

HIGHER EDUCATION: FYs 2011-12 and 2012-13
Summary: As Reported by the House Subcommittee
House Bill 4275 (H-1) Draft 2



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	FY 2010-11	FY 2011-12	Difference: FY 2011-12		FY 2012-13	Difference: FY 2012-13	
	Year-to-Date as of 2/17/11		House	Vs. FY 2010-11		%	House
IDG/IDT	\$0	\$0	\$0	--	\$0	\$0	--
Federal	4,500,000	98,326,400	93,826,400	2,085.0	107,086,400	8,760,000	8.9
Local	0	0	0	--	0	0	--
Private	0	0	0	--	0	0	--
Restricted	30,400,000	699,919,500	669,519,500	2,202.4	699,919,500	0	0.0
GF/GP	1,543,378,500	564,032,500	(979,346,000)	(63.5)	564,032,500	0	0.0
Gross	\$1,578,278,500	\$1,362,278,400	(\$216,000,100)	(13.7)	\$1,371,038,400	\$8,760,000	0.6
FTEs	1.0	0.0	(1.0)	(100.0)	0.0	0.0	--

Notes: (1) FY 2010-11 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 17, 2011.
(2) FY 2012-13 figures are projected or proposed budget amounts only and would not be legally-binding appropriations.

Overview

The Higher Education budget contains funding for operational support of the state's 15 public universities, the Agricultural Experiment Station and Cooperative Extension Service operated by Michigan State University, various financial aid programs for students attending public and independent colleges and universities in the state, and several other smaller higher education-related programs.

Under the FY 2011-12 and FY 2012-13 Executive Budget, the Higher Education budget would be merged into the compiled School Aid Act (see House Bill 4325). For purposes of House subcommittee deliberations, House Bill 4275 reflects a standard one-year budget bill format (with anticipated FY 2012-13 appropriation amounts also included).

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

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

House concurs with the overall reduction in university operations funding, but applies only a 14.0% across-the-board reduction. The remaining 1.0% reduction is applied based on a sliding scale formula, with larger reductions for universities receiving a higher amount of state funding per student. (Per-student funding amounts range from \$2,393 to \$7,310 following the 14.0% reduction.) Partial offsets are included for Lake Superior State (small enrollment) and Michigan Tech (high-cost degrees). Total percentage reductions to university appropriations from FY 2010-11 amounts range from 14.5% to 15.4%.

House Changes

Major Budget Changes From FY 2010-11 YTD Appropriations

FY 2010-11 YTD (as of 2/17/11)	FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
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[University Operations, continued]

The House utilizes the same methodology as the Executive to set aside tuition restraint incentive amounts for each university and concurs with the overall Executive split between GF/GP and School Aid funding.

For FY 2012-13, both the Executive and the House propose to roll up university operations funding into a single funding amount of \$1,207.2 million (no change from FY 2011-12 total); proposed boilerplate language would provide for funding to be allocated to the universities using an incentive-based formula yet to be developed.

2. Agricultural Experiment Station and Cooperative Extension Service

Gross	\$61,915,700	(\$9,289,900)	\$0
GF/GP	\$61,915,700	(\$9,289,900)	\$0

Executive combines two existing appropriations into a single appropriation for Agricultural Experiment and Cooperative Extension Activities, with a 15.0% reduction in total funding (\$9.3 million GF/GP). Proposed FY 2011-12 funding of \$52.6 million; no further change proposed for FY 2012-13. House concurs.

3. State Competitive Scholarship Program

Gross	\$19,861,700	\$0	\$0
Federal	1,500,000	18,361,700	0
GF/GP	\$18,361,700	(\$18,361,700)	\$0

Executive combines funding for existing State Competitive Scholarship and Tuition Grant programs into new appropriation of \$51.5 million for a proposed need-based Pathway to Higher Education Program.

House retains separate appropriation for State Competitive Scholarship program, funded at current FY 2010-11 level of \$19.9 million. State Competitive Scholarship Program is open to students at both public and private colleges/universities and requires both a qualifying ACT score and demonstrated financial need.

