

FISCAL BRIEF

COMMUNITY COLLEGES PERFORMANCE FUNDING FORMULA AND TUITION AND FEE RESTRAINT

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FAST FACTS

- A performance formula typically determines the annual funding increase for community colleges.
- The current performance formula has been in use since FY 2016-17.
- Performance formula funding is added to a community college's base, which is the amount received in the prior fiscal year.
- Community colleges must comply with a new requirement to receive performance funding that restricts tuition and fee increases to the greater of 5.0% or \$226 for FY 2022-23.
- FY 2022-23 allocates \$16.2 million of performance funding to community colleges.

INTRODUCTION

The state appropriation for a community college's yearly operations funding typically includes three components: the base, the performance funding increase, and the North American Indian Tuition Waiver (ITW) funding. The base amount is the community college's appropriation from the prior fiscal year, less ITW funding. Performance funding is the increased operations funding amount added to the base for the new fiscal year that is determined through a performance funding formula. Indian Tuition Waiver funding is the amount of funding appropriated to cover a community college's ITW cost from the most recently reported fiscal year data, which typically has a lag of two fiscal years.

The FY 2022-23 Community Colleges budget, 2022 PA 144, appropriates \$16.2 million in performance funding, a 5.0% increase. The FY 2022-23 budget also ties the performance funding increase to tuition and fee restraint requirements for the first time, mirroring the tuition and fee restraint requirement for public universities.

COMMUNITY COLLEGES PERFORMANCE FORMULA

Performance funding for community colleges is typically allocated according to a formula based on the following criteria:

- 30% for sustainability. Funding is distributed proportionally to each community college's share of base operations funding in the prior fiscal year.
- 30% based on contact hours. Contact hours are a measure of instruction time and are a different measurement than credit hours. Funding is distributed based on the number of contact hours per college compared to total contact hours for all 28 community colleges. Contact hours in health, technology and industrial programs receive a 2x weight to account for higher instruction costs.
- 10% based on performance completion improvement. Completions are defined as a student who is awarded an associate degree or certificate or transfers to a 4-year institution. 20% of this category is distributed to colleges that demonstrate an improvement in completions over a six-year period. The remaining 80% of the category is distributed proportionately.
- 10% based on performance completion number. Funding is awarded based on the number of completions over a three-year period relative to the overall number of completions statewide over the same period.

- 10% based on performance completion rate. Funding is awarded based on the six-year completion rates of three student cohorts. The FY 2022-23 formula compares the 2012, 2013 and 2014 cohorts. 20% of the funding in this category is distributed to community colleges above the statewide completion rate three cohort average, while the remaining 80% is distributed proportionately to all community colleges.
- 5% based on administrative costs. Community colleges with lower reported administrative costs receive a higher portion of funding in this category.
- 5% based on local strategic value. Funding is distributed on a proportional basis to each community college. Colleges must meet at least four out of five practices within three criteria categories to receive funding: economic development and business/industry partnerships, educational partnerships, and community services.¹

Data used to determine various performance formula categories is derived from three sources.

- Performance completion improvement and completion rate categories are collected from the Community College Success Rates Report from the Center for Educational Performance and Information (CEPI).
- The performance completion number category uses student cohort information from the federal Integrated Postsecondary Education Data System (IPEDS).
- Contact hours and administrative cost data is gathered from the latest Michigan Community College Data Inventory (MCCDI) report, provided by CEPI.

The current performance formula has been mostly unchanged since its use in the FY 2016-17 budget. A modified version of the formula was used for FY 2019-20, which reduced the contact hours category from 30% to 25% and added 5% for a new category for community colleges with the lowest taxable values as reported to MCCDI to help address funding disparities for colleges with a lower tax base within their district. Prior versions of a performance funding formula have been used for community college operations increases starting with the FY 2006-07 budget.²

The FY 2022-23 budget contains boilerplate language that creates a task force to examine community college funding overall, including the use of current performance formula metrics and methods to achieve equitable, efficient and appropriate funding levels. The task force is required to publish a report containing its findings and recommendations on community college funding by December 15, 2022.

PERFORMANCE FUNDING AND TUITION AND FEE RESTRAINT

While a performance funding formula for community colleges has been in use for more than a decade, the FY 2022-23 Community Colleges budget implemented conditions on receiving performance funding for the first time. As a comparison, public universities, which use an operations funding model similar to community colleges, have had tuition and fee restraint language in place since the FY 2011-12 budget.

