

**Summary: Executive Budget Recommendation
for Fiscal Years 2011-12 and 2012-13
HIGHER EDUCATION**



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	FY 2010-11 Year-to-Date as of 2/17/11	FY 2011-12 Executive	Difference: FY 2011-12 Vs. FY 2010-11		FY 2012-13 Executive	Difference: FY 2012-13 Vs. FY 2011-12	
			Amount	%		Amount	%
IDG/IDT	\$0	\$0	\$0	--	\$0	\$0	--
Federal	4,500,000	98,326,400	93,826,400	2,085.0	107,086,400	8,760,000	8.9
Local	0	0	0	--	0	0	--
Private	0	0	0	--	0	0	--
Restricted	30,400,000	699,919,500	669,519,500	2,202.4	699,919,500	0	0.0
GF/GP	1,543,378,500	564,032,500	(979,346,000)	(63.5)	564,032,500	0	0.0
Gross	\$1,578,278,500	\$1,362,278,400	(\$216,000,100)	(13.7)	\$1,371,038,400	\$8,760,000	0.6
FTEs	1.0	1.0	0.0	0.0	1.0	0.0	0.0

Notes: (1) FY 2010-11 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 17, 2011.

(2) FY 2012-13 figures are projected or proposed budget amounts only and would not be legally-binding appropriations.

(3) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Higher Education budget contains 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.

Under the FY 2011-12 and FY 2012-13 Executive Budget, the Higher Education budget is merged into the School Aid Act.

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>	FY 2010-11 YTD (as of 2/17/11)	Executive Changes		
		FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13	
1. University Operations	Gross	\$1,420,344,900	(\$213,110,200)	\$0
Makes the following adjustments to FY 2011-12 operations appropriations for the 15 public universities:	Restricted	0	699,719,500	0
	GF/GP	\$1,420,344,900	(\$912,829,700)	\$0

- Reduces each university's appropriation by 15.0%, for a total reduction of \$213.1 million GF/GP.
- From remaining appropriations, sets aside a total of \$83.0 million in tuition restraint incentive funding (separate line items). Under proposed boilerplate language, these funds would be paid only if a university held its FY 2011-12 resident undergraduate tuition/fee rate increase below the prior-five-year state average of 7.1%. Individual university incentive amounts are based on that university's average tuition/fee rate increase over the last five years, ranging from 5.1% to 9.8% of proposed FY 2011-12 appropriation amounts.
- Replaces \$699.7 million in GF/GP funds with School Aid Fund revenue; School Aid Fund revenue makes up 58.0% of each university's proposed FY 2011-12 appropriation amount.

For FY 2012-13, the Executive Budget proposes to roll university operations funding into a single funding amount of \$1,207.2 million (no change from FY 2011-12 total); proposed boilerplate language would provide for funding to be allocated to the universities using an incentive-based formula to be developed by the state budget director and enacted by the Legislature.

