

FY 2013-14 EDUCATION OMNIBUS BUDGET
Summary: House Committee Substitute
House Bill 4228 (H-1) Draft 1



Mary Ann Cleary, Director

TOTAL APPROPRIATIONS BY BUDGET AREA

Budget Area (Bill Page) [Summary Page]	FY 2013-14		
	Gross	SAF	GF/GP
School Aid (3) [2]	\$13,235,234,800	\$11,090,813,500	\$230,000,000
Community College (212) [11]	334,877,600	197,614,100	137,263,500
Higher Education (231) [15]	1,430,573,500	200,465,700	1,132,981,400
TOTAL	\$15,000,685,900	\$11,488,893,300	\$1,500,244,900

Note: Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as one-time.

FY 2013-14: SCHOOL AID

Summary: As Reported by House Subcommittee (HB 4227)

Article I, House Bill 4228 (H-1) Draft 1



Analyst: Bethany Wicksall

	FY 2012-13 YTD as of 2/7/13	FY 2013-14 Revised Executive	FY 2013-14 House	FY 2013-14 Senate	FY 2013-14 Enacted	Difference: House From FY 2012-13 YTD	
						Amount	%
IDG/IDT	\$0	\$0	\$0			\$0	--
Federal	1,701,041,400	1,764,421,300	1,764,421,300			63,379,900	3.7
Local	0	0	0			0	--
Private	0	0	0			0	--
Restricted	10,961,245,600	11,240,813,500	11,240,813,500			279,567,900	2.6
GF/GP	282,400,000	230,000,000	230,000,000			(52,400,000)	(18.6)
Gross	\$12,944,687,000	\$13,235,234,800	\$13,235,234,800			\$290,547,800	2.2
FTEs	0	0	0			0	--

Notes: (1) FY 2012-13 year-to-date (YTD) figures include mid-year budget adjustments through February 7, 2013.

(2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as one-time.

Overview

The School Aid budget makes appropriations to the state's 549 local school districts, 277 public school academies, the Education Achievement System, and 56 intermediate school districts (ISDs) for operations and certain categorical programs. It also appropriates funds to the Center for Educational Performance and Information, the Workforce Development Agency, and other entities to implement certain grants and other programs related to K-12 education.

Major Budget Changes From FY 2012-13 YTD Appropriations

1. Foundation Allowances (Secs. 22a and 22b)

Executive decreases by \$2.3 million from the current YTD for FY 2013-14 to incorporate consensus estimates for taxable values and pupil estimates. Includes funding for small class size adjustments reduced from \$13.0 million to \$9.0 million for FY 2013-14.

House concurs in total appropriations but revises the distribution of small class size adjustments compared to the Executive.

(See Major Boilerplate Changes below for discussion of proposed changes to Small Class Size Adjustments.)

	FY 2012-13 Year-to-Date (as of 2/7/13)	FY 2013-14 House Change
Gross	\$8,864,300,000	(\$2,300,000)
Restricted	8,599,110,200	47,112,200
GF/GP	\$265,189,800	(\$49,412,200)

2. One-Time Foundation Equity Payment (Sec. 22c)

Executive provides \$24.0 million in one-time funding for an equity payment of up to \$34 per pupil to districts with foundation allowances below \$7,000. The current minimum foundation allowance is \$6,966 and the state maximum guaranteed foundation allowance is \$8,019.

House concurs.

Gross	\$0	\$24,000,000
Restricted	0	24,000,000

3. MPSERS - Cost Offset (Sec. 147a)

Executive maintains current funding levels to offset a share of MPSERS costs for districts for FY 2013-14.

House concurs.

Gross	\$155,000,000	\$0
Restricted	155,000,000	0

4. MPSERS - Reserve Fund (Sec. 147b)

Executive eliminates transfer of funds to the MPSERS reserve fund. After deposits in FYs 2011-12 and 2012-13, the fund balance totals \$174.0 million, and \$150.0 million of it is used as a restricted fund source in Section 147c for FY 2013-14.

House concurs.

Gross	\$41,000,000	(\$41,000,000)
Restricted	41,000,000	(41,000,000)

Major Budget Changes From FY 2012-13 YTD Appropriations		FY 2012-13 Year-to-Date (as of 2/7/13)	FY 2013-14 House Change	
5. MPSERS - State Share of Unfunded Liabilities (Sec. 147c)		Gross	\$130,000,000	\$273,300,000
<u>Executive</u> increases funding for the state's share of Michigan Public School Employees' Retirement System (MPSERS) costs as required by PA 300 of 2012. PA 300 caps the employer share of MPSERS contributions for unfunded liabilities at 20.96% of payroll and requires the state to pay the balance. Total appropriations increase to \$403.3 million in FY 2013-14. <u>House</u> concurs. (See Major Boilerplate Changes below for discussion of other proposed changes.)	Restricted	130,000,000	273,300,000	
6. Great Start Readiness Program (GSRP) (Sec. 32d)		Gross	\$109,575,000	\$50,000,000
<u>Executive</u> increases funding for preschool programs by \$65.0 million each year to \$174.6 million in FY 2013-14. Additional funding increases the current allocation for each half-day slot from \$3,400 to \$3,625 and provides up to 16,000 more half-day slots in FY 2013-14. ISDs may use two half-day slots to provide a child with a full-day program. <u>House</u> increases by \$50.0 million to \$159.6 million and concurs on increasing the per diem to \$3,625, thereby increasing the number of funded half-day slots by approximately 11,800. (See Major Boilerplate Changes below for discussion of other proposed program changes.)	Restricted	109,275,000	50,000,000	
	GF/GP	\$300,000	\$0	
7. Best Practices Incentive Grants (Sec. 22f)		Gross	\$80,000,000	(\$79,999,900)
<u>Executive</u> decreases funding to \$25.0 million in FY 2013-14. The award would decrease from \$52 per pupil to \$16 per pupil to districts that meet 7 out of 8 best practices criteria. <u>House</u> reduces to a \$100 placeholder. (See Major Boilerplate Changes below for discussion of proposed changes to the 8 criteria.)	Restricted	80,000,000	(79,999,900)	
8. Technology Infrastructure Improvement (Sec. 22i)		Gross	\$50,000,000	\$0
<u>Executive</u> reduces funding to \$13.5 million for FY 2013-14. Funds may be used for the development or improvement of technology infrastructure in preparation for the planned implementation of FY 2014-15 online growth assessments. <u>House</u> maintains funding at FY 2012-13 levels of \$50.0 million. (See Major Boilerplate Changes below for discussion of proposed changes.)	Restricted	50,000,000	0	
9. District Performance Funding (Sec. 22j)		Gross	\$30,000,000	\$16,400,000
<u>Executive</u> maintains current funding levels for awards to districts up to a maximum of \$100 per pupil: \$30 per pupil for academic growth in grades 3-8 math, \$30 per pupil for academic growth in grades 3-8 reading, and \$40 per pupil for academic growth in all high school tested subjects. Fully funding eligible districts would cost \$46.4 million, so awards would be prorated. <u>House</u> increases to \$46.4 million to fully fund eligible districts. (See Major Boilerplate Changes below for discussion of proposed changes.)	Restricted	30,000,000	16,400,000	
10. Consolidation Innovation Grants (Sec. 22g)		Gross	\$10,000,000	(\$10,000,000)
<u>Executive</u> eliminates one-time competitive funding awarded to districts and ISDs to support both full consolidation and consolidation of services. <u>House</u> concurs.	Restricted	10,000,000	(10,000,000)	
11. Competitive Student-Centric (Sec. 22k)		Gross	\$0	\$7,000,000
<u>Executive</u> provides \$8.0 million in one-time funding in FY 2013-14 for competitive grants to districts that align instruction with individual student learning styles and pace and advance students based on individual mastery of each subject area. <u>House</u> provides \$7.0 million.	Restricted	0	7,000,000	