In order to receive performance funding, community colleges must restrain FY 2022-23 in-district student tuition and mandatory fee increases to 5.0% or \$226, whichever is greater, compared to FY 2021-22.

Community colleges are required to certify compliance with the performance funding conditions by October 1, and under the terms of the budget act, the state budget director has the sole authority to determine if a community college has complied with the tuition restraint conditions.

All 28 community colleges have submitted their certifications to the state budget director. In a letter dated October 5, 2022, the state budget director confirmed compliance with performance funding conditions for all 28 institutions.

¹ More information about local strategic value practices can be found here: <http://legislature.mi.gov/doc.aspx?mcl-388-1830>

² More information about prior versions of the community college performance formula can be found here: https://www.house.mi.gov/hfa/PDF/CommunityColleges/CColleges_Performance_Indicators_Formula_Memo.pdf

Attachment 1 shows community college in-district tuition and fee rates for FY 2022-23. Community college tuition and fee rates are computed as unweighted averages; rates for full-time in-district enrollment in FY 2022-23 range from \$3,300 at Washtenaw Community College to \$6,735 at Jackson College. The overall average tuition rate is \$4,654, up from \$4,516 in FY 2021-22. Percentage increases range from 0.0% at Lansing Community College, Mott Community College and Wayne County Community College to 5.5% at Macomb Community College. The unweighted average increase for all 28 community colleges is 3.0%. Dollar increases range from \$0 at Lansing Community College, Mott Community College and Wayne County Community College to \$315 at Jackson College. The unweighted dollar average increase for all 28 community colleges is \$137.45.³

Attachment 2 shows operations funding allocated for each community college. Community colleges received a performance funding increase of 5.0% or \$16.2 million for FY 2022-23. When ITW funding and the removal of one-time appropriations for FY 2021-22 are factored in, the overall increase is 3.8% or \$12.6 million. Overall funding increases range from 2.6% at Northwestern Michigan College to 5.8% at Kirtland Community College.

³ Tuition and fee rates in the attachment slightly differ from the certified rates submitted to the State Budget Office, which also impact the state averages. All community colleges remain under the percentage or dollar tuition caps in both versions.

ATTACHMENT 1

Michigan Community Colleges FY 2022-23 In-District Tuition and Fee Rates

	Tuition per Contact/Credit Hour	Contact/Credit Hour Fees	Per Semester Fees	Total Tuition & Fees Per Contact/Credit Hour	Total Annual Tuition & Fees	Total Increase From FY 2021-22	Total Increase % From FY 2021-22	Fees as a % of Total Per C/C Hour
Alpena	\$145.00	\$19.00	\$30.00	\$166.00	\$4,980.00	\$150.00	3.1%	13%
Bay de Noc	144.00	45.00	0.00	189.00	5,670.00	270.00	5.0%	24%
Delta	121.00	25.00	40.00	148.67	4,460.00	90.00	2.1%	19%
Glen Oaks	130.00	39.00	0.00	169.00	5,070.00	120.00	2.4%	23%
Gogebic	134.00	12.00	60.00	150.00	4,500.00	120.00	2.7%	11%
Grand Rapids	118.00	5.50	147.00	133.30	3,999.00	30.00	0.8%	11%
Henry Ford	108.00	24.00	110.00	139.33	4,180.00	97.50	2.4%	22%
Jackson	176.00	48.50	0.00	224.50	6,735.00	315.00	4.9%	22%
Kalamazoo Valley	120.00	0.00	158.00	130.53	3,916.00	64.00	1.7%	8%
Kellogg	127.50	27.00	0.00	154.50	4,635.00	90.00	2.0%	17%
Kirtland	132.00	27.00	0.00	159.00	4,770.00	210.00	4.6%	17%
Lake Michigan	168.25	0.00	0.00	168.25	5,047.50	187.50	3.9%	0%
Lansing	114.00	15.00	25.00	130.67	3,920.00	0.00	0.0%	13%
Macomb	106.00	5.00	124.00	119.27	3,578.00	188.00	5.5%	11%
Mid-Michigan	142.00	34.50	50.00	179.83	5,395.00	255.00	5.0%	21%
Monroe County	119.75	25.00	40.00	147.42	4,422.50	90.00	2.1%	19%
Montcalm	117.00	44.00	0.00	161.00	4,830.00	60.00	1.3%	27%
Mott	145.02	19.36	145.02	174.05	5,221.44	0.00	0.0%	17%
Muskegon	125.00	41.50	35.00	168.83	5,065.00	150.00	3.1%	26%
North Central	138.00	30.00	0.00	168.00	5,040.00	240.00	5.0%	18%
Northwestern	118.00	32.00	40.00	152.67	4,580.00	225.00	5.2%	23%
Oakland	103.00	0.00	110.00	110.33	3,310.00	140.00	4.4%	7%
Schoolcraft	131.00	26.00	55.00	160.67	4,820.00	174.00	3.7%	18%
Southwestern	133.00	56.75	0.00	189.75	5,692.50	262.50	4.8%	30%
St. Clair County	146.00	37.00	0.00	183.00	5,490.00	170.00	3.2%	20%
Washtenaw	95.00	15.00	0.00	110.00	3,300.00	150.00	4.8%	14%
Wayne County	109.10	13.50	50.00	125.93	3,778.00	0.00	0.0%	13%
West Shore	115.00	22.50	0.00	137.50	3,900.00	200.00	5.4%	16%
State Average	127.88	24.61	43.54	155.39	4,653.75	137.45	3.0%	18%

