

FY 2024-25: COMMUNITY COLLEGES

Summary: As Reported by House Appropriations Committee House Bill 5504 (H-1)



Analyst: Perry Zielak

| | FY 2023-24 Enacted as of 2/7/24 | FY 2024-25 Executive | FY 2024-25 House | FY 2024-25 Senate | FY 2024-25 Conference | Difference: House From FY 2023-24 Enacted | |
|--------------|---------------------------------------|-------------------------|----------------------|----------------------|--------------------------|---|---------------|
| | | | | | | Amount | % |
| IDG/IDT | \$0 | \$0 | \$0 | \$ | \$ | \$0 | -- |
| Federal | 0 | 0 | 0 | | | 0 | -- |
| Local | 0 | 0 | 0 | | | 0 | -- |
| Private | 0 | 0 | 0 | | | 0 | -- |
| Restricted | 544,517,500 | 465,920,800 | 468,811,200 | | | (75,706,300) | (13.9) |
| GF/GP | 0 | 0 | 0 | | | 0 | -- |
| Gross | \$544,517,500 | \$465,920,800 | \$468,811,200 | \$ | \$ | (\$75,706,300) | (13.9) |

Note: Appropriation figures for FY 2024-25 include all proposed appropriation amounts, including amounts designated as "one-time."

Overview

The Community Colleges budget, contained in Article II of the compiled School Aid Act, provides funding for operational support of the 28 public community colleges located throughout the state and some retirement costs for employees who participate in the state public school employee retirement system. Community colleges offer a wide variety of educational programs, including traditional two-year transfer programs, associate degrees, career and technical education, developmental and remedial education, continuing education, and baccalaureate programs in a limited number of areas. The colleges are supported primarily through a combination of state aid, local property tax revenue, and tuition and fees.

Major Budget Changes from FY 2023-24 Enacted Appropriations

1. Community College Operations Increase

Executive includes a net increase of \$9.0 million School Aid Fund (SAF) for community college operations, a 2.5% increase. This includes:

- \$8.9 million SAF, or 2.5%, increase to operations grants for community colleges, which would be distributed through the performance funding formula.
- \$49,100 SAF increase based on FY 2022-23 North American Indian Tuition Waiver (ITW) program costs reported by institutions.

Attainment of the performance funding increase would be conditioned on restraining in-district tuition and fee increases to the greater of 5.0% or \$241. Projected funding increases for individual community colleges would range from 2.0% to 3.8%. Total funding for operations would be \$366.9 million SAF.

House includes a net increase of \$11.9 million School Aid Fund (SAF) for community college operations, a 3.3% increase. This includes:

- \$11.8 million SAF, or 3.3%, increase to operations grants for community colleges, which would be distributed through the performance funding formula.
- \$49,100 SAF increase based on FY 2022-23 North American Indian Tuition Waiver (ITW) program costs reported by institutions.

Attainment of the performance funding increase would be conditioned on restraining in-district tuition and fee increases to the greater of 4.5% or \$217. Projected funding increases for individual community colleges would range from 2.7% to 4.8%. Total funding for operations would be \$369.8 million SAF.

| | FY 2023-24 Enacted (as of 2/7/24) | FY 2024-25 House Change |
|--|---|-------------------------------|
|--|---|-------------------------------|

| | | |
|--------------|----------------------|---------------------|
| Gross | \$357,961,900 | \$11,860,200 |
| Restricted | 357,961,900 | 11,860,200 |
| GF/GP | \$0 | \$0 |

