

**FY 2013-14: Community Colleges
Summary: As Passed House Subcommittee
House Bill 4212 (H-1) Draft 1**



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IDG/IDT	FY 2012-13 YTD as of 2/7/13	FY 2013-14 Revised Executive	FY 2013-14 House	FY 2013-14 Senate	FY 2013-14 Enacted	Difference: House From FY 2012-13 YTD	
						Amount	%
	\$0	\$0	\$0			\$0	0.0
Federal	0	0	0			0	0.0
Local	0	0	0			0	0.0
Private	0	0	0			0	0.0
Restricted	197,614,100	197,614,100	197,614,100			0	0.0
GF/GP	96,516,400	138,363,500	137,263,500			\$40,747,100	42.2
Gross	\$294,130,500	\$335,977,600	\$334,877,600			\$40,747,100	13.9
FTEs	0.0	0.0	0.0			0.0	

Notes: (1) FY 2012-13 year-to-date (YTD) 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.

Overview

The Community Colleges budget supports the 28 community colleges located throughout the state. The colleges are governed by locally-elected boards of trustees. The colleges offer numerous educational programs aimed at traditional transfer students, career and technical education, developmental and remedial education, and continuing education courses. The colleges are funded through a combination of state aid, local property tax revenue, tuition and fees revenue, and other sources of revenue such as federal grants and investment earnings. State aid makes up about 19% of total community college general fund operating revenue, although the revenue mix varies considerably among the colleges.

Major Budget Changes From FY 2012-13 YTD Appropriations

1. Operations Funding

Executive increases community college operations funding by 2 percent, or \$5.8 million, to be distributed according to performance funding measures similar to those in the FY 2012-13 enacted budget. Additionally, \$1.3 million that was previously distributed according to local strategic value requirements are now distributed according to performance funding measures. Local strategic value requirements are now prerequisites for all performance funding. Performance funding components are as follows:

- 50.0% Across-the-board distribution
- 17.5% Weighted degree completions
- 15.0% Skilled trades program students placed in a relevant job
- 10.0% Contact-hour equated students (CHES)
- 7.5% Administrative spending

	FY 2012-13 Year-to-Date (as of 2/7/13)	FY 2013-14 House Change
Gross	\$292,396,900	\$5,847,100
Restricted	195,880,500	0
GF/GP	\$96,516,400	\$5,847,100

House concurs with funding amount increase, but retains FY 2012-2013 performance funding formula, which includes local strategic value instead of skilled trades program students placed in a relevant job. Local strategic value funding from FY 2012-2013 is included in each community college's base appropriation. Additional boilerplate requirements would withhold performance funding for colleges that do not meet certain requirements related to renewal of labor contracts before March 28, 2013 (see boilerplate Sec. 230(5) below).

Major Budget Changes From FY 2012-13 YTD Appropriations		FY 2012-13 Year-to-Date (as of 2/7/13)	FY 2013-14 House Change
2. MPERS Retirement Reform Payments	Gross	\$1,733,600	\$31,400,000
<u>Executive</u> includes a \$12.5 million GF/GP supplemental for FY 2012-13 and \$31.4 million GF/GP for FY 2013-14, for payments to community colleges to pay MPERS retirement liabilities. Retains \$1.4 million appropriated for MPERS retiree health care in FY 2012-13, but appropriates these funds in proportion to each college's total MPERS-covered payroll. Provides a further increase of \$17.4 million for FY 2014-15. <u>House</u> concurs with funding amounts, boilerplate language describing the distribution of appropriations is included in the funding section.	Restricted	1,733,600	0
	GF/GP	\$0	\$31,400,000
3. Renaissance Zone Reimbursements	Gross	\$0	\$3,500,000
<u>Executive</u> transfers \$3.5 million GF/GP from the Treasury budget for community college renaissance zone reimbursements. These funds replace property tax revenue lost to community colleges as a result of renaissance zones. Previously, such reimbursements were included in the community colleges budget, but were eliminated in FY 2009-10 before they were included in the FY 2012-13 Treasury budget. <u>House</u> concurs with executive.	GF/GP	\$0	\$3,500,000
4. Virtual Learning Collaborative	Gross	N/A	\$0
<u>Executive</u> adds one-time appropriation of \$1.1 million GF/GP to support the Michigan Community College Association Virtual Learning Collaborative. Funds will be used to develop an infrastructure and course repository for community college online courses. This program allows students to enroll in online courses from other community colleges when home institution courses are full or unavailable. <u>House</u> does not include.	GF/GP	N/A	\$0

Major Boilerplate Changes From FY 2012-13

NOTE: Boilerplate sections that are not changed in the FY 2013-2014 budget are not included in HB 4212.

