Summary: House Subcommittee Substitute
HIGHER EDUCATION
House Bill 5781 (H-1) Draft A: FY 2006-07

HOUSE FISCAL AGENCY

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	FY 2005-06 Year-to-Date	FY 2006-07 Executive	FY 2006-07 Senate	FY 2006-07 House Sub.	FY 2006-07 Enacted	*Difference: House Sub. from FY 2005-06 YTD* *Amount*	*%*
IDG/IDT	$0	$0	$0	$0		*$0*	*--*
Federal	3,500,000	3,000,000	3,000,000	3,000,000		*(500,000)*	*(14.3)*
Local	0	0	0	0		*0*	*--*
Private	0	0	0	0		*0*	*--*
Restricted	153,500,000	153,800,000	157,050,000	161,074,600		*7,574,600*	*4.9*
GF/GP	1,577,443,900	1,585,040,700	1,617,836,800	1,614,340,700		*36,896,800*	*2.3*
Gross	$1,734,443,900	$1,741,840,700	$1,777,886,800	$1,778,415,300		*$43,971,400*	*2.5*
FTEs	1.0	1.0	1.0	1.0		*0.0*	*0.0*

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through February 9, 2006.

Overview

The Higher Education budget includes funding for the operations of the 15 state universities; need- and merit-based financial aid programs for students attending state universities, community colleges, and independent colleges and universities; and several other higher education-related programs—including Michigan State University's Agriculture Experiment Station and Extension Service.

Major Budget Changes from FY 2005-06 YTD Appropriations

	FY 2005-06 YTD	House Sub. Change
Gross	$1,419,831,900	$38,988,000
Restricted	9,500,000	10,591,200
GF/GP	$1,410,331,900	$28,396,800

1. *State University Operations Funding*

Exec Rec provides three sets of increases totaling $28.4 million: (1) 2.0% across-the-board increase for three major research universities, (2) 1.0% across-the-board increase for other 12 universities, and (3) additional 1.0% increase for other 12 universities based on four data components.

Senate provides two sets of increases totaling $31.4 million: (1) increases to four universities for $3,750-per-FYES funding floor and (2) 1.8% across-the-board increase for all 15 universities. Additionally, $2.3 million is added for eight universities to bring them up to the amounts allocated to them under the Exec Rec.

House Substitute utilizes funding model to determine state university appropriation amounts. Significant change from enacted version of FY 2005-06 funding model is higher weighting for math degrees and education degrees in math-, science-, technical-, and special education-related subareas. Funding increases from FY 2005-06 enacted amounts are limited to 4.0%; decreases are limited to 2.0%. Net funding increase is $35.2 million.

Two additional funding increases are included in university appropriations: (1) $3.2 million to provide $3,000 per FY 2004-05 Indian Tuition Waiver and (2) $600,000 for Northern Michigan's costs of operating and maintaining the Superior Dome (associated language states intent to transfer funds from line item if responsibility for the dome is transferred to another entity).

$10.6 million in School Aid Fund revenue is included in university appropriation amounts, distributed proportional to the proposed appropriation amount for each university.

