

FY 2014-15 EDUCATION OMNIBUS BUDGET
Summary: House Committee Substitute
House Bill 5314 (H-1) Draft 1



Mary Ann Cleary, Director

TOTAL APPROPRIATIONS BY BUDGET AREA

Budget Area (Bill Page) [Summary Page]	FY 2014-15		
	Gross	SAF	GF/GP
School Aid (3) [2]	\$13,755,030,100	\$11,748,867,400	\$180,000,000
Community College (257) [13]	371,525,000	197,614,100	173,910,900
Higher Education (281) [16]	1,507,494,100	200,465,700	1,209,902,000
TOTAL	\$15,634,049,200	\$12,146,947,200	\$1,563,812,900

Note: Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as one-time.

FY 2014-15: SCHOOL AID

Summary: As Reported by House Subcommittee (HB 5310)

Article I, House Bill 5314 (H-1) Draft 1



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	FY 2013-14 YTD as of 2/5/14	FY 2014-15 Executive	FY 2014-15 House	FY 2014-15 Senate	FY 2014-15 Enacted	Difference: House From FY 2013-14 YTD Amount	%
IDG/IDT	\$0	\$0	\$0			\$0	--
Federal	1,764,421,300	1,808,162,700	1,808,162,700			43,741,400	2.5
Local	0	0	0			0	--
Private	0	0	0			0	--
Restricted	11,367,382,300	11,808,976,900	11,766,867,400			399,485,100	3.5
GF/GP	234,900,000	180,000,000	180,000,000			(54,900,000)	(23.4)
Gross	\$13,366,703,600	\$13,797,139,600	\$13,755,030,100			\$388,326,500	2.9

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Overview

The School Aid budget makes appropriations to the state's 548 local school districts, 297 public school academies, the Education Achievement System, and 56 intermediate school districts (ISDs) for operations and certain categorical programs. It also appropriates funds to the Center for Educational Performance and Information, the Workforce Development Agency, and other entities to implement certain grants and other programs related to K-12 education.

Major Budget Changes From FY 2013-14 YTD Appropriations

1. Foundation Allowances (Secs. 22a, 22b, 22c)

Executive increases FY 2014-15 foundation allowances by \$28 to \$56 per pupil through the 2x formula plus \$55 per pupil across the board, providing total increases varying from \$83 to \$111 per pupil, at a cost of \$150.0 million. The minimum foundation would be \$7,187 and the Basic (the state maximum guaranteed level) would be \$8,132.

	FY 2013-14 Year-to-Date (as of 2/5/14)	FY 2014-15 House Change
Gross	\$8,946,400,000	\$25,600,000
Restricted	8,742,797,600	71,937,700
GF/GP	\$203,602,400	(\$46,337,700)

(The FY 2013-14 equity payment in Sec. 22c is rolled into the foundation allowance and included in a revised baseline for Sec. 22b.)

Much of the cost of increasing foundation allowances is offset by reducing baseline cost adjustments totaling \$115.4 million based on consensus estimates for taxable values and pupils. HB 4295 would reduce FY 2013-14 costs by \$49.4 million to reflect the current year savings. FY 2014-15 baseline costs would have decreased by another \$66.0 million from the revised FY 2013-14 baseline based on consensus estimates due to anticipated increases in local taxable values and further decreases in pupil memberships.

House increases FY 2014-15 foundation allowances by \$56 to \$112 per pupil through the 2x formula. The minimum foundation allowance would be \$7,188, and the Basic would be \$8,105. The House concurs in rolling in the Sec. 22c equity payment into the foundation allowances. The total cost of the foundation increase is \$141.0 million, but is offset by the combined FY 2013-14 and FY 2014-15 baseline cost reductions totaling \$115.4 million as mentioned above.

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 Year-to-Date (as of 2/5/14)	FY 2014-15 House Change	
2. MPSERS - State Share of Unfunded Liabilities (Sec. 147c)		Gross	\$404,600,000	\$379,344,000
<u>Executive</u> increases total funding for the state's share of Michigan Public School Employees' Retirement System (MPSERS) unfunded accrued liability (UAL) costs, as required by PA 300 of 2012, by \$379.3 million to a total of \$783.9 million for FY 2014-15, to recognize several cost adjustments:		Restricted	403,300,000	380,644,000
		GF/GP	\$1,300,000	(\$1,300,000)
• \$2.2 million increase (also included in HB 4295 for FY 2013-14) to cover the UAL costs that would have been paid by the Buena Vista and Inkster school districts had they not been dissolved. • \$1.3 million decrease to reflect the transfer of library-related MPSERS costs to the Department of Education budget. • \$269.2 million increase to reflect the actuarially estimated increased costs of the required state share for FY 2014-15. • \$100.0 million shift from Sec. 147a, to reflect the Executive proposal to permanently decrease the PA 300 employer UAL cap from 20.96% of MPSERS payroll to 19.76%. • \$9.2 million to extend the proposed rate cap reduction to ISDs, which were not included in Sec. 147a.				
<u>House</u> concurs with Executive.				
3. MPSERS - Cost Offset (Sec. 147a)		Gross	\$100,000,000	(\$100,000,000)
<u>Executive</u> rolls the funding for the cost offset, which currently equates to approximately 1.2% of MPSERS payroll, into Sec. 147c and proposes to permanently reduce the employer cap on MPSERS UAL from 20.96% to 19.76%.		Restricted	100,000,000	(100,000,000)
<u>House</u> concurs with Executive.				
4. Great Start Readiness Program (Sec. 32d)		Gross	\$174,575,000	\$65,000,000
<u>Executive</u> increases funding for preschool programs by \$65.0 million to \$239.6 million in FY 2014-15. Additional funding increases the current allocation for each half-day slot from \$3,625 to \$3,725 and provides up to 16,000 more half-day slots in FY 2014-15. ISDs may use two half-day slots to provide a child with a full-day program. Expands eligibility to children living in households up to 300% of the federal poverty level (up from 250%).		Restricted	174,275,000	65,000,000
<u>House</u> concurs with the total increase but does not increase the per diem allocation. House would repeat a \$25.0 million deposit into the GSRP reserve fund created in FY 2013-14. Funding would not be available until it is determined funds are necessary and are transferred by the Legislature before Jan. 31, 2015. The House earmarks \$10.0 million for reimbursements to programs for transportation costs up to a cost of \$150 per slot. Maintains eligibility at 250% of the federal poverty level. (See other changes in Major Boilerplate Changes below.)		GF/GP	\$300,000	\$0
5. Educator Evaluations (Sec. 95a) – NEW		Gross	\$0	\$100
<u>Executive</u> provides \$27.8 million total to implement educator evaluations. \$22.1 million SAF would be distributed to districts to provide educator evaluator training and to implement one of the evaluation tools identified by the Michigan Council for Educator Effectiveness. \$2.7 million GF/GP is appropriated to CEPI to develop a system for districts to do local calculations of student growth data. Another \$3.0 million GF/GP is appropriated to provide a value-added model of student growth, procure an electronic reporting system to integrate observation and value-added model data, and pilot alternative evaluation for student populations that cannot be evaluated by the system being implemented.		Restricted	0	100
<u>House</u> includes a \$100 placeholder for educator and administrator evaluations.		GF/GP	\$0	\$0

