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**BILL ANALYSIS**



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Senate Bill 768 (S-1, Draft 1 as reported)  
 Committee: Appropriations

*Throughout this document Senate means Subcommittee*

**FY 2013-14 Year-to-Date Gross Appropriation ..... \$1,430,573,500**

**Changes from FY 2013-14 Year-to-Date:**

- 1. **University Operations Increase.** The Governor's recommendation includes a \$76.9 million (6.1%) increase for university operations. The funding is distributed through the same performance metrics as FY 2013-14 with certain modifications. The changes include distributing half the increase proportionally to universities based on FY 2010-11 appropriations, and adding Pell grants to the metrics that are based on Carnegie classifications. The Senate concurred with the Governor. See Table 1 for distributions. 76,892,000
  
- 2. **Prohibited Instruction Activity.** The Senate reduced funding for MSU based on Section 271A which states intent that a public university shall not participate in any instructional activity that encourages or discourages union organizing of employees and provides for a \$500,000 penalty for each occurrence. (Sec. 271A) (500,000)
  
- 3. **MSU AgBioResearch.** AgBioResearch performs agricultural research to promote efficient production, marketing, distribution, and use of farm products. The Governor and Senate increased funding by 6.1%, from \$30,243,900 to \$32,088,800. 1,844,900
  
- 4. **MSU Extension.** The MSU Extension Services identifies and solves farm, home, and community problems. The Governor and Senate increased funding by 6.1%, from \$26,044,800 to \$27,633,500. 1,588,700
  
- 5. **Tuition Incentive Program (TIP).** The Governor increased this program by \$1.5 million GF/GP (3.2%), from \$47.0 million to \$48.5 million. The program provides an incentive to students to complete high school and go on to college by pledging to pay 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. Students in grades 6 through 12 who are Medicaid-eligible for 24 months within a 36-consecutive month period can qualify for TIP. The Senate concurred with the Governor. 1,500,000
  
- 6. **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 2013-14, universities absorbed \$4.7 million of waiver costs. The Senate added \$500,000 to partially offset the shortfall. 500,000
  
- 7. **Higher Education Database Modernization and Conversion.** This funding provides support for the maintenance of the Higher Education Institutional Data Inventory (HEIDI). HEIDI is the State's database for enrollment, expenditure, and degree information for Michigan's 15 public universities. The Governor and Senate increased funding from \$105,000 to \$200,000 to cover current information technology support staff needs. 95,000
  
- 8. **MPSERS Reform.** The Senate included \$15,000,000 appropriated from the State School Aid Fund to provide funding assistance to universities that have employees that are members of the Michigan Public School Employees Retirement System. 15,000,000
  
- 9. **Comparison to Governor's Recommendation.** The Senate is \$15,000,000 Gross and \$0 GF/GP over the Governor.

