

**FY 2014-15 EDUCATION OMNIBUS BUDGET**  
**Summary: Conference Report**  
**House Bill 5314 (H-2) CR-1**



Mary Ann Cleary, Director

**TOTAL APPROPRIATIONS BY BUDGET AREA**

Budget Area [Summary Page]	FY 2014-15		
	Gross	SAF	GF/GP
School Aid [2]	\$13,870,325,600	\$11,929,262,900	\$114,900,000
Community College [15]	364,724,900	197,614,100	167,110,800
Higher Education [18]	1,516,496,300	204,467,900	1,214,902,000
<b>TOTAL</b>	<b>\$15,751,546,800</b>	<b>\$12,331,344,900</b>	<b>\$1,496,912,800</b>

*Note: Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as one-time.*

**FY 2014-15: SCHOOL AID**  
**Summary: Conference Report**  
**Article I, House Bill 5314 (H-2) CR-1**



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	FY 2013-14 YTD as of 2/5/14	FY 2014-15 Executive	FY 2014-15 House	FY 2014-15 Senate	FY 2014-15 Conference	Difference: Conference From FY 2013-14 YTD	
						Amount	%
<b>IDG/IDT</b>	\$0	\$0	\$0	\$0	\$0	\$0	--
<b>Federal</b>	1,816,158,800	1,808,162,700	1,808,162,700	1,808,162,700	1,808,162,700	(7,996,100)	(0.4)
<b>Local</b>	0	0	0	0	0	0	--
<b>Private</b>	0	0	0	0	0	0	--
<b>Restricted</b>	11,271,232,300	11,808,976,900	11,793,067,600	11,939,271,600	11,947,262,900	676,030,600	6.0
<b>GF/GP</b>	234,900,000	180,000,000	180,000,000	30,000,000	114,900,000	(120,000,000)	(51.1)
<b>Gross</b>	<b>\$13,322,291,100</b>	<b>\$13,797,139,600</b>	<b>\$13,781,230,300</b>	<b>\$13,777,434,300</b>	<b>\$13,870,325,600</b>	<b>\$548,034,500</b>	<b>4.1</b>

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through May 9, 2014.

**Overview**

The School Aid budget makes appropriations to the state's 548 local school districts, 297 public school academies, the Education Achievement System, and 56 intermediate school districts (ISDs) for operations and certain categorical programs. It also appropriates funds to the Center for Educational Performance and Information, the Workforce Development Agency, and other entities to implement certain grants and other programs related to K-12 education.

**Major Budget Changes From FY 2013-14 YTD Appropriations**

**1. Foundation Allowances (Secs. 22a, 22b, 22c)**

(The FY 2013-14 equity payment in Sec. 22c is rolled into the foundation allowance and included in a revised baseline for Sec. 22b.)

	FY 2013-14 Year-to-Date (as of 2/5/14)	FY 2014-15 Conference Change
<b>Gross</b>	<b>\$8,897,000,000</b>	<b>\$91,000,000</b>
Restricted	8,697,547,600	192,414,900
GF/GP	\$199,452,400	(\$101,414,900)

Much of the cost of increasing foundation allowances is offset by reducing baseline cost adjustments by \$86.0 million from the FY 2013-14 baseline due to anticipated increases in local taxable values and further decreases in pupil memberships.

Executive increases FY 2014-15 foundation allowances by \$28 to \$56 per pupil through the 2x formula plus \$55 per pupil across the board, providing total increases varying from \$83 to \$111 per pupil, at a cost of \$150.0 million. The minimum foundation would be \$7,187 and the Basic (the state maximum guaranteed level) would be \$8,132.

House increases FY 2014-15 foundation allowances by \$56 to \$112 per pupil through the 2x formula. The minimum foundation allowance would be \$7,188, and the Basic would be \$8,105. The total cost of the foundation increase is \$141.0 million.

Senate increases FY 2014-15 foundation allowance by \$150 to \$300 per pupil through the 2x formula. The minimum foundation allowance would be \$7,376, and the Basic would be \$8,199. The total cost of the foundation increase is \$390.0 million.

Conference increases FY 2014-15 foundation allowances by \$50 per pupil for all districts and provides a new equity payment of up to \$125 per pupil for districts with foundations below \$7,251. The effective minimum, including the equity payment, would be \$7,251, and the Basic would be \$8,099. The total cost of the foundation increase is \$177.0 million.

<b>Major Budget Changes From FY 2013-14 YTD Appropriations</b>		<b>FY 2013-14 Year-to-Date (as of 2/5/14)</b>	<b>FY 2014-15 Conference Change</b>
<b>2. MPERS - State Share of Unfunded Liabilities (Sec. 147c)</b>	<b>Gross</b>	<b>\$406,800,000</b>	<b>\$267,900,000</b>
<u>Executive</u> increases total funding for the state's share of Michigan Public School Employees' Retirement System (MPERS) unfunded accrued liability (UAL) costs, as required by PA 300 of 2012, by \$377.1 million to a total of \$783.9 million for FY 2014-15, to recognize several cost adjustments:	Restricted	405,500,000	269,200,000
<ul style="list-style-type: none"> <li>\$1.3 million decrease to reflect the transfer of library-related MPERS costs to the Department of Education budget.</li> <li>\$269.2 million increase to reflect the actuarially estimated costs of the required state share of unfunded liabilities for FY 2014-15.</li> <li>\$100.0 million shift from Sec. 147a, to reflect the Executive proposal to permanently decrease the PA 300 employer UAL cap from 20.96% of MPERS payroll to 19.76%.</li> <li>\$9.2 million to extend the proposed rate cap reduction to ISDs, which were not included in Sec. 147a.</li> </ul>	GF/GP	\$1,300,000	(\$1,300,000)
<u>House</u> concurs with Executive.			
<u>Senate</u> concurs in shifting Library costs to MDE and in funding the increasing state share of the unfunded liabilities leaving a total of \$674.7 million.			
<u>Conference</u> concurs with Senate.			
<b>3. MPERS - Cost Offset (Sec. 147a)</b>	<b>Gross</b>	<b>\$100,000,000</b>	<b>\$0</b>
<u>Executive</u> rolls the funding for the cost offset, which currently equates to approximately 1.2% of MPERS payroll, into Sec. 147c and proposes to permanently reduce the employer cap on MPERS UAL from 20.96% to 19.76%.	Restricted	100,000,000	0
<u>House</u> concurs with Executive.			
<u>Senate</u> does not fund this section.			
<u>Conference</u> maintains current law.			
<b>4. MPERS – One-Time Unfunded Liability Payment (Sec. 147d)</b>	<b>Gross</b>	<b>\$0</b>	<b>\$108,000,000</b>
<u>Conference</u> appropriates \$108.0 million to make an extra one-time payment toward the cost of the MPERS early retirement incentive in 2010.	Restricted	0	108,000,000
<b>5. Great Start Readiness Program (Sec. 32d)</b>	<b>Gross</b>	<b>\$174,575,000</b>	<b>\$65,000,000</b>
<u>Executive</u> increases funding for preschool programs by \$65.0 million to \$239.6 million in FY 2014-15. Additional funding increases the current allocation for each half-day slot from \$3,625 to \$3,725 and provides up to 16,000 more half-day slots in FY 2014-15. Expands eligibility to children living in households up to 300% of the federal poverty level (up from 250%) if all those below 250% of poverty are served.	Restricted	174,275,000	65,000,000
<u>House</u> concurs with the total increase but does not increase the per diem allocation. House would repeat a \$25.0 million deposit into the GSRP reserve fund created in FY 2013-14. Funding would not be available until it is determined funds are necessary and are transferred by the Legislature before Jan. 31, 2015. The House earmarks \$10.0 million for reimbursements to programs for transportation costs up to a cost of \$150 per slot. Maintains eligibility at 250% of the federal poverty level.	GF/GP	\$300,000	\$0
<u>Senate</u> concurs with Executive, but increases the allocation for each half-day slot by \$50 to \$3,675. Also concurs with House regarding \$10.0 earmark for transportation.			
<u>Conference</u> concurs with the House but revises the deadline for legislative action to use the reserve fund \$25.0 million to December 15, 2014. Concurr with Executive and Senate to expand eligibility.			
<i>(See other changes in Major Boilerplate Changes below.)</i>			

<b>Major Budget Changes From FY 2013-14 YTD Appropriations</b>		<b>FY 2013-14 Year-to-Date (as of 2/5/14)</b>	<b>FY 2014-15 Conference Change</b>
<b>6. Educator Evaluations (Sec. 95a) – NEW</b>	<b>Gross</b>	<b>\$0</b>	<b>\$14,800,000</b>
<u>Executive</u> provides \$27.8 million total to implement educator evaluations. \$22.1 million SAF would be distributed to districts to provide educator evaluator training and to implement one of the evaluation tools identified by the Michigan Council for Educator Effectiveness. \$2.7 million GF/GP is appropriated to CEPI to develop a system for districts to do local calculations of student growth data. Another \$3.0 million GF/GP is appropriated to provide a value-added model of student growth, procure an electronic reporting system to integrate observation and value-added model data, and pilot alternative evaluation for student populations that cannot be evaluated by the system being implemented.	Restricted	0	12,100,000
<u>House</u> includes a \$100 placeholder for educator and administrator evaluations.	GF/GP	\$0	\$2,700,000
<u>Senate</u> does not include this section.			
<u>Conference</u> appropriates \$14.8 million into a new Educator Evaluation Reserve Fund, and funds may not be spent unless HB 5223 and HB 5224 are enacted.			
<b>7. Student Assessments (Sec. 104)</b>	<b>Gross</b>	<b>\$34,944,400</b>	<b>\$12,700,000</b>
<u>Executive</u> increases funding for student assessments by \$5.2 million Gross (\$7.2 million SAF increase, after shifting \$2.0 million in federal funds to MDE Bureau of Assessment and Accountability) bringing the total to \$40.1 million in FY 2014-15. Earmarks \$4.0 million for the multi-year phase-in of interim assessments and \$3.2 million for an online reporting tool to provide student-level assessment data to educators, parents, and pupils immediately after assessments are scored.	Federal	8,250,000	(2,000,000)
<u>House</u> concurs with federal funding reduction of \$2.0 million but maintains current year SAF funding for assessments, for a total of \$32,944,400 for FY 2014-15.	Restricted	26,694,400	14,700,000
<u>Senate</u> concurs with House.			
<u>Conference</u> includes \$6.2 million of the Executive increase plus shifts the \$8.5 million the Executive included under Section 22i to Section 104, bringing the total to \$41.4 million.			
<i>See additional changes under Major Boilerplate Changes below.</i>			
<b>8. District Fiscal Emergency Fund (Sec. 11r) – NEW</b>	<b>Gross</b>	<b>\$0</b>	<b>\$4,000,000</b>
<u>Executive</u> deposits \$10.0 million into a newly created contingency fund to provide funds to either help pay the debts of districts that voluntarily dissolve or to provide funding to districts that receive students from and a portion of a dissolved district. Treasury would determine award amounts, and funding would not lapse back to the School Aid Fund.	Restricted	0	4,000,000
<u>House</u> concurs with Executive, but requires that Treasury notify the Legislature before disbursing funds.			
<u>Senate</u> does not include this section.			
<u>Conference</u> appropriates \$4.0 million and concurs with House language.			
<b>9. Year-Round Schools Pilot (Sec. 31b) – NEW</b>	<b>Gross</b>	<b>\$2,000,000</b>	<b>(\$2,000,000)</b>
<u>Executive</u> provides \$2.0 million in funding for FY 2014-15 for competitive grants to at-risk districts.	Restricted	2,000,000	(2,000,000)
<u>House</u> would provide a second year of grants in addition to those that were added for FY 2013-14 under PA 116 of 2014.			
<u>Senate</u> concurs with House.			
<u>Conference</u> does not include funding for this section.			