Major Budget Changes From FY 2012-13 YTD Appropriations		FY 2012-13 Year-to-Date (as of 2/7/13)	FY 2013-14 House Change
12. Intermediate School District (ISD) Operations (Sec. 81) <u>Executive</u> maintained current funding levels for ISDs, including \$62.1 million for general operations and \$2.0 million for ISD best practices. <u>House</u> maintains general operations funding of \$62.1 million but includes only a \$100 placeholder for best practices. (See Major Boilerplate Changes below for discussion of other proposed changes.)	Gross	\$64,115,000	(\$1,999,900)
	Restricted	64,115,000	(1,999,900)
13. Special Education Funding (Secs. 51a, 51c, 51d, 53a, 56) <u>Executive</u> decreases by \$10.7 million from the current YTD appropriation for FY 2013-14 to adjust for consensus estimates for the growth in special education reimbursement costs. <u>House</u> concurs.	Gross	\$1,435,269,100	(\$10,700,000)
	Federal	439,000,000	5,000,000
	Restricted	996,269,100	(15,700,000)
14. At-Risk Programs (Sec. 31a) <u>Executive</u> maintains current year funding levels for at-risk programs, school-based health centers, and hearing and vision screening. <u>House</u> concurs.	Gross	\$317,695,500	\$0
	Restricted	317,695,500	0
15. School Lunch Programs (Sec. 31d) <u>Executive</u> increases funding to \$485.7 million to recognize increased available federal funding for the national school lunch program. <u>House</u> concurs.	Gross	\$425,001,100	\$60,694,000
	Federal	402,506,000	60,694,000
	Restricted	22,495,100	0
16. School Breakfast Programs (Sec. 31f) <u>Executive</u> decreases funding by \$4.0 million to \$5.6 million to reflect actual prior-year expenditure levels. <u>House</u> concurs.	Gross	\$9,625,000	(\$4,000,000)
	Restricted	9,625,000	(4,000,000)
17. School Bond Redemption Fund (Sec. 11j) <u>Executive</u> increases by \$11.3 million to a total of \$131.7 million in FY 2013-14 to pay for increased interest payments associated with loans to districts participating in the School Bond Loan Program. <u>House</u> concurs.	Gross	\$120,390,000	\$11,270,000
	Restricted	120,390,000	11,270,000
18. Cash Flow Borrowing Costs (Sec. 11m) <u>Executive</u> increases costs to \$6.0 million in FY 2013-14 to reflect anticipated higher interest rates for short-term borrowing costs related to the School Aid Fund. <u>House</u> concurs.	Gross	\$3,200,000	\$2,800,000
	Restricted	3,200,000	2,800,000
19. Renaissance Zone Reimbursements (Sec. 26a) <u>Executive</u> transfers renaissance zone reimbursements to libraries from the School Aid budget to the Department of Education budget. <u>House</u> concurs.	Gross	\$27,8000,000	(\$1,500,000)
	Restricted	26,300,000	0
	GF/GP	\$1,500,000	(\$1,500,000)
20. Payments In Lieu of Taxes (PILT) (Sec. 26b) <u>Executive</u> increases funding to \$4.0 million in FY 2013-14 to recognize increased PILT reimbursements to districts, ISDs, and community colleges as required under PAs 603 and 604 of 2012. <u>House</u> concurs.	Gross	\$3,328,000	\$681,500
	Restricted	3,328,000	681,500
21. State Aid to Libraries - MeLCat (Sec. 93) <u>Executive</u> transfers funding supporting the Michigan eLibrary Catalog (MeLCat) from the School Aid budget to the Department of Education budget. <u>House</u> concurs.	Gross	\$1,304,300	(\$1,304,300)
	GF/GP	\$1,304,300	(\$1,304,300)
22. Center for Educational Performance and Information (Sec. 94a) <u>Executive</u> increased by \$216,700 for employee economics including salary and wages, insurance, and retirement costs. <u>House</u> concurs but adds an additional \$99,800 to pay for the pupil transfer application required under the proposed Section 25e.	Gross	\$9,411,900	\$316,500
	Federal	193,500	0
	GF/GP	\$9,218,400	\$316,500

Major Budget Changes From FY 2012-13 YTD Appropriations		FY 2012-13 Year-to-Date (as of 2/7/13)	FY 2013-14 House Change
23. Principal Educator Evaluation Training (Sec. 95)			
<u>Executive</u> reduces to \$500,000 in FY 2013-14 for grants to districts to support professional development for principals and assistant principals in a department-approved training program on implementing educator evaluation programs.	Gross	\$1,750,000	(\$1,250,000)
<u>House</u> concurs but provides intent to appropriate any unallocated funds left in this line at the end of FY 2012-13.	Restricted	1,750,000	(1,250,000)
24. Michigan Virtual University (MVU) (Sec. 98)			
<u>Executive</u> increases funding to \$14.4 million in FY 2013-14 for MVU to operate the Michigan Virtual School and the Michigan Virtual Learning Research Institute.	Gross	\$4,387,500	\$0
<u>House</u> maintains current levels of funding at \$4.4 million. (See Major Boilerplate Changes below for discussion of other proposed changes.)	GF/GP	\$4,387,500	\$0

Major Boilerplate Changes From FY 2012-13

Sec. 6(4). Pupil Membership Blend – REVISED

House revises the pupil membership blend from 90% October count and 10% of the previous February count to 80% of the October count and 20% of the following February count in order to align with the proposed pupil transfer process in Section 25e.

Sec. 6(6). Counting Nonresident Pupils for Online Courses – REVISED

Executive adds to the conditions under which a district may count a pupil in membership without the approval of his or her resident district: a pupil who enrolls in an online program in another district as allowed under the newly proposed Section 21f.
House concurs.

Sec. 18a. Public School Academy (PSA) Property Transfer – REVISED

Current law requires that PSA property acquired substantially with public funds be transferred to the state if a PSA's contract is revoked or not reissued, or if the PSA is ineligible for state aid funding for 18 consecutive months.

Executive recommendation adds that a PSA corporation must initiate a dissolution process within 30 days after its contract expires.

House concurs but revises to initiate the "transfer" process.

Sec. 20 (8) and (9). 100% Online programs Foundation – NEW

House adds language that beginning in FY 2014-15 the foundation allowance for a cyber school or for pupils attending a district under a seat-time waiver for a 100% online model is equal to 80% of the foundation allowance of the district in which it is located.

Sec. 20(10). Foundation Allowances for District Consolidations or Annexations– REVISED

House revises language which currently provides that the foundation allowance for a consolidated district is the per pupil weighted average of all the affected districts. Instead the foundation allowance would be either the highest foundation of the affected districts or the sum of \$100 plus the per pupil weighted foundation, whichever is less.

Sec. 20(14). Small Class Size Adjustments to Foundation Allowances – REVISED

Executive revises foundation allowance adjustments for districts that received a small class size grant in 2001-2002. Currently funded in FY 2012-13 at 68.5% of FY 2010-11 levels at a total cost of \$13.0 million (funded under Sec. 22b). Executive recommendation continues adjustments into FY 2013-14, reduces to a total cost of \$9.0 million by capping adjustments as follows:

- not to exceed \$100 per pupil for districts with foundation allowances less than \$7,500.
- not to exceed \$50 per pupil for districts with foundation allowances greater than \$7,500.

House revises small class size adjustments to 70% of each district's adjustment in FY 2012-13. Assumes the same level of savings as the Executive recommendation.

Major Boilerplate Changes From FY 2012-13

Sec. 21f. Online Courses – NEW

Executive allows pupils in grades 5 to 12 to enroll in online courses as provided in this section (does not apply to cyber schools). Requires that a district allow a pupil to enroll in up to 2 online courses per term, semester, or trimester with the consent of the pupil's parent or legal guardian. If a pupil has demonstrated previous success in online courses, and the district and parent or guardian determine it is in the pupil's best interest, a pupil may enroll in more than 2 online courses per term, semester, or trimester. Allows pupil to enroll in online courses published in the district's catalog of online courses or the statewide catalog of online courses maintained by MVU pursuant to Sec. 98. Allows educating district to prohibit enrollment in an online course under certain circumstances, but provides the pupil an opportunity to appeal that decision to the ISD. Requires a district, if offering an online course, to provide MVU with the course syllabus for inclusion in the statewide catalog and provide links to the catalog on the district's website.

House revises to cover grades 7 to 12, deletes references to a statewide catalog maintained by MVU, deletes the provision requiring a district to allow a pupil with past success to take more than 2 online courses per term, and caps the amount a district has to pay for an online course to 1/12 of the district's foundation allowance per semester or 1/18 of the district's foundation allowance for a trimester.

Sec. 22f. Best Practices – REVISED

Executive reduces per pupil awards from \$52 per pupil to \$16 per pupil for districts complying with 7 out of 8 best practices. 4 out of the 8 best practices include revisions under the Executive recommendation:

- Acts as policyholder for insurance - Adds that a district with a voluntary employee beneficiary association (VEBA) that pays no more than the maximum allowed under PA 152 of 2011 is considered to have met this requirement.
- Competitively bid at least one non-instructional service - Adds that the unfunded liability costs for retirement must be excluded from district costs when comparing competitive bids.
- Provide online learning opportunities - Adds that a district must publish syllabi for offered online courses, as required under Sec. 21f.
- Provide a dashboard to parents and the community - Adds additional required dashboard items including revenue and expenditure projections, list of all debt service obligations by project including anticipated payments for FY 2013-14, and total outstanding debt.

