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BILL ANALYSIS



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Senate Bill 199 (as introduced)
 Committee: Appropriations

[Vehicle for Governor's Recommendation line items is Senate Bill 222](#)

FY 2012-13 Year-to-Date Gross Appropriation \$294,130,500

Changes from FY 2012-13 Year-to-Date:

<p>1. Performance Funding. The Governor included a \$5.8 million GF/GP (2.0%) increase for community college operations distributed through a modified version of the Performance Indicators Task Force Formula that has been used in recent budgets. The Governor also reallocates \$1,277,500 allocated to community colleges in FY 2012-13 based on local strategic value. This results in a total of \$7,124,600 being distributed through the Governor's proposed formula. The local strategic value component is replaced by a new allocation based on the number of skilled trades program students placed in a relevant job or apprenticeship, with extra weighting for placing a student-veteran. <u>Table 1</u> provides details by college on the Governor's proposed allocations.</p>	5,847,100
<p>2. Michigan Public School Employees Retirement System (MPSERS) Rate Cap. The Governor included \$31.4 million GF/GP to fund the difference between the employer's capped contribution rate for unfunded accrued liabilities (20.96%) and the actual unfunded actuarial accrued liability contributions rate. MPSERS reform legislation requires the State to pay the difference between these amounts. The Governor is recommending a supplemental of \$12.5 million to fund the amount necessary in FY 2012-13.</p>	31,400,000
<p>3. MPSERS Retiree Health Care. In FY 2012-13 the Governor recommended \$1,733,600 appropriation from the School Aid Fund for the purpose of offsetting the increase in MPSERS retirement contributions attributable to the 0.25% increase in retiree health care costs. Distributions were to be based on the FY 2011-12 MPSERS payroll. The enacted version of the budget included the funding, but allocated the funds to community colleges on an across-the-board basis. The Governor is continuing the funding, but again recommending that the funds be allocated to community colleges based on their MPSERS payroll. <u>Table 2</u> delineates the estimated difference in allocation methods.</p>	0
<p>4. Virtual Learning Collaborative. The Virtual Learning Collaborative (VLC) provides access to courses offered by all Michigan public community colleges. In 2009 the Michigan Community College Association (MCCA) Board of Directors approved an affiliate membership for four-year institutions. To date, Lawrence Tech and Grand Valley State University have become members. The new State funding will be used for the development of course aggregator software, development of a "pathway to credential" tool that will identify for students courses toward a career path, develop analytics software that informs colleges of course demand for decision making of future offerings, and development of a repository of online courses and resources for use by faculty at member institutions.</p>	1,100,000
<p>5. Renaissance Zone Reimbursements. The Governor included \$3.5 million GF/GP for Renaissance Zone tax reimbursements pursuant to Public Act 376 of 1996. This appropriation was included in the Department of Treasury budget in FY 2012-13 at the same level of funding.</p>	3,500,000
<p>Total Changes</p>	<p>\$41,847,100</p>
<p>FY 2013-14 Governor's Recommendation</p>	<p>\$335,977,600</p>

Changes from FY 2012-13 Year-to-Date:

