

FY 2022-23: COMMUNITY COLLEGES
Summary: As Reported by House Appropriations Committee
House Bill 5779 (H-3)



Analyst: Perry Zielak

IDG/IDT	FY 2021-22 YTD as of 2/9/22	FY 2022-23 Executive	FY 2022-23 House	FY 2022-23 Senate	FY 2022-23 Conference	Difference: House From FY 2021-22 YTD	
						Amount	%
	\$0	\$0	\$0			\$0	--
Federal	0	0	173,700,100			173,700,100	--
Local	0	0	0			0	--
Private	0	0	0			0	--
Restricted	431,417,000	470,028,400	518,888,200			87,471,200	20.3
GF/GP	0	0	0			0	--
Gross	\$431,417,000	\$470,028,400	\$692,588,300			\$261,171,300	60.5

Notes: (1) FY 2021-22 year-to-date figures include mid-year budget adjustments through February 9, 2022. (2) Appropriation figures for all years 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 2021-22 YTD Appropriations

1. Community College Operations Increase

Executive includes a net increase of \$28.8 million School Aid Fund (SAF) for community college operations, an 8.8% increase. This includes:

- \$32.4 million SAF (\$16.2 million SAF ongoing and \$16.2 million SAF one-time), or 10.0%, increase to operations grants for community colleges, which would be distributed through the performance funding formula.
- Removal of \$3.2 million SAF of FY 2021-22 one-time operations funding.
- \$306,500 SAF decrease based on FY 2020-21 North American Indian Tuition Waiver program costs reported by institutions.

Projected funding increases for individual community colleges would range from 7.9% to 14.2%. Total funding for operations would be \$357.4 million SAF.

House includes a net increase of \$22.2 million SAF for community college operations, a 6.8% increase. This includes:

- \$25.4 million SAF increase to operations funding, allocated based on a funding formula that allocates \$3.5 million to each institution, uses a 3-year average of fiscal year equated students (FYES) multiplied by an established funding per FYES measure, and a 10% cap on increases above FY 2021-22 levels, with amounts over the cap redistributed through an iterative process to all institutions below the cap, and a category to ensure a 1% minimum funding increase for community colleges below FY 2021-22 funding levels.

[continued on next page]

	FY 2021-22 Year-to-Date (as of 2/9/22)	FY 2022-23 House Change
Gross	\$328,583,400	\$22,184,800
Restricted	328,583,400	22,184,800
GF/GP	\$0	\$0

