

MEMORANDUM



DATE: January 10, 2006
TO: House Appropriations Subcommittee on Higher Education
FROM: Kyle I. Jen, Senior Fiscal Analyst
RE: Book Closing EO 2005-7 Restoration

Executive Order (EO) 2005-7 reduced FY 2004-05 state university operations appropriations by \$25.1 million. Pursuant to section 701(2) of Public Act 11 of 2005, \$13.8 million of this reduction was restored following the May 2005 revenue conference. Section 701(3) of the same public act provided that the remaining reduction of \$11.3 million would be restored if an unreserved GF/GP balance existed at the close of FY 2004-05.

At the recent conclusion of the FY 2004-05 book closing process, the State Budget Office determined that a sufficient balance did exist and the \$11.3 million payment was made to the universities last week. This payment can be characterized in two ways, depending on whether the payment is added to the universities' FY 2004-05 or FY 2005-06 appropriations, as explained below.

Book Closing Payment as FY 2004-05 State Appropriation

From the perspective of the state budget and accounting system, this payment completes the full restoration of the EO 2005-7 reductions to the universities' FY 2004-05 operations appropriations. As shown in Attachment 1, each university's final FY 2004-05 year-to-date appropriation has now been restored to the original FY 2004-05 enacted level (with the exception of Wayne State, which also had a \$5.6 million earmark for psychiatric training/research shifted to the DCH budget under EO 2005-7).

Attachment 1 also compares each university's enacted appropriation for FY 2005-06 with its FY 2004-05 year-to-date appropriation following the book closing payment. The base appropriation used to construct the FY 2005-06 Higher Education budget was the FY 2004-05 year-to-date level following EO 2005-7 but prior to the May partial restoration. Consequently, most universities show a lower appropriation in FY 2005-06 than in FY 2004-05 under this comparison, as shown in the final two columns of Attachment 1.

Book Closing Payment as FY 2005-06 University Revenue

The book closing payment was received by the universities more than six months after the close of their institutional fiscal years—which run from July to June (again with the exception of Wayne State, which operates on the same October-to-September fiscal year as the state). The universities, therefore, will have to recognize the funds received in January as FY 2005-06 revenue. Consistent with this accounting requirement, section 462 of the FY 2005-06 Higher Education budget article states the following:

Sec. 462. The funds appropriated in part 1 for state university operations are in addition to any funds appropriated for state university operations for state fiscal year 2004-2005 under section 701(3) of 2005 PA 11, which shall be recognized by the state universities as revenue in their institutional 2005-2006 fiscal years.

Attachment 2 compares the amount of state funds that will be received by the 15 state universities in their institutional 2004-05 and 2005-06 fiscal years—adding the book closing payment to the universities' enacted FY 2005-06 appropriations. Under this comparison, each university will receive at least as much revenue in FY 2005-06 as it did in FY 2004-05 (gaps of a few hundred dollars exist for Northern and Wayne State), as shown in the final column of Attachment 2.

In sum, the \$11.3 million book closing payment can be described in one of two ways:

- Completion of the full restoration of the EO 2005-7 reductions to the universities' FY 2004-05 state appropriations.
- An addition to the amount of revenue received from the state by the universities in FY 2005-06 that ensures equal or increased state funding to each university from FY 2004-05 to FY 2005-06.

Please call if you have questions regarding this information.

Attachments (2)

c: Mitch Bean, HFA Director
Mary Ann Cleary, HFA Associate Director
Key staff

C:\Documents and Settings\Kjen\My Documents\HIGHERED\FY06 BUDGET\book close \$ subcmte memo.doc

