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BILL ANALYSIS



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Senate Bill 199 (S-1, Draft 1 as reported)
 Committee: Appropriations

Throughout this document Senate means Subcommittee.

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

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

- 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. The Governor removed \$1,277,500 allocated to community colleges in FY 2012-13 based on local strategic value and reallocated those funds based on his proposed FY 2013-14 formula distribution. This would result in a total of \$7,124,600 being distributed through the Governor's proposed formula. The Governor replaced the local strategic value component of the formula with 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. The Senate maintained FY 2012-13 base appropriations for community colleges and distributed the FY 2013-14 \$5.8 million increase based on the current Performance Indicators Task Force Formula. Table 1 provides details by community college.

5,847,100

- 2. Michigan Public School Employees Retirement System (MPERS) 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 contribution rate. MPERS reform legislation requires the State to pay the difference between these amounts.

31,400,000

- 3. MPERS Retiree Health Care.** In FY 2012-13 the Governor recommended a \$1,733,600 appropriation from the School Aid Fund for the purpose of offsetting a portion of MPERS retirement contributions attributable to retiree health care costs. Distributions were to be based on the FY 2011-12 MPERS payroll. The FY 2012-13 enacted budget included the funding, but allocated funds to community colleges on an across-the-board basis. The Governor and Senate continue funding, but distribute the funds based on college MPERS payroll. Table 2 delineates the estimated difference in allocation methods.

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- 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 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.

1,100,000

- 5. Renaissance Zone Reimbursements.** The Governor included \$3.5 million GF/GP for Renaissance Zone tax reimbursements. This appropriation was included in the Department of Treasury budget in FY 2012-13 at the same level of funding.

3,500,000

- 6. Comparison to Governor's Recommendation.** The Senate is \$0 Gross and \$0 GF/GP over/under the Governor.

Total Changes \$41,847,100

FY 2013-14 Senate Appropriations Subcommittee Gross Recommendation \$335,977,600

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

1. **MPSERS Reimbursements.** Provides that the appropriation for MPSERS Reimbursement shall be distributed based one each college's MPSERS payroll. See item #3 on previous page. (Sec. 201 (4))
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. 201 (5))
3. **Renaissance Zone Reimbursements.** Provides for distribution pursuant to Public Act 376 of 1996. (Sec 201 (6))
4. **Virtual Learning Collaborative.** Provides that funds appropriated for this one-time project be distributed to the Michigan Community College Association for the purposes of enhancing the Virtual Learning Collaborative. Requires report on use of funds upon request. (Sec. 201 (7))
5. **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, revenues and expenditures, and compliance with best practices. State Budget Director shall determine compliance and allows for withholding of State aid payments for noncompliance. The Governor added projected General Fund revenue, expenditures, and debt service obligations, removed posting of Board of Directors best practices compliance resolution, and replaced "shall" with "may" regarding the Budget Director determining compliance. The Senate included Governor's recommendation regarding posting projected expenditures and debt service obligations, but did not include other recommended changes. The Senate also added reporting of estimated costs incurred due to the Affordable Health Care Act. (Sec. 209)
6. **Collaborations with Four-Year Universities.** Encourages community colleges to increase collaboration with universities, local employers, and other community colleges. Governor and Senate added the goal of developing equivalency standards of core college courses and identifying equivalent courses offered by institutions. (Sec. 210)
7. **Performance Indicators Task Force.** 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 would lapse to the General Fund. The Governor also removed intent language regarding use of the formula in future years and removed the earmark of funding increases for retirement costs. The Senate concurred with removal of language earmarking increases for retirement costs, but maintained the current formula distribution and did not include the Governor's other proposed changes. (Sec. 230)
 - Performance Indicators Task Force Distribution
 - 50% proportionate to FY 2012-13 base
 - 10% contact hour equated students
 - 7.5% administrative costs
 - 17.5% weighted degrees
 - 15.0% local strategic value
8. **Skilled Trades Jobs Placement.** Requires a report by February 1, 2014, on the number of students that successfully completed a skilled trades program and obtained an apprenticeship or job in a field related to that skilled trades program, for fiscal year 2012-2013. The report shall also indicate the number of these students that are veterans of the United States armed forces. (Sec. 229b)
9. **Restored Provisions.** The Senate restored the following sections that were deleted by the Governor: Second-year appropriation intent language (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, requires compliance with JCOS use and finance requirements, and includes penalty for noncompliance – Senate modified based on enacted capital outlay reforms (Sec. 208); encourages community colleges to achieve efficiencies through collaborations (Sec. 212); 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)
10. **Deleted Provisions.** The Governor and Senate deleted: committee to develop a process to improve transferability of core college courses between colleges and universities (Sec. 210(a)); and intent regarding review by interested parties of statutory mandates. (Sec. 216)