| | | FY 2023-24 Enacted (as of 2/7/24) | FY 2024-25 House Change |
|--|--------------|---|-------------------------------|
| <u>Major Budget Changes from FY 2023-24 Enacted Appropriations</u> | | | |
| 2. Michigan Public School Employee Retirement System (MPERS) State Share of Unfunded Actuarial Accrued Liability (UAAL) Stabilization Payment | Gross | \$105,800,000 | (\$43,700,000) |
| | Restricted | 105,800,000 | (43,700,000) |
| | GF/GP | \$0 | \$0 |
| <u>Executive</u> decreases funding by \$43.7 million SAF for the state's share of community colleges' MPERS UAAL, a 41.3% decrease. The state's share is the difference between the calculated UAAL contribution to the system and the employer contribution cap of 20.96% of payroll set by the Public School Employees Retirement Act (MCL 38.1341). Total funding for the state share of MPERS would be \$62.1 million SAF. <u>House</u> concurs. | | | |
| 3. MPERS Community College Payroll Cap Reduction | Gross | \$0 | \$5,700,000 |
| | Restricted | 0 | 5,700,000 |
| | GF/GP | \$0 | \$0 |
| <u>Executive</u> adds \$5.7 million SAF to lower community college's MPERS UAAL employer contribution cap from 20.96% to 20.0%. Payments would be made to MPERS through the community colleges. Total funding for the MPERS community college payroll cap reduction would be \$5.7 million SAF. <u>House</u> concurs. | | | |
| 4. MPERS Normal Cost Offset | Gross | \$23,000,000 | (\$1,200,000) |
| | Restricted | 23,000,000 | (1,200,000) |
| | GF/GP | \$0 | \$0 |
| <u>Executive</u> decreases funding by \$1.2 million SAF for the community colleges' MPERS normal cost offset, a 5.2% decrease, due to maintaining the assumed rate of return at 6.0%. Total funding for the MPERS normal cost offset would be \$21.8 million SAF. <u>House</u> concurs. | | | |
| 5. Infrastructure, Technology, Equipment, Maintenance, and Safety | Gross | \$32,836,600 | (32,836,500) |
| | Restricted | 32,836,600 | (32,836,500) |
| | GF/GP | \$0 | \$0 |
| <u>Executive</u> removes \$32.8 million SAF of one-time funding for Infrastructure, Technology, Equipment, Maintenance, and Safety, which would allow community colleges to repair, improve, or maintain existing buildings, facilities, equipment, technological and physical infrastructure, student housing, and school safety measures. <u>House</u> concurs but maintains \$100 placeholder for the program. Requires individual community college allocations to be distributed based on calculated FY 2022-23 fiscal year equated student (FYES) enrollment. Allocations would not be distributed until January 2025. | | | |
| 6. Removal of FY 2023-24 One-Time Appropriations | Gross | \$15,530,000 | (\$15,530,000) |
| | Restricted | 15,530,000 | (15,530,000) |
| | GF/GP | \$0 | \$0 |
| <u>Executive</u> removes \$15.5 million SAF of one-time funding that was included in the FY 2023-24 budget to support the following: | | | |
| <ul style="list-style-type: none"> • Critical Incident Mapping (\$5.0 million SAF) • Career and Education Navigators for Adult Learners (\$5.0 million SAF) • Michigan Reconnect Entry Point Program (\$5.0 million SAF) • Kalamazoo Valley Community College Workforce Development Grants (\$530,000 SAF) | | | |
| <u>House</u> concurs. | | | |

Major Boilerplate Changes from FY 2023-24

Sec. 205. Ordering From Businesses in Deprived and Depressed Communities – REVISED

Encourages community colleges to ensure businesses in economically distressed areas compete for and perform contracts for services and/or supplies. Executive revises language to encourage community colleges to ensure geographically disadvantaged business enterprises compete for and perform contracts for services and/or supplies. House concurs.

Sec. 216c. Infrastructure, Technology, Equipment, Maintenance, and Safety Appropriation Detail – REVISED

Executive deletes language that details infrastructure, technology, equipment, maintenance, safety and housing (ITEMS) repayment categories that ITEMS funding could be used for by community colleges and language on program eligibility and distribution of funding. House revises language to remove capital outlay project authorization as a restriction to receiving ITEMS funding.

Major Boilerplate Changes from FY 2023-24

Sec. 216d. ITEMS Certification and Payment Detail – DELETED

Executive deletes language that details the certification process community colleges must complete and have approved by the State Budget Director in order to receive an ITEMS payment. House concurs.

Sec. 217b. Community College Tuition and Fee Restraint and Annual Rate Report – REVISED

Requires community colleges to report tuition and fee rates, the annual cost of tuition and fees for a 30 credit course load, and tuition and fee increases from the prior year to CEPI by the last business day of August; details tuition restraint requirements in order to receive performance funding for FY 2023-24; and requires community colleges to limit in-district tuition and fee increases to 4.5% or \$205, whichever is greater. Specifies community colleges that violate the tuition restraint cap may have their appropriation adjusted. Executive revises language that limits FY 2024-25 in-district tuition and fee increases to 5.0% or \$241, whichever is greater, and limits FY 2025-26 in-district tuition and fee increases to the greater of 5.0% or \$253. House revises language that limits FY 2024-25 in-district tuition and fee increases to 4.5% or \$217, whichever is greater.

Sec. 228. Communication With the Legislature – RETAINED

Executive deletes language that forbids a community college from taking disciplinary action against an employee for communicating with the legislature. House retains.