Major Budget Changes from FY 2005-06 YTD Appropriations		FY 2005-06 YTD	House Sub. Change
2. Mich. Public School Empl. Retirement System (MPSERS) House Substitute adds $1.7 million in School Aid Fund revenue for payment to MPSERS, to be used to reduce payments by the seven state universities with employees in the system. Appropriation amount is equal to 10.0% of estimated FY 2005-06 university MPSERS costs above estimated costs if MPSERS employees were instead subject to a defined contribution retirement plan.	**Gross** Restricted	**$0** 0	**$1,683,400** $1,683,400
3. Agriculture Experiment Station and Cooperative Extension Exec Rec maintains current-year levels for these appropriations. Senate increases both items by 2.0% for total increase of $1.2 million. House Substitute maintains current-year levels.	**Gross** GF/GP	**$61,768,100** $61,768,100	**$0** $0
4. Tuition Grant Program Exec Rec eliminates $58.8 million appropriation for Tuition Grant Program to reflect eventual phase-out of program and adds $29.5 million GF/GP to State Competitive Scholarship line item to pay for costs of reduced Tuition Grant awards to undergraduate students currently receiving awards; net savings is $29.3 million. Senate and House Substitute do not concur with phase-out and retain current total funding amount for program; $4.0 million in one-time carry-forward revenue is offset with GF/GP funds.	**Gross** Restricted GF/GP	**$58,768,100** 4,000,000 $54,768,100	**$0** (4,000,000) $4,000,000
5. State Competitive Scholarships Exec Rec offsets $3.0 million appropriated from Michigan Higher Education Assistance Authority (MHEAA) operating fund in FY 2005-06 with GF/GP funds and removes $500,000 in federal funding no longer available. Senate concurs with federal reduction but retains MHEAA funds. House Substitute concurs with both Exec Rec changes.	**Gross** Federal Restricted GF/GP	**$34,630,500** 2,000,000 3,000,000 $29,630,500	**($500,000)** (500,000) (3,000,000) $3,000,000
6. Nursing Scholarship Program Exec Rec maintains current-year level for this item. Senate increases appropriation by $250,000 from FY 2005-06 Merit Award Trust Fund carry-forward revenue. House Substitute maintains current-year level.	**Gross** Restricted	**$4,000,000** 4,000,000	**$0** 0
7. Michigan Merit Award Program Exec Rec, Senate, and House Substitute increase appropriation from Merit Award Trust Fund by 1.0% to fund projected costs of $2,500 Merit Awards and middle school exam-based awards; cost estimate for appropriation does not include $1,000 out-of-state awards.	**Gross** Restricted	**$126,400,000** 126,400,000	**$1,300,000** 1,300,000
8. Tuition Incentive Program (TIP) Exec Rec, Senate, and House Substitute increase appropriation by 16.7% to fund projected cost increase for program due to growing number of students certified as eligible due to Medicaid eligibility.	**Gross** Restricted GF/GP	**$12,000,000** 6,600,000 $5,400,000	**$2,000,000** 0 $2,000,000
9. Children of Veterans Tuition Grant Program Exec Rec, Senate, and House Substitute remove $500,000 GF/GP for half-year costs of program shifted from Military and Veterans Affairs budget and add $1.0 million in restricted funding from income tax check-off contributions.	**Gross** Restricted GF/GP	**$500,000** 0 $500,000	**$500,000** 1,000,000 ($500,000)
10. MiLEAD Initiative Exec Rec and Senate add $5.0 million appropriation from Civilian Conservation Corps Endowment Fund to pay for costs of proposed Michigan Leadership, Education, and Development (MiLEAD) Initiative; grants would be made to colleges/universities to implement residential programs for at-risk youth to earn college credit and perform conservation-based community service. House Substitute does not include proposed appropriation.	**Gross** Restricted	**$0** 0	**$0** 0

Major Boilerplate Changes from FY 2005-06

Sec. 212(3). Fiscal Agency Report – **RETAINED**
Requires fiscal agencies to provide detailed description of procedures used to determine appropriation amounts. Exec Rec deletes. Senate and House Substitute retain.

Sec. 301(6). Tuition Grants: Proposed Phase-Out – **NOT INCLUDED**
Allows for expenditure of $29.5 million from State Competitive Scholarship line item to provide reduced Tuition Grant awards to undergraduate students receiving awards in current academic year. Exec Rec adds new subsection. Senate and House Substitute do not include subsection.

Sec. 302. Tuition Grants: Current Provisions – **REVISED**
Provides for distribution of funds appropriated for Tuition Grants. Exec Rec deletes. Senate retains and moves application deadline from July 15 to July 1. House Substitute retains, concurs with July 1 deadline, states that FY 2007-08 deadline will be June 1, requires that maximum award amount be increased from $2,000 to $2,400, and deletes language providing that the number of awardees not be reduced if the maximum award amount is increased.

Sec. 308. Financial Aid Payment Schedules – **RETAINED**
Provides for quarterly financial aid payments schedules. Exec Rec revises schedule for most programs to 25/25/25/25. Senate and House Substitute retain current schedules of either 40/40/10/10 or 50/25/25/0.

Sec. 310. Tuition Incentive Program (TIP) – **REVISED**
Sets provisions for TIP. Exec Rec requires that participants file a Free Application for Federal Student Aid (FAFSA) and adds achievement of junior-level status as possible criterion to enter Phase II of program. Senate requires only that participants request information on filing a FAFSA and does include junior-level criterion. House Substitute concurs with both Exec Rec changes and provides that federal grant aid be deducted from TIP payment amounts.