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 Year-to-Date (as of 2/5/14)	FY 2014-15 House Change	
6. Student Assessments (Sec. 104)		Gross	\$34,944,400	(\$2,000,000)
<u>Executive</u> increases funding for student assessments by \$5.2 million Gross (\$7.2 million SAF increase, after shifting \$2.0 million in federal funds to MDE Bureau of Assessment and Accountability) bringing the total to \$40.1 million in FY 2014-15. Earmarks \$4.0 million for the multi-year phase-in of interim assessments and \$3.2 million for an online reporting tool to provide student-level assessment data to educators, parents, and pupils immediately after assessments are scored.		Federal	8,250,000	(2,000,000)
<u>House</u> concurs with federal funding reduction of \$2.0 million but maintains current year SAF funding for assessments, for a total of \$32,944,400 for FY 2014-15. Does not include any of the Executive recommended assessment changes.		Restricted	26,694,400	0
7. District Fiscal Emergency Fund (Sec. 11r) – NEW		Gross	\$0	\$10,000,000
<u>Executive</u> deposits \$10.0 million into a newly created contingency fund to provide funds to either help pay the debts of districts that voluntarily dissolve or to provide funding to districts that receive students from and a portion of a dissolved district. Treasury would determine award amounts, and funding would not lapse back to the School Aid Fund.		Restricted	0	10,000,000
<u>House</u> concurs with Executive, but requires that Treasury notify the Legislature before disbursing funds.				
8. Year-Round Schools Pilot (Sec. 31b) – NEW		Gross	\$0	\$2,000,000
<u>Executive</u> provides \$2.0 million in funding for FY 2014-15 for competitive grants to at-risk districts that are eligible for the community eligibility option in the free/reduced lunch program. Grants would pay for modifications to school facilities, personnel contracts, and other nonrecurring costs experienced in moving to a year-round school calendar.		Restricted	0	2,000,000
<u>House</u> concurs but provides for a \$750,000 award cap per district and deletes modifications to personnel contracts as allowable use of funds. House also provides MDE with criteria with which to give districts priority, including districts with lower general fund balances as a percent of revenues, districts that have at least 1 school designated as either a priority or focus school, and ensuring that funding goes to both urban and rural districts.				
9. Health and Nutrition Education Software (Sec. 31g) – NEW		Gross	\$0	\$1,800,000
<u>House</u> provides \$1.8 million for a contract with a single provider to be awarded through a competitive bid process to provide personal user health and nutrition data through secure dashboards to pupils and faculty in school district and ISDs for three years. Requires a report after three years on increase in the number of healthy food options offered in school cafeterias, increase in participation in school athletic and physical activities, increase in the software program participation and longevity of users, and alignment to the DCH Michigan Health and Wellness 4x4 plan.		GF/GP	\$0	\$1,800,000
10. Dual Enrollment Incentive Payments (Sec. 64b) – NEW		Gross	\$0	\$1,750,000
<u>Executive</u> provides \$1.8 million in incentive payments to districts that provide dual enrollment options to students for FY 2014-15. Payments equal to \$10 per credit hour for up to 3 credits for each student enrolled plus \$30 per pupil per course if the pupil successfully completes and is awarded both high school and post-secondary credit for the course.		Restricted	0	1,750,000
<u>House</u> concurs with Executive.				
11. Career Readiness Study (Sec. 64c) – NEW		Gross	\$0	\$0
<u>Executive</u> provides \$250,000 for the MDE to commission an independent third party to conduct a study and prepare a report analyzing the state's current career readiness education system.		GF/GP	\$0	\$0
<u>House</u> does not include this section.				
12. Advanced Placement Incentive Program (Sec. 94) – NEW		Gross	\$0	\$250,000
<u>Executive</u> provides \$250,000 to pay for some or all of Advanced Placement (AP) and International Baccalaureate (IB) test fees for low-income students.		GF/GP	\$0	\$250,000
<u>House</u> concurs with Executive and also includes funding for FY 2013-14 in HB 4295. House requires students receiving funding to pay at least \$5 per test.				

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 Year-to-Date (as of 2/5/14)	FY 2014-15 House Change
13. School Bond Loan Redemption Fund (Sec. 11j) <u>Executive</u> increases by \$10.9 million to a total of \$142.6 million in FY 2014-15 to pay for increased interest payments associated with loans to districts participating in the School Bond Loan Program. <u>House</u> concurs with Executive.	Gross	\$131,660,000	\$10,940,000
	Restricted	131,660,000	10,940,000
14. Isolated District Funding (Sec. 20d) <u>Executive</u> maintains funding for low density and isolated districts at the FY 2013-14 appropriation levels. <u>House</u> decreases funding by \$559,600 to FY 2012-13 appropriation levels.	Gross	\$2,584,600	(\$559,600)
	Restricted	2,584,600	(559,600)
15. District Dissolution Transition Grants (Sec. 20g) <u>Executive</u> maintains transition grants for districts that received students and portions of Buena Vista and Inkster after they were dissolved for FY 2014-15. <u>House</u> concurs with Executive.	Gross	\$2,200,000	\$0
	Restricted	2,200,000	0
16. Best Practices (Sec. 22f) <u>Executive</u> maintains grants of up to \$52 per pupil that meet 7 out of 8 identified criteria for FY 2014-15. <u>House</u> decreases funding to \$78.7 million due to declining statewide pupil counts. House also changes 4 of the 8 best practice criteria. (See Major Boilerplate changes below.)	Gross	\$80,000,000	(\$1,300,000)
	Restricted	80,000,000	(1,300,000)
17. Consolidation Innovation Grants (Sec. 22g) <u>Executive</u> maintains grants to districts and ISDs for consolidation and expands the language to cover consolidations of operations or services in addition to full district or ISD consolidations. <u>House</u> concurs with Executive.	Gross	\$5,000,000	\$0
	Restricted	5,000,000	0
18. Technology Infrastructure Improvement (Sec. 22i) <u>Executive</u> maintains technology infrastructure grants at \$50.0 million for FY 2014-15. For FY 2014-15, eliminates a \$5.0 million grant for whole-school technology, which was awarded in FY 2013-14 to Genesee ISD. Earmarks \$8.5 million to convert existing assessments to online assessments, provide paper/pencil tests for districts not prepared for online tests, expand writing assessments to additional grade levels, and provide more constructed response test questions to test higher-order skills. <u>House</u> maintains total funding at \$50.0 million but does not include the \$8.5 million earmark recommended by the Executive. House allocates a \$3.5 million earmark to consortia of ISDs and districts for the deployment of shared technology and data service centers and the creation of single student data systems.	Gross	\$50,000,000	\$0
	Restricted	45,000,000	5,000,000
	GF/GP	\$5,000,000	(\$5,000,000)
19. District Performance Funding Grants (Sec. 22j) <u>Executive</u> maintains current funding levels for FY 2014-15 for awards to districts up to a maximum of \$100 per pupil: \$30 per pupil for academic growth in grades 3-8 math, \$30 per pupil for academic growth in grades 3-8 reading, and \$40 per pupil for academic growth in all high school tested subjects. <u>House</u> increases funding by \$4.7 million to a total of \$51.1 million to recognize updated data based on FY 2012-13 student assessments.	Gross	\$46,400,000	\$4,700,000
	Restricted	46,400,000	4,700,000
20. Student-Centric Grants (Sec. 22k) <u>Executive</u> eliminates \$8.0 million in one-time funding for FY 2013-14 for competitive grants to districts that align instruction with individual student learning styles and pace and advance students based on individual mastery of each subject area. Awards went to the EAA (\$7.1 million) and Port Huron School District (\$0.9 million). <u>House</u> concurs with Executive.	Gross	\$8,000,000	(\$8,000,000)
	Restricted	8,000,000	(8,000,000)
21. Renaissance Zone Reimbursements (Sec. 26a) <u>Executive</u> maintains renaissance zone reimbursements for districts and ISDs, but transfers renaissance zone reimbursements to libraries from the School Aid budget to the Department of Education budget. <u>House</u> concurs with Executive.	Gross	\$29,500,000	(\$3,200,000)
	Restricted	26,300,000	0
	GF/GP	\$3,200,000	(\$3,200,000)

