

FY 2014-15: COMMUNITY COLLEGES
Summary: Conference Report
Senate Bill 762 (S-1) CR-1



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| IDG/IDT | FY 2013-14 YTD as of 2/5/14 | FY 2014-15 Executive | FY 2014-15 House | FY 2014-15 Senate | FY 2014-15 Conference | Difference: Conference From FY 2013-14 YTD | |
|-------------------|--------------------------------|-------------------------|----------------------|----------------------|--------------------------|---|------------|
| | | | | | | Amount | % |
| | \$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 | 197,614,100 | 197,614,100 | 197,614,100 | 47,614,100 | 197,614,100 | 0 | 0.0 |
| GF/GP | 138,363,500 | 173,910,800 | 173,910,800 | 323,910,800 | 167,110,800 | 28,747,300 | 20.8 |
| Gross | \$335,977,600 | \$371,524,900 | \$371,524,900 | \$371,524,900 | \$364,724,900 | \$28,747,300 | 8.6 |

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Executive figures do not reflect revisions submitted subsequent to House subcommittee action. (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Overview

The Community Colleges budget supports the 28 community colleges located throughout the state. The colleges are governed by locally-elected boards of trustees. The colleges offer numerous educational programs aimed at traditional transfer students, career and technical education, developmental and remedial education, and continuing education courses. The colleges are funded through a combination of state aid, local property tax revenue, tuition and fees revenue, and other sources of revenue such as federal grants and investment earnings. State aid makes up about 19% of total community college general fund operating revenue, although the revenue mix varies considerably among the colleges.

Major Budget Changes From FY 2013-14 YTD Appropriations

1. Community College Operations Funding

Executive, House, Senate, and Conference increase funding for community college operations grants by \$8.9 million (3.0%). Projected increases for individual community colleges range from 2.7% to 3.7%. Funding increase to be distributed under current performance funding formula. Senate also includes a fund shift of \$150.0 million from the School Aid Fund (SAF) to GF/GP.

Executive newly subjects receipt of funding increase to a condition that a receiving college restrain its tuition and fee increases to 3.2% or less. House, Senate, and Conference do not include the tuition restraint provision.

| | FY 2013-14 Year-to-Date (as of 2/5/14) | FY 2014-15 Conference Change |
|--------------|--|------------------------------------|
| Gross | \$298,244,000 | \$8,947,300 |
| Restricted | 195,880,500 | 0 |
| GF/GP | \$102,363,500 | \$8,947,300 |

2. MPERS Contributions

Executive includes \$27.7 million GF/GP increase for the state's share of colleges' unfunded liability to the Michigan Public School Employees Retirement System (MPERS). Increase consists of:

- \$20.9 million to fund the difference between the actuarial accrued liability to the system and the employer contribution cap of 20.96% of payroll set by 2012 amendments (2012 PA 300) to the Public School Employees Act.
- \$6.8 million, combined with redirection of existing School Aid Fund (SAF) appropriations, to fund the estimated cost of reducing the current 20.96%-of-payroll employer cap to 19.76%, a reduction of 1.2 percentage points.

| | Gross | FY 2013-14 Year-to-Date (as of 2/5/14) | FY 2014-15 Conference Change |
|--------------|---------------------|--|------------------------------------|
| Gross | \$33,133,600 | \$33,133,600 | \$20,900,000 |
| Restricted | 1,733,600 | 1,733,600 | 0 |
| GF/GP | \$31,400,000 | \$31,400,000 | \$20,900,000 |

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| <u>Major Budget Changes From FY 2013-14 YTD Appropriations</u> | FY 2013-14 Year-to-Date (as of 2/5/14) | FY 2014-15 Conference Change |
|---|---|---|
| 2. MPERS Contributions (continued) | | |
| Total state support for such payments would be \$60.8 million (\$59.1 million GF/GP). An additional \$18.7 million GF/GP is projected for FY 2015-16. | | |
| <u>House</u> concurs. <u>Senate</u> retains current use of SAF funding for offsetting community college MPERS costs, rather than using toward a buy-down of the employer contribution cap. <u>Conference</u> increases state share funding by \$20.9 million, does not include funding for buy-down of employer contribution cap, and retains SAF funding for community college MPERS offset. | | |
| 3. One-Time Appropriations | | |
| <u>Executive</u> eliminates funding for one-time appropriation of \$1.1 million GF/GP to the Michigan Community College Association for the purpose of updating and expanding the Michigan Community College Virtual Learning Collaborative. <u>House</u> , <u>Senate</u> , and <u>Conference</u> concur. | Gross GF/GP | \$1,100,000 \$1,100,000 |
| | | (\$1,100,000) (\$1,100,000) |