Sec. 312. Nursing Scholarship Program – **RETAINED**
Provides for distribution of funds appropriated for Nursing Scholarship Program. Senate adds language including master's degree students as eligible for scholarships, subject to the same employment and repayment obligations established by statute for undergraduate students. House Substitute does not included Senate-added language.

Sec. 313. MiLEAD Initiative – **NOT INCLUDED**
Provides for new program to make grants of up to $1.0 million each to public colleges/universities for residential programs for at-risk youth to earn college credit and perform conservation-based community service; requires DNR approval of conservation projects and annual report from grant recipients. Exec Rec adds new section. Senate adds private colleges/universities as eligible grant recipients. House Substitute does not include new section.

Sec. 314. Children of Veterans Tuition Grants Program – **NEW**
Requires annual report on the number and amount of grant awards under the Children of Veterans Tuition Grant Program. House Substitute adds new section.

Sec. 315. Tuition Grants: Report on Academic Progress – **NEW**
Requires annual report on the number and amount of Tuition Grant awards; states legislative intent that Association of Independent Colleges and Universities of Michigan submit report on academic progress of Tuition Grant recipients. House Substitute adds new section.

Sec. 402. Douglas Lake Biological Station – **RETAINED**
Identifies University of Michigan's biological station at Douglas Lake as a unique resource. Exec Rec deletes. Senate and House Substitute retain.

Sec. 405. HEIDI Advisory Committee – **DELETED**
Establishes advisory committee for HEIDI database. Exec Rec and Senate retain. House Substitute deletes. (Committee established in state statute by Public Act 95 of 2006.)

Sec. 418. State University Appropriation Calculations – **REVISED**
Describes state university funding model calculations used to determine July/August monthly payment amounts in FY 2005-06. Exec Rec replaces language with description of calculations used to distribute 1.0% increase to 12 universities. Senate deletes. House Substitute retains section with revised provisions describing state university funding model calculations based on enrollment-, degree-, and research-based components; limits funding increases to 4.0% and funding decreases to 2.0%; adds subsection stating legislative intent to continue to review performance indicators that reflect state universities' unique missions.

Sec. 419. Superior Dome – **NEW**
Provides that $600,000 from appropriation to Northern Michigan University is for costs of operating and maintaining the Superior Dome; states intent that funds be transferred from line item if responsibility for dome is transferred to another entity. House Substitute adds new section.

Major Boilerplate Changes from FY 2005-06

Sec. 426 Private Bookstores – REVISED
States legislative intent that private bookstores have timely access to universities' required textbook lists. Exec Rec deletes. Senate retains. House Substitute retains and adds further intent related to students' use of funds in university-administered accounts at private bookstores.

Sec. 437. Michigan Public School Employees Retirement System (MPSERS) – REVISED
States legislative intent for subsidy from MPSERS stabilization subaccount to reduce university contribution rates. Exec Rec and Senate delete. House Substitute includes new language providing for use of appropriation to MPSERS to reduce payments to system by seven state universities; reductions are to be proportional to the differences between MPSERS costs and costs if employees were subject to defined contribution retirement plan with 12.0% payroll costs.

Sec. 438. School Aid Fund Revenue – NEW
States legislative intent that School Aid Fund revenue appropriated to state universities be utilized to support various services related to K-12 education. House Substitute adds new section.

Sec. 450. Per-Student Funding Floor – REVISED
Indicates that $3,650-per-FYES funding floor is reflected in line item appropriations for universities, except Grand Valley due to limited state resources. Exec Rec deletes. Senate retains and adjusts floor amount to $3,750. House Substitute revises language to state that all universities' appropriations (except Grand Valley) equate to at least $3,749 per FYES.

Sec. 460. Indian Tuition Waivers – NEW
Provides that state universities require students receiving Indian Tuition Waivers to file a FAFSA; requires that amount of tuition waiver be reduced by the amount of federal grant aid received by a student. House Substitute adds new section.

Sec. 462. FY 2004-05 Book Closing Funds – DELETED
Provides that funds in FY 2005-06 budget bill for state university operations are in addition to funds paid at FY 2004-05 book closing, which the universities will recognize as FY 2005-06 revenue. Exec Rec, Senate, and House Substitute delete.

