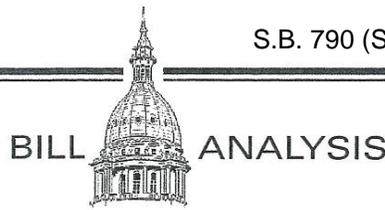




Senate Fiscal Agency
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Senate Bill 790 (S-1 as reported)
 Committee: Appropriations

Throughout this document Senate means Appropriations Committee.

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 SEN. FULL COMM.	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions.....	N/A	N/A	0.0	0.0
GROSS	1,534,724,400	1,599,807,200	65,082,800	4.2
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS.....	1,534,724,400	1,599,807,200	65,082,800	4.2
Less:				
Federal Funds.....	97,026,400	100,179,200	3,152,800	3.2
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING.....	1,437,698,000	1,499,628,000	61,930,000	4.3
Less:				
Other State Restricted Funds.....	205,279,500	237,209,500	31,930,000	15.6
GENERAL FUND/GENERAL PURPOSE.....	1,232,418,500	1,262,418,500	30,000,000	2.4
PAYMENTS TO LOCALS	0	0	0	0.0

FY 2015-16 Year-to-Date Gross Appropriation \$1,534,724,400

Changes from FY 2015-16 Year-to-Date:

- 1. University Operations Increase.** The Governor included an overall \$59.8 million (4.4%) increase for university operations funded from the School Aid Fund (SAF) \$31.2 million, and the State General Fund \$28.6 million. The formula continues performance metrics used in FY 2015-16, but distributes half of the funding increase proportional to FY 2010-11 (across-the-board). Prerequisites for receiving performance funding are continued. Tuition restraint is set at 4.8% (FY 2015-16 tuition restraint was 3.2%). The increase brings overall funding for university operations back to its FY 2010-11 level (prior to the FY 2011-12 15.0% reduction). The Senate included the Governor's 4.4% increase, but removed the across-the-board increase for Eastern Michigan University and Oakland University (due to those institutions exceeding tuition restraint in FY 2015-16) and used that funding (\$2.6 million) as an equity payment to four universities that still have State funding levels below FY 2010-11 appropriations. Details of allocations by university are included in Tables 1 and 2.

59,787,400
- 2. MSU AgBioResearch.** AgBioResearch performs agricultural research to promote efficient production, marketing, distribution, and use of farm products. AgBioResearch receives funds from the Federal government under the Hatch Act, as well as State appropriations and local and private revenue. Examples of research conducted include quality and yield-related properties of dry beans, production of leaner, low-fat meat products, and plant biotechnology. AgBioResearch and MSU Extension Services are partners with MSU in both Project GREEN (Generating Research and Extension to meet Economic and Environmental Needs) and the animal health diagnostic laboratory. The Governor and Senate included a 2.3% GF/GP increase for MSU AgBioResearch, increasing funding from \$32,508,300 to \$33,243,100. This brings MSU AgBioResearch back to its funding level in FY 2010-11.

734,800

- 3. MSU Extension.** MSU Extension Services identify and solve farm, home, and community problems through the practical application of Federal and State research findings. MSU Extension Services receives funds from the Federal government under the Smith-Lever Act and the Food and Agriculture Act, as well as State appropriations and local and private revenue. MSU Extension Services operates Michigan's Expanded Food and Nutrition Education Program (EFNEP), serves as a resource for youth 4-H programs, and provides information on family financial planning. The Governor and Senate included a 2.4% GF/GP increase for MSU Extension, increasing funding from \$27,994,800 to \$28,672,600. This brings MSU Extension back to its funding level in FY 2010-11.

677,800

- 4. Michigan Public School Employees Retirement System (MPERS) Rate Cap.** The Governor and Senate increased appropriations from \$5,160,000 to \$5,890,000 based on implementing an employer's cap on contributions for MPERS unfunded accrued liability (UAL) payments (25.73% of payroll). The affected universities include Central, Eastern, Ferris, Lake Superior, Michigan Tech, Northern, and Western. Payments by the State for the cap will increase from \$5.2 million in FY 2015-16 to \$10.3 million in FY 2035-36. Over that time period, the cost to the State is estimated at \$156.1 million.

