

FY 2024-25: COMMUNITY COLLEGES
Summary: Conference Report
Article 2, House Bill 5507 (H-1) CR-1



Analyst: Perry Zielak

IDG/IDT	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	\$0	\$0	--
Federal	0	0	0	0	0	0	--
Local	0	0	0	0	0	0	--
Private	0	0	0	0	0	0	--
Restricted	544,517,500	465,920,800	468,811,200	469,141,600	461,720,800	(82,796,700)	(15.2)
GF/GP	0	0	0	1,200,100	500,000	500,000	--
Gross	\$544,517,500	\$465,920,800	\$468,811,200	\$470,341,700	\$462,220,800	(\$82,296,700)	(15.1)

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 YTD 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.

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

[continued on next page]

	FY 2023-24 Year-to-Date (as of 2/8/23)	FY 2024-25 Conference Change
Gross	\$357,961,900	\$8,969,900
Restricted	357,961,900	8,969,900
GF/GP	\$0	\$0

Major Budget Changes from FY 2023-24 YTD Appropriations

1. Community College Operations Increase (continued)

- \$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 4.5% or \$217. 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.

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

- \$5.4 million SAF, or 1.5%, ongoing increase to operations grants for community colleges, which would be distributed through the performance funding formula.
- \$3.6 million SAF, or 1.0%, one-time 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 ongoing and one-time performance funding increase would be conditioned on restraining in-district tuition and fee increases to the greater of 4.5% or \$217, and certification to following at least 2 of 5 institutional best practices, one of which must be the institutional best practice on transfers. 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.

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. Senate concurs. Conference concurs.

3. 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. Senate concurs. Conference concurs.

4. MPERS Community College Payroll Cap Reduction

Gross	\$0	\$0
Restricted	0	0
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. Senate does not include. Conference concurs with Senate.

Major Budget Changes from FY 2023-24 YTD Appropriations		FY 2023-24 Year-to-Date (as of 2/8/23)	FY 2024-25 Conference Change
5. Infrastructure, Technology, Equipment, Maintenance, and Safety		Gross	\$32,836,600
<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. <u>Senate</u> concurs with House but maintains \$100 GF/GP placeholder. <u>Conference</u> concurs with Executive.		Restricted	(\$32,836,600)
		GF/GP	\$0
6. Career and Education Navigators for Adult Learners		Gross	\$5,000,000
<u>Conference</u> reduces funding by \$3.9 million SAF for career and education navigators for adult learners. Community colleges would partner with county governments to apply for grants through the Department of Lifelong Education, Advancement, and Potential. Total funding for Career and Education Navigators for Adult Learners would be \$1.2 million SAF.		Restricted	(\$3,850,000)
		GF/GP	\$0
7. Local Heroes Program/Public-Service-Focused Careers Program		Gross	\$0
<u>Senate</u> adds \$850,000 GF/GP of one-time funding to the Michigan Community College Association (MCCA), who would administer a program to increase the number of dual enrolled high school students and encourage pursuit of a career in education or public safety. <u>Conference</u> adds \$500,000 GF/GP of one-time funding to MCCA, but reframes scope of program to public-service-focused careers, including public safety, education, and health care.		GF/GP	\$500,000
8. Kalamazoo Valley Community College Internet Accessibility		Gross	\$0
<u>Senate</u> adds \$350,000 GF/GP of one-time funding to improve internet accessibility at Kalamazoo Valley Community College. <u>Conference</u> concurs with Senate but revises appropriation funding as SAF.		Restricted	\$350,000
		GF/GP	\$0
9. Institutional Best Practices Incentive		Gross	\$0
<u>Senate</u> adds \$8.9 million SAF of one-time funding for community colleges that implement a series of best practices that include: require students to participate in an institutional orientation, provide academic pathway support and an academic course plan, establish a credit policy and assessment based on prior learning and knowledge, adopt a co-requisite model for remedial courses and provide the courses at no cost to students, and require students to meet with an academic advisor once a semester or term. Requires eligible community college allocations be distributed based on the college's proportion of FY 2024-25 performance funding. <u>Conference</u> does not include but revises the institutional best practices as a condition of receiving ongoing and one-time operational increases.		Restricted	0
		GF/GP	\$0

<u>Major Budget Changes from FY 2023-24 YTD Appropriations</u>		<u>FY 2023-24 Year-to-Date (as of 2/8/23)</u>	<u>FY 2024-25 Conference Change</u>
10. Removal of FY 2023-24 One-Time Appropriations	Gross	\$15,530,000	(\$10,530,000)
<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:	Restricted	15,530,000	(10,530,000)
	GF/GP	\$0	\$0

- 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. Senate concurs. Conference concurs with removing all FY 2023-24 programs except Career and Education Navigators for Adult Learners (see item #6).

Major Boilerplate Changes from FY 2023-24

Sec. 201f. One-Time Performance Funding Payment Detail – NEW

Conference adds language detailing the one-time performance funding payment allocations for each community college.

