

STATE AFFAIRS

FY 2005 Higher Education Bill

Despite a heated debate over a shift in property tax collections and racinos, the legislature and the Governor were able to reach an agreement on the state's FY 2005 budget before the beginning of the new fiscal year on October 1.

The Higher Education budget bill was signed into law by the Governor on September 30, 2004. A few of the areas of interest are highlighted below:

- **Tuition Restraint.** The Conference agreement did the following:
 - Sets certification deadline at October 1, 2004
 - Allows a 2.4 percent increase from highest authorized rate for Grand Valley, Michigan State, and Saginaw Valley; 2.4 percent increase for Western with a \$200 rebate from its \$500 one-time records fee; and 2.8 percent increase for remaining 11 universities
 - Includes Senate/House language regarding the reporting requirement and no further appropriations reductions, and
 - Applies tuition increase limits to each semester of academic year 2004-05 compared to academic year 2003-04.

As a result of WSU's compliance to the agreement, instead of receiving a 3% rebate in FY 2003-04 (the original plan), we will receive a 6% increase over FY 2003-04 in FY 2004-05. There is no change in the total dollars promised by the state over Fiscal Years 2003-05.

- **Tuition Grants.** The Governor originally proposed eliminating this \$64,768,100 program; the House and Senate retain it in the Conference Report by reducing it by \$3 million. The Governor signed the bill with funding at the \$61,768,100 level.
- **Michigan Merit Awards.** The Senate appropriated \$67 million which includes funding for the graduating class of 2004 (the first half of the \$2,500 awards for in-state students, and full payment of \$1,000 for out-of-state students), as well as payments due to qualified students from previous graduating classes. There was a Governor's revised recommendation on May 27, 2004, that assumed savings of \$24 million due to new expenditure estimates for FY 2004-05 (\$4 million) and a House proposal to pay awards at the end of an academic year following confirmation that a student has a minimum of a 2.0 grade point average (\$20 million). The House includes the \$4 million reduction but lowers to \$10 million the estimated savings from the 2.0 grade point proposal, for a total reduction of \$14 million in Merit Award Trust Fund revenue. The Conference Report includes expenditure savings of \$5.6 million from FY 2003-04, but no other policy changes for FY 2004-05.

- **Joseph F. Young Psychiatric Research.** Governor’s January budget reduced earmarking by 8.0%; however, the Senate and House Conference Report only reduced program by 2.0%. The Governor made no additional changes from the Conference Report and funding was granted at \$5,605,892.
- **Per-Student Floor Funding.** The Senate added legislative intent for the per-student floor funding at \$3,800, based on FY 2002-03 fiscal-year-equated students. The House and Conference refer to \$4,000 floor. The Governor agreed and signed at \$4,000.

FY 2004-05 Budget Initiatives

Governor’s Revenue Proposals	Legislative Response
Estate tax increase	No estate tax increase
Liquor tax – mark-up increased 10% with additional \$3.7 million to fire protection grants	No liquor mark-up increase
Cigarette tax increase – fully earmarked to Medicaid	Cigarette tax increase – with 75/25 per cent Medicaid/General Fund split starting in Fiscal Year 2006
MUSTFA fee continuation	MUSTFA fee continuation with sunset as well as legislative and industry input on new cleanup program
Eliminating pharmacy research SBT credit	Pause effective date of existing pharmaceutical credit
\$6 million from E-911 fund surplus	No fund shift
	Detroit Casino tax increase
	Excess governmental property sale legislation. Potential revenue from bill dedicated to General Fund and fire protection grants
	Professional Employer Organization tax loophole closure legislation
	Implementation and funding for several Republican JOBS package initiatives
County Revenue sharing fund shift – accelerated county millage collection	Modified County Revenue sharing fund shift – with the effect spread over three years
Maintain/fully fund Medicaid	Additional Quality Assurance Assessment Program cuts, podiatric services restored, create out-state DISH formula, freeze EPIC and Adult Benefit Waiver enrollments, and implement Medicaid fraud auditing
\$30 million increase for Healthy Michigan Fund	Allow for \$15 million increase for Healthy Michigan Fund prevention programs
Maintain \$15 million for Technology Tri-Corridor initiatives	Funding increased by \$15 million, with \$30 million total dedicated to Life Science initiatives
50/50 K-12 blended count	75/25 K-12 blended count
K-12 cut to school districts receiving 20j payments above \$9,000 per pupil	Agree with Governor’s recommendation