	FY 2021-22 Year-to-Date (as of 2/9/22)	FY 2022-23 House Change
<u>Major Budget Changes from FY 2021-22 YTD Appropriations</u>		
1. Community College Operations Increase (continued)		
<ul style="list-style-type: none"> • Removal of \$3.2 million SAF of FY 2021-22 one-time operations funding. • \$306,500 SAF decrease based on FY 2020-21 North American Indian Tuition Waiver program costs reported by institutions. 		
Projected funding changes for individual community colleges would range from 1.0% to 10.5%. Total funding for operations would be \$350.8 million SAF.		
2. Michigan Reconnect Program		
<u>House</u> adds \$55.0 million SAF for the Michigan Reconnect program, originally funded in the Department of Labor and Economic Opportunity (LEO) budget. Michigan Reconnect provides a last-dollar scholarship to individuals over the age of 25 with a high school or equivalent diploma seeking an associate degree or Pell-eligible skill certificate. Total funding for the Michigan Reconnect program would be \$55.0 million SAF.	Gross \$0 Restricted 0 GF/GP \$0	\$55,000,000 55,000,000 \$0
3. Michigan Reconnect Program Expansion		
<u>House</u> adds \$148.5 million federal Coronavirus State Fiscal Recovery Fund for the expansion of the Michigan Reconnect program. Individuals aged 21 to 24 with a high school or equivalent diploma would be eligible for a last-dollar scholarship for an associate degree or Pell-eligible skill certificate. Total funding the Michigan Reconnect program expansion would be \$148.5 million Gross.	Gross \$0 Federal 0 GF/GP \$0	\$148,500,000 148,500,000 \$0
4. Michigan Reconnect Program Short-Term Training Grants		
<u>House</u> adds \$6.0 million federal Coronavirus State Fiscal Recovery Fund for the Michigan Reconnect program short-term training grants. Individuals at least 21 years old with a high school or equivalent diploma would be eligible for a skills scholarship to a qualified occupational or private training program. Total funding the Michigan Reconnect program short-term training grants would be \$6.0 million Gross.	Gross \$0 Federal 0 GF/GP \$0	\$6,000,000 6,000,000 \$0
5. Michigan Public School Employee Retirement System (MPERS) State Share of Unfunded Actuarial Accrued Liability (UAAL) Stabilization Payment		
<u>Executive</u> increases funding by \$5.4 million SAF for the state's share of community colleges' MPERS UAAL, a 6.2% increase, due to changes in payroll growth assumptions. 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 \$92.6 million SAF. <u>House</u> concurs.	Gross \$87,200,000 Restricted 87,200,000 GF/GP \$0	\$5,400,000 5,400,000 \$0
6. MPERS Offset		
<u>Executive</u> increases funding by \$5.3 million SAF for the community colleges' MPERS offset payment, a 304.9% increase, which assists in offsetting a portion of the contributions owed to MPERS by community colleges. The increase would equalize the offset for community colleges with the K-12 school district MPERS offset. Total funding for the MPERS offset would be \$7.0 million SAF. <u>House</u> concurs.	Gross \$1,733,600 Restricted 1,733,600 GF/GP \$0	\$5,286,400 5,286,400 \$0
7. MPERS Normal Cost Offset		
<u>Executive</u> decreases funding by \$900,000 SAF for the community colleges' MPERS normal cost offset, a 7.7% decrease, due to maintaining the current assumed rate of return at 6.8%. Total funding for the MPERS normal cost offset would be \$10.8 million SAF. <u>House</u> concurs.	Gross \$11,700,000 Restricted 11,700,000 GF/GP \$0	(\$900,000) (900,000) \$0

		FY 2021-22 Year-to-Date (as of 2/9/22)	FY 2022-23 House Change
<u>Major Budget Changes from FY 2021-22 YTD Appropriations</u>			
8. Community College Academic Catch-up Program	Gross	\$0	\$10,000,000
<u>House</u> adds \$10.0 million federal Coronavirus State Fiscal Recovery Fund for the creation of the Community College Academic Catch-up program, which would be administered by the Michigan Community College Association. Community colleges would apply for grant funding to support various summer educational programs for students entering college for the 2022-23 academic year. Total funding for the Community College Academic Catch-up program would be \$10.0 million Gross.	Federal	0	10,000,000
	GF/GP	\$0	\$0
9. Michigan Center for Adult College Success	Gross	\$0	\$9,200,000
<u>House</u> adds \$9.2 million federal Coronavirus State Fiscal Recovery Fund for the creation of the Michigan Center for Adult College Success, which would be administered by the nonprofit organization Talent 2025. The center would work on ensuring adult enrollment and completion of college degree and certificate programs. Total funding for the Michigan Center for Adult College Success would be \$9.2 million Gross.	Federal	0	9,200,000
	GF/GP	\$0	\$0
10. Pregnant and Parenting Student Services	Gross	\$0	\$500,000
<u>House</u> adds \$500,000 SAF for pregnant and parenting student services. Community colleges that establish and operate a pregnant and parenting student services office according to the guidelines found in 2004 PA 500 are eligible for grants to operate the office.	Restricted	0	500,000
	GF/GP	\$0	\$0
11. Grand Rapids Community College Public Safety Training Center	Gross	\$0	\$100
<u>House</u> adds \$100 federal Coronavirus State Fiscal Recovery Fund placeholder for the creation of the Public Safety Training Center located at Grand Rapids Community College.	Federal	0	100
	GF/GP	\$0	\$0

Major Boilerplate Changes from FY 2021-22

Sec. 201e. FY 2022-23 One-Time Performance Funding Payment Detail – NOT INCLUDED

Details the FY 2020-21 one-time operational support payment. Executive revises language that details the FY 2022-23 one-time performance funding payment allocations for each community college. House does not include.

