any savings will be appropriated to Section 147a to reimburse districts for retirement costs.

Major Boilerplate Changes From FY 2011-12

Sec. 22f. Performance-Based Funding – NOT INCLUDED

Executive increases the current appropriation from \$154.0 million to \$190.0 million in FY 2012-13 but decreases it to \$100 million in FY 2013-14. The budget also recommends significant changes to the grant criteria. Currently districts receive \$100 per pupil if they satisfy 4 out of 5 criteria regarding non-instructional costs. The Governor proposes to create 2 different awards. The first would be a maximum \$100 per pupil based on student academic performance growth, which would equal a currently estimated \$70.0 million. Districts would receive a portion or all of the following:

- \$30 per pupil for meeting proficiency growth in mathematics for grades 3 to 8.
- \$30 per pupil for meeting proficiency growth in reading for grades 3 to 8.
- \$40 per pupil for meeting proficiency growth over 4 years for high school students in all subject areas.

For both of the grades 3 to 8 standards, MDE would determine a growth model based on recently revised MEAP cut scores using a metric that assigns districts points ranging from 0 to 3 for each student depending on whether or not they began the year performing proficiently and whether they decline, maintain, or improve proficiency over the school year. A district would be eligible if the district average number of points was greater than 1.5, the district tests at least 95% of its students in reading or mathematics, and the district had at least 30 students in grade 3 to 8 that had a performance level change designation.

For the high school standards, the awards would be made using a metric based on a positive 4-year trend ending with FY 2011-12 in the percentage of high school students in each district testing as proficient in all state assessment subject areas (mathematics, reading, science, social studies, and writing). A district would qualify if a linear regression of the district's percentage of high school students testing proficient over the 4-year period is at least equal to the statewide average linear regression over that same period, the district's linear regression is positive, the district tested 95% of its students on the Michigan Merit Exam, and the district had at least 20 students take all the tested subjects on the Michigan Merit Exam for each of the last 4 years.

House does not concur with the performance-based funding.

Sec. 22f. Best Practices Grants – REVISED

Currently the act provides \$154.0 million in best practices incentive grants of \$100 per pupil to districts that satisfy 4 out of the following 5 criteria regarding non-instructional costs prior to June 1.

Executive continues the best practices grants on an equal per pupil basis, totaling an estimated \$120.0 million after the performance-based funding is awarded, to districts that meet 5 out of the following 6 criteria:

- Participate in Schools of Choice programs under Section 105 and Section 105c. (NEW)
- Measure student growth at least twice annually and report that growth to parents. (NEW)
- Provide dual enrollment and other opportunities for postsecondary coursework. (NEW)
- Provide online learning opportunities. (NEW)
- Act as policy holder for health care services benefits.
- Provide a dashboard to parents and members of the community.

House decouples the best practices award from the performance-based award, providing \$115.0 million in funding for districts that qualify in awards equal to \$75 per pupil, and adds two additional criteria: (1) obtains competitive bids for non-instructional services during 2012-13 and (2) provides physical education and health education consistent with State Board of Education policy. The House also revises the Executive-proposed criterion on measuring student growth, by providing that districts measure student growth at least twice annually and report that growth to parents (as recommended) or provide the department with a plan and be able to show progress toward developing the technology infrastructure necessary for the implementation of student growth assessments by 2014-2015. Districts would have to meet 6 out of the 8 criteria.

Sec. 22i. Technology Infrastructure Grants – NEW

House provides \$75.0 million in competitive grants to districts and intermediate districts, on behalf of their constituent districts, for the development or improvement of the district's technology infrastructure in preparation for the planned implementation of online student achievement growth assessments based on the common core standards in 2014-15. Grant awards are capped at \$2.0 million per school district, with awards granted to ISDs if the grant provides cost savings compared to grants given out to the individual constituent districts.

Sec. 31a. At-Risk Pupil Support – REVISED

Executive eliminates the application process for districts that meet Adequate Yearly Progress (AYP) to be allowed to use a portion of their At-Risk funding more flexibly than is otherwise allowed, and instead allows such districts to spend up to 20% of their at-risk funds more flexibly than required by statute as long as funds are still spent for specific purposes designed to benefit at-risk pupils and districts maintain documentation of these expenditures and make them available to MDE upon request.

House concurs with the Executive.

Major Boilerplate Changes From FY 2011-12

Secs. 32b, 32d, 32j, and 39. Early Childhood Programs – REVISED

Current statute requires that the MDE work with ISDs, Early Childhood Investment Corporation (ECIC) and other stakeholders to report to the legislature regarding legislative intent to move funding in FY 2012-13 to an early childhood block grant program administered by ISDs in conjunction with local Great Start Collaboratives. The MDE complied and recommended a multi-year phase-in to the block grant. Phase 1 began in FY 2011-12 by making ISDs the fiduciary for each of the 4 separate appropriation sections.

Executive includes the Phase 2 recommendation for FY 2012-13, which would revise the formula for Great Start School Readiness district preschool funding so that the number of eligible pupils are measured, and slots are awarded, on an ISD-wide basis. ISDs would then determine how to distribute those slots among their constituent districts. As recommended by MDE, future phases would include rolling in the competitive (non-district) program preschool slots, as well as the Great Start Collaborative funding in Sec. 32b and the 0-5 parenting program funding in Sec. 32j. Additionally, the Executive recommends that Sec. 32d funds for Great Start School Readiness be used only for preschool programs, and that they should no longer be used to support Parents Involved in Education (PIE) programs funded under former Sec. 32b as in effect in FY 2001-02.

House concurs with the Executive, but permits funds to be used by a district for an existing PIE program.

Sec. 51a. Itinerant Special Education Staff – REVISED

Allows Section 51a funds unexpended at book-closing to be allocated as additional reimbursement to school districts or intermediate districts who employed itinerant staff whose staff positions in 2003-04 were in another school district or intermediate district. Executive eliminates this provision.

House provides that funding under this provision is capped at \$1.0 million in 2012-13, \$600,000 in 2013-14, \$300,000 in 2014-15, and eliminated in 2015-16.

Sec. 56. Special Education Millage Equalization – REVISED

Executive revises the per pupil millage equalization levels to \$194,400 for reimbursements made in FY 2012-13 and \$195,000 for reimbursements made in FY 2013-14, to adjust for taxable value estimates.

House revises equalization level to \$171,300 for FY 2012-13 and doesn't include FY 2013-14.

Sec. 62. Vocational Education Millage Equalization – REVISED

Executive revises the per pupil millage equalization levels to \$194,200 for reimbursements made in FY 2012-13 and \$193,100 for reimbursements made in FY 2013-14, to adjust for taxable value estimates.

House revises equalization level to \$190,500 for FY 2012-13 and doesn't include FY 2013-14.

Sec. 81. ISD General Operations – REVISED

Currently ISDs receive general operations funding under this section with limited requirements other than complying with the State School Aid Act and certain provisions of the Revised School Code.