Total Changes ..... \$96,920,600

**FY 2014-15 Senate Appropriations Subcommittee Gross Appropriation..... \$1,527,494,100**

**Changes from FY 2013-14 Year-to-Date:**

1. **Posting of Expenditures.** The Governor eliminated the provision stating that the State Budget Director shall determine whether a university has complied with this section and also eliminated the Budget Director's authority to withhold a public university's monthly installments for noncompliance. The Senate retained current year requirements with minor wording changes. (Sec. 245)
2. **State Tuition Grant Program.** The Governor changed the application deadline from July 1 to March 1, eliminated carry-forward authorization, and required independent colleges and universities to submit annual P-20 longitudinal data system sets and annual reports on the number of tuition grant students that successfully complete a program or graduate, the number of tuition grant students taking remedial classes, and Pell grant students that successfully complete a program or graduate. 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 and Senate specified that the application for certification must be before August 31, and requires compliance with satisfactory academic progress policy, which is consistent with current practice. (Sec. 256)
4. **Tuition Restraint.** Governor sets the maximum tuition and fee increase for FY 2014-15 at 3.2% and eliminates cost of mandated health insurance from calculation. The Senate concurred with the 3.2% tuition restraint but maintained current year requirements regarding the calculation for compliance. (Sec. 265)
5. **Performance Funding Criteria.** The Governor revised the formula by distributing 50% of the funding increase proportional to each university's share of State funding in FY 2010-11, added the number of students receiving Pell grants to Carnegie classification metrics, and eliminated intent language that would change the score for improving universities from 2 to 1. The Senate concurred with the Governor's recommended formula for FY 2014-15, but maintained intent language that would change the score for improving from 2 to 1 in the next fiscal year. (Sec. 265a)
6. **Transfer Credits.** Requires report on the number of transfer credits rejected for incoming students. The Governor and Senate limited report to credits earned by resident students at Michigan postsecondary institutions. (Sec. 272a)
7. **King-Chavez-Parks-Hood Unexpended Grant Funds.** The Governor modified this section to provide that funds remaining after reallocation of unexpended funds up to \$100,000 may be used by the Workforce Development Agency for administration of the programs. The Senate did not concur with the Governor. (Sec. 282)
8. **Prohibited Instruction Activity.** The Senate added new language stating that it is the intent of the Legislature that a public university that receives funds under section 236 shall not participate in any instructional activity that encourages or discourages union organizing of employees including, but not limited to participating with any business or union, or group of businesses or unions, in hosting, sponsoring, administering, or in any way facilitating an academy, seminar, class, course, conference, or program that provides instruction, in whole or in part, in techniques for encouraging or discouraging employees in regard to union organizing. The appropriation in section 236 for any university that participates in an activity described in this section shall be reduced by \$500,000 for each occurrence. (Sec. 271A)
9. **Restored Sections.** The Senate restored the following sections that were removed by the Governor: 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); intent that universities develop policies to minimize the cost of textbooks and course materials (Sec 262a); legislative intent stating that funds be allocated from the General Fund for North American Indian tuition waiver costs – modified based on additional funding included by Senate (Sec. 268); counseling degree programs/student's religious beliefs (Sec. 273); human embryonic stem cell research report (Sec. 274); intent regarding adult co-resident health benefits (Sec. 274a); Yellow Ribbon GI Education Enhancement Program reporting requirements (portion of Sec. 275); prohibits use of funds for the construction or maintenance of a self-liquidating project, requires compliance with Section 238 of 1984 PA 431 and JCOS use and finance requirements, and includes penalty provisions (Sec. 275a); and Federal Educational Rights & Privacy Act compliance (Sec. 293).