Sec. 206. Appropriations Payment Schedule and Reporting Requirements – REVISED

Provides for payment of appropriations in 11 installments per year to community colleges to be paid on the 16th of each month; directs Department of Treasury to withhold appropriations if colleges fail to submit Michigan Community College Data Inventory (MCCDI) data, longitudinal data system data, annual independent audits, tuition and fee information, and degree and certificate award data as required. Executive deletes requirement that the state budget director notify the legislature before withholding funds from community colleges that fail to comply with reporting requirements. House revises reporting date from the first business day of November to November 15.

Sec. 208. Self-Liquidating Projects Restriction and Capital Outlay Requirements – RETAINED

Executive deletes language that prohibits community colleges from using state funds for construction or maintenance of a self-liquidating project and deletes requirement that colleges comply with Joint Capital Outlay Subcommittee (JCOS) use and finance policy for any capital outlay projects and subjects community colleges that fail to comply with JCOS requirements to a penalty of 1% of the operations funding for each violation. House retains.

Major Boilerplate Changes from FY 2021-22

Sec. 209. Transparency Website and Various Reporting Requirements – REVISED

Requires colleges to post specified information on their websites, including: annual operating budgets, general fund revenue and expenditure projections, a listing of debt service obligations, collective bargaining agreements, health care benefits plans, audits and financial reports, and information on dual enrollment programs and other opportunities for earning college credit while in high school. Also requires colleges to provide current fiscal year budget information to the state budget director. Executive deletes requirement to submit information to the state budget director. Deletes a provision authorizing the state budget director to withhold a community college's monthly installment payment for failure to comply with posting specified fiscal information on a transparency website. Deletes reporting requirements around budgeted current fiscal year revenues, in addition to reporting requirements involving career and technical programs, dual enrollment and early middle college programs. House revises a reporting date from the first business day of November to November 15.

Sec. 209a. Campus Safety Information and Resources Website, Safety Reporting Requirements – RETAINED

Requires community colleges to develop a "campus safety information and resources" webpage, which must be linked and displayed on their home webpage. The page must display various safety information and policies, and the schools must certify compliance to the state budget director or have monthly state payments withheld. Executive deletes language that requires certification to the state budget director. House retains.

Sec. 210g. Bachelor of Science in Nursing Articulation Agreements Reporting – RETAINED

Executive deletes language that requires community colleges seeking articulation agreements with universities on a bachelor of science in nursing to report on the summary of efforts on establishing articulation agreements with public or independent universities. House retains.

Sec. 210h. Community College COVID-19 Vaccination Exemption Requirement – RETAINED

Executive deletes language that details exemptions and reporting requirements that community colleges must provide to students if a campus mandatory vaccine policy is implemented. House retains.

Sec. 212. Cost Containment and Efficiency Initiatives – RETAINED

Executive deletes language that encourages community 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. House retains.

Sec. 212a. Community College Operations Rainy Day Fund – NEW

House adds language that encourages community colleges to maintain a rainy day fund that equals at least 5% of the community college's general fund operating budget.

Sec. 216. Michigan Reconnect Program – NEW

House adds language detailing that Michigan Reconnect program funds must be expended according to statutory requirements.

Sec. 216a. Michigan Reconnect Program Expansion – NEW

House adds language detailing that Michigan Reconnect program funds must be expended according to statutory requirements while expanding the program to include individuals aged 21 to 24; requires the Department of Labor and Economic Opportunity to report on funds expended on a quarterly basis; and designates unexpended funds as a work project.

