



Senate Fiscal Agency
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BILL



ANALYSIS

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Senate Bill 193 (S-1 as passed by the Senate)

Committee: Appropriations

FY 2012-13 Year-to-Date Gross Appropriation	\$1,399,220,400
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Changes from FY 2012-13 Year-to-Date:

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|---|------------|
| <p>1. Performance Funding/Tuition Restraint. The Governor included a \$24,869,000 (2.0%) GF/GP increase for university operations and allocated funds consistent with the performance funding and tuition restraint formulas adopted in the FY 2012-13 Higher Education budget. Metrics include weighted undergraduate completions in critical skills, research and development expenditures, six-year graduation rates, total completions, and administrative costs. The Governor maintained the prerequisites for qualifying for performance funding including 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. The Senate added tuition restraint to the prerequisites for performance funding and eliminated the separate \$6,217,300 allocation of funding for tuition restraint. Of that amount, \$2,217,300 is added to performance funding, \$2.0 million is appropriated for Michigan Public School Employees' Retirement System (MPERS) costs, and \$2.0 million is appropriated for the North American Tuition Waiver costs. The Senate also changed the scoring for distributions based on Carnegie classifications as follows: Top 20% = 3, above median = 2, and improving = 2. <u>Table 1</u> and <u>Table 2</u> provide details on the formula allocations.</p> | 20,869,000 |
| 2. MPERS reimbursements. The FY 2012-13 budget included \$446,200 for the purpose of offsetting a portion of the MPERS retirement contributions owed by universities. The Senate increased this appropriation by \$2.0 million GF/GP. | 2,000,000 |
| 3. North American Indian Tuition Waiver. Public Act 174 of 1976 provides for free tuition for Michigan resident North American Indians who attend Michigan public community colleges, universities, and certain Federal tribally controlled community colleges. State appropriations have not kept pace with actual costs. In FY 2012-13, universities absorbed \$4.5 million of waiver costs. The Senate added \$2.0 million offset part of the shortfall. | 2,000,000 |
| 4. MSU AgBioResearch and Extension. The Governor and Senate increased funding by 2.0% GF/GP, from \$54,204,600 to \$55,288,700. | 1,084,100 |
| 5. Tuition Incentive Program (TIP). The Governor and Senate increased this program by \$3.2 million GF/GP (7.3%), from \$43.8 million to \$47.0 million. The program pays tuition and fees for associate degree or certificate programs, as well as up to a maximum amount of \$2,000 for junior and senior years combined at a four-year institution. | 3,200,000 |
| 6. Children of Veterans/Officers Survivors Tuition Grants. The Governor and Senate increased funding from \$1.2 million to \$1.4 million. | 200,000 |
| 7. College Access Program. The Governor's recommendation transfers this program from the Department of Education to the Higher Education Budget. There is no adjustment to the FY 2012-13 level of funding. The Senate concurred. | 2,000,000 |
| 8. Comparison to Governor's Recommendation. The Senate is \$0 Gross and \$0 GF/GP over/under the Governor. | |

Total Changes	\$31,353,100
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FY 2013-14 Senate-Passed Gross Recommendation	\$1,430,573,500
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Changes from FY 2012-13 Year-to-Date:

1. **Posting of Expenditures.** Posting of financial and other information on university websites. The Governor removed listing of individual names and salaries and replaced it with a listing of the number of employees by job classification. The Governor also added posting of revenue and expenditure projections, and debt service information. The Senate concurred with the Governor, and also required posting block transfer policies and reverse agreements. (Sec. 245)
2. **State Tuition Grant Program.** Public Act 313 of 1966 established the Tuition Grant Program for undergraduate and graduate students at Michigan two-year and four-year private institutions are eligible-based on financial need. The Governor changed the application deadline from July 1 to March 1, eliminated work project authorization (carryforward of unexpended funds), required independent colleges and universities to submit annual P-20 longitudinal data system sets to the Center for Educational Performance and Information, and required new annual reports. The Senate did not include the Governor's changes. (Sec. 252)
3. **Tuition Incentive Program.** Sets criteria and financial thresholds for the Tuition Incentive Program (TIP). The Governor eliminated program criteria from this section and is recommending a new statute to govern the program. The proposed legislation would limit the amount paid for Phase I students attending a university to 300.0% of the average statewide community college per credit hour cost beginning in FY 2014-15. The Senate retained current-year language and included an intent statement regarding limiting future grant amounts. (Sec. 256)
4. **College Access Program.** Governor and Senate included language stating funds can be used for operations, local college access networks, the Access Portal, public awareness and outreach campaigns, and subgrants. (Sec. 259)
5. **Textbook Cost Review.** The Senate added intent language that each public university develop policies for reviewing required textbook and course materials to minimize costs and requires universities to review any potential financial conflict of interest that may occur for faculty written textbooks. Requires report. (Sec. 262a)
6. **Tuition Restraint.** The Governor changed the limit on resident undergraduate tuition increases from not "greater than 4.0%" to not "4.0% or higher," eliminated provision on mandated health insurance, and certain reports. The Senate concurred with Governor's changes but tied tuition restraint to all of performance funding. (Sec. 265)
7. **King-Chavez-Parks-Hood Unexpended Grant Funds.** The Governor modified to provide that funds remaining after reallocation of unexpended funds may be used by the Workforce Development Agency for administration of the programs. Senate removed change and provided that remaining funds lapse to the State General Fund. (Sec. 282)
8. **Yellow Ribbon GI Education Enhancement Program.** Senate added new legislative intent stating that each university consider all veterans residents of this State for determining their tuition rates and fees and also waive enrollment fees for veterans. (Sec. 275)
9. **Restored Sections.** The Senate restored the following sections that were removed by the Governor: Second-year appropriation intent language (Sec. 236a); buy American/buy Michigan intent language (Sec. 239); purchase of foreign automobiles prohibition (Sec. 239a); provision stating the acceptance and use of Federal or private funds does not place an obligation upon the Legislature to continue the purposes for which the funds are made available (portion of Sec. 242); intent regarding protection/preservation of U of M Douglas Lake Biological Station (Sec. 261); reporting requirement regarding withheld performance funding – modified based on Senate performance funding distribution (portion of Sec. 265a); unfunded Indian tuition waiver costs – modified based on additional funding and new reporting included by Senate (Sec. 268); human embryonic stem cell research report (Sec. 274); Yellow Ribbon GI Education Enhancement Program notice/reporting requirements – Senate added provision stating that each university consider all veteran residents of this State for determining their tuition rates and fees (portion of Sec. 275); prohibits use of funds for the construction or maintenance of a self-liquidating project, requires compliance with JCOS use and finance requirements and includes penalty provisions – Senate modified based on recent revisions to 1984 PA 431 (Sec. 275a) and Federal Educational Rights & Privacy Act (Sec. 293).
10. **Deleted Sections.** The Governor and Senate removed the following sections: counseling degree programs/student's religious beliefs (Sec. 273); legislative intent that public universities shall not use appropriations to benefit a nonprofit worker center whose documented activities include coercion against a Michigan business (Sec 273a); legislative intent regarding adult co-resident health benefits (Sec. 274a); and new degree programs. (Sec. 290)