Executive and House replace state-level funding for major state financial aid programs with federal TANF funding in order to improve the state's ability to meet federal TANF maintenance-of-effort (MOE) requirements, consistent with supplemental adjustments made in the FY 2007-08, FY 2008-09, and FY 2009-10 budgets and proposed for the FY 2010-11 budget. Offsetting adjustments are proposed in the Human Services budget. Use of TANF funds for financial aid programs also proposed for FY 2012-13.

4. Tuition Grant Program

Gross	\$31,664,700	\$0	\$0
Federal	0	31,664,700	0
GF/GP	\$31,664,700	(\$31,664,700)	\$0

Executive combines funding for existing State Competitive Scholarship and Tuition Grant programs into new appropriation of \$51.5 million for a proposed need-based Pathway to Higher Education Program.

House retains separate appropriation for Tuition Grant program, funded at current FY 2010-11 level of \$31.7 million. Tuition Grant Program is a need-based financial aid program restricted to students at independent colleges and universities.

See final paragraph under item 3 above regarding proposed TANF fund shift.

5. Tuition Incentive Program (TIP)

Gross	\$37,400,000	\$6,400,000	\$8,760,000
Federal	0	43,800,000	8,760,000
Restricted	30,100,000	(30,100,000)	0
GF/GP	\$7,300,000	(\$7,300,000)	\$0

Executive increases funding for TIP by \$6.4 million for FY 2011-12 (17.1%) to fund projected increase in program participation and costs. TIP pays associate's degree tuition/fee costs for Medicaid-eligible middle- and high-school students who go on to graduate from high school and enroll in college. Additional projected cost increase of \$8.8 million for FY 2012-13 (20.0%). House concurs for both years.

See final paragraph under item 3 above regarding proposed TANF fund shift.

House Changes

Major Budget Changes From FY 2010-11 YTD Appropriations		FY 2010-11 YTD (as of 2/17/11)	FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
6. Children of Veterans and Officer's Survivor Tuition Programs	Gross	\$1,200,000	\$0	\$0
<u>Executive</u> replaces \$100,000 in state restricted funding with GF/GP funding to reflect that collections from the state income tax form check-off box for the Children of Veterans Tuition Program have been below the currently-appropriated amount of \$300,000. No further change proposed for FY 2012-13. <u>House</u> concurs.	Restricted	300,000	(100,000)	0
	GF/GP	\$900,000	\$100,000	\$0
7. Other Higher Education Programs	FTE	1.0	(1.0)	0.0
<u>Executive</u> maintains appropriations for King-Chavez-Parks grant programs, Robert C. Byrd Honors Scholarship (federal), Project GEAR UP (federal), Higher Education database costs, and Midwest Higher Education Compact dues at current-year levels for both FY 2011-12 and FY 2012-13. <u>House</u> concurs but removes unfilled FTE position for Higher Education database.	Gross	\$5,891,500	\$0	\$0
	Federal	3,000,000	0	0
	GF/GP	\$2,891,500	\$0	\$0

Major Boilerplate Changes From FY 2010-11

NOTES: (1) No new boilerplate language is proposed for FY 2012-13. (2) Under Executive Budget, boilerplate sections are renumbered as sections of School Aid Act; standard sections are consolidated to apply to all appropriations in act.

Sec. 203. Research University Definition – DELETED

Defines the term "Research University" based on Carnegie Classifications. Executive retains. House deletes and removes corresponding designation between universities in line item section.

Sec. 208. Reporting Via Internet – RETAINED

Requires universities to use the internet to fulfill budget act reporting requirements. Executive deletes; House retains.

Sec. 209. 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 retains.

Sec. 210. Foreign Auto Manufacturers – DELETED

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

Sec. 211. Deprived and Depressed Communities – RETAINED

Directs universities to ensure that businesses in deprived and depressed communities compete for and perform contracts. Executive deletes; House retains.

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

Requires report from fiscal agencies on procedures used to arrive at appropriation amounts. Executive deletes; House retains.