Sec. 216b. Michigan Reconnect Program Short-Term Training Grants – NEW

House adds language detailing that Michigan Reconnect program funds for short-term training grants must be expended according to statutory requirements while funding the short-term training grants to include all individuals at least 21 years old; requires the Department of Labor and Economic Opportunity to report on funds expended on a quarterly basis; and designates unexpended funds as a work project.

Sec. 216c. Community College Academic Catch-Up Program Detail – NEW

House adds language detailing the requirements the Michigan Community College Association must follow when awarding academic catch-up program grants to individual community colleges through a committee review process, and the requirements community colleges must follow when creating an academic catch-up program in order to receive grant funding.

Sec. 220. Auditor General Performance Audits – RETAINED

Executive deletes language that explicitly authorizes performance audits by the auditor general and requires audited colleges to report audit responses to the legislature, the fiscal agencies, the Auditor General and the state budget director. House retains.

Major Boilerplate Changes from FY 2021-22

Sec. 226b. COVID-19 Federal Funding Reporting Requirement – REVISED

Executive deletes language that requires community colleges to report all federal funding received related to the COVID-19 pandemic and requires report to be posted on a public website. House revises to include the Coronavirus Response and Relief Supplemental Appropriations Act and the American Rescue Plan Act of 2021.

Sec. 226d. Free and Open Speech Policies Reporting Requirement – REVISED

Executive deletes language that requires community colleges to report on activities related to strategic planning or assessment of policies that provide for open and free speech while protecting students from hate speech and discrimination. House revises reporting date.

Sec. 226e. Post-Secondary Degree, Certification or Credential Obtainment Goal – NEW

Executive adds language that states a goal is set of 60% of Michigan residents achieve a post-secondary credential, certification or degree by 2030. House concurs.

Sec. 226g. Campus Advocacy Policy – REVISED

Executive deletes language that requires community colleges adopt advocacy policies for distribution and demonstrations around first amendment activities and political speech. House revises date from January 1, 2022 to January 1, 2023.

Sec. 227. College Level Equivalent Credit Examination Requirements – NEW

House adds language that requires community colleges to develop and implement policies for awarding academic credit for college level equivalent credit examinations, allow students to earn college credit through exams once enrolled, post the policies and opportunities for credit examinations and submit a report if the college requires exam scores higher than those recommended by the American Council on Education to earn credit through examinations.

Sec. 227a. Accelerated Degree Completion Pathways Requirement – NEW

House adds language that requires community colleges to provide all students with information on accelerated degree completion pathways within the first semester of enrollment, post the information on a public website and create accelerated degree completion pathways if they do not exist.

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.

Sec. 229. Veterans and Active Soldiers Notice on Applications and Tuition and Fee Rates – REVISED

States each community college is expected to include in its application for admission a specific question as to whether the applicant is a current or former member of the armed forces. Urges colleges to work with various organizations to review the issue of in-district tuition for veterans. States that each community college is expected to provide reasonable programming and scheduling accommodations for military duties or training obligations. House adds language that requires community colleges to provide college-level equivalent credit examination opportunities for veterans, active military members, National Guard or military reserves, and when aware that an applicant for admission is a veteran or member of the military, to notify applicant of potential availability of academic credit for college-level military training.

Sec. 230. Performance Formula Detail and Local Strategic Value Categories – REVISED

States the formula by which the amount available for performance funding (which is the amount of the annual increase in funding for community college operations) is allocated: 30% proportionate to prior-year base appropriations, 30% based on contact-hour-equated students weighted for health and technology/industrial fields, 10% based on performance completion improvement, 10% based on performance completion number, 10% based on performance completion rate, 5% based on administrative costs, 5% based on meeting certain requirements reflective of providing strategic value to the local community. Lists requirements for the local strategic value categories. States that community colleges must participate and submit semi-annual updates to the Michigan Transfer Network to receive performance funding payments. Executive adds language specifying the one-time performance formula payments are distributed using the formula.