Governor's Revenue Proposals	Legislative Response
	\$14 million in cuts to Intermediate School Districts – which include eliminating Governor's proposed \$7 million increase to Project Great Start
Eliminate Higher Education Tuition Grant program - \$65 million	\$3 million cut to Higher Education Tuition Grant program and a \$4.6 million cut to out of state Merit award recipients in 2006
Payments In Lieu of Taxes paid out of local government revenue sharing	Payments In Lieu of Taxes maintained under General Fund and Restricted fund source distribution
Agriculture Experiment Station / Cooperative Extension cut - \$1.9 million	No cut to Agriculture Experiment Station or Cooperative Extension
Fully fund Detroit library grant and create new digitization project	Secured \$1.5 million in cuts from History, Arts, and Libraries budget to come from Detroit library and/or digitization project
Department of Information Technology funded at Governor's recommended level	\$4 million cut to the Department of Information Technology funding below Governor's recommendation
Full funding for Comprehensive Transportation Fund programs	\$10 million cut to Comprehensive Transportation Fund programs.
Corrections funded at Governor's recommended level	\$17.5 million in additional cuts to Corrections
Family Independence Agency funded at Governor's recommended level	\$2 million in additional cuts to Family Independence Agency

Legislative Watch

- Senate Bills 1331-1336, the electric restructuring bills, are at the top of bills to be heard in the Senate Committee on Energy and Technology. These bills could result in the University paying higher costs for electricity. For example, these bills would:
 - Require Alternative Electric Suppliers to pay an electric utility charge equal to the amount they can save customers. Transition costs, now about 87 cents/kWh, might more than double if these bills are passed.
 - Prevent universities, among others, from aggregating their electric load.

- A Senate committee is amending the Michigan State Housing Development Authority (MSHDA) act with Senate Bill 1341.
 - Essentially, SB 1341 would allow a mortgage lender to directly or indirectly lend the proceeds of certain state bonds to a nonprofit housing corporation, consumer housing cooperative, limited dividend housing corporation, limited dividend housing association, mobile home park corporation, mobile home park association, or public body or agency for the construction, rehabilitation, long-term financing or any combination of construction, rehabilitation, or long-term financing of any of multi-family housing projects for students and others.
 - This bill could assist the build-out of student housing around the WSU campus.

OUTREACH INITIATIVES

The Office of Government Affairs continues to engage the campus community with activities for the FY 2004-05 legislative session:

- **Voter Registration**

The Office of Government Affairs, in partnership with the Dean of Students Office and Student Council, held voter registration activities during Welcome Back Week and Student Organization Day. Approximately 200 new voters registered to vote during this period. Staff from the Office of Government Affairs mailed the completed forms directly to city/township clerks throughout Michigan. Follow-up letters were also sent to students reminding them to vote and providing them with contact information for their city/township clerk.

- **Rock the Vote**

The Office of Government Affairs, in partnership with the Dean of Students Office and Student Council, hosted the October 14 *Rock the Vote (RTV)* concert on Gullen Mall with artists Mozella and Sarah Hudson. *Rock the Vote*, along with their corporate partners, included *Get Out The Vote* activities, which included voter pledge cards, free RTV goodies and an interactive oval office. Between foot traffic and attendance at the concert, it is estimated that 2,000-4,000 students visited the concert footprint.

- **Detroit Orientation Institute (DOI) for Legislators**

In partnership with the city of Detroit and Ann Slawnik (DOI), Government Affairs continues planning a two-part legislative learning experience on the city of Detroit. The first event, scheduled for mid-February, will include a panel discussion and lunch in Lansing. The panel comprises past DOI attendees and city of Detroit officials and focuses on major issues facing the city of Detroit, such as transportation, education, police services, and urban development. The second part of the initiative includes a June DOI tour for legislators, legislative staff and policy staff.

Administration/Legislator Campus Visits

- No legislators visited the campus in September.

