

FY 2014-15: HIGHER EDUCATION
Summary: As Passed by the Senate
Senate Bill 768 (S-1) as Amended



Analyst: Kyle I. Jen

IDG/IDT	FY 2013-14 YTD as of 2/5/14	FY 2014-15 Executive	FY 2014-15 House	FY 2014-15 Senate	FY 2014-15 Enacted	Difference: Senate From FY 2013-14 YTD	
						Amount	%
	\$0	\$0	\$0	\$0		\$0	--
Federal	97,026,400	97,026,400	97,026,400	97,026,400		0	0.0
Local	0	0	0	0		0	--
Private	0	0	0	0		0	--
Restricted	200,565,700	200,565,700	200,565,700	215,565,700		15,000,000	7.5
GF/GP	1,132,981,400	1,214,902,000	1,209,902,000	1,214,902,000		81,920,600	7.2
Gross	\$1,430,573,500	\$1,512,494,100	\$1,507,494,100	\$1,527,494,100		\$96,920,600	6.8
FTEs	0.0	0.0	0.0	0.0		0.0	--

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts 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 AgBioResearch and Extension programs operated by Michigan State University, various financial aid programs for students attending public and independent colleges and universities in the state, and several other smaller higher education-related programs.

NOTE: Information on House budget action in this document is based on House Bill 5314 as passed by the House.

Major Budget Changes From FY 2013-14 YTD Appropriations

1. University Operations

Executive increases total university operations funding by \$76.9 million GF/GP (6.1%). Percentage increases for individual universities range from 4.0% to 9.5%. Half of the overall increase is distributed in proportion to FY 2010-11 university appropriation amounts (prior to FY 2011-12 15.0% reduction). Remaining half is distributed among the universities based on continuing performance funding formula. Only significant change in formula from FY 2013-14 is addition of component based on enrollment of Pell Grant students compared to national peers. To receive the funding increase, a university would have to restrain its FY 2014-15 resident undergraduate tuition/fee increase to 3.2% or lower and comply with three other continuing policy requirements (see Sec. 265a).

	FY 2013-14 Year-to-Date (as of 2/5/14)	FY 2014-15 Senate Change
Gross	\$1,265,320,700	\$76,392,000
Restricted	200,019,500	0
GF/GP	\$1,065,301,200	\$76,392,000

House provides lower increase of \$70.4 million (5.6%; \$6.5 million below the Executive level). Concurs with all Executive formula components and changes. Percentage increases for individual universities range from 3.7% to 8.7%. House also concurs with tuition restraint level of 3.2% and other performance funding requirements.

Senate reduces base operations appropriation for Michigan State University by \$500,000 (see Section 271a) and concurs with Executive on performance funding increase level (\$76.9 million), formula calculations, and performance funding requirements (including 3.2% tuition restraint limit).

2. MSU AgBioResearch and Extension

Executive increases funding for AgBioResearch and Extension programs operated by Michigan State University by \$3.4 million GF/GP (6.1%).

Gross	\$56,288,700	\$3,433,600
GF/GP	\$56,288,700	\$3,433,600

House provides lower increase of \$3.1 million (5.6%; \$300,500 below the Executive level). Proposed appropriations for FY 2014-15 are \$31.9 million and \$27.5 million GF/GP, respectively.

Senate concurs with Executive.

		FY 2013-14 Year-to-Date (as of 2/5/14)	FY 2014-15 Senate Change
<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>			
3. MPERS Reform	Gross	NA	\$15,000,000
<u>Senate</u> adds \$15.0 million in School Aid Fund revenue for a proposed rate cap for university contributions to Michigan Public School Employees' Retirement System (MPERS). Employees hired prior to 1996 at seven universities are members of the system: Central, Eastern, Ferris, Lake Superior State, Michigan Tech, Northern, and Western.	Restricted	NA	15,000,000
4. Indian Tuition Waiver Costs	Gross	NA	\$500,000
<u>Senate</u> adds \$500,000 GF/GP to partially offset costs to universities of waiving tuition for North American Indian students under state statute.	GF/GP	NA	\$500,000
5. Tuition Grant Program	Gross	\$31,664,700	\$0
<u>Executive</u> maintains appropriation for need-based financial aid to students at independent colleges at FY 2013-14 level of \$31.7 million (Federal TANF). Adds requirement that colleges submit student performance data as condition of participation in program.	Federal	31,644,700	0
	GF/GP	\$0	\$0
<u>House</u> increases appropriation by \$1.8 million GF/GP (5.6%) and partially concurs with proposed performance reporting requirements (see Sec. 252 below).			
<u>Senate</u> concurs with Executive.			
6. Tuition Incentive Program	Gross	\$47,000,000	\$1,500,000
<u>Executive</u> increases appropriation for program paying associate's degree tuition costs for Medicaid-eligible middle and high school students by \$1.5 million GF/GP (3.2%) to fund continued projected growth in program participation. Proposed appropriation for FY 2014-15 is \$48.5 million Gross (43.8 million Federal TANF, \$4.7 million GF/GP). <u>House</u> and <u>Senate</u> concur.	Federal	43,800,000	0
	GF/GP	\$3,200,000	\$1,500,000
7. Higher Education Database	Gross	\$105,000	\$95,000
<u>Executive</u> increases funding for maintenance of state database to \$200,000 GF/GP in order to continue improvements in system functionality. Public universities submit finance, enrollment, and other data annually under statutory and budget act requirements. <u>House</u> and <u>Senate</u> concur.	GF/GP	\$105,000	\$95,000
8. Other Higher Education Program	Gross	\$30,194,400	\$0
<u>Executive</u> , <u>House</u> , and <u>Senate</u> maintain funding for all other programs contained in Higher Education budget at current year levels:	Federal	21,561,700	0
• \$2.4 million (\$2.0 million GF/GP, \$446,200 SAF) for Michigan Public School Employees Retirement System Reimbursement.	Restricted	546,200	0
• \$2.0 million GF/GP for the College Access Program.	GF/GP	\$8,086,500	\$0
• \$95,000 GF/GP for Midwestern Higher Education Compact dues.			
• \$2.7 million GF/GP for King-Chavez-Parks Grant Programs.			
• \$18.4 million Federal TANF for the State Competitive Scholarship Program.			
• \$1.4 million (\$1.3 million GF/GP; \$100,000 Restricted) for the Children of Veterans and Officer's Survivor Tuition Grant Programs.			
• \$3.2 million Federal for Project GEAR-UP scholarships.			