Notes:

- 1) The majority of community colleges charge tuition based on a contact hour basis. 6 colleges (Gogebic, Henry Ford, Kellogg, Schoolcraft, Washtenaw, and Wayne County) charge based on a credit hour basis. Lansing and Macomb charge based on a billable hour.
- 2) Macomb and Schoolcraft charge per class fees, which are classified here under annual fees for reporting purposes.
- 3) Total Tuition & Fees column is calculated by adding tuition, contact/credit hour fees, and 1/15 of semester fees.
- 4) Annual total is calculated based on 30 contact/credit hours per year.
- 5) West Shore caps per credit fees at \$450

**ATTACHMENT 2
FY 2022-23 Community Colleges Operations Appropriations
Enacted Summary**

	% of Formula:				30%	10%	10%	10%	30%	5%	5%	100%	FY 2021 Indian Tuition Waiver Cost	Indian Tuition Waiver Adjustments	Total Indian Tuition Waiver Payment	FY 2022-23 Appropriation	%
	Total FY 2021-22 Appropriation	Indian Tuition Waiver Payment	FY 2021-22 One-Time Payment	FY 2021-22 Base Appropriation	Sustainability	Performance- Improvement	Performance- Completion Number	Performance- Completion Rate	Contact Hours	Administrative	Local Strategic Value	Total Formula Distribution					
Alpena	\$5,830,600	\$23,900	\$53,400	\$5,753,300	\$86,306	\$33,844	\$19,850	\$41,774	\$45,741	\$31,583	\$14,384	\$273,500	\$13,700	(10,200)	\$13,700	\$6,040,500	3.6%
Bay de Noc	5,772,400	111,600	58,000	5,602,800	84,049	27,020	19,431	41,939	54,869	32,863	14,008	274,200	109,700	(1,900)	109,700	5,986,700	3.7%
Delta	15,364,000	60,100	143,400	15,160,500	227,426	60,647	73,006	78,535	214,186	36,042	37,904	727,700	40,200	(19,900)	40,200	15,928,400	3.7%
Glen Oaks	2,684,500	0	33,300	2,651,200	39,771	24,191	9,453	29,945	36,460	4,465	6,629	150,900	0	0	0	2,802,100	4.4%
Gogebic	4,968,100	52,000	42,400	4,873,700	73,111	38,059	11,271	41,693	32,519	20,761	12,185	229,600	42,500	(9,500)	42,500	5,145,800	3.6%
Grand Rapids	19,193,200	198,600	221,500	18,773,100	281,619	78,881	106,940	93,361	352,331	32,987	46,936	993,100	184,400	(14,200)	184,400	19,950,600	3.9%
Henry Ford	22,753,900	15,000	205,800	22,533,100	338,023	108,645	130,163	90,140	409,156	34,545	56,337	1,167,000	31,300	16,300	31,300	23,731,400	4.3%
Jackson	12,912,300	46,200	109,900	12,756,200	191,358	52,368	41,221	51,029	140,543	30,495	31,893	538,900	42,600	(3,600)	42,600	13,337,700	3.3%
Kalamazoo Valley	13,320,400	86,100	134,400	13,099,900	196,514	70,102	60,425	71,099	209,497	35,782	32,752	676,200	56,600	(29,500)	56,600	13,832,700	3.8%
Kellogg	10,419,200	51,300	100,800	10,267,100	154,019	46,551	46,987	60,061	117,975	36,017	25,670	487,300	27,000	(24,300)	27,000	10,781,400	3.5%
Kirtland	3,404,000	6,500	39,100	3,358,400	50,380	53,484	15,919	13,435	49,765	28,128	8,397	219,500	23,100	16,600	23,100	3,601,000	5.8%
Lake Michigan	5,768,200	13,100	52,400	5,702,700	85,547	25,419	23,153	22,813	83,351	21,193	14,258	275,700	12,400	(700)	12,400	5,990,800	3.9%