The 4 other best practices remain the same and include participating in schools of choice, measuring student growth twice annually, providing dual enrollment, and provide physical or health education that meet State Board of Education standards.

House includes the Executive language but provides only a \$100 placeholder for best practices grants.

Sec. 22i. Technology Infrastructure Grants – REVISED

Executive adds instructional practices and shared service consolidation of technology and data as allowable uses of funding and changes the grant process from a competitive bid process to a process in which all eligible districts and ISDs may participate.

House limits the uses to technology infrastructure, shared service consolidation of technology and data, and hardware.

Also requires that to be eligible for funding under this section, a district or intermediate district must comply with language prohibiting contract renewals or extensions between December 10, 2012 and March 28, 2013 unless they can realize 10% savings as certified by an independent certified public accounting firm or those contracts that include only an agreement regarding conditions of employment that include membership in a labor organization or bargaining representative or paying dues or fees to a labor organization or bargaining representative or to a third party in lieu of those dues or fees.

Sec. 22j. District Performance Grants – REVISED

Executive updates the school year assessment used to awards to 2011-2012 and revises the high school award to broaden from only the Michigan Merit Exam to all high school assessments.

House concurs but also requires that to be eligible for funding under this section, a district or intermediate district must comply with language prohibiting contract renewals or extensions between December 10, 2012 and March 28, 2013 unless they can realize 10% savings as certified by an independent certified public accounting firm or those contracts that include only an agreement regarding conditions of employment that include membership in a labor organization or bargaining representative or paying dues or fees to a labor organization or bargaining representative or to a third party in lieu of those dues or fees.

Sec. 25e. Pupil Transfer Process – NEW

House repeals Sec. 25, which was set to begin in FY 2013-14 and replaces it with Sec. 25e. It would require CEPI to work with MDE, districts, and intermediate districts to develop a pupil transfer application modeled after the graduation and dropout application, and allow districts to transfer students and revise membership between the October and February count dates.

Major Boilerplate Changes From FY 2012-13

Sec. 32d. Great Start Readiness Program – REVISED

Executive proposes significant funding increases, but also includes several major policy changes including:

- Revises to align with new kindergarten age requirements, phased in over 3 years, to move the eligibility age cutoff date from December 1 to September 1.
- Eliminates former Parents Involved in Education (PIE) programs as an allowable use of funds.
- Distributes 100% of the funding through the Section 39 formula and requires all entities including ISDs, districts, public or private for-profit and nonprofit entities receiving funding to comply with Sections 32d and 39 rather than continuing a separate competitive application for public or private for-profit and nonprofit entities.
- Requires that a program receiving funds under this section must participate in the state's Great Start to Quality Process, the Tiered Quality Rating Improvement System (TQRIS), with a rating of at least 3 stars.
- Increases the minimum percentage of participating children who must live in families with income less than 300% of federal poverty level from at least 75% to at least 90%.
- Requires an ISD to contract with eligible public and private for-profit and nonprofit community-based providers for at least 20% of its total allocated slots. Requires notification to department if ISD is unable to meet this requirement.

House concurs but revises the Executive recommendation to continue allowing PIE programs, decreases the income eligibility threshold to 250% of the federal poverty, revises the minimum percentage of participating children who must qualify based on income to 80%, and clarifies that if MDE verifies an ISD tried to contract at least 20% of their slots and is unable to do so, the ISD may keep those remaining slots. Requires an ISD to let parents choose among ISD providers and requires an ISD to allow a parent of an eligible child to choose a program in another ISD and that the resident ISD would have to pay for it.

Sec. 32p. Early Childhood Block Grants – REVISED

Executive provides that each ISD shall receive 100% of its FY 2012-13 allocation.

House provides that beginning in FY 2013-14 funding shall be determined by a distribution formula to be established by the MDE Office of Great Start in order to provide for equitable funding statewide.

Sec. 56. Special Education Millage Equalization – REVISED

FY 2012-13 allocations were frozen at prior year levels, but Executive recommendation reverts back to the formula, which guarantees a minimum taxable value per pupil for special education millages. For FY 2013-14 the per-pupil taxable value equalization amount is \$166,000.

House provides that no single ISD shall receive more than 62.9% of the total allocation under this section, and revises the taxable value equalization amount to \$169,900 accordingly.

Sec. 62. Vocational Education Millage Equalization – REVISED

FY 2012-13 allocations were frozen at prior year levels, but Executive recommendation reverts back to the formula, which guarantees a minimum taxable value per pupil for vocational education millages. For FY 2013-14 the per-pupil taxable value equalization amount is \$185,300.

House provides that no single ISD shall receive more than 38.4% of the total allocation under this section, and revises the taxable value equalization amount to \$186,500 accordingly.

Sec. 81(6). ISD Best Practices – REVISED

Executive maintains \$2.0 million allocation for ISD best practices, but revises to require 5 out of 6 best practices:

- Develop a consolidation plan - Adds for an ISD that developed a plan in FY 2012-13, it must implement that plan to qualify in FY 2013-14.
- Obtain competitive bids on at least 1 non-instructional service valued at \$50,000 or more for itself or its constituent districts - Adds that the unfunded liability costs for retirement must be excluded from costs when comparing competitive bids.
- Develop a technology plan - Adds for an ISD that developed a plan in FY 2012-13, it must implement that plan to qualify in FY 2013-14.
- Provide a dashboard to parents and the community - Adds additional, required dashboard items including revenue and expenditure projections, list of all debt service obligations by project including anticipated payments for FY 2013-14, and total outstanding debt.
- Work in a consortium with other ISDs to develop system requirements and bid specifications for a statewide model information system - Adds working with CEPI and changes focus to developing local systems that result in a recommended model information system that supports interoperability to ensure linkage and connectivity in a manner that facilitates the efficient exchange of data between districts, ISDs, and CEPI.
- New requirement that ISD act as policyholder for health care services benefits. An ISD that does not directly employ its staff or an ISD with a voluntary employee beneficiary association (VEBA) that pays no more than the maximum allowed under PA 152 of 2011 is considered to have met this requirement.

House includes the Executive language but provides only a \$100 placeholder for best practices grants.

Major Boilerplate Changes From FY 2012-13

Sec. 98. Michigan Virtual University – REVISED

Executive renames the Center for Online Learning and Innovation, which was established in FY 2012-13, as the Michigan Virtual Learning Research Institute. Requires that the Institute do the following: provide professional development to at least 1,000 education personnel on integrating digital learning, provide up to \$2.2 million in competitive grants to ISDs to expand integration of online and blended learning, work with higher education faculty on a new digital learning teacher endorsement, and create a statewide catalog of all online courses at all public schools including course syllabi and a review of each course.

House maintains current law with minor changes.

Sec. 101. Instructional Days and Hours – REVISED

House deletes for FY 2013-14 the provision allowing up to 38 hours of professional development for teachers as instruction to meet the 1,098 minimum number of hours required and increases the minimum number of days required from 170 to 175 beginning in FY 2014-15.

Sec. 107. Adult Education – REVISED

House adds legislative intent to begin allocating grant funds under this section on a competitive basis beginning in FY 2014-15.

Sec. 147. MPSERS Contribution Rates – REVISED

Executive reflects employer contribution rates for defined benefit pension and retiree health benefits are now broken out for seven different subgroups based on hire date and benefit and contribution choices made under PA 300 of 2012. For FY 2013-14, rates are based on a 25-year amortization period, and they range from 20.96% to 24.79% of MPSERS payroll. Employer rates do not include contributions into employee defined contribution accounts.

House concurs.

Sec. 147b. MPSERS Reserve Fund – REVISED

Executive makes no appropriation into the MPSERS reserve fund, and instead begins to use available funds as a source of revenue under Sec. 147c. Adds new language, which would direct the funds collected in FY 2010-11 and FY 2011-12 for the employee 3% contributions for retiree health care, currently being held in escrow pursuant to a court injunction, to be deposited into the MPSERS reserve fund for the purposes of funding health care unfunded liabilities if the injunction is lifted.