Executive recommends that, for FY 2012-13 and FY 2013-14, ISDs receive 95% of their FY 2011-12 allocations based on the existing requirements but would require that in order to receive the final 5% of their FY 2011-12 allocations, each ISD would have to satisfy at least 4 out of the 5 following criteria by June 1, 2013:

- Enter into agreement with MDE to develop a service consolidation plan in 2012-2013 to reduce costs and to implement that plan in 2013-2014 and report to MDE by February 1, 2014 on its progress.
- Obtain competitive bids on at least 1 non-instructional service valued at \$50,000 or more for itself or its constituent districts.
- Develop a technology plan in accordance with MDE policy on behalf of all of its constituent districts to integrate technology into the classroom and prepare teachers to use digital technology for instruction.
- Provide to parents and community members a dashboard or report card including specified items demonstrating the ISD's efforts to manage its finances responsibly.
- Work in a consortium with or more other ISDs to develop information management system requirements and bid specifications that can be used as statewide models including student management systems, learning management tools, and business services.

House maintains base funding for ISDs at current-year levels, and provides ISDs meeting the performance requirements recommended by the Executive with an additional 5% of the base allocation.

Sec. 94a. Center for Education Performance and Information (CEPI) – REVISED

Executive revises an \$850,000 grant that currently goes to a single partnership between an ISD and 1 high need local district into competitive grants to support collaborative efforts on the P-20 longitudinal data system including P-20 longitudinal data system portal hosting, hardware and software acquisition, maintenance, enhancements, user support and related materials and professional learning tools aimed at improving the utility of the P-20 longitudinal data system. Priority is given to an applicant that had received funding under this section in the prior fiscal year, but after 3 years of continuous funding would require an applicant to compete openly with other applicants.

House concurs with the Executive.

Major Boilerplate Changes From FY 2011-12

Sec. 95. Principal Educator Evaluator Training – NEW

Executive creates a new grant program to train principals and assistant principals in educator evaluations. For FY 2012-13, all districts could apply for funds, but for FY 2013-14, priority would be given to districts with new building administrators who have not yet had training. In order to qualify as a department-approved training program, a program must include instructional content on methods of evaluating teachers consistently across multiple grades and subjects, include training on observation focused on reliability and bias awareness, incorporate online resources and videos of actual lessons for applying rubrics and consistent scoring, and align with recommendations of the Governor's Council on Educator Effectiveness. Grant awards would be determined by the MDE but shall not exceed \$350 per participant.

House concurs with the Executive, but specifies that the department must approve all training programs recommended by the Governor's Council on Educator Effectiveness, eliminates the requirement for online resources and requires that approved programs must provide on-going support to maintain inter-rater reliability, which is defined in the section.

Sec. 98. Michigan Virtual University (MVU) – REVISED

Executive redefines the role of the MVU and requires that it establish the Center for Online Learning Research and Innovation which would research, design and recommend online and blended learning education delivery models, online assessments, criteria to monitor and evaluate cyber schools and online course providers, analyze student performance and course completion data from cyber schools and online course providers, design professional development for online learning, as well as a number of other related requirements as specified in statute.

House concurs with the Executive, but does not establish the advisory committee.

Sec. 147. Michigan Public School Employees Retirement System (MPERS) Employer Contribution Rates – REVISED

Estimates the MPERS employer contribution rates for FYs 2012-13 and 2013-14 as follows:

	FY 2011-12		FY 2012-13		FY 2013-14	
	Employees Pre-July 1, 2010	Employees on or after July 1, 2010	Employees Pre-July 1, 2010	Employees on or after July 1, 2010	Employees Pre-July 1, 2010	Employees on or after July 1, 2010
Pension Normal Rate	3.74%	2.24%	3.47%	2.24%	3.94%	2.67%
Pension Unfunded Accrued Liability (UAL)	12.49%	12.49%	12.49%	12.49%	15.86%	15.86%
Early Retirement Incentive (5 - years)	0%	0%	2.66%	2.66%	2.66%	2.66%
Retiree Health Rate	8.50%	8.50%	8.75%	8.75%	8.75%	8.75%
Total Rate	24.46%	23.23%	27.37%	26.14%	31.21%	29.94%