**FY 2024-25 Community Colleges Operations Appropriations
As Reported by House Appropriations Committee**

| % of Formula: | | | | 30% | 10% | 10% | 10% | 30% | 5% | 5% | 100% | | | | | | |
|--------------------------------------|---|-------------------------------------|--------------------|-----------------------------|--------------------------------------|------------------------------------|--------------------|------------------|-----------------------------|-------------------------------|--|---|---|-----------------------------|-------------|------|--|
| Total FY 2023-24 Appropriation | FY 24 Indian Tuition Waiver Payment | FY 2023-24 Base Appropriation | Sustainability | Performance- Improvement | Performance- Completion Number | Performance- Completion Rate | Contact Hours | Admin. | Local Strategic Value | Total Formula Distribution | FY 2023 Indian Tuition Waiver Cost | Indian Tuition Waiver Adjustments | Total FY 25 Indian Tuition Waiver Payment | FY 2024-25 Appropriation | % Change | | |
| Alpena | \$6,327,100 | \$26,500 | \$6,300,600 | \$62,565 | \$51,226 | \$14,086 | \$32,328 | \$32,612 | \$23,300 | \$10,428 | \$226,500 | \$21,800 | (4,700) | \$21,800 | \$6,548,900 | 3.5% | |
| Bay de Noc | 6,299,200 | 113,900 | 6,185,300 | 61,420 | 56,346 | 13,136 | 32,687 | 41,926 | 32,966 | 10,237 | 248,700 | 100,000 | (13,900) | 100,000 | 6,534,000 | 3.7% | |
| Delta | 16,690,500 | 48,200 | 16,642,300 | 165,258 | 48,460 | 54,727 | 44,069 | 160,261 | 29,557 | 27,543 | 529,900 | 24,800 | (23,400) | 24,800 | 17,197,000 | 3.0% | |
| Glen Oaks | 2,939,000 | 0 | 2,939,000 | 29,184 | 7,782 | 8,573 | 23,161 | 25,582 | 0 | 4,864 | 99,200 | 1,800 | 1,800 | 1,800 | 3,040,000 | 3.4% | |
| Gogebic | 5,367,600 | 37,900 | 5,329,700 | 52,924 | 14,113 | 7,808 | 31,885 | 23,402 | 13,891 | 8,821 | 152,800 | 48,400 | 10,500 | 48,400 | 5,530,900 | 3.0% | |
| Grand Rapids | 20,966,400 | 122,000 | 20,844,400 | 206,985 | 73,338 | 70,428 | 55,196 | 282,880 | 26,415 | 34,498 | 749,700 | 111,100 | (10,900) | 111,100 | 21,705,200 | 3.5% | |
| Henry Ford | 24,943,900 | 14,100 | 24,929,800 | 247,553 | 66,014 | 103,885 | 66,014 | 269,882 | 23,850 | 41,259 | 818,500 | 6,400 | (7,700) | 6,400 | 25,754,700 | 3.3% | |
| Jackson | 13,887,400 | 33,300 | 13,854,100 | 137,571 | 40,777 | 30,594 | 36,686 | 106,874 | 18,523 | 22,929 | 394,000 | 42,300 | 9,000 | 42,300 | 14,290,400 | 2.9% | |
| Kalamazoo Valley | 14,539,400 | 57,500 | 14,481,900 | 143,806 | 38,348 | 43,773 | 53,145 | 158,909 | 28,985 | 23,968 | 490,900 | 37,200 | (20,300) | 37,200 | 15,010,000 | 3.2% | |
| Kellogg | 11,290,200 | 21,000 | 11,269,200 | 111,903 | 29,841 | 35,979 | 29,841 | 93,347 | 27,995 | 18,651 | 347,600 | 35,400 | 14,400 | 35,400 | 11,652,200 | 3.2% | |
| Kirtland | 3,792,900 | 19,800 | 3,773,100 | 37,467 | 9,991 | 12,952 | 9,991 | 35,227 | 24,965 | 6,244 | 136,800 | 25,800 | 6,000 | 25,800 | 3,935,700 | 3.8% | |
| Lake Michigan | 6,321,600 | 3,600 | 6,318,000 | 62,738 | 18,828 | 16,523 | 16,730 | 63,603 | 10,126 | 10,456 | 199,000 | 6,000 | 2,400 | 6,000 | 6,523,000 | 3.2% | |
| Lansing | 35,752,700 | 63,500 | 35,689,200 | 354,394 | 97,686 | 96,672 | 109,773 | 242,790 | 22,121 | 59,066 | 982,500 | 81,200 | 17,700 | 81,200 | 36,752,900 | 2.8% | |