Executive Changes

Major Budget Changes From FY 2010-11 YTD Appropriations		FY 2010-11 YTD (as of 2/17/11)	FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
2. Agricultural Experiment Station and Cooperative Extension Service	Gross	\$61,915,700	(\$9,289,900)	\$0
Combines two existing appropriations into a single appropriation for Agricultural Experiment and Cooperative Extension Activities, with a 15.0% reduction in total funding (\$9.3 million GF/GP). Proposed FY 2011-12 funding of \$52.6 million; no further change proposed for FY 2012-13.	GF/GP	\$61,915,700	(\$9,289,900)	\$0
3. Need-Based Financial Aid	Gross	\$51,526,400	\$0	\$0
Combines funding for existing State Competitive Scholarship (\$19.9 million) and Tuition Grant (\$31.7 million) programs into new appropriation of \$51.5 million for a proposed Pathway to Higher Education Program. New program would provide need-based financial aid awards to students attending either public or private colleges and universities who have an Expected Family Contribution (EFC) of \$3,800 or less (roughly corresponding to an Adjusted Gross Income of \$50,000); projected maximum award amount would be \$875 per year, with awards made to roughly 55,000 students. No change in proposed funding from FY 2011-12 to FY 2012-13.	Federal	1,500,000	50,026,400	0
Replaces state-level funding for major state financial aid programs with federal TANF funding in order to improve the state's ability to meet federal TANF maintenance-of-effort (MOE) requirements, consistent with supplemental adjustments made in the FY 2007-08, FY 2008-09, and FY 2009-10 budgets. Offsetting adjustments are proposed in the Human Services budget. Use of TANF funds for financial aid programs also proposed for FY 2012-13.	GF/GP	\$50,026,400	(\$50,026,400)	\$0
4. Tuition Incentive Program (TIP)	Gross	\$37,400,000	\$6,400,000	\$8,760,000
Increases funding for TIP by \$6.4 million for FY 2011-12 (17.1%) to fund projected increase in program participation and costs. TIP pays associate's degree tuition/fee costs for Medicaid-eligible middle- and high-school students who go on to graduate from high school and enroll in college. Additional projected cost increase of \$8.8 million for FY 2012-13 (20.0%).	Federal	0	43,800,000	8,760,000
See final paragraph under item 3 above regarding proposed TANF fund shift.	Restricted	30,100,000	(30,100,000)	0
	GF/GP	\$7,300,000	(\$7,300,000)	\$0
5. Children of Veterans and Officer's Survivor Tuition Programs	Gross	\$1,200,000	\$0	\$0
Replaces \$100,000 in state restricted funding with GF/GP funding to reflect that collections from the state income tax form check-off box for the Children of Veterans Tuition Program have been below the currently-appropriated amount of \$300,000. No further change proposed for FY 2012-13.	Restricted	300,000	(100,000)	0
	GF/GP	\$900,000	\$100,000	\$0
6. Other Higher Education Programs	Gross	\$5,891,500	\$0	\$0
Maintains appropriations for King-Chavez-Parks grant programs, Robert C. Byrd Honors Scholarship (federal), Project GEAR UP (federal), Higher Education database costs, and Midwest Higher Education Compact dues at current-year levels for both FY 2011-12 and FY 2012-13.	Federal	3,000,000	0	0
	GF/GP	\$2,891,500	\$0	\$0

Major Boilerplate Changes From FY 2010-11

NOTES: (1) No new boilerplate language is proposed for FY 2012-13. (2) Under Executive Budget, boilerplate sections are renumbered as sections of School Aid Act; standard sections are consolidated to apply to all appropriations in act. New sections proposed under the Executive Budget are inserted below based on current-year section ordering by topic.

Sec. 209. American Goods and Services – DELETED

States preference for American goods and services, as well as those produced in Michigan and those produced by businesses owned by veterans.

Major Boilerplate Changes From FY 2010-11

Sec. 210. Foreign Auto Manufacturers – DELETED

States intent that funds appropriated to universities not be used to purchase vehicles assembled outside U.S.

Sec. 211. Deprived and Depressed Communities – DELETED

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

Sec. 212(3). Fiscal Agency Report – DELETED

Requires report from fiscal agencies on procedures used to arrive at appropriation amounts.

Sec. 214. Tuition Tax Credit – DELETED

Requires universities to submit Michigan Tuition Tax Credit notification to fiscal agencies. (Credit would be eliminated under proposed tax reform plan.)

Sec. 218. Posting of Expenditures – DELETED

States intent that universities maintain a publicly-accessible website containing all expenditures made within a fiscal year, along with the purpose of each expenditure; prohibits university from expending more than \$100 to implement the website.

Sec. 301. State Competitive Scholarship Program– DELETED

Provides for distribution of funds appropriated for State Competitive Scholarships; specifies maximum grant amount of at least \$1,300, unless insufficient funds are available, in which case a report is required. (Program eliminated, with funding rolled into new program, under Executive Budget.)

Sec. 302. Tuition Grant Program – DELETED

Provides for distribution of funds appropriated for Tuition Grants; specifies maximum grant amount of at least \$2,100, unless insufficient funds are available, in which case a report is required; limits award eligibility to undergraduate students; provides that unexpended funds at close of FY 2010-11 remain available for expenditure in FY 2011-12; caps awards received by students at a single institution at \$3.0 million. (Program eliminated, with funding rolled into new program, under Executive Budget.)

