FY 2013-14: HIGHER EDUCATION
Summary: As Passed by the Senate
Senate Bill 193 (S-1)

Analyst: Kyle I. Jen

	FY 2012-13 YTD as of 2/7/13	FY 2013-14 Revised Executive	FY 2013-14 House	FY 2013-14 Senate	FY 2013-14 Enacted	*Difference: Senate From FY 2012-13 YTD* *Amount*	*%*
IDG/IDT	$0	$0	$0	$0		*$0*	--
Federal	97,026,400	97,026,400	97,026,400	97,026,400		*0*	*0.0*
Local	0	0	0	0		*0*	--
Private	0	0	0	0		*0*	--
Restricted	200,565,700	200,565,700	200,565,700	200,565,700		*0*	*0.0*
GF/GP	1,101,628,300	1,132,981,400	1,132,981,400	1,132,981,400		*31,353,100*	*2.8*
Gross	**$1,399,220,400**	**$1,430,573,500**	**$1,430,573,500**	**$1,430,573,500**		***$31,353,100***	***2.2***
FTEs	0.0	0.0	0.0	0.0		*0.0*	--

Notes: (1) FY 2012-13 year-to-date (YTD) figures include mid-year budget adjustments through February 7, 2013.
(2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as one-time.
(3) House information in this document references Article III of House Bill 4228 as passed by the House.

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 Agricultural Experiment Station and Cooperative Extension Service operated by Michigan State University, various financial aid programs for students attending public and independent colleges and universities in the state, and several other smaller higher education-related programs.

Major Budget Changes From FY 2012-13 YTD Appropriations

	FY 2012-13 Year-to-Date (as of 2/7/13)	FY 2013-14 Senate Change
Gross	**$1,243,451,700**	**$20,869,000**
Restricted	200,019,500	0
GF/GP	$1,043,432,200	$20,869,000

1. University Funding

Executive includes a $24.9 million GF/GP increase (2.0%) in total university operations funding. The increase is based on a model basically identical to that used in the FY 2012-13 budget. $6.2 million is allocated for tuition restraint, to be allocated to universities holding resident undergraduate tuition/fee rate increases below 4.0%. Of the remaining $18.7 million:

- 22.2% is based on critical skill area undergraduate degree completions.
- 11.1% is based on research and development expenditures (only for universities in “research university” Carnegie classifications).
- 66.7% is based on national comparisons to Carnegie peers in three areas (22.2% each): six-year graduation rate, total degree completions, and institutional support as a percentage of core expenditures.

The three requirements to be eligible for performance funding are maintained from FY 2012-13: participation in at least three reverse transfer agreements, a dual enrollment policy that does not consider whether the credits were used toward high school graduation, and participation in the Michigan Transfer Network.

House appropriates same overall level of funding, but (1) lowers tuition restraint limit to 3.0% (or below) and makes tuition restraint an additional requirement to receive performance funding rather than a separate funding allocation and (2) allocates the full $24.9 million in new funding through the formula components, with the Carnegie-based component scoring weighted based on resident undergraduate fiscal year equated students (FYES).

Senate (1) also makes tuition restraint an additional requirement to receive performance funding rather than a separate funding allocation, but with same 4.0% limit as the Executive, and (2) allocates $20.9 million through the formula components (no FYES weighting), but with revised scoring for the Carnegie-based components ("3" for top 20% nationally and "2" for both above the national median and improving over 3 years, with intent to move to "1" for the final category in FY 2014-15). The remaining $4.0 million is appropriated for other university-related purposes, described below.

