

**Summary: Executive Budget Recommendation  
for Fiscal Years 2013-14 and 2014-15  
HIGHER EDUCATION**



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	FY 2012-13 Year-to-Date as of 2/7/13	FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13		FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14	
			Amount	%		Amount	%
IDG/IDT	\$0	\$0	\$0	--	\$0	\$0	--
Federal	97,026,400	97,026,400	0	0.0	97,026,400	0	0.0
Local	0	0	0	--	0	0	--
Private	0	0	0	--	0	0	--
Restricted	200,565,700	200,565,700	0	0.0	200,565,700	0	0.0
GF/GP	1,101,628,300	1,132,981,400	31,353,100	2.8	1,132,981,400	0	0.0
<b>Gross</b>	<b>\$1,399,220,400</b>	<b>\$1,430,573,500</b>	<b>\$31,353,100</b>	<b>2.2</b>	<b>\$1,430,573,500</b>	<b>0</b>	<b>0.0</b>
FTEs	0.0	0.0	0.0	--	0.0	0.0	--

Notes: (1) FY 2012-13 year-to-date 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." (3) FY 2014-15 figures are projected budget amounts only and would not be legally-binding appropriations.

**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.

<b>Major Budget Changes From FY 2012-13 YTD Appropriations</b>	<b>Executive Changes</b>		
	<b>FY 2012-13 YTD (as of 2/7/13)</b>	<b>FY 2012-13 to FY 2013-14</b>	<b>FY 2013-14 to FY 2014-15</b>
<b>1. University Funding</b>	<b>Gross \$1,243,451,700</b>	<b>\$24,869,000</b>	<b>\$0</b>
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:	Restricted 200,019,500	0	0
	GF/GP \$1,043,432,200	\$24,869,000	\$0

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 the number of undergraduate degree awards in critical skills areas.
- \$2.1 million in proportion to research and development expenditures (only for universities classified as a "research university" under the Carnegie Classifications).
- \$4.1 million each for three components (\$12.4 million total) based on national-level comparisons to Carnegie peers: six-year graduation rate, total degree completions, and institutional support as a percentage of core expenditures.
- \$6.2 million for a tuition restraint component, to be allocated after the universities have adopted FY 2013-14 tuition rates. Universities holding resident undergraduate tuition/fee rate increases below 4.0% would receive an allocation in proportion to how far below 4.0% the increase is.

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**Executive Changes**

<b>Major Budget Changes From FY 2012-13 YTD Appropriations</b>		<b>FY 2012-13 YTD (as of 2/7/13)</b>	<b>FY 2012-13 to FY 2013-14</b>	<b>FY 2013-14 to FY 2014-15</b>
<b>1. University Funding (continued)</b>				
Prior to the tuition restraint allocation, the range of percentage increases from FY 2012-13 for individual universities is 0.2% to 5.1% (1.5% overall). The increases would be carried forward into the universities' FY 2014-15 appropriation amounts, but no further funding increase is included for that year. Approximately \$200 million of university appropriations continues to be funded from the School Aid Fund.				
The three requirements to be eligible for performance funding are maintained from FY 2012-13: participation in at least 3 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.				
<b>2. MSU AgBioResearch and Extension</b>				
Includes \$1.1 million GF/GP increase (2.0%) in the appropriation for the programs.	<b>Gross</b>	<b>\$54,204,600</b>	<b>\$1,084,100</b>	<b>\$0</b>
	GF/GP	\$54,204,600	\$1,084,100	\$0
<b>3. Tuition Grant Program</b>				
No proposed change in appropriation amount (\$31.7 million Federal TANF). Proposes that independent colleges and universities with students participating in the program be required to submit certain student performance data items to the state (see boilerplate section 252).	<b>Gross</b>	<b>\$31,664,700</b>	<b>\$0</b>	<b>\$0</b>
	Federal	\$31,664,700	\$0	\$0
<b>4. Tuition Incentive Program (TIP)</b>				
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.	<b>Gross</b>	<b>\$43,800,000</b>	<b>\$3,200,000</b>	<b>\$0</b>
	Federal	43,800,000	0	0
	GF/GP	\$0	\$3,200,000	\$0
<b>5. Children of Veterans Tuition Grant Program</b>				
Includes an increase of \$200,000 GF/GP due to an increased number of program applicants.	<b>Gross</b>	<b>\$1,200,000</b>	<b>\$200,000</b>	<b>\$0</b>
	Restricted	100,000	0	0
	GF/GP	\$1,100,000	\$200,000	\$0
<b>6. College Access Program</b>				
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.	<b>Gross</b>	<b>NA</b>	<b>\$2,000,000</b>	<b>\$0</b>
	GF/GP	NA	\$2,000,000	\$0
<b>7. Other Budget Items</b>				
Proposes no changes to funding levels for other Higher Education items:	<b>Gross</b>	<b>\$24,899,400</b>	<b>\$0</b>	<b>\$0</b>
	Federal	21,561,700	0	0
	Restricted	446,200	0	0
	GF/GP	\$2,891,500	\$0	\$0
<ul style="list-style-type: none"> <li>• State Competitive Scholarships (\$18.4 million Federal TANF)</li> <li>• Project GEAR UP (\$3.2 million Federal)</li> <li>• King-Chavez-Parks grant programs (\$2.7 million GF/GP)</li> <li>• MPSERS retiree health care reimbursement (\$446,200 School Aid Fund)</li> <li>• Higher Education database (\$105,000 GF/GP)</li> <li>• Midwestern Higher Education Compact dues (\$95,000 GF/GP)</li> </ul>				

## **Major Boilerplate Changes From FY 2012-13**

*NOTE: No boilerplate language proposed specific to FY 2014-15.*

### **Sec. 239. American Goods and Services – DELETED**

States preference for American goods and services, as well as those produced in Michigan and those produced by businesses owned by veterans.