Attachment 1: FY 2004-05 and 2005-06 State Appropriation History

University	FY 2004-05							FY 2005-06		
	Enacted Appropriation	EO 2005-7: Shift to DCH Budget	EO 2005-7: Operations Reductions	May 2005 Restoration	January 2006 Restoration	Final Year-to-Date Appropriation	\$ Change from Enacted	Enacted Appropriation	\$ Change from FY 2004-05 Final YTD	% Change from FY 2004-05 Final YTD
Central	\$79,910,900		(\$1,403,300)	\$771,800	\$631,500	\$79,910,900	\$0	\$80,061,900	\$151,000	0.2
Eastern	77,295,800		(1,357,400)	746,600	610,800	77,295,800	0	76,140,600	(1,155,200)	(1.5)
Ferris	48,968,800		(859,900)	473,000	386,900	48,968,800	0	48,634,700	(334,100)	(0.7)
Grand Valley	57,904,100		(1,016,800)	559,200	457,600	57,904,100	0	61,129,900	3,225,800	5.6
Lake Superior	12,685,000		(222,900)	122,600	100,300	12,685,000	0	12,506,300	(178,700)	(1.4)
Michigan State	287,516,000		(5,049,100)	2,777,000	2,272,100	287,516,000	0	283,730,300	(3,785,700)	(1.3)
Michigan Tech	48,723,000		(855,600)	470,600	385,000	48,723,000	0	48,018,800	(704,200)	(1.4)
Northern	45,775,200		(803,700)	442,000	361,700	45,775,200	0	45,051,600	(723,600)	(1.6)
Oakland	48,106,100		(844,800)	464,600	380,200	48,106,100	0	50,685,700	2,579,600	5.4
Saginaw Valley	26,140,200		(459,000)	252,500	206,500	26,140,200	0	27,499,800	1,359,600	5.2
UM-Ann Arbor	320,662,000		(5,631,100)	3,097,100	2,534,000	320,662,000	0	316,368,500	(4,293,500)	(1.3)
UM-Dearborn	24,690,000		(433,600)	238,500	195,100	24,690,000	0	24,739,200	49,200	0.2
UM-Flint	21,228,000		(372,800)	205,000	167,800	21,228,000	0	20,903,100	(324,900)	(1.5)
Wayne State	223,714,300	(5,605,900)	(3,823,800)	2,103,100	1,720,700	218,108,400	(5,605,900)	214,666,300	(3,442,100)	(1.6)
Western	110,847,100		(1,946,600)	1,070,600	876,000	110,847,100	0	109,695,200	(1,151,900)	(1.0)
TOTAL	\$1,434,166,500	(\$5,605,900)	(\$25,080,400)	\$13,794,200	\$11,286,200	\$1,428,560,600	(\$5,605,900)	\$1,419,831,900	(\$8,728,700)	(0.6)

Prepared by Kyle I. Jen, House Fiscal Agency

C:\Documents and Settings\Kjen\My Documents\HIGHERED\FY06 BUDGET\jan05 subcmte memo attach.xls]attach1

Updated: 01/04/06

Printed: 01/09/06

Attachment 2: Comparison of State Funding Received in FY 2004-05 and FY 2005-06

	FY 2004-05				FY 2005-06			Total Funds Received: FY 2005-06 vs. FY 2004-05
	Enacted Appropriation	EO 2005-7 Reduction	May 2005 Restoration	Total Funds Received	Enacted Appropriation	January 2006 *Restoration	Total Funds Received	
Central	\$79,910,900	(\$1,403,300)	\$771,800	\$79,279,400	\$80,061,900	\$631,500	\$80,693,400	\$1,414,000
Eastern	77,295,800	(1,357,400)	746,600	76,685,000	76,140,600	610,800	76,751,400	66,400
Ferris	48,968,800	(859,900)	473,000	48,581,900	48,634,700	386,900	49,021,600	439,700
Grand Valley	57,904,100	(1,016,800)	559,200	57,446,500	61,129,900	457,600	61,587,500	4,141,000
Lake Superior	12,685,000	(222,900)	122,600	12,584,700	12,506,300	100,300	12,606,600	21,900
Michigan State	287,516,000	(5,049,100)	2,777,000	285,243,900	283,730,300	2,272,100	286,002,400	758,500
Michigan Tech	48,723,000	(855,600)	470,600	48,338,000	48,018,800	385,000	48,403,800	65,800
Northern	45,775,200	(803,700)	442,000	45,413,500	45,051,600	361,700	45,413,300	(200)
Oakland	48,106,100	(844,800)	464,600	47,725,900	50,685,700	380,200	51,065,900	3,340,000
Saginaw Valley	26,140,200	(459,000)	252,500	25,933,700	27,499,800	206,500	27,706,300	1,772,600
UM-Ann Arbor	320,662,000	(5,631,100)	3,097,100	318,128,000	316,368,500	2,534,000	318,902,500	774,500
UM-Dearborn	24,690,000	(433,600)	238,500	24,494,900	24,739,200	195,100	24,934,300	439,400
UM-Flint	21,228,000	(372,800)	205,000	21,060,200	20,903,100	167,800	21,070,900	10,700
Wayne State**	223,714,300	(9,429,700)	2,103,100	216,387,700	214,666,300	1,720,700	216,387,000	(700)
Western	110,847,100	(1,946,600)	1,070,600	109,971,100	109,695,200	876,000	110,571,200	600,100
TOTAL	\$1,434,166,500	(\$30,686,300)	\$13,794,200	\$1,417,274,400	\$1,419,831,900	\$11,286,200	\$1,431,118,100	\$13,843,700

*Payment made by state at FY 2004-05 book closing; funds will be recognized by universities in institutional FY 2005-06

**EO 2005-7 reduction includes both shift of psychiatric research/training funds to DCH budget and operations reduction

Prepared by Kyle I. Jen, House Fiscal Agency

C:\Documents and Settings\Kjen\My Documents\HIGHERED\FY06 BUDGET\[jan05 subcmte memo attach.xls]attach2

Updated: 01/04/06

Printed: 01/09/06