SCHOOL AID LINE ITEM SUMMARY

Sec.	Foundation Allowance Increases:	FY 2011-12	FY 2012-13		FY 2012-13	
		Year-to-Date	Change from FY 2011-12	Executive Recommendation	Change from FY 2011-12	House Subcommittee
11g	Durant - Debt Service	\$39,000,000		\$39,000,000		\$39,000,000
11j	School Bond Redemption Fund	\$93,575,300	\$26,814,700	\$120,390,000	\$26,814,700	\$120,390,000
11m	Cash Flow Borrowing Costs	\$8,500,000	\$1,500,000	\$10,000,000	\$1,500,000	\$10,000,000
11p	Federal Ed Jobs Funding	\$4,700,000	(\$4,700,000)	\$0	(\$4,700,000)	\$0
22a	Proposal A Obligation Payment	\$5,769,000,000	(\$62,000,000)	\$5,707,000,000	(\$62,000,000)	\$5,707,000,000
22b	Discretionary Payment - State	\$3,052,000,000	(\$25,000,000)	\$3,027,000,000	\$25,000,000	\$3,077,000,000
22d	Isolated District Funding	\$2,025,000		\$2,025,000		\$2,025,000
22e	MBT Impact on Out of Formula Districts	\$700,000	(\$700,000)	\$0	(\$700,000)	\$0
22f	Best Practices	\$154,000,000	\$36,000,000	\$190,000,000	(\$39,000,000)	\$115,000,000
22g	Consolidation Innovation Grants - NEW	\$0	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
22h	Distressed District Student Transition Grants	\$4,000,000	(\$4,000,000)	\$0	(\$4,000,000)	\$0
22i	Technology Infrastructure Improvement Grants	\$0		\$0		\$75,000,000
24	Court-Placed Pupils	\$8,000,000		\$8,000,000		\$8,000,000
24a	Juvenile Detention Facility Programs	\$2,114,800	\$21,000	\$2,135,800	\$21,000	\$2,135,800
24c	Youth Challenge Program	\$765,600		\$765,600		\$765,600
26a	Renaissance Zone Reimbursement	\$26,300,000		\$26,300,000	\$3,000,000	\$29,300,000
26b	PILT Reimbursement	\$1,838,000		\$1,838,000		\$1,838,000
31a	"At Risk" Pupil Support	\$308,988,200		\$308,988,200		\$308,988,200
31a(6)	School Based Health Centers	\$3,557,300		\$3,557,300		\$3,557,300
31a(7)	Hearing and Vision Screening	\$5,150,000		\$5,150,000		\$5,150,000
31d	State School Lunch Programs	\$22,495,100		\$22,495,100		\$22,495,100
31d	Federal School Lunch Programs	\$402,506,000		\$402,506,000		\$402,506,000
31f	School Breakfast Program	\$9,625,000		\$9,625,000		\$9,625,000
32b	ECIC Collaborative Grants	\$5,900,000		\$5,900,000		\$5,900,000
32d	Great Start School Readiness - District Grants	\$95,700,000		\$95,700,000		\$95,700,000
32d	Great Start School Readiness - Competitive	\$8,875,000		\$8,875,000		\$8,875,000
32g	Early Learning Assessment/Quality Rating - NEW	\$12,500,000	(\$12,500,000)	\$0	(\$12,500,000)	\$0
32j	Great Parents Great Start ISD Grants	\$5,000,000		\$5,000,000		\$5,000,000
39a1	Federal "No Child Left Behind"	\$761,973,600	\$50,354,900	\$812,328,500	\$50,354,900	\$812,328,500
39a2	Other Federal Funding	\$32,359,700	\$1,154,400	\$33,514,100	\$1,154,400	\$33,514,100
51a(1)	Special Education - Federal Reimbursement	\$363,400,000	\$1,600,000	\$365,000,000	\$1,600,000	\$365,000,000
51a(2)	Special Ed ISD Foundation and Costs	\$247,000,000	\$10,300,000	\$257,300,000	\$10,300,000	\$257,300,000
51a(3)	Special Ed ISD Hold Harmless Payment	\$1,000,000		\$1,000,000		\$1,000,000
51a(6)	Special Ed Admin Rules Changes	\$2,200,000		\$2,200,000		\$2,200,000
51a(12)	Special Ed Foundations for Non Sec. 52 to ISDs	\$5,000,000	(\$200,000)	\$4,800,000	(\$200,000)	\$4,800,000
51c	Special Ed Headlee Obligation (Durant)	\$647,500,000	\$25,400,000	\$672,900,000	\$25,400,000	\$672,900,000
51d	Special Education - Other Federal Grants	\$74,000,000		\$74,000,000		\$74,000,000
53a	Special Ed for Court Placed Pupils	\$13,500,000		\$13,500,000		\$13,500,000
54	Special Ed Michigan School Blind/Deaf	\$1,688,000		\$1,688,000		\$1,688,000
56	Special Ed ISD Millage Equalization	\$36,881,100		\$36,881,100		\$36,881,100
61a	Vocational-Technical Education Programs	\$26,611,300		\$26,611,300	\$3,388,700	\$30,000,000
62	ISD Vocational Education Millage Equalization	\$9,000,000		\$9,000,000		\$9,000,000
74	Bus Driver Safety Instruction	\$1,625,000		\$1,625,000		\$1,625,000
74	School Bus Inspections	\$1,608,900	\$26,000	\$1,634,900	\$26,000	\$1,634,900
81	ISD General Operations Support	\$62,108,000		\$62,108,000	\$3,105,000	\$65,213,000
93	State Aid to Libraries for MELCat Support	\$1,304,300		\$1,304,300		\$1,304,300
94a	Center for Educational Performance	\$5,768,700	\$3,449,700	\$9,218,400	\$3,449,700	\$9,218,400
94a	Center for Educational Performance - Federal	\$2,893,200	(\$2,699,700)	\$193,500	(\$2,699,700)	\$193,500
95	Principal Educator Evaluation Training - NEW	\$0	\$1,750,000	\$1,750,000	\$1,750,000	\$1,750,000
98	Michigan Virtual School	\$1,687,500	\$2,700,000	\$4,387,500	\$2,700,000	\$4,387,500
98	Michigan Virtual School - Federal	\$2,700,000	(\$2,700,000)	\$0	(\$2,700,000)	\$0
99	Math and Science Centers - State	\$2,625,000		\$2,625,000		\$2,625,000
99	Math and Science Centers - Federal	\$5,249,300		\$5,249,300		\$5,249,300
104	MEAP Testing - State	\$35,194,400	(\$8,500,000)	\$26,694,400	(\$8,500,000)	\$26,694,400
104	MEAP Testing - Federal	\$8,250,000		\$8,250,000		\$8,250,000
107	Adult Education	\$22,000,000		\$22,000,000		\$22,000,000
147a	MPSERS One Time Cost Offset	\$155,000,000	\$24,000,000	\$179,000,000	\$93,506,300	\$248,506,300
147b	MPSERS Reserve for Retirement Obligation Reform	\$133,000,000	(\$133,000,000)	\$0	(\$133,000,000)	\$0
152a	Adair - Database Payment	\$34,064,500	\$3,936,000	\$38,000,500	\$3,936,000	\$38,000,500
TOTAL APPROPRIATIONS		\$12,744,007,800	(\$56,993,000)	\$12,687,014,800	\$72,007,000	\$12,816,014,800
REVENUE BY SOURCE						
	Federal Aid	\$1,658,031,800	\$43,009,600	\$1,701,041,400	\$43,009,600	\$1,701,041,400
	School Aid Fund	\$10,967,333,600	(\$181,360,200)	\$10,785,973,400	(\$185,360,200)	\$10,781,973,400
	General Fund/General Purpose	\$118,642,400	\$81,357,600	\$200,000,000	\$214,357,600	\$333,000,000
TOTAL REVENUE		\$12,744,007,800	(\$56,993,000)	\$12,687,014,800	\$72,007,000	\$12,816,014,800

FY 2012-13: COMMUNITY COLLEGES
Summary: As Reported by House Subcommittee (HB 5369)
Article II, House Bill 5372 (H-1) Draft 1



Analyst: Erik Jonasson

	FY 2011-12 YTD as of 2/9/12	FY 2012-13 Revised Executive	FY 2012-13 House	FY 2012-13 Senate	FY 2012-13 Enacted	Difference: House From FY 2011-12 YTD	
						Amount	%
IDG/IDT	\$0	\$0	\$0			\$0	--
Federal	0	0	0			\$0	--
Local	0	0	0			\$0	--
Private	0	0	0			\$0	--
Restricted	195,880,500	197,614,100	197,614,100			1,733,600	0.9
GF/GP	88,000,000	96,516,400	96,516,400			8,516,400	9.7
Gross	\$283,880,500	\$294,130,500	\$294,130,500			\$10,250,000	3.6
FTEs	0.0	0.0	0.0			0.0	--

Notes: (1) FY 2011-12 year-to-date (YTD) figures include mid-year budget adjustments through February 9, 2012.
(2) Appropriation figures for all years include all proposed appropriation amounts, including both standard line items and appropriations designated as one-time.

Overview

The Community Colleges budget supports the 28 community colleges located throughout the state. The colleges are governed by locally-elected boards of trustees. The colleges offer numerous educational programs aimed at traditional transfer students, career and technical education, developmental and remedial education, and continuing education courses. The colleges are funded through a combination of state aid, local property tax revenue, tuition and fees revenue, and other sources of revenue such as federal grants and investment earnings. State aid makes up about 19% of total community college general fund operating revenue, although the revenue mix varies considerably among the colleges.

