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### **Overview**

The Governor's proposed budget includes \$9.7 million for community colleges operations, a 3 percent increase over fiscal year 2019. This compares to an expected increase in inflation of 2.2 percent over the same period and is the largest percentage increase in community college funding since fiscal year 2015. Total fiscal year 2020 recommended funding for community colleges, including both operating funding and retirement cost reimbursement, is \$421.2 million.

### **Performance Funding Formula**

The \$9.7 million operations increase is allocated among the 28 community colleges using the existing performance funding formula. This formula allocation is as follows:

- 30 percent across-the-board proportional to the previous year's base funding.
- 30 percent based on contact hours weighted to recognize high-cost areas of instruction.
- 30 percent based on three performance metrics (10 percent for number of degree and certificate completions, 10 percent for completion rate, and 10 percent for completion improvement).
- 5 percent based on administrative costs.
- 5 percent based on local strategic value qualifications.

### **Tuition Restraint**

In addition to the Governor's new financial aid initiatives to make college more affordable to students, the Governor's budget recommends a tuition restraint provision in the community college budget to limit annual tuition and fees increases in fiscal year 2020 to the greater of the level of inflation plus one percentage point (3.2 percent), or \$128. This is consistent with the recommended tuition restraint level for public universities.

### **Retirement Reform Payments**

The Governor's budget continues to cap the amount of unfunded accrued liability contributions paid by community colleges to the Michigan Public School Employees Retirement System (MPSERS), with the state making payments for amounts over the statutory cap of 20.96 percent. For fiscal year 2020, the budget reflects lowering the assumed rate of investment return for the system to 7.05 percent, based on long-term market analysis and industry standards. The community colleges budget includes a total of \$87 million for community college retirement obligations.

### **Renaissance Zone Tax Reimbursements**

The Governor's proposed budget also continues funding of \$2.2 million for Renaissance Zone Tax Reimbursements. These reimbursements hold community college districts harmless from the impact of property tax exemptions in designated state Renaissance Zones.



### Overview

The Governor's fiscal year 2020 budget recommends an additional \$45.6 million for university operations, a 3.0 percent increase over fiscal year 2019 -- the largest year-over-year increase since fiscal year 2015. Total recommended funding for higher education, including financial aid programs and retirement cost reimbursement, is over \$1.7 billion.

### Operations

An increase of \$43.7 million for university operations funding is recommended for fiscal year 2020. The additional funding is distributed equally across-the-board with all 15 public universities receiving a 3.0 percent increase over the previous fiscal year.

To receive the funding increase, universities must satisfy the following requirements:

- Universities must limit tuition and fee increases to 3.2 percent, or \$427 per student, whichever is greater, in order to receive any increased funding provided in this recommendation. The cap is lowered from previous years due to the higher level of state funding increase, to 3.2 percent which is equal to the level of inflation plus one percentage point.
- Universities must actively participate in the Michigan Transfer Network and provide timely updates to the network, which informs students how their credits will transfer in and out to other Michigan postsecondary education institutions.
- Universities must participate in reverse transfer agreements with at least 3 community colleges.
- Universities must not consider whether dual enrollment credits were utilized for high school graduation when deciding to award university credit for those classes.

Michigan State University AgBioResearch and Extension also each receive a 3.0 percent increase, or \$1.9 million. This brings total funding for these programs to \$66.4 million.

### Student Financial Aid

The Governor's budget recommendation includes a fiscal year 2019 supplemental of \$110 million to establish the Michigan Reconnect Program. This program will provide tuition-free educational opportunities for non-traditional students ages 25 and older and already in the work-force who seek to earn an industry certificate or associate degree. All remaining funds at the end of fiscal year 2019 will be carried forward and used to support the program through fiscal year 2021.

Funding for two of the state's existing major financial aid programs -- the Tuition Grant Program, and State Competitive Scholarship -- is maintained from FY 2019 levels. In an effort to contain increasing costs of the Tuition Incentive Program, the Governor's budget does implement a tuition cap of 3 times the in-district per-credit community college tuition rate. The budget assumes savings of \$4.5 million associated with implementing the cap.

### Issue

The vast majority of today's jobs require some form of postsecondary education, whether it's a college degree or a skills certification. However, as of 2016, only 44 percent of Michigan's workforce held such credentials. The Governor has established a goal of increasing this number to 60 percent by 2030.

### Proposal

The Governor is recommending a two-year, tuition-free plan to ensure every Michigander has a real path to get the skills or education they need to land a good paying job. Under this plan, Michiganders will have the opportunity to improve their skills at any point in their life with two years of tuition-free postsecondary education or skills training. The program consists of 3 components:

- 1) **Michigan Reconnect Grant Program** – tuition-free training for non-traditional students who are at least 25 years old to receive a credential, certificate, or an associate degree. (Summer 2019)
- 2) **Michigan Opportunity Initiative** - 2 years tuition-free at a community college. (Fall 2020)
- 3) **Michigan Opportunity Initiative** – 2 years of tuition assistance at a 4-year public or not-for-profit college. (Fall 2020)

### Michigan Reconnect Grant Program

The Michigan Reconnect Program will provide credential and degree opportunities for non-traditional students. This program targets students over the age of 25 who have a high school diploma but no further education. This program is modeled after the Tennessee Reconnect program. Eligibility criteria include:

- o Age 25 or older
- o High school graduate or equivalent, without associate or bachelor's degree
- o Michigan resident for at least 1 year
- o Eligible programs would be offered at community colleges, technical programs, and community-based organizations (as determined by the Department of Talent and Economic Development)
- o Eligible for funding for up to 2 years
- o Considered last dollar, covering remaining tuition after all other financial aid, such as federal Pell Grants.

### Michigan Reconnect Cost Estimates

The Michigan Reconnect grant program is expected to cost \$50 million annually and will serve an estimated 51,100 students. A total of \$110 million is being recommend for this program in an FY 2019 supplemental request. Of this amount, \$60 million in unspent funds designated for the Marshall Plan will be repurposed for this program, and \$50 million in general fund will be deposited into the Talent Investment Fund in FY 2019 to cover the remaining amount. This is projected to cover the costs of the program through FY 2021.

### Michigan Opportunity Initiative

The Michigan Opportunity Initiative will provide graduating high school students with two years of tuition-free postsecondary education at a community college or tuition assistance for the first two years at a public or private not-for-profit four-year institution. This program will be available to students beginning Fall 2020.

2017 Educational Attainment by State