Sec. 182A. Pathway to Higher Education Program – NEW

Specifies provisions for new program proposed under Executive Budget. Program would provide need-based financial aid awards to students attending either public or private colleges and universities who have an Expected Family Contribution (EFC) of \$3,800 or less. Students receiving TIP assistance would not be eligible for program.

Sec. 308. Financial Aid Payment Schedules – REVISED

Specifies quarterly payment schedules for the various financial aid programs. TIP schedule changed from 40/40/10/10 to 50/50. (New Sec. 182C)

Sec. 309. Needs Analysis Criteria – DELETED

Requires Michigan Higher Education Assistance Authority (MHEAA) to determine the needs analysis criteria for students to qualify for State Competitive Scholarships and Tuition Grants.

Sec. 315. Financial Aid Annual Report – DELETED

Requires annual report from Department of Treasury on all state financial aid programs.

Sec. 183A. Tuition Restraint Incentive – NEW

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%).

Sec. 183B. University Funding Formula – NEW

States that, beginning in FY 2012-13, university operations funding shall be allocated to each university using an incentive-based formula developed by the state budget director, with the advice of relevant stakeholders, and enacted by the Legislature.

Sec. 402. Douglas Lake Biological Station – DELETED

Designates University of Michigan Douglas Lake Biological Station as a unique resource.

Sec. 426. Private Bookstores – DELETED

States intent that each university develop policies for minimizing the costs of textbooks and course materials and submit a report on those policies.

Sec. 433. Project GREEN – REVISED

Allocates \$5.6 million from Agricultural Experiment Station and Cooperative Extension appropriations for Project GREEN (Generating Research and Extension to meet Environmental and Economic Needs); requires annual report. Reporting requirement is deleted. (New Sec. 183C)

Sec. 436. Tuition Increases – DELETED

States intent for universities to increase general fund financial aid expenditures by at the least the same percentage as resident undergraduate tuition/fees, with an emphasis on need-based awards; requires a report on increases in those amounts, as well as other key financial indicators.

Major Boilerplate Changes From FY 2010-11

Sec. 450. Per-Student Floor Funding – DELETED

States legislative intent to allocate funds for funding floor of \$3,775 per fiscal year equated student from year-end GF/GP unreserved balance.

Sec. 451. Unfunded Indian Tuition Waiver Costs – DELETED

States legislative intent to allocate funds for unfunded Indian Tuition Waiver costs from year-end GF/GP unreserved balance.

Sec. 463. Students from Macomb County – DELETED

Requires universities to report regarding outreach efforts to enroll students from Macomb County.

Sec. 464. Research Commercialization – DELETED

Requires universities to submit plan to inform private/public sectors regarding research that could be commercialized.

Sec. 466. Consolidation of Services – DELETED

Requires universities to coordinate purchases of goods and services, including use of MiDEAL and MHEC.

Sec. 469. Graduates Receiving Pell Grants – DELETED

Requires universities to report the number of graduates who received Pell Grants during their enrollment.

Sec. 480. Veterans Policies – DELETED

States intent for universities to participate in the Yellow Ribbon GI Education Enhancement Program; requires report on program participation.

Sec. 481. Urban Centers – DELETED

States intent to consider an appropriation for grants to hire a consultant if a university is exploring the possibility of creating an urban center or core in its community.

Sec. 490. HEIDI Advisory Committee – DELETED

Designates funds appropriated for maintenance of HEIDI database established in statute.

Sec. 701a. Degree Programs – DELETED

Lists new degree programs established by public universities for which credit hours may be reported to HEIDI. (List of new programs not yet available from Presidents Council.)

Sec. 702. Responses to Audit Reports – DELETED

Requires universities to report on implementation of audit report recommendations.

Sec. 709. Crime Statistics – DELETED

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

Sec. 714. Student Records – DELETED

Requires universities to provide information from the records of a student to persons authorized by student.

