

**Summary: Executive Budget Recommendation
for Fiscal Years 2012-13 and 2013-14
HIGHER EDUCATION**



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	FY 2011-12 Year-to-Date as of 2/9/12	FY 2012-13 Executive	Difference: FY 2012-13 Vs. FY 2011-12		FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13	
			Amount	%		Amount	%
IDG/IDT	\$0	\$0	\$0	--	\$0	\$0	--
Federal	98,326,400	97,026,400	(1,300,000)	(1.3)	97,026,400	0	0.0
Local	0	0	0	--	0	0	--
Private	0	0	0	--	0	0	--
Restricted	200,219,500	200,565,700	346,200	0.2	200,565,700	0	0.0
GF/GP	1,065,632,500	1,102,389,400	36,756,900	3.4	1,105,097,200	2,707,800	0.2
Gross	\$1,364,178,400	\$1,399,981,500	\$35,803,100	2.6	\$1,402,689,300	\$2,707,800	0.2
FTEs	0.0	0.0	0.0	--	0.0	0.0	--

Notes: (1) FY 2011-12 year-to-date figures include mid-year budget adjustments through February 9, 2012. (2) Appropriation figures for all years include all proposed appropriation amounts, including both standard line items and boilerplate appropriations designated as "one-time." (3) FY 2013-14 figures are projected budget amounts only and would not be legally-binding appropriations.

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 2011-12 YTD Appropriations	Executive Changes		
	FY 2011-12 YTD (as of 2/9/12)	FY 2011-12 to FY 2012-13	FY 2012-13 to FY 2013-14
1. University Operations	Gross \$1,207,234,700	\$36,217,000	\$0
Includes increase of \$36.2 million GF/GP (3.0%) to be distributed to the 15 public universities through four performance funding components of \$9.0 million each:	Restricted 200,019,500	0	0
	GF/GP \$1,007,215,200	\$36,217,000	\$0

- Degree completion component: Based on three-year average growth in total undergraduate degree completions.
- Critical skills area component: Based on three-year average number of weighted undergraduate degree completions in critical skills areas.
- Pell Grant component: Based on three-year average of enrolled students receiving federal Pell Grants (need-based).
- Tuition restraint component: Allocated to universities holding resident undergraduate tuition/fee rate increase at or below 4.0%.

Under first three components, funding increases for universities range from 0.9% to 7.6% (average of 2.25%). Some or all universities would receive additional funds under tuition restraint component.

Maintains existing \$200.0 million in School Aid Fund revenue appropriated for university operations. No further change in total university funding planned for FY 2013-14; \$36.2 million would again be allocated on performance funding basis (that is, FY 2012-13 increases would not be rolled into ongoing university base appropriations).

