## FY 2014-15: HIGHER EDUCATION

### Summary: Conference Report

**Article III, House Bill 5314 (H-2) CR-1**

**Analyst:** Kyle I. Jen

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Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### Overview

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

**NOTE:** Information on House budget action in this document is based on House Bill 5314 as passed by the House.

### Major Budget Changes From FY 2013-14 YTD Appropriations

**1. University Operations**

- **Executive** increases total university operations funding by $76.9 million (6.1%). Half of the overall increase is distributed in proportion to FY 2010-11 university appropriation amounts (prior to FY 2011-12 15.0% reduction). Remaining half is distributed among the universities based on continuing performance funding formula. Only significant change in formula from FY 2013-14 is addition of component based on enrollment of Pell Grant students compared to national peers. To receive the funding increase, a university would have to restrain its FY 2014-15 resident undergraduate tuition/fee increase to 3.2% or lower and comply with three other continuing policy requirements (see Sec. 265a).

- **House** provides increase of $70.4 million (5.6%; $6.5 million below the Executive level). Concurs with all Executive formula components and changes. House also concurs with tuition restraint level of 3.2% and other performance funding requirements.

- **Senate** reduces base operations appropriation for Michigan State University by $500,000 (see Section 271a below) and concurs with Executive on performance funding increase level ($76.9 million), formula calculations, and performance funding requirements (including 3.2% tuition restraint limit).

- **Conference** does not reduce MSU base appropriation, provides overall performance funding increase of $74.6 million (5.9%; $2.3 million below the Executive level), and concurs with Executive on formula calculations and performance funding requirements (including 3.2% tuition restraint limit). Percentage increases for individual universities range from 3.9% to 9.2%.
Major Budget Changes From FY 2013-14 YTD Appropriations

2. MSU AgBioResearch and Extension
   Executive increases funding for AgBioResearch and Extension programs operated by Michigan State University by $3.4 million GF/GP (6.1%). House provides increase of $3.1 million (5.6%; $300,500 below the Executive level).
   Senate concurs with Executive.
   Conference provides increase of $3.3 million (5.9%; $113,300 below Executive level). Proposed appropriations for FY 2014-15 are $32.0 million and $27.6 million GF/GP, respectively.

3. MPSERS Reimbursement
   Senate adds $15.0 million in School Aid Fund revenue to reduce university contributions to Michigan Public School Employees' Retirement System (MPSERS). Employees hired prior to 1996 at seven universities are members of the system: Central, Eastern, Ferris, Lake Superior State, Michigan Tech, Northern, and Western.
   Conference adds $4.0 million in School Aid Fund revenue (designated as one-time funding)—an amount sufficient to hold effective unfunded actuarially accrued liability (UAAL) costs for the universities flat from FY 2013-14 to FY 2014-15—for total reimbursement amount of $6.4 million.

4. Indian Tuition Waiver Costs
   Senate adds $500,000 GF/GP to partially offset costs to universities of waiving tuition for North American Indian students under state statute. Conference concurs.

5. Tuition Grant Program
   Executive maintains appropriation for need-based financial aid to students at independent colleges at FY 2013-14 level of $31.7 million (Federal TANF). Adds requirement that colleges submit student performance data as condition of participation in program.
   House increases appropriation by $1.8 million GF/GP (5.6%) and partially concurs with proposed performance reporting requirements (see Sec. 252 below).
   Senate concurs with Executive.
   Conference increases appropriation by $1.9 million GF/GP (5.9%) and concurs with House regarding proposed performance reporting requirements. Proposed appropriation for FY 2014-15 is $33.5 million Gross.

6. Tuition Incentive Program
   Executive increases appropriation for program paying associate’s degree tuition costs for Medicaid-eligible middle and high school students by $1.5 million GF/GP (3.2%) to fund continued projected growth in program participation. Proposed appropriation for FY 2014-15 is $48.5 million Gross. House, Senate, and Conference concur.

Major Boilerplate Changes From FY 2013-14

NOTE: Sections with no proposed changes from FY 2013-14 do not appear in the annual budget bill but remain in compiled law and are applicable to FY 2014-15 appropriations.

GENERAL SECTIONS

Sec. 236c. State Building Authority (SBA) Rent Payments – REVISED
Lists amounts appropriated through Department of Technology, Management, and Budget, totaling $125.4 million, for SBA rent payments associated with state costs for previous capital outlay projects at universities. Executive revises to update amounts, with new total of $124.8 million. House, Senate, and Conference concur.
Major Boilerplate Changes From FY 2013-14

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, Senate, and Conference retain.

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

Sec. 245. University Transpareny – REVISED
Requires universities to post various budget, compensation (including salary list), other financial, and performance data, as well as transfer policies, on its website, using a standard format. Executive deletes requirement that state budget director determine compliance and language granting authority to withhold payments for a university not in compliance. House retains current language. Senate retains current language and adds new reporting requirements regarding opportunities for high school students to earn college credit. Conference concurs with Senate.

Sec. 246. MPSERS Reimbursement – REVISED
Provides for allocation of funding to the seven universities with employees in MPSERS in proportion to retiree health care costs. Conference revises to allocate expanded MPSERS reimbursement funding pool in proportion to combined MPSERS payroll at each university.

