

FISCAL BRIEF

USE OF SCHOOL AID FUNDS IN COMMUNITY COLLEGES AND HIGHER EDUCATION

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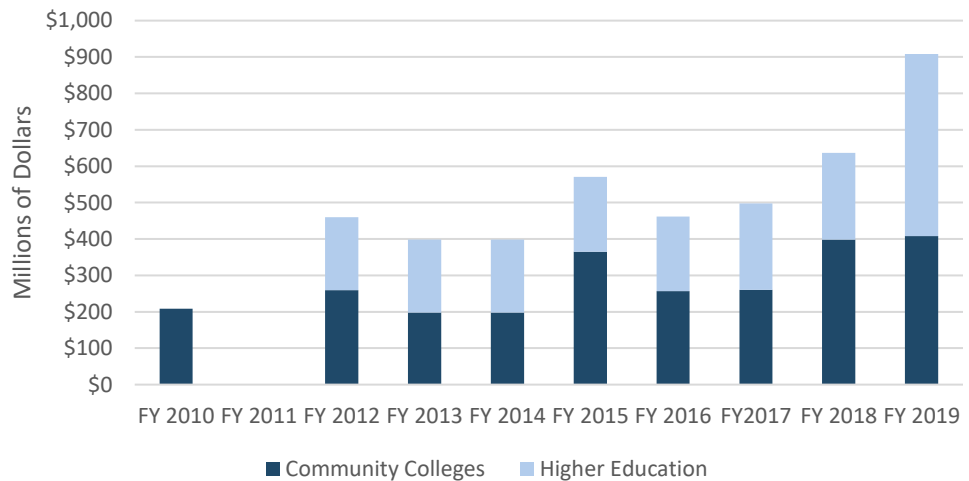
FAST FACTS

- Use of SAF in postsecondary budgets began in FY 2009-10.
- SAF in postsecondary budgets totals \$908.3 million in FY 2018-19.
- State funding for Community Colleges is 100% SAF.
- State funding for Higher Education (public universities) is 30% SAF.
- 7% of SAF appropriated in FY 2018-19 is in postsecondary budgets.

INTRODUCTION

School Aid Fund (SAF) revenues have increasingly been used as a fund source in both the Community Colleges and Higher Education budgets. The use of SAF in postsecondary budgets first began as a stop-gap measure due to revenue shortfalls in FY 2009-10 during the Great Recession, but has since grown to \$908.3 million, supporting all of the Community Colleges budget and a third of state funds in the Higher Education budget for FY 2018-19. This brief summarizes the use of School Aid Fund in the Community Colleges and Higher Education budgets.

SAF Appropriations to Community Colleges and Higher Education



SCHOOL AID FUND

Article IX, Section 11 of the Michigan Constitution establishes the School Aid Fund and states that the fund *shall be used exclusively for aid to school districts, higher education, and school employees' retirement systems, as provided by law.* Historically, the SAF has served as the primary appropriation source for local K-12 public school districts. The SAF comprises various tax revenues earmarked both constitutionally and statutorily to the fund, which will generate an estimated \$13.6 billion in FY 2018-19.

SAF IN THE COMMUNITY COLLEGES BUDGET

Community colleges receive state funding in the form of operations grants. Prior to 2010, these grants were composed entirely of state general fund (GF/GP) revenues. Due to budgetary pressures created by the economic recession, FY 2009-10 saw the first use of SAF revenues used for the Community Colleges budget. The legislature enacted PA 158 of 2010 at the end of the fiscal year and offset \$208.4 million GF/GP with SAF to balance the General Fund budget. The Legislature intended the fund swap to be a one-time solution and included boilerplate Sec. 301, which provided its intent that the SAF be considered a loan to the General Fund, and that the General Fund repay the SAF over the subsequent 5 fiscal years.

The use of SAF revenues became more routine under budgets proposed and signed by Governor Snyder beginning in FY 2011-12. In FY 2018-19, 100 percent of the Community Colleges budget is funded with SAF. [Table 1](#) shows the history of the Community Colleges budget since SAF was first included. State Restricted funds in the Community College budget during this time are entirely made up of SAF.

Table 1: Community College Funding History

| Fiscal Year | General Fund/ General Purpose | State Restricted | Federal | Gross Appropriation | SAF as % of Gross |
|-------------|----------------------------------|------------------|---------|------------------------|----------------------|
| 2009-10 | \$90,960,500 | \$208,400,000 | \$0 | \$299,360,500 | 70% |
| 2010-11 | 295,880,500 | 0 | 0 | 295,880,500 | 0% |
| 2011-12 | 24,251,100 | 259,629,400 | 0 | 283,880,500 | 91% |
| 2012-13 | 109,016,400 | 197,614,100 | 0 | 306,630,500 | 64% |
| 2013-14 | 138,363,500 | 197,614,100 | 0 | 335,977,600 | 59% |
| 2014-15 | 0 | 364,724,900 | 0 | 364,724,900 | 100% |
| 2015-16 | 131,110,800 | 256,714,800 | 0 | 387,825,600 | 66% |
| 2016-17 | 135,510,800 | 260,414,800 | 0 | 395,925,600 | 66% |
| 2017-18 | 1,025,000 | 398,301,500 | 0 | 399,326,500 | 100% |
| 2018-19 | 0 | 408,215,500 | 0 | 408,215,500 | 100% |

SAF IN THE HIGHER EDUCATION BUDGET

Similar to the Community Colleges budget, the state's 15 public universities receive operations grants as their state funding mechanism. Historically, these operations appropriations have been allocated from GF/GP revenues. FY 2011-12 saw the first use of SAF revenues in the Higher Education budget. The amounts remained relatively flat until the FY 2018-19 budget, in which the SAF more than doubled to \$500.1 million, or a third of the budget's state funding. [Table 2](#) shows the funding history of the Higher Education budget since SAF was first included.

Table 2: Higher Education Funding History

| Fiscal Year | General Fund/ General Purpose | State Restricted: SAF | State Restricted: Non-SAF | Federal | Gross Appropriation | SAF as % of Gross |
|-------------|----------------------------------|--------------------------|------------------------------|--------------|------------------------|----------------------|
| 2011-12 | \$1,065,632,500 | \$200,019,500 | \$200,000 | \$98,326,400 | \$1,363,978,400 | 15% |
| 2012-13 | 1,101,628,300 | 200,465,700 | 100,000 | 97,026,400 | 1,399,120,400 | 14% |
| 2013-14 | 1,132,981,400 | 200,465,700 | 100,000 | 97,026,400 | 1,430,473,500 | 14% |
| 2014-15 | 1,212,902,000 | 206,467,900 | 100,000 | 98,026,400 | 1,517,396,300 | 14% |
| 2015-16 | 1,232,418,500 | 205,179,500 | 100,000 | 101,526,400 | 1,539,124,400 | 13% |
| 2016-17 | 1,243,904,500 | 237,109,500 | 100,000 | 101,526,400 | 1,582,540,400 | 15% |
| 2017-18 | 1,279,254,500 | 238,343,500 | 100,000 | 111,526,400 | 1,629,124,400 | 15% |
| 2018-19 | 1,046,017,900 | 500,088,300 | 100,000 | 123,526,400 | 1,669,632,600 | 30% |

SHARE OF SCHOOL AID FUNDS

For FY 2018-19, Community Colleges will receive 3 percent of the \$13.8 billion SAF appropriation, while Higher Education will receive 4 percent. The balance of the SAF is appropriated in the School Aid, or K-12 education, budget.

FY 2018-19 School Aid Fund Appropriations