1. **MPSERS Reimbursements.** Provides that appropriation for MPSERS Retiree Health Care Reimbursement shall be distributed based one each college's proportional MPSERS payroll. See item #3 on previous page. (Sec. 207a)
2. **MPSERS Reform Costs.** Provides that appropriation for MPSERS reform costs shall be used for payment of the difference between the unfunded actuarial accrued liability contribution rate calculated pursuant to the MPSERS Act and the statutory maximum employer rate of 20.96%. See item #2 on previous page. (Sec. 207b)
3. **Virtual Learning Collaborative.** Provides that funds appropriated for this one-time project be distributed to a community college of behalf of the Michigan Community College Association for the purposes of enhancing the Virtual Learning Collaborative. Requires report on use of funds upon request. (Sec. 207c)
4. **Transparency.** Requires each community college to make available through links on its website homepage its annual operating budget, links to the most recent activities classification structure report, current collective bargaining agreements, health care plans, audits and financial reports, and compliance with best practices. Provides that State Budget Director shall determine compliance and allows for withholding of State aid payments for noncompliance. Subsection 4 provides for reports on budgeted revenue and expenditures. The Governor added projected General Fund revenue, expenditures, and debt service obligations to the items to be available on the website. The Governor also replaced "shall" with "may" regarding the Budget Director determining compliance. (Sec. 209)
5. **Collaborations with Four-Year Universities.** Encourages community colleges to increase collaboration with universities, local employers, and other community colleges. Governor added the goal of developing equivalency standards of core college courses and identifying equivalent courses offered by institutions. (Sec. 210)
6. **Performance Indicators Task Force.** Provides that it is the intent of the Legislature that performance measures be reviewed and more fully implemented for distribution of State funding in future. Provide specific allocations for current-year funding increases and earmarks funding increases for retirement costs. The Governor modified this section by tying local strategic value (best practices) to the receipt of all performance funding and using 15% of the formula previously allocated for Local Strategic Value to a new Skilled Trades Jobs Placement category. Funds resulting from a college's failure to qualify for performance funding will lapse to the General Fund. The Governor also removed intent language regarding use of the formula in future years and also removed last year's earmark of funding increases for retirement costs. (Sec. 230)
 - Governor's modified Performance Indicators distribution
 - 50% proportionate to FY 2012-13 base
 - 10% contact hour equated students
 - 7.5% administrative costs
 - 17.5% weighted degrees
 - 15.0% Skilled Trades Jobs Placement
7. **Deleted Provisions.** The Governor deleted: Second-year appropriation intent language and replaced it with line items (Sec. 201a); buy American/buy Michigan intent language (Sec. 204); depressed and deprived communities compete for and perform college contracts (Sec. 205); prohibits use of appropriations for construction or maintenance of self-liquidating projects and requires compliance with JCOS use and finance requirements -- includes penalty for noncompliance (Sec. 208); committee to develop a process to improve transferability of core college courses between colleges and universities (Sec. 210(a)); encourages community colleges to achieve efficiencies through collaborations (Sec. 212); intent regarding review by interested parties of statutory mandates (Sec. 216); prohibition on use of appropriations for purchase or lease of foreign automobiles (Sec. 227); and prohibition on disciplinary action against an employee for communicating with a member of the legislature or legislative staff (Sec. 228).