<b>Major Budget Changes From FY 2013-14 YTD Appropriations</b>		<b>FY 2013-14 Year-to-Date (as of 2/5/14)</b>	<b>FY 2014-15 Conference Change</b>
<b>10. Health and Nutrition Education Software (Sec. 31g) – NEW</b>	<b>Gross</b>	<b>\$0</b>	<b>\$1,200,000</b>
<u>House</u> provides \$100 placeholder for a contract with a single provider to be awarded through a competitive bid process to provide personal user health and nutrition data through secure dashboards to pupils and faculty in school district and ISDs for three years. Requires a report after three years on increase in the number of healthy food options offered in school cafeterias, increase in participation in school athletic and physical activities, increase in the software program participation and longevity of users, and alignment to the DCH Michigan Health and Wellness 4x4 plan. <u>Senate</u> does not include this section. <u>Conference</u> concurs with House but reduces to \$1.2 million to provide services for two years.	GF/GP	\$0	\$1,200,000
<b>11. Teacher Certification Test Rewrite (Sec. 43) – NEW</b>	<b>Gross</b>	<b>\$0</b>	<b>\$1,800,000</b>
<u>Conference</u> adds \$1.8 million to update teacher certification tests.	GF/GP	\$0	\$1,800,000
<b>12. Dual Enrollment Incentive Payments (Sec. 64b) – NEW</b>	<b>Gross</b>	<b>\$0</b>	<b>\$1,750,000</b>
<u>Executive</u> provides \$1.8 million in incentive payments to districts that provide dual enrollment options to students for FY 2014-15. Payments equal to \$10 per credit hour for up to 3 credits for each student enrolled plus \$30 per pupil per course if the pupil successfully completes and is awarded both high school and post-secondary credit for the course. <u>House</u> concurs with Executive but adds that concurrent enrollment programs would also qualify for incentive payments. <u>Senate</u> concurs with House. <u>Conference</u> concurs with House and Senate.	Restricted	0	1,750,000
<b>13. Career Readiness Study (Sec. 64c) – NEW</b>	<b>Gross</b>	<b>\$0</b>	<b>\$250,000</b>
<u>Executive</u> provides \$250,000 for the MDE to commission an independent third party to conduct a study and prepare a report analyzing the state's current career readiness education system. <u>House</u> and <u>Senate</u> do not include this section. <u>Conference</u> concurs with Executive.	GF/GP	\$0	\$250,000
<b>14. School Bus Natural Gas Conversion (Sec. 74a) – NEW</b>	<b>Gross</b>	<b>\$0</b>	<b>\$3,000,000</b>
<u>Senate</u> adds \$5.0 million for grants to districts to convert school buses from diesel to natural gas. Caps grants at \$8,000 per bus and \$50,000 per district. <u>Conference</u> concurs with Senate but reduces appropriation to \$3,000,000 and reduces district cap to \$30,000.	GF/GP	\$0	\$3,000,000
<b>15. School Bond Loan Redemption Fund (Sec. 11j)</b>	<b>Gross</b>	<b>\$131,660,000</b>	<b>(\$5,660,000)</b>
<u>Executive</u> increases by \$10.9 million to a total of \$142.6 million in FY 2014-15 to pay for increased interest payments associated with loans to districts participating in the School Bond Loan Program. <u>House</u> and <u>Senate</u> concur with Executive. <u>Conference</u> reduces to \$126.0 million to recognize debt service cost reductions.	Restricted	131,660,000	(5,660,000)
<b>16. District Dissolution Transition Grants (Sec. 20g)</b>	<b>Gross</b>	<b>\$7,200,000</b>	<b>(\$5,000,000)</b>
<u>Executive</u> maintains transition grants for districts that received students and portions of Buena Vista and Inkster after they were dissolved for FY 2014-15. <u>House</u> , <u>Senate</u> , and <u>Conference</u> concurs with Executive.	Restricted	7,200,000	(5,000,000)
<b>17. Isolated District Funding (Sec. 22d)</b>	<b>Gross</b>	<b>\$2,584,600</b>	<b>\$0</b>
<u>Executive</u> maintains funding for low density and isolated districts at the FY 2013-14 appropriation levels. <u>House</u> decreases funding by \$559,600 to FY 2012-13 appropriation levels. <u>Senate</u> increases funding by \$129,200. <u>Conference</u> concurs with Executive.	Restricted	2,584,600	0

<b>Major Budget Changes From FY 2013-14 YTD Appropriations</b>		<b>FY 2013-14 Year-to-Date (as of 2/5/14)</b>	<b>FY 2014-15 Conference Change</b>
<b>18. Best Practices (Sec. 22f)</b>	<b>Gross</b>	<b>\$80,000,000</b>	<b>(\$5,000,000)</b>
<u>Executive</u> maintains grants of up to \$52 per pupil that meet 7 out of 8 identified criteria for FY 2014-15.	Restricted	80,000,000	(5,000,000)
<u>House</u> decreases funding to \$78.7 million due to declining statewide pupil counts. House also revises the criteria.			
<u>Senate</u> does not include this section.			
<u>Conference</u> reduces funding to \$75.0 million and reduces per pupil allocations to \$50 for districts that meet 7 out of 9 revised best practices criteria.			
<i>(See Major Boilerplate changes below.)</i>			
<b>19. Consolidation Innovation Grants (Sec. 22g)</b>	<b>Gross</b>	<b>\$5,000,000</b>	<b>(\$3,000,000)</b>
<u>Executive</u> maintains grants to districts and ISDs for consolidation and expands the language to cover consolidations of operations or services in addition to full district or ISD consolidations.	Restricted	5,000,000	(3,000,000)
<u>House</u> concurs with Executive, but revises the language to include consolidation or sharing of technology and data operations or services between 50 or more districts or 5 or more ISDs. Also adds that MDE shall give priority to applicants that include 1 of two statewide activities: an academic early warning indicator and dropout prevention system or a system identifying early reading challenges which establishes individual reading development plans for every student by the end of the 3 <sup>rd</sup> grade.			
<u>Senate</u> does not include this section.			
<u>Conference</u> concurs with the House but decreases funding to \$2.0 million.			
<b>20. Technology Infrastructure Improvement (Sec. 22i)</b>	<b>Gross</b>	<b>\$50,000,000</b>	<b>(\$8,500,000)</b>
<u>Executive</u> maintains technology infrastructure grants at \$50.0 million for FY 2014-15. For FY 2014-15, eliminates a \$5.0 million grant for whole-school technology, which was awarded in FY 2013-14 to Genesee ISD. Earmarks \$8.5 million to convert existing assessments to online assessments, provide paper/pencil tests for districts not prepared for online tests, expand writing assessments to additional grade levels, and provide more constructed response test questions to test higher-order skills.	Restricted	45,000,000	(3,500,000)
<u>House</u> maintains total funding at \$50.0 million but does not include the \$8.5 million earmark recommended by the Executive. House allocates a \$3.5 million earmark to consortia of ISDs and districts for the deployment of shared technology and data service centers and the creation of single student data systems.	GF/GP	\$5,000,000	(\$5,000,000)
<u>Senate</u> maintained funding at \$50.0 million and dedicates it solely to preparing districts for providing online assessments.			
<u>Conference</u> appropriates \$41.5 million concurring with the Executive but shifting the \$8.5 million for assessments to Section 104.			
<b>21. District Performance Funding Grants (Sec. 22j)</b>	<b>Gross</b>	<b>\$46,400,000</b>	<b>\$4,700,000</b>
<u>Executive</u> maintains current funding levels for FY 2014-15 for awards to districts up to a maximum of \$100 per pupil: \$30 per pupil for academic growth in grades 3-8 math, \$30 per pupil for academic growth in grades 3-8 reading, and \$40 per pupil for academic growth in all high school tested subjects.	Restricted	46,400,000	4,700,000
<u>House</u> increases funding by \$4.7 million to a total of \$51.1 million to recognize updated data based on FY 2012-13 student assessments.			
<u>Senate</u> does not include this section.			
<u>Conference</u> concurs with the House.			
<b>22. Student-Centric Grants (Sec. 22k)</b>	<b>Gross</b>	<b>\$8,000,000</b>	<b>(\$8,000,000)</b>
<u>Executive</u> eliminates \$8.0 million in one-time funding for FY 2013-14 for competitive grants to districts that align instruction with individual student learning styles and pace and advance students based on individual mastery of each subject area. Awards went to the EAA (\$7.1 million) and Port Huron School District (\$0.9 million).	Restricted	8,000,000	(8,000,000)
<u>House, Senate, and Conference</u> concur with Executive.			