Date Completed: 3-27-14

Fiscal Analyst: Bill Bowerman

Table 1: FY 2014-15 Higher Education Appropriation Bill

FY 2014-15 Senate Subcommittee										
University	FY 2013-14 Year-To-Date Appropriation	Formula Adjustments				Total Formula Distribution	Other Changes	FY 2014-15 Senate	Dollar Change From 2013-14	Percent Change
		Across Board Adjustment	Critical Skills	Research & Development	Metrics based on Carnegie Peers					
Central	\$73,540,100	2,169,019	397,056	32,819	3,144,361	5,743,300		\$79,283,400	\$5,743,300	7.8%
Eastern	67,275,400	2,057,883	380,715	0	2,192,852	4,631,400		71,906,800	4,631,400	6.9%
Ferris	45,636,500	1,316,028	711,584	0	1,527,104	3,554,700		49,191,200	3,554,700	7.8%
Grand Valley	57,823,500	1,677,582	744,552	0	3,050,853	5,473,000		63,296,500	5,473,000	9.5%
Lake Superior	12,231,000	343,608	99,228	0	125,314	568,100		12,799,100	568,100	4.6%
Michigan State	249,597,800	7,678,812	1,558,482	1,057,934	4,984,188	15,279,400	(500,000)	264,377,200	14,779,400	5.9%
Michigan Tech	43,473,800	1,297,216	531,332	187,008	507,701	2,523,300		45,997,100	2,523,300	5.8%
Northern	41,741,400	1,221,861	279,624	0	1,110,889	2,612,400		44,353,800	2,612,400	6.3%
Oakland	45,651,600	1,374,011	586,554	37,324	796,594	2,794,500		48,446,100	2,794,500	6.1%
Saginaw Valley	25,991,000	750,346	225,620	0	692,147	1,668,100		27,659,100	1,668,100	6.4%
UM-Ann Arbor	279,232,700	8,560,400	1,572,744	2,371,270	3,918,515	16,422,900		295,655,600	16,422,900	5.9%
UM-Dearborn	22,510,400	669,291	214,152	0	331,062	1,214,500		23,724,900	1,214,500	5.4%
UM-Flint	19,938,200	565,669	250,274	0	625,839	1,441,800		21,380,000	1,441,800	7.2%
Wayne State	183,398,300	5,797,207	378,709	508,991	651,705	7,336,600		190,734,900	7,336,600	4.0%
Western	97,279,000	2,967,070	612,929	76,431	1,971,544	5,628,000		102,907,000	5,628,000	5.8%
MPERSERS Reimbursement	2,446,200						0	2,446,200	0	0.0%
MPERSERS Reform	0						15,000,000	15,000,000	15,000,000	
MSU AgBioResearch	30,243,900						1,844,900	32,088,800	1,844,900	6.1%
MSU Extension	26,044,800						1,588,700	27,633,500	1,588,700	6.1%
Higher Education Database	105,000						95,000	200,000	95,000	90.5%
Midwest Higher Ed Compact	95,000						0	95,000	0	0.0%
King-Chavez-Parks	2,691,500						0	2,691,500	0	0.0%
College Access Program	2,000,000						0	2,000,000	0	0.0%
<b>Total Universities</b>	<b>\$1,328,947,100</b>	<b>\$38,446,003</b>	<b>\$8,543,555</b>	<b>\$4,271,777</b>	<b>\$25,630,667</b>	<b>\$76,892,000</b>	<b>\$18,028,600</b>	<b>\$1,423,867,700</b>	<b>\$94,920,600</b>	<b>7.1%</b>
School Aid Fund	\$200,465,700	0	0	0	0	0	\$15,000,000	\$215,465,700	\$15,000,000	7.5%
State GF/GP	\$1,128,481,400	\$38,446,003	\$8,543,555	\$4,271,777	\$25,630,667	\$76,892,000	\$3,028,600	\$1,208,402,000	\$79,920,600	7.1%
<b>Grants and Financial Aid</b>										
State Competitive Scholarships	\$18,361,700						\$0	\$18,361,700	\$0	0.0%
Tuition Grants	31,664,700						0	31,664,700	0	0.0%
Tuition Incentive Program (TIP)	47,000,000						1,500,000	48,500,000	1,500,000	3.2%
Children of Veterans & Officer's Tuition	1,400,000						0	1,400,000	0	0.0%
Project Gear-Up	3,200,000						0	3,200,000	0	0.0%
North American Indian Tuition Waiver	0						500,000	500,000	500,000	---
<b>Total Grants/Financial Aid</b>	<b>\$101,626,400</b>						<b>2,000,000</b>	<b>\$103,626,400</b>	<b>\$2,000,000</b>	<b>2.0%</b>
Federal Higher Ed Act	3,200,000						0	3,200,000	0	0.0%
Federal TANF	93,826,400						0	93,826,400	0	0.0%
Veterans Tax Check-off	100,000						0	100,000	0	0.0%
State GF/GP	\$4,500,000						\$2,000,000	\$6,500,000	\$2,000,000	44.4%
<b>TOTAL HIGHER EDUCATION</b>										
<b>TOTAL ALL FUNDS</b>	<b>\$1,430,573,500</b>	<b>\$38,446,003</b>	<b>\$8,543,555</b>	<b>\$4,271,777</b>	<b>\$25,630,667</b>	<b>\$76,892,000</b>	<b>\$20,028,600</b>	<b>\$1,527,494,100</b>	<b>\$96,920,600</b>	<b>6.8%</b>
<b>TOTAL FEDERAL</b>	<b>97,026,400</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>97,026,400</b>	<b>0</b>	<b>0.0%</b>
<b>TOTAL STATE RESTRICTED</b>	<b>200,565,700</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,000,000</b>	<b>215,565,700</b>	<b>15,000,000</b>	<b>7.5%</b>
<b>TOTAL STATE GF/GP</b>	<b>\$1,132,981,400</b>	<b>\$38,446,003</b>	<b>\$8,543,555</b>	<b>\$4,271,777</b>	<b>\$25,630,667</b>	<b>\$76,892,000</b>	<b>\$5,028,600</b>	<b>\$1,214,902,000</b>	<b>\$81,920,600</b>	<b>7.2%</b>