House concurs

Sec. 147c. MPSERS State Share for Health Care Unfunded Accrued Liabilities – REVISED

Executive revises such that instead of paying the MPSERS funds directly to the MPSERS system, funding would be distributed to districts and ISDs based on their proportional share of MPSERS payroll. Then districts and ISDs would be required to pay the exact amount back to the MPSERS system.

House concurs.

SCHOOL AID LINE ITEM SUMMARY



		FY 2012-13		
		Year-to-Date	Executive Supplemental 2013-5	Revised
Sec.				
11g	Durant - Debt Service	\$39,000,000		\$39,000,000
11j	School Bond Redemption Fund	\$120,390,000		\$120,390,000
11m	Cash Flow Borrowing Costs	\$3,200,000		\$3,200,000
22a	Foundations: Proposal A Obligation Payment	\$5,712,000,000	(\$81,000,000)	\$5,631,000,000
22b	Foundations: Discretionary Payment	\$3,152,300,000	\$64,700,000	\$3,217,000,000
22c	Foundations: Equity Payment	\$0		\$0
22d	Isolated District Funding	\$2,025,000		\$2,025,000
22f	Best Practices	\$80,000,000		\$80,000,000
22g	Consolidation Innovation Grants	\$10,000,000		\$10,000,000
22i	Technology Infrastructure Improvement Grants	\$50,000,000		\$50,000,000
22j	District Performance Funding	\$30,000,000		\$30,000,000
22k	Competitive Student-Centric Grants - NEW	\$0		\$0
24	Court-Placed Pupils	\$8,000,000		\$8,000,000
24a	Juvenile Detention Facility Programs	\$2,135,800		\$2,135,800
24c	Youth Challenge Program	\$1,500,000		\$1,500,000
26a	Renaissance Zone Reimbursement	\$27,800,000		\$27,800,000
26b	PILT Reimbursement	\$3,328,000		\$3,328,000
26c	Promise Zone Funding -	\$347,800		\$347,800
31a	"At Risk" Pupil Support	\$308,988,200		\$308,988,200
31a(6)	School Based Health Centers	\$3,557,300		\$3,557,300
31a(7)	Hearing and Vision Screening	\$5,150,000		\$5,150,000
31d	State School Lunch Programs	\$22,495,100		\$22,495,100
31d	Federal School Lunch Programs	\$402,506,000		\$402,506,000
31f	School Breakfast Program	\$9,625,000		\$9,625,000
32d	Great Start School Readiness	\$109,575,000		\$109,575,000
32p	Early Childhood Block Grants	\$10,900,000		\$10,900,000
39a1	Federal "No Child Left Behind"	\$812,328,500		\$812,328,500
39a2	Other Federal Funding	\$33,514,100		\$33,514,100
51a(1)	Special Education - Federal Reimbursement	\$365,000,000		\$365,000,000
51a(2)	Special Ed ISD Foundation and Costs	\$257,400,000	(\$6,700,000)	\$250,700,000
51a(3)	Special Ed ISD Hold Harmless Payment	\$1,000,000		\$1,000,000
51a(6)	Special Ed Admin Rules Changes	\$2,200,000		\$2,200,000
51a(11)	Special Ed Foundations for Non Sec. 52 to ISDs	\$5,600,000		\$5,600,000
51c	Special Ed Headlee Obligation (Durant)	\$678,000,000	(\$35,000,000)	\$643,000,000
51d	Special Education - Other Federal Grants	\$74,000,000		\$74,000,000
53a	Special Ed for Court Placed Pupils	\$13,500,000		\$13,500,000
54	Special Ed Michigan School Blind/Deaf	\$1,688,000		\$1,688,000
56	Special Ed ISD Millage Equalization	\$36,881,100		\$36,881,100
61a	Vocational-Technical Education Programs	\$26,611,300		\$26,611,300
62	ISD Vocational Education Millage Equalization	\$9,000,000		\$9,000,000
74	Bus Driver Safety Instruction	\$1,625,000		\$1,625,000
74	School Bus Inspections	\$1,634,900		\$1,634,900
81	ISD General Operations Support	\$64,108,000	\$7,000	\$64,115,000
93	State Aid to Libraries for MeLCat Support	\$1,304,300		\$1,304,300
94a	Center for Educational Performance	\$9,218,400		\$9,218,400
94a	Center for Educational Performance - Federal	\$193,500		\$193,500
95	Principal Educator Evaluation Training	\$1,750,000		\$1,750,000

FY 2013-14		
Change from FY 2012-13 YTD	Change from FY 2012-13 Revised	Executive Recommendation
\$500,000	\$500,000	\$39,500,000
\$11,270,000	\$11,270,000	\$131,660,000
\$2,800,000	\$2,800,000	\$6,000,000
(\$154,000,000)	(\$73,000,000)	\$5,558,000,000
\$151,700,000	\$87,000,000	\$3,304,000,000
\$24,000,000	\$24,000,000	\$24,000,000
		\$2,025,000
(\$55,000,000)	(\$55,000,000)	\$25,000,000
(\$10,000,000)	(\$10,000,000)	\$0
(\$36,500,000)	(\$36,500,000)	\$13,500,000
		\$30,000,000
\$8,000,000	\$8,000,000	\$8,000,000
		\$8,000,000
\$31,700	\$31,700	\$2,167,500
		\$1,500,000
(\$1,500,000)	(\$1,500,000)	\$26,300,000
\$681,500	\$681,500	\$4,009,500
(\$123,800)	(\$123,800)	\$224,000
		\$308,988,200
		\$3,557,300
		\$5,150,000
		\$22,495,100
\$60,694,000	\$60,694,000	\$463,200,000
(\$4,000,000)	(\$4,000,000)	\$5,625,000
\$65,000,000	\$65,000,000	\$174,575,000
		\$10,900,000
(\$500,000)	(\$500,000)	\$811,828,500
(\$1,814,100)	(\$1,814,100)	\$31,700,000
\$5,000,000	\$5,000,000	\$370,000,000
\$900,000	\$7,600,000	\$258,300,000
		\$1,000,000
		\$2,200,000
(\$1,100,000)	(\$1,100,000)	\$4,500,000
(\$15,500,000)	\$19,500,000	\$662,500,000
		\$74,000,000
		\$13,500,000
		\$1,688,000
		\$36,881,100
		\$26,611,300
		\$9,000,000
		\$1,625,000
\$39,100	\$39,100	\$1,674,000
\$7,000		\$64,115,000
(\$1,304,300)	(\$1,304,300)	\$0
\$216,700	\$216,700	\$9,435,100
		\$193,500
(\$1,250,000)	(\$1,250,000)	\$500,000

FY 2013-14	
Change from Exec Rec	Subcommittee Recommendation
	\$39,500,000
	\$131,660,000
	\$6,000,000
	\$5,558,000,000
	\$3,304,000,000
	\$24,000,000
	\$2,025,000
(\$24,999,900)	\$100
	\$0
\$36,500,000	\$50,000,000
\$16,400,000	\$46,400,000
(\$1,000,000)	\$7,000,000
	\$8,000,000
	\$2,167,500
	\$1,500,000
	\$26,300,000
	\$4,009,500
	\$224,000
	\$308,988,200
	\$3,557,300
	\$5,150,000
	\$22,495,100
	\$463,200,000
	\$5,625,000
(\$15,000,000)	\$159,575,000
	\$10,900,000
	\$811,828,500
	\$31,700,000
	\$370,000,000
	\$258,300,000
	\$1,000,000
	\$2,200,000
	\$4,500,000
	\$662,500,000
	\$74,000,000
	\$13,500,000
	\$1,688,000
	\$36,881,100
	\$26,611,300
	\$9,000,000
	\$1,625,000
	\$1,674,000
(\$1,999,900)	\$62,115,100
	\$0
\$99,800	\$9,534,900
	\$193,500
	\$500,000

SCHOOL AID LINE ITEM SUMMARY



		FY 2012-13		
		Year-to-Date	Executive Supplemental 2013-5	Revised
98	Michigan Virtual School	\$4,387,500		\$4,387,500
99	Math and Science Centers - State	\$2,725,000		\$2,725,000
99	Math and Science Centers - Federal	\$5,249,300		\$5,249,300
104	MEAP Testing - State	\$26,694,400		\$26,694,400
104	MEAP Testing - Federal	\$8,250,000		\$8,250,000
107	Adult Education	\$22,000,000		\$22,000,000
147a	MPSERS Cost Offset	\$155,000,000		\$155,000,000
147b	MPSERS Reserve for Retirement Obligation Reform	\$41,000,000		\$41,000,000
147c	MPSERS Prefunding - Unfunded Liability Payments	\$130,000,000	\$30,500,000	\$160,500,000
152a	Adair - Database Payment	\$38,000,500		\$38,000,500
TOTAL APPROPRIATIONS		\$12,944,687,000	(\$27,493,000)	\$12,917,194,000

