

**Summary: Executive Budget Recommendation  
for Fiscal Years 2013-14 and 2014-15  
COMMUNITY COLLEGES**



**Analyst: Erik Jonasson**

	FY 2012-13 Year-to-Date as of 2/7/13	FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13		FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14	
			Amount	%		Amount	%
IDG/IDT	\$0	\$0	\$0	--	\$0	\$0	--
Federal	0	0	0	--	0	0	--
Local	0	0	0	--	0	0	--
Private	0	0	0	--	0	0	--
Restricted	197,614,100	197,614,100	0	0.0	197,614,100	0	0.0
GF/GP	96,516,400	138,363,500	41,847,100	43.4	154,663,500	16,300,000	11.8
<b>Gross</b>	<b>\$294,130,500</b>	<b>\$335,977,600</b>	<b>\$41,847,100</b>	<b>14.2</b>	<b>\$352,277,600</b>	<b>\$16,300,000</b>	<b>4.9</b>
FTEs	0.0	0.0	0.0	--	0.0	0.0	--

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2014-15 figures are projected budget amounts only and would not be legally binding appropriations.

**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.

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		Executive Changes		
		FY 2012-13 YTD (as of 2/7/13)	FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
<b>1. Operations Funding</b>	<b>Gross</b>	<b>\$292,396,900</b>	<b>\$5,847,100</b>	<b>\$0</b>
Increases community college operations funding by 2 percent, or \$5.8 million, to be distributed according to performance funding measures similar to those in the FY 2012-13 enacted budget. Additionally, \$1.3 million that was previously distributed according to local strategic value requirements are now distributed according to performance funding measures. Local strategic value requirements are now prerequisites for all performance funding. Performance funding components are as follows:	Restricted	195,880,500	0	0
<ul style="list-style-type: none"> <li>50.0% Across-the-board distribution</li> <li>17.5% Weighted degree completions</li> <li>15.0% Skilled trades program students placed in a relevant job</li> <li>10.0% Contact-hour equated students (CHES)</li> <li>7.5% Administrative spending</li> </ul>	GF/GP	\$96,516,400	\$5,847,100	\$0
<b>2. MPSERS Retirement Reform Payments</b>	<b>Gross</b>	<b>\$1,733,600</b>	<b>\$31,400,000</b>	<b>\$17,400,000</b>
Includes a \$12.5 million GF/GP supplemental for FY 2012-13 and \$31.4 million GF/GP for FY 2013-14, for payments to community colleges to pay MPSERS retirement liabilities. Retains \$1.4 million appropriated for MPSERS retiree health care in FY 2012-13, but appropriates these funds in proportion to each college's total MPSERS-covered payroll. Provides a further increase of \$17.4 million for FY 2014-15.	Restricted	1,733,600	0	0
	GF/GP	\$0	\$31,400,000	\$17,400,000

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>	FY 2012-13 YTD (as of 2/7/13)	Executive Changes		
		FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15	
<b>3. Renaissance Zone Reimbursements</b> Transfers \$3.5 million GF/GP from the Treasury budget for community college renaissance zone reimbursements. These funds replace property tax revenue lost to community colleges as a result of renaissance zones. Previously, such reimbursements were included in the community colleges budget, but were eliminated in FY 2009-10 before they were included in the FY 2012-13 Treasury budget.	Gross GF/GP	\$0 \$0	\$3,500,000 \$3,500,000	\$0 \$0
<b>4. Virtual Learning Collaborative</b> Adds one-time appropriation of \$1.1 million GF/GP to support the Michigan Community College Association Virtual Learning Collaborative. Funds will be used to develop an infrastructure and course repository for community college online courses. This program allows students to enroll in online courses from other community colleges when home institution courses are full or unavailable.	Gross GF/GP	N/A N/A	\$1,100,000 \$1,100,000	(\$1,100,000) (\$1,100,000)

**Major Boilerplate Changes From FY 2012-13**

*NOTE: No boilerplate language proposed specific to FY 2014-15.*

**Sec. 204. Foreign Goods and Services – DELETED**

Prohibits the use of funds to purchase foreign goods or services if American products that are competitively priced and of similar quality are available; states preference for Michigan goods and services; states preference for goods and services provided by Michigan businesses owned and operated by veterans.