Major Budget Changes From FY 2011-12 YTD Appropriations		FY 2011-12 YTD (as of 2/9/12)	Executive Changes	
			FY 2011-12 to FY 2012-13	FY 2012-13 to FY 2013-14
2. Michigan Public School Employee Retirement System (MPERS)	Gross	NA	\$446,200	\$0
Includes \$446,200 (School Aid Fund) to be allocated to the seven universities with employees in MPERS (Central, Eastern, Ferris, Lake Superior State, Michigan Tech, Northern, and Western) in proportion to retiree health care costs, in order to offset a portion of those costs.	Restricted	NA	\$446,200	\$0
3. Agricultural Experiment and Cooperative Extension Activities	Gross	\$52,625,800	\$0	\$0
Maintains flat funding from FY 2011-12 for Agricultural Experiment Station and Cooperative Extension Service operated by Michigan State University at \$52.6 million GF/GP.	GF/GP	\$52,625,800	\$0	\$0
4. Facility for Rare Isotope Beams	Gross	\$1,200,000	\$1,139,900	\$2,707,800
Continues appropriation for Facility for Rare Isotope Beams project at Michigan State, which had been designated as a one-time appropriation in FY 2011-12. Increases appropriation to \$2.3 million GF/GP in FY 2012-13 and \$5.0 million GF/GP in FY 2012-13 based on projected debt service schedule.	GF/GP	\$1,200,000	\$1,139,900	\$2,707,800
5. One-Time Items	Gross	\$700,000	(\$700,000)	\$0
Does not continue other FY 2011-12 appropriations designated as one-time (\$500,000 for Eastern Michigan and \$200,000 for Western Michigan).	GF/GP	\$700,000	(\$700,000)	\$0
6. State Competitive Scholarships	Gross	\$18,361,700	\$2,000,000	\$0
Increases appropriation by \$2.0 million, to \$20.4 million (TANF), based on a projected increase in eligible students. Program provides merit-/need-based awards to students at public/independent institutions. Maximum scholarship to be maintained at FY 2011-12 level of \$575.	Federal	18,361,700	2,000,000	0
7. Tuition Grants	Gross	\$31,664,700	(\$1,000,000)	\$0
Reduces appropriation by \$1.0 million, to \$30.7 million (TANF), based on a projected decline in eligible students. Program provides need-based awards to students at independent colleges. Maximum grant to be maintained at FY 2011-12 level of \$1,512. Performance reporting requirements added for independent colleges to participate in program (see section 252 below).	Federal	31,664,700	(1,000,000)	0
8. Tuition Incentive Program	Gross	\$43,800,000	(\$1,000,000)	\$0
Reduces appropriation by \$1.0 million, to \$42.8 million (TANF), due to lower program cost growth since FY 2010-11. Program pays associate's degree tuition costs for Medicaid-eligible middle- and high-school students who go on to graduate from high school and enroll in college.	Federal	43,800,000	(1,000,000)	0
9. Robert C. Byrd Scholarship	Gross	\$1,300,000	(\$1,300,000)	\$0
Removes \$1.3 million in funding for merit-based Robert C. Byrd Honors Scholarships due to federal funding elimination.	Federal	1,300,000	(1,300,000)	0
10. Children of Veterans Tuition Grant Program	Gross	\$1,200,000	\$0	\$0
Replaces \$100,000 in restricted funds with \$100,000 GF/GP to reflect declining income tax check-off contributions for program. (Line item also funds Officer's Survivor Tuition Program.)	Restricted	200,000	(100,000)	0
	GF/GP	\$1,000,000	\$100,000	\$0
11. Other Higher Education Programs	Gross	\$6,091,500	\$0	\$0
Flat appropriation levels are maintained for Project GEAR-UP scholarships (\$3.2 million Federal), the King-Chavez-Parks grant programs (\$2.7 million GF/GP), the higher education database (\$105,000 GF/GP), and Midwestern Higher Education Compact dues (\$95,000 GF/GP).	Federal	3,200,000	0	0
	GF/GP	\$2,891,500	\$0	\$0

Major Boilerplate Changes From FY 2011-12

NOTE: No boilerplate language proposed specific to FY 2013-14.

Sec. 236b. Federal Contingency Funds – NEW

Appropriates up to \$6.0 million in contingency funds, to be transferred to specific line items through the legislative transfer process.

Sec. 237a. Research University Definition – DELETED

Defines the term "Research University" to include three categories under Carnegie Classifications: "Doctoral/Research University," "Research University: High Research Activity," and "Research University: Very High Research Activity".

Sec. 239. American Goods and Services – DELETED

States preference for American goods and services, as well as those produced in Michigan and those produced by businesses owned by veterans.

Sec. 239a. Foreign Auto Manufacturers – DELETED

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

Sec. 240. Deprived and Depressed Communities – DELETED

Directs universities to ensure that businesses in deprived and depressed communities compete for and perform contracts.

Sec. 241. Payment of Appropriations – REVISED

Provides for 11 monthly payments to universities; directs Department of Treasury to withhold appropriations if universities fail to submit HEIDI data by specified deadlines. Revised to allow, rather than require, withholding of appropriation.

Sec. 244. Postsecondary Student Data System – REVISED

Requires universities to cooperate with measures taken by state to comply with American Recovery and Reinvestment Act (ARRA) provisions requiring establishment of a statewide P-20 education longitudinal data system. Revised to remove reference to ARRA and authorize state budget director to withhold monthly payments for a university not in compliance with section.

Sec. 245. Posting of Expenditures – REVISED

Requires report from each university categorizing institutional general fund expenditures among major categories for all academic units, administrative units, and external initiatives, as well as a list of all employee salary amounts for positions funded by institutional general fund. Revised to remove salary information from reporting requirements.