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 Year-to-Date (as of 2/5/14)	FY 2014-15 House Change
22. Payments In Lieu of Taxes (PILT) (Sec. 26b) <u>Executive</u> increases funding to \$4.2 million in FY 2014-15 to recognize increased PILT reimbursements to districts, ISDs, and community colleges as required under PAs 603 and 604 of 2012. <u>House</u> concurs with Executive.	Gross	\$4,009,500	\$200,500
	Restricted	4,009,500	200,500
23. School Lunch Program (Sec. 31d) <u>Executive</u> increases by \$50.0 million in federal school lunch funding to bring the total program funding to \$535.7 million. <u>House</u> concurs with Executive.	Gross	\$485,695,100	\$50,000,000
	Federal	463,200,000	50,000,000
	Restricted	22,495,100	0
24. Special Education (Secs. 51a, 51c, 51d, 53a, 54, 56) <u>Executive</u> decreases by \$41.5 million from the current YTD appropriation to a total of \$938.9 million SAF for FY 2014-15 (HB 4295 would reduce FY 2013-14 costs by \$60.6 million) to adjust for consensus cost estimates. <u>House</u> concurs with Executive.	Gross	\$1,424,446,100	(\$41,500,000)
	Federal	444,000,000	0
	Restricted	980,446,100	(41,500,000)
25. Vocational Education (Sec. 61a) <u>Executive</u> maintains funding for FY 2014-15 at \$26.6 million for general funding for career and technical education (CTE) programs plus \$1.0 million in grants to districts and ISDs for career and technical education centers to integrate Michigan merit curriculum content standards into career and technical education. <u>House</u> increases funding for CTE programs by \$1.0 million to a total of \$27.6 million, plus maintains the \$1.0 million for the integration of content standards into CTE.	Gross	\$27,611,300	\$1,000,000
	Restricted	27,611,300	1,000,000
26. High School/Post-Secondary Credit Transfers (Sec. 64a) <u>Executive</u> eliminates \$1.0 million for grants to districts and ISDs to work with early middle colleges, colleges, and universities to develop statewide transfer or articulation agreements to ensure that postsecondary credit earned in high school is transcribed and transferred to postsecondary institutions. <u>House</u> concurs with Executive.	Gross	\$1,000,000	(\$1,000,000)
	Restricted	1,000,000	(1,000,000)
27. ISD General Operations and Best Practices (Sec. 81) <u>Executive</u> maintains funding at \$64.1 million for FY 2014-15 including \$62.1 million for general operations and \$2.0 million for best practices. <u>House</u> concurs with Executive regarding ISD general operations but eliminates best practices funding reducing total funds by \$2.0 million.	Gross	\$64,115,000	(\$2,000,000)
	Restricted	64,115,000	(2,000,000)
28. Center for Educational Performance and Information (CEPI) (Sec. 94a) <u>Executive</u> increases funding by \$2.5 million bringing the total to \$12.0 million for FY 2014-15. Funding would support the longitudinal data system and the MI School Data web portal, which were originally funded with federal funds that are no longer available. <u>House</u> concurs with Executive.	Gross	\$9,728,600	\$2,487,700
	Federal	193,500	0
	GF/GP	\$9,535,100	\$2,487,700
29. Principal Educator Evaluation Training (Sec. 95) <u>Executive</u> budget eliminates this line which provided grants to districts to support professional development for principals and assistant principals in a department-approved training program on implementing educator evaluation programs, replacing it with a more comprehensive evaluation system under Sec. 95a. <u>House</u> concurs with Executive.	Gross	\$500,000	(\$500,000)
	Restricted	500,000	(500,000)
30. Michigan Virtual University (MVU) (Sec. 98) <u>Executive</u> maintains current year funding for MVU. <u>House</u> reduces funding by \$2.0 million for a total of \$7.4 million in FY 2014-15.	Gross	\$9,387,500	(\$2,000,000)
	GF/GP	\$9,387,500	(2,000,000)

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>		<u>FY 2013-14 Year-to-Date (as of 2/5/14)</u>	<u>FY 2014-15 House Change</u>
31. Math/Science Centers and Michigan STEM Partnership (Sec. 99)	Gross	\$8,474,300	\$500,000
<u>Executive</u> maintains overall funding for both Math/Science Centers (\$8.0 million) and for the Michigan STEM Partnership and STEM grants to districts (\$475,000), but shifts \$100,000 SAF for the Michigan STEM Partnership to \$100,000 GF/GP.	Federal	5,249,300	0
<u>House</u> concurs with Executive and adds \$500,000 for additional STEM grants to districts bringing the Michigan STEM Partnership and STEM grants total to \$975,000.	Restricted	2,850,000	(100,000)
	GF/GP	\$375,000	\$600,000
32. FIRST Robotics Grants (Sec. 99h)	Gross	\$3,000,000	(\$1,000,000)
<u>Executive</u> reduces district grants by \$1.0 million to a total of \$2.0 million for FY 2014-15 for coaches, program, and competition costs for FIRST Robotics programs. Makes unexpended funds a work project to be carried forward into FY 2015-16.	Restricted	3,000,000	(1,000,000)
<u>House</u> concurs with Executive.			

Major Boilerplate Changes From FY 2013-14

Sec. 6(11). Definitions: School District of the First Class – REVISED

Executive revises the pupil membership requirements necessary to be a school district of the first class from 60,000 to 45,000 to reflect the decline in Detroit Public School's pupil membership to 48,860 in FY 2013-14.

House revises to a pupil membership of 40,000.

Sec. 15. Adjustments in Apportionments – REVISED

Executive revises to allow MDE to perform or require an audit of all records for the current fiscal year and three prior fiscal years related to any program funded in the School Aid budget. Revises to require that MDE "shall" revise apportionments based on such audits or other new information in the current year as well as prior fiscal years, and that the revision be done in the next apportionment after the adjustment is finalized.

House concurs with Executive.

Sec. 17a. Withholding Payments to Districts and ISDs – REVISED

Executive adds that MDE and Treasury may withhold payments related to two additional statutes: the Emergency Municipal Loan Act and the Local Financial Stability and Choice Act, and that they may withhold payments for all other financial obligations of a district or ISD in addition to current law's outstanding obligations on which the district or ISD has defaulted. Adds reference to the newly proposed enhanced deficit elimination plan (see Sections 102 and 102a).