Major Boilerplate Changes From FY 2013-14

NOTE: Sections with no proposed changes from FY 2013-14 do not appear in the annual budget bill but remain in compiled law and are applicable to FY 2014-15 appropriations.

GENERAL SECTIONS

Sec. 236c. State Building Authority (SBA) Rent Payments – REVISED

Lists amounts appropriated through Department of Technology, Management, and Budget, totaling \$125.4 million, for SBA rent payments associated with state costs for previous capital outlay projects at universities. Executive revises to update amounts, with new total of \$124.8 million. House and Senate concur.

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 and Senate retain.

Sec. 242. Federal or Private Funds – RETAINED

Appropriates federal or private funds received by the state for use by a college or university. Executive deletes language specifying that acceptance of funds does not create ongoing obligation. House and Senate retain current language.

Major Boilerplate Changes From FY 2013-14

Sec. 245. University Transparency – REVISED

Requires universities to post various budget, compensation (including salary list), other financial, and performance data, as well as transfer policies, on its website, using a standard format. Executive deletes requirement that state budget director determine compliance and language granting authority to withhold payments for a university not in compliance. House retains current language. Senate retains current language and adds new reporting requirements regarding opportunities for high school students to earn college credit.

GRANTS AND FINANCIAL AID

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; caps awards received by students at a single institution at \$3.0 million. Executive revises to move application deadline up from July 1 to March 1; deletes requirement that unexpended funds be carried forward to subsequent fiscal year; adds requirement that independent colleges submit data to state P-20 longitudinal data system, along with other specified student performance data (Tuition Grant students completing degrees, Tuition Grant students enrolled in remedial classes, and Pell Grant students completing degrees), in order for students at the college to participate in the program. House retains current deadline and carry forward provisions; does not concur with requirement that independent colleges to submit data to P-20 system but does concur with other performance data requirements added by Executive, to begin in August 2015; increases cap for single institution to \$3.5 million. Senate retains all current provisions; does not concur with any proposed performance data requirements.

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 revises to clarify application window for middle and high school students (deadline of August 31 of senior year); adds requirement that college students meet individual institutions' satisfactory academic progress policies. House and Senate concur.

UNIVERSITY OPERATIONS

Sec. 261. Douglas Lake Biological Station – RETAINED

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

Sec. 262a. Textbook Policies – RETAINED

States intent that universities develop policies for reviewing required textbook and course materials to minimize costs while maintaining quality of education; requires report on university policies. Executive deletes; House and Senate retain.

Sec. 265. Tuition Restraint Funding – REVISED

Provides tuition restraint requirements in order to receive performance funding. Executive revises to specify limit of 3.2% for resident undergraduate tuition/fee increase for FY 2014-15 (lowered from 3.75% for FY 2013-14); deletes 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 and Senate concur with 3.2% limit; retain health insurance-related language.

Sec. 265a. Performance Funding – REVISED

Includes requirements for a university to receive performance funding:

- Comply with tuition restraint requirements under section 265.
- Certify that university participates in reverse transfer agreements with at least three Michigan community colleges.
- Certify that dual enrollment policy does not consider use of credits toward high school graduation requirements.
- Participate in Michigan Transfer Network.

Establishes process for universities to certify (by August 31, 2012) they have complied with all requirements. Provides that performance funding forfeited by a university due to discompliance with boilerplate requirements be redistributed to other universities based on performance funding amounts. Describes data components utilized to calculate performance funding amounts and scoring system utilized for national peer comparisons. Executive revises to include funding allocated proportional to FY 2010-11 appropriation amounts and Pell Grant-based component. Deletes statement of intent to lower scoring for university improving over three-year period from 2 points to 1 point. House and Senate retain intent regarding scoring; concur with other Executive changes.