REVENUE BY SOURCE			
Federal Aid	\$1,701,041,400	\$0	\$1,701,041,400
School Aid Fund	\$10,961,245,600	(\$27,493,000)	\$10,933,752,600
MPSERS Reserve Fund	\$0	\$0	\$0
General Fund/General Purpose	\$282,400,000	\$0	\$282,400,000
TOTAL REVENUE	\$12,944,687,000	(\$27,493,000)	\$12,917,194,000

FY 2013-14		
Change from FY 2012-13 YTD	Change from FY 2012-13 Revised	Executive Recommendation
\$10,000,000	\$10,000,000	\$14,387,500
		\$2,725,000
		\$5,249,300
		\$26,694,400
		\$8,250,000
		\$22,000,000
		\$155,000,000
(\$41,000,000)	(\$41,000,000)	\$0
\$273,300,000	\$242,800,000	\$403,300,000
		\$38,000,500
\$290,547,800	\$318,040,800	\$13,235,234,800

FY 2013-14	
Change from Exec Rec	Subcommittee Recommendation
(\$10,000,000)	\$4,387,500
	\$2,725,000
	\$5,249,300
	\$26,694,400
	\$8,250,000
	\$22,000,000
	\$155,000,000
	\$0
	\$403,300,000
	\$38,000,500
\$0	\$13,235,234,800

\$63,379,900	\$63,379,900	\$1,764,421,300		\$1,764,421,300
\$129,567,900	\$157,060,900	\$11,090,813,500	\$0	\$11,090,813,500
\$150,000,000	\$150,000,000	\$150,000,000		\$150,000,000
(\$52,400,000)	(\$52,400,000)	\$230,000,000		\$230,000,000
\$290,547,800	\$318,040,800	\$13,235,234,800	\$0	\$13,235,234,800

FY 2013-14: COMMUNITY COLLEGES
Summary: As Reported by House Subcommittee (HB 4212)
Article II, House Bill 4228 (H-1) Draft 1



Analyst: Erik Jonasson

	FY 2012-13 YTD as of 2/7/13	FY 2013-14 Revised Executive	FY 2013-14 House	FY 2013-14 Senate	FY 2013-14 Enacted	Difference: House From FY 2012-13 YTD Amount	%
IDG/IDT	\$0	\$0	\$0			\$0	--
Federal	0	0	0			0	--
Local	0	0	0			0	--
Private	0	0	0			0	--
Restricted	197,614,100	197,614,100	197,614,100			0	0.0
GF/GP	96,516,400	138,363,500	137,263,500			\$40,747,100	42.2
Gross	\$294,130,500	\$335,977,600	\$334,877,600			\$40,747,100	13.9
FTEs	0.0	0.0	0.0			0.0	--

Notes: (1) FY 2012-13 year-to-date (YTD) figures include mid-year budget adjustments through February 7, 2013.
(2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as one-time.

Overview

The Community Colleges budget supports the 28 community colleges located throughout the state. The colleges are governed by locally-elected boards of trustees. The colleges offer numerous educational programs aimed at traditional transfer students, career and technical education, developmental and remedial education, and continuing education courses. The colleges are funded through a combination of state aid, local property tax revenue, tuition and fees revenue, and other sources of revenue such as federal grants and investment earnings. State aid makes up about 19% of total community college general fund operating revenue, although the revenue mix varies considerably among the colleges.

Major Budget Changes From FY 2012-13 YTD Appropriations

1. Operations Funding

Executive increases community college operations funding by 2 percent, or \$5.8 million, to be distributed according to performance funding measures similar to those in the FY 2012-13 enacted budget. Additionally, \$1.3 million that was previously distributed according to local strategic value requirements are now distributed according to performance funding measures. Local strategic value requirements are now prerequisites for all performance funding. Performance funding components are as follows:

- 50.0% Across-the-board distribution
- 17.5% Weighted degree completions
- 15.0% Skilled trades program students placed in a relevant job
- 10.0% Contact-hour equated students (CHES)
- 7.5% Administrative spending

House concurs with funding amount increase, but retains FY 2012-2013 performance funding formula, which includes local strategic value instead of skilled trades program students placed in a relevant job. Local strategic value funding from FY 2012-2013 is included in each community college's base appropriation. Additional boilerplate requirements would withhold performance funding for colleges that do not meet certain requirements related to renewal of labor contracts before March 28, 2013 (see boilerplate Sec. 230(5) below).

	FY 2012-13 Year-to-Date (as of 2/7/13)	FY 2013-14 House Change
Gross	\$292,396,900	\$5,847,100
Restricted	195,880,500	0
GF/GP	\$96,516,400	\$5,847,100

Major Budget Changes From FY 2012-13 YTD Appropriations		FY 2012-13 Year-to-Date (as of 2/7/13)	FY 2013-14 House Change	
2. MPSERS Retirement Reform Payments		Gross	\$1,733,600	\$31,400,000
<u>Executive</u> includes a \$12.5 million GF/GP supplemental for FY 2012-13 and \$31.4 million GF/GP for FY 2013-14, for payments to community colleges to pay MPSERS retirement liabilities. Retains \$1.4 million appropriated for MPSERS retiree health care in FY 2012-13, but appropriates these funds in proportion to each college's total MPSERS-covered payroll. Provides a further increase of \$17.4 million for FY 2014-15. <u>House</u> concurs with funding amounts, boilerplate language describing the distribution of appropriations is included in the funding section.	Restricted	1,733,600	0	
	GF/GP	\$0	\$31,400,000	
3. Renaissance Zone Reimbursements		Gross	\$0	\$3,500,000
<u>Executive</u> transfers \$3.5 million GF/GP from the Treasury budget for community college renaissance zone reimbursements. These funds replace property tax revenue lost to community colleges as a result of renaissance zones. Previously, such reimbursements were included in the community colleges budget, but were eliminated in FY 2009-10 before they were included in the FY 2012-13 Treasury budget. <u>House</u> concurs with executive.	GF/GP	\$0	\$3,500,000	
4. Virtual Learning Collaborative		Gross	N/A	\$0
<u>Executive</u> adds one-time appropriation of \$1.1 million GF/GP to support the Michigan Community College Association Virtual Learning Collaborative. Funds will be used to develop an infrastructure and course repository for community college online courses. This program allows students to enroll in online courses from other community colleges when home institution courses are full or unavailable. <u>House</u> does not include.	GF/GP	N/A	N/A	\$0

Major Boilerplate Changes From FY 2012-13

NOTE: Boilerplate sections with no changes from current law do not appear in budget bill but would remain in compiled School Aid Act and apply to FY 2013-14 appropriations.

Sec. 204. Foreign Goods and Services – RETAINED

Prohibits the use of funds to purchase foreign goods or services if American products that are competitively priced and of similar quality are available; states preference for Michigan goods and services; states preference for goods and services provided by Michigan businesses owned and operated by veterans. Executive deletes, House retains.

Sec. 205. Deprived and Depressed Communities – RETAINED

Encourages colleges to ensure businesses in economically distressed areas compete for and perform contracts. Executive deletes, House retains.

Sec. 207c. Virtual Learning Collaborative – DELETED

Designates that one-time appropriation for the Virtual Learning Collaborative shall be distributed to community colleges on behalf of the Michigan Community College Association (MCCA) for the purpose of enhancing the Virtual Learning Collaborative. Executive creates, House deletes funding and associated boilerplate.

Sec. 208. Capital Outlay Funding – RETAINED

Prohibits colleges from using state funds for construction or maintenance of a self-liquidating project; requires colleges to comply with Joint Capital Outlay Subcommittee use and finance policy for any capital outlay projects. Subjects colleges that fail to comply to JCOS requirements to a penalty of 1% of the operations funding for each violation. Executive deletes, House retains.

Sec 209. Transparency Website – REVISED

Requires the colleges to post general fund expenditures on their websites. This information includes: annual operating budgets, collective bargaining agreements, health care benefits plans, and audits and financial reports. Colleges must provide a link to this information on their homepage using a standardized icon. Executive revises to include general fund revenue and expenditure projections and a listing of debt service obligations, as well as update reporting requirements to FY 2014-15. House concurs with revisions.