		FY 2011-12 Year-to-Date (as of 2/9/12)	FY 2012-13 House Change
Major Budget Changes From FY 2011-12 YTD Appropriations			
1. Operations Funding	Gross	\$283,880,500	\$0
<u>Executive</u> proposes an increase funding for community college operations of 3% (\$8.5 million GF/GP), with the funding increase distributed according to a performance funding formula. The performance funding formula appropriates funds based on the three-year average of degree completions in critical skills areas. <u>House</u> retains operations funding at FY 2011-12 levels, but replaces some School Aid Fund revenue with GF/GP.	Restricted	195,880,500	(8,516,400)
	GF/GP	\$88,000,000	\$8,516,400
2. MPSERS Retirement Contributions	Gross	N/A	\$10,250,000
<u>Executive</u> proposes distributing \$1.7 million from the School Aid Fund (SAF) to community colleges to offset a portion of retirement contributions owed by colleges for FY 2012-13, based on each college's proportion of the Michigan Public School Employee's Retirement System-covered payroll. <u>House</u> increases MPSERS contribution to \$10.2 million in School Aid Fund revenue at a rate of 3.6% of each community college's operations funding.	Restricted	N/A	10,250,000

Major Boilerplate Changes From FY 2011-12

Sec. 205. Deprived and Depressed Communities – DELETED

Encourages colleges to ensure businesses in economically distressed areas compete for and perform contracts. Executive deletes, House concurs with deletion.

Sec. 206. Payment of Appropriations – REVISED

Provides for 11 payments per year to community colleges; directs Department of Treasury to withhold appropriations if colleges fail to submit Activities Classification Structure data. Executive adds authority to withhold appropriations if P-20 longitudinal data system data is not reported, and gives the state budget director the authority to determine if a community college in compliance with the provisions of this section. House concurs with executive, with revised language.

Major Boilerplate Changes From FY 2011-12

Sec. 208. Capital Outlay Funding – REVISED

Requires that funding appropriated in section 201 is not used to pay for the construction or maintenance of a self-liquidating project. Executive removes requirement that community colleges comply with requirements of the joint capital outlay subcommittee. House concurs.

Sec. 209. Transparency Website – REVISED

Requires the colleges to post general fund expenditures on their websites. Executive deletes, House revises to require additional information to be posted on the web, including the number of faculty, number and range of employees at each position title, the number of students enrolled, and the number of students who received a degree in the most recently completed academic year.

Sec. 210. Collaboration With Four-Year Universities, Local Employers, and Each Other – DELETED

Encourages colleges to collaborate with four-year universities, particularly in areas of training, instruction, program articulation, and meeting local employment needs. Executive deletes, House concurs with deletion.

Sec. 210a. Block Transfer – REVISED

Establishes a 24-member committee made up of representatives from community colleges, universities, and the legislature to develop a process to improve the transferability of core college courses between community colleges and universities, including the development of equivalency standards and identifying equivalent courses offered by the institutions. Executive deletes, House retains section, reducing the number of representatives from community colleges and public universities from ten to five, and adds an additional report to be completed by September 1, 2013.

Sec. 214. Remedial Education Assessment Cut Score – DELETED

Establishes a 12-member committee of community college representatives, K-12 education representatives, and lawmakers to develop a common set of "cut scores" to be utilized by the colleges to determine the placement of recent high school graduates in remedial education courses at the college. Executive deletes, House concurs with deletion.

Sec. 219. Recovery Act P-20 Data System – REVISED

Provides that colleges shall comply with the provisions in the American Recovery and Reinvestment Act concerning the establishment of a statewide P-20 longitudinal data system. Executive retains with wording changes, House revises to require community colleges to submit P-20 data by June 30 of each year.

Sec. 229a. State Building Authority Rent Payments – NEW

Executive adds language indicating the state share of costs for previously constructed capital outlay projects for community colleges. House concurs.

Sec 230. Performance Indicators Formula – DELETED

States intent that formula developed by performance indicator task force be used for funding distribution in future years. Executive deletes, House concurs with deletion.

Funding for Community Colleges - Comparison of HB 5369 with Executive Recommendation

	FY 2011-12 YTD		Executive Appropriation		House Appropriation		Estimated Difference Between Executive and House
	Operations Funding	Performance Funding	MPERS Allocation (Estimated)	Total Estimated Appropriation	MPERS Allocation	Total Appropriation	
Apena	\$4,984,300	\$168,400	\$20,400	\$5,173,100	\$180,000	\$5,164,300	(\$8,800)
Bay de Noc	\$5,040,200	\$139,900	\$17,200	\$5,197,300	\$182,000	\$5,222,200	\$24,900
Delta	\$13,336,200	\$583,100	\$88,400	\$14,007,700	\$481,500	\$13,817,700	(\$190,000)
Glen Oaks	\$2,320,900	\$72,800	\$8,400	\$2,402,100	\$83,800	\$2,404,700	\$2,600
Gogebic	\$4,140,500	\$103,400	\$11,400	\$4,255,300	\$149,500	\$4,290,000	\$34,700
Grand Rapids	\$16,649,700	\$333,400	\$156,500	\$17,139,600	\$601,200	\$17,250,900	\$111,300
Henry Ford	\$20,145,000	\$430,200	\$127,700	\$20,702,900	\$727,400	\$20,872,400	\$169,500
Jackson	\$11,219,700	\$331,600	\$44,100	\$11,595,400	\$405,100	\$11,624,800	\$29,400
Kalamazoo Valley	\$11,522,700	\$399,300	\$65,800	\$11,987,800	\$416,100	\$11,938,800	(\$49,000)
Kellogg	\$9,047,900	\$279,200	\$34,900	\$9,362,000	\$326,700	\$9,374,600	\$12,600
Kirtland	\$2,872,900	\$155,400	\$21,700	\$3,050,000	\$103,700	\$2,976,600	(\$73,400)
Lake Michigan	\$4,937,700	\$100,200	\$29,700	\$5,067,600	\$178,300	\$5,116,000	\$48,400
Lansing	\$28,651,900	\$919,800	\$143,900	\$29,715,600	\$1,034,500	\$29,686,400	(\$29,200)
Macomb	\$30,490,300	\$693,800	\$149,900	\$31,334,000	\$1,100,900	\$31,591,200	\$257,200
Mid Michigan	\$4,266,800	\$189,800	\$29,500	\$4,486,100	\$154,100	\$4,420,900	(\$65,200)
Monroe County	\$4,094,000	\$118,500	\$34,100	\$4,246,600	\$147,800	\$4,241,800	(\$4,800)
Montcalm	\$2,946,800	\$103,200	\$17,600	\$3,067,600	\$106,400	\$3,053,200	(\$14,400)
Mott	\$14,526,400	\$416,300	\$81,800	\$15,024,500	\$524,500	\$15,050,900	\$26,400
Muskegon	\$8,256,700	\$155,200	\$31,800	\$8,443,700	\$298,100	\$8,554,800	\$111,100
North Central	\$2,886,500	\$76,600	\$16,800	\$2,979,900	\$104,200	\$2,990,700	\$10,800
Northwestern	\$8,430,300	\$112,100	\$40,900	\$8,583,300	\$304,400	\$8,734,700	\$151,400
Oakland	\$19,455,900	\$478,900	\$177,600	\$20,112,400	\$702,500	\$20,158,400	\$46,000
St. Clair County	\$6,534,100	\$559,500	\$35,400	\$7,129,000	\$235,900	\$6,770,000	(\$359,000)
Schoolcraft	\$11,477,300	\$90,400	\$97,700	\$11,665,400	\$414,400	\$11,891,700	\$226,300
Southwestern	\$6,143,700	\$192,200	\$13,400	\$6,349,300	\$221,800	\$6,365,500	\$16,200
Washtenaw	\$11,827,300	\$990,900	\$106,700	\$12,924,900	\$427,000	\$12,254,300	(\$670,600)
Wayne County	\$15,425,900	\$277,400	\$117,300	\$15,820,600	\$557,000	\$15,982,900	\$162,300
West Shore	\$2,248,900	\$44,900	\$13,000	\$2,306,800	\$81,200	\$2,330,100	\$23,300
Total	\$283,880,500	\$8,516,400	\$1,733,600	\$294,130,500	\$10,250,000	\$294,130,500	\$0