Major Boilerplate Changes From FY 2013-14

Sec. 207a. MPERS-Related Funding – RETAINED

Executive specifies allocation method for distribution of consolidated MPERS-related state funding (see No. 2, above) and assumes statutory change to Public School Employees Retirement Act to reduce maximum employer contribution to 19.76% of payroll. Distribution calculation would mirror current allocations of SAF and GF/GP portions, which are separately allocated based on each participating community college's percentage of the total covered payroll for all participating community colleges in immediately preceding fiscal year. Each college receiving MPERS-related support would continue to have to forward the amount allocated to the retirement system. House concurs. Senate and Conference do not include buy-down of employer cap.

Sec. 209. Online Information – REVISED

Executive revises current online posting requirements by deleting requirements for each community college to post its estimated cost resulting from the federal Affordable Care Act. House, Senate, and Conference retain this requirement.

Executive also deletes requirements to post Board of Trustees resolution regarding compliance with best practices needed to qualify for local strategic value component of performance funding, for state budget director to determine community college compliance with posting requirements, and allowing withholding of monthly grant installment for non-compliance with online posting requirements. House concurs with Executive on these changes. Senate and Conference retain these requirements and in addition require reporting of information on various programs, including dual enrollment, concurrent enrollment, and early college programs.

Sec. 217. Activities Classification Structure Data – REVISED

Conference creates interagency advisory committee to review activities classification structure report, data, definitions, processes, and other items as needed and to publish an initial report by July 30, 2015. Senate includes analogous language for Michigan Association of Community Colleges, the Workforce Development Agency, and the Senate and House Fiscal Agencies to review and make recommendations for revisions to the activities classification structure manual.

Sec. 230. Local Strategic Value – REVISED

Executive changes from November 1 to October 14 the deadline for colleges to certify compliance with specified best practices, which is required to for a college to receive its share of the funding increase distributed under the local strategic value portion of the performance funding formula. House, Senate, and Conference concur.

Sec. 230a. Tuition Restraint – NOT INCLUDED

Executive conditions receipt of funding increases on restraining tuition and fee increases for Michigan residents to 3.2% or less. Payments for performance funding and local strategic value would only be made to a community college that certified by August 31 that it had not adopted a tuition and fee increase after February 5, 2014 for the 2013-14 academic year, and that it would not adopt a tuition and fee increase over 3.2% for the 2014-15 academic year. House, Senate, and Conference do not include.