730,000

- 5. Tuition Incentive Program (TIP).** The Tuition Incentive Program (TIP) is a financial aid program targeted toward low-income middle school and high school students. It was established in FY 1986-87 through language in the Department of Social Services appropriation bill and was eventually transferred to the Higher Education budget in FY 1992-93. The TIP provides an incentive to students to complete high school and go on to college by pledging to pay their tuition and fees for associate degree or certificate programs (Phase I), as well as up to \$2,000 at a four-year institution (Phase II). Students in grades 6 through 12 who are Medicaid-eligible for 24 months in a 36-consecutive-month period can qualify for TIP. The Governor recommended increasing the TIP appropriation from \$48.5 million to \$50.5 million based on program costs, funded by Federal Temporary Assistance for Needy Families (TANF) funds. The Senate concurred with the Governor. The \$2.0 million increase is also recommended by the Governor for inclusion in an FY 2015-16 supplemental.

2,000,000

- 6. Tuition Grants.** Public Act 313 of 1966 established Tuition Grants. Undergraduate students at Michigan two-year and four-year private institutions are eligible for up to 10 semesters (graduate students are eligible for up to six semesters if funds are sufficient), if they have financial need. The minimum annual grant stated in the Section 252 boilerplate is \$1,512. The Senate increased funding by \$748,800 TANF (2.2%), from \$34,035,500 to \$34,784,300.

748,800

- 7. Competitive Scholarships.** Public Act 208 of 1964 created State Competitive Scholarships. Undergraduate students at Michigan two-year and four-year public and private institutions are eligible for up to 10 semesters (graduate students are eligible for up to six semesters if funds are sufficient) if they have financial need and a qualifying ACT score. The minimum annual grant stated in Section 251 is \$575. The Senate increased funding by \$404,000 TANF (2.2%), from \$18,361,700 to \$18,765,700.

404,000

- 8. Comparison to Governor's Recommendation.** The Senate is \$1,152,800 Gross over and \$0 GF/GP over/under the Governor.

Total Changes	\$65,082,800
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FY 2016-17 Senate Appropriations Committee Gross Appropriation	\$1,599,807,200
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Boilerplate Changes from FY 2015-16 Year-to-Date:

- 1. Budget Transparency.** Posting of financial and other information on university websites. Governor eliminated the State Budget Director's authority to determine compliance and withhold funding for noncompliance. Senate restored provisions eliminated by the Governor. (Sec. 245)

- 2. State Tuition Grant Program.** Governor changed the application deadline from July 1, to March 1; eliminated the carryforward of unexpended grants; reduced the limit on how much can be awarded to students at a single institution from \$3.2 million to \$3.0 million; and updated date references. Senate increased the limit for a single institution from \$3.2 million to \$3.3 million. Senate maintained the current application deadline and carryforward provisions. (Sec. 252)