Sec. 214. Tuition Tax Credit – DELETED

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

Sec. 218. Posting of Expenditures – REVISED

States intent that universities maintain a publicly-accessible website containing all expenditures made within a fiscal year; prohibits university from expending more than \$100 to implement the website. Executive deletes. House retains and revises to require report categorizing institutional general fund expenditures among major categories for all academic units, administrative units, and external initiatives and to require a list of all employee salary amounts for positions funded by institutional general fund.

Sec. 219. Capital Outlay Reporting – NEW

Prohibits use of state funds for self-liquidating projects; requires compliance with Joint Capital Outlay Subcommittee reporting requirements; states that failure to comply with requirements may result in forfeiture of future capital outlay project consideration. House adds new section.

Sec. 220. School Aid Fund Proration – NEW

Provides for university appropriation amounts funded from School Aid Fund revenue to be reduced (along with K-12 and Community College appropriations) if total School Aid Fund appropriations are greater than the revenue available in the fund. House adds new section. (Executive included single section [Sec. 195] on proration in merged budget bill.)

Major Boilerplate Changes From FY 2010-11

Sec. 301. State Competitive Scholarship Program– REVISED

Provides for distribution of funds appropriated for State Competitive Scholarships; specifies maximum grant amount of at least \$1,300, unless insufficient funds are available, in which case a report is required. Executive deletes. House retains and revises specified maximum grant amount to reflect actual FY 2010-11 amount of \$600.

Sec. 302. Tuition Grant Program – REVISED

Provides for distribution of funds appropriated for Tuition Grants; specifies maximum grant amount of at least \$2,100, unless insufficient funds are available, in which case a report is required; limits award eligibility to undergraduate students; provides that unexpended funds at close of FY 2010-11 remain available for expenditure in FY 2011-12; caps awards received by students at a single institution at \$3.0 million. Executive deletes. House retains and revises specified maximum grant amount to reflect actual FY 2010-11 amount of \$1,512.

Sec. 182A. [Executive] Pathway to Higher Education Program – NOT INCLUDED

Specifies provisions for new program proposed under Executive Budget. Program would provide need-based financial aid awards to students attending either public or private colleges and universities who have an Expected Family Contribution (EFC) of \$3,800 or less. Executive adds new section; House does not include.

Sec. 308. Financial Aid Payment Schedules – REVISED

Specifies quarterly payment schedules for the various financial aid programs. Executive and House change Tuition Incentive Program schedule from 40/40/10/10 to 50/50.

Sec. 309. Needs Analysis Criteria – RETAINED

Requires Department of Treasury to determine the needs analysis criteria for students to qualify for State Competitive Scholarships and Tuition Grants. Executive deletes; House retains.

Sec. 315. Financial Aid Annual Report – RETAINED

Requires annual report from Department of Treasury on all state financial aid programs. Executive deletes; House retains.

Sec. 402. Douglas Lake Biological Station – RETAINED

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

Sec. 426. Textbook Policies – DELETED

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

Sec. 433. Project GREEN – REVISED

Allocates \$5.6 million from Agricultural Experiment Station and Cooperative Extension Service appropriations for Project GREEN (Generating Research and Extension to meet Environmental and Economic Needs). Executive deletes reporting requirement. House retains existing reporting requirement and adds new requirement that Michigan State University consult with experiment station and extension service stakeholders to develop research and outreach priorities and report on those efforts.

Sec. 436. Tuition Increases – REVISED

States intent for universities to increase general fund financial aid expenditures by at the least the same percentage as resident undergraduate tuition/fees, with an emphasis on need-based awards. Executive replaces with language providing for tuition restraint incentive funds appropriated to universities to be paid only if a university certifies that it did not adopt an increase in FY 2010-11 resident undergraduate tuition/fees after February 1, 2011, and that it will not adopt an increase in FY 2011-12 resident undergraduate tuition/fees that is greater than the prior-five-year statewide average tuition/fee increase (7.1%). House includes new language but also retains existing reporting requirements regarding related university financial indicators.