FY 2012-13: HIGHER EDUCATION
Summary: As Reported by House Subcommittee (HB 5370)
Article III, House Bill 5372 (H-1) Draft 1



Analyst: Kyle I. Jen

	FY 2011-12 YTD as of 2/9/12	FY 2012-13 Revised Executive	FY 2012-13 House	FY 2012-13 Senate	FY 2012-13 Enacted	Difference: House From FY 2011-12 YTD Amount	%
IDG/IDT	\$0	\$0	\$0			\$0	--
Federal	98,326,400	97,026,400	99,026,400			700,000	0.7
Local	0	0	0			0	--
Private	0	0	0			0	--
Restricted	200,219,500	200,565,700	200,565,700			346,200	0.2
GF/GP	1,065,632,500	1,102,389,400	1,100,049,500			34,417,000	3.2
Gross	\$1,364,178,400	\$1,399,981,500	\$1,399,641,600			\$35,463,200	2.6
FTEs	0.0	0.0	0.0			0.0	--

Notes: (1) FY 2011-12 year-to-date (YTD) figures include mid-year budget adjustments through February 9, 2012.
(2) Appropriation figures for all years include all proposed appropriation amounts, including both standard line items and appropriations designated as one-time.

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.

	FY 2011-12 Year-to-Date (as of 2/9/12)	FY 2012-13 House Change
Gross	\$1,207,234,700	\$36,217,000
Restricted	200,019,500	0
GF/GP	\$1,007,215,200	\$36,217,000

Major Budget Changes From FY 2011-12 YTD Appropriations

1. University Operations

Executive includes increase of \$36.2 million GF/GP (3.0%) to be distributed to the 15 public universities through four performance funding components of \$9.1 million each: degree completion growth, critical skills area degree completion, Pell Grant enrollment, tuition restraint component (for universities increasing tuition below 4.0%). Under first three components (based on three-year averages) university funding increases range from 0.9% to 7.6% (average of 2.25%). Universities could receive additional funds under tuition restraint component. Universities required to participate in Michigan Transfer Network to receive performance funding.

House includes same overall increase but distributes based on a single-component formula that weights undergraduate degrees and certificates (two-year average) according to program length and provides a double weight for degrees/certificates in critical skills areas (generally mirroring Executive list, with some differences). Formula initially allocates both 3.0% increase and 1.0% of base FY 2011-12 funding, providing \$836 per non-critical skills area bachelor's degree. Only the net increase from FY 2011-12 is appropriated as performance funding, with universities increases ranging from 0.5% to 7.4% (average of 3.0%; see attachment). FY 2011-12 university funding amounts continue as base operations appropriations.

Universities required to comply with five requirements to receive performance funding (see Sec. 265a):

- Tuition restraint: limit on resident undergraduate tuition/fee increase established on two-year basis: \$1,300 less FY 2011-12 tuition/fee increase less FY 2012-13 appropriation increase per undergraduate student (see Sec. 265a and attachment)
- Reporting on embryonic stem cell research (see Sec. 274)
- Certification that university participates in reverse transfer agreements with at least three Michigan community colleges
- Certification that dual enrollment policy that does not consider use of credits toward high school graduation requirements
- Certification that university does not compel resident undergraduate students to carry health insurance (exception for students in health programs that include clinical work)

Funds not paid to a university that does not meet all requirements would be reappropriated for various purposes.

