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Senate Bill 762 (as introduced)
Committee: Appropriations

Vehicle for Governor's Recommendation line items is Senate Bill 838

FY 2013-14 Year-to-Date Gross Appropriation	**$335,977,600**
Changes from FY 2013-14 Year-to-Date:	
1. **Performance Funding.** The Governor included an $8.98 million GF/GP (3.0%) increase for community college operations distributed through the same Performance Indicators Task Force Formula that has been used in recent budgets. The Governor included a new tuition and fee restraint prerequisite (3.2%) in order to qualify for any funding increase. Table 1 provides details by college on the Governor's proposed allocations.	8,947,300
2. **Michigan Public School Employees Retirement System (MPSERS) Rate Cap.** The Governor included an increase 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. In addition to that, the Governor is recommending reducing the capped rate that community colleges pay for MPSERS unfunded accrued liabilities by 1.2%, from 20.96% to 19.76%. This will increase the total State contribution for community college MPSERS obligations to $60.8 million. The appropriation in FY 2013-14 was $31.4 million. The FY 2014-15 increase is partially offset by eliminating the separate line item of $1,733,600 (SAF) that was appropriated to offset retiree health care costs (Item #3).	29,433,600
3. **MPSERS Retiree Health Care.** Beginning in FY 2012-13 the budget included a $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 based on the community college MPSERS payroll. The Governor transferred this funding to the appropriation for MPSERS reform (Item #2).	(1,733,600)
4. **Virtual Learning Collaborative.** The Virtual Learning Collaborative (VLC) provides access to courses offered by all Michigan public community colleges. The FY 2013-14 budget included $1.1 million GF/GP in one-time funding for the development of course aggregator software, development of a "pathway to credential" tool to help students 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)
Total Changes	$35,547,300
FY 2014-15 Governor's Recommendation	**$371,524,900**

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

1. **MPSERS Reform Costs.** The Governor included language reducing the maximum employer rate for the unfunded accrued liability by 1.2%, from 20.96% to 19.76%. Amendments to the Public School Employees Retirement Act will be needed to implement this change. (Sec. 207A)
2. **Transparency.** Requires each community college to make certain information available on its website. The Governor modified this section by eliminating estimated costs incurred due to Affordable Health Care Act, posting a copy of Board resolution on compliance with best practices, and eliminating the authorization for the State Budget Director to determine compliance and withhold State aid payments for noncompliance. (Sec. 209)
3. **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. Delineates formula components. The Governor removed legislative intent statement regarding formula being more fully implemented in future years, removed requirement for board of trustees' resolution regarding meeting requirements for local strategic value, and included date revisions. (Sec. 230).
4. **Tuition Restraint.** Conditions receipt of performance funding and local strategic value appropriations on limiting FY 2014-15 tuition and fee increases for resident students to 3.2% (applies to "in district" and "out-of-district" resident students). Provides for criteria and conditions. State Budget Director has the sole authority to determine if a community college has met the requirements of tuition restraint. Provides for reporting to subcommittees and fiscal agencies. Redistributes forfeited funds to complying community colleges in proportion to performance funding allocations. Requires report on any redistribution of funds. (Sec. 230A)
5. **Deleted Provisions.** The Governor deleted: MPSERS reimbursement (Sec. 201 (4); one-time language for the Virtual Learning Collaborative (Sec. 201 (7); prohibits use of appropriations for construction or maintenance of self-liquidating projects and requires compliance with Section 238 if the Management and Budget Act and JCOS use and finance requirements -- includes penalty for noncompliance (Sec. 208); encourages community colleges to achieve efficiencies through collaborations (Sec. 212); requires that all data items used to determine State aid comply with the Manual for Uniform Financial Reporting and the ACS (Sec. 217); prohibition on use of appropriations for purchase or lease of foreign automobiles (Sec. 227); prohibition on disciplinary action against an employee for communicating with a member of the Legislature or legislative staff (Sec. 228); and reporting student educational outcomes in the employment market (Sec. 229b).

Date Completed: 2-12-14 Fiscal Analyst: Bill Bowerman