Date Completed: 4-25-13

Fiscal Analyst: Bill Bowerman

Table 1: FY 2013-14 Higher Education Appropriation Bill

University	FY 2012-13 Year-To-Date Appropriation*	Governor			Senate		
		FY 2013-14 Governor's Recommendation	Dollar Change From 2012-13	Percent Change	FY 2013-14 Senate	Dollar Change From 2012-13	Percent Change From 2012-13
Central	\$71,352,300	\$73,012,400	\$1,660,100	2.3%	\$73,195,200	\$1,842,900	2.6%
Eastern	66,466,700	67,067,600	600,900	0.9%	67,124,100	657,400	1.0%
Ferris	44,250,700	46,334,100	2,083,400	4.7%	46,087,100	1,836,400	4.1%
Grand Valley	55,436,000	57,214,500	1,778,500	3.2%	57,428,000	1,992,000	3.6%
Lake Superior	12,046,100	12,666,300	620,200	5.1%	12,736,100	690,000	5.7%
Michigan State	245,037,000	247,423,800	2,386,800	1.0%	247,875,300	2,838,300	1.2%
Michigan Tech	42,579,100	43,770,000	1,190,900	2.8%	43,764,200	1,185,100	2.8%
Northern	40,856,600	41,709,000	852,400	2.1%	42,452,600	1,596,000	3.9%
Oakland	44,964,100	45,660,500	696,400	1.5%	45,578,800	614,700	1.4%
Saginaw Valley	25,656,700	26,190,400	533,700	2.1%	26,105,400	448,700	1.7%
UM-Ann Arbor	274,156,700	277,235,800	3,079,100	1.1%	277,935,100	3,778,400	1.4%
UM-Dearborn	22,237,300	22,483,600	246,300	1.1%	22,684,200	446,900	2.0%
UM-Flint	19,526,600	20,478,700	952,100	4.9%	20,278,900	752,300	3.9%
Wayne State	183,398,300	183,854,300	456,000	0.2%	183,908,500	510,200	0.3%
Western	95,487,500	97,002,400	1,514,900	1.6%	97,167,200	1,679,700	1.8%
Tuition Restraint Incentive*	0	6,217,300	6,217,300	---	0	0	---
15% Operations Reduction	0	0	0	---	0	0	0.0%
Right-to-Work Compliance	0	0	0	---	0	0	0.0%
MPERS Reimbursement	446,200	446,200	0	0.0%	2,446,200	2,000,000	448.2%
MSU AgBioResearch & Extension	54,204,600	55,288,700	1,084,100	2.0%	55,288,700	1,084,100	2.0%
Higher Education Database	105,000	105,000	0	0.0%	105,000	0	0.0%
Midwest Higher Ed Compact	95,000	95,000	0	0.0%	95,000	0	0.0%
King-Chavez-Parks	2,691,500	2,691,500	0	0.0%	2,691,500	0	0.0%
College Access Program	0	2,000,000	2,000,000	---	2,000,000	2,000,000	---
Total Universities	\$1,300,994,000	\$1,328,947,100	\$27,953,100	2.1%	\$1,326,947,100	\$25,953,100	2.0%
School Aid Fund	\$200,465,700	200,465,700	\$0	0.0%	200,465,700	0	0.0%
State GF/GP	\$1,100,528,300	\$1,128,481,400	\$27,953,100	2.5%	\$1,126,481,400	25,953,100	2.4%
Grants and Financial Aid							
State Competitive Scholarships	\$18,361,700	\$18,361,700	\$0	0.0%	18,361,700	0	0.0%
Tuition Grants	31,664,700	31,664,700	0	0.0%	31,664,700	0	0.0%
Tuition Incentive Program (TIP)	43,800,000	47,000,000	3,200,000	7.3%	47,000,000	3,200,000	7.3%
Children of Veterans & Officer's Tuition	1,200,000	1,400,000	200,000	16.7%	1,400,000	200,000	16.7%
Project Gear-Up	3,200,000	3,200,000	0	0.0%	3,200,000	0	0.0%
North American Indian Tuition Waiver	0	0	0	0.0%	2,000,000	2,000,000	---
Total Grants/Financial Aid	\$98,226,400	\$101,626,400	\$3,400,000	3.5%	103,626,400	5,400,000	5.5%
Federal Higher Ed Act	3,200,000	3,200,000	0	0.0%	3,200,000	0	0.0%
Federal TANF	93,826,400	93,826,400	0	0.0%	93,826,400	0	0.0%
Veterans Tax Check-off	100,000	100,000	0	0.0%	100,000	0	0.0%
State GF/GP	\$1,100,000	\$4,500,000	\$3,400,000	309.1%	6,500,000	5,400,000	490.9%
TOTAL HIGHER EDUCATION							
TOTAL ALL FUNDS	\$1,399,220,400	\$1,430,573,500	\$31,353,100	2.2%	\$1,430,573,500	\$31,353,100	2.2%
TOTAL FEDERAL	97,026,400	97,026,400	0	0.0%	97,026,400	0	0.0%
TOTAL STATE RESTRICTED	200,565,700	200,565,700	0	0.0%	200,565,700	0	0.0%
TOTAL STATE GF/GP	\$1,101,628,300	\$1,132,981,400	\$31,353,100	2.8%	\$1,132,981,400	\$31,353,100	2.8%

* FY 2012-13 tuition restraint incentive appropriation of \$9,054,200 has been allocated to university operation line items.

