FY 2015-16: HIGHER EDUCATION
Summary: Conference Report
House Bill 4103 (H-2) CR-1

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	FY 2014-15 YTD as of 5/21/15	FY 2015-16 Executive	FY 2015-16 House	FY 2015-16 Senate	FY 2015-16 Conference	*Difference: Conference From FY 2014-15 YTD* *Amount*	*%*
IDG/IDT	$0	$0	$0	$0	$0	*$0*	--
Federal	97,026,400	97,026,400	97,026,400	97,026,400	97,026,400	*0*	*0.0*
Local	0	0	0	0	0	*0*	--
Private	0	0	0	0	0	*0*	--
Restricted	206,567,900	205,279,500	205,279,500	205,279,500	205,279,500	*(1,288,400)*	*(0.6)*
GF/GP	$1,212,902,000	$1,238,913,300	1,224,917,700	1,238,913,300	1,232,418,500	*19,516,500*	*1.6*
Gross	**$1,516,496,300**	**$1,541,219,200**	**$1,527,223,600**	**$1,541,219,200**	**$1,534,724,400**	***$18,228,100***	***1.2***

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through May 5, 2015 (including House Bill 4110). (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Overview

The Higher Education budget, as contained in Article III of the compiled School Aid Act, provides funding for operational support of the state's 15 public universities, the AgBioResearch and Extension programs operated by Michigan State University, various financial aid programs for students attending public and independent colleges and universities in the state, and several other smaller higher education-related programs.

NOTE: Information on House budget action in this document is based on House Bill 4115 as passed by the House. Information on Senate budget action is based on SB 134 as passed by the Senate.

Major Budget Changes From FY 2014-15 YTD Appropriations		FY 2014-15 Year-to-Date (as of 5/5/15)	FY 2015-16 Conference Change
1. University Operations	**Gross**	**$1,339,958,200**	**$20,099,400**
	Restricted	200,019,500	0
	GF/GP	$1,139,938,700	$20,099,400

Executive increases university operations funding by $26.8 million GF/GP (2.0%), bringing total support to $1.4 billion ($1.2 billion GF/GP). Funding increase to be distributed according to a performance funding formula, which would be revised to eliminate the component that distributes 50% of performance funding based on each university's share of operational funding appropriated in the baseline year of FY 2010-11. Percentages applying to other formula components (weighted completions, research and development, and comparison to Carnegie peers) thus would be doubled. Conditions receipt of performance funding on restraining resident undergraduate tuition/fee increases to 2.8% (set at 3.2% in the current year). Projected increases for individual universities range from 0.6% to 4.0%.

House provides a 1.0% increase over current year, increasing funding by $13.1 million GF/GP (a $13.7 million reduction from the Executive). Increase distributed according Executive's revised formula. Receipt of performance funding conditioned on restraining resident undergraduate tuition/fee increases to 4.0% or $400 per student, whichever was greater. House also differs from Executive in revising individual universities' scores based on corrected data entries in the federal IPEDS database. Projected funding increases for individual universities range from 0.3% to 1.9%.

Senate concurs with Executive.

Conference provides 1.5% increase, utilizes the revised performance funding formula recommended by the Executive, and concurs with House's use of revised scoring based on corrected data entries in the federal IPEDS database. Projected funding increases for individual universities range from 0.4% to 3.0%.