Sec. 204. Foreign Goods and Services - RETAINED

Prohibits the use of funds to purchase foreign goods or services if American products that are competitively priced and of similar quality are available; states preference for Michigan goods and services; states preference for goods and services provided by Michigan businesses owned and operated by veterans. Executive deletes, House retains.

Sec. 205. Deprived and Depressed Communities - RETAINED

Encourages colleges to ensure businesses in economically distressed areas compete for and perform contracts. Executive deletes, House retains.

Sec 207c. Virtual Learning Collaborative - DELETED

Designates that one-time appropriation for the Virtual Learning Collaborative shall be distributed to community colleges on behalf of the Michigan Community College Association (MCCA) for the purpose of enhancing the Virtual Learning Collaborative. Executive creates, House deletes funding and associated boilerplate.

Sec. 208. Capital Outlay Funding - RETAINED

Prohibits colleges from using state funds for construction or maintenance of a self-liquidating project; requires colleges to comply with Joint Capital Outlay Subcommittee use and finance policy for any capital outlay projects. Subjects colleges that fail to comply to JCOS requirements to a penalty of 1% of the operations funding for each violation. Executive deletes, House retains.

Sec 209. Transparency Website - REVISED

Requires the colleges to post general fund expenditures on their websites. This information includes: annual operating budgets, collective bargaining agreements, health care benefits plans, and audits and financial reports. Colleges must provide a link to this information on their homepage using a standardized icon. Executive revises to include general fund revenue and expenditure projections and a listing of debt service obligations, as well as update reporting requirements to FY 2014-15. House concurs with revisions.

Major Boilerplate Changes From FY 2012-13

Sec. 210a. Block Transfer - DELETED

Establishes a 14-member committee made up of representatives from community colleges, universities, and legislators to develop a process to improve the transferability of core college courses between community colleges and universities, including the development of equivalency standards and identifying equivalent courses offered by the institutions. Executive deletes, House concurs with deletion.

Sec. 212. Cost Containment Initiatives - RETAINED

Encourages colleges to evaluate and pursue efficiency and cost-containment measures, including joint ventures, consolidating services, program collaboration, increasing web-based instruction, improving energy efficiency, eliminating low-volume/high-cost instructional programs, self-insurance, and group purchasing. Executive deletes, House retains.

Sec. 216. Review of Statutory Mandates - RETAINED

Intent language providing for the review of statutory mandates imposed on the colleges, including reviewing the costs and necessity of the mandates. Executive deletes, House retains.

Sec. 227. Community College Automobile Purchases - RETAINED

Requires community colleges to purchase automobiles made in the state of Michigan or elsewhere in the U.S., if competitively priced and of comparable quality. Executive deletes, House retains.

Sec. 230. Local Strategic Value and Performance Funding - REVISED

Identifies performance funding formula, as well as local strategic value (LSV) components that community colleges must meet in order to qualify for performance funding. Executive revises to make LSV components a prerequisite for all performance funding. The performance funding formula is revised as explained in item 1 above. House retains FY 2012-13 formula, but removes requirement that all additional funding be used to offset retirement costs. Additional prerequisites for performance funding are added (see below).

Sec. 230(5). Limitations on Renewal of Labor Contracts before March 28, 2013 - NEW

House creates new prerequisite for receiving performance funding, where colleges must not have extended or renewed a labor contract between December 10, 2012 and March 28, 2013, unless certain requirements were met. These requirements are as follows: (1) The contract that is renewed must expire before September 30, 2013 (unless certain savings requirements are met); (2) The contract does not extend beyond the length of the contract it replaces (unless certain savings are met); or (3) the contract does not exclusively contain a union security agreement or closed-shop provision. Any performance funding that would go to a college that does not meet these requirements would be distributed to eligible colleges in proportion to their total performance funding.

Sec. 230a. State Building Authority Rent Payments - REVISED

Indicates an estimated amount appropriated to the Department of Technology, Management, and Budget specifically for community college-related state building authority rent payments. Executive updates amounts for FY 2013-14 appropriations, House concurs with executive.