Major Budget Changes From FY 2012-13 YTD Appropriations		FY 2012-13 Year-to-Date (as of 2/7/13)	FY 2013-14 Senate Change
2. MPSERS Reimbursement Executive and House maintain appropriation amount for partial reimbursement of health care costs to seven universities with employees in the Michigan Public School Employees' Retirement System (MPSERS) at current year level (446,200 School Aid Fund). Senate includes increase of $2.0 million GF/GP.	**Gross**	**$446,200**	**$2,000,000**
	Restricted	446,200	0
	GF/GP	$0	$2,000,000
3. Indian Tuition Waiver Senate adds new appropriation of $2.0 million GF/GP for partial reimbursement to universities for unfunded costs of waiving tuition for Native American Indians under Public Act 174 of 1976.	**Gross**	**NA**	**$2,000,000**
	GF/GP	NA	$2,000,000
4. MSU AgBioResearch and Extension Executive includes $1.1 million GF/GP increase (2.0%) in the appropriation for the programs. House concurs with overall funding level but unrolls appropriation: $29.7 million for AgBioResearch and $25.6 million for Extension. Senate concurs with Executive (single appropriation item).	**Gross**	**$54,204,600**	**$1,084,100**
	GF/GP	$54,204,600	$1,084,100
5. Tuition Grant Program Executive, House, and Senate maintain appropriation amount at current year level ($31.7 million Federal TANF).	**Gross**	**$31,664,700**	**$0**
	Federal	$31,664,700	$0
6. Tuition Incentive Program (TIP) Executive includes $3.2 million GF/GP increase (7.3%) for projected cost growth due to continued increases in participation by Medicaid-eligible students. (Existing appropriation is funded from Federal TANF revenue.) Proposes statutory provisions for program (currently boilerplate only), including new reimbursement limit at public universities at 300% of the average community college tuition rate beginning in FY 2014-15. House and Senate concur with funding increase; retain existing boilerplate language, with statement of intent for FY 2014-15 policy change.	**Gross**	**$43,800,000**	**$3,200,000**
	Federal	43,800,000	0
	GF/GP	$0	$3,200,000
7. Children of Veterans Tuition Grant Program Executive includes an increase of $200,000 GF/GP due to an increased number of program applicants. House and Senate concur.	**Gross**	**$1,200,000**	**$200,000**
	Restricted	100,000	0
	GF/GP	$1,100,000	$200,000
8. College Access Program Executive transfers $2.0 million GF/GP for program from Department of Education budget. No net increase in state appropriations. Funding is provided as grant to Michigan College Access Network, which seeks to increase college readiness, participation, and completion in Michigan. House and Senate concur.	**Gross**	**N/A**	**$2,000,000**
	GF/GP	N/A	$2,000,000
9. Other Budget Items Executive, House, and Senate maintain funding levels for other Higher Education items at current year levels: • State Competitive Scholarships ($18.4 million Federal TANF) • Project GEAR UP ($3.2 million Federal) • King-Chavez-Parks grant programs ($2.7 million GF/GP) • Higher Education database ($105,000 GF/GP) • Midwestern Higher Education Compact dues ($95,000 GF/GP)	**Gross**	**$24,453,200**	**$0**
	Federal	21,561,700	0
	GF/GP	$2,891,500	$0

Major Boilerplate Changes From FY 2012-13

NOTE: *Boilerplate sections with no changes from current law do not appear in budget bill but would remain in compiled School Aid Act and apply to FY 2013-14 appropriations.*

Sec. 239. American Goods and Services **– RETAINED**
States preference for American goods and services, as well as those produced in Michigan and those produced by businesses owned by veterans. Executive deletes; House and Senate retain.

Sec. 239a. Foreign Auto Manufacturers **– RETAINED**
States intent that funds appropriated to universities not be used to purchase vehicles assembled outside U.S. Executive deletes; House and Senate retain.

Major Boilerplate Changes From FY 2012-13

***Sec. 245. University Transparency* – REVISED**
Requires universities to post various budget, compensation (including salary list), other financial, and performance data on its website, using a standard format; allows Budget Director to withhold payments for a university not in compliance. Executive revises to replace the salary list with a report on active employees sorted by classification/unit and add requirements to report general fund budget projections, a listing of all debt service obligations, and the number of Pell Grant graduates. House retains salary list and adds new items proposed by Executive. Senate concurs with Executive changes and also adds core college course transfer policy and reverse transfer agreements as reporting items.

***Sec. 252. Tuition Grant Program* – RETAINED**
Provides for distribution of funds appropriated for Tuition Grants; specifies maximum grant amount of at least $1,512, unless insufficient funds are available, in which case a report is required; limits award eligibility to undergraduate students; provides that unexpended funds at close of fiscal year remain available for expenditure in subsequent year; caps awards received by students at a single institution at $3.0 million. Executive revises to eliminate provision regarding carry forward of unexpended funds, move application deadline from July 1 to March 1, and add requirement that independent colleges and universities with students participating in the program participate in the state P-20 longitudinal data system and report on the number of Tuition Grant students graduating, the number of such students taking remedial education classes, and the number of Pell Grants students graduating each year. House and Senate retain current provisions in all cases.

***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 proposes to include program provisions in permanent statute, consistent with other major state financial aid programs. Major change under proposed statutory provisions would be limiting reimbursement at public universities at 300% of the average community college tuition rate beginning in FY 2014-15. A new section 256a would simply reference the new statute. House and Senate retain boilerplate language and adds statement of intent to adopt the Executive-proposed policy change beginning in FY 2014-15.