Major Budget Changes From FY 2014-15 YTD Appropriations		FY 2014-15 Year-to-Date (as of 5/5/15)	FY 2015-16 Conference Change
2. Michigan Public School Employees Retirement System (MPSERS)	**Gross**	**$6,448,400**	**($1,288,400)**
Executive institutes a cap of 25.73% of payroll on university payments for unfunded accrued liability under MPSERS. Funding of $5.2 million in School Aid Fund (SAF) revenues would be provided to pay the difference between the 25.73% cap and universities' unfunded accrued liability rate. This would affect the seven universities with MPSERS employees: Central, Eastern, Ferris, Lake Superior State, Michigan Tech, Northern, and Western. Current-year funding of $6.4 million includes $4.0 million designated as one-time appropriations. Current-year funding is allocated based on specified payroll and appropriated "solely for the purpose of offsetting a portion of the retirement contributions owed by the university."	Restricted	6,448,400	(1,288,400)
	GF/GP	$0	$0
Conference, House, and Senate concur with Executive.			
3. MSU Extension Service and AgBioResearch	**Gross**	**$59,609,000**	**$894,100**
Executive provides 2.0% increase ($1.2 million GF/GP) for Michigan State's AgBioResearch ($640,600) and Extension ($551,600) programs, bringing total funding to $60.8 million.	GF/GP	$59,609,000	$894,100
House provides a 1.0% increase, funding AgBioResearch at $32.3 million (a $267,400 increase from current year), and Extension at $27.9 million (a $269,400 increase).			
Senate concurs with Executive.			
Conference provides a 1.5% increase, funding AgBioResearch at $32.5 million (a $480,400 increase from current year), and Extension at $28.0 million (a $413,700 increase).			
4. Michigan College Access Network (MCAN)	**Gross**	**$2,000,000**	**($2,000,000)**
Executive moves support for the Michigan College Access Network, currently funded in the Higher Education budget at $2.0 million GF/GP, to the K-12 budget. Conference, House and Senate concur with not funding MCAN under the Higher Education budget.	GF/GP	$2,000,000	($2,000,000)
5. Midwest Higher Education Compact	**Gross**	**$95,000**	**$20,000**
Executive funds dues increase for participation in the Midwest Higher Education Compact, which promotes regional cooperation and economies of scale in purchasing, encourages tuition reciprocity programs, and conducts research into higher education issues. Conference, House, and Senate concur.	GF/GP	$95,000	$20,000
6. Indian Tuition Waivers	**Gross**	**$500,000**	**$0**
Executive rolls current-year appropriation for Indian Tuition Waivers into individual university operations appropriations based on the number of eligible students at each university. Current-year appropriation was distributed based on the amount of tuition waived at each university, adjusted for amounts included in university operations appropriations. (Funding for Indian Tuition Waivers was rolled into university operations appropriations in FY 1996-97, and has been assumed to rise or fall with subsequent across-the-board increases and decreases.) Conference, House, and Senate concur.	GF/GP	$500,000	$0

Major Budget Changes From FY 2014-15 YTD Appropriations		FY 2014-15 Year-to-Date (as of 5/5/15)	FY 2015-16 Conference Change
7. Grants and Financial Aid	**Gross**	**$104,994,200**	**$503,000**
Executive maintains current-year funding levels for the various financial aid programs:	Federal	97,026,400	0
	Restricted	100,000	0
• Tuition Incentive Program (total $48.5 million, $43.8 million federal TANF funds and $4.7 million GF/GP).	GF/GP	$7,867,800	$503,000
• Tuition Grant Program (total $33.5 million, $31.7 million TANF and $1.9 million GF/GP).			
• State competitive scholarships ($18.4 million, all TANF).			
• Project GEAR-UP scholarships ($3.2 million federal program funds)			
• Children of Veterans and Officer's Survivor Tuition Grant Programs ($1.3 million GF/GP, $100,000 restricted revenue).			
House increases funding for Tuition Grant Program by $327,500 GF/GP (a 1.0% increase), concurs with Executive on other funding levels.			
Senate concurs with Executive.			
Conference provides a 1.5% increase ($503,000 GF/GP) for the tuition grant program.			
8. King-Chavez-Parks (KCP) Programs	**Gross**	**$2,691,500**	**$0**
In addition to allocations contained in each university's operations appropriation, Executive maintains funding for the three KCP programs that are separately funded:	GF/GP	$2,691,500	$0
• Select Student Support Services ($2.0 million)			
• Michigan College/University Partnership Program ($586,800)			
• Morris Hood, Jr. Educator Development Program ($148,600)			
Conference, House, and Senate concur with Executive.			
9. Higher Education Institutional Data Inventory (HEIDI)	**Gross**	**$200,000**	**$0**
Executive maintains funding for the state's higher education database. Public universities submit finance, enrollment, and other data annually under statutory and budget act requirements. Conference, House, and Senate concur.	GF/GP	$200,000	$0

Major Boilerplate Changes From FY 2014-15

GENERAL SECTIONS

***Sec. 236a. Intent Regarding Succeeding Fiscal Year* – RETAINED**
Executive replaces Sec. 236a, which expresses legislative intent to maintain appropriations, with a new Article IV containing an itemized summary of appropriations for FY 2015-16 and anticipated appropriations for FY 2016-17, with the only FY 2016-17 change being an additional $180,000 in funding for MPSERS unfunded accrued liabilities in excess of the proposed 25.73% employer cap. Conference, House, and Senate do not concur, instead retaining Sec. 236a.