Sec. 231. Repeals Community College Sections at End of Fiscal Year - DELETED

Executive repeals all sections, including appropriations, for community colleges effective September 30, 2014. House does not include repeal of all sections.

House Subcommittee Performance Funding Formula

	FY13 Current Law Payments	50.0% Across-the-Board	17.5% Weighted Degree Completions	10.0% Enrollment	7.5% Administrative Costs	15.0% Local Strategic Value	Total Performance Funding	Total FY14 House Appropriation	% Change from FY13
Alpena	\$5,133,600	\$51,300	\$15,600	\$4,800	\$15,800	\$15,400	\$102,900	\$5,236,500	2.0%
Bay de Noc	5,184,000	51,800	16,400	6,300	5,300	15,600	95,400	5,279,400	1.8%
Delta	13,772,700	137,700	64,400	27,500	19,900	41,400	290,800	14,063,500	2.1%
Glen Oaks	2,393,500	23,900	8,100	3,600	4,900	7,200	47,700	2,441,200	2.0%
Gogebic	4,251,700	42,500	9,700	3,200	10,400	12,800	78,600	4,330,300	1.8%
Grand Rapids	17,129,200	171,300	43,200	39,900	19,900	51,400	325,700	17,454,900	1.9%
Henry Ford	20,687,400	206,800	47,700	40,700	15,300	62,100	372,600	21,060,000	1.8%
Jackson	11,542,000	115,400	36,900	16,500	12,900	34,600	216,200	11,758,200	1.9%
Kalamazoo Valley	11,880,200	118,800	39,600	26,300	22,000	35,700	242,400	12,122,600	2.0%
Kellogg	9,330,000	93,300	34,200	14,700	21,900	28,000	192,100	9,522,100	2.1%
Kirtland	2,981,200	29,800	16,000	4,700	15,100	8,900	74,500	3,055,700	2.5%
Lake Michigan	5,081,500	50,800	13,200	11,300	6,000	15,300	96,600	5,178,100	1.9%
Lansing	29,463,900	294,600	106,800	46,400	23,700	88,400	559,900	30,023,800	1.9%
Macomb	31,343,700	313,400	96,400	59,500	24,200	94,100	587,600	31,931,300	1.9%
Mid Michigan	4,412,600	44,100	24,600	11,900	11,500	13,200	105,300	4,517,900	2.4%
Monroe County	4,241,900	42,400	14,200	9,600	21,800	12,700	100,700	4,342,600	2.4%
Montcalm	3,051,800	30,500	10,900	4,400	14,500	9,200	69,500	3,121,300	2.3%
Mott	14,955,800	149,500	45,600	29,500	21,800	44,900	291,300	15,247,100	1.9%
Muskegon	8,493,300	84,900	19,300	10,500	20,100	25,500	160,300	8,653,600	1.9%
North Central	2,992,900	29,900	10,500	5,600	16,500	9,000	71,500	3,064,400	2.4%
Northwestern	8,662,000	86,600	19,800	13,100	17,700	26,000	163,200	8,825,200	1.9%
Oakland	20,065,100	200,600	67,400	66,900	22,900	60,200	418,000	20,483,100	2.1%
St Clair County	6,726,700	67,300	20,400	11,300	14,200	20,200	133,400	6,860,100	2.0%
Schoolcraft	11,852,100	118,500	58,500	31,500	16,000	35,600	260,100	12,112,200	2.2%
Southwestern	6,296,600	63,000	11,900	7,700	6,200	18,900	107,700	6,404,300	1.7%
Washtenaw	12,295,200	122,900	103,000	32,600	20,200	36,900	315,600	12,610,800	2.6%
Wayne County	15,867,900	158,700	62,700	41,300	16,100	47,600	326,400	16,194,300	2.1%
West Shore	2,308,400	23,100	6,100	3,400	1,600	6,900	41,100	2,349,500	1.8%
TOTAL:	\$292,396,900	\$2,923,400	\$1,023,100	\$584,700	\$438,400	\$877,700	\$5,847,100	\$298,244,000	2.0%

Note: Assumes all colleges meet boilerplate requirements for Performance Funding.
 Local Strategic Value estimates presume all colleges meet local strategic value requirements.