GRANTS AND FINANCIAL AID

Sec. 252. Tuition Grant Program – REVISED
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; caps awards received by students at a single institution at $3.0 million. Executive revises to move application deadline up from July 1 to March 1; deletes requirement that unexpended funds be carried forward to subsequent fiscal year; adds requirement that independent colleges submit data to state P-20 longitudinal data system, along with other specified student performance data (Tuition Grant students completing degrees, Tuition Grant students enrolled in remedial classes, and Pell Grant students completing degrees), in order for students at the college to participate in the program. House retains current deadline and carry forward provisions; does not concur with requirement that independent colleges to submit data to P-20 system but does concur with other performance data requirements added by Executive, to begin in August 2015; increases cap for single institution to $3.5 million. Senate retains all current provisions; does not concur with any proposed performance data requirements. Conference concurs with House except that cap is increased to $3.2 million rather than $3.5 million.

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 revises to clarify application window for middle and high school students (deadline of August 31 of senior year); adds requirement that college students meet individual institutions’ satisfactory academic progress policies. House, Senate, and Conference concur.

UNIVERSITY OPERATIONS

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

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

Sec. 265. Tuition Restraint Funding – REVISED
Provides tuition restraint requirements in order to receive performance funding. Executive revises to specify limit of 3.2% for resident undergraduate tuition/fee increase for FY 2014-15 (lowered from 3.75% for FY 2013-14); deletes 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, Senate, and Conference concur with 3.2% limit; retain health insurance-related language.
Major Boilerplate Changes From FY 2013-14

Sec. 265a. Performance Funding – REVISED
Includes requirements for a university to receive performance funding:
- Comply with tuition restraint requirements under section 265,
- Certify that university participates in reverse transfer agreements with at least three Michigan community colleges,
- Certify that dual enrollment policy does not consider use of credits toward high school graduation requirements,
- Participate in Michigan Transfer Network.
Establishes process for universities to certify (by August 31, 2012) they have complied with all requirements. Provides that performance funding forfeited by a university due to discompliance with boilerplate requirements be redistributed to other universities based on performance funding amounts. Describes data components utilized to calculate performance funding amounts and scoring system utilized for national peer comparisons. Executive revises to include funding allocated proportional to FY 2010-11 appropriation amounts and Pell Grant-based component. Deletes statement of intent to lower scoring for university improving over three-year period from 2 points to 1 point. House, Senate, and Conference retain intent regarding scoring; concur with other Executive changes.

Sec. 268. Unfunded Indian Tuition Waiver Costs – REVISED
States legislative intent to allocate funds for unfunded Indian Tuition Waiver costs at universities from the General Fund. Requires Department of Civil Rights to report certain information related to the waivers. Executive deletes statement of intent. Senate retains statement. Senate adds new section. Conference replaces Senate language with statement of intent that universities not knowingly and directly use state funds to offer instructional activity that targets specific companies or specific groups of companies for unionization or decertification of a union; does not include financial penalty.

Sec. 271a. Union-Related Activities – NEW
States legislative intent that universities not participate in instructional activity that encourages or discourages union organizing of employees. Provides for appropriation for a university participating in such activity to be reduced by $500,000 for each occurrence. Senate adds new section. Conference replaces Senate language with statement of intent that universities not knowingly and directly use state funds to offer instructional activity that targets specific companies or specific groups of companies for unionization or decertification of a union; does not include financial penalty.

Sec. 271b. Student Health Insurance Coverage – NOT INCLUDED
Requires universities to report number of students who have and do not have health insurance and how much the university spent on health insurance for uninsured students. Senate adds new section. Conference does not include section.

Sec. 272a. Transfer Credit Reporting – REVISED
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. Executive revises to clarify that reporting applies only to resident students transferring from other institutions in Michigan. House, Senate, and Conference concur.

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, Senate, and Conference retain.

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 and Senate retain.

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 and Senate retain.

Sec. 275. Veterans Policies – RETAINED
States intent for universities to participate in the Yellow Ribbon GI Education Enhancement Program and provide other veterans-related services; requires report on program participation. States intent that universities consider all veterans as in-state residents for determining tuition/fees and waive enrollment fees for all veterans. Executive deletes reporting requirement; House and Senate retain requirement; House adds additional reporting requirement regarding all veterans-related services. Conference concurs with House.

Sec. 275a. Capital Outlay Reporting – RETAINED
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 deletes; House, Senate, and Conference retain.

MARTIN LUTHER KING, JR. - CESAR CHAVEZ - ROSA PARKS PROGRAMS

Sec. 282. Reallocation of KCP Funds – RETAINED
Provides for reallocation of KCP grant funds from institutions that do not fully expend their funds. Executive revises to allow up to $100,000 in unexpended grant funds to be utilized for state administrative costs. House, Senate, and Conference retain current language.
Major Boilerplate Changes From FY 2013-14

GENERAL REPORTS AND AUDITS

Sec. 293. Student Records – RETAINED
Requires universities to provide information from the records of a student to persons authorized by the student. Executive deletes; House, Senate, and Conference retain.
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**Summary:** For 2023-15 University Performance Funding Increases