

**Summary: Executive Budget Recommendation
for Fiscal Years 2014-15 and 2015-16
HIGHER EDUCATION**



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	FY 2013-14 Year-to-Date as of 2/5/14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
			Amount	%		Amount	%
IDG/IDT	\$0	\$0	\$0	--	\$0	\$0	--
Federal	97,026,400	97,026,400	0	0.0	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	0	0.0	200,565,700	0	0.0
GF/GP	1,132,981,400	1,214,902,000	81,920,600	7.2	1,214,902,000	0	0.0
Gross	\$1,430,573,500	\$1,512,494,100	\$81,920,600	5.7	\$1,512,494,100	0	0.0
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." (3) FY 2015-16 figures are projected budget amounts only and would not be legally binding appropriations.

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.

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>	FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
		FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
1. University Operations	Gross \$1,265,320,700	\$76,892,000	\$0
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).	Restricted 200,019,500	0	0
	GF/GP \$1,065,301,200	\$76,892,000	\$0

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).

Re-aligns \$200.0 million in School Aid Fund (SAF) revenue among 15 university appropriations as equal percentage of total, with no net change in SAF funding.

No further adjustments included in FY 2015-16 planning budget.

2. MSU AgBioResearch and Extension

Increases funding for AgBioResearch and Extension programs operated by Michigan State University by \$3.4 million GF/GP (6.1%). Proposed appropriations for FY 2014-15 are \$32.1 million and \$27.6 million GF/GP, respectively.

Gross	\$56,288,700	\$3,433,600	\$0
GF/GP	\$56,288,700	\$3,433,600	\$0

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>	<u>Executive Changes</u>			
		<u>FY 2013-14 YTD (as of 2/5/14)</u>	<u>FY 2013-14 to FY 2014-15</u>	<u>FY 2014-15 to FY 2015-16</u>
3. Tuition Grant Program	Gross	\$31,664,700	\$0	\$0
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	0
4. Tuition Incentive Program	Gross	\$47,000,000	\$1,500,000	\$0
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).	Federal	43,800,000	0	0
	GF/GP	\$3,200,000	\$1,500,000	\$0
5. Higher Education Database	Gross	\$105,000	\$95,000	\$0
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.	GF/GP	\$105,000	\$95,000	\$0
6. Other Higher Education Program	Gross	\$30,194,400	\$0	\$0
Maintains funding for all other programs contained in Higher Education budget at current year levels:	Federal	21,561,700	0	0
• \$2.4 million (\$2.0 million GF/GP, \$446,200 SAF) for Michigan Public School Employees Retirement System Reimbursement.	Restricted	546,200	0	0
• \$2.0 million GF/GP for the College Access Program.	GF/GP	\$8,086,500	\$0	\$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

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. Revised to update amounts, with new total of \$124.8 million.

Sec. 239a. Foreign Auto Manufacturers – DELETED

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

Sec. 242. Federal or Private Funds – REVISED

Appropriates federal or private funds received by the state for use by a college or university. Deletes language specifying that acceptance of funds does not create ongoing obligation.

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. Deletes requirement that state budget director determine compliance and language granting authority to withhold payments for a university not in compliance.

Major Boilerplate Changes From FY 2013-14

GRANTS AND FINANCIAL AID

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; caps awards received by students at a single institution at \$3.0 million. Revised 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.

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. Revised 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.

UNIVERSITY OPERATIONS

Sec. 261. Douglas Lake Biological Station – DELETED

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

Sec. 262a. Textbook Policies – DELETED

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.

Sec. 265. Tuition Restraint Funding – REVISED

Provides tuition restraint requirements in order to receive performance funding. Revised 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.

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 noncompliance 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.

Revised 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.

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. Deletes statement of intent.

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. Revised to clarify that reporting applies only to resident students transferring from other institutions in Michigan.

Sec. 273. Student Religious Beliefs – DELETED

States intent that universities report on efforts to accommodate the religious beliefs of students in accredited counseling programs.

Sec. 274. Embryonic Stem Cell Research – DELETED

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.

Sec. 274a. Adult Coresident Health Benefits – DELETED

States intent that universities not provide benefits to unmarried adult coresidents or their dependents and report on the costs of providing any such benefits.

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. States intent that universities consider all veterans as in-state residents for determining tuition/fees and waive enrollment fees for all veterans. Deletes reporting requirement.

Major Boilerplate Changes From FY 2013-14

Sec. 275a. Capital Outlay Reporting – DELETED

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.

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

Sec. 282. Reallocation of KCP Funds – REVISED

Provides for reallocation of KCP grant funds from institutions that do not fully expend their funds. Revised to allow up to \$100,000 in unexpended grant funds to be utilized for state administrative costs.