Sec. 201g. State Fiscal Recovery Funds Reallocation Authorization – NEW

Conference adds language directing the state budget director to reallocate state fiscal recovery funds that are in jeopardy of not meeting the expenditure deadline of December 31, 2026, and must notify the Legislature within 10 days after making the reallocation.

Sec. 201h. MPSERS Normal Cost FY 2023-24 Supplemental Appropriation Detail – NEW

Conference adds language increasing the FY 2023-24 MPSERS Normal Cost by \$1.3 million SAF due to reported payroll of community colleges being slightly higher than original projections.

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. Senate concurs. Conference concurs.

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

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. Senate concurs with House but revises deadline to distribute lump sum payments from January to October. Conference concurs with Executive.

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. Senate concurs. Conference concurs.

Sec. 216e. Institutional Best Practices One-Time Incentive Detail – NOT INCLUDED

Senate adds language that details the institutional best practices community colleges must certify to receive a lump sum payment. The best practices include: requiring students to participate in an institutional orientation, providing academic pathway support and an academic course plan to new students, establishing a credit policy and assessment based on prior learning and knowledge, adopting a co-requisite model for remedial courses and provide the courses at no cost to students, and requiring students to meet with an academic advisor once a semester or term. Specifies eligible community college allocations would be distributed based on the community college's proportion of FY 2024-25 performance funding. Conference does not include but adds revised institutional best practice conditions tied to community colleges' ongoing and one-time operational increases as section 216e.

Major Boilerplate Changes from FY 2023-24

Sec. 216e. Institutional Best Practices Detail – NEW

Conference adds language that details community colleges must certify to following at least 2 of 5 institutional best practices in order to receive both ongoing and one-time performance funding increases, one of which must be the best practice on transfers and working to increase the number of reverse transfer or articulation agreements. The remaining best practices include: providing an academic degree or certificate course map, adopting a co-requisite model for remedial courses and provide the courses at a reduced cost to students, requiring students to meet with an academic advisor once a semester or term, and providing employees to assist prospective and current students with completing the Free Application for Federal Student Aid.

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. Senate concurs with House. Conference revises language that limits FY 2024-25 in-district tuition and fee increases to 4.5% or \$217, whichever is greater and limits FY 2025-26 in-district tuition and fee increases to the greater of 4.5% and \$227. Subjects one-time performance funding payments under section 201f to the tuition and fee restraint conditions.

Sec. 217c. Charter School Authorizing Body Report – NEW

Senate adds language that requires each community college or tribal college that serves as an authorizing body for public school academies to submit a report on various details on public school academies authorized by the institution, including a list of all schools authorized; a list of any schools that closed or lost authorization; a description of new contracts for the operation of schools performing in the bottom 5%; the academic performance of each authorized school; the total enrollment; aggregated student enrollment data for students with an individualized education program; the total number of fees, reimbursements, contributions or charges received; the names of the board of directors for each authorized school; the name of the approved applicant for each school; the list of contracts and term lengths; activities to comply with the open meetings act; and a financial report on the various revenues and expenses for the authorizing body. Conference concurs with Senate but revises to require community colleges to post the report on the college's website.

Sec. 217d. Itemized Cost of Attendance Report – NOT INCLUDED

Senate adds language that requires each community college to provide an itemized cost of attendance report for full-time students for the current and previous two academic years. Conference does not include.

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. Senate retains. Conference retains.

