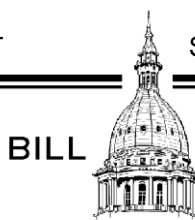




Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



BILL

ANALYSIS

Telephone: (517) 373-2768

Fax: (517) 373-1986

Senate Bill 762 (S-1, Draft 1 as reported)
 Committee: Appropriations

Throughout this document Senate means Subcommittee

FY 2013-14 Year-to-Date Gross Appropriation	\$335,977,600
--	----------------------

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

- 1. Performance Funding.** The Governor included an \$8.9 million GF/GP (3.0%) increase for community college operations distributed through the same Performance Indicators Task Force Formula that has been used in recent budgets. The Governor included a new tuition and fee restraint prerequisite (3.2%) in order to qualify for any funding increase. The Senate did not include the tuition restraint prerequisite but concurred with the Governor's distribution of performance funding. Table 1 provides details on funding allocations by college.

8,947,300
- 2. Michigan Public School Employees Retirement System (MPERS) Rate Cap.** The Governor included an increase of \$29,433,600. Of that amount, \$20,900,000 would fund the increase related to the difference between the employer's (community college's) capped contribution rate for unfunded accrued liabilities (20.96%) and the actual unfunded actuarial accrued liability contributions rate. The Governor included \$8,533,600 to fund reducing the capped rate by 1.2%, from 20.96% to 19.76%. The Governor partially offset the cost increase by proposing the elimination of funding for other MPERS reimbursements that were appropriated to partially offset retiree health care costs (Item #3). The total FY 2014-15 State contribution for community college MPERS obligations under the Governor's recommendation is \$60.8 million. The Senate did not include funding for the proposed capped rate reduction.

20,900,000
- 3. MPERS Retiree Health Care.** Beginning in FY 2012-13 the budget included a \$1,733,600 appropriation from the State School Aid Fund for the purpose of partially offsetting increasing MPERS retiree health care costs. Distributions are based on the community college MPERS payroll. The Governor transferred this funding to the appropriation for MPERS reform (Item #2). The Senate maintained the \$1,733,600 and also increased funding by \$6.8 million (the balance of the funding associated with the Governor's proposal to lower the capped rate from 20.96% to 19.76%) for a total appropriation of \$8,533,600.

6,800,000
- 4. Virtual Learning Collaborative.** The Virtual Learning Collaborative provides access to courses offered by all Michigan public community colleges. The FY 2013-14 budget included \$1.1 million GF/GP in one-time funding for the development of course aggregator software, development of a "pathway to credential" tool to help students identify courses toward a career path, develop analytics software that informs colleges of course demand for decision making of future offerings, and development of a repository of online courses and resources for use by faculty at member institutions.

(1,100,000)
- 5. Funding Shift.** The Senate shifted \$150.0 million from the State School Aid Fund to the State General Fund.

0
- 6. Comparison to Governor's Recommendation.** The Senate is \$0 Gross and \$150,000,000 GF/GP over the Governor.

Total Changes	\$35,547,300
---------------------	--------------

FY 2014-15 Senate Appropriations Subcommittee Gross Appropriation.....	\$371,524,900
---	----------------------

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

1. **Virtual Learning Collaborative.** The Governor and Senate eliminated language associated with one-time FY 2013-14 appropriation for the Virtual Learning Collaborative. (Sec. 201(7))
2. **MPSERS Reform Costs.** The Governor included language reducing the maximum employer rate for the unfunded accrued liability by 1.2%, from 20.96% to 19.76%. Amendments to the Public School Employees Retirement Act will be needed to implement this change. The Senate maintained the current cap of 20.96%. (Sec. 207B)
3. **Transparency.** Requires each community college to make certain information available on its website. The Governor modified this section by eliminating estimated costs incurred due to Affordable Health Care Act, posting a copy of Board resolution on compliance with best practices, and eliminating the authorization for the State Budget Director to determine compliance and withhold State aid payments for noncompliance. The Senate maintained current year requirements and included a new subsection (5) that requires a new report on opportunities for earning college credit at each community college through various programs (e.g., concurrent enrollment, dual enrollment, early/middle college, etc.). (Sec. 209)
4. **Military Status.** States legislative intent that community colleges include in its admission application process a specific question as to whether an applicant for admission is a veteran, an active member of the military, a member of the national guard or military reserves, or the spouse or dependent of a veteran, active member of the military, or member of the national guard or military reserves, in order to more quickly identify potential educational assistance available to that applicant. Senate revised language consistent with what the American Council on Education recommends as the best practice for determining if students are veterans. (Sec. 229)
5. **Performance Indicators Task Force.** Provides that it is the intent of the Legislature that performance measures be reviewed and more fully implemented in future. Delineates formula components. The Governor removed the statement regarding the formula being more fully implemented in future years, removed the requirement for board of trustees' resolution regarding meeting requirements for local strategic value, and included date revisions. The Senate restored requirement for the board of trustees' resolution, added "concurrent enrollment" to listing in subsection (3)(b)(i), and included the Governor's other changes. (Sec. 230).
6. **Tuition Restraint.** The Governor included new language conditioning receipt of performance funding on limiting FY 2014-15 tuition and fee increases for resident students to 3.2% (applies to "in district" and "out-of-district" resident students). The State Budget Director would have the sole authority to determine if a college had met the requirements of tuition restraint. Provides for reporting to subcommittees and fiscal agencies. Redistributes forfeited funds to complying community colleges in proportion to performance funding allocations. Requires report on any redistribution of funds. The Senate did not include tuition restraint. (Sec. 230A)
7. **Restored Sections.** The Senate restored the following sections that were deleted by the Governor: MPSERS reimbursement (Sec. 207A); prohibits use of appropriations for construction or maintenance of self-liquidating projects and requires compliance with Section 238 of the Management and Budget Act and JCOS use and finance requirements -- includes penalty for noncompliance (Sec. 208); block transfers (Sec. 210b); encourages community colleges to achieve efficiencies through collaborations (Sec. 212); requires that all data items used to determine State aid comply with the Manual for Uniform Financial Reporting and the ACS -- Senate added workgroup for the purpose of reviewing and updating the ACS (Sec. 217); prohibition on use of appropriations for purchase or lease of foreign automobiles (Sec. 227); prohibition on disciplinary action against an employee for communicating with a member of the Legislature or legislative staff (Sec. 228); and reporting student educational outcomes in the employment market (Sec. 229b).

Date Completed: 3-26-14

Fiscal Analyst: Bill Bowerman