



Senate Fiscal Agency
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Senate Bill 123 (as introduced)
 Committee: Appropriations

[Vehicle for Governor's Recommendation line items is Senate Bill 134.](#)

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2014-15 YEAR-TO-DATE	FY 2015-16 GOV.'S REC.	CHANGES FROM FY 2014-15 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions.....	N/A	N/A	N/A	N/A
GROSS	1,516,496,300	1,541,219,200	24,722,900	1.6
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	1,516,496,300	1,541,219,200	24,722,900	1.6
Less:				
Federal Funds.....	97,026,400	97,026,400	0	0.0
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	1,419,469,900	1,444,192,800	24,722,900	1.7
Less:				
Other State Restricted Funds.....	204,567,900	205,279,500	711,600	0.3
GENERAL FUND/GENERAL PURPOSE	1,214,902,000	1,238,913,300	24,011,300	2.0
PAYMENTS TO LOCALS	0	0	0	0.0

FY 2014-15 Year-to-Date Gross Appropriation **\$1,516,496,300**

Changes from FY 2014-15 Year-to-Date:

1. **University Operations Increase.** The Governor included a 2.0% increase for university operations funded by the State General Fund (GF/GP). In FY 2014-15, half of the funding increase was distributed across-the-board. The Governor eliminated the across-the-board distribution for FY 2015-16. The performance-based metrics from the previous year are maintained. The allocation based on students receiving Pell Grants is changed from the absolute number of students to the percentage of students at each institution that receive Pell Grants. Prerequisites to receiving performance funding are continued. Tuition restraint is set at 2.8%. Details of allocations by university are included in [Table 1](#). 26,799,100

2. **Michigan Public School Employees Retirement System (MPSERS) Rate Cap.** The FY 2014-15 budget included \$2,446,200 (\$2.0 million GF/GP and \$446,200 School Aid Fund (SAF) in ongoing-appropriations for MPSERS reimbursements. The Governor increases ongoing appropriations from \$2,446,200 to \$5,160,000 and shifts \$2.0 million from General Fund to the SAF, funding the entire FY 2015-16 appropriation with the SAF. (Note: there is a pending supplemental appropriation that would implement the \$2.0 million funding shift in FY 2014-15.) 2,713,800

The Governor's proposal included implementing an employer's cap on contributions for MPSERS unfunded accrued liability (UAL) payments (25.73% of payroll). This is similar to the cap that was implemented for K-12 and community college employers. The cap is based on FY 2011-12 UAL payments by MPSERS universities. The affected universities include Central, Eastern, Ferris, Lake Superior, Michigan Tech, Northern, and Western. Payments by the State for the cap will increase from \$5.2 million in FY 2015-16 to \$10.3 million in FY 2035-36. Over that time period, the cost to the State is estimated at \$156.1 million.

FY 2015-16 HIGHER EDUCATION BUDGET

<p>3. MSU AgBioResearch. AgBioResearch performs agricultural research to promote efficient production, marketing, distribution, and use of farm products. AgBioResearch receives funds from the Federal government under the Hatch Act, as well as State appropriations and local and private revenue. Examples of research conducted include quality and yield-related properties of dry beans, production of leaner, low-fat meat products, and plant biotechnology. AgBioResearch and MSU Extension Services are partners with MSU in both Project GREEN (Generating Research and Extension to meet Economic and Environmental Needs) and the animal health diagnostic laboratory. The Governor included a 2.0% GF/GP increase for MSU AgBioResearch, increasing funding from \$32,027,900 to 32,668,500.</p>	640,600
<p>4. MSU Extension. MSU Extension Services identify and solve farm, home, and community problems through the practical application of Federal and State research findings. MSU Extension Services receives funds from the Federal government under the Smith-Lever Act and the Food and Agriculture Act, as well as State appropriations and local and private revenue. MSU Extension Services operates Michigan's Expanded Food and Nutrition Education Program (EFNEP), serves as a resource for youth 4-H programs, and provides information on family financial planning. The Governor included a 2.0% GF/GP increase for MSU Extension, increasing funding from \$27,581,100 to \$28,132,700.</p>	551,600
<p>5. Midwest Higher Education Compact Dues. Public Act 195 of 1990 allowed Michigan to join the Midwestern Higher Education Compact whose purpose is to provide greater Higher Education opportunities and services in the Midwestern region. The 12-member states of the Compact are: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Ohio, and Wisconsin. Each member state appoints five commissioners to the Compact's governing body. The work of the Compact is financed through member state dues and foundation grants. This appropriation in the Higher Education bill is Michigan's annual dues payment. Examples of Compact projects are the Midwest Student Exchange Program, the Distributed Learning Workshop, and collaborations on computing, insurance, and telecommunications issues. The Governor increased the appropriation from \$95,000 to \$115,000 GF/GP.</p>	20,000
<p>6. Michigan College Access Network. The \$2.0 million GF/GP appropriation supports Michigan college access network operations, programming, and services to local college access networks. Local college access networks are community-based college access/success partnerships involved in increasing the college participation and completion rates within geographically defined communities through a coordinated strategy. Funds also support the Michigan college access portal, an online one-stop portal to help students and families plan and apply for college. The Governor transferred the program to the K-12 budget.</p>	(2,000,000)
<p>7. 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. Since the waiver appropriations were rolled into the operations funding for each university in FY 1996-97, State appropriations have not kept pace with actual costs. In FY 2014-15, universities absorbed \$4.7 million of waiver costs. The FY 2014-15 budget included \$500,000 GF/GP to offset a portion of the shortfall. The Governor transferred the \$500,000 to university operations appropriations based on the number of students receiving waivers at each institution compared to that institution's total fiscal year equated students.</p>	(4,002,200)
<p>8. Eliminate FY 2014-15 One-Time Funding. The Governor eliminated the FY 2014-15 one-time appropriation from the SAF for MPSERS reimbursements.</p>	(4,002,200)
<p>Total Changes</p>	\$24,722,900
<p>FY 2015-16 Governor's Recommendation</p>	\$1,541,219,200