Sec. 701a. New Academic Programs – REVISED
Lists new programs for which state universities may report enrollment data to HEIDI. Exec Rec and Senate delete. House Substitute retains and inserts updated list.

Sec. 711. Education Degrees – NEW
Requires each state university to report on its efforts to increase the number of education degrees conferred for teaching middle school and high school math, physics, chemistry, biology, and certain foreign languages. Senate adds new section. House Substitute concurs with new section.

Sec. 712. Research, Technology Transfer, and High-Tech Graduates – NEW
Requires each state university to report various data items related to research funding, technology transfer, and the number of students graduating with advanced degrees in math, science, health care, or engineering. Senate adds new section. House Substitute concurs with new section.

HIGHER EDUCATION

FY 2006-07: House Subcommittee Substitute

HOUSE FISCAL AGENCY

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	FY 2005-06 Year-to-Date as of 2/9/06	Funding Model Adjustments	Indian Tuition Waivers	Superior Dome/ MPSERS	Financial Aid Changes	FY 2006-07 House Substitute	Change from Year-to-Date $ Amount	Change from Year-to-Date Percent	$ Change from Exec. Rec.	$ Change from Senate	FY 2005-06 Year-to-Date $ per FYES**	FY 2006-07 House Sub. $ per FYES**
STATE UNIVERSITIES												
Central Michigan	$80,061,900	3,202,500	333,000			$83,597,400	$3,535,500	4.4	$1,861,200	$1,790,000	$3,736	$3,901
Eastern Michigan	76,140,600	2,028,100	216,000			78,384,700	2,244,100	2.9	756,600	756,600	4,019	4,137
Ferris State	48,634,700	1,945,400	135,000			50,715,100	2,080,400	4.3	1,236,500	1,205,000	4,611	4,808
Grand Valley State	61,129,900	2,445,200	294,000			63,869,100	2,739,200	4.5	1,419,900	(1,521,000)	3,151	3,292
Lake Superior State	12,506,300	(250,100)	486,000			12,742,200	235,900	1.9	(246,400)	(246,400)	4,827	4,918
Michigan State	283,730,300	9,814,000	336,000			293,880,300	10,150,000	3.6	4,475,400	4,475,400	6,782	7,025
Michigan Tech	48,018,800	935,700	87,000			49,041,500	1,022,700	2.1	161,100	161,100	8,095	8,268
Northern Michigan	45,051,600	(901,000)	414,000	600,000		45,164,600	113,000	0.3	(714,400)	(714,400)	5,348	5,361
Oakland	50,685,700	2,027,400	111,000			52,824,100	2,138,400	4.2	1,104,400	34,300	3,664	3,818
Saginaw Valley State	27,499,800	1,100,000	78,000			28,677,800	1,178,000	4.3	375,100	(501,000)	3,595	3,749
UM - Ann Arbor	316,368,500	10,919,600	183,000			327,471,100	11,102,600	3.5	4,775,200	4,775,200	8,048	8,330
UM - Dearborn	24,739,200	989,600	72,000			25,800,800	1,061,600	4.3	513,900	513,900	3,973	4,143
UM - Flint	20,903,100	836,100	93,000			21,832,200	929,100	4.4	412,100	412,100	4,231	4,419
Wayne State	214,666,300	(4,293,300)	228,000			210,601,000	(4,065,300)	(1.9)	(8,358,600)	(8,358,600)	8,603	8,440
Western Michigan	109,695,200	4,387,800	135,000			114,218,000	4,522,800	4.1	2,819,200	2,548,300	4,569	4,758
Subtotal - State Universities	**$1,419,831,900**	**$35,187,000**	**$3,201,000**	**$600,000**	**$0**	**$1,458,819,900**	**$38,988,000**	**2.7**	**$10,591,200**	**$5,330,500**	**$5,679**	**$5,835**