House revises formula that distributes all operational funding to a formula that multiplies the 3-year average of community colleges' FYES measure by a calculated FYES funding figure. The FYES funding figure is obtained by dividing 75% of the prior fiscal year's operations funding plus any new funding, excluding North American Indian Tuition Waiver funding, by the total sum of all community colleges' 3-year average FYES measure. The formula also distributes \$98.0 million equally divided by all institutions (\$3.5 million per college), and caps individual community college increases at 10% above FY 2021-22 funding levels, redistributing amounts over the cap using an iterative process to every institution below the 10% cap through a revised 3-year average FYES measure. Community colleges below FY 2021-22 funding levels receive additional funding to equal a 1% increase over FY 2021-22 funding.

**FY 2022-23 Community College Operations Appropriations
As Reported by House Appropriations Committee**

	% of Formula:		100%										Proposed Total FY 2022-23 Appropriation	Change	% Change from FY 2021-22 Base Total
	FY 2021-22 Indian Tuition Waiver Payment	FY 2021-22 Base Appropriation	FY 3-Year Average	\$98.0 Million Equal Distribution	Distribution Based on FYES Average	FYES Formula Distributed Funding	FY 2021 Indian Tuition Waiver Cost	Indian Tuition Waiver Adjustments	Total FY23 Indian Tuition Waiver Payment	10% Cap Reductions	Total Post 110% Cap Redistributions	1% Minimum Funding Increase			
Alpena	\$23,900	\$5,753,300	959	\$3,500,000	\$2,135,100	\$2,135,100	\$13,700	(\$10,200)	\$13,700	\$0	\$639,200	\$0	\$6,288,000	8.8%	\$510,800
Bay de Noc	111,600	5,602,800	1,283	3,500,000	\$2,858,200	2,858,200	109,700	(1,900)	109,700	(184,100)	0	0	6,283,800	10.0%	569,400
Delta	60,100	15,160,500	5,060	3,500,000	\$11,270,100	11,270,100	40,200	(19,900)	40,200	(552,300)	2,462,800	0	16,720,800	9.9%	1,500,200
Glen Oaks	0	2,651,200	732	3,500,000	\$1,630,300	1,630,300	0	0	0	(2,214,000)	0	0	2,916,300	10.0%	265,100
Gogebic	52,000	4,873,700	651	3,500,000	\$1,449,100	1,449,100	42,500	(9,500)	42,500	(17,300)	433,500	0	5,407,800	9.8%	482,100
Grand Rapids	198,600	18,773,100	9,668	3,500,000	\$21,531,300	21,531,300	184,400	(14,200)	184,400	(4,362,400)	0	0	20,853,300	9.9%	1,881,600
Henry Ford	15,000	22,533,100	8,291	3,500,000	\$18,464,500	18,464,500	31,300	16,300	31,300	(1,210,000)	4,035,000	0	24,820,800	10.1%	2,272,700
Jackson	46,200	12,756,200	3,305	3,500,000	\$7,361,400	7,361,400	42,600	(3,600)	42,600	0	2,204,100	0	13,108,100	2.4%	305,700
Kalamazoo Valley	86,100	13,099,900	4,691	3,500,000	\$10,446,800	10,446,800	56,600	(29,500)	56,600	(1,814,100)	2,282,900	0	14,472,200	9.8%	1,286,200