3. **Financial Aid.** Governor changed the payment schedule for the Tuition Incentive Program from 50% paid at the beginning of the State's first fiscal quarter, 30% during the State's second fiscal quarter, 10% during the State's third fiscal quarter, and 10% during the State's fourth fiscal quarter; to 55% in the 1st quarter, 40% in the 2nd quarter, and 5% in the 3rd quarter. Senate concurred with the Governor. (Sec. 254)
4. **Tuition Incentive Program.** Governor added a new subsection stating that beginning in FY 2017-18, the Department of Treasury shall not award more than \$8.5 million annually to eligible students enrolled in the same college or university. Governor also changed the reference from "general education development" to "high school equivalency" and clarified a requirement in (4) (C) as 24 months within 36 "consecutive" months regarding Medicaid eligibility requirement. Senate included the technical adjustments made by the Governor but did not include the \$8.5 million per college cap recommended for FY 2017-18. Senate did include a new provision limiting expenditures for the program to the appropriation and authorizing the Department of Treasury to adjust individual award amounts accordingly. (Sec. 256)
5. **Tuition Restraint.** Governor increased the tuition restraint cap from 3.2% to 4.8%; clarified tuition and fee definition with cross-references to the Higher Education Institutional Data Inventory (HEIDI) definition; eliminated university-mandated health insurance from the definition of fees; and updated date references. The Senate concurred with the 4.8% cap, cross-references and technical changes. Senate did not eliminate university-mandated health insurance from the definition of fees. Senate added a new provision stating that a university that exceeds tuition restraint will not receive State funding for a capital outlay project in FY 2017-18 or FY 2018-19. (Sec. 265)
6. **Performance Funding.** Governor removed "or has made a good-faith effort" exception regarding prerequisite that a university has entered into reverse transfer agreements; clarified that participation in the Michigan Transfer Network includes "active" participation" and submission of "timely updates" to the Michigan Transfer Network; modified the formula to include half of the funding increase being allocated proportional to FY 2010-11 appropriation; specified that Carnegie classifications are those existing prior to February 1, 2016; eliminated legislative intent that, beginning in the next fiscal year, a university classified as improving is assigned a score of 1; and updated date references. The Senate include all of the changes except eliminating the intent to reduce the score for improving. (Sec. 265a)
7. **Indian Tuition Waiver.** Governor removed a legislative intent statement that funds be allocated from the General Fund for unfunded North American Indian tuition waiver costs incurred by public universities. Governor also replaced "postsecondary institution" with "public university" regarding the Department of Civil Rights reporting requirement for the Indian Tuition Waiver Program. The Senate restored the intent statement and revised and clarified reporting requirements. (Sec. 268)
8. **Academic Program Partnerships.** Senate added language that requires Michigan Community College Association, the Michigan Association of State Universities, and the Michigan Independent Colleges and Universities, on behalf of their member colleges and universities, to submit a comprehensive report detailing the number of academic program partnerships between public community colleges, public universities, and private colleges and universities. (Sec. 286a)
9. **Restored Provisions.** Senate restored the following sections: intent regarding appropriations for the next fiscal year (Sec. 236a); purchase of foreign automobiles prohibition (Sec. 239a); provision stating the acceptance and use of Federal or private funds does not place an obligation upon the Legislature to continue the purposes for which the funds are made available (portion of Sec. 242); intent regarding protection/preservation of U of M Douglas Lake Biological Station (Sec. 261); discouraged instruction activity (Sec. 271a); human embryonic stem cell research report (Sec. 274); Yellow Ribbon GI Education Enhancement Program notice/reporting requirements (portion of Sec. 275); and prohibits use of funds for the construction or maintenance of a self-liquidating project, requires compliance with Section 238 of 1984 PA 431 and Joint Capital Outlay Subcommittee use and finance requirements, and includes penalty provisions (Sec. 275a).
10. **Deleted Provisions.** Governor and Senate removed Federal Educational Rights & Privacy Act compliance (Sec. 293), and references to legislative intent in sections 263a and 275.

Date Completed: 4-15-16

Fiscal Analyst: Bill Bowerman

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.