House concurs with Executive.

Sec. 18. Application of Money Received Under the Act – REVISED

Executive amends the 20% cap on certain funds received which a district may transfer to pay for capital projects or debt retirement to fix an error in the statute that was inadvertently changed when the Higher Education and Community Colleges budgets were added to the bill in FY 2011-12 and the articles of the act were revised.

Revises the budget transparency requirements to shorten the time by which a district must post budget information from 30 to 15 days after a board adopts its budget or subsequent revisions. Also adds that a district must include links to its deficit elimination plan or enhanced deficit elimination plan on its budget transparency webpage.

Expands the potential frequency the MDE can require a district to have an audit and requires that records shall be retained for the current fiscal year and the three previous fiscal years. Requires that districts and ISDs provide all of their audited financial information by October 15 rather than November 15. Deletes the required online course cost report.

House concurs with Executive except moves the audited financial information submission date to November 1.

Sec. 19. State and Federal Reporting Requirements – REVISED

Executive deletes legislative intent that by FY 2014-15 there be standard statewide reporting requirements for education data.

House maintains intent language but pushes date back to FY 2016-17.

Major Boilerplate Changes From FY 2013-14

Sec. 21f. Online Courses – REVISED

Executive revises to require districts to allow for online courses under this section from grades 7-12 rather than 5-12. Deletes the exemption from this section for a district that is a cyber school. Expands to allow a pupil that has demonstrated previous success to take more than 2 online courses per semester under this section.

Expands the reasons for which a district may deny a pupil's request to include that the cost of the online course exceeds the amount identified in this section and that the request does not occur within the same timelines required for other enrollment and schedule changes. Deletes the provision that a district can pay the online school 80% upon enrollment and 20% upon completion, so would have to pay 100% upon enrollment. Revises the maximum cost a district must pay for an online course from 1/12 of a district's foundation allowance to 6.25% of the minimum foundation allowance.

House concurs with Executive with the following revisions: Requires that a student's request for an online course be made prior to the academic semester or term; Maintains the district payment based 80% on enrollment and 20% on completion; Adds that a pupil enrolled in 1 or more classes under this section may not be counted under the pupil transfer process in Sec. 25e.

Sec. 22f. Best Practices Incentive Grants – REVISED

Executive maintains that districts must comply with 7 out of 8 criteria and maintains current law for the 8 criteria.

House replaces 4 out of 8 current criteria as follows:

- Maintains
 - o a) Act as policyholder for health care services benefits.
 - o b) Competitively bid at least one non-instructional service.
 - o c) Participate in schools of choice.
 - o h) Provide physical education or health education classes.
- Deletes
 - o d) Measure student growth twice annually.
 - o e) Provide dual enrollment opportunities.
 - o f) Provide online learning opportunities.
 - o g) Provide a public online dashboard with finance and academic metrics.
- Adds
 - o d) Comply with school employee compensation determination requirements under MCL 380.1250.
 - o e) Improve the percentage of 3rd graders scoring proficient in reading.
 - o f) Comply with the prohibited subjects of bargaining as required under the Public Employment Relations Act.
 - o g) Implement the Michigan Comprehensive Guidance and Counseling Program.

Sec. 25e. Pupil Transfer Process – REVISED

Executive maintains current law.

House revises as follows: Transfers must be submitted within 30 days of the transfer or the pupil count submission date (rather than the 6th Wednesday after the pupil membership count day) whichever is later. Allows an ISD to investigate a representative sample based on required audit sample sizes in the pupil auditing manual and allows them to deny a transfer, rather than requiring the ISD to approve or deny each transfer. Adds that CEPI with MDE must report to the Legislature by December 1, 2014, with data on the implementation of this section including the number of transfer transactions and the net change in pupil memberships by district and ISD. Prohibits a pupil enrolled in an online course under Sec. 21f from being counted or transferred under this section.

Major Boilerplate Changes From FY 2013-14

Sec. 31a. At-Risk Pupil Funding – REVISED

Executive provides a revised purpose for the use of At-Risk funding to ensure that third grade pupils are proficient in reading by the end of third grade and that high school graduates are career and college ready. Expands flexibility by deleting some suggested uses of funding and allows a district to use all of its funds to implement school-wide reform consistent with the school's improvement plan in schools with 40% or more of its pupils identified as at-risk. Requires an ISD to provide data to MDE for dissolved districts so receiving districts could receive funds in the first year following dissolution.

Maintains funding distribution in current law based on the number of pupils that qualify for free or reduced breakfast, lunch, or milk; but revises the definition of an At-Risk pupil for whom the funding may be used to serve to include a pupil that meets any of the following criteria:

- A pupil enrolled in a priority school or a pupil enrolled in a focus school who is in the bottom 30% of achievement.
- A pupil who did not achieve proficiency or a satisfactory score on 2 or more state or locally administered assessments.
- In the absence of assessment data, the pupil is eligible for free or reduced breakfast, lunch or milk; is absent more than 10% of enrolled days or 10 school days; is homeless; is a migrant; is an English language learner; is an immigrant; did not complete high school in four years and is still continuing in school.

Requires that if a district cannot demonstrate improvement in third grade reading proficiency for at-risk pupils and improvement in career and college readiness as measured by the ACT for at-risk pupils after three subsequent school years, the district must revise its school improvement plan regarding expenditures of funds under this section.

House concurs with the Executive but maintains several current law, allowable uses of funds including early childhood and reading programs, adult education programs, and up to 20% of funds on other purposes not mentioned in this section. Also maintains current law that Sec. 31a funds may not be used to supplant another program or other funds.

Sec. 32d. Great Start Readiness Program – REVISED

Executive revises the requirement that an ISD ensure that 90% of children in the program are from families with a household income up to 250% of the federal poverty level, such that if an ISD determines that all eligible children are served with no children on the waiting list, the ISD may enroll children that live in families with a household income up to 300% of the federal poverty level. Would consider any child in foster care or who is experiencing homelessness, or has an individual education plan recommending placement in an inclusive preschool program as living with a family with household income up to 250% of the federal poverty level regardless of actual family income.

House does not change the threshold level from 250% to 300% of the federal poverty level, but does concur with counting certain children as if they live with families under 250% of the federal poverty level.

Sec. 41. Bilingual Instruction Program – REVISED

Executive deletes language prohibiting a district or ISD from receiving funds if it allows pupils who do not reside in the United States legally to participate in the program.

House maintains current law.

Sec. 94a(9). Truancy Report – REVISED

Executive deletes legislative intent that beginning in FY 2014-15 districts report to the Center for Educational Performance and Information (CEPI) the number of pupils who have had 10 or more unexcused absences each school year.

House concurs with Executive.

Sec. 101. Instructional Days and Hours – REVISED

Executive revises such that if a district had a collective bargaining agreement in place as of June 13, 2013, when the FY 2013-14 School Aid budget was signed, that had a school calendar that does not comply with the 175 minimum day requirement for FY 2014-15, then the subsection does not apply until the bargaining agreement expires.