Lansing	33,255,300	122,700	280,600	32,852,000	492,819	136,702	135,405	150,169	349,510	30,111	82,137	1,376,900	110,300	(12,400)	110,300	34,339,200	3.3%
Macomb	34,629,700	23,300	330,300	34,276,100	514,182	148,752	133,448	155,709	564,717	33,287	85,697	1,635,800	38,500	15,200	38,500	35,950,400	3.8%
Mid-Michigan	5,396,300	153,900	58,000	5,184,400	77,772	28,039	20,305	20,739	90,621	23,285	12,962	273,700	97,600	(56,300)	97,600	5,555,700	3.0%
Monroe County	4,798,100	700	51,200	4,746,200	71,199	27,463	22,838	18,986	74,181	30,848	11,866	257,400	1,400	700	1,400	5,005,000	4.3%
Montcalm	3,612,600	4,800	37,200	3,570,600	53,563	14,284	20,672	14,284	47,520	29,047	8,927	188,300	8,500	3,700	8,500	3,767,400	4.3%
Mott	16,623,500	41,000	142,500	16,440,000	246,620	65,765	62,522	65,765	146,708	29,826	41,103	658,300	28,800	(12,200)	28,800	17,127,100	3.0%
Muskegon	9,431,700	57,500	85,100	9,289,100	139,348	51,673	34,511	55,544	107,175	32,824	23,225	444,300	42,000	(15,500)	42,000	9,775,400	3.6%
North Central	3,612,700	181,200	42,200	3,389,300	50,844	21,496	18,487	31,496	66,323	29,500	8,474	226,600	163,900	(17,300)	163,900	3,779,800	4.6%
Northwestern	9,906,900	251,200	88,600	9,567,100	143,518	47,892	31,540	57,719	107,955	27,118	23,920	439,700	155,500	(95,700)	155,500	10,162,300	2.6%
Oakland	22,485,200	33,500	240,000	22,211,700	333,202	117,818	135,737	108,287	475,370	31,865	55,534	1,257,800	35,800	2,300	35,800	23,505,300	4.5%
Schoolcraft	13,386,700	38,800	151,700	13,196,200	197,959	59,029	81,236	70,373	268,588	33,148	32,993	743,300	21,200	(17,600)	21,200	13,960,700	4.3%
Southwestern	7,081,900	34,100	68,400	6,979,400	104,699	90,531	19,815	27,920	66,431	26,588	17,450	353,400	27,100	(7,000)	27,100	7,359,900	3.9%
St. Clair County	7,478,700	15,100	78,400	7,385,200	110,787	30,597	47,040	49,643	118,605	26,272	18,464	401,400	18,600	3,500	18,600	7,805,200	4.4%
Washtenaw	14,080,600	35,300	189,400	13,855,900	207,855	67,584	206,350	75,221	368,423	35,370	34,643	995,400	23,700	(11,600)	23,700	14,875,000	5.6%
Wayne County	17,782,100	15,000	173,700	17,593,400	263,922	70,379	80,310	70,379	225,789	27,979	43,987	782,700	8,600	(6,400)	8,600	18,384,700	3.4%
West Shore	2,630,600	20,200	24,800	2,585,600	38,787	21,184	10,362	10,343	30,888	17,269	6,465	135,400	21,200	1,000	21,200	2,742,200	4.2%
	\$328,583,400	\$1,692,700	\$3,236,500	\$323,654,200	\$4,855,200	\$1,618,400	\$1,618,400	\$1,618,400	\$4,855,200	\$809,200	\$809,200	\$16,184,000	\$1,386,200	(\$306,500)	\$1,386,200	\$341,224,400	3.8%

Requirement to receive performance funding for FY 2022-23:

1. Restrain FY 2022-23 in-district tuition/fee rate increase to 5.0% or \$226 (whichever is greater)

Data Notes		
Component	Source	Years
Performance improvement	CEPI	FYs 2018-2020
Performance completion number	Federal IPEDS	FYs 2018-2020
Performance completion rate	CEPI	FYs 2018-2020
Contact hours	State MCCDI	FY 2021
Administrative	State MCCDI	FYs 2020-2021