Major Budget Changes From FY 2011-12 YTD Appropriations	FY 2011-12 Year-to-Date (as of 2/9/12)	FY 2012-13 House Change
1. University Operations cont.		
<u>Executive</u> and <u>House</u> maintain existing \$200.0 million in School Aid Fund revenue appropriated for university operations.		
<u>Executive</u> indicates that the same \$36.2 million would again be allocated based on performance funding in FY 2013-14 (that is, FY 2012-13 increases would not be rolled into ongoing university base appropriations). <u>House</u> states intent to include FY 2012-13 performance funding in base FY 2013-14 operations appropriations (with no further increase anticipated in FY 2013-14 for performance funding).		
2. Michigan Public School Employee Retirement System (MPSERS)		
<u>Executive</u> and <u>House</u> include \$446,200 (School Aid Fund) to be allocated to the seven universities with employees in MPSERS (Central, Eastern, Ferris, Lake Superior State, Michigan Tech, Northern, Western) in proportion to retiree health care costs, in order to offset a portion of those costs. <u>House</u> provides for additional funding if one or more universities forfeit performance funding (see Sec. 265a).	Gross Restricted	NA NA
		\$446,200 \$446,200
3. Agricultural Experiment and Cooperative Extension Activities		
<u>Executive</u> and <u>House</u> maintain flat funding from FY 2011-12 for Agricultural Experiment Station and Cooperative Extension Service operated by Michigan State University at \$52.6 million GF/GP. (<u>House</u> renames "MSU AgBioResearch and MSU Extension Activities.") <u>House</u> provides for additional funding if one or more universities forfeit performance funding (see Sec. 265a).	Gross GF/GP	\$52,625,800 \$52,625,800
		\$0 \$0
4. Facility for Rare Isotope Beams		
<u>Executive</u> continues appropriation for Facility for Rare Isotope Beams project at Michigan State, which had been designated as a one-time appropriation in FY 2011-12. Increases appropriation to \$2.3 million GF/GP in FY 2012-13 and \$5.0 million GF/GP in FY 2013-14 based on projected debt service schedule. <u>House</u> does not include this item in Higher Education budget (see Department of Treasury budget instead).	Gross GF/GP	\$1,200,000 \$1,200,000
		(\$1,200,000) (\$1,200,000)
5. One-Time Items		
<u>Executive</u> and <u>House</u> do not continue other FY 2011-12 appropriations designated as one-time (\$500,000 for Eastern Michigan and \$200,000 for Western Michigan).	Gross GF/GP	\$700,000 \$700,000
		(\$700,000) (\$700,000)
6. State Competitive Scholarships		
<u>Executive</u> and <u>House</u> increase appropriation by \$2.0 million, to \$20.4 million (TANF), based on a projected increase in eligible students. Program provides merit-/need-based awards to students at public/independent institutions. Maximum scholarship to be maintained at FY 2011-12 level of \$575.	Gross Federal	\$18,361,700 18,361,700
		\$2,000,000 2,000,000
7. Tuition Grants		
<u>Executive</u> reduces appropriation by \$1.0 million, to \$30.7 million (TANF), based on a projected decline in eligible students. Program provides need-based awards to students at independent colleges. Maximum grant to be maintained at FY 2011-12 level of \$1,512. Performance reporting requirements added for independent colleges to participate in program (see Sec. 252). <u>House</u> instead increases appropriation by \$1.0 million (\$2.0 million above Executive Budget) and includes only intent language regarding independent college data reporting.	Gross Federal	\$31,664,700 31,664,700
		\$1,000,000 1,000,000
8. Tuition Incentive Program		
<u>Executive</u> and <u>House</u> reduce appropriation by \$1.0 million, to \$42.8 million (TANF), due to lower program cost growth since FY 2010-11. Program pays associate's degree tuition costs for Medicaid-eligible middle- and high-school students who go on to graduate from high school and enroll in college.	Gross Federal	\$43,800,000 43,800,000
		(\$1,000,000) (1,000,000)
9. Robert C. Byrd Scholarship		
<u>Executive</u> and <u>House</u> remove \$1.3 million in funding for merit-based Robert C. Byrd Honors Scholarships due to federal funding elimination.	Gross Federal	\$1,300,000 1,300,000
		(\$1,300,000) (1,300,000)

<u>Major Budget Changes From FY 2011-12 YTD Appropriations</u>		<u>FY 2011-12 Year-to-Date (as of 2/9/12)</u>	<u>FY 2012-13 House Change</u>
10. Children of Veterans Tuition Grant Program	Gross	\$1,200,000	\$0
<u>Executive</u> and <u>House</u> replace \$100,000 in restricted funds with \$100,000 GF/GP to reflect declining income tax check-off contributions for program. (Line item also funds Officer's Survivor Tuition Program.)	Restricted	200,000	(100,000)
	GF/GP	\$1,000,000	\$100,000
11. Other Higher Education Programs	Gross	\$6,091,500	\$0
<u>Executive</u> and <u>House</u> maintain flat appropriation levels for Project GEAR-UP scholarships (\$3.2 million Federal), the King-Chavez-Parks grant programs (\$2.7 million GF/GP), the higher education database (\$105,000 GF/GP), and Midwestern Higher Education Compact dues (\$95,000 GF/GP).	Federal	3,200,000	0
	GF/GP	\$2,891,500	\$0
12. Anticipated FY 2013-14 Budget Changes			
<u>House</u> reflects no anticipated increase from FY 2012-13 budget to FY 2013-14. (See item 1 above and Sec.236a below. Boilerplate intent language only; would not be binding appropriations.)			

Major Boilerplate Changes From FY 2011-12

Sec. 236a. FY 2012-13 Appropriations – REVISED

States intent to provide same appropriation amounts for subsequent budget year, adjusted for caseload costs and other factors. Executive includes full listing of anticipated FY 2013-14 appropriation amounts. House retains current language and adds statement of intent that FY 2012-13 performance funding increases will be included in FY 2013-14 university base appropriations.

Sec. 236b. Federal Contingency Funds – NEW

Appropriates up to \$6.0 million in contingency funds, to be transferred to specific line items through the legislative transfer process. Executive and House add new section.

Sec. 237a. Research University Definition – DELETED

Defines the term "Research University" to include three categories under Carnegie Classifications. Executive and House delete.

Sec. 237b. Definitions – NEW

Defines the term "Workforce Development Agency." Executive and House add new section.

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 universities not use appropriations to purchase vehicles assembled outside U.S. Executive deletes; House retains.

Sec. 240. Deprived and Depressed Communities – DELETED

Directs universities to ensure that businesses in deprived and depressed communities compete for and perform contracts. Executive and House delete.

Sec. 241. Payment of Appropriations – RETAINED

Provides for 11 monthly payments to universities; directs Department of Treasury to withhold appropriations if universities fail to submit HEIDI data by specified deadlines. Executive revises to allow, rather than require, withholding of appropriation. House retains current language.

Sec. 242. Federal or Private Funds – REVISED

Appropriates federal or private funds received by the state for use by a college or university. Executive and House remove statement about receipt of funding not placing obligation on Legislature.

Sec. 244. Postsecondary Student Data System – REVISED

Requires universities to cooperate with measures taken by state to comply with American Recovery and Reinvestment Act (ARRA) provisions requiring establishment of a statewide P-20 education longitudinal data system. Executive and House revise to remove reference to ARRA and authorize state budget director to withhold monthly payments for a university not in compliance with section.

Major Boilerplate Changes From FY 2011-12

Sec. 245. Posting of Expenditures – RETAINED

Requires report from each university categorizing institutional general fund expenditures among major categories for all academic/administration units and initiatives, as well as a list of all employee salary amounts for positions funded by institutional general fund. Executive revises to remove salary information from reporting requirements. House retains current language and adds deadline (December 15).

Sec. 246. MPSERS Reimbursement – NEW

Provides for allocation of funding to the seven universities with employees in MPSERS (Central, Eastern, Ferris, Lake Superior State, Michigan Tech, Northern, Western) in proportion to retiree health care costs. House adds new section (Executive included language in appropriation section).

Sec. 251. State Competitive Scholarship Program – REVISED

Provides for distribution of funds appropriated for State Competitive Scholarships; specifies maximum grant amount of at least \$600, unless insufficient funds are available, in which case a report is required. Executive and House revise to reflect actual FY 2011-12 maximum grant amount of \$575.

Sec. 252. Tuition Grant Program – REVISED

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 for carry forward of unexpended funds; caps awards received by students at a single institution at \$3.0 million. Executive revises to move application deadline from July 1 to March 1 for FY 2013-14 and subsequent years, remove carry forward provision, and add student-level data and performance reporting requirements in order for an institution to participate in the program. House retains current deadline, concurs with removing carry forward provision, includes intent that independent institutions work with the Center for Educational Performance and Information to work toward establishment of a student-level data reporting process, and adds provision for report if additional funds are available beyond \$1,512 maximum award amount.