| Macomb | 37,661,900 | 26,500 | 37,635,400 | 373,720 | 99,659 | 99,223 | 114,651 | 388,213 | 21,226 | 62,287 | 1,159,000 | 23,700 | (2,800) | 23,700 | 38,818,100 | 3.1% | |
| Mid Michigan | 5,798,500 | 55,600 | 5,742,900 | 57,027 | 28,074 | 16,495 | 15,207 | 65,239 | 16,003 | 9,505 | 207,500 | 75,500 | 19,900 | 75,500 | 6,025,900 | 3.9% | |
| Monroe County | 5,286,800 | 2,100 | 5,284,700 | 52,477 | 17,286 | 16,991 | 13,994 | 54,913 | 20,527 | 8,746 | 184,900 | 1,800 | (300) | 1,800 | 5,471,400 | 3.5% | |
| Montcalm | 3,966,700 | 9,500 | 3,957,200 | 39,295 | 43,303 | 14,426 | 10,479 | 31,027 | 22,956 | 6,549 | 168,000 | 1,900 | (7,600) | 1,900 | 4,127,100 | 4.0% | |
| Mott | 17,823,200 | 31,500 | 17,791,700 | 176,672 | 47,113 | 46,253 | 47,113 | 130,015 | 22,338 | 29,445 | 498,900 | 5,800 | (25,700) | 5,800 | 18,296,400 | 2.7% | |
| Muskegon | 10,223,600 | 12,700 | 10,210,900 | 101,394 | 30,282 | 27,137 | 42,350 | 84,437 | 26,328 | 16,899 | 328,800 | 21,300 | 8,600 | 21,300 | 10,561,000 | 3.3% | |
| North Central | 4,011,000 | 142,200 | 3,868,800 | 38,417 | 25,480 | 12,499 | 25,584 | 44,067 | 21,603 | 6,403 | 174,100 | 162,500 | 20,300 | 162,500 | 4,205,400 | 4.8% | |
| Northwestern | 10,650,300 | 177,000 | 10,473,300 | 104,000 | 30,793 | 25,975 | 43,405 | 82,314 | 19,445 | 17,333 | 323,300 | 196,800 | 19,800 | 196,800 | 10,993,400 | 3.2% | |
| Oakland | 24,755,900 | 22,300 | 24,733,600 | 245,605 | 65,495 | 102,496 | 81,905 | 317,446 | 20,933 | 40,934 | 874,800 | 33,800 | 11,500 | 33,800 | 25,642,200 | 3.6% | |
| Schoolcraft | 14,742,500 | 30,700 | 14,711,800 | 146,088 | 68,068 | 56,839 | 53,481 | 201,327 | 23,935 | 24,348 | 574,100 | 21,000 | (9,700) | 21,000 | 15,306,900 | 3.8% | |
| Southwestern | 7,695,500 | 12,700 | 7,682,800 | 76,290 | 20,344 | 13,094 | 36,993 | 49,624 | 20,058 | 12,715 | 229,100 | 29,500 | 16,800 | 29,500 | 7,941,400 | 3.2% | |
| St. Clair County | 8,226,400 | 16,000 | 8,210,400 | 81,529 | 25,975 | 35,087 | 37,522 | 79,348 | 17,410 | 13,588 | 290,500 | 24,100 | 8,100 | 24,100 | 8,525,000 | 3.6% | |
| Washtenaw | 15,938,200 | 12,700 | 15,925,500 | 158,141 | 48,079 | 145,745 | 58,545 | 266,868 | 28,511 | 26,357 | 732,200 | 24,600 | 11,900 | 24,600 | 16,682,300 | 4.7% | |
| Wayne County | 19,197,900 | 4,600 | 19,193,300 | 190,590 | 57,250 | 51,836 | 50,824 | 189,566 | 17,340 | 31,765 | 589,200 | 4,400 | (200) | 4,400 | 19,786,900 | 3.1% | |
| West Shore | 2,865,600 | 14,400 | 2,851,200 | 28,312 | 21,159 | 7,879 | 7,550 | 21,630 | 9,250 | 4,719 | 100,600 | 12,000 | (2,400) | 12,000 | 2,963,800 | 3.4% | |
| \$357,961,900 | \$1,131,800 | \$356,830,100 | \$3,543,330 | \$1,181,110 | \$1,181,110 | \$1,181,110 | \$3,543,330 | \$590,555 | \$590,555 | \$11,811,100 | \$1,180,900 | \$49,100 | \$1,180,900 | \$369,822,100 | 3.3% | | |

Requirement to receive performance funding for FY 2024-25:

1. Restrain FY 2024-25 in-district tuition/fee rate increase to 4.5% or \$217 (whichever is greater).

| Data Notes Component | Years |
|-------------------------------|---------------|
| Performance improvement | FYs 2020-2022 |
| Performance completion number | FYs 2020-2022 |
| Performance completion rate | FYs 2020-2022 |
| Contact hours | FY 2023 |
| Administrative | FYs 2022-2023 |