

**Summary: Conference Report
HIGHER EDUCATION FY 2003-04
House Bill 4396**



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Budget Overview

The higher education budget currently provides funding for the operational needs of state universities, need-based and merit-based financial aid programs for college students, grants for independent colleges and universities, and support for statewide programs. General Fund/General Purpose monies account for 95% of the funding sources for this budget.

Summary of Major Budget Issues

State University Operational Funds – The Executive budget proposed an across-the-board reduction of 6.74% from current-year levels. The Conference Report provides funding ranging from an increase of 1.9% to cuts of 6.74%.

Statewide Programs – Included in the Executive budget was \$64.7 million, a reduction of nearly \$7 million in support of these programs. The Conference Report restores \$82,500 for Midwest Higher Education Compact dues and deletes funding for the Japan Center.

Michigan Merit Awards – Funding for this program was recommended at \$65.1 million to support awards for graduating high-school seniors from the classes of 2000 through 2003 who achieved qualifying scores. Awards for recipients from the class of 2004 would be funded in the FY05 budget. The Conference Report adds about \$65 million to the Executive recommendation for the first half of payments for the class of 2004 Award recipients.

Tuition Incentive Program (TIP) – The Executive recommends an increase of \$4 million in this program targeted at low-income Medicaid-eligible students to address increased participation rates and higher college costs. The Conference Report concurs.

Other Financial Aid Programs – The Executive proposed elimination of seven financial aid and grant programs and the creation of a new needs-based Michigan Opportunity Scholarships program, which would absorb nearly all of the funding currently directed to five of the seven programs proposed for termination. The Conference Report deletes degree reimbursement programs and reallocates that funding to the competitive scholarship and tuition grant line items.

MPSERS Contribution Subsidy – The Executive proposed to use funds in a Michigan Public School Employee Retirement System (MPSERS) stabilization subaccount to offset the required contribution rate increase for the seven state universities who have employees in the MPSERS system. The House and Senate concur, thus enabling MPSERS contribution rates to be frozen at their current-year levels.

FY 2003-04 Conference Report Recommendations

	FY 2002-03 YTD (as of 3/6/03)	Executive	House (H-1)	Senate(S-1)	Enrolled	Difference:	
						Enrolled to 2002-03 YTD Amount	%
IDG/IDT	\$0	\$0	\$0	\$0	\$0	\$0	0.0
Federal	5,500,000	4,400,000	4,400,000	4,400,000	4,400,000	(1,100,000)	(20.0)
Local	0	0	0	0	0	0	0.0
Private	0	0	0	0	0	0	0.0
Restricted	84,534,802	78,350,000	138,350,000	171,540,926	152,750,000	68,215,198	80.7
GF/GP	1,741,466,933	1,632,687,000	1,632,687,000	1,642,240,348	1,632,687,000	(108,779,933)	(6.2)
Gross	\$1,831,501,735	\$1,715,437,000	\$1,775,437,000	\$1,818,181,274	1,789,837,000	(41,664,735)	(2.3)
FTEs	1.0	0.0	1.0	1.0	1.0	0.0	0.0

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>	<u>YTD FY 2002-03</u>	<u>Conference Change</u>
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1. State Universities - Operations

The Executive proposed elimination of Merit Award Trust Fund monies to support base state appropriations and reduced the total appropriation by 6.74%. The House provides for differential cuts ranging from 5.45% to 6.74% based on relative placement of a university in the four funding floors. The Senate first applies the 6.74% reduction, then brings all universities to a \$4,000 per Fiscal Year Equated Student level, and adds \$100,000 for each university for infrastructure needs. The Conference Report first applies a 6.74% reduction, allocates Merit Trust funds for campuses below \$3,890 per FYES, and caps the funding increases to \$5 million.

Executive change: (\$105,006,842)

House change: (\$101,006,842)

Senate change: (\$71,815,820)

Gross	\$1,558,942,342	(\$95,506,842)
Restricted	8,077,436	1,422,564
GF/GP	1,550,864,906	(96,929,406)

2. Statewide Programs

Three statewide programs (Rare Isotope Accelerator, the Japan Center, and the Midwest Higher Education Compact dues) would not be supported in FY2004 under the executive budget. The Agricultural Experiment Station (AES), the Cooperative Extension Service (CES), and Project GREEN (whose funding is partially included in AES and partially in CES) would receive 93.3% of FY2003 funding. Support for the higher education database (HEIDI), housed in the Center for Geographic Information, would be trimmed by 17.1% as part of state agency administrative savings.