***Sec. 259. College Access Program* – NEW**
Specifies allowable uses of funding, to be administered by Department of Treasury: Michigan College Access Network operations, local college access networks, the Michigan College Access Portal, public awareness and outreach campaigns, and subgrants to postsecondary institutions. (Similar language is currently included in the Department of Education budget.) Executive include new section; House and Senate concur.

***Sec. 261. Douglas Lake Biological Station* – RETAINED**
Designates University of Michigan Douglas Lake Biological Station as a unique resource. Executive and House delete; Senate retains.

***Sec. 262a. Textbook Policies* – NEW**
States intent that universities develop policies for reviewing required textbook and course materials to minimize costs while maintaining quality of eduction; requires report on university policies. Senate adds new section.

***Sec. 263a. MSU AgBioResearch and MSU Extension* – REVISED**
Provides for establishment of a strategic growth initiative for the food and agriculture industry and states intent regarding metric goals that will be used to evaluate impacts of MSU AgBioResearch and MSU Extension; requires annual report containing financial data and metric goals for the two organizations. Executive revises to remove language related to strategic growth initiative but retain metric goals and reporting requirement; House and Senate concur.

***Sec. 265. Tuition Restraint* – REVISED**
Provides for allocation of funding component tied to tuition restraint in FY 2012-13. Executive makes minor revision to require that universities hold tuition rate increases *below* 4.0%, rather than *to* 4.0% or below. Removes 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 sets threshold at 3.0% or below, makes tuition restraint a requirement to receive performance funding (rather than a separate funding allocation), and retains language related to health insurance coverage. Senate retains threshold of 4.0%, makes tuition restraint a requirement to receive performance funding (rather than a separate funding allocation), and deletes language related to health insurance coverage.

***Sec. 265a. Performance Funding* – REVISED**
Specifies requirements for a university to receive performance funding: participation in at least three reverse transfer agreements, a dual enrollment policy that does not consider whether the credits were used toward high school graduation, and participation in the Michigan Transfer Network. Executive revises to specify performance component metrics. House concurs but adjusts to reflect formula change (weighting based on resident undergraduate FYES). Senate concurs with Executive but specifies revised scoring for Carnegie-based components: "3" for top 20% nationally and "2" for both above the national median and improving over 3 years, with intent to move to "1" for the final category in FY 2014-15. House and Senate both add tuition restraint compliance as a requirement to receive performance funding and provide that performance funding forfeited by a university due to discompliance with boilerplate requirements would be redistributed to other universities based on performance funding amounts (rather than being added to tuition restraint incentive funding).

Major Boilerplate Changes From FY 2012-13

***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. Executive deletes; House retains. Senate retains and adds language providing for distribution of $2.0 million appropriation to universities based on unfunded waiver costs and requiring the Department of Civil Rights to report certain information related to the waivers.

***Sec. 272a. Transfer Credit Reporting* – NOT INCLUDED**
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. House adds new section (similar language appeared in FY 2011-12 budget). Senate does not include.

***Sec. 273. Student Religious Beliefs* – DELETED**
States intent that universities report on efforts to accommodate the religious beliefs of students in accredited counseling programs. Executive deletes; House retains; Senate deletes.

***Sec. 273a. Non-Profit Worker Centers* – DELETED**
States intent that universities not use appropriated funds to benefit a non-profit worker center whose documented activities include coercion through protest, demonstration, or organization against a Michigan business. Executive, House ,and Senate delete.

***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* – 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. Executive deletes; House retains; Senate deletes.

***Sec. 275. Veterans Assistance* – 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. Executive and House retain. Senate adds intent that universities consider all veterans as in-state residents for determining tuition/fees and waive enrollment fees for all veterans.

***Sec. 275a. Capital Outlay Reporting* – REVISED**
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 and House delete; Senate retains and references relevant section Management and Budget Act.

***Sec. 282. Reallocation of King-Chavez-Parks (KCP) Funds* – REVISED**
Provides for reallocation of KCP grant funds from institutions that do not fully expend their funds. Executive revises to allow funds remaining after reallocation to be expended for program administration. House does not concur with proposed revision. Senate specifies that funds lapse to General Fund.

***Sec. 289. Enrollment Reporting* – REVISED**
Requires period audit of Higher Education Institutional Data Inventory (HEIDI) data and excludes certain credit hours from those reported to HEIDI. Executive and House retain. Senate revises to remove requirement that Legislature authorize new degree programs for enrollment reporting purposes.

***Sec. 290. Degree Programs* – DELETED**
Lists new degree programs established by public universities for which credit hours may be reported to HEIDI. House inserts new list submitted by Presidents Council. Senate deletes (see Sec. 289 above).