COMMUNITY COLLEGE OPERATIONAL FUNDING INCREASES IN FY 2014-15 EXECUTIVE RECOMMENDATION

PERFORMANCE FUNDING FORMULA DISTRIBUTIONS

| <i>Percent of Formula-Distributed Increase:</i> | | | | | | | FY 2014-15 Appropriation | Percent Increase | |
|---|--|---|---------------------------------|--|--|--|---------------------------------------|----------------------|-------------|
| | 50.0% | 17.5% | 10.0% | 7.5% | 15.0% | 100.0% | | | |
| Community College | FY 2013-14 Year-to-Date Appropriation³ | Proportional to FY 2013-14 Funding | Weighted Completions | Contact Hour Equated Students | Adjusted Administrative Costs | Local Strategic Value³ | Total Increase³ | | |
| Alpena | \$5,236,500 | \$78,547 | \$20,374 | \$7,346 | \$24,344 | \$23,600 | \$154,200 | \$5,390,700 | 2.9% |
| Bay de Noc | \$5,279,300 | \$79,189 | \$24,053 | \$9,488 | \$3,660 | \$23,800 | \$140,200 | \$5,419,500 | 2.7% |
| Delta | \$14,063,500 | \$210,952 | \$86,758 | \$42,521 | \$31,892 | \$63,300 | \$435,400 | \$14,498,900 | 3.1% |
| Glen Oaks | \$2,441,500 | \$36,622 | \$19,578 | \$5,397 | \$1,963 | \$11,000 | \$74,600 | \$2,516,100 | 3.1% |
| Gogebic | \$4,330,300 | \$64,954 | \$13,861 | \$4,853 | \$17,882 | \$19,500 | \$121,100 | \$4,451,400 | 2.8% |
| Grand Rapids | \$17,454,900 | \$261,823 | \$62,200 | \$60,876 | \$29,226 | \$78,500 | \$492,600 | \$17,947,500 | 2.8% |
| Henry Ford | \$21,060,000 | \$315,899 | \$72,402 | \$63,497 | \$17,230 | \$94,800 | \$563,800 | \$21,623,800 | 2.7% |
| Jackson | \$11,758,200 | \$176,373 | \$58,725 | \$23,594 | \$17,546 | \$52,900 | \$329,100 | \$12,087,300 | 2.8% |
| Kalamazoo Valley | \$12,122,500 | \$181,837 | \$68,519 | \$40,857 | \$34,744 | \$54,600 | \$380,600 | \$12,503,100 | 3.1% |
| Kellogg | \$9,522,000 | \$142,830 | \$49,135 | \$22,883 | \$33,849 | \$42,800 | \$291,500 | \$9,813,500 | 3.1% |
| Kirtland | \$3,055,700 | \$45,835 | \$22,898 | \$7,037 | \$22,397 | \$13,800 | \$112,000 | \$3,167,700 | 3.7% |
| Lake Michigan | \$5,178,100 | \$77,671 | \$20,753 | \$16,859 | \$26,254 | \$23,300 | \$164,800 | \$5,342,900 | 3.2% |
| Lansing | \$30,023,700 | \$450,354 | \$164,993 | \$69,533 | \$33,950 | \$135,100 | \$853,900 | \$30,877,600 | 2.8% |
| Macomb | \$31,931,200 | \$478,967 | \$134,078 | \$93,596 | \$35,040 | \$143,700 | \$885,400 | \$32,816,600 | 2.8% |
| Mid Michigan | \$4,517,900 | \$67,768 | \$36,235 | \$16,919 | \$22,875 | \$20,300 | \$164,100 | \$4,682,000 | 3.6% |
| Monroe | \$4,342,600 | \$65,139 | \$20,491 | \$14,506 | \$30,682 | \$19,500 | \$150,300 | \$4,492,900 | 3.5% |
| Montcalm | \$3,121,200 | \$46,818 | \$15,938 | \$6,646 | \$22,065 | \$14,000 | \$105,500 | \$3,226,700 | 3.4% |
| Mott | \$15,247,100 | \$228,706 | \$68,034 | \$44,351 | \$29,299 | \$68,600 | \$439,000 | \$15,686,100 | 2.9% |
| Muskegon | \$8,653,500 | \$129,802 | \$30,595 | \$18,565 | \$29,685 | \$38,900 | \$247,500 | \$8,901,000 | 2.9% |
| North Central | \$3,064,400 | \$45,966 | \$13,580 | \$9,057 | \$25,633 | \$13,800 | \$108,000 | \$3,172,400 | 3.5% |
| Northwestern | \$8,825,300 | \$132,379 | \$33,333 | \$20,046 | \$28,065 | \$39,700 | \$253,500 | \$9,078,800 | 2.9% |
| Oakland | \$20,483,100 | \$307,246 | \$106,831 | \$104,290 | \$29,666 | \$92,200 | \$640,200 | \$21,123,300 | 3.1% |
| St Clair County | \$6,860,100 | \$102,901 | \$27,819 | \$16,907 | \$22,982 | \$30,900 | \$201,500 | \$7,061,600 | 2.9% |
| Schoolcraft | \$12,112,200 | \$181,683 | \$91,660 | \$49,560 | \$24,108 | \$54,500 | \$401,500 | \$12,513,700 | 3.3% |
| Southwestern | \$6,404,300 | \$96,064 | \$21,471 | \$11,173 | \$14,578 | \$28,800 | \$172,100 | \$6,576,400 | 2.7% |
| Washtenaw | \$12,610,800 | \$189,162 | \$141,232 | \$49,381 | \$29,984 | \$56,700 | \$466,500 | \$13,077,300 | 3.7% |
| Wayne County | \$16,194,300 | \$242,914 | \$131,399 | \$59,710 | \$26,386 | \$72,900 | \$533,300 | \$16,727,600 | 3.3% |
| West Shore | \$2,349,800 | \$35,247 | \$8,833 | \$5,281 | \$5,059 | \$10,600 | \$65,100 | \$2,414,900 | 2.8% |
| TOTALS: | \$298,244,000 | \$4,473,650 | \$1,565,778 | \$894,730 | \$671,048 | \$1,342,100 | \$8,947,300 | \$307,191,300 | 3.0% |

Notes:

1. Assumes that all colleges qualify for increases under existing local strategic value component of performance funding formula.
2. Local strategic value component is distributed to qualifying colleges after certification of compliance after start of fiscal year.
3. Year-to-date appropriations, local strategic value distributions, and total increases are rounded to the nearest hundred