Table 2: FY 2013-14 University Performance Funding

	Funding per unit: % of formula:	Funding Proportional to Share of Total				Scored vs. National Carnegie Peers								Total Performance Funding	FY 2013-14 Senate	% Change from FY13	% of Total Perf. Funding
		\$324.89 per degree		0.0018 per dollar		\$165,627 per point		\$149,599 per point		\$331,254 per point							
		22.2%		11.1%		22.2%		22.2%		22.2%							
		Critical Skills Undergrad Awards	Performance Funding	Research & Development Expenditures	Performance Funding	Six-year Graduation Rate	Performance Funding	Total Degree Completions	Performance Funding	Instit. Support as % of Core Expenditures	Performance Funding						
	FY13 Current Law																
Michigan State	\$245,037,000	2,663.8	\$865,421	\$293,704,711	\$530,387	2	\$331,254	3	\$448,796	2	\$662,508	\$2,838,400	\$247,875,400	1.2%	13.6%		
UM-Ann Arbor	\$274,156,700	2,629.0	\$854,131	\$728,871,000	\$1,316,234	3	\$496,881	3	\$448,796	2	\$662,508	\$3,778,500	\$277,935,200	1.4%	18.1%		
Wayne State	\$183,398,300	659.0	\$214,101	\$163,944,192	\$296,059	0	\$0	0	\$0	0	\$0	\$510,200	\$183,908,500	0.3%	2.4%		
Michigan Tech	\$42,579,100	903.1	\$293,415	\$52,917,000	\$95,560	3	\$496,881	2	\$299,197	0	\$0	\$1,185,100	\$43,764,200	2.8%	5.7%		
Western	\$95,487,500	1,037.0	\$336,909	\$27,538,940	\$49,731	2	\$331,254	2	\$299,197	2	\$662,508	\$1,679,700	\$97,167,200	1.8%	8.0%		
Central	\$71,352,300	680.5	\$221,086	\$7,527,977	\$13,594	3	\$496,881	3	\$448,796	2	\$662,508	\$1,842,900	\$73,195,200	2.6%	8.8%		
Oakland	\$44,964,100	918.0	\$298,247	\$9,531,111	\$17,212	0	\$0	2	\$299,197	0	\$0	\$614,700	\$45,578,800	1.4%	2.9%		
Eastern	\$66,466,700	642.0	\$208,578			0	\$0	3	\$448,796	0	\$0	\$657,400	\$67,124,100	1.0%	3.2%		
Ferris	\$44,250,700	1,212.3	\$393,846			2	\$331,254	3	\$448,796	2	\$662,508	\$1,836,400	\$46,087,100	4.1%	8.8%		
Grand Valley	\$55,436,000	1,181.6	\$383,876			3	\$496,881	3	\$448,796	2	\$662,508	\$1,992,100	\$57,428,100	3.6%	9.5%		
Saginaw Valley	\$25,656,700	361.5	\$117,447			2	\$331,254	0	\$0	0	\$0	\$448,700	\$26,105,400	1.7%	2.2%		
UM-Dearborn	\$22,237,300	356.0	\$115,660			2	\$331,254	0	\$0	0	\$0	\$446,900	\$22,684,200	2.0%	2.1%		
UM-Flint	\$19,526,600	375.0	\$121,833			2	\$331,254	2	\$299,197	0	\$0	\$752,300	\$20,278,900	3.9%	3.6%		
Northern	\$40,856,600	472.2	\$153,408			2	\$331,254	3	\$448,796	2	\$662,508	\$1,596,000	\$42,452,600	3.9%	7.6%		
Lake Superior	\$12,046,100	183.4	\$59,597			2	\$331,254	2	\$299,197	0	\$0	\$690,000	\$12,736,100	5.7%	3.3%		
TOTAL:	\$1,243,451,700	14,274.3	\$4,637,556	\$1,284,034,931	\$2,318,778	28	\$4,637,556	31	\$4,637,556	14	\$4,637,556	\$20,869,300	\$1,264,321,000	1.7%	100.0%		
New Funding	\$24,869,000	Scoring Key				Indian Tuition Waiver: \$2,000,000											
Indian Tuition Waiver	\$2,000,000	3 = Top 20% nationally				MPERSERS: \$2,000,000											
MPERSERS	\$2,000,000	2 = Above national median				Total: \$24,869,300											
Performance Funding:	\$20,869,000	2 = Improving over 3 years				% Increase: 2.0%											

Indian Tuition Waiver: \$2,000,000
 MPERS: \$2,000,000
Total: \$24,869,300
 % Increase: 2.0%

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

Notes:

1. The Business Leaders for Michigan & Anderson Economic Group is the source of all Carnegie-scored metric data. All data are from FY10, with growth compared to FY07.
2. Data for critical skills awards are from HEIDI. Average of FY11 and FY12 reported data.
3. Data for research & development expenditures are from IPEDS from FY11.
4. Institutional support as a percentage of core expenditures measures administrative spending. A lower percentage yields a better score.