Gross	\$68,747,491	(\$6,696,891)
Restricted	2,245,934	(2,245,934)
GF/GP	66,501,557	(4,450,957)

The House restores funding for the Michigan Higher Education Compact dues (\$82,500) and provides funding, at a reduced level, for the Japan Center. The Senate reduces Compact dues to \$100 and does not fund the Japan Center.

The Conference Report retains full funding for the Compact dues, eliminates funding for the Japan Center, and maintains funding for the HEIDI database operations.

Executive change: (\$6,779,391)

House change: (\$6,546,891)

Senate change: (\$6,779,135)

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>Conference Change</u>
3. King-Chavez-Parks Programs	Gross	\$2,885,884	(\$194,384)
Three KCP programs (student support services, college/university partnership, and educator development)	Restricted	14,953	(14,953)
would be reduced in FY2004 under the executive budget. The House version concurs with the Executive. The Senate adds \$100 to each of the three components of the KCP programs to create a point-of-difference in funding levels.	GF/GP	2,870,931	(179,431)

The Conference Report adopts the House levels of funding.

Executive change: (\$194,384)

House change: (\$194,384)

Senate change: (\$194,084)

4. Michigan Merit Award Program	Gross	\$64,323,850	\$65,776,150
The Executive budget added a 1.2% increase in restricted-dollar funding to support residual payments for the classes of 2000 through 2003. The Executive proposed that these awards be reduced from \$2,500 to \$500 for high school graduation classes beginning with the class of 2004. Payment of awards for that class would have been funded in the FY05 budget.	Restricted	64,323,850	65,776,150

The House concurs with the Executive recommendation of funding for the classes of 2000 through 2003, but adds \$60 million as an estimated amount for the first half of Award payments for the class of 2004 recipients. The Senate adds an extra \$9.9 million above the House level.

The Conference Report adopts a funding level that is \$130 million for FY2003-04, midway between the House and Senate-passed amounts.

Executive change: \$776,150

House change: \$60,776,150

Senate change: \$69,900,000

Major Budget Changes from FY 2002-03 YTD Appropriations:

	YTD	Conference
	<u>FY 2002-03</u>	<u>Change</u>

5. Michigan Opportunity Scholarships	Gross	\$0	\$0
The Governor proposed a new scholarship program that would replace five of the seven financial aid and grant programs (described below). The new program would be needs-based and provide support for in-state use of these scholarships at a public or independent college or university.	Federal	0	0
	GF/GP	0	0

Under a phase-out plan, current recipients of state competitive scholarships and tuition grant programs would continue to receive funding as long as they remain eligible. FY 04 funding for this initiative would be slightly less than the FY 03 aggregate of the five financial aid programs.

Neither the House nor the Senate provided funding for this proposed program. The Conference Report does not include funding for this proposed program.

Executive change: \$112,444,900
House change: \$0
Senate change: \$0

6. State Competitive Scholarships	Gross	\$35,993,486	(\$463,086)
Under the Executive budget, this program, which provides support to students attending a public or independent college or university and which is needs- and merit-based, would be eliminated, and the funding transferred to the Michigan Opportunity Scholarship program. The House retains this program at its FY 2002-03 level by replacing reduced federal funding. It also uses \$4 million of Merit Trust Fund monies to support the program. The Senate reduces funding by 6.74% in terms of GF/GP and does not replace the federal funds.	Federal	3,600,000	(700,000)
	Restr	165,273	(165,273)
	GF/GP	32,228,213	402,187

The Conference Report reduces, after transferring funds from the general degree and allied health degree reimbursement programs, total funding by \$463,000.

