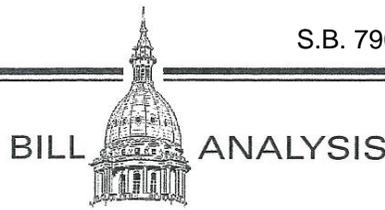




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Senate Bill 790 (as introduced)
 Committee: Appropriations

[Vehicle for Governor's Recommendation line items is Senate Bill 824.](#)

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 GOV.'S REC.	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions.....	N/A	N/A	0.0	0
GROSS	1,534,724,400	1,598,654,400	63,930,000	4.2
Less:				
Interdepartmental Grants Received	0	0	0	0
ADJUSTED GROSS.....	1,534,724,400	1,598,654,400	63,930,000	4.2
Less:				
Federal Funds.....	97,026,400	99,026,400	2,000,000	2.1
Local and Private	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

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). Details of allocations by university are included in [Table 1](#).

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 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 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 (MPSERS) Rate Cap.** The Governor increases appropriations from \$5,160,000 to \$5,890,000 based on implementing an employer's cap on contributions for MPSERS 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.

2,000,000

Total Changes	\$63,930,000
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FY 2016-17 Governor's Recommendation	\$1,598,654,400
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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. The Governor eliminated the State Budget Director's authority to determine compliance and withhold funding for noncompliance. (Sec. 245)
- 2. **State Tuition Grant Program.** The 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. (Sec. 252)
- 3. **Tuition Restraint.** The 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. (Sec. 265)
- 4. **Financial Aid.** The 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. (Sec. 254)
- 5. **Tuition Incentive Program.** The 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. The 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. (Sec. 256)
- 6. **Tuition Restraint.** The Governor increased the cap from 3.2% to 4.8%; clarified tuition and fee definition with cross-reference to the manual for the Michigan Higher Education Institutional Data Inventory (HEIDI); eliminated language that states "fee" includes the annual amount a student is charged for coverage by the university-affiliated group health insurance policy; and updated date references. (Sec. 265)

7. **Performance Funding.** The 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 2016-17 State fiscal year, a university classified as improving is assigned a score of 1; and updated date references. (Sec. 265a)
8. **Indian Tuition Waiver.** The 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. The Governor also replaced "postsecondary institution" with "public university" regarding the Department of Civil Rights reporting requirement for the Indian Tuition Waiver Program. (Sec. 268)
9. **Deleted Provisions.** The Governor removed 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); 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); and Federal Educational Rights & Privacy Act compliance (Sec. 293). The Governor also removed legislative intent references in sections 263a and 275.

Date Completed: 2-17-16

Fiscal Analyst: Bill Bowerman

Table 1

FY 2016-17 HIGHER EDUCATION APPROPRIATIONS: GOVERNOR'S RECOMMENDATION											
University	FY 2015-16 Year-To-Date Appropriation	Formula Adjustments					Total Formula Distribution	Other Changes ¹⁾	FY 2016-17 Gov's Rec.	Dollar Change from FY 2015-16	Percent Change
		Proportional to FY 2010-11	Critical Skills	Research & Development	Metrics Based on Carnegie Peers						
Central	\$81,127,100	\$1,686,521	\$353,218	\$36,356	\$2,129,009	\$4,205,100		\$85,332,200	\$4,205,100	5.2%	
Eastern	71,782,500	1,600,107	335,167	0	1,387,614	3,322,900		75,105,400	3,322,900	4.6	
Ferris	50,369,800	1,023,278	535,365	0	1,281,530	2,840,200		53,210,000	2,840,200	5.6	
Grand Valley	65,275,700	1,304,404	525,520	0	2,606,335	4,436,300		69,712,000	4,436,300	6.8	
Lake Superior	13,207,400	267,172	77,946	0	195,826	541,000		13,748,400	541,000	4.1	
Michigan State	268,770,700	5,970,663	1,135,139	822,172	2,427,490	10,355,500		279,126,200	10,355,500	3.9	
Michigan Tech	46,754,700	1,008,651	370,038	135,436	503,648	2,017,800		48,772,500	2,017,800	4.3	
Northern	45,107,700	950,058	225,633	0	584,616	1,760,300		46,868,000	1,760,300	3.9	
Oakland	48,371,900	1,068,362	459,061	23,933	1,376,993	2,928,300		51,300,200	2,928,300	6.1	
Saginaw Valley	28,181,200	583,432	189,942	0	628,304	1,401,700		29,582,900	1,401,700	5.0	
UM-Ann Arbor	299,975,000	6,656,142	1,218,828	1,856,291	2,987,258	12,718,500		312,693,500	12,718,500	4.2	
UM-Dearborn	24,033,100	520,407	178,455	0	458,569	1,157,400		25,190,500	1,157,400	4.8	
UM-Flint	21,815,400	439,836	228,915	0	434,126	1,102,900		22,918,300	1,102,900	5.1	
Wayne State	191,451,300	4,507,620	363,064	397,267	1,363,567	6,631,500		198,082,800	6,631,500	3.5	
Western	104,334,100	2,307,046	446,753	50,067	1,564,149	4,368,000		108,702,100	4,368,000	4.2	
Subtotal University Operations	\$1,360,557,600	\$29,893,699	\$6,643,044	\$3,321,522	\$19,929,034	\$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	\$29,893,699	\$6,643,044	\$3,321,522	\$19,929,034	\$59,787,400	\$2,142,600	\$1,491,157,200	\$61,930,000	4.3%	
School Aid Fund	205,179,500	0	0	0	0	31,200,000	730,000	237,109,500	31,930,000	15.6	
State GF/GP	1,224,047,700	29,893,699	6,643,044	3,321,522	19,929,034	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						\$0	\$18,361,700	\$0	0.0%	
Tuition Grants	34,035,500						0	34,035,500	0	0.0	
Tuition Incentive Program (TIP)	48,500,000						2,000,000	50,500,000	2,000,000	4.1	
Children of Vets & 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						\$2,000,000	\$107,497,200	\$2,000,000	1.9%	
Federal Higher Ed Act	3,200,000						0	3,200,000	0	0.0	
Federal TANF	93,826,400						2,000,000	95,826,400	2,000,000	2.1	
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	\$29,893,699	\$6,643,044	\$3,321,522	\$19,929,034	\$59,787,400	\$4,142,600	\$1,598,654,400	\$63,930,000	4.2%	
TOTAL FEDERAL	\$97,026,400	0	0	0	0	0	\$2,000,000	\$99,026,400	\$2,000,000	2.1%	
TOTAL STATE RESTRICTED	\$205,279,500	0	0	0	0	\$31,200,000	\$730,000	\$237,209,500	\$31,930,000	15.6%	
TOTAL STATE GF/GP	\$1,232,418,500	\$29,893,699	\$6,643,044	\$3,321,522	\$19,929,034	\$28,587,400	\$1,412,600	\$1,262,418,500	\$30,000,000	2.4%	

¹⁾ Other Changes column: MPSERS adjustments, increases for MSU AgBioResearch and MSU Extension, and the Tuition Incentive Program.

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