FEDERAL AFFAIRS

The President transferred the budget and reporting requirements of the Office of Federal Affairs to the Office of Government Affairs effective October 1, 2004.

In Congress:

The 2004 fiscal year ended on Thursday, September 30, 2004, with only one appropriations bill, the defense bill, H.R. 4513, signed into law.

Fortunately, the Defense Appropriations Bill contains three projects with funding totaling more than \$4 million for Wayne State (\$2 million for Low Temperature Research initiative and \$2.6 million for Biological Agents in Water detection initiative).

Both chambers of Congress took up and passed a continuing resolution (CR), H.J. Res. 107, on September 29 that will keep the government running until November 20, 2004. The CR includes a clause that will extend provisions contained in the Higher Education Act (HEA) that would otherwise expire without the extension. Most of the provisions relate to payments to student loan guaranty agencies.

Reauthorization of the Higher Education Act (HEA)

The 108th Congress will not reauthorize HEA, rather both the House and Senate will likely take up the reauthorization early next year. However, there is no definitive timeframe as to when a final reauthorization bill will pass. In order to continue programs under the Higher Education Act, such as student loans and applications for student aid, Congress passed an emergency measure, which runs through September of 2005. If there are no changes in administration or control of the House and Senate, we expect that the primary focus of the Bill will continue to be the "spiraling" cost of college, expanding college access to low and middle-income students, and low graduations rates.

Details that have emerged from the current administration indicate that in a second term, President Bush would favor community colleges and proprietary institutions and would focus on eliminating restrictions that prevent adult and part-time students from receiving federal grants and loans. The most controversial plan would call for elimination from the Higher Education Act the "90/10 rule," which requires proprietary institutions to receive at least 10 percent of their tuition and fee revenue from non-federal sources. In addition, the removal of the "50 percent rule," which prevents institutions that offer more than half of their courses via distance education from participating in student-aid programs.

Presidents representing the following organizations sent an open letter to both presidential candidates suggesting key areas where national initiatives can strengthen higher education: American Association of Community Colleges; American Association of State Colleges and Universities; American Council on Education; Association of American Universities; National Association of Independent Colleges and Universities; and National Association of State Universities and Land Grant Colleges. The key areas were: 1) Investing in Individuals; 2) Preparing the Next Generation of College Students; 3) Ensuring Economic Prosperity; and 4) Inspiring Scientific and Technological Innovation.

Foreign Students and Scholars

Senate Foreign Relations Committee Chair Richard Lugar (R-Ind.) and other members of the panel will work over the congressional recess to develop a strategy for easing visa restrictions for foreign students, scholars and scientists, Lugar said during a hearing on October 6.

In a recent letter to Senator Norm Coleman (R-MN), a State Department spokesman confirmed that the Departments of State and Homeland Security (DHS) have agreed to a process for initiating a pilot program in China and India that will allow prospective students to pay the SEVIS fee when they pay their visa application fees, rather than separately.

The State Department's response was a follow-up to a September 14 letter sent by Senators Coleman and Jeff Bingaman (D-NM) to the two departments urging implementation of the pilot project, which the higher education and scientific communities endorsed. The letter from Assistant Secretary of State for Legislative Affairs Paul Kelly advised Senator Coleman that State and DHS are working to coordinate the financial and information technology systems "to insure that funds collected overseas are ready for the appropriate DHS accounts and that the fee payment information reaches the SEVIS database in the most systematic way possible." Mr. Kelly added that the State Department hopes that the pilot program "will be ready for the end-of-the-year seasonal increase in applications from students and exchange visitors."

International Student Enrollments Survey

The Association of American Universities (AAU), the Council of Graduate Schools (CGS), the National Association of State Universities and Land-Grant Colleges (NASULGC), and NAFSA: Association of International Educators are jointly participating in a survey of members/member institutions about international student enrollments for the fall 2004 compared to fall 2003.

