

FY 2014-15: HIGHER EDUCATION
Summary: As Reported by the House Subcommittee
House Bill 5312 (H-1) Draft A



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IDG/IDT	FY 2013-14 YTD as of 2/5/14	FY 2014-15 Executive	FY 2014-15 House	FY 2015-15 Senate	FY 2015-15 Enacted	Difference: House	
						From FY 2013-14 YTD Amount	%
	\$0	\$0	\$0			\$0	--
Federal	97,026,400	97,026,400	97,026,400			0	0.0
Local	0	0	0			0	--
Private	0	0	0			0	--
Restricted	200,565,700	200,565,700	200,565,700			0	0.0
GF/GP	1,132,981,400	1,214,902,000	1,209,902,000			76,920,600	6.8
Gross	\$1,430,573,500	\$1,512,494,100	\$1,507,494,100			\$76,920,600	5.4
FTEs	0.0	0.0	0.0			0.0	--

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.

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%). Percentage increases for individual universities range from 4.0% to 9.5%. Half of the overall increase is distributed in proportion to FY 2010-11 university appropriation amounts (prior to FY 2011-12 15.0% reduction). 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 YTD (as of 2/5/14)	FY 2014-15 House Change
Gross	\$1,265,320,700	\$70,430,000
Restricted	200,019,500	0
GF/GP	\$1,065,301,200	\$70,430,000

House provides lower increase of \$70.4 million (5.6%; \$6.5 million below the Executive level). Concurs with all Executive formula components and changes. Percentage increases for individual universities range from 3.7% to 8.7%. House also concurs with tuition restraint level of 3.2% and other performance funding requirements.

2. MSU AgBioResearch and Extension

Executive increases funding for AgBioResearch and Extension programs operated by Michigan State University by \$3.4 million GF/GP (6.1%).

Gross	\$56,288,700	\$3,133,100
GF/GP	\$56,288,700	\$3,133,100

House provides lower increase of \$3.1 million (5.6%; \$300,500 below the Executive level). Proposed appropriations for FY 2014-15 are \$31.9 million and \$27.5 million GF/GP, respectively.

3. Tuition Grant Program

Executive 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.

Gross	\$31,664,700	\$1,762,500
Federal	31,644,700	0
GF/GP	\$0	\$1,762,500

House increases appropriation by \$1.8 million GF/GP (5.6%) and partially concurs with proposed performance reporting requirements (see Sec. 252 below).

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>		FY 2013-14 YTD (as of 2/5/14)	FY 2014-15 House Change
4. Tuition Incentive Program	Gross	\$47,000,000	\$1,500,000
<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 (43.8 million Federal TANF, \$4.7 million GF/GP). <u>House</u> concurs.	Federal	43,800,000	0
	GF/GP	\$3,200,000	\$1,500,000
5. Higher Education Database	Gross	\$105,000	\$95,000
<u>Executive</u> increases funding for maintenance of state database to \$200,000 GF/GP in order to continue improvements in system functionality. Public universities submit finance, enrollment, and other data annually under statutory and budget act requirements. <u>House</u> concurs.	GF/GP	\$105,000	\$95,000
6. Other Higher Education Program	Gross	\$30,194,400	\$0
<u>Executive</u> and <u>House</u> maintain funding for all other programs contained in Higher Education budget at current year levels:	Federal	21,561,700	0
• \$2.4 million (\$2.0 million GF/GP, \$446,200 SAF) for Michigan Public School Employees Retirement System Reimbursement.	Restricted	546,200	0
• \$2.0 million GF/GP for the College Access Program.	GF/GP	\$8,086,500	\$0
• \$95,000 GF/GP for Midwestern Higher Education Compact dues.			
• \$2.7 million GF/GP for King-Chavez-Parks Grant Programs.			
• \$18.4 million Federal TANF for the State Competitive Scholarship Program.			
• \$1.4 million (\$1.3 million GF/GP; \$100,000 Restricted) for the Children of Veterans and Officer's Survivor Tuition Grant Programs.			
• \$3.2 million Federal for Project GEAR-UP scholarships.			

Major Boilerplate Changes From FY 2013-14

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 concurs.