***Sec. 293. Student Records* – RETAINED**
Requires universities to provide information from the records of a student to persons authorized by the student pursuant to federal law. Executive and House delete; Senate retains.

***Sec. 293a. State Building Authority (SBA) Rent Payments* – REVISED**
States amounts appropriated through Department of Technology, Management, and Budget for SBA rent payments associated with state costs for previous capital projects at universities. Executive revises to reflect updated total of $125.4 million (vs. $124.0 million in FY 2012-13 budget act). House concurs and renumbers to section 236c. Senate concurs with Executive updates.

FY 2013-14 University Funding: As Passed by the Senate

Senate Bill 193 (S-1)

		Funding Proportional to Share of Total				Scored vs. National Carnegie Peers								
	% of formula:	22.2%		11.1%		22.2%		22.2%		22.2%				
	Funding per unit:	$325 per degree		$0.0018 per dollar		$165,627 per point		$149,599 per point		$331,254 per point				
University	**FY 2012-13 Year-to-Date**	**Critical Skills Undergrad Completions**	**Funding**	**Research & Develop Expends**	**Funding**	**Six-year Graduation Rate**	**Funding**	**Total Degree Completions**	**Funding**	**Inst Support as % of Core Expends**	**Funding**	***Total Performance Funding**	**FY 2013-14 Appropriation w/ Perf Funding**	**Percent Change**
Michigan State	$245,037,000	2,664	$865,421	$293,704,711	$530,387	2	$331,254	3	$448,796	2	$662,508	$2,838,300	$247,875,300	1.2
UM-Ann Arbor	274,156,700	2,629	854,131	728,871,000	1,316,234	3	496,881	3	448,796	2	662,508	3,778,400	277,935,100	1.4
Wayne State	183,398,300	659	214,101	163,944,192	296,059	0	0	0	0	0	0	510,200	183,908,500	0.3
Michigan Tech	42,579,100	903	293,415	52,917,000	95,560	3	496,881	2	299,197	0	0	1,185,100	43,764,200	2.8
Western	95,487,500	1,037	336,909	27,538,940	49,731	2	331,254	2	299,197	2	662,508	1,679,700	97,167,200	1.8
Central	71,352,300	681	221,086	7,527,977	13,594	3	496,881	3	448,796	2	662,508	1,842,900	73,195,200	2.6
Oakland	44,964,100	918	298,247	9,531,111	17,212	0	0	2	299,197	0	0	614,700	45,578,800	1.4
Eastern	66,466,700	642	208,578			0	0	3	448,796	0	0	657,400	67,124,100	1.0
Ferris	44,250,700	1,212	393,846			2	331,254	3	448,796	2	662,508	1,836,400	46,087,100	4.1
Grand Valley	55,436,000	1,182	383,876			3	496,881	3	448,796	2	662,508	1,992,000	57,428,000	3.6
Saginaw Valley	25,656,700	362	117,447			2	331,254	0	0	0	0	448,700	26,105,400	1.7
UM-Dearborn	22,237,300	356	115,660			2	331,254	0	0	0	0	446,900	22,684,200	2.0
UM-Flint	19,526,600	375	121,833			2	331,254	2	299,197	0	0	752,300	20,278,900	3.9
Northern	40,856,600	472	153,408			2	331,254	3	448,796	2	662,508	1,596,000	42,452,600	3.9
Lake Superior	12,046,100	183	59,597			2	331,254	2	299,197	0	0	690,000	12,736,100	5.7
TOTAL:	**1,243,451,700**	**14,274**	**$4,637,556**	**$1,284,034,931**	**$2,318,778**	**28**	**$4,637,556**	**31**	**$4,637,556**	**14**	**$4,637,556**	**$20,869,000**	**$1,264,320,700**	**1.7**

Total performance funding:	**$20,869,000**

Additional MPSERS reimbursement:	$2,000,000
Indian Tuition Waiver reimbursement:	2,000,000
Total funding increase:	**$24,869,000**
Total percent increase:	2.0

Data Notes

Component	Source	Years	Other
Critical skills undergrad awards	State HEIDI	FYs 2011-2012	Removed accounting/multi-disciplinary
Research & develop expends	Federal IPEDS	FY 2011	Carnegie research universities only
Six-year graduation rate	Federal IPEDS^	FYs 2007-2010	
Total degree completions	Federal IPEDS^	FYs 2007-2010	Includes graduate degrees
Inst support as % of core expends	Federal IPEDS^	FYs 2007-2010	Measure of administrative costs
	^Via BLM/AEG		

Scoring

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

*Requirements to receive performance funding amounts:

1. Restrain FY 2013-14 resident undergraduate tuition/fee rate increase to below 4.0%
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