Date Completed: 4-9-13

Fiscal Analyst: Bill Bowerman

Table 1: FY 2013-14 Community College Appropriation Bill

College	FY 2012-13 Enacted	FY 2013-14 Governor			FY 2013-14 Senate								
		Total Adjustments	FY 2013-14	Percent Change	50% Proportionate To Base	10.0% Student Contact Hours	7.5% Administrative Cost Component	17.5% Weighted Degree Formula	15.0% Local Strategic Value*	Other Changes	Total Adjustments	Appropriation	Percent Change
Alpena	\$5,133,600	\$84,300	\$5,217,900	1.6%	51,300	4,800	15,800	15,600	15,400		\$102,900	\$5,236,500	2.0%
Bay de Noc	5,184,000	74,600	5,258,600	1.4%	51,800	6,300	5,300	16,400	15,600		95,400	5,279,400	1.8%
Delta	13,772,700	243,900	14,016,600	1.8%	137,700	27,500	19,900	64,400	41,300		290,800	14,063,500	2.1%
Glen Oaks	2,393,500	38,900	2,432,400	1.6%	24,000	3,600	5,000	8,200	7,200		48,000	2,441,500	2.0%
Gogebic	4,251,700	61,600	4,313,300	1.4%	42,500	3,200	10,400	9,700	12,800		78,600	4,330,300	1.8%
Grand Rapids	17,129,200	259,300	17,388,500	1.5%	171,300	39,900	19,900	43,200	51,400		325,700	17,454,900	1.9%
Henry Ford	20,687,400	287,600	20,975,000	1.4%	206,800	40,700	15,300	47,700	62,100		372,600	21,060,000	1.8%
Jackson	11,542,000	170,900	11,712,900	1.5%	115,400	16,500	12,800	36,900	34,600		216,200	11,758,200	1.9%
Kalamazoo Valley	11,880,200	200,000	12,080,200	1.7%	118,800	26,300	22,000	39,600	35,600		242,300	12,122,500	2.0%
Kellogg	9,330,000	159,200	9,489,200	1.7%	93,300	14,700	21,800	34,200	28,000		192,000	9,522,000	2.1%
Kirtland	2,981,200	67,100	3,048,300	2.3%	29,800	4,700	15,100	16,000	8,900		74,500	3,055,700	2.5%
Lake Michigan	5,081,500	77,000	5,158,500	1.5%	50,800	11,300	6,100	13,200	15,200		96,600	5,178,100	1.9%
Lansing	29,463,900	445,400	29,909,300	1.5%	294,600	46,400	23,700	106,700	88,300		559,700	30,023,600	1.9%
Macomb	31,343,700	464,100	31,807,800	1.5%	313,400	59,500	24,200	96,400	93,900		587,400	31,931,100	1.9%
Mid Michigan	4,412,600	93,100	4,505,700	2.1%	44,100	11,900	11,500	24,600	13,200		105,300	4,517,900	2.4%
Monroe	4,241,900	89,000	4,330,900	2.1%	42,400	9,600	21,800	14,200	12,700		100,700	4,342,600	2.4%
Montcalm	3,051,800	60,100	3,111,900	2.0%	30,500	4,400	14,400	10,900	9,200		69,400	3,121,200	2.3%
Mott	14,955,800	235,000	15,190,800	1.6%	149,500	29,500	21,800	45,600	44,900		291,300	15,247,100	1.9%
Muskegon	8,493,300	127,000	8,620,300	1.5%	84,900	10,500	20,000	19,300	25,500		160,200	8,653,500	1.9%
North Central	2,992,900	63,200	3,056,100	2.1%	29,900	5,600	16,500	10,500	9,000		71,500	3,064,400	2.4%
Northwestern	8,662,000	129,300	8,791,300	1.5%	86,600	13,100	17,800	19,800	26,000		163,300	8,825,300	1.9%
Oakland	20,065,100	348,400	20,413,500	1.7%	200,600	66,900	22,900	67,400	60,200		418,000	20,483,100	2.1%
St. Clair	6,726,700	108,500	6,835,200	1.6%	67,300	11,300	14,200	20,400	20,200		133,400	6,860,100	2.0%
Schoolcraft	11,852,100	222,000	12,074,100	1.9%	118,500	31,500	16,100	58,500	35,600		260,200	12,112,300	2.2%
Southwestern	6,296,600	80,600	6,377,200	1.3%	63,000	7,700	6,200	11,900	18,900		107,700	6,404,300	1.7%
Washtenaw	12,295,200	286,500	12,581,700	2.3%	122,900	32,600	20,200	103,000	36,900		315,600	12,610,800	2.6%
Wayne County	15,867,900	270,300	16,138,200	1.7%	158,700	41,300	16,100	62,700	47,600		326,400	16,194,300	2.1%
West Shore	2,308,400	31,500	2,339,900	1.4%	23,200	3,400	1,700	6,200	6,900		41,400	2,349,800	1.8%
Skilled Trades Formula Funding (15.0%)	\$0	1,068,700	1,068,700	---							0	0	0.0%
Subtotal Operations:	\$292,396,900	\$5,847,100	\$298,244,000	2.0%	\$2,923,600	\$584,700	\$438,500	\$1,023,200	\$877,100	\$0	\$5,847,100	\$298,244,000	2.0%
Virtual Learning Collaborative	\$0	1,100,000	1,100,000	---	\$23,200								
MPSERS Retiree Health Care	\$1,733,600	0	1,733,600	0.0%						\$1,100,000	1,100,000	1,100,000	---
MPSERS Reform Costs	\$0	31,400,000	31,400,000	---						31,400,000	31,400,000	31,400,000	0.0%
Renaissance Zone Reimbursements	\$0	3,500,000	3,500,000	---						3,500,000	3,500,000	3,500,000	---
Total Appropriations:	\$294,130,500	\$41,847,100	\$335,977,600	14.2%	\$2,946,800	\$584,700	\$438,500	\$1,023,200	\$877,100	\$36,000,000	\$41,847,100	\$335,977,600	14.2%
State School Aid Fund	197,614,100	0	197,614,100	0.0%	0	0	0	0	0	0	0	197,614,100	0.0%
GF/GP	\$96,516,400	\$41,847,100	\$138,363,500	43.4%	\$2,946,800	\$584,700	\$438,500	\$1,023,200	\$877,100	\$36,000,000	\$41,847,100	\$138,363,500	43.4%

* Assumes each college meets best practices requirements to qualify for 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)
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)
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)
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
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)
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
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