Sec. 437. University Funding Formula – NEW

States that, beginning in FY 2012-13, university operations funding shall be allocated to each university using an incentive-based formula developed by the state budget director, with the advice of relevant stakeholders, and enacted by the Legislature. Executive adds new section. House includes language but specifies that formula be developed by the Legislature and revises statement of potential policy goals.

Sec. 450. Per-Student Floor Funding – DELETED

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

Sec. 451. Unfunded Indian Tuition Waiver Costs – RETAINED

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

Sec. 463. Students from Macomb County – DELETED

Requires universities to report regarding outreach efforts to enroll students from Macomb County. Executive and House delete.

Sec. 464. Research Commercialization – DELETED

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

Major Boilerplate Changes From FY 2010-11

Sec. 466. Consolidation of Services – DELETED

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

Sec. 469. Graduates Receiving Pell Grants – DELETED

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

Sec. 470. Academic Program Accreditation – NEW

Requires universities to report regarding direct expenditures for academic program accreditation. House adds new section.

Sec. 471. Transfer Credit Reporting – NEW

Requires universities to report regarding the number of transfer credits rejected for incoming students, reported both by academic area and prior institution. House adds new section.

Sec. 472. Student Religious Beliefs – NEW

States intent that universities report regarding efforts to accommodate the religious beliefs of students in accredited counseling programs. House adds new section.

Sec. 473. Embryonic Stem Cell Research – NEW

States intent that universities conducting research using human embryonic stem cells report to the Department of Community Health regarding embryos and stem cell lines received or utilized by the university. House adds new section.

Sec. 480. Veterans Policies – RETAINED

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

Sec. 481. Urban Centers – DELETED

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

Sec. 490. HEIDI Advisory Committee – DELETED

Designates funds appropriated for maintenance of HEIDI database established in statute. Executive and House delete.

Sec. 603. Community College Transfer – REVISED

Requires universities to work with community colleges to encourage transfers and facilitate transfer of credits from community colleges to universities. Executive retains. House revises to create committee composed of representatives from universities, community colleges, and Legislature to improve transferability of core college courses between community colleges and universities on a statewide basis; requires interim report by March 1, 2012.

Sec. 604. Reverse Transfer – NEW

States intent that universities work with community colleges to implement state reverse transfer agreements for students transferring from a community college to a university to be able to transfer credits back to the community college and be awarded a credential. House adds new section.

Sec. 701a. Degree Programs – REVISED

Lists new degree programs established by public universities for which credit hours may be reported to state HEIDI database. House inserts new list submitted by Presidents Council

Sec. 702. Responses to Audit Reports – DELETED

Requires universities to report on implementation of audit report recommendations. Executive and House delete.

Sec. 709. Crime Statistics – DELETED

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

Sec. 714. Student Records – DELETED

Requires universities to provide information from the records of a student to persons authorized by student. Executive and House delete.

FY 2011-12 Public University Funding

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Across-the-Board Reduction:	14.00%
Sliding Scale Reduction:	1.00%

*Maximum:	(1.64%)
*Midpoint:	(1.10%)
*Minimum:	(0.55%)

Maximum:	(15.4)
Average:	(15.0)
Minimum:	(14.5)