Sec. 254. Financial Aid Payment Schedules – REVISED

Specifies 50%/50%/0%/0% quarterly payment schedule for financial aid programs. Executive and House revise to 50%/30%/10%/10% schedule.

Sec. 256. Tuition Incentive Program – REVISED

Specifies criteria for Tuition Incentive Program eligibility. Executive and House revise to allow students with high school certificates of completion to participate and include more specific process for certifying Medicaid eligibility.

Sec. 260. Purpose of University Appropriations – NEW

States intent that operations appropriations to universities be used to reduce the cost charged to Michigan residents to enroll in an undergraduate instructional program. House adds new section.

Sec. 261. Douglas Lake Biological Station – RETAINED

Designates University of Michigan Douglas Lake Biological Station as a unique resource. Executive deletes; House retains.

Sec. 262. Textbook Policies – DELETED

States intent that each university submit a report on policies for minimizing the costs of textbooks. Executive and House delete.

Sec. 263. Project GREEN – REVISED

Allocates \$5.6 million from Agricultural Experiment and Cooperative Extension Activities appropriation for Project GREEN (Generating Research and Extension to meet Environmental and Economic Needs); requires annual report. House deletes reporting requirement (similar report required in Sec. 263a); renames programs as "MSU AgBioResearch" and "MSU Extension."

Sec. 263a. Research and Outreach Priorities – REVISED

Directs Michigan State University to develop, in consultation with Agricultural Experiment and Cooperative Extension Service stakeholders, a set of research and outreach priorities and convene a summit on production agriculture; requires report on fund sources and review of major programs. Executive deletes; House retains but revises to provide for establishment of a strategic growth initiative for the food agriculture industry and state intent regarding metric goals that will be used to evaluate impacts of MSU AgBioResearch and MSU Extension (renamed).

Sec. 265. Tuition Restraint – REVISED

Provides for tuition restraint incentive funds appropriated to universities to be paid only if a university certifies that it did not adopt an increase in FY 2010-11 resident undergraduate tuition/fees after February 1, 2011, and that it will not adopt an increase in FY 2011-12 resident undergraduate tuition/fees that is greater than the prior-five-year statewide average tuition/fee increase (7.1%). Executive revises to provide for allocation of funding component tied to tuition restraint in FY 2012-13; universities holding resident undergraduate tuition/fee increase below 4.0% would receive funds in proportion to amount below 4.1%. Expands definition of "tuition and fee rate" to be more specific. Deletes related financial reporting requirements. House concurs with new definition of "tuition and fee rate" but ties tuition restraint requirements to full amount of performance funding (see Sec. 265a) and sets FY 2012-13 tuition restraint limit on two-year basis: \$1,300 minus a university's FY 2011-12 tuition and fee rate increase and the FY 2012-13 performance funding received by the university divided by its total FY 2010-11 undergraduate fiscal year equated students (equates to range of 0.0% to 9.6%; average of 4.6%; see attachment). Retains related financial reporting requirements.

Major Boilerplate Changes From FY 2011-12

Sec. 265a. University Performance Funding – NEW

Requires universities to participate in Michigan Transfer Network to receive performance funding, describe calculation of performance funding amounts, and requires new reporting regarding graduates receiving Pell Grants (to be used as part of FY 2013-14 performance funding). Executive adds new section. House includes alternate formula description and ties receipt of performance funding to four requirements:

- Tuition restraint: limit on resident undergraduate tuition/fee increase established on two-year basis: \$1,300 less FY 2011-12 tuition/fee increase less FY 2012-13 appropriation increase per undergraduate student (see Sec. 365a and attachment)
- Reporting on embryonic stem cell research (see Sec. 274)
- Certification that university participates in reverse transfer agreements with at least three Michigan community colleges (see Sec. 286)
- Certification that dual enrollment policy that does not consider use of credits toward high school graduation requirements
- Certification that university does not compel resident undergraduate students to carry health insurance (exception for students in health programs that include clinical work)

Establishes process for universities to certify (by August 31, 2012) they have complied, or will comply with, all requirements. Provides for reappropriation of any funds forfeited due to discompliance:

- Up to \$1.1 million for MPERS reimbursement
- Up to \$1.6 million for MSU AgBioResearch and MSU Extension
- Any additional funds for university performance funding

Requires universities to begin reporting whether bachelor's degree completions require more than 120 credits (or 60 credits for associate's degrees). States intent that future performance funding will require an increased number of reverse transfer agreements, require participation in a core college course process with community colleges, and consider the number of GI Bill participants enrolled and completing degrees at each university.

Sec. 266. University Funding Formula – DELETED

States that, in subsequent budget years, university operations funding shall be allocated to each university using an incentive-based formula developed and enacted by the Legislature. Executive and House delete (formula would be established in new Sec. 265a).

Sec. 268. Unfunded Indian Tuition Waiver Costs – RETAINED

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

Sec. 270a. Consolidation of Purchases – RETAINED

Requires universities to coordinate purchases of goods and services; requires report from Presidents Council on purchasing and associated savings. Executive deletes; House retains.

Sec. 271. Academic Program Accreditation – DELETED

Requires universities to report on direct expenditures made for academic program accreditation. Executive and House delete.

Sec. 272. Transfer Credit Reporting – DELETED

Requires universities to report on the number of transfer credits rejected for incoming students. Executive and House delete.

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 – NEW

States intent that universities not collaborate with a non-profit worker center whose documented activities include coercion through protest, demonstration, or organization against a Michigan business. House adds new section.

Sec. 274. Embryonic Stem Cell Research – REVISED

States intent that universities conducting research using human embryonic stem cells report to the Department of Community Health regarding embryos and stem cell lines received or utilized by the university. Executive deletes. House retains but revises to make reporting a condition of receiving performance funding (see Sec. 265a) and change report recipients to state budget director, appropriations subcommittees, and fiscal agencies.

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. 275. Veterans Policies – REVISED

States intent for universities to participate in the Yellow Ribbon GI Education Enhancement Program and provide other veterans-related services; requires report on program participation. Executive and House revise to remove reporting requirement.

Major Boilerplate Changes From FY 2011-12

Sec. 275a. Capital Outlay Reporting – REVISED

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 revise to remove reference reporting requirements and specified penalty.

Sec. 283. Information to High Schools – REVISED

Requires universities to inform high schools regarding the academic status of students from each high school. Executive and House revise to require universities to work with Center for Educational Performance and Information to implement the requirement.

Sec. 284. Information to Community Colleges – REVISED

Requires universities to inform community colleges regarding the academic status of transfer students. Executive and House revise to require universities to work with Center for Educational Performance and Information to implement the requirement.