**FY 2024-25 Community Colleges Operations Appropriations
Conference Report**

	% of Formula:		30%	10%	10%	10%	30%	5%	5%	100%		FY 2023		Total FY 25	FY 2024-25 Appropriation	%	
	Total FY 2023-24 Appropriation	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 Ongoing Formula Distribution	Total One-Time Formula Distribution	Indian Tuition Waiver Cost	Indian Tuition Waiver Adjustments			Indian Tuition Waiver Payment
Alpena	\$6,327,100	\$26,500	\$6,300,600	\$28,353	\$23,214	\$6,383	\$14,650	\$14,779	\$10,559	\$4,725	\$102,700	\$68,400	\$21,800	(4,700)	\$21,800	\$6,493,500	2.6%
Bay de Noc	6,299,200	113,900	6,185,300	27,834	25,535	5,953	14,813	19,000	14,939	4,639	112,700	75,100	100,000	(13,900)	100,000	6,473,100	2.8%
Delta	16,690,500	48,200	16,642,300	74,891	21,961	24,801	19,971	72,626	13,395	12,482	240,100	160,100	24,800	(23,400)	24,800	17,067,300	2.3%
Glen Oaks	2,939,000	0	2,939,000	13,226	3,527	3,885	10,496	11,593	0	2,204	45,100	30,100	1,800	1,800	1,800	3,016,000	2.6%
Gogebic	5,367,600	37,900	5,329,700	23,984	6,396	3,538	14,450	10,605	6,295	3,997	69,300	46,200	48,400	10,500	48,400	5,493,600	2.3%
Grand Rapids	20,966,400	122,000	20,844,400	93,801	33,235	31,916	25,014	128,194	11,970	15,633	339,800	226,500	111,100	(10,900)	111,100	21,521,800	2.6%
Henry Ford	24,943,900	14,100	24,929,800	112,185	29,916	47,078	29,916	122,304	10,808	18,698	370,900	247,300	6,400	(7,700)	6,400	25,554,400	2.4%
Jackson	13,887,400	33,300	13,854,100	62,344	18,479	13,865	16,625	48,433	8,394	10,391	178,500	119,000	42,300	9,000	42,300	14,193,900	2.2%
Kalamazoo Valley	14,539,400	57,500	14,481,900	65,169	17,378	19,837	24,084	72,014	13,135	10,862	222,500	148,300	37,200	(20,300)	37,200	14,889,900	2.4%
Kellogg	11,290,200	21,000	11,269,200	50,712	13,523	16,305	13,523	42,303	12,687	8,452	157,500	105,000	35,400	14,400	35,400	11,567,100	2.5%
Kirtland	3,792,900	19,800	3,773,100	16,979	4,528	5,870	4,528	15,964	11,313	2,830	62,000	41,300	25,800	6,000	25,800	3,902,200	2.9%
Lake Michigan	6,321,600	3,600	6,318,000	28,431	8,532	7,488	7,582	28,823	4,589	4,739	90,200	60,100	6,000	2,400	6,000	6,474,300	2.4%
Lansing	35,752,700	63,500	35,689,200	160,603	44,269	43,809	49,746	110,026	10,025	26,767	445,200	296,800	81,200	17,700	81,200	36,512,400	2.1%
Macomb	37,661,900	26,500	37,635,400	169,361	45,163	44,965	51,957	175,929	9,619	28,227	525,200	350,100	23,700	(2,800)	23,700	38,534,400	2.3%
Mid Michigan	5,798,500	55,600	5,742,900	25,843	12,723	7,475	6,892	29,565	7,252	4,307	94,100	62,700	75,500	19,900	75,500	5,975,200	3.0%
Monroe County	5,286,800	2,100	5,284,700	23,781	7,834	7,700	6,342	24,885	9,302	3,964	83,800	55,900	1,800	(300)	1,800	5,426,200	2.6%
Montcalm	3,966,700	9,500	3,957,200	17,808	19,624	6,537	4,749	14,061	10,403	2,968	76,100	50,800	1,900	(7,600)	1,900	4,086,000	3.0%
Mott	17,823,200	31,500	17,791,700	80,063	21,350	20,961	21,350	58,920	10,123	13,344	226,100	150,700	5,800	(25,700)	5,800	18,174,300	2.0%
Muskegon	10,223,600	12,700	10,210,900	45,949	13,723	12,298	19,192	38,265	11,931	7,658	149,000	99,300	21,300	8,600	21,300	10,480,500	2.5%
North Central	4,011,000	142,200	3,868,800	17,410	11,547	5,664	11,594	19,970	9,790	2,902	78,900	52,600	162,500	20,300	162,500	4,162,800	3.8%
Northwestern	10,650,300	177,000	10,473,300	47,130	13,955	11,771	19,670	37,302	8,812	7,855	146,500	97,700	196,800	19,800	196,800	10,914,300	2.5%
Oakland	24,755,900	22,300	24,733,600	111,302	29,681	46,449	37,117	143,859	9,486	18,550	396,400	264,300	33,800	11,500	33,800	25,428,100	2.7%
Schoolcraft	14,742,500	30,700	14,711,800	66,204	30,847	25,758	24,236	91,237	10,847	11,034	260,200	173,400	21,000	(9,700)	21,000	15,166,400	2.9%
Southwestern	7,695,500	12,700	7,682,800	34,573	9,219	5,934	16,764	22,488	9,090	5,762	103,800	69,200	29,500	16,800	29,500	7,885,300	2.5%
St. Clair County	8,226,400	16,000	8,210,400	36,947	11,771	15,900	17,004	35,958	7,890	6,158	131,600	87,800	24,100	8,100	24,100	8,453,900	2.8%
Washtenaw	15,938,200	12,700	15,925,500	71,665	21,788	66,048	26,531	120,938	12,920	11,944	331,800	221,200	24,600	11,900	24,600	16,503,100	3.5%
Wayne County	19,197,900	4,600	19,193,300	86,371	25,944	23,491	23,032	85,907	7,858	14,395	267,000	178,000	4,400	(200)	4,400	19,642,700	2.3%
West Shore	2,865,600	14,400	2,851,200	12,831	9,589	3,571	3,421	9,802	4,192	2,138	45,500	30,400	12,000	(2,400)	12,000	2,939,100	2.6%
\$357,961,900	\$1,131,800	\$356,830,100	\$1,605,750	\$535,250	\$535,250	\$535,250	\$1,605,750	\$267,625	\$267,625		\$5,352,500	\$3,568,300	\$1,180,900	\$49,100	\$1,180,900	\$366,931,800	2.5%

- Requirements to receive ongoing and one-time 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).
 2. Certify to following the Institutional Best Practice on transfers and at least one additional Institutional Best Practice.

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