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 retains.

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 retains current language.

Sec. 245. University Transparency – RETAINED

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.

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.

Major Boilerplate Changes From FY 2013-14

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 concurs.

UNIVERSITY OPERATIONS

Sec. 261. Douglas Lake Biological Station – RETAINED

Designates University of Michigan Douglas Lake Biological Station as a unique resource. Executive deletes; House retains.

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 retains.

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 concurs with 3.2% limit; retains health insurance-related language.

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 retains intent regarding scoring; concurs with other Executive changes.

Sec. 268. Unfunded Indian Tuition Waiver Costs – RETAINED

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.

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 concurs.

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 retains.

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 retains.

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 retains.

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 retains requirement.

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 retains.

Major Boilerplate Changes From FY 2013-14

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 retains current language.

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 retains.

Summary: FY 2014-15 University Performance Funding Increases
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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:		\$25 per completion		\$0.0030 per dollar	\$12.86 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	\$7,033,485	2,718	\$1,427,507	\$318,951,530	\$969,025	2	3	2	3	10	35,494	354,940	\$4,565,317	\$13,995,300	\$263,593,100	5.6%
UM-Ann Arbor	279,232,700	7,840,984	2,743	1,440,571	714,903,000	2,171,989	3	3	2	2	10	27,905	279,050	3,589,203	15,042,700	294,275,400	5.4%
Wayne State	183,398,300	5,310,010	661	346,882	153,453,343	466,216	0	0	0	3	3	15,470	46,410	596,936	6,720,100	190,118,400	3.7%
Michigan Tech	43,473,800	1,188,198	927	486,679	56,380,000	171,291	3	0	2	2	7	5,165	36,155	465,034	2,311,200	45,785,000	5.3%
Western	97,279,000	2,717,717	1,069	561,418	23,042,963	70,008	2	2	2	2	8	17,550	140,400	1,805,856	5,155,000	102,434,000	5.3%
Central	73,540,100	1,986,735	693	363,688	9,894,583	30,061	3	3	3	3	12	18,660	223,920	2,880,109	5,260,600	78,800,700	7.2%
Oakland	45,651,600	1,258,539	1,023	537,260	11,252,501	34,187	0	2	0	2	4	14,182	56,728	729,648	2,559,600	48,211,200	5.6%
Eastern	67,275,400	1,884,938	664	348,720			2	3	2	3	10	15,616	156,160	2,008,564	4,242,200	71,517,600	6.3%
Ferris	45,636,500	1,205,429	1,241	651,782			2	3	2	3	10	10,875	108,750	1,398,767	3,256,000	48,892,500	7.1%
Grand Valley	57,823,500	1,536,598	1,299	681,980			3	3	2	3	11	19,751	217,261	2,794,459	5,013,000	62,836,500	8.7%
Saginaw Valley	25,991,000	687,287	394	206,659			2	2	0	2	6	8,215	49,290	633,979	1,527,900	27,518,900	5.9%
UM-Dearborn	22,510,400	613,043	374	196,155			2	0	0	2	4	5,894	23,576	303,240	1,112,500	23,622,900	4.9%
UM-Flint	19,938,200	518,130	437	229,241			2	2	2	2	8	5,571	44,568	573,243	1,320,600	21,258,800	6.6%
Northern	41,741,400	1,119,176	488	256,124			2	3	2	3	10	7,911	79,110	1,017,530	2,392,800	44,134,200	5.7%
Lake Superior	12,231,000	314,731	173	90,889			0	2	0	2	4	2,231	8,924	114,782	520,500	12,751,500	4.3%
TOTAL:	\$1,265,320,700	\$35,215,000	14,901	\$7,825,556	\$1,287,877,920	\$3,912,778	28	31	21	37	117	210,490	1,825,242	\$23,476,667	\$70,430,000	\$1,335,750,700	5.6%

Total funding increase: **\$70,430,000**

Component	Source	Years	Notes
Critical skills undergrad completions	State HEIDI	FYs 2012-2013	STEM/health/etc.
Research & develop expends	Federal IPEDS	FY 2012	Carnegie research universities only
Six-year graduation rate	Federal IPEDS^	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