House concurs with the Executive and adds a 5% penalty for districts that entered into a collective bargaining agreement in conflict with this section after June 13, 2013. Also provides that a collective bargaining agreement in place before June 13, 2013, would be allowed to continue to count up to 38 hours of professional development as instructional time until the agreement expires. The House would also increase the minimum number of days from 175 to 180 days beginning in FY 2016-17, but provides that if a collective bargaining agreement that is in conflict with this subdivision is in place prior to the enactment of this bill, it is exempt until that agreement expires.

Major Boilerplate Changes From FY 2013-14

Sec. 102. Deficit Budget and Deficit Elimination Plan (DEP) – REVISED

Executive revises the procedures for a district or ISD that has a deficit to require the district or ISD to notify the MDE immediately and to submit to the MDE and the State Treasurer a preplan financial report within 30 days of notifying MDE of the deficit, and allows the MDE to withhold some or all of its state aid payments in an amount the MDE determines is necessary to incentivize the district or ISD to eliminate the deficit until the district or ISD submits a DEP to the MDE or until the DEP is approved by the MDE. Allows the department to require a DEP to include an education plan for the district or ISD.

If the State Treasurer determines, based on information in a periodic financial status report under Section 102a, notification from the State Superintendent, a preplan financial report or deficit elimination plan, that a district or ISD has indicators of financial stress likely to result in recurring deficits or financial stress, the State Treasurer may require the district or ISD to submit an Enhanced DEP subject to approval by the State Treasurer, which may include entering into a financial recovery agreement with the State Treasurer. Requires withholding of funds until a district or ISD has an approved Enhanced DEP and requires enhanced monthly monitoring reports on withholding of funds until a district or ISD has an approved Enhanced DEP and requires enhanced monthly revenue, expenditures, cash flow, liabilities, budget amendments, pupil membership, and other financial data.

House concurs with Executive.

Sec. 102a. Periodic Financial Status Reports – NEW

Executive allows the State Superintendent or the State Treasurer to require a district or ISD to submit periodic financial status reports if it is determined that potential financial stress may exist, or that an operating deficit may arise within the current or next two fiscal years, or that a district or ISD will be unable to meet its financial obligations to provide public education based upon a number of factors. Details financial information that may be required in a periodic financial status report. Allows the State Treasurer to require that a district or ISD submit an enhanced DEP if the periodic financial status report indicates financial stress or a deficit.

House concurs with Executive.

Sec. 107. Adult Education – REVISED

Executive revises the funding distribution over a 3-year phase-in period away from the current calculation which makes awards based on prior year allocations and instead would make awards to the ISD acting as fiscal agent for each of the 10 prosperity regions identified by MDE. The revised distribution would be based on the following:

- 60% on the proportion of the state population between ages 18 and 24 who are not high school graduates in each region.
- 35% on the proportion of the state population ages 25 or older who are not high school graduates in each region.
- 5% on the proportion of the state population ages 18 or older who lack basic English proficiency in each region.

The ISD that is the fiscal agent would distribute funds to adult education programs within the prosperity region based on collaboration with education advisory groups and the workforce development boards in the region. Funding would be awarded to adult education programs based on 75% enrollment and 25% completion rather than the current 90/10 split.

House concurs with Executive but prohibits funding under this section from being used for administration.

Sec. 147. MPSERS Contribution Rates – DELETED

Executive revises the total and employer contribution rates based on the Executive recommendation to roll Sec. 147a MPSERS offset funds into Sec. 147c and permanently reduce the capped employer contribution rate for the unfunded accrued liability (UAL) in PA 300 of 2012 from 20.96% to 19.76%.

House concurs with Executive.

Sec. 147b. MPSERS Retirement Reform Reserve Fund – REVISED

Executive transfers \$50,000,000 from the School Aid Fund to the MPSERS Reserve Fund for future use.

House concurs with Executive.

SCHOOL AID LINE ITEM SUMMARY



Sec.	
11g	Durant - Debt Service
11j	School Bond Redemption Fund
11m	Cash Flow Borrowing Costs
11r	District Fiscal Emergency Contingency Fund - NEW
20f	Hold Harmless Grants
20g	Dissolved District Transition Grants
22a	Foundations: Proposal A Obligation Payment
22b	Foundations: Discretionary Payment
22c	Foundations: Equity Payment
22d	Isolated District Funding
22f	Best Practices Incentive Grants
22g	Consolidation Innovation Grants
22i	Technology Infrastructure Improvement Grants
22j	District Performance Funding
22k	Competitive Student-Centric Grants
24	Court-Placed Pupils
24a	Juvenile Detention Facility Programs
24c	Youth ChalleNGe Program
25f	Strict Discipline Academy Pupil Payments
26a	Renaissance Zone Reimbursement
26b	PILT Reimbursement
26c	Promise Zone Funding
31a	"At Risk" Pupil Support
31a(6)	School Based Health Centers
31a(7)	Hearing and Vision Screening
31b	Year Round Schools Pilot Program - NEW
31d	State School Lunch Programs
31d	Federal School Lunch Programs
31f	School Breakfast Program
31g	Nutrition Program - NEW
32d	Great Start School Readiness
32p	Early Childhood Block Grants
32r	Federal RTTT Early Learning Challenge Grants - NEW
39a1	Federal "No Child Left Behind"
39a2	Other Federal Funding
41	Bilingual Education Grants
51a(1)	Special Education - Federal Reimbursement
51a(2)	Special Ed ISD Foundation and Costs
51a(3)	Special Ed ISD Hold Harmless Payment
51a(6)	Special Ed Admin Rules Changes
51a(11)	Special Ed Foundations for Non Sec. 52 to ISDs
51c	Special Ed Headlee Obligation (Durant)
51d	Special Education - Other Federal Grants
53a	Special Ed for Court Placed Pupils
54	Special Ed Michigan School Blind/Deaf
56	Special Ed ISD Millage Equalization

FY 2013-14		
YTD	Supplemental Revisions	HB 4295
\$39,500,000		\$39,500,000
\$131,660,000		\$131,660,000
\$4,000,000	(\$1,500,000)	\$2,500,000
\$0		\$0
\$6,000,000		\$6,000,000
\$2,200,000	\$5,000,000	\$7,200,000
\$5,536,700,000	(\$10,700,000)	\$5,526,000,000
\$3,373,700,000	(\$38,700,000)	\$3,335,000,000
\$36,000,000		\$36,000,000
\$2,584,600		\$2,584,600
\$80,000,000		\$80,000,000
\$5,000,000		\$5,000,000
\$50,000,000		\$50,000,000
\$46,400,000		\$46,400,000
\$8,000,000		\$8,000,000
\$8,000,000		\$8,000,000
\$2,167,500		\$2,167,500
\$1,500,000		\$1,500,000
\$0	\$2,000,000	\$2,000,000
\$29,500,000		\$29,500,000
\$4,009,500		\$4,009,500
\$266,200		\$266,200
\$308,988,200		\$308,988,200
\$3,557,300		\$3,557,300
\$5,150,000		\$5,150,000
\$0	\$2,000,000	\$2,000,000
\$22,495,100		\$22,495,100
\$463,200,000		\$463,200,000
\$5,625,000		\$5,625,000
\$0	\$0	\$0
\$174,575,000		\$174,575,000
\$10,900,000		\$10,900,000
\$0	\$51,737,500	\$51,737,500
\$811,828,500		\$811,828,500
\$31,700,000		\$31,700,000
\$1,200,000		\$1,200,000
\$370,000,000		\$370,000,000
\$257,800,000	(\$10,800,000)	\$247,000,000
\$1,000,000		\$1,000,000
\$2,200,000		\$2,200,000
\$4,300,000	(\$800,000)	\$3,500,000
\$662,200,000	(\$49,000,000)	\$613,200,000
\$74,000,000		\$74,000,000
\$13,500,000		\$13,500,000
\$1,688,000		\$1,688,000
\$37,758,100		\$37,758,100