Sec. 251. State Competitive Scholarship Program – REVISED

Provides for distribution of funds appropriated for State Competitive Scholarships; specifies maximum grant amount of at least \$600, unless insufficient funds are available, in which case a report is required. Revised to reflect actual FY 2011-12 maximum grant amount of \$575.

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; limits award eligibility to undergraduate students; provides for carry forward of unexpended funds; caps awards received by students at a single institution at \$3.0 million. Revised to move application deadline from July 1 to March 1 for FY 2013-14 and subsequent years, remove carry forward provision, and add performance reporting requirements in order for an institution to participate in the program.

Sec. 254. Financial Aid Payment Schedules – REVISED

Specifies 50%/50%/0%/0% quarterly payment schedule for financial aid programs. Revised to 50%/30%/10%/10% schedule.

Sec. 256. Tuition Incentive Program – REVISED

Specifies criteria for Tuition Incentive Program eligibility. Revised to include more specific process for certifying Medicaid eligibility.

Sec. 261. Douglas Lake Biological Station – DELETED

Designates University of Michigan Douglas Lake Biological Station as a unique resource.

Sec. 262. Textbook Policies – DELETED

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

Sec. 263a. Research and Outreach Priorities – DELETED

Directs Michigan State University to develop, in consultation with Agricultural Experiment and Cooperative Extension Service stakeholders, a set of research and outreach priorities and, as part of that effort, to convene a summit on production agriculture; requires report on fund sources and review of major programs. (Existing Section 263 requires similar report.)

Sec. 265. Tuition Restraint – REVISED

Provides 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%). Revised to provide for allocation of funds tied to tuition restraint in FY 2011-12; universities holding resident undergraduate tuition/fee increase below 4.0% would receive funds in proportion to amount below 4.1%. Definition of "tuition and fee rate" expanded to be more specific. Related financial reporting requirements deleted.

Major Boilerplate Changes From FY 2011-12

Sec. 266. University Funding Formula – REVISED

States that, in subsequent budget years, university operations funding shall be allocated to each university using an incentive-based formula developed and enacted by the Legislature. Replaced with language requiring universities to participate in Michigan Transfer Network to receive performance funding, providing for distribution of the that funding, and requiring new reporting regarding graduates receiving Pell Grants (to be used as part of FY 2013-14 performance funding). (Executive Budget rennumbers as Sec. 265a.)

Sec. 268. Unfunded Indian Tuition Waiver Costs – DELETED

States legislative intent to allocate funds for unfunded Indian Tuition Waiver costs at universities from the General Fund.

Sec. 270a. Consolidation of Purchases – DELETED

Requires universities to coordinate purchases of goods and services, including use of state MiDEAL purchasing program and Midwestern Higher Education Compact; requires report from Presidents Council on purchasing and associated savings.

Sec. 271. Academic Program Accreditation – DELETED

Requires universities to report on direct expenditures made for academic program accreditation.

Sec. 272. Transfer Credit Reporting – DELETED

Requires universities to report on the number of transfer credits, with grade of C or better, rejected for incoming students.

Sec. 273. Student Religious Beliefs – DELETED

States intent that universities report on efforts to accommodate the religious beliefs of students in accredited counseling programs.

Sec. 274. Embryonic Stem Cell Research – DELETED

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.

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.

Sec. 275. Veterans Policies – 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. Revised to remove reporting requirement.

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. Revised to remove specified penalty.

Sec. 283. Information to High Schools – REVISED

Requires universities to inform high schools regarding the academic status of students from each high school. Revised to require universities to work with Center for Educational Performance and Information (CEPI) to implement the requirement.

Sec. 284. Information to Community Colleges – REVISED

Requires universities to inform community colleges regarding the academic status of transfer students. Revised to require universities to work with Center for Educational Performance and Information (CEPI) to implement the requirement.

Sec. 290. Degree Programs – DELETED

Lists new degree programs established by public universities for which credit hours may be reported to HEIDI. (New list pending.)

Sec. 292. Crime Statistics – DELETED

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

Sec. 293. Student Records – DELETED

Requires universities to provide information from the records of a student to persons authorized by student.