Sec. 268. Unfunded Indian Tuition Waiver Costs – REVISED

States legislative intent to allocate funds for unfunded Indian Tuition Waiver costs at universities from the General Fund. Requires Department of Civil Rights to report certain information related to the waivers. Executive deletes statement of intent. House retains statement. Senate retains statement of intent and adds language providing for allocation of funds appropriated for university waiver costs.

Sec. 271a. Union-Related Activities – NEW

States legislative intent that universities not participate in instructional activity that encourages or discourages union organizing of employees. Provides for appropriation for a university participating in such activity to be reduced by \$500,000 for each occurrence. Senate adds new section.

Sec. 271b. Student Health Insurance Coverage – NEW

Requires universities to report number of students who have and do not have health insurance and how much the university spent on health insurance for uninsured students. Senate adds new section.

Major Boilerplate Changes From FY 2013-14

Sec. 272a. Transfer Credit Reporting – REVISED

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. Executive revises to clarify that reporting applies only to resident students transferring from other institutions in Michigan. House and Senate concur.

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 and Senate retain.

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 and Senate retain.

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 and Senate retain.

Sec. 275. Veterans Policies – RETAINED

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. States intent that universities consider all veterans as in-state residents for determining tuition/fees and waive enrollment fees for all veterans. Executive deletes reporting requirement; House and Senate retain requirement; House adds additional reporting requirement regarding all veterans-related services.

Sec. 275a. Capital Outlay Reporting – RETAINED

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

MARTIN LUTHER KING, JR. - CESAR CHAVEZ - ROSA PARKS PROGRAMS

Sec. 282. Reallocation of KCP Funds – RETAINED

Provides for reallocation of KCP grant funds from institutions that do not fully expend their funds. Executive revises to allow up to \$100,000 in unexpended grant funds to be utilized for state administrative costs. House and Senate retain current language.

GENERAL REPORTS AND AUDITS

Sec. 293. Student Records – RETAINED

Requires universities to provide information from the records of a student to persons authorized by the student. Executive deletes; House and Senate retain.

Comparison: FY 2014-15 University Operations Appropriations

University	FY 2013-14 Year-to-Date	Executive Recommendation			House-Passed (HB 5314)			Senate-Passed (SB 768)			
		Performance Increase	Proposed Appropriation	Percent Change	Performance Increase	Proposed Appropriation	Percent Change	Base Reduction	Performance Increase	Proposed Appropriation	Percent Change
Central	\$73,540,100	\$5,743,300	\$79,283,400	7.8	\$5,260,600	\$78,800,700	7.2		\$5,743,300	\$79,283,400	7.8
Eastern	67,275,400	4,631,400	71,906,800	6.9	4,242,200	71,517,600	6.3		4,631,400	71,906,800	6.9
Ferris	45,636,500	3,554,700	49,191,200	7.8	3,256,000	48,892,500	7.1		3,554,700	49,191,200	7.8
Grand Valley	57,823,500	5,473,000	63,296,500	9.5	5,013,000	62,836,500	8.7		5,473,000	63,296,500	9.5
Lake Superior	12,231,000	568,100	12,799,100	4.6	520,500	12,751,500	4.3		568,100	12,799,100	4.6
Michigan State	249,597,800	15,279,400	264,877,200	6.1	13,995,300	263,593,100	5.6	(500,000)	15,279,400	264,377,200	5.9
Michigan Tech	43,473,800	2,523,300	45,997,100	5.8	2,311,200	45,785,000	5.3		2,523,300	45,997,100	5.8
Northern	41,741,400	2,612,400	44,353,800	6.3	2,392,800	44,134,200	5.7		2,612,400	44,353,800	6.3
Oakland	45,651,600	2,794,500	48,446,100	6.1	2,559,600	48,211,200	5.6		2,794,500	48,446,100	6.1
Saginaw Valley	25,991,000	1,668,100	27,659,100	6.4	1,527,900	27,518,900	5.9		1,668,100	27,659,100	6.4
UM-Ann Arbor	279,232,700	16,422,900	295,655,600	5.9	15,042,700	294,275,400	5.4		16,422,900	295,655,600	5.9
UM-Dearborn	22,510,400	1,214,500	23,724,900	5.4	1,112,500	23,622,900	4.9		1,214,500	23,724,900	5.4
UM-Flint	19,938,200	1,441,800	21,380,000	7.2	1,320,600	21,258,800	6.6		1,441,800	21,380,000	7.2
Wayne State	183,398,300	7,336,600	190,734,900	4.0	6,720,100	190,118,400	3.7		7,336,600	190,734,900	4.0
Western	97,279,000	5,628,000	102,907,000	5.8	5,155,000	102,434,000	5.3		5,628,000	102,907,000	5.8
TOTAL	\$1,265,320,700	\$76,892,000	\$1,342,212,700	6.1	\$70,430,000	\$1,335,750,700	5.6	(\$500,000)	\$76,892,000	\$1,341,712,700	6.0