Sec. 290. Degree Programs – REVISED

Lists new degree programs established by public universities for which credit hours may be reported to HEIDI. Executive deletes; House retains and inserts new list from Presidents Council.

Sec. 292. Crime Statistics – DELETED

Requires universities to make materials prepared in accordance with federal crime and campus security reporting requirements available through the Internet. Executive and House delete.

Sec. 293. Student Records – DELETED

Requires universities to provide student record information to persons authorized by a student. Executive and House delete.

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

States amounts appropriated through the Department of Technology, Management, and Budget for SBA rent payments associated with state share of costs for previous capital projects at universities (total: \$124.0 million). Executive and House add new section.

Sec. 294. One-Time Appropriations – DELETED

Appropriates \$1.9 million GF/GP on a one-time basis only in FY 2011-12 (see items 4 and 5 in Major Budget Changes section.) Executive and House delete.

FY 2012-13 Degree Completion-Based University Performance Funding

Article III, House Bill 5372 (H-1) Draft 1

New Funding	\$36,217,000
Percent of Base	1.0%
Base Funding Subject to Formula	\$12,072,300
Total Funding Allocated Through Formula	\$48,289,300
*Critical Skills Weight	2.0
Funding per Critical Skills Bachelor's Degree	\$1,672
Funding per Other Bachelor's Degree	\$836

Other Undergrad Levels	Critical Skills	Other
Associate's: .50	\$836	\$418
Certificates, > 1 but < 2 years: .375	\$627	\$314
Certificates, < 1 year: .125	\$209	\$105

Weighted Degrees/Certificates

University	FY 2011-12 Appropriation	FY 2009-10	FY 2010-11	Two-Year Average	1.0% Reduction	Formula Funding	Net Increase: Performance **Funding	Percent Change
Central	\$68,108,900	4,392	4,472	4,432	(\$681,089)	\$3,705,718	\$3,024,600	4.4
Eastern	64,619,100	3,668	3,729	3,699	(646,191)	3,092,418	2,446,200	3.8
Ferris	41,324,300	3,561	3,836	3,698	(413,243)	3,092,261	2,679,000	6.5
Grand Valley	52,677,400	5,226	5,360	5,293	(526,774)	4,425,415	3,898,700	7.4
Lake Superior	10,789,500	622	716	669	(107,895)	559,631	451,700	4.2
Michigan State	241,120,800	11,136	10,876	11,006	(2,411,208)	9,202,630	6,791,400	2.8
Michigan Tech	40,733,600	2,123	1,904	2,014	(407,336)	1,683,648	1,276,300	3.1
Northern	38,367,400	1,782	1,879	1,830	(383,674)	1,530,323	1,146,700	3.0
Oakland	43,145,000	3,252	3,577	3,415	(431,450)	2,854,958	2,423,500	5.6
Saginaw Valley	23,561,500	1,519	1,680	1,600	(235,615)	1,337,386	1,101,800	4.7
UM-Ann Arbor	268,803,300	8,832	9,049	8,941	(2,688,033)	7,475,400	4,787,400	1.8
UM-Dearborn	21,016,300	1,550	1,541	1,546	(210,163)	1,292,235	1,082,100	5.1
UM-Flint	17,762,400	1,342	1,311	1,327	(177,624)	1,109,123	931,500	5.2
Wayne State	182,036,900	3,246	3,441	3,344	(1,820,369)	2,795,593	975,200	0.5
Western	93,168,300	4,933	4,952	4,943	(931,683)	4,132,561	3,200,900	3.4
TOTAL	\$1,207,234,700	57,184	58,323	57,754	(\$12,072,347)	\$48,289,300	\$36,217,000	3.0

*Critical Skills Areas

- Accounting
- Agriculture, Ag Operations, and Related Sciences
- Biological and Biomedical Sciences
- Communications Technologies/Techs & Supp Services
- Computer and Information Sciences & Support Services
- Engineering
- Engineering Technologies & Engineer-Related Fields
- Health Professions and Related Sciences
- Mathematics and Statistics
- Mechanic and Repair Technologies/Technicians
- Multi/Interdisciplinary Studies (Biological/Physical Sciences, Math/Computer Science)
- Natural Resources and Conservation
- Physical Sciences
- Precision Production
- Science Technologies/Technicians
- Transportation and Materials Moving

**Rounded to nearest \$100

FY 2012-13 Tuition Restraint Limits

Article III, House Bill 5372 (H-1) Draft 1
Average Full-Time Resident Undergraduate Rates*

University	FY 2011-12 Tuition Increases			FY 2012-13 Tuition Restraint Limits						
	FY 2010-11 Tuition/Fee Rate	FY 2011-12 Tuition/Fee Rate	\$ Increase	% Increase	Initial Limit: \$1,300	LESS FY 2011-12 Tuition/Fee Increase	LESS Approp Increase per **UG FYES	Limit: FY 2012-13 Tuition/Fee Increase	Limit: FY 2012-13 Tuition/Fee Rate	% Increase
Central	\$10,065	\$10,740	\$675	6.7	\$1,300	\$675	\$157	\$468	\$11,208	4.4
Eastern	8,399	8,705	306	3.6	1,300	306	156	838	9,543	9.6
Ferris	9,930	10,440	510	5.1	1,300	510	248	542	10,982	5.2
Grand Valley	9,314	9,958	644	6.9	1,300	644	198	458	10,416	4.6
Lake Superior	8,795	9,395	600	6.8	1,300	600	190	510	9,905	5.4
Michigan State	11,670	12,768	1,098	9.4	1,300	1,098	197	5	12,773	0.0
Michigan Tech	13,007	13,911	904	7.0	1,300	904	227	169	14,080	1.2
Northern	7,728	8,470	742	9.6	1,300	742	140	418	8,888	4.9
Oakland	9,716	10,399	683	7.0	1,300	683	178	439	10,838	4.2
Saginaw Valley	7,308	7,815	507	6.9	1,300	507	137	656	8,471	8.4
UM-Ann Arbor	12,590	13,437	847	6.7	1,300	847	177	276	13,713	2.1
UM-Dearborn	9,575	10,236	661	6.9	1,300	661	188	451	10,687	4.4
UM-Flint	8,656	9,243	587	6.8	1,300	587	166	547	9,790	5.9
Wayne State	9,732	10,578	846	8.7	1,300	846	59	395	10,973	3.7
Western	9,510	10,140	630	6.6	1,300	630	172	498	10,638	4.9
Unweighted Avg.	\$9,733	\$10,416	\$683	7.0	\$1,300	\$683	\$173	\$445	\$10,860	4.6

* Average for four undergraduate classes based on the two semesters with highest levels of full-time equated enrollment; includes all fees charged to at least one-half of students; net of any uniformly-provided rebates

**Proposed FY 2012-13 performance funding increase divided by total FY 2010-11 undergraduate fiscal year equated students (FYES)