<b>Major Budget Changes From FY 2013-14 YTD Appropriations</b>		<b>FY 2013-14 Year-to-Date (as of 2/5/14)</b>	<b>FY 2014-15 Conference Change</b>
<b>23. Renaissance Zone Reimbursements (Sec. 26a)</b>	<b>Gross</b>	<b>\$29,500,000</b>	<b>(\$3,200,000)</b>
<u>Executive</u> maintains renaissance zone reimbursements for districts and ISDs, but transfers renaissance zone reimbursements to libraries from the School Aid budget to the Department of Education budget.	Restricted	26,300,000	0
<u>House, Senate, and Conference</u> concur with <u>Executive</u> .	GF/GP	\$3,200,000	(\$3,200,000)
<b>24. Payments In Lieu of Taxes (PILT) (Sec. 26b)</b>	<b>Gross</b>	<b>\$4,009,500</b>	<b>\$200,500</b>
<u>Executive</u> increases funding to \$4.2 million in FY 2014-15 to recognize increased PILT reimbursements to districts, ISDs, and community colleges as required under PAs 603 and 604 of 2012.	Restricted	4,009,500	200,500
<u>House, Senate, and Conference</u> concur with <u>Executive</u> .			
<b>25. School Lunch Program (Sec. 31d)</b>	<b>Gross</b>	<b>\$485,695,100</b>	<b>\$50,000,000</b>
<u>Executive</u> increases by \$50.0 million in federal school lunch funding to bring the total program funding to \$535.7 million.	Federal	463,200,000	50,000,000
<u>House, Senate, and Conference</u> concur with <u>Executive</u> .	Restricted	22,495,100	0
<b>26. Special Education (Secs. 51a, 51c, 51d, 53a, 54, 56)</b>	<b>Gross</b>	<b>\$1,363,846,100</b>	<b>\$19,100,000</b>
<u>Executive</u> increases by \$19.1 million from the current YTD appropriation to a total of \$938.9 million SAF for FY 2014-15 (to adjust for consensus cost estimates).	Federal	444,000,000	0
<u>House, Senate, and Conference</u> concur with <u>Executive</u> .	Restricted	919,846,100	19,100,000
<b>27. Vocational Education (Sec. 61a)</b>	<b>Gross</b>	<b>\$27,611,300</b>	<b>\$0</b>
<u>Executive</u> maintains funding for FY 2014-15 at \$26.6 million for general funding for career and technical education (CTE) programs plus \$1.0 million in grants to districts and ISDs for career and technical education centers to integrate Michigan merit curriculum content standards into career and technical education.	Restricted	27,611,300	0
<u>House</u> increases funding for CTE programs by \$1.0 million to a total of \$27.6 million, plus maintains the \$1.0 million for the integration of content standards into CTE.			
<u>Senate and Conference</u> concur with <u>Executive</u> .			
<b>28. High School/Post-Secondary Credit Transfers (Sec. 64a)</b>	<b>Gross</b>	<b>\$1,000,000</b>	<b>(\$1,000,000)</b>
<u>Executive</u> eliminates \$1.0 million for grants to districts and ISDs to work with early middle colleges, colleges, and universities to develop statewide transfer or articulation agreements to ensure that postsecondary credit earned in high school is transcribed and transferred to postsecondary institutions.	Restricted	1,000,000	(1,000,000)
<u>House, Senate, and Conference</u> concur with <u>Executive</u> .			
<b>29. ISD General Operations and Best Practices (Sec. 81)</b>	<b>Gross</b>	<b>\$64,115,000</b>	<b>\$3,000,000</b>
<u>Executive</u> maintains funding at \$64.1 million for FY 2014-15 including \$62.1 million for general operations and \$2.0 million for best practices.	Restricted	64,115,000	3,000,000
<u>House</u> concurs with <u>Executive</u> regarding ISD general operations but eliminates best practices funding reducing total funds by \$2.0 million.			
<u>Senate</u> increases funding by \$2.6 million to a total of \$66.7 million.			
<u>Conference</u> increases funding by \$3.0 million to a total of \$67.1 million.			
<b>30. Center for Educational Performance and Information (CEPI) (Sec. 94a)</b>	<b>Gross</b>	<b>\$9,728,600</b>	<b>\$2,487,700</b>
<u>Executive</u> increases funding by \$2.5 million bringing the total to \$12.0 million for FY 2014-15. Funding would support the longitudinal data system and the MI School Data web portal, which were originally funded with federal funds that are no longer available.	Federal	193,500	0
<u>House, Senate, and Conference</u> concur with <u>Executive</u> .	GF/GP	\$9,535,100	\$2,487,700

<b><u>Major Budget Changes From FY 2013-14 YTD Appropriations</u></b>		<b><u>FY 2013-14 Year-to-Date (as of 2/5/14)</u></b>	<b><u>FY 2014-15 Conference Change</u></b>
<b>31. Principal Educator Evaluation Training (Sec. 95)</b>	<b>Gross</b>	<b>\$500,000</b>	<b>(\$500,000)</b>
<u>Executive</u> budget eliminates this line which provided grants to districts to support professional development for principals and assistant principals in a department-approved training program on implementing educator evaluation programs, replacing it with a more comprehensive evaluation system under Sec. 95a.	Restricted	500,000	(500,000)
<u>House</u> concurs with Executive.			
<u>Senate</u> maintains current funding.			
<u>Conference</u> concurs with Executive and House.			
<b>32. Michigan Virtual University (MVU) (Sec. 98)</b>	<b>Gross</b>	<b>\$9,387,500</b>	<b>(\$2,000,000)</b>
<u>Executive</u> maintains current year funding for MVU.	GF/GP	\$9,387,500	(\$2,000,000)
<u>House</u> reduces funding by \$2.0 million for a total of \$7.4 million in FY 2014-15.			
<u>Senate</u> eliminates funding for MVU.			
<u>Conference</u> concurs with the House.			
<b>33. Math/Science Centers and Michigan STEM Partnership (Sec. 99)</b>	<b>Gross</b>	<b>\$8,474,300</b>	<b>\$0</b>
<u>Executive</u> maintains overall funding for both Math/Science Centers (\$8.0 million) and for the Michigan STEM Partnership and STEM grants to districts (\$475,000), but shifts \$100,000 SAF for the Michigan STEM Partnership to \$100,000 GF/GP.	Federal	5,249,300	0
<u>House</u> concurs with Executive and adds \$500,000 for additional STEM grants to districts bringing the Michigan STEM Partnership and STEM grants total to \$975,000.	Restricted	2,850,000	(100,000)
<u>Senate</u> and <u>Conference</u> concur with Executive.	GF/GP	\$375,000	\$100,000
<b>34. STEM Professional Development (Sec. 99b) – NEW</b>	<b>Gross</b>	<b>\$0</b>	<b>\$330,000</b>
<u>Senate</u> and <u>Conference</u> provide \$330,000 to support professional development for teachers in Science, technology, and Mathematics instruction.	Restricted	0	330,000
<b>35. FIRST Robotics Grants (Sec. 99h)</b>	<b>Gross</b>	<b>\$3,000,000</b>	<b>(\$1,000,000)</b>
<u>Executive</u> reduces district grants by \$1.0 million to a total of \$2.0 million for FY 2014-15 for coaches, program, and competition costs for FIRST Robotics programs. Makes unexpended funds a work project to be carried forward into FY 2015-16.	Restricted	3,000,000	(1,000,000)
<u>House</u> , <u>Senate</u> , and <u>Conference</u> concurs with Executive.			

### **Major Boilerplate Changes From FY 2013-14**

#### **Sec. 6. Definitions – REVISED**

Executive revises (11) the pupil membership requirements necessary to be a school district of the first class from 60,000 to 45,000 to reflect the decline in Detroit Public School's pupil membership to 48,860 in FY 2013-14.

House revises to a pupil membership of 40,000.

Senate concurs with Executive, but specifies the definition only applies to the School Aid Act

Conference concurs with House on 40,000 pupil floor and the Senate language. Also revises (4) to allow a PSA or alternative education program focused on homeless students older than 20 but younger than 22 to operate in a city of any size rather than only cities with a population greater than 175,000.

#### **Sec. 15. Adjustments in Apportionments – REVISED**

Executive revises to allow MDE to perform or require an audit of all records for the current fiscal year and three prior fiscal years related to any program funded in the School Aid budget. Revises to require that MDE "shall" revise apportionments based on such audits or other new information in the current year as well as prior fiscal years, and that the revision be done in the next apportionment after the adjustment is finalized.

House, Senate, and Conference concur with Executive.

#### **Sec. 17a. Withholding Payments to Districts and ISDs – REVISED**

Executive adds that MDE and Treasury may withhold payments related to two additional statutes: the Emergency Municipal Loan Act and the Local Financial Stability and Choice Act, and that they may withhold payments for all other financial obligations of a district or ISD in addition to current law's outstanding obligations on which the district or ISD has defaulted. Adds reference to the newly proposed enhanced deficit elimination plan (see Sections 102 and 102a).

House, Senate and Conference concur with Executive.



## **Major Boilerplate Changes From FY 2013-14**

### **Sec. 18. Application of Money Received Under the Act – REVISED**

Executive amends the 20% cap on certain funds received which a district may transfer to pay for capital projects or debt retirement to fix an error in the statute that was inadvertently changed when the Higher Education and Community Colleges budgets were added to the bill in FY 2011-12 and the articles of the act were revised.

Revises the budget transparency requirements to shorten the time by which a district must post budget information from 30 to 15 days after a board adopts its budget or subsequent revisions. Also adds that a district must include links to its deficit elimination plan or enhanced deficit elimination plan on its budget transparency webpage.

Expands the potential frequency the MDE can require a district to have an audit and requires that records shall be retained for the current fiscal year and the three previous fiscal years. Requires that districts and ISDs provide all of their audited financial information by October 15 rather than November 15. Deletes the required online course cost report.

House concurs with Executive except moves the audited financial information submission date to November 1. House maintains online course cost report.

Senate concurs with Executive and adds that a district must add to its budget transparency website all district credit cards including authorized users and credit limits and out-of-state travel paid by the district.

Conference concurs with Executive but postpones the financial audit information deadline change until the October 15, 2015 for the 2014-2015 school fiscal year data. Also concurs with Senate additions to the budget transparency websites. Concurs with House with revisions to maintain an online course cost report.

### **Sec. 19. State and Federal Reporting Requirements – REVISED**

Executive deletes legislative intent that by FY 2014-15 there be standard statewide reporting requirements for education data.

House maintains intent language but pushes date back to FY 2016-17.

Senate requires that department implement standard requirements in FY 2014-15.

Conference concurs with House.

