

**FY 2013-14: HIGHER EDUCATION
Summary: Conference Report
Senate Bill 193 (S-1) CR-1**



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IDG/IDT	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 Conference	Difference: Conference From FY 2012-13 YTD	
						Amount	%
	\$0	\$0	\$0	\$0	\$0	\$0	--
Federal	97,026,400	97,026,400	97,026,400	97,026,400	97,026,400	0	0.0
Local	0	0	0	0	0	0	--
Private	0	0	0	0	0	0	--
Restricted	200,565,700	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	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	\$1,430,573,500	\$31,353,100	2.2
FTEs	0.0	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 AgBioReserach 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 2012-13 YTD Appropriations

1. University Funding

Executive includes a \$24.9 million GF/GP increase (2.0%) in total university operations funding 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%; remaining \$18.7 million is distributed based on five formula components. Requirements to be eligible for performance funding are maintained from FY 2012-13, related to reverse transfer agreements, dual enrollment policy, and 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, with same 4.0% limit as the Executive, and (2) allocates \$20.9 million through the formula components (no FYES weighting), 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). Remaining \$4.0 million is appropriated for other university-related purposes.

Conference (1) also makes tuition restraint an additional requirement to receive performance funding rather than a separate funding allocation, with a limit of 3.75% (or below), and (2) allocates \$21.9 million through the formula components, but with weighting based on total undergraduate FYES (including nonresidents) and revised scoring for the Carnegie-based components based on the Senate-passed budget. Remaining \$3.0 million is appropriated for other university-related purposes.

	FY 2012-13 Year-to-Date (as of 2/7/13)	FY 2013-14 Conference Change
Gross	\$1,243,451,700	\$21,869,000
Restricted	200,019,500	0
GF/GP	\$1,043,432,200	\$21,869,000

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		<u>FY 2012-13 Year-to-Date (as of 2/7/13)</u>	<u>FY 2013-14 Conference Change</u>
2. MPERS Reimbursement	Gross	\$446,200	\$2,000,000
<u>Executive</u> and <u>House</u> maintain appropriation amount for partial reimbursement of health care costs to seven universities with employees in the Michigan Public School Employees' Retirement System (MPERS) at current year level (446,200 School Aid Fund). <u>Senate</u> includes increase of \$2.0 million GF/GP. <u>Conference</u> concurs with funding increase.	Restricted	446,200	0
	GF/GP	\$0	\$2,000,000
3. Indian Tuition Waiver Reimbursement	Gross	NA	\$0
<u>Senate</u> 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. <u>Conference</u> does not include funding for this purpose.	GF/GP	NA	\$0
4. MSU AgBioResearch and Extension	Gross	\$54,204,600	\$2,084,100
<u>Executive</u> includes \$1.1 million GF/GP increase (2.0%) in the appropriation for the programs. <u>House</u> concurs with overall funding level but unrolls appropriation. <u>Senate</u> concurs with <u>Executive</u> (single appropriation item). <u>Conference</u> provides additional increase of \$1.0 million for total increase of \$2.1 million (3.8%) and unrolls appropriation: \$30.2 million for AgBioResearch and \$26.0 million for Extension	GF/GP	\$54,204,600	\$2,084,100
5. Tuition Grant Program	Gross	\$31,664,700	\$0
<u>Executive</u> , <u>House</u> , <u>Senate</u> , and <u>Conference</u> maintain appropriation amount at current year level (\$31.7 million Federal TANF).	Federal	\$31,664,700	\$0
6. Tuition Incentive Program (TIP)	Gross	\$43,800,000	\$3,200,000
<u>Executive</u> 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.) <u>House</u> , <u>Senate</u> , and <u>Conference</u> concur with funding increase.	Federal	43,800,000	0
	GF/GP	\$0	\$3,200,000
7. Children of Veterans Tuition Grant Program	Gross	\$1,200,000	\$200,000
<u>Executive</u> includes an increase of \$200,000 GF/GP due to an increased number of program applicants. <u>House</u> , <u>Senate</u> , and <u>Conference</u> concur.	Restricted	100,000	0
	GF/GP	\$1,100,000	\$200,000
8. College Access Program	Gross	N/A	\$2,000,000
<u>Executive</u> 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. <u>House</u> , <u>Senate</u> , and <u>Conference</u> concur.	GF/GP	N/A	\$2,000,000
9. Other Budget Items	Gross	\$24,453,200	\$0
<u>Executive</u> , <u>House</u> , <u>Senate</u> , and <u>Conference</u> maintain funding levels for other Higher Education items at current year levels:	Federal	21,561,700	0
	GF/GP	\$2,891,500	\$0
<ul style="list-style-type: none"> • 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) 			

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, Senate, and Conference 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, Senate, and Conference 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. Conference includes new items proposed by both Executive and Senate and removes employee names from salary list requirement (position titles only).

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, Senate, and Conference retain current provisions in all cases; Conference also makes technical corrections to FY 2012-13 carry forward language.

Sec. 256. Tuition Incentive Program – RETAINED

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. Conference retains boilerplate language and does not include statement of intent for 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, Senate, and Conference 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 and Conference retain.

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 education; requires report on university policies. Senate adds new section. Conference concurs.