Kellogg	51,300	10,267,100	2,495	3,500,000	\$5,556,000	5,556,000	27,000	(24,300)	27,000	0	1,663,400	0	10,746,400	4.1%	428,000
Kirtland	6,500	3,358,400	815	3,500,000	\$1,815,100	1,815,100	23,100	16,600	23,100	(1,618,500)	0	0	3,719,700	10.5%	354,800
Lake Michigan	13,100	5,702,700	1,643	3,500,000	\$3,659,900	3,659,900	12,400	(700)	12,400	(885,700)	0	0	6,286,600	10.0%	570,800
Lansing	122,700	32,852,000	7,557	3,500,000	\$16,829,800	16,829,800	110,300	(12,400)	110,300	\$0	5,038,800	7,825,500	33,304,400	1.0%	329,700
Macomb	23,300	34,276,100	12,653	3,500,000	\$28,179,300	28,179,300	38,500	15,200	38,500	(129,900)	6,158,200	0	37,746,100	10.0%	3,446,700
Mid-Michigan	153,900	5,184,400	2,141	3,500,000	\$4,768,300	4,768,300	97,600	(56,300)	97,600	(2,555,700)	0	0	5,810,200	8.8%	471,900
Monroe County	700	4,746,200	1,532	3,500,000	\$3,412,700	3,412,700	1,400	700	1,400	(1,691,700)	0	0	5,222,400	10.0%	475,500
Montcalm	4,800	3,570,600	885	3,500,000	\$1,970,300	1,970,300	8,600	3,800	8,600	(1,541,800)	0	0	3,937,100	10.1%	361,700
Mott	41,000	16,440,000	4,251	3,500,000	\$9,466,800	9,466,800	28,800	(12,200)	28,800	0	2,834,400	815,800	16,645,800	1.0%	164,800
Muskegon	57,500	9,289,100	2,565	3,500,000	\$5,711,900	5,711,900	42,000	(15,500)	42,000	(237,900)	1,248,200	0	10,264,200	9.8%	917,600
North Central	181,200	3,389,300	1,177	3,500,000	\$2,621,300	2,621,300	163,900	(17,300)	163,900	(2,376,700)	0	0	3,908,500	9.5%	338,000
Northwestern	251,200	9,567,100	2,266	3,500,000	\$5,046,000	5,046,000	155,500	(95,700)	155,500	0	1,510,800	0	10,212,300	4.0%	394,000
Oakland	33,500	22,211,700	10,267	3,500,000	\$22,866,800	22,866,800	35,700	2,200	35,700	(1,930,400)	0	0	24,472,100	10.0%	2,226,900
Schoolcraft	38,800	13,196,200	6,077	3,500,000	\$13,533,600	13,533,600	21,200	(17,600)	21,200	(2,515,700)	0	0	14,539,100	9.9%	1,304,100
Southwestern	34,100	6,979,400	1,352	3,500,000	\$3,011,800	3,011,800	27,100	(7,000)	27,100	0	901,800	0	7,440,700	6.1%	427,200
St. Clair County	15,100	7,385,200	2,304	3,500,000	\$5,132,100	5,132,100	18,600	3,500	18,600	(506,500)	0	0	8,144,200	10.1%	743,900
Washtenaw	35,300	13,855,900	7,819	3,500,000	\$17,413,300	17,413,300	23,700	(11,600)	23,700	(5,669,400)	0	0	15,267,600	9.9%	1,376,400
Wayne County	15,000	17,593,400	5,897	3,500,000	\$13,134,200	13,134,200	8,600	(6,400)	8,600	(150,800)	2,870,200	0	19,362,200	10.0%	1,753,800
West Shore	20,200	2,585,600	658	3,500,000	\$1,464,700	1,464,700	21,200	1,000	21,200	(2,118,400)	0	0	2,867,500	10.0%	261,700
TOTAL:	\$1,692,700	\$323,654,200	108,992	\$98,000,000	\$242,740,700	\$242,740,700	\$1,386,200	(\$306,500)	\$1,386,200	(\$34,283,300)	\$34,283,300	\$8,641,300	\$350,768,200	7.8%	\$25,421,300

Total Formula Distributed Funding:	\$242,740,650
Total 3-Year FYES Average:	108,992
Funding per FYES:	\$2,227