**Sec. 205. Deprived and Depressed Communities – DELETED**

Encourages colleges to ensure businesses in economically distressed areas compete for and perform contracts.

**Sec. 207a. MPSERS Retiree Health Care Reimbursement – NEW**

Distributes \$1.7 million retiree health care reimbursement line item in proportion to each community college's MPSERS retirement contributions.

**Sec. 207b. MPSERS Retiree Health Care Reform Payments – NEW**

Indicates that payments for the Michigan Public School Employees' Retirement System (MPSERS) reform costs be used for payments to community colleges that are participating in MPSERS. These payments are equal to the community colleges' MPSERS liability above their employer rate of 20.96% of their MPSERS payroll.

**Sec 207c. Virtual Learning Collaborative – NEW**

Designates that one-time appropriation for the Virtual Learning Collaborative shall be distributed to community colleges on behalf of the Michigan Community College Association (MCCA) for the purpose of enhancing the Virtual Learning Collaborative.

**Sec. 208. Capital Outlay Funding – DELETED**

Prohibits colleges from using state funds for construction or maintenance of a self-liquidating project; requires colleges to comply with Joint Capital Outlay Subcommittee use and finance policy for any capital outlay projects. Subjects colleges that fail to comply to JCOS requirements to a penalty of 1% of the operations funding for each violation.

**Sec 209. Transparency Website – REVISED**

Requires the colleges to post general fund expenditures on their websites. This information includes: annual operating budgets, collective bargaining agreements, health care benefits plans, and audits and financial reports. Colleges must provide a link to this information on their homepage using a standardized icon. Revised to include general fund revenue and expenditure projections and a listing of debt service obligations, as well as update reporting requirements to FY 2014-15.

**Sec. 210a. Block Transfer – DELETED**

Establishes a 14-member committee made up of representatives from community colleges, universities, and legislators to develop a process to improve the transferability of core college courses between community colleges and universities, including the development of equivalency standards and identifying equivalent courses offered by the institutions.

**Sec. 212. Cost Containment Initiatives – DELETED**

Encourages 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.

**Major Boilerplate Changes From FY 2012-13**

**Sec. 216. Review of Statutory Mandates – DELETED**

Intent language providing for the review of statutory mandates imposed on the colleges, including reviewing the costs and necessity of the mandates.

**Sec. 227. Community College Automobile Purchases – DELETED**

Requires community colleges to purchase automobiles made in the state of Michigan or elsewhere in the U.S., if competitively priced and of comparable quality.

**Sec. 230. Local Strategic Value and Performance Funding – REVISED**

Identifies Local Strategic Value (LSV) components that community colleges must meet in order to qualify for performance funding. LSV components are unchanged, but are now a prerequisite for all performance funding. The performance funding formula is revised as explained in item 1 above.

**Sec. 230a. State Building Authority Rent Payments – REVISED**

Indicates an estimated amount appropriated to the Department of Technology, Management, and Budget specifically for community college-related state building authority rent payments. Updates amounts for FY 2013-14 appropriations.

**Sec. 231. Repeals Community College Sections at End of Fiscal Year – NEW**

Repeals all sections, including appropriations, for community colleges effective September 30, 2014.

**Supplemental Recommendations for FY 2012-13 Appropriations**

**FY 2012-13  
Recommendation**

**1. MPSERS Retirement Reform Payments**

Supplemental of \$12.5 million for payments to community colleges to pay MPSERS retirement liabilities.

**Gross  
GF/GP**

**\$12,500,000  
\$12,500,000**