***Sec. 236c. State Building Authority (SBA) Rent Payments* – REVISED**
Itemizes SBA rent payments made under the DTMB budget for university capital outlay projects. Current-year payments total $124.8 million, updated to $136.0 million in FY 2015-16. Conference, House, and Senate concur
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***Sec. 239a. Foreign Auto Manufacturers* – RETAINED**
States intent that funds appropriated to universities not be used to purchase vehicles assembled outside the United States. Executive deletes, Conference, House, and Senate retain.

***Sec. 242. Federal or Private Funds* – RETAINED**
Appropriates federal or private funds received by the state for use by a college or university. Executive deletes language specifying that acceptance of funds does not create an ongoing obligation. Conference, House, and Senate retain this language.

Major Boilerplate Changes From FY 2014-15

***Sec. 245. University Transparency* – RETAINED**
Requires universities to post various budget, compensation (including salary list), other financial, and performance data, as well as transfer policies, on its website, using a standard format. Executive deletes requirement that state budget director determine compliance and language granting authority to withhold payments for a university not in compliance. Conference, House, and Senate retain this language.

***Sec. 246. Michigan Public School Employees' Retirement System (MPSERS)* – REVISED**
Allocates MPSERS funding based on each participating university's percentage of the total combined payrolls of employees who are MPSERS members hired before January 1, 1996, and employees who would have been MPSERS members but for enactment of 1995 PA 272, which closed the system to new hires. Under Executive, new language would assume a maximum employer rate of 25.73% of payroll and would specify that the amount of a university's MPSERS payment would be equal to the difference between the capped rate and the rate that would otherwise apply in order to meet the unfunded accrued actuarial liability. Language requiring funding to be used "solely for the purpose of offsetting a portion of the retirement contributions owed by the university" would be replaced with language requiring each university that receives MPSERS support to forward the amount received to MPSERS. Conference, House, and Senate concur.

GRANTS AND FINANCIAL AID

***Sec. 252. Tuition Grant Program* – REVISED**
Establishes conditions for the tuition grant program, which provides need-based tuition assistance at Michigan independent (i.e., private nonprofit) colleges and universities:

- Executive deletes requirement for unexpended funds to continue to be available in the next fiscal year; unexpended funds thus would lapse to the General Fund. Conference, House, and Senate retain the requirement, thus enabling fund to be rolled over to the next fiscal year.
- Executive reduces cap on awards at any one institution from the current $3.2 million to $3.0 million. House increases the cap to $3.3 million. Conference and Senate retains current-year cap of $3.2 million.
- Executive conditions student eligibility for awards on the college's submission of annual P-20 longitudinal data system data sets to the Center for Education Performance and Information (CEPI). Conference, House, and Senate do not include this language.
- Executive moves application deadline from July 1 to March 1. Conference, House, and Senate retain deadline of July 1.
- Executive deletes requirement for Department of Treasury to report projected year-end appropriation balance. Conference, House, and Senate retain the requirement.
- Executive revises requirement for Department of Treasury to confirm by December 15 and again by February 18 whether appropriations are sufficient for awards, deleting the December 15 requirement. Conference and House concur with Executive. Senate retains both dates.
- Executive moves deadline for institutional reporting from August 31 to September 30. Conference, House, and Senate concur.
- Conference and House add requirement for independent colleges and universities to report to the legislature and the state budget director on efforts to develop and implement sexual assault response training for key personnel. Executive and Senate do not include.

***Sec. 254. Financial Aid Payment Schedule* – RETAINED**
Specifies quarterly payment schedule for financial aid. Executive extends to Independent Part-Time Student Grants Program, which was proposed for funding under the Community Colleges budget. House retains current law, enabling the schedule to be replicated in the community college budget if necessary. Senate revised to refer to financial aid programs funded under the Higher Education article, rather than itemizing the programs. Conference concurs with House.