Sec. 195 School Aid Proration – NEW

Subjects portion of university appropriations funded from School Aid Fund revenue to proration process currently in place for School Aid budget.

Public University Funding

FY 2011-12 Executive Recommendation

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
University	FY 2010-11 Year-to-Date as of 2/17/11	15.0% Across- the-Board Reduction	FY 2011-12 Exec Rec	Change from FY 2010-11 YTD		*Amount Contingent on Tuition Restraint		FY 2011-12 Exec Rec Fund Sourcing		
				\$ Amount	Percent	\$ Amount	% of Exec	GF/GP	School Aid	School Aid %
Michigan State	\$283,685,200	(\$42,564,400)	\$241,120,800	(\$42,564,400)	(15.0)	\$18,324,600	7.6	\$101,366,000	\$139,754,800	58.0
UM - Ann Arbor	316,254,500	(47,451,200)	268,803,300	(47,451,200)	(15.0)	13,871,500	5.2	113,003,500	155,799,800	58.0
Wayne State	214,171,400	(32,134,500)	182,036,900	(32,134,500)	(15.0)	12,827,500	7.0	76,527,400	105,509,500	58.0
Central Michigan	\$80,132,000	(\$12,023,100)	\$68,108,900	(\$12,023,100)	(15.0)	\$6,677,800	9.8	\$28,632,600	\$39,476,300	58.0
Eastern Michigan	76,026,200	(11,407,100)	64,619,100	(11,407,100)	(15.0)	3,299,200	5.1	27,165,500	37,453,600	58.0
Ferris State	48,619,200	(7,294,900)	41,324,300	(7,294,900)	(15.0)	3,352,700	8.1	17,372,400	23,951,900	58.0
Grand Valley State	61,976,400	(9,299,000)	52,677,400	(9,299,000)	(15.0)	4,245,900	8.1	22,145,300	30,532,100	58.0
Lake Superior State	12,694,200	(1,904,700)	10,789,500	(1,904,700)	(15.0)	734,400	6.8	4,535,800	6,253,700	58.0
Michigan Tech	47,924,200	(7,190,600)	40,733,600	(7,190,600)	(15.0)	3,323,900	8.2	17,124,200	23,609,400	58.0
Northern Michigan	45,140,300	(6,772,900)	38,367,400	(6,772,900)	(15.0)	2,142,200	5.6	16,129,500	22,237,900	58.0
Oakland	50,761,300	(7,616,300)	43,145,000	(7,616,300)	(15.0)	3,831,500	8.9	18,137,900	25,007,100	58.0
Saginaw Valley State	27,720,700	(4,159,200)	23,561,500	(4,159,200)	(15.0)	1,592,200	6.8	9,905,200	13,656,300	58.0
UM - Dearborn	24,726,200	(3,709,900)	21,016,300	(3,709,900)	(15.0)	1,388,900	6.6	8,835,200	12,181,100	58.0
UM - Flint	20,898,000	(3,135,600)	17,762,400	(3,135,600)	(15.0)	1,083,000	6.1	7,467,200	10,295,200	58.0
Western Michigan	109,615,100	(16,446,800)	93,168,300	(16,446,800)	(15.0)	6,301,600	6.8	39,167,500	54,000,800	58.0
University Operations	\$1,420,344,900	(\$213,110,200)	\$1,207,234,700	(\$213,110,200)	(15.0)	\$82,996,900	6.9	\$507,515,200	\$699,719,500	58.0
Ag Experiment/Extension	\$61,915,700	(\$9,289,900)	\$52,625,800	(\$9,289,900)	(15.0)	\$0	0.0	\$52,625,800	\$0	0.0
TOTAL	\$1,482,260,600	(\$222,400,100)	\$1,259,860,500	(\$222,400,100)	(15.0)	\$82,996,900	6.6	\$560,141,000	\$699,719,500	55.5

*Amounts in column (6) are included in column (3). That is, a university not complying with the tuition restraint policy would see an additional reduction beyond the amount in column (2).

House Fiscal Agency: 2/22/11