FY 2014-15	
Change from YTD	Exec Rec
	\$39,500,000
\$10,940,000	\$142,600,000
	\$4,000,000
\$10,000,000	\$10,000,000
	\$6,000,000
	\$2,200,000
(\$133,700,000)	\$5,403,000,000
\$204,300,000	\$3,578,000,000
(\$36,000,000)	\$0
	\$2,584,600
	\$80,000,000
	\$5,000,000
	\$50,000,000
	\$46,400,000
(\$8,000,000)	\$0
	\$8,000,000
\$28,000	\$2,195,500
	\$1,500,000
	\$0
(\$3,200,000)	\$26,300,000
\$200,500	\$4,210,000
\$26,900	\$293,100
	\$308,988,200
	\$3,557,300
	\$5,150,000
\$2,000,000	\$2,000,000
	\$22,495,100
\$50,000,000	\$513,200,000
	\$5,625,000
	\$0
\$65,000,000	\$239,575,000
	\$10,900,000
	\$0
(\$3,858,600)	\$807,969,900
(\$400,000)	\$31,300,000
	\$1,200,000
	\$370,000,000
(\$5,800,000)	\$252,000,000
	\$1,000,000
	\$2,200,000
(\$1,000,000)	\$3,300,000
(\$31,700,000)	\$630,500,000
	\$74,000,000
(\$3,000,000)	\$10,500,000
	\$1,688,000
	\$37,758,100

FY 2014-15	
Change from YTD	House Subcommittee
	\$39,500,000
\$10,940,000	\$142,600,000
	\$4,000,000
\$10,000,000	\$10,000,000
	\$6,000,000
	\$2,200,000
(\$133,700,000)	\$5,403,000,000
\$195,300,000	\$3,569,000,000
(\$36,000,000)	\$0
(\$559,600)	\$2,025,000
(\$1,300,000)	\$78,700,000
	\$5,000,000
	\$50,000,000
\$4,700,000	\$51,100,000
(\$8,000,000)	\$0
	\$8,000,000
\$28,000	\$2,195,500
	\$1,500,000
	\$0
(\$3,200,000)	\$26,300,000
\$200,500	\$4,210,000
\$26,900	\$293,100
	\$308,988,200
	\$3,557,300
	\$5,150,000
\$2,000,000	\$2,000,000
	\$22,495,100
\$50,000,000	\$513,200,000
	\$5,625,000
\$1,800,000	\$1,800,000
\$65,000,000	\$239,575,000
	\$10,900,000
	\$0
(\$3,858,600)	\$807,969,900
(\$400,000)	\$31,300,000
	\$1,200,000
	\$370,000,000
(\$5,800,000)	\$252,000,000
	\$1,000,000
	\$2,200,000
(\$1,000,000)	\$3,300,000
(\$31,700,000)	\$630,500,000
	\$74,000,000
(\$3,000,000)	\$10,500,000
	\$1,688,000
	\$37,758,100

SCHOOL AID LINE ITEM SUMMARY



61a	Career and Technical Education Programs
62	ISD Vocational Education Millage Equalization
64a	High School/Post Secondary Credit Transfers
64b	Dual Enrollment Incentive Payments - NEW
64c	Career Readiness Study - NEW
64d	Information Technology Certifications - NEW
74	Bus Driver Safety Instruction
74	School Bus Inspections
74a	Bus Diesel to Natural Gas Conversion - NEW
81	ISD General Operations Support
94	Advanced Placement (AP) Incentive Program - NEW
94a	Center for Educational Performance
94a	Center for Educational Performance - Federal
95	Principal Educator Evaluation Training
95a	Educator Evaluations - NEW
98	Michigan Virtual School
99	Math and Science Centers - State
99	Math and Science Centers - Federal
99h	FIRST Robotics
104	Student Assessments - State
104	Student Assessments - Federal
107	Adult Education
147a	MPSERS Cost Offset - (MOVES to 147c)
147c	MPSERS Prefunding - Unfunded Liability Payments
152a	Adair - Database Payment
TOTAL APPROPRIATIONS	

FY 2013-14		
YTD	Supplemental Revisions	HB 4295
\$27,611,300		\$27,611,300
\$9,190,000		\$9,190,000
\$1,000,000		\$1,000,000
\$0		\$0
\$0		\$0
\$0	\$3,900,000	\$3,900,000
\$1,625,000		\$1,625,000
\$1,674,000		\$1,674,000
		\$0
\$64,115,000		\$64,115,000
\$0	\$250,000	\$250,000
\$9,535,100		\$9,535,100
\$193,500		\$193,500
\$500,000		\$500,000
\$0		\$0
\$9,387,500		\$9,387,500
\$3,225,000		\$3,225,000
\$5,249,300		\$5,249,300
\$3,000,000		\$3,000,000
\$26,694,400		\$26,694,400
\$8,250,000		\$8,250,000
\$22,000,000		\$22,000,000
\$100,000,000		\$100,000,000
\$404,600,000	\$2,200,000	\$406,800,000
\$38,000,500		\$38,000,500
\$13,366,703,600	(\$44,412,500)	\$13,322,291,100

FY 2014-15	
Change from YTD	Exec Rec
	\$27,611,300
	\$9,190,000
(\$1,000,000)	\$0
\$1,750,000	\$1,750,000
\$250,000	\$250,000
	\$0
	\$1,625,000
\$17,500	\$1,691,500
	\$0
	\$64,115,000
\$250,000	\$250,000
\$2,487,700	\$12,022,800
	\$193,500
(\$500,000)	\$0
\$27,800,000	\$27,800,000
	\$9,387,500
	\$3,225,000
	\$5,249,300
(\$1,000,000)	\$2,000,000
\$7,200,000	\$33,894,400
(\$2,000,000)	\$6,250,000
	\$22,000,000
\$9,244,000	\$109,244,000
\$270,100,000	\$674,700,000
	\$38,000,500
\$430,436,000	\$13,797,139,600

FY 2014-15	
Change from YTD	House Subcommittee
\$1,000,000	\$28,611,300
	\$9,190,000
(\$1,000,000)	\$0
\$1,750,000	\$1,750,000
	\$0
	\$0
	\$1,625,000
\$17,500	\$1,691,500
	\$0
(\$2,000,000)	\$62,115,000
\$250,000	\$250,000
\$2,487,700	\$12,022,800
	\$193,500
(\$500,000)	\$0
\$100	\$100
(\$2,000,000)	\$7,387,500
\$500,000	\$3,725,000
	\$5,249,300
(\$1,000,000)	\$2,000,000
	\$26,694,400
(\$2,000,000)	\$6,250,000
	\$22,000,000
\$9,244,000	\$109,244,000
\$270,100,000	\$674,700,000
	\$38,000,500
\$388,326,500	\$13,755,030,100