***Sec. 255. Financial Aid Needs Criteria* – RETAINED**
Provides for Treasury to determine the needs analysis criteria for students to qualify for state competitive scholarship program and tuition grant program. Executive extends provision to Independent Part-Time Student Grants Program, which is proposed for funding under the Community Colleges budget. House retains current law, enabling the provision to be replicated in the community college budget if necessary. Senate revises to refer to financial aid programs funded under the Higher Education article, rather than itemizing the programs. Conference concurs with House.

***Sec. 258. Treasury Financial Aid Reports* – REVISED**
Executive extends requirement for Treasury to post annual report on financial aid programs to include financial aid that is appropriated through the community college budget as well as financial aid programs funded under the higher education budget. House and Senate concur.

***Sec. 259. Michigan College Access Network (MCAN)* – DELETED**
In conjunction with transferring the college access program to the K-12 budget, Executive removes MCAN language from the Higher Education budget. Conference, House, and Senate concur.

Major Boilerplate Changes From FY 2014-15

UNIVERSITY OPERATIONS

***Sec. 260. Common Application for Admissions* – NEW**
Executive encourages public universities to adopt the common application (a standardized application developed by the eponymous and nonprofit The Common Application) in order to make postsecondary education more accessible. Conference and House concur. Senate does not include.

***Sec. 261. Douglas Lake Biological Station* – RETAINED**
Designates University of Michigan Douglas Lake Biological Station as a unique resource. Executive deletes; Conference, House, and Senate retain.

***Sec. 262a. Textbook Polices* – DELETED**
States intent that universities develop policies for reviewing required textbook and course materials to minimize costs while maintaining quality of education; requires report on university policies. Executive deletes; Conference, House, and Senate concur.

***Sec. 265. Performance Funding Criteria: Tuition Restraint* – REVISED**
Current law conditions receipt of performance funding in part on compliance with tuition restraint requirements that limit allowable resident undergraduate tuition/fee increases to 3.2% over the prior year.
Executive lowers limit to 2.8% and deletes language that in part defines "fee" to include the cost of a university-affiliated health insurance policy for a university that compels resident undergraduate students to have health insurance coverage as a condition of enrollment.
House sets limit at 4.0% or $400 per student, whichever is greater, and concurs with Executive on deleting language pertaining to university-affiliated health insurance.
Senate lowers limit to 2.8% (same as Executive), but retains the current definition of "fee."
Conference retains current limit of 3.2% and retains the current definition of "fee."

***Sec. 265a. Performance Funding Criteria and Formula* – REVISED**
Conditions receipt of performance funding on:

- Compliance with tuition restraint provisions.
- Certification that university participates in reverse transfer agreements with at least three Michigan community colleges.
- Certification that dual enrollment policy does not consider use of credits toward high school graduation requirements.
- Participation in Michigan Transfer Network; Executive revises to specify active participation, including submission of timely updates. House and Senate do not include this change.

Establishes process for universities to certify compliance with all requirements. Provides for performance funding forfeited due to noncompliance to be redistributed to other universities based on their performance funding appropriations.

Sets the formula used to distribute performance funding, currently distributed as follows:

- 50% proportional to each university's share of total operations funding in the baseline year of FY 2010-11.
- 11.1% based on weighted undergraduate completions in critical skills areas.
- 5.6% based on research and development expenditures (for high-research universities)
- 33.3% based on comparisons with Carnegie classification peers on four metrics: six-year graduation rate, total degree completions, institutional support as a percentage of core expenditures, and number of students receiving Pell grants.

Executive deletes the component based on FY 2010-11 allocations, thereby doubling the percentages applying to the remaining three components, and revises the Pell grant metric to apply to the percentage of students receiving Pell grants, rather than the number of students receiving Pell grants. Also deletes statement of intent to lower scoring for university improving over three-year period from 2 points to 1 point. Conference, House, and Senate concur with these changes.