Executive change: (\$35,993,486)
House change: \$14
Senate change: (\$2,881,948)

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>Conference Change</u>
7. Tuition Grants	Gross	\$64,778,121	(\$10,021)
This program, which provides support to students attending only an independent college or university and which is needs-based, would be eliminated under the Executive budget, and the funding transferred to the proposed Michigan Opportunity Scholarship program. The House version retains the program but removes use of Merit Award Trust Fund monies.	Restr	330,501	(330,501)
	GF/GP	64,447,620	320,480
<p>The Conference Report includes funds transferred from the degree reimbursement line-items discussed in items 11 and 12 below.</p> <p>Executive change: (\$64,778,121) House change: (\$330,421) Senate change: (\$4,363,300)</p>			
8. Michigan Work-Study Program	Gross	\$7,855,475	(\$529,175)
Financial support for this program, which provides support to students attending a public or independent college or university at least half-time and which is needs-based, would be eliminated, and monies would be transferred to the proposed Michigan Opportunity Scholarships (MOS) program. Instead, the House moves funds from the Adult Part-time Grant program to this program. The Senate applies the 6.74% base reduction to this program.	Restr	40,079	(40,079)
	GF/GP	7,815,396	(489,096)
<p>The Conference Report includes the Senate reduction.</p> <p>Executive change: (\$7,855,475) House change: \$1,692,425 Senate change: (\$529,126)</p>			
9. Adult Part-time Grant	Gross	\$2,844,937	(\$191,637)
The Executive proposed termination of funding for this program, which provides support to students attending a public or independent college or university and which is needs-based, and the transfer of monies to the proposed Michigan Opportunity Scholarship(MOS) program. The House version moves these funds to the Michigan Work Study program. The Senate retains the program and applies a 6.74% reduction to FY03 levels.	Restr	14,515	(14,515)
	GF/GP	2,830,422	(177,122)
<p>The Conference Report accepts the Senate funding level.</p> <p>Executive change: (\$2,844,937) House change: (\$2,844,937) Senate change: (\$191,628)</p>			

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>Conference Change</u>
10. Michigan Education Opportunity Grants (MEOG)	Gross	\$2,234,692	(\$150,492)
Funding for this program, which provides support to students attending a Michigan public community college or university and which is needs-based, would be eliminated under the Executive budget and monies transferred to the proposed Michigan Opportunity Scholarship program. The House substitute retains this program. The Senate retains the program and reduces its funding by 6.74%.	Restr	11,402	(11,402)
	GF/GP	2,223,290	(139,090)

The Conference Report accepts the Senate reduction.

Executive change: (\$2,234,692)

House change: (\$11,392)

Senate change: (\$150,524)

11. General Degree Reimbursement Grants	Gross	\$5,967,611	(\$5,967,611)
The Executive proposed termination of this program, which provides funds to independent colleges and universities based on the number of prior academic-year graduates. The House concurs with the Executive on funding but adds conditional language concerning the grants if funding is restored. The Senate reduces funding by 6.74%, as the Executive proposed.	Restr	30,921	(30,921)
	GF/GP	5,936,690	(5,936,690)

The Conference Report eliminates funding for this grant and transfers funds to the Competitive Scholarships and Tuition Grants line-items.

Executive change: (\$5,967,611)

House change: (\$5,967,611)

Senate change: (\$301,964)

12. Allied Health Degree Reimbursement Grants	Gross	\$902,397	(\$902,397)
The Executive proposed termination of this program, which provides funds to independent colleges and universities based on the number of prior academic-year graduates in allied health programs. The House substitute concurs with the Executive. The Senate reduces funding by 6.74%, as proposed by the Executive.	Restr	4,676	(4,676)
	GF/GP	897,721	(897,721)

The Conference Report eliminates and transfers funds to the Competitive Scholarships and Tuition Grants line-items.

Executive change: (\$902,397)

House change: (\$902,397)

Senate change: (\$60,783)