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, Senate, and Conference 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. Conference sets threshold at 3.75% 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

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 adjusts to reflect formula change (weighting based on resident undergraduate FYES). Senate 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. Conference adjusts to reflect weighting based on total undergraduate FYES (including nonresidents) and revised scoring for Carnegie-based components. House, Senate, and Conference all 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

Major Boilerplate Changes From FY 2012-13

would be redistributed to other universities based on performance funding amounts.

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. Conference includes Senate reporting requirements, with addition of six-year graduation rate.

Sec. 272a. Transfer Credit Reporting – NEW

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. Conference concurs with House addition.

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; Senate deletes; Conference retains.

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, Senate, and Conference 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, Senate, and Conference 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 retains; Senate deletes; Conference retains.

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. Conference concurs with Senate.

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 of Management and Budget Act. Conference concurs with Senate.

Sec. 282. Reallocation of King-Chavez-Parks (KCP) Funds – RETAINED

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. Conference does not concur with proposed revision.

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. Conference revises to remove requirement that Legislature authorize new programs but clarifies that Legislature retains authority to exclude programs for enrollment reporting purposes.

Sec. 290. Degree Programs – REVISED

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. Conference revises to require that Presidents Council continue to report new and discontinued programs. (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 and Conference retain.

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. Conference concurs and renumbers to section 236c.

FY 2013-14 University Funding: Conference Report
Senate Bill 193 (S-1) CR-1

University	FY 2012-13 Year-to-Date	Funding Proportional to Share of Total				Scored vs. National Carnegie Peers								*Total Performance Funding	FY 2013-14 Appropriation w/ Perf Funding	Percent Change
		22.2%		11.1%		Six-year Graduation Rate	Total Degree Completions	Inst Support as % of Core Expends	Total Score	Total Undergrad FYES	FYES- Weighted Score	66.7% \$12.25 per weighted pt Funding				
		% of formula: Funding per unit:		Critical Skills Undergrad Completions	Funding								Research & Develop Expends			
Michigan State	\$245,037,000	2,664	\$906,890	\$293,704,711	\$555,802	2	3	2	7	34,841	243,887	\$2,986,649	\$4,449,300	\$249,486,300	1.82	
UM-Ann Arbor	274,156,700	2,629	895,059	728,871,000	1,379,305	3	3	2	8	27,332	218,656	2,677,669	4,952,000	279,108,700	1.81	
Wayne State	183,398,300	659	224,361	163,944,192	310,246	0	0	0	0	15,828	0	0	534,700	183,933,000	0.29	
Michigan Tech	42,579,100	903	307,474	52,917,000	100,139	3	2	2	7	5,427	37,989	465,215	872,800	43,451,900	2.05	
Western	95,487,500	1,037	353,053	27,538,940	52,114	2	2	2	6	18,272	109,632	1,342,557	1,747,700	97,235,200	1.83	
Central	71,352,300	681	231,680	7,527,977	14,246	3	3	2	8	19,275	154,200	1,888,339	2,134,300	73,486,600	2.99	
Oakland	44,964,100	918	312,539	9,531,111	18,037	0	2	0	2	13,888	27,776	340,146	670,700	45,634,800	1.49	
Eastern	66,466,700	642	218,573			0	3	0	3	15,525	46,575	570,359	788,900	67,255,600	1.19	
Ferris	44,250,700	1,212	412,718			2	3	2	7	10,956	76,692	939,173	1,351,900	45,602,600	3.06	
Grand Valley	55,436,000	1,182	402,270			3	3	2	8	19,668	157,344	1,926,840	2,329,100	57,765,100	4.20	
Saginaw Valley	25,656,700	362	123,075			2	0	0	2	8,288	16,576	202,990	326,100	25,982,800	1.27	
UM-Dearborn	22,237,300	356	121,202			2	0	0	2	5,927	11,854	145,164	266,400	22,503,700	1.20	
UM-Flint	19,526,600	375	127,671			2	2	0	4	5,591	22,364	273,870	401,500	19,928,100	2.06	
Northern	40,856,600	472	160,759			2	3	2	7	8,194	57,358	702,408	863,200	41,719,800	2.11	
Lake Superior	12,046,100	183	62,452			2	2	0	4	2,408	9,632	117,954	180,400	12,226,500	1.50	
TOTAL:	\$1,243,451,700	14,274	\$4,859,778	\$1,284,034,931	\$2,429,889	28	31	16	75	211,420	1,190,535	\$14,579,333	\$21,869,000	\$1,265,320,700	1.76	

Total performance funding: **\$21,869,000**

Additional MPSERS reimbursement: \$2,000,000
 Additional MSU AgBioResearch/Extension Increase: 1,000,000
Total Funding Increase: \$24,869,000

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		
Undergrad FYES	State HEIDI	FY 2012	Includes nonresident students

***Requirements to receive performance funding amounts:**

1. Restrain FY 2013-14 resident undergraduate tuition/fee rate increase to 3.75% or below
2. Participate in at least three reverse transfer agreements with community colleges (or make good-faith effort)
3. Maintain a dual enrollment credit policy that does not consider whether credits were used toward high school graduation
4. Participate in the Michigan Transfer Network

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