### **Sec. 21f. Online Courses – REVISED**

Executive revises to require districts to allow for online courses under this section from grades 7-12 rather than 5-12. Deletes the exemption from this section for a district that is a cyber school. Expands to allow a pupil that has demonstrated previous success to take more than 2 online courses per semester under this section. Expands the reasons for which a district may deny a pupil's request to include that the cost of the online course exceeds the amount identified in this section and that the request does not occur within the same timelines required for other enrollment and schedule changes. Deletes the provision that a district can pay the online school 80% upon enrollment and 20% upon completion, so would have to pay 100% upon enrollment. Revises the maximum cost a district must pay for an online course from 1/12 of a district's foundation allowance to 6.25% of the minimum foundation allowance.

House concurs with Executive with the following revisions: Requires that a student's request for an online course be made prior to the academic semester or term; Maintains the district payment based 80% on enrollment and 20% on completion; Prohibits the portion of the FTE for which a pupil is enrolled in an online course under this section from being transferred under Sec. 25e.

Senate concurs with Executive but maintains current applicable grades 5-12, and changes payment cap to 8.33% of a district's foundation and maintains the district payment based 80% on enrollment and 20% on completion.

Conference revises applicable grades to 6-12, changes the payment to 8.33% of the minimum foundation, and maintains the district payment based 80% on enrollment and 20% on completion. Concurs with House on interaction of Sec. 21f and 25e.

### **Sec. 22f. Best Practices Incentive Grants – REVISED**

Executive maintains that districts must comply with 7 out of 8 criteria and maintains current law for the 8 criteria.

House revises the criteria as follows and requires that a district comply with 6 out of 7:

- Maintains
  - a) Act as policyholder for health care services benefits.
  - b) Competitively bid at least one non-instructional service.
  - c) Participate in schools of choice.
  - d) Provide a public online dashboard with finance and academic metrics.
- Deletes
  - d) Measure student growth twice annually.
  - e) Provide dual enrollment opportunities.
  - f) Provide online learning opportunities.
  - h) Provide physical education or health education classes.
- Adds
  - e) Comply with school employee compensation determination requirements under MCL 380.1250.
  - f) Comply with the prohibited subjects of bargaining as required under the Public Employment Relations Act.
  - g) Implement the Michigan Comprehensive Guidance and Counseling Program.

Senate did not include this section.

Conference revises to 7 out of 9 criteria, concurring with the House except maintains providing online learning opportunities, and adds a new criteria offering 1 credit worth of foreign language in grades K – 8.

## **Major Boilerplate Changes From FY 2013-14**

### **Sec. 25e. Pupil Transfer Process – REVISED**

Executive maintains current law.

House revises as follows: Transfers must be submitted within 30 days of the transfer or the pupil count certification date (rather than the 6<sup>th</sup> Wednesday after the pupil membership count day) whichever is later. Allows an ISD to investigate a representative sample based on required audit sample sizes in the pupil auditing manual and allows them to deny a transfer, rather than requiring the ISD to approve or deny each transfer. Adds that CEPI with MDE must report to the Legislature by December 1, 2014, with data on the implementation of this section including the number of transfer transactions and the net change in pupil memberships by district and ISD. Prohibits the portion of the FTE for which a pupil is enrolled in an online course under Sec. 21f from being counted or transferred under this section.

Senate maintains current law.

Conference concurs with the House.

### **Sec. 31a. At-Risk Pupil Funding – REVISED**

Executive provides a revised purpose for the use of At-Risk funding to ensure that third grade pupils are proficient in reading by the end of third grade and that high school graduates are career and college ready. Expands flexibility by deleting some suggested uses of funding and allows a district to use all of its funds to implement school-wide reform consistent with the school's improvement plan in schools with 40% or more of its pupils identified as at-risk. Requires an ISD to provide data to MDE for dissolved districts so receiving districts could receive funds in the first year following dissolution.

Maintains funding distribution in current law based on the number of pupils that qualify for free or reduced breakfast, lunch, or milk; but revises the definition of an At-Risk pupil for whom the funding may be used to serve to include a pupil that meets any of the following criteria:

--A pupil enrolled in a priority school or a pupil enrolled in a focus school who is in the bottom 30% of achievement.

--A pupil who did not achieve proficiency or a satisfactory score on 2 or more state or locally administered assessments.

--In the absence of assessment data, the pupil is eligible for free or reduced breakfast, lunch or milk; is absent more than 10% of enrolled days or 10 school days; is homeless; is a migrant; is an English language learner; is an immigrant; did not complete high school in four years and is still continuing in school.

Requires that if a district cannot demonstrate improvement in third grade reading proficiency for at-risk pupils and improvement in career and college readiness as measured by the ACT for at-risk pupils after three subsequent school years, the district must revise its school improvement plan regarding expenditures of funds under this section.

House concurs with the Executive but maintains several current law, allowable uses of funds including early childhood and reading programs, adult education programs, and up to 20% of funds on other purposes not mentioned in this section. Also maintains current law that Sec. 31a funds may not be used to supplant another program or other funds.

Senate maintains current law.

Conference concurs with Executive but maintains the current list of eligible children in addition to the Executive changes and requires that if a district isn't meeting 50% of at risk pupils in 3<sup>rd</sup> grade reading on grade level or seeing improvement after 3 years for college- and career-readiness that they have to devote half of a proportionate amount of their funding to tutoring and targeted programs.

### **Sec. 32d. Great Start Readiness Program – REVISED**

Executive revises the requirement that an ISD ensure that 90% of children in the program are from families with a household income up to 250% of the federal poverty level, such that if an ISD determines that all eligible children are served with no children on the waiting list, the ISD may enroll children that live in families with a household income up to 300% of the federal poverty level. Would consider any child in foster care or who is experiencing homelessness, or has an individual education plan recommending placement in an inclusive preschool program as living with a family with household income up to 250% of the federal poverty level regardless of actual family income.

House does not change the threshold level from 250% to 300% of the federal poverty level, but does concur with counting certain children as if they live with families under 250% of the federal poverty level. House specifies additional steps both MDE and ISDs must take to verify that they tried to reach the requirement that they contract 30% of slots to community-based organizations, and requires that MDE reduce an ISD's slots if they cannot verify the ISD's effort. Requires that MDE ensure that all providers are eligible for a Great Start to Quality Rating under the same process, and that certain providers are not fast-tracked. House adds that an ISD or consortium must allow a parent to choose a program operated by or contracted with another ISD or consortium and must pay the per diem.

Senate concurs with Executive but allows an ISD to serve a child from a contiguous ISD and requires the ISD of residence to pay for that child's allocation.

Conference concurs with Executive, but adds the House language on ensuring that 30% of slots are allocated to community-based providers and concurs with the House requiring an ISD to pay for a resident child in a program in another ISD.

## **Major Boilerplate Changes From FY 2013-14**

### ***Sec. 41. Bilingual Instruction Program – REVISED***

Executive deletes language prohibiting a district or ISD from receiving funds if it allows pupils who do not reside in the United States legally to participate in the program.

House maintains current law.

Senate maintains current law.

Conference concurs with Executive.

### ***Sec. 94a(9). Truancy Report – REVISED***

Executive deletes legislative intent that beginning in FY 2014-15 districts report to the Center for Educational Performance and Information (CEPI) the number of pupils who have had 10 or more unexcused absences each school year.

House, Senate and Conference concur with Executive.

### ***Sec. 101. Instructional Days and Hours – REVISED***

Executive revises such that if a district had a collective bargaining agreement in place as of June 13, 2013, when the FY 2013-14 School Aid budget was signed, that had a school calendar that does not comply with the 175 minimum day requirement for FY 2014-15, then the subsection does not apply until the bargaining agreement expires.

House concurs with the Executive and adds a 5% penalty for districts that entered into a collective bargaining agreement in conflict with this section after June 13, 2013. Also provides that a collective bargaining agreement in place before June 13, 2013, would be allowed to continue to count up to 38 hours of professional development as instructional time until the agreement expires. The House would also increase the minimum number of days from 175 to 180 days beginning in FY 2016-17, but provides that if a collective bargaining agreement that is in conflict with this subdivision is in place prior to the enactment of this bill, it is exempt until that agreement expires.

Senate concurs with House.

Conference concurs with the House and Senate but revises the date by which a contract had to be signed to July 1, 2013.

### ***Sec. 102. Deficit Budget and Deficit Elimination Plan (DEP) – RETAINED***

Executive revises the procedures for a district or ISD that has a deficit to require the district or ISD to notify the MDE immediately and to submit to the MDE and the State Treasurer a preplan financial report within 30 days of notifying MDE of the deficit, and allows the MDE to withhold some or all of its state aid payments in an amount the MDE determines is necessary to incentivize the district or ISD to eliminate the deficit until the district or ISD submits a DEP to the MDE or until the DEP is approved by the MDE. Allows the department to require a DEP to include an education plan for the district or ISD.

If the State Treasurer determines, based on information in a periodic financial status report under Section 102a, notification from the State Superintendent, a preplan financial report or deficit elimination plan, that a district or ISD has indicators of financial stress likely to result in recurring deficits or financial stress, the State Treasurer may require the district or ISD to submit an Enhanced DEP subject to approval by the State Treasurer, which may include entering into a financial recovery agreement with the State Treasurer. Requires withholding of funds until a district or ISD has an approved Enhanced DEP and requires enhanced monthly monitoring reports on withholding of funds until a district or ISD has an approved Enhanced DEP and requires enhanced monthly revenue, expenditures, cash flow, liabilities, budget amendments, pupil membership, and other financial data.

House maintains current law.

Senate concurs with Executive.

Conference concurs with the House.

### ***Sec. 102a. Periodic Financial Status Reports – NOT INCLUDED***

Executive allows the State Superintendent or the State Treasurer to require a district or ISD to submit periodic financial status reports if it is determined that potential financial stress may exist, or that an operating deficit may arise within the current or next two fiscal years, or that a district or ISD will be unable to meet its financial obligations to provide public education based upon a number of factors. Details financial information that may be required in a periodic financial status report. Allows the State Treasurer to require that a district or ISD submit an enhanced DEP if the periodic financial status report indicates financial stress or a deficit.

House does not include this section.

Senate concurs with Executive.

Conference concurs with the House.

### ***Sec. 104c. Student Assessments – NEW***

House and Senate add new language requiring that the MDE create a new Michigan Education Assessment Program (MEAP) test for English language arts and mathematics for FY 2014-15 and FY 2015-16 and create a new request for proposals for new summative assessments for tests beginning in FY 2016-17.

Conference concurs with House and Senate but revises to require new MEAP for just FY 2014-15 and bids for a new test for FY 2015-16.