Sec. 294. One-Time Appropriations – DELETED

Appropriates \$1.9 million GF/GP on a one-time basis only in FY 2011-12 (see items 4 and 5 in Major Budget Changes section.)

Sec. 294a. State Building Authority (SBA) Rent Payments – NEW

States amounts appropriated, totaling \$124.0 million, through the Department of Technology, Management, and Budget for SBA rent payments associated with the state share of costs for previous capital projects at public universities.

University Performance Funding Proposal
 FY 2012-13 Executive Budget

University	*FY 2011-12 Appropriation	(A) Degree Completion Growth		(B) Critical Area Degree Completions		(C) Pell Grant Students		Total Performance Funding	FY 2012-13 Appropriation	% Change from FY 2011-12
		3-Year Average Growth	\$17,191.61 per Completion	3-Year Average Completions	\$684.97 per Completion	3-Year Average Students	\$154.61 per Student			
Central	\$68,108,900	78.0	\$1,340,946	620.0	\$424,681	5,214.0	\$806,137	\$2,571,800	\$70,680,700	3.8
Eastern	64,619,100	11.7	200,569	597.7	409,384	5,752.3	889,368	1,499,300	66,118,400	2.3
Ferris	41,324,300	69.3	1,191,952	1,070.7	733,375	4,249.0	656,938	2,582,300	43,906,600	6.2
Grand Valley	52,677,400	145.0	2,492,783	1,065.0	729,493	5,005.0	773,823	3,996,100	56,673,500	7.6
Lake Superior	10,789,500	0.0	0.0	165.3	113,248	866.3	133,944	247,200	11,036,700	2.3
Michigan State	241,120,800	25.7	441,251	2,511.0	1,719,960	7,351.0	1,136,538	3,297,800	244,418,600	1.4
Michigan Tech	40,733,600	0.0	0.0	893.2	611,792	1,233.3	190,686	802,500	41,536,100	2.0
Northern	38,367,400	33.7	578,784	406.7	278,554	2,813.0	434,918	1,292,300	39,659,700	3.4
Oakland	43,145,000	34.7	595,976	789.0	540,441	2,996.0	463,212	1,599,600	44,744,600	3.7
Saginaw Valley	23,561,500	29.3	504,287	329.0	225,355	2,531.3	391,369	1,121,000	24,682,500	4.8
UM-Ann Arbor	268,803,300	98.3	1,690,508	2,438.3	1,670,185	3,437.3	531,446	3,892,200	272,695,500	1.4
UM-Dearborn	21,016,300	0.0	0.0	333.7	228,552	2,218.3	342,977	571,500	21,587,800	2.7
UM-Flint	17,762,400	1.0	17,192	321.3	220,104	2,142.0	331,175	568,500	18,330,900	3.2
Wayne State	182,036,900	0.0	0.0	708.0	484,959	7,744.7	1,197,403	1,682,400	183,719,300	0.9
Western	93,168,300	0.0	0.0	969.7	664,193	5,006.3	774,029	1,438,200	94,606,500	1.5
TOTAL	\$1,207,234,700	526.7	\$9,054,248	13,218.5	\$9,054,276	58,560.0	\$9,053,962	\$27,162,700	\$1,234,397,400	2.25

Tuition Restraint Funding (yet to be allocated): \$9,054,300 (D)
 Total Performance Funding: \$36,217,000
 As % of FY 2011-12: 3.0

*Includes Tuition Restraint Incentive amounts.

NOTES

- (A) Three-year average (FY 2008-09 to FY 2010-11) growth in total bachelor's/associate's degrees completed (equally weighted); universities with negative changes receive zero funding
- (B) Three-year average (FY 2008-09 to FY 2010-11) of absolute number of bachelor's/associate's degrees completed (associate's weighted at 0.5) in critical skills areas (STEM, health, ag/natural resources)
- (C) Three-year (FY 2007-08 to FY 2009-10) average of students receiving federal Pell Grants (need-based; available to undergraduate students only)
- (D) For universities holding resident undergraduate tuition/fee rate increase at or below 4.0%, funds to be distributed in proportion to tenths of a percentage point below 4.1%