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>Conference Change</u>
13. Dental Clinics Grant	Gross	\$4,875,449	(\$328,449)
The governor proposed retention of the dental clinics grant to the University of Detroit-Mercy for provision of dental services to low-income recipients in southeastern Michigan. The House concurs with the proposed reduction in funding and rounds the amount to the nearest \$100. The Senate concurs with the 6.74% reduction.	Restr	25,262	(25,262)
	GF/GP	4,850,187	(303,187)
The Conference Report includes the Executive reduction.			
Executive change: (\$328,449)			
House change: (\$328,449)			
Senate change: (\$328,399)			
14. Byrd Scholarship Program	Gross	\$1,900,000	(\$400,000)
Due to reduced federal funding, the Executive budget reduces this federally-funded scholarship program. The House and Senate and the Conference Report concur.	Federal	1,900,000	(400,000)
Executive change: (\$400,000)			
House change: (\$400,000)			
Senate change: (\$400,000)			
15. Tuition Incentive Program (TIP)	Gross	\$5,250,000	\$4,000,000
The Executive recommended an increase of \$4 million in this program targeted at low-income Medicaid-eligible students by providing financial assistance to attend college. The additional funding addresses increased participation rates and higher college costs. The House does not concur but the Senate does concur with the Executive.	Restricted	5,250,000	4,000,000
The Conference Report includes the additional funding included by the Senate.			
Executive change: \$4,000,000			
House change: \$0			
Senate change: \$4,000,000			
16. MPSERS Contribution Subsidy	Gross	N/A	N/A
The Executive proposed to use funds in a Michigan Public School Employee Retirement System (MPSERS) stabilization subaccount to offset the required contribution rate increase for the seven state universities who have employees in the MPSERS system. There is no appropriation required for this action to occur. The House version adds intent language in section 437. The Senate modifies the House language. The Conference Report includes the Senate language.	Federal	n/a	n/a
	Restricted	n/a	n/a
	GF/GP	n/a	n/a

Major Boilerplate Changes from FY 2002-03:

Sec. 304. General degree reimbursement grant – DELETED

The Executive proposes repeal of the statute and enactment of the Michigan Opportunity Scholarship program. The House substitute retains and revises subsections (1) and (2) and deletes the remaining subsections. The Senate retains current law, except for deletion of the set-aside language in subsections (3) through (5). The Conference Report deletes this section.

Sec. 305. Allied health degree reimbursement grant – DELETED

Language related to the allied health degree reimbursement grant program is deleted, since the Executive proposes repeal of the statute and enactment of the Michigan Opportunity Scholarship program. The House version concurs in the deletion of this section. The Senate revises the current section to identify the equally prorated amount of the reimbursement grant. The Conference Report deletes this section.

New Sec. 315. Dental clinics grant – NEW

The Executive adds language to specify that funds provided to the University of Detroit Mercy and previously listed as a dental degree reimbursement line item is intended to support dental clinical services (as the current appropriation does). The House, Senate, and Conference Report concur.

Sec. 433. Project GREEN – REVISED

The Executive proposal reduces funding for Project GREEN by 6.74%. The House, Senate, and Conference Report concur.

Sec. 436. Tuition restraint – REVISED

Current law specifies a maximum resident undergraduate tuition and fee increase for FY03 of the greater of \$425 or 8.5%. The Executive proposes “reasonable” tuition increases without stating a limit either in dollar increase or in percent increase. The House, Senate, and Conference Report concur with the Executive.

Sec. 437. MPSERS contribution rate - NEW

The House substitute adds intent language related to use of a MPSERS stabilization subaccount to maintain the 2003-04 fiscal year contribution rate at the FY 2002-03 level of 12.99%. The Senate modifies the House language to eliminate reference to the contribution rate. The Conference Report accepts the Senate language.

Sec. 439. Dormitory smoking policy report - NEW

The House and Senate add language regarding a proposed December 2003 report by the state universities concerning its smoking policy in dormitories and residence halls.

Sec. 1201. FY03 Supplemental - NEW

The Conference Report adds \$7 million in a one-time supplemental for thirteen of the fifteen state universities. \$2.75 million is distributed proportionately on the basis of FY03 funding. \$2.75 million is distributed on an equal-dollar basis for eleven universities, and CMU is allocated \$1.5 million.

Sec. 1301. Switch in fund source for December 2002 FY03 supplemental - NEW

The Senate version adds text to switch the fund source for the December 2002 FY03 supplemental from the Merit Award Trust Fund to the Tobacco Settlement Trust Fund. The Conference Report accepts the Senate language.

Sec. 1302. Intent language concerning financial aid notice - NEW

The Senate adds intent language regarding notification of competitive scholarship and tuition grant award recipients by July 1, 2003. The Conference Report modifies the Senate language by revising the notification date to July 31, 2003.