### **Sec. 239a. Foreign Auto Manufacturers – DELETED**

States intent that funds appropriated to universities not be used to purchase vehicles assembled outside U.S.

### **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. Revised 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.

### **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; 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. Revised 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.

### **Sec. 256. Tuition Incentive Program – DELETED**

Specifies criteria for Tuition Incentive Program eligibility; provides for award conditions and limits under Phases I and II of the program. Executive Budget 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.

### **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.)

### **Sec. 261. Douglas Lake Biological Station – DELETED**

Designates University of Michigan Douglas Lake Biological Station as a unique resource.

### **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. Revised to remove language related to strategic growth initiative but retain reporting requirement.

### **Sec. 265. Tuition Restraint Funding – REVISED**

Provides for allocation of funding component tied to tuition restraint in FY 2012-13. 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

### **Sec. 265a. Performance Funding – REVISED**

Specifies requirements for a university to receive performance funding. Provides for reappropriation of funds forfeited due to non-compliance. Revised to specify performance component metrics.

### **Sec. 268. Unfunded Indian Tuition Waiver Costs – DELETED**

States legislative intent to allocate funds for unfunded Indian Tuition Waiver costs at universities from the General Fund.

### **Sec. 273. Student Religious Beliefs – DELETED**

States intent that universities report on efforts to accommodate the religious beliefs of students in accredited counseling programs.

### **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.

### **Sec. 274. Embryonic Stem Cell Research – DELETED**

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.

### **Major Boilerplate Changes From FY 2012-13**

#### ***Sec. 274a. Adult Coresident Health Benefits – DELETED***

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

#### ***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.

#### ***Sec. 282. Reallocation of KCP Funds – REVISED***

Provides for reallocation of KCP grant funds from institutions that do not fully expend their funds. Revised to allow funds remaining after reallocation to be expended for program administration.

#### ***Sec. 293. Student Records – DELETED***

Requires universities to provide information from the records of a student to persons authorized by the student.

#### ***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. Revised to reflect updated total of \$125.4 million (vs. \$124.0 million in FY 2012-13 budget act).

**FY 2013-14 University Performance Funding**  
Executive Budget Recommendation

University	Funding per unit: FY 2012-13 Year-to-Date	Funding Proportional to Share of Total				Scored vs. National Carnegie Peers						Total Performance Funding	FY 2013-14 Exec Rec	Percent Change
		\$290 per degree 16.7%		\$0.0016 per dollar 8.3%		\$142,925 per point 16.7%		\$138,161 per point 16.7%		\$269,059 per point 16.7%				
		Critical Skills Undergrad Awards	Funding	Research & Develop Expend	Funding	Six-year Graduation Rate	Funding	Total Degree Completions	Funding	Inst Support as % of Core Expend	Funding			
Michigan State	\$245,037,000	2,664	\$773,473	\$293,704,711	\$474,036	3	\$428,776	3	\$414,483	1	\$296,060	\$2,386,800	\$247,423,800	1.0
UM-Ann Arbor	274,156,700	2,629	763,383	728,871,000	1,176,389	3	428,776	3	414,483	1	296,060	3,079,100	277,235,800	1.1
Wayne State	183,398,300	659	191,354	163,944,192	264,604	0	0	0	0	0	0	456,000	183,854,300	0.2
Michigan Tech	42,579,100	903	262,240	52,917,000	85,407	3	428,776	3	414,483	0	0	1,190,900	43,770,000	2.8
Western	95,487,500	1,037	301,114	27,538,940	44,448	1	142,925	1	138,161	3	888,179	1,514,900	97,002,400	1.6
Central	71,352,300	681	197,597	7,527,977	12,150	2	285,851	2	276,322	3	888,179	1,660,100	73,012,400	2.3
Oakland	44,964,100	918	266,560	9,531,111	15,383	0	0	3	414,483	0	0	696,400	45,660,500	1.5
Eastern	66,466,700	642	186,418			0	0	3	414,483	0	0	600,900	67,067,600	0.9
Ferris	44,250,700	1,212	352,001			3	428,776	3	414,483	3	888,179	2,083,400	46,334,100	4.7
Grand Valley	55,436,000	1,182	343,090			3	428,776	3	414,483	2	592,119	1,778,500	57,214,500	3.2
Saginaw Valley	25,656,700	362	104,969			3	428,776	0	0	0	0	533,700	26,190,400	2.1
UM-Dearborn	22,237,300	356	103,372			1	142,925	0	0	0	0	246,300	22,483,600	1.1
UM-Flint	19,526,600	375	108,889			3	428,776	3	414,483	0	0	952,100	20,478,700	4.9
Northern	40,856,600	472	137,109			1	142,925	2	276,322	1	296,060	852,400	41,709,000	2.1
Lake Superior	12,046,100	183	53,265			3	428,776	1	138,161	0	0	620,200	12,666,300	5.1
<b>TOTAL:</b>	<b>\$1,243,451,700</b>	<b>14,274</b>	<b>\$4,144,833</b>	<b>\$1,284,034,931</b>	<b>\$2,072,417</b>	<b>29</b>	<b>\$4,144,833</b>	<b>30</b>	<b>\$4,144,833</b>	<b>14</b>	<b>\$4,144,833</b>	<b>\$18,651,700</b>	<b>\$1,262,103,400</b>	<b>1.5</b>

Tuition restraint component (25.0%): \$6,217,300  
**Total funding increase: \$24,869,000**  
 Total percent increase: 2.0

<b>Data Notes</b>	<u>Source</u>	<u>Years</u>	<u>Other</u>
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		

<b>Scoring</b>	
Improving over 3 years	3
Top 20% nationally	2
Above national median	1