The changes show the differences between the schedule of programs proposed by the Governor and the prior-year line items.

Boilerplate Changes from FY 2014-15 Year-to-Date:

1. **Payment Schedule.** Provides for distributions by the State Treasurer to the respective institutions in 11 equal monthly installments. Subjects payments to Section 265a (submitting HEIDI data). The Governor added compliance with Section 244 (submitting P-20 data to CEPI) as condition for receiving monthly payments. (Sec. 241)
2. **Budget Transparency.** Posting of financial and other information on university websites. The Governor eliminated the State Budget Director's authority to determine compliance and dual enrollment reporting. (Sec. 245)
3. **MPSERS Reimbursement.** The Governor modified this section based on his proposal to cap the rate for UAL payments by MPSERS universities at 25.73%. Requires universities to use appropriations for MPSERS payments. (Sec. 246)
4. **State Tuition Grant Program.** The Governor changed application deadline from July 1, to March 1 beginning with 2015-2016 academic year; eliminated the carry-forward of unexpended grants; removed reporting of projected balances and changes reporting from twice a year to once a year; reduced limit on how much can be awarded to students at a single institution from \$3.2 million to \$3.0 million; and required institutions to provide P-20 Data for students to receive tuition grant awards beginning with September 30, 2016. (Sec. 252)
5. **Needs Analysis Criteria.** The Department of Treasury shall determine the needs analysis criteria for students to qualify for the State Competitive Scholarship Program and Tuition Grant Program. The Governor included Independent Part-Time Student Grant Program. (Sec. 255)
6. **Student Financial Aid Programs Report.** The Governor added programs included in Section 201. (Sec. 258)
7. **Common Application.** The Governor added a new section stating that a public university is encouraged to adopt the common application, managed by the common application, incorporated, to make postsecondary education more accessible to students in this State. (Sec. 260)
8. **Tuition Restraint.** The Governor set tuition restraint at 2.8%, removed university required health insurance costs from fee calculation, and included date revisions. (Sec. 265)
9. **Performance Funding Criteria.** The Governor maintained current prerequisites and requires "active" participation in Michigan Transfer Network and submission of timely updates. Formula changes include elimination of the across-the-board distribution from performance funding and adjusting allocations for other criteria, changing Pell portion of formula to distribution based on percentage of Pell students instead of absolute number, and eliminating intent statement to change improving scoring for Carnegie distributions to a value of one. (Sec. 265a)
10. **Indian Tuition Waiver.** The Governor removed legislative intent statement that funds be allocated from the General Fund for unfunded North American Indian tuition waiver costs incurred by public universities. The Governor also removed distribution of FY 2014-15 funds due to rolling the appropriation into university operation appropriations. A new provision was included stating universities shall provide to the Department of Civil Rights any information necessary for preparing the report required in this section. (Sec. 268)
11. **Deleted Provisions.** The Governor removed the following sections: intent regarding appropriations for the next fiscal year (Sec. 236a); 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); College Access Program (Sec. 259); intent regarding protection/preservation of U of M Douglas Lake Biological Station (Sec. 261); language stating intent that universities develop policies to minimize the cost of textbooks and course materials (Sec 262a); discouraged instruction activity (Sec. 271a); counseling degree programs/student's religious beliefs (Sec. 273); human embryonic stem cell research report (Sec. 274); legislative intent regarding adult co-resident health benefits (Sec. 274a); Yellow Ribbon GI Education Enhancement Program notice/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). The Governor also removed legislative intent references in sections 263a and 286.