## **Major Boilerplate Changes From FY 2013-14**

### ***Sec. 107. Adult Education – REVISED***

Executive revises the funding distribution over a 3-year phase-in period away from the current calculation which makes awards based on prior year allocations and instead would make awards to the ISD acting as fiscal agent for each of the 10 prosperity regions identified by MDE. The revised distribution would be based on the following:

- 60% on the proportion of the state population between ages 18 and 24 who are not high school graduates in each region.
- 35% on the proportion of the state population ages 25 or older who are not high school graduates in each region.
- 5% on the proportion of the state population ages 18 or older who lack basic English proficiency in each region.

The ISD that is the fiscal agent would distribute funds to adult education programs within the prosperity region based on collaboration with education advisory groups and the workforce development boards in the region. Funding would be awarded to adult education programs based on 75% enrollment and 25% completion rather than the current 90/10 split.

House concurs with Executive but prohibits funding under this section from being used for administration.

Senate maintains current law.

Conference concurs with Executive and caps administrative funding at 5% and requires that the same number of individuals be served in FY 2014-15 as were served in FY 2013-14.

### ***Sec. 147. MPSERS Contribution Rates – REVISED***

Executive revises the total and employer contribution rates based on the Executive recommendation to roll Sec. 147a MPSERS offset funds into Sec. 147c and permanently reduce the capped employer contribution rate for the unfunded accrued liability (UAL) in PA 300 of 2012 from 20.96% to 19.76%.

House concurs with Executive.

Senate updates rates based on current estimates but does not include the rate buydown.

Conference concurs with Senate.

### ***Sec. 147b. MPSERS Retirement Reform Reserve Fund – REVISED***

Executive transfers \$50,000,000 from the School Aid Fund to the MPSERS Reserve Fund for future use.

House concurs with Executive.

Senate makes no deposit to MPSERS reserve.

Conference concurs with Senate.

SCHOOL AID LINE ITEM SUMMARY



Sec.	
11g	Durant - Debt Service
11j	School Bond Redemption Fund
11m	Cash Flow Borrowing Costs
11r	District Fiscal Emergency Contingency Fund - <b>NEW</b>
20f	Hold Harmless Grants
20g	Dissolved District Transition Grants
20h	Equal Per Pupil Payments - <b>NEW</b>
22a	Foundations: Proposal A Obligation Payment
22b	Foundations: Discretionary Payment
22c	Foundations: Equity Payment
22d	Isolated District Funding
22f	Best Practices Incentive Grants
22g	Consolidation Innovation Grants
22i	Technology Infrastructure Improvement Grants
22j	District Performance Funding
22k	Competitive Student-Centric Grants
24	Court-Placed Pupils
24a	Juvenile Detention Facility Programs
24c	Youth ChalleNGe Program
25f	Strict Discipline Academy Pupil Payments
26a	Renaissance Zone Reimbursement
26b	PILT Reimbursement
26c	Promise Zone Funding
31a	"At Risk" Pupil Support
31a(6)	School Based Health Centers
31a(7)	Hearing and Vision Screening
31b	Year Round Schools Pilot Program - <b>NEW</b>
31d	State School Lunch Programs
31d	Federal School Lunch Programs
31f	School Breakfast Program
31g	Nutrition Program - <b>NEW</b>
32d	Great Start School Readiness
32p	Early Childhood Block Grants
32r	Federal RTTT Early Learning Challenge Grants - <b>NEW</b>
39a1	Federal "No Child Left Behind"
39a2	Other Federal Funding
41	Bilingual Education Grants
43	Teacher Certification Test Rewrite - <b>NEW</b>
51a(1)	Special Education - Federal Reimbursement
51a(2)	Special Ed ISD Foundation and Costs
51a(3)	Special Ed ISD Hold Harmless Payment
51a(6)	Special Ed Admin Rules Changes
51a(11)	Special Ed Foundations for Non Sec. 52 to ISDs
51c	Special Ed Headlee Obligation (Durant)
51d	Special Education - Other Federal Grants
53a	Special Ed for Court Placed Pupils
54	Special Ed Michigan School Blind/Deaf
56	Special Ed ISD Millage Equalization
61a	Career and Technical Education Programs
62	ISD Vocational Education Millage Equalization
64a	High School/Post Secondary Credit Transfers
64b	Dual Enrollment Incentive Payments - <b>NEW</b>
64c	Career Readiness Study - <b>NEW</b>
64d	Information Technology Certifications - <b>NEW</b>
74	Bus Driver Safety Instruction
74	School Bus Inspections

FY 2013-14	
YTD	
\$39,500,000	
\$131,660,000	
\$2,500,000	
\$0	
\$6,000,000	
\$7,200,000	
\$0	
\$5,526,000,000	
\$3,335,000,000	
\$36,000,000	
\$2,584,600	
\$80,000,000	
\$5,000,000	
\$50,000,000	
\$46,400,000	
\$8,000,000	
\$8,000,000	
\$2,167,500	
\$1,500,000	
\$2,000,000	
\$29,500,000	
\$4,009,500	
\$266,200	
\$308,988,200	
\$3,557,300	
\$5,150,000	
\$2,000,000	
\$22,495,100	
\$463,200,000	
\$5,625,000	
\$0	
\$174,575,000	
\$10,900,000	
\$51,737,500	
\$811,828,500	
\$31,700,000	
\$1,200,000	
\$0	
\$370,000,000	
\$247,000,000	
\$1,000,000	
\$2,200,000	
\$3,500,000	
\$613,200,000	
\$74,000,000	
\$13,500,000	
\$1,688,000	
\$37,758,100	
\$27,611,300	
\$9,190,000	
\$1,000,000	
\$0	
\$0	
\$3,900,000	
\$1,625,000	
\$1,674,000	

FY 2014-15	
Change from YTD	Executive Recommendation
	\$39,500,000
\$10,940,000	\$142,600,000
\$1,500,000	\$4,000,000
\$10,000,000	\$10,000,000
	\$6,000,000
(\$5,000,000)	\$2,200,000
	\$0
(\$123,000,000)	\$5,403,000,000
\$243,000,000	\$3,578,000,000
(\$36,000,000)	\$0
	\$2,584,600
	\$80,000,000
	\$5,000,000
	\$50,000,000
	\$46,400,000
(\$8,000,000)	\$0
	\$8,000,000
\$28,000	\$2,195,500
	\$1,500,000
(\$2,000,000)	\$0
(\$3,200,000)	\$26,300,000
\$200,500	\$4,210,000
\$26,900	\$293,100
	\$308,988,200
	\$3,557,300
	\$5,150,000
	\$2,000,000
	\$22,495,100
\$50,000,000	\$513,200,000
	\$5,625,000
	\$0
\$100	\$100
\$65,000,000	\$239,575,000
	\$10,900,000
(\$51,737,500)	\$0
(\$3,858,600)	\$807,969,900
(\$400,000)	\$31,300,000
	\$1,200,000
	\$0
	\$370,000,000
\$5,000,000	\$252,000,000
	\$1,000,000
	\$2,200,000
(\$200,000)	\$3,300,000
\$17,300,000	\$630,500,000
	\$74,000,000
(\$3,000,000)	\$10,500,000
	\$1,688,000
	\$37,758,100
	\$27,611,300
	\$9,190,000
(\$1,000,000)	\$0
	\$1,750,000
	\$250,000
(\$3,900,000)	\$0
	\$1,625,000
\$17,500	\$1,691,500

FY 2014-15	
Change from YTD	House Passed HB 5314
	\$39,500,000
\$10,940,000	\$142,600,000
\$1,500,000	\$4,000,000
\$10,000,000	\$10,000,000
	\$6,000,000
(\$5,000,000)	\$2,200,000
	\$25,000,000
(\$123,000,000)	\$5,403,000,000
\$234,000,000	\$3,569,000,000
(\$36,000,000)	\$0
(\$559,600)	\$2,025,000
(\$1,300,000)	\$78,700,000
	\$5,000,000
	\$50,000,000
\$4,700,000	\$51,100,000
(\$8,000,000)	\$0
	\$8,000,000
\$28,000	\$2,195,500
	\$1,500,000
(\$2,000,000)	\$0
(\$3,200,000)	\$26,300,000
\$200,500	\$4,210,000
\$26,900	\$293,100
	\$308,988,200
	\$3,557,300
	\$5,150,000
	\$2,000,000
	\$22,495,100
\$50,000,000	\$513,200,000
	\$5,625,000
	\$0
\$100	\$100
\$65,000,000	\$239,575,000
	\$10,900,000
(\$51,737,500)	\$0
(\$3,858,600)	\$807,969,900
(\$400,000)	\$31,300,000
	\$1,200,000
	\$0
	\$370,000,000
\$5,000,000	\$252,000,000
	\$1,000,000
	\$2,200,000
(\$200,000)	\$3,300,000
\$17,300,000	\$630,500,000
	\$74,000,000
(\$3,000,000)	\$10,500,000
	\$1,688,000
	\$37,758,100
\$1,000,000	\$28,611,300
	\$9,190,000
(\$1,000,000)	\$0
	\$1,750,000
	\$0
(\$3,900,000)	\$0
	\$1,625,000
\$17,500	\$1,691,500

FY 2014-15	
Change from YTD	Senate Passed SB 775
	\$39,500,000
\$10,940,000	\$142,600,000
\$1,500,000	\$4,000,000
	\$0
\$25,000,000	\$31,000,000
(\$5,000,000)	\$2,200,000
	\$0
(\$123,000,000)	\$5,403,000,000
\$483,000,000	\$3,818,000,000
(\$36,000,000)	\$0
\$129,200	\$2,713,800
(\$80,000,000)	\$0
(\$5,000,000)	\$0
	\$50,000,000
(\$46,400,000)	\$0
(\$8,000,000)	\$0
	\$8,000,000
\$28,000	\$2,195,500
\$50,000	\$1,550,000
\$0	\$2,000,000
(\$3,200,000)	\$26,300,000
\$200,500	\$4,210,000
\$26,900	\$293,100
	\$308,988,200
	\$3,557,300
	\$5,150,000
	\$2,000,000
	\$22,495,100
\$50,000,000	\$513,200,000
	\$5,625,000
	\$0
	\$1,200,000
\$65,000,000	\$239,575,000
	\$10,900,000
(\$51,737,500)	\$0
(\$3,858,600)	\$807,969,900
(\$400,000)	\$31,300,000
	\$1,200,000
	\$0
	\$370,000,000
\$5,000,000	\$252,000,000
	\$1,000,000
	\$2,200,000
(\$200,000)	\$3,300,000
\$17,300,000	\$630,500,000
	\$74,000,000
(\$3,000,000)	\$10,500,000
	\$1,688,000
	\$37,758,100
	\$27,611,300
	\$9,190,000
(\$1,000,000)	\$0
	\$1,750,000
	\$0
(\$3,900,000)	\$0
	\$1,625,000
\$17,500	\$1,691,500