Merit Award Trust Fund	9,500,000					9,500,000	0	0.0	0	0		
School Aid Fund	0	10,591,200				10,591,200	10,591,200	--	10,591,200	10,591,200		
State GF/GP	$1,410,331,900	$24,595,800	$3,201,000	$600,000	$0	$1,438,728,700	$28,396,800	2.0	$0	($5,260,700)		
AES/CES, STATE/REGIONAL, & KCP												
Agricultural Experiment Station	$33,163,800					$33,163,800	$0	0.0	$0	($663,300)		
Cooperative Extension Service	28,604,300					28,604,300	0	0.0	0	(572,100)		
Higher Education Database	200,000					200,000	0	0.0	0	0		
Midwestern Higher Ed. Compact	90,000					90,000	0	0.0	0	0		
Mich. Public School Empl. Ret. System	0			1,683,400		1,683,400	1,683,400	--	1,683,400	1,683,400		
King-Chavez-Parks (three lines)	2,691,500					2,691,500	0	0.0	0	0		
Subtotal - AES/CES/State/Reg/KCP	**$64,749,600**	**$0**	**$0**	**$1,683,400**	**$0**	**$66,433,000**	**$1,683,400**	**2.6**	**$1,683,400**	**$448,000**		
School Aid Fund	0			1,683,400		1,683,400	1,683,400	--	1,683,400	1,683,400		
State GF/GP	$64,749,600	$0	$0	$0	$0	$64,749,600	$0	0.0	$0	($1,235,400)		
GRANTS & FINANCIAL AID												
State Competitive Scholarships	$34,630,500				($500,000)	$34,130,500	($500,000)	(1.4)	($29,468,100)	$0		
Tuition Grants	58,768,100					58,768,100	0	0.0	58,768,100	0		
Michigan Work Study Program	7,326,300					7,326,300	0	0.0	0	0		
Part-Time Independent Student Prog.	2,653,300					2,653,300	0	0.0	0	0		
Mich. Education Opportunity Grants	2,084,200					2,084,200	0	0.0	0	0		
Byrd Honors Scholarship Program	1,500,000					1,500,000	0	0.0	0	0		
Nursing Scholarship & Grant Progs.	4,000,000					4,000,000	0	0.0	0	(250,000)		
Michigan Merit Award Program	126,400,000				1,300,000	127,700,000	1,300,000	1.0	0	0		
Tuition Incentive Program	12,000,000				2,000,000	14,000,000	2,000,000	16.7	0	0		
Children of Vets. Tuition Grant Prog.	500,000				500,000	1,000,000	500,000	100.0	0	0		
MiLEAD Initiative	0					0	0	--	(5,000,000)	(5,000,000)		
Subtotal - Grants/Financial Aid	**$249,862,400**	**$0**	**$0**	**$0**	**$3,300,000**	**$253,162,400**	**$3,300,000**	**1.3**	**$24,300,000**	**($5,250,000)**		
Federal	3,500,000				(500,000)	3,000,000	(500,000)	(14.3)	0	0		
Merit Award Trust Fund	137,000,000				1,300,000	138,300,000	1,300,000	0.9	0	(250,000)		
MHEAA Operating Fund	3,000,000				(3,000,000)	0	(3,000,000)	(100.0)	0	(3,000,000)		
Tuition Grant Carry-Forward	4,000,000				(4,000,000)	0	(4,000,000)	(100.0)	0	0		
Michigan CCC Endowment Fund	0					0	0	--	(5,000,000)	(5,000,000)		
Contribs. to Children of Vets. Prog.	0				1,000,000	1,000,000	1,000,000	--	0	0		
State GF/GP	$102,362,400	$0	$0	$0	$8,500,000	$110,862,400	$8,500,000	8.3	$29,300,000	$3,000,000		
TOTAL - HIGHER ED	**$1,734,443,900**	**$35,187,000**	**$3,201,000**	**$2,283,400**	**$3,300,000**	**$1,778,415,300**	**$43,971,400**	**2.5**	**$36,574,600**	**$528,500**		
TOTAL - FEDERAL	3,500,000	0	0	0	(500,000)	3,000,000	(500,000)	(14.3)	0	0		
TOTAL - STATE RESTRICTED	153,500,000	10,591,200	0	1,683,400	(4,700,000)	161,074,600	7,574,600	4.9	7,274,600	4,024,600		
TOTAL - GF/GP	$1,577,443,900	$24,595,800	$3,201,000	$600,000	$8,500,000	$1,614,340,700	$36,896,800	2.3	$29,300,000	($3,496,100)		

**FYES = FY 2004-05 fiscal year-equated students

HFA: 4/25/06