Date Completed: 2-18-15

Fiscal Analyst: Bill Bowerman

Table 1

FY 2015-16 HIGHER EDUCATION APPROPRIATIONS: GOVERNOR'S RECOMMENDATION

University	FY 2014-15 Enacted	Critical Skills	Research & Development	Metrics based on Carnegie Peers	Total Formula Distribution	Other Changes ¹⁾	FY 2015-16 Gov's Rec.	\$ Change from FY 2014-15	Percent Change
Central	\$79,115,000	\$294,577	\$25,473	\$2,018,089	\$2,338,100	\$49,800	\$81,502,900	\$2,387,900	3.0%
Eastern	71,771,100	284,771	0	1,129,392	1,414,200	11,400	73,196,700	1,425,600	2.0%
Ferris	49,087,000	480,346	0	1,007,266	1,487,600	32,100	50,606,700	1,519,700	3.1%
Grand Valley	63,136,000	497,315	0	2,026,363	2,523,700	20,500	65,680,200	2,544,200	4.0%
Lake Superior	12,782,500	70,351	0	179,450	249,800	215,000	13,247,300	464,800	3.6%
Michigan State	264,429,100	1,044,335	738,626	3,369,621	5,152,600	8,800	269,590,500	5,161,400	2.0%
Michigan Tech	45,923,100	340,557	120,687	508,752	970,000	14,900	46,908,000	984,900	2.1%
Northern	44,277,200	199,998	0	716,125	916,100	61,100	45,254,400	977,200	2.2%
Oakland	48,364,100	418,792	23,133	1,207,172	1,649,100	7,800	50,021,000	1,656,900	3.4%
Saginaw Valley	27,610,200	164,209	0	334,618	498,800	11,400	28,120,400	510,200	1.8%
UM-Ann Arbor	295,174,100	1,119,470	1,676,268	2,900,654	5,696,400	4,400	300,874,900	5,700,800	1.9%
UM-Dearborn	23,689,300	155,364	0	239,349	394,700	11,700	24,095,700	406,400	1.7%
UM-Flint	21,337,700	194,206	0	347,855	542,100	21,900	21,901,700	564,000	2.6%
Wayne State	190,519,800	281,117	349,675	462,555	1,093,300	10,100	191,623,200	1,103,400	0.6%
Western	102,742,000	409,947	43,815	1,418,805	1,872,600	19,100	104,633,700	1,891,700	1.8%
Subtotal Univ. Operations	\$1,339,958,200	\$5,955,355	\$2,977,677	\$17,866,066	\$26,799,100	\$500,000	\$1,367,257,300	\$27,299,100	2.0%
MPSERS Reimbursement	2,446,200				0	2,713,800	5,160,000	2,713,800	110.9%
MPSERS Reimburs (FY15 one-time)	4,002,200					(4,002,200)	0	(4,002,200)	(100.0%)
MSU AgBioResearch	32,027,900					640,600	32,668,500	640,600	2.0%
MSU Extension	27,581,100					551,600	28,132,700	551,600	2.0%
Higher Education Database	200,000					0	200,000	0	0.0%
Midwest Higher Ed Compact	95,000					20,000	115,000	20,000	21.1%
King-Chavez-Parks	2,691,500					0	2,691,500	0	0.0%
College Access Program	2,000,000					(2,000,000)	0	(2,000,000)	(100.0%)
Total Universities	\$1,411,002,100	\$5,955,355	\$2,977,677	\$17,866,066	\$26,799,100	(\$1,576,200)	\$1,436,225,000	\$25,222,900	1.8%
School Aid Fund	204,467,900	0	0	0	0	\$711,600	205,179,500	\$711,600	0.3%
State GF/GP	1,206,534,200	\$5,955,355	\$2,977,677	\$17,866,066	\$26,799,100	(\$2,287,800)	\$1,231,045,500	\$24,511,300	2.0%
Grants and Financial Aid									
State Comp. Scholarships	18,361,700					\$0	\$18,361,700	\$0	0.0%
Tuition Grants	33,532,500					0	33,532,500	0	0.0%
Tuition Incentive Program (TIP)	48,500,000					0	48,500,000	0	0.0%
Children Vets & Officers Tuition	1,400,000					0	1,400,000	0	0.0%
Project Gear-Up	3,200,000					0	3,200,000	0	0.0%
No. Amer. Indian Tuition Waiver	500,000					(500,000)	0	(500,000)	(100.0%)
Total Grants/Financial Aid	105,494,200					(500,000)	\$104,994,200	\$0	0.0%
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	8,367,800					(\$500,000)	\$7,867,800	(\$500,000)	(6.0%)
HIGHER EDUCATION SUMMARY									
TOTAL ALL FUNDS	\$1,516,496,300	\$5,955,355	\$2,977,677	\$17,866,066	\$26,799,100	(\$2,076,200)	\$1,541,219,200	\$25,222,900	1.7%
TOTAL FEDERAL	97,026,400	0	0	0	0	0	97,026,400	0	0.0%
TOTAL STATE RESTRICTED	204,567,900	0	0	0	0	711,600	205,279,500	711,600	0.3%
TOTAL STATE GF/GP	\$1,214,902,000	\$5,955,355	\$2,977,677	\$17,866,066	\$26,799,100	(\$2,787,800)	\$1,238,913,300	\$24,011,300	2.0%

¹⁾ Other Changes Column: MPSERS adjustments and funding shift, roll Indian Tuition Waiver funding into University Operation appropriations, increase MSU AgBioResearch and MSU Extension, dues increase for Midwest Higher Education Compact, and transfer Michigan College Access Program to K-12 budget.