FY 2014-15	
Change from YTD	Conference
\$0	\$39,500,000
(\$5,660,000)	\$126,000,000
\$1,500,000	\$4,000,000
\$4,000,000	\$4,000,000
\$0	\$6,000,000
(\$5,000,000)	\$2,200,000
\$0	\$0
(\$133,000,000)	\$5,393,000,000
\$157,000,000	\$3,492,000,000
\$67,000,000	\$103,000,000
\$0	\$2,584,600
(\$5,000,000)	\$75,000,000
(\$3,000,000)	\$2,000,000
(\$8,500,000)	\$41,500,000
\$4,700,000	\$51,100,000
(\$8,000,000)	\$0
\$0	\$8,000,000
\$28,000	\$2,195,500
\$0	\$1,500,000
\$0	\$2,000,000
(\$3,200,000)	\$26,300,000
\$200,500	\$4,210,000
\$26,900	\$293,100
\$0	\$308,988,200
\$0	\$3,557,300
\$0	\$5,150,000
(\$2,000,000)	\$0
\$0	\$22,495,100
\$50,000,000	\$513,200,000
\$0	\$5,625,000
\$1,200,000	\$1,200,000
\$65,000,000	\$239,575,000
\$0	\$10,900,000
(\$51,737,500)	\$0
(\$3,858,600)	\$807,969,900
(\$400,000)	\$31,300,000
\$0	\$1,200,000
\$1,800,000	\$1,800,000
\$0	\$370,000,000
\$5,000,000	\$252,000,000
\$0	\$1,000,000
\$0	\$2,200,000
(\$200,000)	\$3,300,000
\$17,300,000	\$630,500,000
\$0	\$74,000,000
(\$3,000,000)	\$10,500,000
\$0	\$1,688,000
\$0	\$37,758,100
\$0	\$27,611,300
\$0	\$9,190,000
(\$1,000,000)	\$0
\$1,750,000	\$1,750,000
\$250,000	\$250,000
(\$3,900,000)	\$0
\$0	\$1,625,000
\$17,500	\$1,691,500

# SCHOOL AID LINE ITEM SUMMARY



		FY 2013-14	FY 2014-15		FY 2014-15		FY 2014-15		FY 2014-15			
		YTD	Change from YTD	Executive Recommendation	Change from YTD	House Passed HB 5314	Change from YTD	Senate Passed SB 775	Change from YTD	Conference		
74a	Bus Diesel to Natural Gas Conversion - NEW	\$0		\$0		\$0		\$5,000,000	\$5,000,000	\$3,000,000	\$3,000,000	
81	ISD General Operations Support	\$64,115,000		\$64,115,000	(\$2,000,000)	\$62,115,000		\$2,567,000	\$66,682,000	\$3,000,000	\$67,115,000	
94	Advanced Placement (AP) Incentive Program - NEW	\$250,000	\$0	\$250,000	\$0	\$250,000	\$0	\$250,000	\$250,000	\$0	\$250,000	
94a	Center for Educational Performance	\$9,535,100	\$2,487,700	\$12,022,800	\$2,487,700	\$12,022,800	\$2,487,700	\$12,022,800	\$12,022,800	\$2,487,700	\$12,022,800	
94a	Center for Educational Performance - Federal	\$193,500		\$193,500		\$193,500		\$193,500	\$193,500	\$0	\$193,500	
95	Principal Educator Evaluation Training	\$500,000	(\$500,000)	\$0	(\$500,000)	\$0		\$500,000	\$500,000	(\$500,000)	\$0	
95a	Educator Evaluations - NEW	\$0	\$27,800,000	\$27,800,000	\$100	\$100		\$0	\$0	\$14,800,000	\$14,800,000	
97	Urban Education Program - NEW	\$0		\$0	\$100	\$100		\$0	\$0	\$0	\$0	
98	Michigan Virtual School	\$9,387,500		\$9,387,500	(\$2,000,000)	\$7,387,500	(\$9,387,500)	\$0	\$0	(\$2,000,000)	\$7,387,500	
99	Math and Science Centers - State	\$3,225,000		\$3,225,000	\$500,000	\$3,725,000		\$3,225,000	\$3,225,000	\$0	\$3,225,000	
99	Math and Science Centers - Federal	\$5,249,300		\$5,249,300		\$5,249,300		\$5,249,300	\$5,249,300	\$0	\$5,249,300	
99b	STEM Professional Development - NEW	\$0		\$0		\$0		\$330,000	\$330,000	\$330,000	\$330,000	
99h	FIRST Robotics	\$3,000,000	(\$1,000,000)	\$2,000,000	(\$1,000,000)	\$2,000,000	(\$1,000,000)	\$2,000,000	\$2,000,000	(\$1,000,000)	\$2,000,000	
102b	School Data Analytical Tool - NEW			\$0	\$3,000,000	\$3,000,000		\$0	\$0	\$0	\$0	
104	Student Assessments - State	\$26,694,400	\$7,200,000	\$33,894,400		\$26,694,400		\$26,694,400	\$26,694,400	\$14,700,000	\$41,394,400	
104	Student Assessments - Federal	\$8,250,000	(\$2,000,000)	\$6,250,000	(\$2,000,000)	\$6,250,000	(\$2,000,000)	\$6,250,000	\$6,250,000	(\$2,000,000)	\$6,250,000	
107	Adult Education	\$22,000,000		\$22,000,000		\$22,000,000		\$22,000,000	\$22,000,000	\$0	\$22,000,000	
147a	MPSERS Cost Offset	\$100,000,000	\$9,244,000	\$109,244,000	\$9,244,000	\$109,244,000	(\$100,000,000)	\$0	\$0	\$0	\$100,000,000	
147c	MPSERS Prefunding - Unfunded Liability Payments	\$406,800,000	\$267,900,000	\$674,700,000	\$267,900,000	\$674,700,000	\$267,900,000	\$674,700,000	\$674,700,000	\$267,900,000	\$674,700,000	
147d	MPSERS ONE-TIME Extra UAL Payment - NEW			\$0		\$0		\$0	\$0	\$108,000,000	\$108,000,000	
152a	Adair - Database Payment	\$38,000,500		\$38,000,500		\$38,000,500		\$38,000,500	\$38,000,500	\$0	\$38,000,500	
<b>TOTAL APPROPRIATIONS</b>		<b>\$13,322,291,100</b>	<b>\$474,848,500</b>	<b>\$13,797,139,600</b>	<b>\$458,939,200</b>	<b>\$13,781,230,300</b>	<b>\$455,143,200</b>	<b>\$13,777,434,300</b>	<b>\$455,143,200</b>	<b>\$13,777,434,300</b>	<b>\$548,034,500</b>	<b>\$13,870,325,600</b>
<b>REVENUE BY SOURCE</b>												
Federal Aid		\$1,816,158,800	(\$7,996,100)	\$1,808,162,700	(\$7,996,100)	\$1,808,162,700	(\$7,996,100)	\$1,808,162,700	\$1,808,162,700	(\$7,996,100)	\$1,808,162,700	
School Aid Fund		\$11,115,232,300	\$675,744,600	\$11,790,976,900	\$659,835,300	\$11,775,067,600	\$806,039,300	\$11,921,271,600	\$11,921,271,600	\$814,030,600	\$11,929,262,900	
MPSERS Reserve Fund		\$156,000,000	(\$138,000,000)	\$18,000,000	(\$138,000,000)	\$18,000,000	(\$138,000,000)	\$18,000,000	\$18,000,000	(\$138,000,000)	\$18,000,000	
General Fund/General Purpose		\$234,900,000	(\$54,900,000)	\$180,000,000	(\$54,900,000)	\$180,000,000	(\$204,900,000)	\$30,000,000	\$30,000,000	(\$120,000,000)	\$114,900,000	
<b>TOTAL REVENUE</b>		<b>\$13,322,291,100</b>	<b>\$474,848,500</b>	<b>\$13,797,139,600</b>	<b>\$458,939,200</b>	<b>\$13,781,230,300</b>	<b>\$455,143,200</b>	<b>\$13,777,434,300</b>	<b>\$455,143,200</b>	<b>\$13,777,434,300</b>	<b>\$548,034,500</b>	<b>\$13,870,325,600</b>

**FY 2014-15: COMMUNITY COLLEGES**  
**Summary: Conference Report**  
**Article II, House Bill 5314 (H-2) CR-1**



**Analyst: Marilyn Peterson**

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 Conference	Difference: Conference From FY 2013-14 YTD	
						Amount	%
	\$0	\$0	\$0	\$0	\$0	\$0	--
<b>Federal</b>	0	0	0	0	0	0	--
<b>Local</b>	0	0	0	0	0	0	--
<b>Private</b>	0	0	0	0	0	0	--
<b>Restricted</b>	197,614,100	197,614,100	197,614,100	47,614,100	197,614,100	0	0.0
<b>GF/GP</b>	138,363,500	173,910,800	173,910,800	323,910,800	167,110,800	28,747,300	20.8
<b>Gross</b>	<b>\$335,977,600</b>	<b>\$371,524,900</b>	<b>\$371,524,900</b>	<b>\$371,524,900</b>	<b>\$364,724,900</b>	<b>\$28,747,300</b>	<b>8.6</b>

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Executive figures do not reflect revisions submitted subsequent to House subcommittee action. (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts 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.

**Major Budget Changes From FY 2013-14 YTD Appropriations**

**1. Community College Operations Funding**

Executive, House, Senate, and Conference increase funding for community college operations grants by \$8.9 million (3.0%). Projected increases for individual community colleges range from 2.7% to 3.7%. Funding increase to be distributed under current performance funding formula. Senate also includes a fund shift of \$150.0 million from the School Aid Fund (SAF) to GF/GP.

Executive newly subjects receipt of funding increase to a condition that a receiving college restrain its tuition and fee increases to 3.2% or less. House, Senate, and Conference do not include the tuition restraint provision.