Sec. 210a. Block Transfer – DELETED

Establishes a 14-member committee made up of representatives from community colleges, universities, and legislators to develop a process to improve the transferability of core college courses between community colleges and universities, including the development of equivalency standards and identifying equivalent courses offered by the institutions. Executive deletes, House concurs with deletion.

Major Boilerplate Changes From FY 2012-13

Sec. 212. Cost Containment Initiatives – RETAINED

Encourages colleges to evaluate and pursue efficiency and cost-containment measures, including joint ventures, consolidating services, program collaboration, increasing web-based instruction, improving energy efficiency, eliminating low-volume/high-cost instructional programs, self-insurance, and group purchasing. Executive deletes, House retains.

Sec. 216. Review of Statutory Mandates – RETAINED

Intent language providing for the review of statutory mandates imposed on the colleges, including reviewing the costs and necessity of the mandates. Executive deletes, House retains.

Sec. 227. Community College Automobile Purchases – RETAINED

Requires community colleges to purchase automobiles made in the state of Michigan or elsewhere in the U.S., if competitively priced and of comparable quality. Executive deletes, House retains.

Sec. 230. Local Strategic Value and Performance Funding – REVISED

Identifies performance funding formula, as well as local strategic value (LSV) components that community colleges must meet in order to qualify for performance funding. Executive revises to make LSV components a prerequisite for all performance funding. The performance funding formula is revised as explained in item 1 above. House retains FY 2012-13 formula, but removes requirement that all additional funding be used to offset retirement costs. Additional prerequisites for performance funding are added (see below).

Sec. 230(5). Limitations on Renewal of Labor Contracts before March 28, 2013 – NEW

House creates new prerequisite for receiving performance funding, where colleges must not have extended or renewed a labor contract between December 10, 2012 and March 28, 2013, unless certain requirements were met. These requirements are as follows: (1) The contract that is renewed must expire before September 30, 2013 (unless certain savings requirements are met); (2) The contract does not extend beyond the length of the contract it replaces (unless certain savings are met); or (3) the contract does not exclusively contain a union security agreement or closed-shop provision. Any performance funding that would go to a college that does not meet these requirements would be distributed to eligible colleges in proportion to their total performance funding.

Sec. 230a. State Building Authority Rent Payments – REVISED

Indicates an estimated amount appropriated to the Department of Technology, Management, and Budget specifically for community college-related state building authority rent payments. Executive updates amounts for FY 2013-14 appropriations, House concurs with executive.

Sec. 231. Repeals Community College Sections at End of Fiscal Year – DELETED

Executive repeals all sections, including appropriations, for community colleges effective September 30, 2014. House does not include repeal of all sections.

House Subcommittee Performance Funding Formula

	FY13 Current Law Payments	50.0% Across- the-Board	17.5% Weighted Degree Completions	10.0% Enrollment	7.5% Administrative Costs	15.0% Local Strategic Value	Total Performance Funding	Total FY14 House Appropriation	% Change from FY13
Alpena	\$5,133,600	\$51,300	\$15,600	\$4,800	\$15,800	\$15,400	\$102,900	\$5,236,500	2.0%
Bay de Noc	5,184,000	51,800	16,400	6,300	5,300	15,600	95,400	5,279,400	1.8%
Delta	13,772,700	137,700	64,400	27,500	19,900	41,400	290,800	14,063,500	2.1%
Glen Oaks	2,393,500	23,900	8,100	3,600	4,900	7,200	47,700	2,441,200	2.0%
Gogebic	4,251,700	42,500	9,700	3,200	10,400	12,800	78,600	4,330,300	1.8%
Grand Rapids	17,129,200	171,300	43,200	39,900	19,900	51,400	325,700	17,454,900	1.9%
Henry Ford	20,687,400	206,800	47,700	40,700	15,300	62,100	372,600	21,060,000	1.8%
Jackson	11,542,000	115,400	36,900	16,500	12,900	34,600	216,200	11,758,200	1.9%
Kalamazoo Valley	11,880,200	118,800	39,600	26,300	22,000	35,700	242,400	12,122,600	2.0%
Kellogg	9,330,000	93,300	34,200	14,700	21,900	28,000	192,100	9,522,100	2.1%
Kirtland	2,981,200	29,800	16,000	4,700	15,100	8,900	74,500	3,055,700	2.5%
Lake Michigan	5,081,500	50,800	13,200	11,300	6,000	15,300	96,600	5,178,100	1.9%
Lansing	29,463,900	294,600	106,800	46,400	23,700	88,400	559,900	30,023,800	1.9%
Macomb	31,343,700	313,400	96,400	59,500	24,200	94,100	587,600	31,931,300	1.9%
Mid Michigan	4,412,600	44,100	24,600	11,900	11,500	13,200	105,300	4,517,900	2.4%
Monroe County	4,241,900	42,400	14,200	9,600	21,800	12,700	100,700	4,342,600	2.4%
Montcalm	3,051,800	30,500	10,900	4,400	14,500	9,200	69,500	3,121,300	2.3%
Mott	14,955,800	149,500	45,600	29,500	21,800	44,900	291,300	15,247,100	1.9%
Muskegon	8,493,300	84,900	19,300	10,500	20,100	25,500	160,300	8,653,600	1.9%
North Central	2,992,900	29,900	10,500	5,600	16,500	9,000	71,500	3,064,400	2.4%
Northwestern	8,662,000	86,600	19,800	13,100	17,700	26,000	163,200	8,825,200	1.9%
Oakland	20,065,100	200,600	67,400	66,900	22,900	60,200	418,000	20,483,100	2.1%
St Clair County	6,726,700	67,300	20,400	11,300	14,200	20,200	133,400	6,860,100	2.0%
Schoolcraft	11,852,100	118,500	58,500	31,500	16,000	35,600	260,100	12,112,200	2.2%
Southwestern	6,296,600	63,000	11,900	7,700	6,200	18,900	107,700	6,404,300	1.7%
Washtenaw	12,295,200	122,900	103,000	32,600	20,200	36,900	315,600	12,610,800	2.6%
Wayne County	15,867,900	158,700	62,700	41,300	16,100	47,600	326,400	16,194,300	2.1%
West Shore	2,308,400	23,100	6,100	3,400	1,600	6,900	41,100	2,349,500	1.8%
TOTAL	\$292,396,900	\$2,923,400	\$1,023,100	\$584,700	\$438,400	\$877,700	\$5,847,100	\$298,244,000	2.0%

Note: Assumes all colleges meet boilerplate requirements for Performance Funding.

Local Strategic Value estimates presume all colleges meet local strategic value requirements.

FY 2013-14: HIGHER EDUCATION

Summary: As Reported by House Subcommittee (HB 4221)

Article III, House Bill 4228 (H-1) Draft 1



Analyst: Kyle I. Jen

	FY 2012-13 YTD as of 2/7/13	FY 2013-14 Revised Executive	FY 2013-14 House	FY 2013-14 Senate	FY 2013-14 Enacted	Difference: House From FY 2012-13 YTD Amount	%
IDG/IDT	\$0	\$0	\$0			\$0	--
Federal	97,026,400	97,026,400	97,026,400			0	0.0
Local	0	0	0			0	--
Private	0	0	0			0	--
Restricted	200,565,700	200,565,700	200,565,700			0	0.0
GF/GP	1,101,628,300	1,132,981,400	1,132,981,400			31,353,100	2.8
Gross	\$1,399,220,400	\$1,430,573,500	\$1,430,573,500			\$31,353,100	2.2
FTEs	0.0	0.0	0.0			0.0	--

Notes: (1) FY 2012-13 year-to-date (YTD) figures include mid-year budget adjustments through February 7, 2013.

(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 Agricultural Experiment Station and Cooperative Extension Service 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.

Major Budget Changes From FY 2012-13 YTD Appropriations

1. University Funding

Executive includes \$24.9 million GF/GP increase (2.0%) in total funding for university operations. University base appropriations for FY 2012-13 include performance funding and tuition restraint increases received for that fiscal year. The increase for FY 2013-14 is based on a model that is basically identical to that used in the final FY 2012-13 budget:

- \$4.1 million based on critical skill area undergraduate degree completions.
- \$2.1 million in proportion to research and development expenditures (only for universities in "research university" Carnegie classifications).
- \$12.4 million each for three components (\$4.1 million each) based on national comparisons to Carnegie peers: six-year graduation rate, total degree completions, and institutional support as a percentage of core expenditures.
- \$6.2 million for tuition restraint, to be allocated to universities holding resident undergraduate tuition/fee rate increases below 4.0%.