Table 1: FY 2016-17 Higher Education Appropriation

University	FY 2015-16 Year-To-Date	Governor			Senate		
		FY 2016-17 Gov. Rec.	Dollar Change	Percent Change	FY 2016-17 Senate	Dollar Change	Percent Change
Central	\$81,127,100	\$85,332,200	\$4,205,100	5.2%	\$85,332,200	\$4,205,100	5.2%
Eastern	71,782,500	75,105,400	3,322,900	4.6%	73,505,300	1,722,800	2.4%
Ferris	50,369,800	53,210,000	2,840,200	5.6%	53,210,000	2,840,200	5.6%
Grand Valley	65,275,700	69,712,000	4,436,300	6.8%	69,712,000	4,436,300	6.8%
Lake Superior	13,207,400	13,748,400	541,000	4.1%	13,748,400	541,000	4.1%
Michigan State	268,770,700	279,126,200	10,355,500	3.9%	279,793,300	11,022,600	4.1%
Michigan Tech	46,754,700	48,772,500	2,017,800	4.3%	48,772,500	2,017,800	4.3%
Northern	45,107,700	46,868,000	1,760,300	3.9%	46,868,000	1,760,300	3.9%
Oakland	48,371,900	51,300,200	2,928,300	6.1%	50,231,900	1,860,000	3.8%
Saginaw Valley	28,181,200	29,582,900	1,401,700	5.0%	29,582,900	1,401,700	5.0%
UM-Ann Arbor	299,975,000	312,693,500	12,718,500	4.2%	313,360,600	13,385,600	4.5%
UM-Dearborn	24,033,100	25,190,500	1,157,400	4.8%	25,190,500	1,157,400	4.8%
UM-Flint	21,815,400	22,918,300	1,102,900	5.1%	22,918,300	1,102,900	5.1%
Wayne State	191,451,300	198,082,800	6,631,500	3.5%	198,749,900	7,298,600	3.8%
Western	104,334,100	108,702,100	4,368,000	4.2%	109,369,200	5,035,100	4.8%
Subtotal University Operations:	\$1,360,557,600	\$1,420,345,000	\$59,787,400	4.4%	\$1,420,345,000	\$59,787,400	4.4%
MPSERS Reimbursement	\$5,160,000	\$5,890,000	\$730,000	14.1%	\$5,890,000	\$730,000	14.1%
MSU AgBioResearch	32,508,300	33,243,100	734,800	2.3%	33,243,100	734,800	2.3%
MSU Extension	27,994,800	28,672,600	677,800	2.4%	28,672,600	677,800	2.4%
Higher Education Database	200,000	200,000	0	0.0%	200,000	0	0.0%
Midwest Higher Ed Compact	115,000	115,000	0	0.0%	115,000	0	0.0%
King-Chavez-Parks	2,691,500	2,691,500	0	0.0%	2,691,500	0	0.0%
Total Universities	\$1,429,227,200	\$1,491,157,200	\$61,930,000	4.3%	\$1,491,157,200	\$61,930,000	4.3%
School Aid Fund	205,179,500	237,109,500	\$31,930,000	15.6%	237,109,500	31,930,000	15.6%
State GF/GP	\$1,224,047,700	\$1,254,047,700	\$30,000,000	2.5%	\$1,254,047,700	30,000,000	2.5%
Grants and Financial Aid							
State Competitive Scholarships	\$18,361,700	\$18,361,700	\$0	0.0%	\$18,765,700	\$404,000	2.2%
Tuition Grants	34,035,500	34,035,500	0	0.0%	34,784,300	748,800	2.2%
Tuition Incentive Program (TIP)	48,500,000	50,500,000	2,000,000	4.1%	50,500,000	2,000,000	4.1%
Children of Veterans & Officer's Tuition	1,400,000	1,400,000	0	0.0%	1,400,000	0	0.0%
Project Gear-Up	3,200,000	3,200,000	0	0.0%	3,200,000	0	0.0%
Total Grants/Financial Aid	\$105,497,200	\$107,497,200	\$2,000,000	1.9%	\$108,650,000	3,152,800	3.0%
Federal Higher Ed Act	3,200,000	3,200,000	0	0.0%	3,200,000	0	0.0%
Federal TANF	93,826,400	95,826,400	2,000,000	2.1%	96,979,200	3,152,800	3.4%
Veterans Tax Check-off	100,000	100,000	0	0.0%	100,000	0	0.0%
State GF/GP	\$8,370,800	\$8,370,800	\$0	0.0%	\$8,370,800	0	0.0%
TOTAL HIGHER EDUCATION							
TOTAL ALL FUNDS	\$1,534,724,400	\$1,598,654,400	\$63,930,000	4.2%	\$1,599,807,200	\$65,082,800	4.2%
TOTAL FEDERAL	97,026,400	99,026,400	2,000,000	2.1%	100,179,200	3,152,800	3.2%
TOTAL STATE RESTRICTED	205,279,500	237,209,500	31,930,000	15.6%	237,209,500	31,930,000	15.6%
TOTAL STATE GF/GP	\$1,232,418,500	\$1,262,418,500	\$30,000,000	2.4%	\$1,262,418,500	\$30,000,000	2.4%