	FY 2013-14 Year-to-Date (as of 2/5/14)	FY 2014-15 Conference Change
<b>Gross</b>	<b>\$298,244,000</b>	<b>\$8,947,300</b>
Restricted	195,880,500	0
GF/GP	\$102,363,500	\$8,947,300

**2. MPERS Contributions**

Executive includes \$27.7 million GF/GP increase for the state's share of colleges' unfunded liability to the Michigan Public School Employees Retirement System (MPERS). Increase consists of:

- \$20.9 million to fund the difference between the actuarial accrued liability to the system and the employer contribution cap of 20.96% of payroll set by 2012 amendments (2012 PA 300) to the Public School Employees Act.
- \$6.8 million, combined with redirection of existing School Aid Fund (SAF) appropriations, to fund the estimated cost of reducing the current 20.96%-of-payroll employer cap to 19.76%, a reduction of 1.2 percentage points.

	Gross	FY 2013-14 Year-to-Date (as of 2/5/14)	FY 2014-15 Conference Change
<b>Gross</b>	<b>\$33,133,600</b>	<b>\$33,133,600</b>	<b>\$20,900,000</b>
Restricted	1,733,600	1,733,600	0
GF/GP	\$31,400,000	\$31,400,000	\$20,900,000

[continued on next page]

<b><u>Major Budget Changes From FY 2013-14 YTD Appropriations</u></b>	<b>FY 2013-14 Year-to-Date (as of 2/5/14)</b>	<b>FY 2014-15 Conference Change</b>
<b>2. MPERS Contributions (continued)</b>		
Total state support for such payments would be \$60.8 million (\$59.1 million GF/GP). An additional \$18.7 million GF/GP is projected for FY 2015-16.		
<u>House</u> concurs. <u>Senate</u> retains current use of SAF funding for offsetting community college MPERS costs, rather than using toward a buy-down of the employer contribution cap. <u>Conference</u> increases state share funding by \$20.9 million, does not include funding for buy-down of employer contribution cap, and retains SAF funding for community college MPERS offset.		
<b>3. One-Time Appropriations</b>		
<u>Executive</u> eliminates funding for one-time appropriation of \$1.1 million GF/GP to the Michigan Community College Association for the purpose of updating and expanding the Michigan Community College Virtual Learning Collaborative. <u>House</u> , <u>Senate</u> , and <u>Conference</u> concur.	<b>Gross GF/GP</b>	<b>\$1,100,000 \$1,100,000</b>
		<b>(\$1,100,000) (\$1,100,000)</b>

**Major Boilerplate Changes From FY 2013-14**

**Sec. 207a. MPERS-Related Funding – RETAINED**

Executive specifies allocation method for distribution of consolidated MPERS-related state funding (see No. 2, above) and assumes statutory change to Public School Employees Retirement Act to reduce maximum employer contribution to 19.76% of payroll. Distribution calculation would mirror current allocations of SAF and GF/GP portions, which are separately allocated based on each participating community college's percentage of the total covered payroll for all participating community colleges in immediately preceding fiscal year. Each college receiving MPERS-related support would continue to have to forward the amount allocated to the retirement system. House concurs. Senate and Conference do not include buy-down of employer cap.

**Sec. 209. Online Information – REVISED**

Executive revises current online posting requirements by deleting requirements for each community college to post its estimated cost resulting from the federal Affordable Care Act. House, Senate, and Conference retain this requirement.

Executive also deletes requirements to post Board of Trustees resolution regarding compliance with best practices needed to qualify for local strategic value component of performance funding, for state budget director to determine community college compliance with posting requirements, and allowing withholding of monthly grant installment for non-compliance with online posting requirements. House concurs with Executive on these changes. Senate and Conference retain these requirements and in addition require reporting of information on various programs, including dual enrollment, concurrent enrollment, and early college programs.

**Sec. 217. Activities Classification Structure Data – REVISED**

Conference creates interagency advisory committee to review activities classification structure report, data, definitions, processes, and other items as needed and to publish an initial report by July 30, 2015. Senate includes analogous language for Michigan Association of Community Colleges, the Workforce Development Agency, and the Senate and House Fiscal Agencies to review and make recommendations for revisions to the activities classification structure manual.

**Sec. 230. Local Strategic Value – REVISED**

Executive changes from November 1 to October 14 the deadline for colleges to certify compliance with specified best practices, which is required to for a college to receive its share of the funding increase distributed under the local strategic value portion of the performance funding formula. House, Senate, and Conference concur.

**Sec. 230a. Tuition Restraint – NOT INCLUDED**

Executive conditions receipt of funding increases on restraining tuition and fee increases for Michigan residents to 3.2% or less. Payments for performance funding and local strategic value would only be made to a community college that certified by August 31 that it had not adopted a tuition and fee increase after February 5, 2014 for the 2013-14 academic year, and that it would not adopt a tuition and fee increase over 3.2% for the 2014-15 academic year. House, Senate, and Conference do not include.



**COMMUNITY COLLEGE OPERATIONAL FUNDING INCREASES IN FY 2014-15 EXECUTIVE RECOMMENDATION**

**PERFORMANCE FUNDING FORMULA DISTRIBUTIONS**

<i>Percent of Formula-Distributed Increase:</i>							<i>FY 2014-15 Appropriation</i>	<i>Percent Increase</i>	
	<i>50.0%</i>	<i>17.5%</i>	<i>10.0%</i>	<i>7.5%</i>	<i>15.0%</i>	<i>100.0%</i>			
<b>Community College</b>	<b>FY 2013-14 Year-to-Date Appropriation<sup>3</sup></b>	<b>Proportional to FY 2013-14 Funding</b>	<b>Weighted Completions</b>	<b>Contact Hour Equated Students</b>	<b>Adjusted Administrative Costs</b>	<b>Local Strategic Value<sup>3</sup></b>	<b>Total Increase<sup>3</sup></b>	<b>FY 2014-15 Appropriation</b>	<b>Percent Increase</b>
Alpena	\$5,236,500	\$78,547	\$20,374	\$7,346	\$24,344	\$23,600	\$154,200	\$5,390,700	2.9%
Bay de Noc	\$5,279,300	\$79,189	\$24,053	\$9,488	\$3,660	\$23,800	\$140,200	\$5,419,500	2.7%
Delta	\$14,063,500	\$210,952	\$86,758	\$42,521	\$31,892	\$63,300	\$435,400	\$14,498,900	3.1%
Glen Oaks	\$2,441,500	\$36,622	\$19,578	\$5,397	\$1,963	\$11,000	\$74,600	\$2,516,100	3.1%
Gogebic	\$4,330,300	\$64,954	\$13,861	\$4,853	\$17,882	\$19,500	\$121,100	\$4,451,400	2.8%
Grand Rapids	\$17,454,900	\$261,823	\$62,200	\$60,876	\$29,226	\$78,500	\$492,600	\$17,947,500	2.8%
Henry Ford	\$21,060,000	\$315,899	\$72,402	\$63,497	\$17,230	\$94,800	\$563,800	\$21,623,800	2.7%
Jackson	\$11,758,200	\$176,373	\$58,725	\$23,594	\$17,546	\$52,900	\$329,100	\$12,087,300	2.8%
Kalamazoo Valley	\$12,122,500	\$181,837	\$68,519	\$40,857	\$34,744	\$54,600	\$380,600	\$12,503,100	3.1%
Kellogg	\$9,522,000	\$142,830	\$49,135	\$22,883	\$33,849	\$42,800	\$291,500	\$9,813,500	3.1%
Kirtland	\$3,055,700	\$45,835	\$22,898	\$7,037	\$22,397	\$13,800	\$112,000	\$3,167,700	3.7%
Lake Michigan	\$5,178,100	\$77,671	\$20,753	\$16,859	\$26,254	\$23,300	\$164,800	\$5,342,900	3.2%
Lansing	\$30,023,700	\$450,354	\$164,993	\$69,533	\$33,950	\$135,100	\$853,900	\$30,877,600	2.8%
Macomb	\$31,931,200	\$478,967	\$134,078	\$93,596	\$35,040	\$143,700	\$885,400	\$32,816,600	2.8%
Mid Michigan	\$4,517,900	\$67,768	\$36,235	\$16,919	\$22,875	\$20,300	\$164,100	\$4,682,000	3.6%
Monroe	\$4,342,600	\$65,139	\$20,491	\$14,506	\$30,682	\$19,500	\$150,300	\$4,492,900	3.5%
Montcalm	\$3,121,200	\$46,818	\$15,938	\$6,646	\$22,065	\$14,000	\$105,500	\$3,226,700	3.4%
Mott	\$15,247,100	\$228,706	\$68,034	\$44,351	\$29,299	\$68,600	\$439,000	\$15,686,100	2.9%
Muskegon	\$8,653,500	\$129,802	\$30,595	\$18,565	\$29,685	\$38,900	\$247,500	\$8,901,000	2.9%
North Central	\$3,064,400	\$45,966	\$13,580	\$9,057	\$25,633	\$13,800	\$108,000	\$3,172,400	3.5%
Northwestern	\$8,825,300	\$132,379	\$33,333	\$20,046	\$28,065	\$39,700	\$253,500	\$9,078,800	2.9%
Oakland	\$20,483,100	\$307,246	\$106,831	\$104,290	\$29,666	\$92,200	\$640,200	\$21,123,300	3.1%
St Clair County	\$6,860,100	\$102,901	\$27,819	\$16,907	\$22,982	\$30,900	\$201,500	\$7,061,600	2.9%
Schoolcraft	\$12,112,200	\$181,683	\$91,660	\$49,560	\$24,108	\$54,500	\$401,500	\$12,513,700	3.3%
Southwestern	\$6,404,300	\$96,064	\$21,471	\$11,173	\$14,578	\$28,800	\$172,100	\$6,576,400	2.7%
Washtenaw	\$12,610,800	\$189,162	\$141,232	\$49,381	\$29,984	\$56,700	\$466,500	\$13,077,300	3.7%
Wayne County	\$16,194,300	\$242,914	\$131,399	\$59,710	\$26,386	\$72,900	\$533,300	\$16,727,600	3.3%
West Shore	\$2,349,800	\$35,247	\$8,833	\$5,281	\$5,059	\$10,600	\$65,100	\$2,414,900	2.8%
<b>TOTALS:</b>	<b>\$298,244,000</b>	<b>\$4,473,650</b>	<b>\$1,565,778</b>	<b>\$894,730</b>	<b>\$671,048</b>	<b>\$1,342,100</b>	<b>\$8,947,300</b>	<b>\$307,191,300</b>	<b>3.0%</b>