REVENUE BY SOURCE	
Federal Aid	
School Aid Fund	
MPSERS Reserve Fund	
General Fund/General Purpose	
TOTAL REVENUE	

\$1,764,421,300	\$51,737,500	\$1,816,158,800
\$11,211,382,300	(\$96,150,000)	\$11,115,232,300
\$156,000,000		\$156,000,000
\$234,900,000		\$234,900,000
\$13,366,703,600	(\$44,412,500)	\$13,322,291,100

\$43,741,400	\$1,808,162,700
\$579,594,600	\$11,790,976,900
(\$138,000,000)	\$18,000,000
(\$54,900,000)	\$180,000,000
\$430,436,000	\$13,797,139,600

\$43,741,400	\$1,808,162,700
\$537,485,100	\$11,748,867,400
(\$138,000,000)	\$18,000,000
(\$54,900,000)	\$180,000,000
\$388,326,500	\$13,755,030,100

FY 2014-15: COMMUNITY COLLEGES
Summary: As Reported by House Subcommittee (HB 5311)
Article II, House Bill 5314 (H-1) Draft 1



Analyst: Marilyn Peterson

	FY 2013-14 YTD as of 2/5/14	FY 2014-15 Executive	FY 2014-15 House	FY 2014-15 Senate	FY 2014-15 Enacted	Difference: House From FY 2013-14 YTD Amount	%
IDG/IDT	\$0	\$0	\$0			\$0	--
Federal	0	0	0			0	--
Local	0	0	0			0	--
Private	0	0	0			0	--
Restricted	197,614,100	197,614,100	197,614,100			0	0.0
GF/GP	138,363,500	173,910,800	173,910,900			35,547,300	25.7
Gross	\$335,977,600	\$371,524,900	\$371,525,000			\$35,547,300	10.6

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Overview

The Community Colleges budget supports the 28 community colleges located throughout the state. The colleges are governed by locally-elected boards of trustees. The colleges offer numerous educational programs aimed at traditional transfer students, career and technical education, developmental and remedial education, and continuing education courses. The colleges are funded through a combination of state aid, local property tax revenue, tuition and fees revenue, and other sources of revenue such as federal grants and investment earnings. State aid makes up about 19% of total community college general fund operating revenue, although the revenue mix varies considerably among the colleges.

Major Budget Changes From FY 2013-14 YTD Appropriations

1. Community College Operations Funding

Executive and House increase funding for community college operations grants by \$8.9 million (3.0%). Projected increases for individual community colleges range from 2.7% to 3.7%. Funding increase to be distributed under current performance funding formula.

Executive newly subjects receipt of funding increase to a condition that a receiving college restrain its tuition and fee increases to 3.2% or less. House does not include the tuition restraint provision.

	FY 2013-14 Year-to-Date (as of 2/5/14)	FY 2014-15 House Change
Gross	\$298,244,000	\$8,947,300
Restricted	195,880,500	0
GF/GP	\$102,363,500	\$8,947,300

2. MPERS Contributions

Executive includes \$27.7 million GF/GP increase for the state's share of colleges' unfunded liability to the Michigan Public School Employees Retirement System (MPERS). Increase consists of:

Gross	\$33,133,600	\$27,700,000
Restricted	1,733,600	0
GF/GP	\$31,400,000	\$27,700,000

- \$20.9 million to fund the difference between the actuarial accrued liability to the system and the employer contribution cap of 20.96% of payroll set by 2012 amendments (2012 PA 300) to the Public School Employees Act.
- \$6.8 million, combined with redirection of existing School Aid Fund (SAF) appropriations, to fund the estimated cost of reducing the current 20.96%-of-payroll employer cap to 19.76%, a reduction of 1.2 percentage points.

Total state support for such payments would be \$60.8 million (\$59.1 million GF/GP). An additional \$18.7 million GF/GP is projected for FY 2015-16.

House concurs.

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>		<u>FY 2013-14 Year-to-Date (as of 2/5/14)</u>	<u>FY 2014-15 House Change</u>
3. GED Incentive Program	Gross	\$0	\$100
<u>House</u> adds \$100 placeholder and associated language to develop a GED incentive program under which students could obtain their GEDs at community colleges free of charge upon committing to pursue academic or vocational studies. Colleges would be reimbursed by the state for eligible costs of providing GED programs or testing.	GF/GP	\$0	\$100
4. One-Time Appropriations	Gross	\$1,100,000	(\$1,100,000)
<u>Executive</u> eliminates funding for one-time appropriation of \$1.1 million GF/GP to the Michigan Community College Association for the purpose of updating and expanding the Michigan Community College Virtual Learning Collaborative. <u>House</u> concurs.	GF/GP	\$1,100,000	(\$1,100,000)

Major Boilerplate Changes From FY 2013-14

Sec. 206a. GED Incentive Program – NEW

House adds language to develop a GED incentive program under which students could obtain their GED certificates at community colleges free of charge upon committing to pursue academic or vocational studies. Colleges would be reimbursed by the state for eligible costs of providing GED programs or testing.

Sec. 207a. MPSERS Funding Allocation and Employer Cap Buy-Down – NEW/REVISED

Executive specifies allocation method for distribution of consolidated MPSERS-related state funding (see No. 2, above) and assumes statutory change to Public School Employees Retirement Act to reduce maximum employer contribution to 19.76% of payroll. Distribution calculation would mirror current allocations of SAF and GF/GP portions, which are separately allocated based on each participating community college's percentage of the total covered payroll for all participating community colleges in immediately preceding fiscal year. Each college receiving MPSERS-related support would continue to have to forward the amount allocated to the retirement system. House concurs.

Sec. 209. Online Information – REVISED

Executive revises current online posting requirements by deleting requirements for each community college to post its estimated cost resulting from the federal Affordable Care Act. House retains this requirement.

Executive also deletes requirements to post Board of Trustees resolution regarding compliance with best practices needed to qualify for local strategic value component of performance funding, for state budget director to determine community college compliance with posting requirements, and allowing withholding of monthly grant installment for non-compliance with online posting requirements. House concurs with Executive on these changes.

Sec. 230. Local Strategic Value – REVISED

Executive changes from November 1 to October 14 the deadline for colleges to certify compliance with specified best practices, which is required to for a college to receive its share of the funding increase distributed under the local strategic value portion of the performance funding formula. House concurs.

Sec. 230a. Tuition Restraint – EXCLUDED

Executive conditions receipt of funding increases on restraining tuition and fee increases for Michigan residents to 3.2% or less. Payments for performance funding and local strategic value would only be made to a community college that certified by August 31 that it had not adopted a tuition and fee increase after February 5, 2014 for the 2013-14 academic year, and that it would not adopt a tuition and fee increase over 3.2% for the 2014-15 academic year. House does not include.