The three requirements to be eligible for performance funding are maintained from FY 2012-13: participation in at least three reverse transfer agreements, a dual enrollment policy that does not consider whether the credits were used toward high school graduation, and participation in the Michigan Transfer Network.

[Continued on next page]

	FY 2012-13 Year-to-Date (as of 2/7/13)	FY 2013-14 House Change
Gross	\$1,243,451,700	\$24,869,000
Restricted	200,019,500	0
GF/GP	\$1,043,432,200	\$24,869,000

Major Budget Changes From FY 2012-13 YTD Appropriations

FY 2012-13
Year-to-Date
(as of 2/7/13)

FY 2013-14
House
Change

1. University Funding (continued)

House appropriates same overall level of funding, but:

- Makes 15.0% of each university's base appropriation contingent on compliance with requirements related to employee contracting (section 265b).
- Lowers tuition restraint limit to 3.0% and makes tuition restraint an additional requirement to receive performance funding (rather than a separate funding allocation).
- Allocates the full \$24.9 million in new funding through the first three formula components listed above (\$5.5 million, \$2.8 million, and \$16.6 million, respectively), with the Carnegie-based component scoring weighted based on resident undergraduate fiscal year equated students.

Funding amounts not paid to universities due to noncompliance with performance funding or employee contracting requirements would be reappropriated for various purposes (in order):

- Up to \$2.2 million for MSU AgBioResearch and Extension
- Up to \$7.0 million for MPSERS reimbursement to universities in the system
- Any remaining funds to universities in proportion to performance funding

2. MSU AgBioResearch and Extension

Executive includes \$1.1 million GF/GP increase (2.0%) in the appropriation for the programs. House concurs with overall funding level but unrolls appropriation: \$29.7 million for AgBioResearch and \$25.6 million for Extension.

Gross	\$54,204,600	\$1,084,100
GF/GP	\$54,204,600	\$1,084,100

3. Tuition Grant Program

Executive and House maintain appropriation amount at current year level (\$31.7 million Federal TANF).

Gross	\$31,664,700	\$0
Federal	\$31,664,700	\$0

4. Tuition Incentive Program (TIP)

Executive includes \$3.2 million GF/GP increase (7.3%) for projected cost growth due to continued increases in participation by Medicaid-eligible students. (Existing appropriation is funded from Federal TANF revenue.) Proposes statutory provisions for program (currently boilerplate only), including new reimbursement limit at public universities at 300% of the average community college tuition rate beginning in FY 2014-15. House concurs with funding increase; retains existing boilerplate language, with statement of intent for FY 2014-15 policy change.

Gross	\$43,800,000	\$3,200,000
Federal	43,800,000	0
GF/GP	\$0	\$3,200,000

5. Children of Veterans Tuition Grant Program

Executive includes an increase of \$200,000 GF/GP due to an increased number of program applicants. House concurs.

Gross	\$1,200,000	\$200,000
Restricted	100,000	0
GF/GP	\$1,100,000	\$200,000

6. College Access Program

Executive transfers \$2.0 million GF/GP for program from Department of Education budget. No net increase in state appropriations. Funding is provided as grant to Michigan College Access Network, which seeks to increase college readiness, participation, and completion in Michigan. House concurs.

Gross	N/A	\$2,000,000
GF/GP	N/A	\$2,000,000

7. Other Budget Items

Executive and House maintain funding levels for other Higher Education items at current year levels:

- State Competitive Scholarships (\$18.4 million Federal TANF)
- Project GEAR UP (\$3.2 million Federal)
- King-Chavez-Parks grant programs (\$2.7 million GF/GP)
- Michigan Public School Employees Retirement System (MPSERS) retiree health care reimbursement (\$446,200 School Aid Fund)
- Higher Education database (\$105,000 GF/GP)
- Midwestern Higher Education Compact dues (\$95,000 GF/GP)

Gross	\$24,899,400	\$0
Federal	21,561,700	0
Restricted	446,200	0
GF/GP	\$2,891,500	\$0

Major Boilerplate Changes From FY 2012-13

NOTE: Boilerplate sections with no changes from current law do not appear in budget bill but would remain in compiled School Aid Act and apply to FY 2013-14 appropriations.

Sec. 239. American Goods and Services – RETAINED

States preference for American goods and services, as well as those produced in Michigan and those produced by businesses owned by veterans. Executive deletes; House retains.

Sec. 239a. Foreign Auto Manufacturers – RETAINED

States intent that funds appropriated to universities not be used to purchase vehicles assembled outside U.S. Executive deletes; House retains.

Sec. 245. University Transparency – REVISED

Requires universities to post various budget, compensation (including salary list), other financial, and performance data on its website, using a standard format; allows Budget Director to withhold payments for a university not in compliance. Executive revises to replace the salary list with a list of all active employees and add requirements to report general fund budget projections, a listing of all debt service obligations, and the number of Pell Grant graduates. House retains salary list and adds new items proposed by Executive.

Sec. 252. Tuition Grant Program – RETAINED

Provides for distribution of funds appropriated for Tuition Grants; specifies maximum grant amount of at least \$1,512, unless insufficient funds are available, in which case a report is required; limits award eligibility to undergraduate students; provides that unexpended funds at close of fiscal year remain available for expenditure in subsequent year; caps awards received by students at a single institution at \$3.0 million. Executive revises to eliminate provision regarding carry forward of unexpended funds, move application deadline from July 1 to March 1, and add requirement that independent colleges and universities with students participating in the program participate in the state P-20 longitudinal data system and report on the number of Tuition Grant students graduating, the number of such students taking remedial education classes, and the number of Pell Grants students graduating each year. House retains current provisions in all cases.

Sec. 256. Tuition Incentive Program – REVISED

Specifies criteria for Tuition Incentive Program eligibility; provides for award conditions and limits under Phases I and II of the program. Executive proposes to include program provisions in permanent statute, consistent with other major state financial aid programs. Major change under proposed statutory provisions would be limiting reimbursement at public universities at 300% of the average community college tuition rate beginning in FY 2014-15. A new section 256a would simply reference the new statute. House retains boilerplate language and adds statement of intent to adopt the Executive-proposed policy change beginning in FY 2014-15.

Sec. 259. College Access Program – NEW

Specifies allowable uses of funding, to be administered by Department of Treasury: Michigan College Access Network operations, local college access networks, the Michigan College Access Portal, public awareness and outreach campaigns, and subgrants to postsecondary institutions. (Similar language is currently included in the Department of Education budget.) Executive and House include new section.

Sec. 261. Douglas Lake Biological Station – DELETED

Designates University of Michigan Douglas Lake Biological Station as a unique resource. Executive and House delete.

Sec. 263a. MSU AgBioResearch and MSU Extension – REVISED

Provides for establishment of a strategic growth initiative for the food and agriculture industry and state intent regarding metric goals that will be used to evaluate impacts of MSU AgBioResearch and MSU Extension; requires annual report containing financial data and metric goals for the two organizations. Executive revises to remove language related to strategic growth initiative but retain metric goals and reporting requirement; House concurs.

Sec. 265. Tuition Restraint Funding – REVISED

Provides for allocation of funding component tied to tuition restraint in FY 2012-13. Executive makes minor revision to require that universities hold tuition rate increases below 4.0%, rather than to 4.0% or below. Removes language defining the term "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 threshold at 3.0%, makes tuition restraint a requirement to receive performance funding (rather than a separate funding allocation), and retains language related to health insurance coverage.

Major Boilerplate Changes From FY 2012-13

Sec. 265a. Performance Funding – REVISED

Specifies requirements for a university to receive performance funding: participation in at least three reverse transfer agreements, a dual enrollment policy that does not consider whether the credits were used toward high school graduation, and participation in the Michigan Transfer Network. Executive revises to specify performance component metrics. House concurs but adjusts to reflect formula change (weighting based on resident undergraduate fiscal year equated students). Adds tuition restraint compliance as a requirement to receive performance funding.

Sec. 265b. Employee Contracting – NEW

Provides that funds appropriated for fiduciary responsibility in employee contracting be paid to a university only if it does not extend, renew, or enter into a labor contract under certain circumstances between December 10, 2012 and March 28, 2013 without achieving 10% or greater savings and does not enter into a contract between the same dates that contains only terms that constitute a union security agreement that requires any of several specified employee actions as a condition of employment. House adds new section.