The deadline to complete the survey is October 22 and there will be no deadline extensions. The Office of Federal Affairs has urged those on campus to participate and complete the survey which can be found by going to:

<<http://websurveyor.net/wsb.dll/11640/enrollmentsurvey.htm>>
<http://websurveyor.net/wsb.dll/11640/enrollmentsurvey.htm>

Student Loans

The House of Representatives approved legislation, the Taxpayer-Teacher Protection Act of 2004 (H.R. 5186), which would curtail for one year the loophole that has allowed some student loan lenders to receive millions of dollars in excess loan subsidies. The feds would use the savings to forgive loans for borrowers who become elementary or secondary school teachers in math, science, and special education and teach in low-income schools. We expect the Senate to take up the measure before adjournment.

Under the legislation (<<http://thomas.loc.gov/cgi-bin/query/z?c108:H.R.5186>> HR 5186), Congress would use the projected \$270-million in savings from the one-year fix to more than triple the amount of loan forgiveness for teachers of mathematics, science, and special education in the nation's poorest urban and rural schools, to \$17,500 from \$5,000 per borrower.

The bill, offered by the Republican leaders of the House education committee, would close the loophole for a year, giving lawmakers time to complete work on legislation to renew, or reauthorize, the Higher Education Act, and include a provision that would close it permanently.

Congressional Democrats, who have called for an immediate, permanent fix, voted in favor of the bill but said they were not completely happy with it.

The higher education community sent a letter on September 30 to every Member of Congress encouraging passage of the bill. The letter is available on the AAU Web site at: <http://www.aau.edu/education/HR5186.pdf> <<http://www.aau.edu/education/HR5186.pdf>> .

Information Technology

The House Judiciary Subcommittee on Courts, the Internet, and Intellectual Property held a hearing the week of October 4th to examine campus peer-to-peer file sharing. The hearing highlighted actions that college and university campuses are taking to reduce unauthorized peer-to-peer file sharing, including the growing number of pilot projects between higher education institutions and legitimate online music delivery services. (Witnesses included Graham Spanier, President of The Pennsylvania State University; Cary Sherman, President of the Recording Industry Association of America; and James Davis, Associate Vice Chancellor for Information Technology at the University of California, Los Angeles.)

The Federal Affairs Office has been in touch with John Camp, Wayne State's Chief Information Officer and Dan Eklund, C&IT Network Services Director, to learn Wayne State's policy on the use of peer-to-peer software. John and Dan emphasized that matters of liability affecting policy decisions and information security are not restricted to technology.

Judiciary Committee Chairman Cancelled "INDUCE" Act Markup

Senate Judiciary Committee Chairman Orrin Hatch (R-UT) cancelled a September 30 markup of the "Induce" Act (S. 2560), acknowledging that he had not been able to forge a consensus on his anti-piracy copyright bill. Senator Hatch may revive this initiative next year. On September 17, a group of 41 software companies, Internet service providers, and other organizations including AAU, the American Council on Education, and the National Association of State Universities and Land-Grant Colleges sent Judiciary Committee leaders a letter urging them to delay markup of the bill until at least one more public hearing could be held. (That) S. 2560, "raises a host of new issues and would create an unprecedented new form of liability of uncertain, but potentially unlimited, reach." A larger group of companies and organizations sent a second letter on September 27 once again urging Senate leaders to delay committee approval of the bill.

Tax Issues

The conference report on the corporate tax bill (H.R. 4520), which passed before adjournment, includes a provision generally limits deductions for such contributions to the lesser of the taxpayer's basis in the contributed property or the fair market value of the property. In addition,

the taxpayer is permitted to deduct certain additional amounts in the year of the contribution or in subsequent years based on income received by the recipient of the contribution as a result of the contributed patent. The explanation of the provision is contained in the conference report on H.R. 4520, which is numbered H.R. 108-755. The explanation begins on page 729 of the document.

Federal Affairs Activities

- The Office of Federal Affairs participated in a number of events as part of the Congressional Black Caucus Policy Conference.
- Marda Robillard will serve on the Council of Government Affairs program planning committee for the NASULGC 2004 national conference in San Diego.
- Kim Trinca will serve on the Professional Development planning committee for the NASULGC 2004 national conference in San Diego.
- The Office of Federal Affairs is moving forward with plans to highlight WSU by reserving a suite at Washington's MCI Center to host congressional guests at a Detroit Pistons/Washington Wizards basketball game on February 1, 2005.

Other DC Events

- Ohio State University opened a Washington, D.C. Office.