**Notes:**

1. Assumes that all colleges qualify for increases under existing local strategic value component of performance funding formula.
2. Local strategic value component is distributed to qualifying colleges after certification of compliance after start of fiscal year.
3. Year-to-date appropriations, local strategic value distributions, and total increases are rounded to the nearest hundred

**FY 2014-15: HIGHER EDUCATION  
Summary: Conference Report  
Article III, House Bill 5314 (H-2) CR-1**



**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 Conference	Difference: Conference From FY 2013-14 YTD	
						Amount	%
	\$0	\$0	\$0	\$0	\$0	\$0	--
<b>Federal</b>	97,026,400	97,026,400	97,026,400	97,026,400	97,026,400	0	0.0
<b>Local</b>	0	0	0	0	0	0	--
<b>Private</b>	0	0	0	0	0	0	--
<b>Restricted</b>	200,565,700	200,565,700	200,565,700	215,565,700	204,567,900	4,002,200	2.0
<b>GF/GP</b>	1,132,981,400	1,214,902,000	1,209,902,000	1,214,902,000	1,214,902,000	81,920,600	7.2
<b>Gross</b>	<b>\$1,430,573,500</b>	<b>\$1,512,494,100</b>	<b>\$1,507,494,100</b>	<b>\$1,527,494,100</b>	<b>\$1,516,496,300</b>	<b>\$85,922,800</b>	<b>6.0</b>
<b>FTEs</b>	0.0	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%). 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 Conference Change
<b>Gross</b>	<b>\$1,265,320,700</b>	<b>\$74,637,500</b>
Restricted	200,019,500	0
GF/GP	\$1,065,301,200	\$74,637,500

House provides increase of \$70.4 million (5.6%; \$6.5 million below the Executive level). Concurs with all Executive formula components and changes. 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 below) and concurs with Executive on performance funding increase level (\$76.9 million), formula calculations, and performance funding requirements (including 3.2% tuition restraint limit).

Conference does not reduce MSU base appropriation, provides overall performance funding increase of \$74.6 million (5.9%; \$2.3 million below the Executive level), and concurs with Executive on formula calculations and performance funding requirements (including 3.2% tuition restraint limit). Percentage increases for individual universities range from 3.9% to 9.2%.

<b><u>Major Budget Changes From FY 2013-14 YTD Appropriations</u></b>		<b>FY 2013-14 Year-to-Date (as of 2/5/14)</b>	<b>FY 2014-15 Conference Change</b>
<b>2. MSU AgBioResearch and Extension</b>			
<u>Executive</u> increases funding for AgBioResearch and Extension programs operated by Michigan State University by \$3.4 million GF/GP (6.1%).	<b>Gross</b>	<b>\$56,288,700</b>	<b>\$3,320,300</b>
	GF/GP	\$56,288,700	\$3,320,300
<u>House</u> provides increase of \$3.1 million (5.6%; \$300,500 below the Executive level).			
<u>Senate</u> concurs with Executive.			
<u>Conference</u> provides increase of \$3.3 million (5.9%; \$113,300 below Executive level). Proposed appropriations for FY 2014-15 are \$32.0 million and \$27.6 million GF/GP, respectively.			
<b>3. MPSERS Reimbursement</b>			
<u>Senate</u> adds \$15.0 million in School Aid Fund revenue to reduce university contributions to Michigan Public School Employees' Retirement System (MPSERS). Employees hired prior to 1996 at seven universities are members of the system: Central, Eastern, Ferris, Lake Superior State, Michigan Tech, Northern, and Western.	<b>Gross</b>	<b>\$2,446,200</b>	<b>\$4,002,200</b>
	Restricted	446,200	4,002,200
	GF/GP	\$2,000,000	\$0
<u>Conference</u> adds \$4.0 million in School Aid Fund revenue (designated as one-time funding)—an amount sufficient to hold effective unfunded actuarially accrued liability (UAAL) costs for the universities flat from FY 2013-14 to FY 2014-15—for total reimbursement amount of \$6.4 million.			
<b>4. Indian Tuition Waiver Costs</b>			
<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.	<b>Gross</b>	<b>NA</b>	<b>\$500,000</b>
	GF/GP	NA	\$500,000
<u>Conference</u> concurs.			
<b>5. Tuition Grant Program</b>			
<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.	<b>Gross</b>	<b>\$31,664,700</b>	<b>\$1,867,800</b>
	Federal	31,644,700	0
	GF/GP	\$0	\$1,867,800
<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.			
<u>Conference</u> increases appropriation by \$1.9 million GF/GP (5.9%) and concurs with House regarding proposed performance reporting requirements. Proposed appropriation for FY 2014-15 is \$33.5 million Gross.			
<b>6. Tuition Incentive Program</b>			
<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.	<b>Gross</b>	<b>\$47,000,000</b>	<b>\$1,500,000</b>
	Federal	43,800,000	0
	GF/GP	\$3,200,000	\$1,500,000
<u>House</u> , <u>Senate</u> , and <u>Conference</u> concur.			

### **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, Senate, and Conference concur.

## **Major Boilerplate Changes From FY 2013-14**

### ***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, Senate, and Conference 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, Senate, and Conference retain current language.

### ***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. Conference concurs with Senate.

### ***Sec. 246. MPSERS Reimbursement – REVISED***

Provides for allocation of funding to the seven universities with employees in MPSERS in proportion to retiree health care costs. Conference revises to allocate expanded MPSERS reimbursement funding pool in proportion to combined MPSERS payroll at each university.

## **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. 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. Conference concurs with House except that cap is increased to \$3.2 million rather than \$3.5 million.

### ***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, Senate, and Conference 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, Senate, and Conference 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, Senate, and Conference 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, Senate, and Conference concur with 3.2% limit; retain health insurance-related language.

## **Major Boilerplate Changes From FY 2013-14**

### **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, Senate, and Conference 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. Conference concurs with Senate.

### **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. Conference replaces Senate language with statement of intent that universities not knowingly and directly use state funds to offer instructional activity that targets specific companies or specific groups of companies for unionization or decertification of a union; does not include financial penalty.

### **Sec. 271b. Student Health Insurance Coverage – NOT INCLUDED**

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. Conference does not include section.

### **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, Senate, and Conference 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, Senate, and Conference 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, Senate, and Conference 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. Conference concurs with House.

### **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, Senate, and Conference 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, Senate, and Conference retain current language.

**Major Boilerplate Changes From FY 2013-14**

**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, Senate, and Conference retain.

**Summary: FY 2014-15 University Performance Funding Increases**  
Conference Report: HB 5314 (H-2) CR-1

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:		\$557 per completion		\$0.0032 per dollar	\$13.63 per weighted point										
		Funding	Critical Skills Undergrad Completions	Funding	Research & Development Expenditures	Funding	6-year Grad Rate	Total Degrees	Institut Support as % of Expend	Pell Grant Students	Total Points	Total Undergrad FYES	FYES- Weighted Points	Funding			
Michigan State	\$249,597,800	\$7,453,666	2,718	\$1,512,787	\$318,951,530	\$1,026,915	2	3	2	3	10	35,494	354,940	\$4,838,050	\$14,831,300	\$264,429,100	5.9%
UM-Ann Arbor	279,232,700	8,309,406	2,743	1,526,631	714,903,000	2,301,744	3	3	2	2	10	27,905	279,050	3,803,622	15,941,400	295,174,100	5.7%
Wayne State	183,398,300	5,627,231	661	367,605	153,453,343	494,067	0	0	0	3	3	15,470	46,410	632,597	7,121,500	190,519,800	3.9%
Michigan Tech	43,473,800	1,259,181	927	515,753	56,380,000	181,524	3	0	2	2	7	5,165	36,155	492,815	2,449,300	45,923,100	5.6%
Western	97,279,000	2,880,074	1,069	594,958	23,042,963	74,190	2	2	2	2	8	17,550	140,400	1,913,738	5,463,000	102,742,000	5.6%
Central	73,540,100	2,105,422	693	385,414	9,894,583	31,857	3	3	3	3	12	18,660	223,920	3,052,167	5,574,900	79,115,000	7.6%
Oakland	45,651,600	1,333,724	1,023	569,356	11,252,501	36,229	0	2	0	2	4	14,182	56,728	773,237	2,712,500	48,364,100	5.9%
Eastern	67,275,400	1,997,545	664	369,553			2	3	2	3	10	15,616	156,160	2,128,556	4,495,700	71,771,100	6.7%
Ferris	45,636,500	1,277,442	1,241	690,720			2	3	2	3	10	10,875	108,750	1,482,329	3,450,500	49,087,000	7.6%
Grand Valley	57,823,500	1,628,394	1,299	722,722			3	3	2	3	11	19,751	217,261	2,961,401	5,312,500	63,136,000	9.2%
Saginaw Valley	25,991,000	728,346	394	219,004			2	2	0	2	6	8,215	49,290	671,853	1,619,200	27,610,200	6.2%
UM-Dearborn	22,510,400	649,667	374	207,873			2	0	0	2	4	5,894	23,576	321,355	1,178,900	23,689,300	5.2%
UM-Flint	19,938,200	549,083	437	242,936			2	2	2	2	8	5,571	44,568	607,489	1,399,500	21,337,700	7.0%
Northern	41,741,400	1,186,036	488	271,425			2	3	2	3	10	7,911	79,110	1,078,318	2,535,800	44,277,200	6.1%
Lake Superior	12,231,000	333,533	173	96,319			0	2	0	2	4	2,231	8,924	121,640	551,500	12,782,500	4.5%
<b>TOTAL:</b>	<b>\$1,265,320,700</b>	<b>\$37,318,750</b>	<b>14,901</b>	<b>\$8,293,056</b>	<b>\$1,287,877,920</b>	<b>\$4,146,528</b>	<b>28</b>	<b>31</b>	<b>21</b>	<b>37</b>	<b>117</b>	<b>210,490</b>	<b>1,825,242</b>	<b>\$24,879,167</b>	<b>\$74,637,500</b>	<b>\$1,339,958,200</b>	<b>5.9%</b>

Total funding increase: **\$74,637,500**

Data Notes			
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^	FYs 2008-2011	First-time, full-time degree seeking students
Total degree completions	Federal IPEDS^	FYs 2008-2011	Includes graduate degrees
Inst support as % of core expends	Federal IPEDS^	FYs 2008-2011	Measure of administrative costs
Pell grant students	Federal IPEDS^	FYs 2009-2011	Federal need-based aid for undergrads
	^Via BLM/AEG		
Undergrad FYES	State HEIDI	FY 2013	Includes nonresident students

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

\*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