Sec. 265c. Reappropriated Funds – NEW

Reappropriates any funding amounts not received by universities due to noncompliance with performance funding or employee contracting requirements for the following purposes (in order):

- Up to \$2.2 million for MSU AgBioResearch and MSU Extension
- Up to \$7.0 million for MPERS reimbursement to universities in the system (based on total MPERS payments)
- Any remaining funds to universities in proportion to performance funding amounts (excluding any amounts not paid due to noncompliance)

House adds new section.

Sec. 268. Unfunded Indian Tuition Waiver Costs – RETAINED

States legislative intent to allocate funds for unfunded Indian Tuition Waiver costs at universities from the General Fund. Executive deletes; House retains.

Sec. 272a. Transfer Credit Reporting – NEW

Requires universities to report on the number of transfer credits, with grade of C or better, rejected for incoming students, by both academic area and prior institution. House adds new section (similar language appeared in FY 2011-12 budget).

Sec. 273. Student Religious Beliefs – RETAINED

States intent that universities report on efforts to accommodate the religious beliefs of students in accredited counseling programs. Executive deletes; House retains.

Sec. 273a. Non-Profit Worker Centers – DELETED

States intent that universities not use appropriated funds to benefit a non-profit worker center whose documented activities include coercion through protest, demonstration, or organization against a Michigan business. Executive and House delete.

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; House retains.

Sec. 274a. Adult Coresident Health Benefits – RETAINED

States intent that universities not provide benefits to unmarried adult coresidents or their dependents and report on the costs of providing any such benefits. Executive deletes; House retains.

Sec. 275a. Capital Outlay Reporting – DELETED

Prohibits use of state funds for self-liquidating projects; requires compliance with Joint Capital Outlay Subcommittee reporting requirements, with specified penalty of 1.0% appropriation reduction. Executive and House delete.

Sec. 282. Reallocation of King-Chavez-Parks (KCP) Funds – RETAINED

Provides for reallocation of KCP grant funds from institutions that do not fully expend their funds. Executive revises to allow funds remaining after reallocation to be expended for program administration. House does not concur with proposed revision.

Sec. 290. Degree Programs – REVISED

Lists new degree programs established by public universities for which credit hours may be reported to HEIDI. House inserts new list submitted by Presidents Council.

Sec. 293. Student Records – DELETED

Requires universities to provide information from the records of a student to persons authorized by the student pursuant to federal law. Executive and House delete.

Sec. 293a. State Building Authority (SBA) Rent Payments – REVISED

States amounts appropriated through Department of Technology, Management, and Budget for SBA rent payments associated with state costs for previous capital projects at universities. Executive revises to reflect updated total of \$125.4 million (vs. \$124.0 million in FY 2012-13 budget act). House concurs and renumbers to section 236c.

FY 2013-14 University Funding: As Reported by the House Subcommittee
House Bill 4228 (H-1) Draft 1

Funding Proportional to Share of Total								Scored vs. National Carnegie Peers											
		% of formula:		22.2%		11.1%						66.7%							
		Funding per unit:		\$387 per completion		\$0.0022 per dollar						\$16.73 per weighted pt							
University	FY 2012-13 Year-to-Date	15% Across- the-Board Reduction	*Employee Contracting Funding	Critical Skills Undergrad Completions	Funding	Research & Develop Expendis	Funding	Six-year Graduation Rate	Total Degree Completions	Inst Support as % of Core Expendis	Total Score	Resident Undergrad FYES	FYES- Weighted Score	Funding	**Total Performance Funding	FY 2013-14 Approp w/ Compliance/ Perf Funding	Change from FY 2012-13		
																	Dollar	Percent	
Michigan State	\$245,037,000	(\$36,755,600)	\$36,755,600	2,664	\$1,031,298	\$293,704,711	\$632,048	3	3	1	7	28,978	202,846	\$3,394,255	\$5,057,600	\$250,094,600	\$5,057,600	2.1	
UM-Ann Arbor	274,156,700	(41,123,500)	41,123,500	2,629	1,017,844	728,871,000	1,568,519	3	3	1	7	17,421	121,947	2,040,559	4,626,900	278,783,600	4,626,900	1.7	
Wayne State	183,398,300	(27,509,700)	27,509,700	659	255,139	163,944,192	352,805	0	0	0	0	15,479	0	0	608,000	184,006,300	608,000	0.3	
Michigan Tech	42,579,100	(6,386,900)	6,386,900	903	349,654	52,917,000	113,877	3	3	0	6	4,094	24,564	411,033	874,600	43,453,700	874,600	2.1	
Western	95,487,500	(14,323,100)	14,323,100	1,037	401,485	27,538,940	59,263	1	1	3	5	16,782	83,910	1,404,080	1,864,800	97,352,300	1,864,800	2.0	
Central	71,352,300	(10,702,800)	10,702,800	681	263,462	7,527,977	16,200	2	2	3	7	19,015	133,105	2,227,267	2,506,900	73,859,200	2,506,900	3.5	
Oakland	44,964,100	(6,744,600)	6,744,600	918	355,413	9,531,111	20,511	0	3	0	3	13,687	41,061	687,080	1,063,000	46,027,100	1,063,000	2.4	
Eastern***	66,466,700	(9,970,000)	9,970,000	642	248,557			0	3	0	3	14,749	44,247	740,392	988,900	67,455,600	988,900	1.5	
Ferris	44,250,700	(6,637,600)	6,637,600	1,212	469,335			3	3	3	9	10,256	92,304	1,544,538	2,013,900	46,264,600	2,013,900	4.6	
Grand Valley	55,436,000	(8,315,400)	8,315,400	1,182	457,454			3	3	2	8	18,710	149,680	2,504,620	2,962,100	58,398,100	2,962,100	5.3	
Saginaw Valley	25,656,700	(3,848,500)	3,848,500	362	139,958			3	0	0	3	7,782	23,346	390,652	530,600	26,187,300	530,600	2.1	
UM-Dearborn	22,237,300	(3,335,600)	3,335,600	356	137,829			1	0	0	1	5,703	5,703	95,429	233,300	22,470,600	233,300	1.0	
UM-Flint	19,526,600	(2,929,000)	2,929,000	375	145,185			3	3	0	6	5,297	31,782	531,813	677,000	20,203,600	677,000	3.5	
Northern	40,856,600	(6,128,500)	6,128,500	472	182,812			1	2	1	4	6,765	27,060	452,799	635,600	41,492,200	635,600	1.6	
Lake Superior	12,046,100	(1,806,900)	1,806,900	183	71,020			3	1	0	4	2,313	9,252	154,815	225,800	12,271,900	225,800	1.9	
TOTAL:	\$1,243,451,700	(\$186,517,700)	\$186,517,700	14,274	\$5,526,444	\$1,284,034,931	\$2,763,222	29	30	14	73	187,031	990,807	\$16,579,333	\$24,869,000	\$1,268,320,700	\$24,869,000	2.0	

Total performance funding: **\$24,869,000**

Data Notes			
Component	Source	Years	Other
Critical skills undergrad awards	State HEIDI	FYs 2011-2012	Removed accounting/multi-disciplinary
Research & develop expend	Federal IPEDS	FY 2011	Carnegie research universities only
Six-year graduation rate	Federal IPEDS*	FYs 2007-2010	
Total degree completions	Federal IPEDS*	FYs 2007-2010	Includes graduate degrees
Inst support as % of core expend	Federal IPEDS*	FYs 2007-2010	Measure of administrative costs
	*Via BLM/AEG		
Resident Undergrad FYES	State HEIDI	FY 2012	Based on university residency definitions

Scoring	
Improving over 3 years	3
Top 20% nationally	2
Above national median	1

*Requirements to receive employee contracting funding amounts:

1. Comply with section 265b provisions related to "fiduciary responsibility in employee contracting"

**Requirement to receive performance funding amounts:

1. Restrain FY 2013-14 resident undergraduate tuition/fee rate increase to 3.0% 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

NOTE: Employee contracting or performance funding amounts not paid to universities due to noncompliance with budget bill provisions to be reappropriated for the following purposes:

1. Up to \$2,168,200 for MSU AgBioResearch and Extension
2. Up to \$7,000,000 for MPERS reimbursement to universities in system (based on total MPERS payments)
3. Any remaining funds for performance funding, in proportion to appropriated amounts (excluding any funds unappropriated due to discompliance)

***Appropriation amounts in budget bill substitute for operations and performance funding to Eastern Michigan are incorrect due to drafting error.