Date Completed: 2-14-13

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Table 1

FY 2013-14 COMMUNITY COLLEGE APPROPRIATIONS: GOVERNOR'S RECOMMENDATION

College	FY 2013-14 Governor's Recommendation									Percent Change
	FY 2012-13 Enacted ¹⁾	Remove Local Strategic Value (LSV)	50% Proportionate to Base	17.5% Weighted Degree Formula	10.0% Student Contract Hours	7.5% Administrative Costs	Total Formula Distribution	Other Changes	FY 2013-14	
Alpena	\$5,133,600	(22,400)	62,544	19,012	5,865	19,230	84,300		\$5,217,900	1.6%
Bay de Noc	5,184,000	(22,700)	63,157	19,959	7,636	6,513	74,600		5,258,600	1.4%
Delta	13,772,700	(60,000)	167,796	78,415	33,515	24,200	243,900		14,016,600	1.8%
Glen Oaks	2,393,500	(10,500)	29,160	9,877	4,352	5,988	38,900		2,432,400	1.6%
Gogebic	4,251,700	(18,600)	51,799	11,772	3,920	12,708	61,600		4,313,300	1.4%
Grand Rapids	17,129,200	(74,900)	208,686	52,661	48,590	24,278	259,300		17,388,500	1.5%
Henry Ford	20,687,400	(90,700)	252,033	58,109	49,553	18,637	287,600		20,975,000	1.4%
Jackson	11,542,000	(50,500)	140,616	44,971	20,129	15,672	170,900		11,712,900	1.5%
Kalamazoo Valley	11,880,200	(51,900)	144,738	48,295	32,025	26,866	200,000		12,080,200	1.7%
Kellogg	9,330,000	(40,700)	113,669	41,671	17,861	26,650	159,200		9,489,200	1.7%
Kirtland	2,981,200	(12,900)	36,322	19,493	5,775	18,361	67,100		3,048,300	2.3%
Lake Michigan	5,081,500	(22,200)	61,908	16,130	13,797	7,356	77,000		5,158,500	1.5%
Lansing	29,463,900	(128,900)	358,959	130,074	56,511	28,878	445,400		29,909,300	1.5%
Macomb	31,343,700	(137,200)	381,860	117,505	72,549	29,502	464,100		31,807,800	1.5%
Mid Michigan	4,412,600	(19,200)	53,760	29,939	14,507	14,048	93,100		4,505,700	2.1%
Monroe	4,241,900	(18,400)	51,681	17,338	11,757	26,590	89,000		4,330,900	2.1%
Montcalm	3,051,800	(13,300)	37,181	13,272	5,340	17,616	60,100		3,111,900	2.0%
Mott	14,955,800	(65,400)	182,207	55,598	35,978	26,577	235,000		15,190,800	1.6%
Muskegon	8,493,300	(37,200)	103,474	23,544	12,745	24,468	127,000		8,620,300	1.5%
North Central	2,992,900	(13,000)	36,464	12,751	6,852	20,105	63,200		3,056,100	2.1%
Northwestern	8,662,000	(37,900)	105,529	24,112	15,945	21,598	129,300		8,791,300	1.5%
Oakland	20,065,100	(87,600)	244,456	82,142	81,548	27,888	348,400		20,413,500	1.7%
St.Jair	6,726,700	(29,400)	81,952	24,862	13,823	17,291	108,500		6,835,200	1.6%
Schoolcraft	11,852,100	(51,600)	144,398	71,286	38,339	19,547	222,000		12,074,100	1.9%
Southwestern	6,296,600	(27,600)	76,711	14,535	9,424	7,563	80,600		6,377,200	1.3%
Washtenaw	12,295,200	(53,200)	149,800	125,558	39,701	24,658	286,500		12,581,700	2.3%
Wayne County	15,867,900	(69,400)	193,319	76,434	50,327	19,590	270,300		16,138,200	1.7%
West Shore	2,308,400	(10,200)	28,122	7,493	4,095	1,968	31,500		2,339,900	1.4%
Skilled Trades Formula Funding (15.0%)	\$0						1,068,700		1,068,700	---
Subtotal Operations	\$292,396,900	(\$1,277,500)	\$3,562,301	\$1,246,808	\$712,459	\$534,346	\$5,847,100	\$0	\$298,244,000	2.0%
Virtual Learning Collaborative	\$0							1,100,000	1,100,000	---
MPERS Retiree Health Care	\$1,733,600								1,733,600	0.0%
MPERS Reform Costs	\$0							31,400,000	31,400,000	---
Ren. Zone Reimbursements	\$0							3,500,000	3,500,000	---
TOTAL APPROPRIATIONS	\$294,130,500	(\$1,277,500)	\$3,562,301	\$1,246,808	\$712,459	\$534,346	\$5,847,100	\$36,000,000	\$335,977,600	14.2%
State School Aid Fund	197,614,100	0	0	0	0	0	0	0	197,614,100	0.0
GF/GP	96,516,400	(1,277,500)	3,562,301	1,246,808	712,459	534,346	5,847,100	36,000,000	138,363,500	43.4

¹⁾ Includes Local Strategic Value distributions

Table 2: Estimated Allocation for MPSERS Retiree Health Care Reimbursement
 FY 2012-13 Distribution Compared to Governor's FY 2013-14 Recommendation

	FY 2012-13	FY 2013-14	
<u>Community College</u>	<u>Enacted</u>	<u>Governor's Rec.</u>	<u>Difference</u>
Alpena	\$30,400	\$21,000	(\$9,400)
Bay de Noc	30,800	16,700	(14,100)
Delta	81,400	89,100	7,700
Glen Oaks	14,200	8,900	(5,300)
			0
Gogebic	25,300	11,500	(13,800)
Grand Rapids	101,700	152,700	51,000
Henry Ford	123,000	120,100	(2,900)
Jackson	68,500	43,000	(25,500)
			0
Kalamazoo Valley	70,400	57,800	(12,600)
Kellogg	55,300	36,900	(18,400)
Kirtland	17,500	20,800	3,300
Lake Michigan	30,200	26,200	(4,000)
			0
Lansing	175,000	144,700	(30,300)
Macomb	186,200	153,500	(32,700)
Mid Michigan	26,100	30,800	4,700
Monroe	25,000	33,900	8,900
			0
Montcalm	18,000	17,700	(300)
Mott	88,700	83,300	(5,400)
Muskegon	50,400	32,700	(17,700)
North Central	17,600	16,000	(1,600)
			0
Northwestern	51,500	41,900	(9,600)
Oakland	118,800	180,100	61,300
St. Clair	39,900	35,500	(4,400)
Schoolcraft	70,100	101,200	31,100
			0
Southwestern	37,500	13,800	(23,700)
Washtenaw	72,200	106,500	34,300
Wayne County	94,200	124,400	30,200
West Shore	13,700	12,900	(800)
TOTAL:	\$1,733,600	\$1,733,600	\$0