***Sec. 268. Indian Tuition Waivers* – REVISED**
Executive deletes language expressing legislative intent for universities to allocate Indian Tuition Waiver costs from the general fund, and adds a requirement that a public university provide Department of Civil Rights any information necessary for preparing the report required by the budget. Conference and House retains the intent language regarding university allocations, Senate excludes. Conference, House, and Senate add the Executive-recommended requirement to provide information to the Department of Civil Rights.

***Sec. 271a. Instructional Activity Pertaining to Unionization* – RETAINED**
Bars public universities from using appropriations to offer instructional activity that targets companies or groups of companies for unionization or decertification of a union. Executive deletes; Conference, House, and Senate retain.

Major Boilerplate Changes From FY 2014-15

***Sec. 272a. Rejection of Transfer Credits* – DELETED**
Conference and Senate repeal section that requires universities to report on transfer credits that they rejected in the prior year. Executive and House retained this section.

***Sec. 273. Student Religious Beliefs* – DELETED**
States intent that universities report on efforts to accommodate the religious beliefs of students in accredited counseling programs. Executive deletes; Conference, House, and Senate concur.

***Sec. 274. Embryonic Stem Cell Research* – RETAINED**
States intent that universities conducting research using human embryonic stem cells report to the Department of Community Health regarding compliance with federal guidelines and stem cell lines derived by university. Executive deletes; Conference, House, and Senate retain.

***Sec. 274a. Adult Coresident Health Benefits* – DELETED**
States intent that universities not provide benefits to unmarried adult coresidents or their dependents, and that each university report on the costs of providing such benefits. Executive deletes, Conference, House, and Senate concur.

***Sec. 274c. Sexual Assault Response Training* – NEW**
Conference and House add requirement for universities to report to the legislature and the state budget director on efforts to develop and implement sexual assault response training for key personnel. Executive and Senate do not include.

***Sec. 275. Veterans' Policies* – RETAINED**
Encourages universities to provide various veterans-related services and requires certain reports. Executive deletes report requirements; Conference, House, and Senate retain.

***Sec. 275a. Capital Outlay Reporting* – RETAINED**
Prohibits use of state funds for self-liquidating projects; requires compliance with Joint Capital Outlay Subcommittee reporting compliance, with specified penalty of 1.0% of appropriation for failure to comply. Executive deletes, Conference, House, and Senate retain.

GENERAL REPORTS AND AUDITS

***Sec. 283. Former High School Students* – RETAINED**
Requires universities to systematically inform Michigan high schools regarding former students' academic status. Executive explicitly requires universities to use the P-20 longitudinal data system to comply with requirement; House concurs. Conference and Senate do not include the P-20 requirement.

***Sec. 284. Former Community College Students* – RETAINED**
Requires universities to systematically inform Michigan community colleges regarding former students' academic status. Executive explicitly requires universities to use the P-20 longitudinal data system to comply with requirement; House concurs. Conference and Senate do not include the P-20 requirement.

***Sec. 293. Student Records* – RETAINED**
Requires universities to provide information from the records of a student to persons authorized by the student. Executive deletes, House concurs. Conference and Senate retain.