University	FY 2010-11 Year-to-Date as of 2/17/11	14.0% Across- the-Board Reduction	Sliding Scale Component						FY 2011-12 Appropriation	Change from FY 2010-11 YTD		Amount Contingent on Tuition Restraint		Fund Sourcing		
			Reduced Appropriation Amount	Reduced Approp per FY10 FYES	*Additional % Reduction: Sliding Scale	*Offset for % Small Enroll/ High-Cost Degrees	*Net Reduction Percent	Additional Reduction		\$ Amount	Percent	\$ Amount	% of Approp	GF/GP	School Aid	School Aid %
Central	\$80,132,000	(\$11,221,800)	\$68,910,200	\$3,148	(0.72%)		(0.72%)	(\$493,500)	\$68,416,700	(\$11,715,300)	(14.6)	\$6,708,000	9.8	\$28,762,000	\$39,654,700	58.0
Eastern	76,026,200	(10,646,800)	65,379,400	3,562	(0.81%)		(0.81%)	(528,500)	64,850,900	(11,175,300)	(14.7)	3,311,000	5.1	27,263,000	37,587,900	58.0
Ferris	48,619,200	(6,808,700)	41,810,500	3,546	(0.80%)		(0.80%)	(336,500)	41,474,000	(7,145,200)	(14.7)	3,364,800	8.1	17,435,500	24,038,500	58.0
Grand Valley	61,976,400	(8,679,200)	53,297,200	2,393	(0.55%)		(0.55%)	(292,000)	53,005,200	(8,971,200)	(14.5)	4,272,300	8.1	22,283,100	30,722,100	58.0
Lake Superior	12,694,200	(1,777,700)	10,916,500	4,763	(1.08%)	0.53%	(0.55%)	(59,800)	10,856,700	(1,837,500)	(14.5)	739,000	6.8	4,564,100	6,292,600	58.0
Michigan State	283,685,200	(39,727,600)	243,957,600	5,525	(1.25%)		(1.25%)	(3,039,400)	240,918,200	(42,767,000)	(15.1)	18,309,200	7.6	101,280,800	139,637,400	58.0
Michigan Tech	47,924,200	(6,711,400)	41,212,800	6,197	(1.40%)	0.30%	(1.10%)	(451,600)	40,761,200	(7,163,000)	(14.9)	3,326,200	8.2	17,135,800	23,625,400	58.0
Northern	45,140,300	(6,321,500)	38,818,800	4,520	(1.02%)		(1.02%)	(396,700)	38,422,100	(6,718,200)	(14.9)	2,145,300	5.6	16,152,400	22,269,700	58.0
Oakland	50,761,300	(7,108,700)	43,652,600	2,751	(0.63%)		(0.63%)	(274,000)	43,378,600	(7,382,700)	(14.5)	3,852,200	8.9	18,236,100	25,142,500	58.0
Saginaw Valley	27,720,700	(3,882,000)	23,838,700	2,696	(0.62%)		(0.62%)	(146,700)	23,692,000	(4,028,700)	(14.5)	1,601,000	6.8	9,960,000	13,732,000	58.0
UM-Ann Arbor	316,254,500	(44,288,600)	271,965,900	6,475	(1.46%)		(1.46%)	(3,963,600)	268,002,300	(48,252,200)	(15.3)	13,830,200	5.2	112,666,800	155,335,500	58.0
UM-Dearborn	24,726,200	(3,462,700)	21,263,500	3,261	(0.74%)		(0.74%)	(157,600)	21,105,900	(3,620,300)	(14.6)	1,394,800	6.6	8,872,800	12,233,100	58.0
UM-Flint	20,898,000	(2,926,600)	17,971,400	2,821	(0.64%)		(0.64%)	(115,600)	17,855,800	(3,042,200)	(14.6)	1,088,700	6.1	7,506,500	10,349,300	58.0
Wayne State	214,171,400	(29,992,800)	184,178,600	7,310	(1.64%)		(1.64%)	(3,026,900)	181,151,700	(33,019,700)	(15.4)	12,765,100	7.0	76,155,200	104,996,500	58.0
Western	109,615,100	(15,350,600)	94,264,500	4,319	(0.98%)		(0.98%)	(921,100)	93,343,400	(16,271,700)	(14.8)	6,313,400	6.8	39,241,100	54,102,300	58.0
TOTAL	\$1,420,344,900	(\$198,906,700)	\$1,221,438,200	\$4,651				(\$14,203,500)	\$1,207,234,700	(\$213,110,200)	(15.0)	\$83,021,200	6.9	\$507,515,200	\$699,719,500	58.0

*Percentage changes calculated from reduced FY 2011-12 level (after across-the-board reduction), rather than FY 2010-11 YTD level. Maximum reduction is three times amount of minimum reduction.