GENERAL REPORTS AND AUDITS

Sec. 293. Student Records – DELETED

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

Summary: FY 2014-15 University Performance Funding Increases
Executive Recommendation

University	FY 2013-14 Year-to-Date Appropriation	Proportional to FY 2010-11	Performance Funding Proportional to Share of Total				Performance Funding Scored vs. National Carnegie Peers									*Total Funding Increase	Proposed FY 2014-15 Appropriation	Percent Change
		50.0%	11.1%		5.6%		33.3%											
		Funding per unit:	\$573 per completion		\$0.0033 per dollar		\$14.04 per weighted point											
		Funding	Critical Skills Undergrad Completions	Funding	Research & Development Expenditures	Funding	6-year Grad Rate	Total Degrees	Institut Support as % of Expends	Pell Grant Students	Total Points	Total Undergrad FYES	FYES- Weighted Points	Funding				
Michigan State	\$249,597,800	\$7,678,812	2,718	\$1,558,482	\$318,951,530	\$1,057,934	2	3	2	3	10	35,494	354,940	\$4,984,188	\$15,279,400	\$264,877,200	6.1%	
UM-Ann Arbor	279,232,700	8,560,400	2,743	1,572,744	714,903,000	2,371,270	3	3	2	2	10	27,905	279,050	3,918,515	16,422,900	295,655,600	5.9%	
Wayne State	183,398,300	5,797,207	661	378,709	153,453,343	508,991	0	0	0	3	3	15,470	46,410	651,705	7,336,600	190,734,900	4.0%	
Michigan Tech	43,473,800	1,297,216	927	531,332	56,380,000	187,008	3	0	2	2	7	5,165	36,155	507,701	2,523,300	45,997,100	5.8%	
Western	97,279,000	2,967,070	1,069	612,929	23,042,963	76,431	2	2	2	2	8	17,550	140,400	1,971,544	5,628,000	102,907,000	5.8%	
Central	73,540,100	2,169,019	693	397,056	9,894,583	32,819	3	3	3	3	12	18,660	223,920	3,144,361	5,743,300	79,283,400	7.8%	
Oakland	45,651,600	1,374,011	1,023	586,554	11,252,501	37,324	0	2	0	2	4	14,182	56,728	796,594	2,794,500	48,446,100	6.1%	
Eastern	67,275,400	2,057,883	664	380,715			2	3	2	3	10	15,616	156,160	2,192,852	4,631,400	71,906,800	6.9%	
Ferris	45,636,500	1,316,028	1,241	711,584			2	3	2	3	10	10,875	108,750	1,527,104	3,554,700	49,191,200	7.8%	
Grand Valley	57,823,500	1,677,582	1,299	744,552			3	3	2	3	11	19,751	217,261	3,050,853	5,473,000	63,296,500	9.5%	
Saginaw Valley	25,991,000	750,346	394	225,620			2	2	0	2	6	8,215	49,290	692,147	1,668,100	27,659,100	6.4%	
UM-Dearborn	22,510,400	669,291	374	214,152			2	0	0	2	4	5,894	23,576	331,062	1,214,500	23,724,900	5.4%	
UM-Flint	19,938,200	565,669	437	250,274			2	2	2	2	8	5,571	44,568	625,839	1,441,800	21,380,000	7.2%	
Northern	41,741,400	1,221,861	488	279,624			2	3	2	3	10	7,911	79,110	1,110,889	2,612,400	44,353,800	6.3%	
Lake Superior	12,231,000	343,608	173	99,228			0	2	0	2	4	2,231	8,924	125,314	568,100	12,799,100	4.6%	
TOTAL:	\$1,265,320,700	\$38,446,000	14,901	\$8,543,556	\$1,287,877,920	\$4,271,778	28	31	21	37	117	210,490	1,825,242	\$25,630,667	\$76,892,000	\$1,342,212,700	6.1%	

Total funding increase: **\$76,892,000**

Component	Source	Years	Notes
Critical skills undergrad completions	State HEIDI	FYs 2012-2013	STEM/health/etc.
Research & develop expends	Federal IPEDS	FY 2012	Carnegie research universities only
Six-year graduation rate	Federal IPEDS^A	FYs 2008-2011	First-time, full-time degree seeking students
Total degree completions	Federal IPEDS^A	FYs 2008-2011	Includes graduate degrees
Inst support as % of core expends	Federal IPEDS^A	FYs 2008-2011	Measure of administrative costs
Pell grant students	Federal IPEDS^A	FYs 2009-2011	Federal need-based aid for undergrads
	^Via BLM/AEG		
Undergrad FYES	State HEIDI	FY 2013	Includes nonresident students

***Requirements to receive funding increase:**

1. Restrain FY 2014-15 resident undergraduate tuition/fee rate increase to 3.2% or below
2. Participate in at least three reverse transfer agreements with community colleges (or make good-faith effort)
3. Maintain a dual enrollment credit policy that does not consider whether credits were used toward high school graduation
4. Participate in the Michigan Transfer Network

Scoring	
Top 20% nationally	3
Above national median	2
Improving over 3 years	2