FY 2016 University Performance Funding
Conference Report: 1.5% Increase

		Performance Funding Proportional to Share of Total				Performance Funding Scored vs. National Carnegie Peers											
	% of formula:	22.2%		11.1%		66.7%											
	Funding per unit:	$288.43 per completion		$0.0017 per dollar		$7.68 per weighted point											
University	**FY 2014-15 Year-to-Date Appropriation**	**Critical Skills Undergrad Completions**	**Funding**	**Research & Development Expenditures**	**Funding**	**6-year Grad Rate**	**Total Degrees**	**Instl. Support as % of Expends.**	**% Students Receiving Pell Grants**	**Total Points**	**Total Undergrad FYES**	**FYES-Weighted Score**	**Funding**	**Total Performance Funding Increase Dollars**	**%**	**Add FY15 ITW funding to base**	**FY 2015-16 Appropriation**
Michigan State	$264,429,100	2,716	$783,254	$328,770,128	$553,972	2	3	2	2	9	36,203	325,827	$2,503,779	$3,841,000	1.5%	$8,800	**$268,278,900**
UM-Ann Arbor	$295,174,100	2,911	$839,606	$746,124,000	$1,257,206	3	3	2	2	10	28,048	280,480	$2,155,315	$4,252,100	1.4%	$4,400	**$299,430,600**
Wayne State	$190,519,800	731	$210,839	$155,643,759	$262,257	0	0	0	3	3	14,909	44,727	$343,699	$816,800	0.4%	$10,100	**$191,346,700**
Michigan Tech	$45,923,100	886	$255,418	$53,719,135	$90,516	3	2	2	2	9	5,466	49,194	$378,025	$724,000	1.6%	$14,900	**$46,662,000**
Western	$102,742,000	1,066	$307,461	$19,502,342	$32,861	2	2	2	2	8	17,149	137,192	$1,054,236	$1,394,500	1.4%	$19,100	**$104,155,600**
Central	$79,115,000	766	$220,934	$11,338,433	$19,105	3	3	3	2	11	17,740	195,140	$1,499,530	$1,739,600	2.2%	$49,800	**$80,904,400**
Oakland	$48,364,100	1,089	$314,095	$10,296,931	$17,350	2	2	2	2	8	14,591	116,728	$896,982	$1,228,400	2.5%	$7,800	**$49,600,300**
Eastern	$71,771,100	741	$213,579			0	3	2	2	7	15,601	109,207	$839,188	$1,052,800	1.5%	$11,400	**$72,835,300**
Ferris	$49,087,000	1,249	$360,261			2	3	2	2	9	10,822	97,398	$748,443	$1,108,700	2.3%	$32,100	**$50,227,800**
Grand Valley	$63,136,000	1,293	$372,988			3	3	2	2	10	19,594	195,940	$1,505,678	$1,878,700	3.0%	$20,500	**$65,035,200**
Saginaw Valley	$27,610,200	427	$123,158			0	2	2	2	6	8,089	48,534	$372,954	$496,100	1.8%	$11,400	**$28,117,700**
UM-Dearborn	$23,689,300	404	$116,524			2	0	0	2	4	5,786	23,144	$177,847	$294,400	1.2%	$11,700	**$23,995,400**
UM-Flint	$21,337,700	505	$145,655			0	2	2	2	6	5,606	33,636	$258,472	$404,100	1.9%	$21,900	**$21,763,700**
Northern	$44,277,200	520	$149,999			2	3	2	2	9	7,694	69,246	$532,113	$682,100	1.5%	$61,100	**$45,020,400**
Lake Superior	$12,782,500	183	$52,764			2	2	2	2	8	2,169	17,352	$133,339	$186,100	1.5%	$215,000	**$13,183,600**
TOTAL:	**$1,339,958,200**	**15,486**	**$4,466,533**	**$1,325,394,728**	**$2,233,267**	**26**	**33**	**27**	**31**	**117**	**209,467**	**1,743,745**	**$13,399,600**	**$20,099,400**	1.5%	**$500,000**	**$1,360,557,600**

Funding Increase:	**$20,099,400**
Percent Increase:	**1.5**

Note: formula distributions account for corrected IPEDS data.

Data Notes

Component	Source	Years	Notes
Critical skills undergrad completions	State HEIDI	FYs 2013-2014	STEM/health/etc.
Research & develop expends	Federal IPEDS	FY 2013	Carnegie research universities only
Six-year graduation rate	Federal IPEDS^	FYs 2009-2012	First-time, full-time degree seeking students
Total degree completions	Federal IPEDS^	FYs 2009-2012	Includes graduate degrees
Inst support as % of core expends	Federal IPEDS^	FYs 2009-2012	Measure of administrative costs
Pell grant students	Federal IPEDS^	FYs 2010-2012	Federal need-based aid for undergrads
Undergrad FYES	State HEIDI	FY 2013	Includes nonresident students

^ via Business Leaders for Michigan and Anderson Economic Group

Scoring Based on Carnegie Peers	
Top 20% nationally	3
Above national median	2
Improving over 3 years	2

***Requirements to receive funding increase:**

1. Restrain FY 2015-16 resident undergraduate tuition/fee rate increase to 3.2% or below
2. Participate in at least three reverse transfer agreements with community colleges (or make good-faith effort)
3. Maintain a dual enrollment credit policy that does not consider whether credits were used toward high school graduation
4. Participate in the Michigan Transfer Network