

FY 2024-25: COMMUNITY COLLEGES
Summary: As Passed by the House
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

Executive 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. House concurs.

3. MPERS Community College Payroll Cap Reduction	Gross	\$0	\$5,700,000
	Restricted	0	5,700,000
	GF/GP	\$0	\$0

Executive 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. House concurs.

4. MPERS Normal Cost Offset	Gross	\$23,000,000	(\$1,200,000)
	Restricted	23,000,000	(1,200,000)
	GF/GP	\$0	\$0

Executive 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. House 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

Executive 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. House 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

Executive removes \$15.5 million SAF of one-time funding that was included in the FY 2023-24 budget to support the following:

- 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)

House 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 Passed by the House**

% 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