Table 2: FY 2016-17 HIGHER EDUCATION - APPROPRIATIONS SENATE

University	FY 2015-16 Year-To-Date Appropriation	FY 2016-17 Adjustments							FY 2016-17 Senate	Dollar Change From 2015-16	Percent Change
		Proportional to FY 2010-11	Equity Adjustment	Critical Skills	Research & Development	Metrics based on Carnegie Peers	Total Formula Distribution	Other Changes*			
Central	\$81,127,100	1,686,526		353,218	36,356	2,129,009	4,205,100		\$85,332,200	\$4,205,100	5.2%
Eastern	71,782,500	N/A		335,167	0	1,387,614	1,722,800		73,505,300	1,722,800	2.4%
Ferris	50,369,800	1,023,281		535,365	0	1,281,530	2,840,200		53,210,000	2,840,200	5.6%
Grand Valley	65,275,700	1,304,408		525,520	0	2,606,335	4,436,300		69,712,000	4,436,300	6.8%
Lake Superior	13,207,400	267,173		77,946	0	195,826	541,000		13,748,400	541,000	4.1%
Michigan State	268,770,700	5,970,678	667,100	1,135,139	822,172	2,427,490	11,022,600		279,793,300	11,022,600	4.1%
Michigan Tech	46,754,700	1,008,653		370,038	135,436	503,648	2,017,800		48,772,500	2,017,800	4.3%
Northern	45,107,700	950,061		225,633	0	584,616	1,760,300		46,868,000	1,760,300	3.9%
Oakland	48,371,900	N/A		459,061	23,933	1,376,993	1,860,000		50,231,900	1,860,000	3.8%
Saginaw Valley	28,181,200	583,433		189,942	0	628,304	1,401,700		29,582,900	1,401,700	5.0%
UM-Ann Arbor	299,975,000	6,656,159	667,100	1,218,828	1,856,291	2,987,358	13,385,600		313,360,600	13,385,600	4.5%
UM-Dearborn	24,033,100	520,408		178,455	0	458,569	1,157,400		25,190,500	1,157,400	4.8%
UM-Flint	21,815,400	439,837		228,915	0	434,126	1,102,900		22,918,300	1,102,900	5.1%
Wayne State	191,451,300	4,507,632	667,100	363,064	397,267	1,363,567	7,298,600		198,749,900	7,298,600	3.8%
Western	104,334,100	2,307,052	667,100	446,753	50,067	1,564,149	5,035,100		109,369,200	5,035,100	4.8%
Subtotal University Operations:	\$1,360,557,600	\$27,225,301	\$2,668,400	\$6,643,044	\$3,321,522	\$19,929,134	\$59,787,400	\$0	\$1,420,345,000	\$59,787,400	4.4%
MPSERS Reimbursement	\$5,160,000							\$730,000	\$5,890,000	\$730,000	14.1%
MSU AgBioResearch	32,508,300							734,800	33,243,100	734,800	2.3%
MSU Extension	27,994,800							677,800	28,672,600	677,800	2.4%
Higher Education Database	200,000								200,000	0	0.0%
Midwest Higher Ed Compact	115,000								115,000	0	0.0%
King-Chavez-Parks	2,691,500								2,691,500	0	0.0%
Total Universities	\$1,429,227,200	\$27,225,301	\$2,668,400	\$6,643,044	\$3,321,522	\$19,929,134	\$59,787,400	\$2,142,600	\$1,491,157,200	\$61,930,000	4.3%
School Aid Fund	\$205,179,500	14,196,000	1,404,000	\$3,463,200	\$1,747,200	10,389,600	31,200,000	\$730,000	237,109,500	\$31,930,000	15.6%
State GF/GP	\$1,224,047,700	\$13,029,301	\$1,264,400	\$3,179,844	\$1,574,322	\$9,539,534	\$28,587,400	\$1,412,600	\$1,254,047,700	\$30,000,000	2.5%
Grants and Financial Aid											
State Competitive Scholarships	\$18,361,700							\$404,000	\$18,765,700	\$404,000	2.2%
Tuition Grants	34,035,500							748,800	34,784,300	748,800	2.2%
Tuition Incentive Program (TIP)	48,500,000							2,000,000	50,500,000	2,000,000	4.1%
Children of Veterans & Officer's Tuition	1,400,000							0	1,400,000	0	0.0%
Project Gear-Up	3,200,000							0	3,200,000	0	0.0%
Total Grants/Financial Aid	\$105,497,200							3,152,800	\$108,650,000	\$3,152,800	3.0%
Federal Higher Ed Act	3,200,000							0	3,200,000	0	0.0%
Federal TANF	93,826,400							3,152,800	96,979,200	3,152,800	3.4%
Veterans Tax Check-off	100,000							0	100,000	0	0.0%
State GF/GP	\$8,370,800							\$0	\$8,370,800	\$0	0.0%
TOTAL HIGHER EDUCATION											
TOTAL ALL FUNDS	\$1,534,724,400	\$27,225,301	\$2,668,400	\$6,643,044	\$3,321,522	\$19,929,134	\$59,787,400	\$5,295,400	\$1,599,807,200	\$65,082,800	4.2%
TOTAL FEDERAL	97,026,400	0	0	0	0	0	0	3,152,800	100,179,200	3,152,800	3.2%
TOTAL STATE RESTRICTED	205,279,500	14,196,000	1,404,000	3,463,200	1,747,200	10,389,600	31,200,000	730,000	237,209,500	31,930,000	15.6%
TOTAL STATE GF/GP	\$1,232,418,500	\$13,029,301	\$1,264,400	\$3,179,844	\$1,574,322	\$9,539,534	\$28,587,400	\$1,412,600	\$1,262,418,500	\$30,000,000	2.4%

N/A: Senate removed funding proportional to FY 11 base adjustments for Eastern and Oakland and used that funding for equity adjustments.

*Other Changes column: MPSERS, MSU AgBioResearch and MSU Extension, State Competitive Scholarships, Tuition Grants, and Tuition Incentive Program.