COMMUNITY COLLEGE OPERATIONAL FUNDING INCREASES IN FY 2014-15 EXECUTIVE RECOMMENDATION

		PERFORMANCE FUNDING FORMULA DISTRIBUTIONS							
<i>Percent of Formula-Distributed Increase:</i>		<i>50.0%</i>	<i>17.5%</i>	<i>10.0%</i>	<i>7.5%</i>	<i>15.0%</i>	<i>100.0%</i>		
Community College	FY 2013-14 Year-to-Date Appropriation³	Proportional to FY 2013-14 Funding	Weighted Completions	Contact Hour Equated Students	Adjusted Administrative Costs	Local Strategic Value³	Total Increase³	Assumed FY 2014-15 Appropriation	Percent Increase
Alpena	\$5,236,500	\$78,547	\$20,374	\$7,346	\$24,344	\$23,600	\$154,200	\$5,390,700	2.9%
Bay de Noc	\$5,279,300	\$79,189	\$24,053	\$9,488	\$3,660	\$23,800	\$140,200	\$5,419,500	2.7%
Delta	\$14,063,500	\$210,952	\$86,758	\$42,521	\$31,892	\$63,300	\$435,400	\$14,498,900	3.1%
Glen Oaks	\$2,441,500	\$36,622	\$19,578	\$5,397	\$1,963	\$11,000	\$74,600	\$2,516,100	3.1%
Gogebic	\$4,330,300	\$64,954	\$13,861	\$4,853	\$17,882	\$19,500	\$121,100	\$4,451,400	2.8%
Grand Rapids	\$17,454,900	\$261,823	\$62,200	\$60,876	\$29,226	\$78,500	\$492,600	\$17,947,500	2.8%
Henry Ford	\$21,060,000	\$315,899	\$72,402	\$63,497	\$17,230	\$94,800	\$563,800	\$21,623,800	2.7%
Jackson	\$11,758,200	\$176,373	\$58,725	\$23,594	\$17,546	\$52,900	\$329,100	\$12,087,300	2.8%
Kalamazoo Valley	\$12,122,500	\$181,837	\$68,519	\$40,857	\$34,744	\$54,600	\$380,600	\$12,503,100	3.1%
Kellogg	\$9,522,000	\$142,830	\$49,135	\$22,883	\$33,849	\$42,800	\$291,500	\$9,813,500	3.1%
Kirtland	\$3,055,700	\$45,835	\$22,898	\$7,037	\$22,397	\$13,800	\$112,000	\$3,167,700	3.7%
Lake Michigan	\$5,178,100	\$77,671	\$20,753	\$16,859	\$26,254	\$23,300	\$164,800	\$5,342,900	3.2%
Lansing	\$30,023,700	\$450,354	\$164,993	\$69,533	\$33,950	\$135,100	\$853,900	\$30,877,600	2.8%
Macomb	\$31,931,200	\$478,967	\$134,078	\$93,596	\$35,040	\$143,700	\$885,400	\$32,816,600	2.8%
Mid Michigan	\$4,517,900	\$67,768	\$36,235	\$16,919	\$22,875	\$20,300	\$164,100	\$4,682,000	3.6%
Monroe	\$4,342,600	\$65,139	\$20,491	\$14,506	\$30,682	\$19,500	\$150,300	\$4,492,900	3.5%
Montcalm	\$3,121,200	\$46,818	\$15,938	\$6,646	\$22,065	\$14,000	\$105,500	\$3,226,700	3.4%
Mott	\$15,247,100	\$228,706	\$68,034	\$44,351	\$29,299	\$68,600	\$439,000	\$15,686,100	2.9%
Muskegon	\$8,653,500	\$129,802	\$30,595	\$18,565	\$29,685	\$38,900	\$247,500	\$8,901,000	2.9%
North Central	\$3,064,400	\$45,966	\$13,580	\$9,057	\$25,633	\$13,800	\$108,000	\$3,172,400	3.5%
Northwestern	\$8,825,300	\$132,379	\$33,333	\$20,046	\$28,065	\$39,700	\$253,500	\$9,078,800	2.9%
Oakland	\$20,483,100	\$307,246	\$106,831	\$104,290	\$29,666	\$92,200	\$640,200	\$21,123,300	3.1%
St Clair County	\$6,860,100	\$102,901	\$27,819	\$16,907	\$22,982	\$30,900	\$201,500	\$7,061,600	2.9%
Schoolcraft	\$12,112,200	\$181,683	\$91,660	\$49,560	\$24,108	\$54,500	\$401,500	\$12,513,700	3.3%
Southwestern	\$6,404,300	\$96,064	\$21,471	\$11,173	\$14,578	\$28,800	\$172,100	\$6,576,400	2.7%
Washtenaw	\$12,610,800	\$189,162	\$141,232	\$49,381	\$29,984	\$56,700	\$466,500	\$13,077,300	3.7%
Wayne County	\$16,194,300	\$242,914	\$131,399	\$59,710	\$26,386	\$72,900	\$533,300	\$16,727,600	3.3%
West Shore	\$2,349,800	\$35,247	\$8,833	\$5,281	\$5,059	\$10,600	\$65,100	\$2,414,900	2.8%
TOTALS:	\$298,244,000	\$4,473,650	\$1,565,778	\$894,730	\$671,048	\$1,342,100	\$8,947,300	\$307,191,300	3.0%

Notes:

1. Assumes that all colleges qualify for increases under existing local strategic value component of performance funding formula.
2. Local strategic value component is distributed to qualifying colleges after certification of compliance after start of fiscal year.
3. Year-to-date appropriations, local strategic value distributions, and total increases are rounded to the nearest hundred

FY 2014-15: HIGHER EDUCATION

Summary: As Reported by House Subcommittee (HB 5312)

Article III, House Bill 5314 (H-1) Draft 1



Analyst: Kyle I. Jen

IDG/IDT	FY 2013-14 YTD as of 2/5/14	FY 2014-15 Executive	FY 2014-15 House	FY 2014-15 Senate	FY 2014-15 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	--

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

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.

	FY 2013-14 Year-to-Date (as of 2/5/14)	FY 2014-15 House Change
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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).

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.

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 Year-to-Date (as of 2/5/14)	FY 2014-15 House Change
3. Tuition Grant Program	Gross	\$31,664,700	\$1,762,500
<u>Executive</u> 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.	Federal	31,644,700	0
	GF/GP	\$0	\$1,762,500
<u>House</u> increases appropriation by \$1.8 million GF/GP (5.6%) and partially concurs with proposed performance reporting requirements (see Sec. 252 below).			
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. \$2.0 million GF/GP for the College Access Program. \$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.	Restricted	546,200	0
	GF/GP	\$8,086,500	\$0

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.

Major Boilerplate Changes From FY 2013-14

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.

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.

Major Boilerplate Changes From FY 2013-14

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.

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
As Reported by the House Subcommittee: HB 5312 (H-1) Draft A

		Proportional to FY 2010-11	Performance Funding Proportional to Share of Total				Performance Funding Scored vs. National Carnegie Peers										
% of formula: Funding per unit:		50.0%	11.1%		5.6%		33.3%										
			\$525 per completion		\$0.0030 per dollar		\$12.86 per weighted point										
University	FY 2013-14 Year-to-Date Appropriation	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	*Total Funding Increase	Proposed FY 2014-15 Appropriation	Percent Change
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**

Data Notes			
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