FISCAL BRIEF

USE OF SCHOOL AID FUND IN COMMUNITY COLLEGES AND HIGHER EDUCATION

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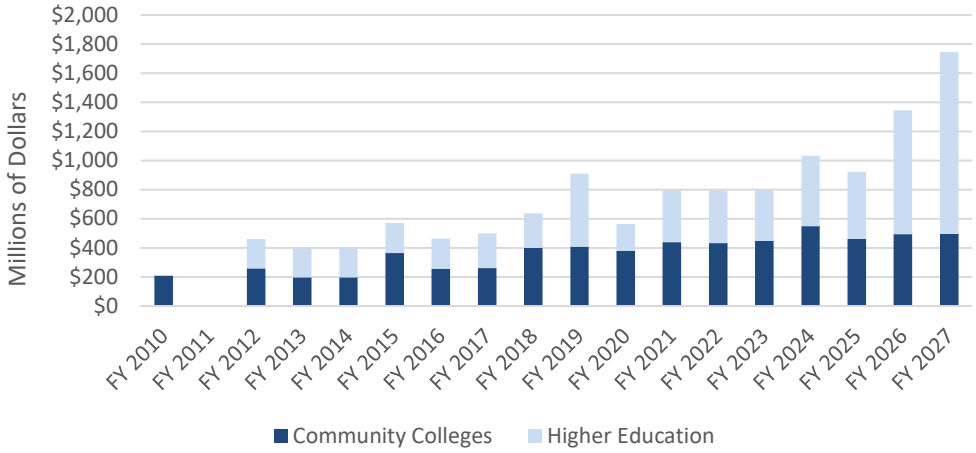
FAST FACTS

- Use of SAF in postsecondary budgets began in FY 2009-10.
- SAF in postsecondary budgets totals $1.75 billion in FY 2026-27.
- Use of SAF in postsecondary budgets reached a new high in FY 2026-27.
- State funding for Community Colleges in FY 2026-27 is 100% SAF.
- State funding for Higher Education (public universities) in FY 2026-27 is 48% SAF.
- $13.04 billion in SAF has been appropriated to postsecondary budgets since FY 2009-10.

INTRODUCTION

School Aid Fund (SAF) revenues have increasingly been used as a fund source in both the Community Colleges and Higher Education budgets. The use of SAF in postsecondary budgets first began as a $208.4 million stop-gap measure due to revenue shortfalls in FY 2009-10 during the Great Recession, but has since grown to $1.75 billion, comprising 100% of the Community Colleges budget and 48% of state funds in the Higher Education budget for FY 2026-27. This brief summarizes the historical use of SAF in the Community Colleges and Higher Education budgets. **Appendix A** includes the following chart in table format.

SAF Appropriations to Community Colleges and Higher Education



SCHOOL AID FUND

Section 11 of Article IX of the state constitution establishes the School Aid Fund and states that the fund "shall be used exclusively for aid to school districts, higher education, and school employees' retirement systems, as provided by law." Prior to FY 2009-10, the SAF served solely as the primary appropriation source for local K-12 public school districts. The SAF comprises various tax revenues earmarked both constitutionally and statutorily to the fund, which are estimated to generate $19.6 billion in FY 2026-27 according to the May 2026 Consensus Revenue Estimating Conference.[1]

[1] A poster showing FY 2025-26 tax revenues can be seen here. The final May 2026 consensus revenue estimates can be seen here.

SAF IN THE COMMUNITY COLLEGES BUDGET

Community colleges receive state funding primarily in the form of operations grants. Prior to 2010, these grants were composed entirely of state general fund/general purpose (GF/GP) revenues. Due to budgetary pressures created by the Great Recession, the FY 2009-10 budget used SAF revenues for the Community Colleges budget for the first time. The Legislature enacted 2010 PA 158 at the end of the fiscal year and offset $208.4 million GF/GP with SAF to balance the General Fund budget. The Legislature intended the fund swap to be a one-time solution and included boilerplate Section 301, which provided legislative intent that the SAF be considered a loan to the General Fund, and that the General Fund repay the SAF over the subsequent five fiscal years.

The use of SAF revenues became more routine under budgets proposed and enacted into law beginning in FY 2011-12. Since FY 2017-18, the Community Colleges budget has been almost entirely funded with SAF. In FY 2019-20, a portion of the Community Colleges budget was supported with federal funds due to COVID-19 pandemic-induced budgetary pressures, and the FY 2022-23 budget had an influx of one-time appropriations using federal Coronavirus State Fiscal Recovery funds. The FY 2026-27 Community Colleges budget is 100% funded with SAF.

Table 1 shows the history of the Community Colleges budget since SAF was first included in FY 2009-10. State restricted funds listed in the Community College budget during this period are entirely made up of SAF. A total of $6.25 billion SAF has been appropriated to Community Colleges since FY 2009-10.

Table 1: Community College Funding History

Fiscal Year	General Fund/ General Purpose	State Restricted: SAF	Federal	Gross Appropriation	SAF as % of Gross
2009-10	$90,960,500	$208,400,000	$0	$299,360,500	70%
2010-11	295,880,500	0	0	295,880,500	0%
2011-12	24,251,100	259,629,400	0	283,880,500	91%
2012-13	109,016,400	197,614,100	0	306,630,500	64%
2013-14	138,363,500	197,614,100	0	335,977,600	59%
2014-15	0	364,724,900	0	364,724,900	100%
2015-16	131,110,800	256,714,800	0	387,825,600	66%
2016-17	135,510,800	260,414,800	0	395,925,600	66%
2017-18	1,025,000	398,301,500	0	399,326,500	99%
2018-19	0	408,215,500	0	408,215,500	100%
2019-20	0	378,445,600	36,273,400	414,719,000	91%
2020-21	0	438,363,600	0	438,363,600	100%
2021-22	0	431,417,000	0	431,417,000	100%
2022-23	0	448,558,000	81,200,000	529,758,000	85%
2023-24	0	550,817,500	0	550,817,500	100%
2024-25	500,000	461,720,800	0	462,220,800	99%
2025-26	0	495,432,100	0	495,432,100	100%
2026-27	0	496,663,500	0	496,663,500	100%

SAF IN THE HIGHER EDUCATION BUDGET

Similar to the Community Colleges budget, the state's 15 public universities receive operations grants as their primary state funding mechanism. Prior to FY 2011-12, these operations appropriations were allocated solely from GF/GP revenues. FY 2011-12 saw the first use of SAF revenues in the Higher Education budget. The amounts remained relatively flat until the FY 2018-19 budget, where the SAF appropriation more than doubled to $500.1 million, or a third of the budget's gross funding. The use of SAF has fluctuated in recent years, but reached a new high of $1,249.7 million in FY 2026-27, comprising nearly half of the Higher Education budget.

Recent SAF increases included the FY 2021-22 Higher Education budget appropriation of $300.0 million SAF into the Michigan Public School Employees' Retirement System (MPSERS) to address unfunded actuarial accrued liability (UAAL) costs for the seven universities that participate in the system, while the FY 2022-23 budget appropriated a $200.0 million SAF MPSERS UAAL deposit. FY 2025-26 added nearly $400.0 million SAF to the budget, with $200.0 million used for university operations, and $200.0 million used to partially fund the Michigan Achievement Scholarship. FY 2026-27 added nearly $400.0 million SAF, with $225.1 million for various state scholarships, $99.1 million for ongoing university operations, $69.8 million for one-time operations increases, and $10.0 million for a pass-through payment for the MiDocs program, which helps place medical residency students in underserved parts of the state.

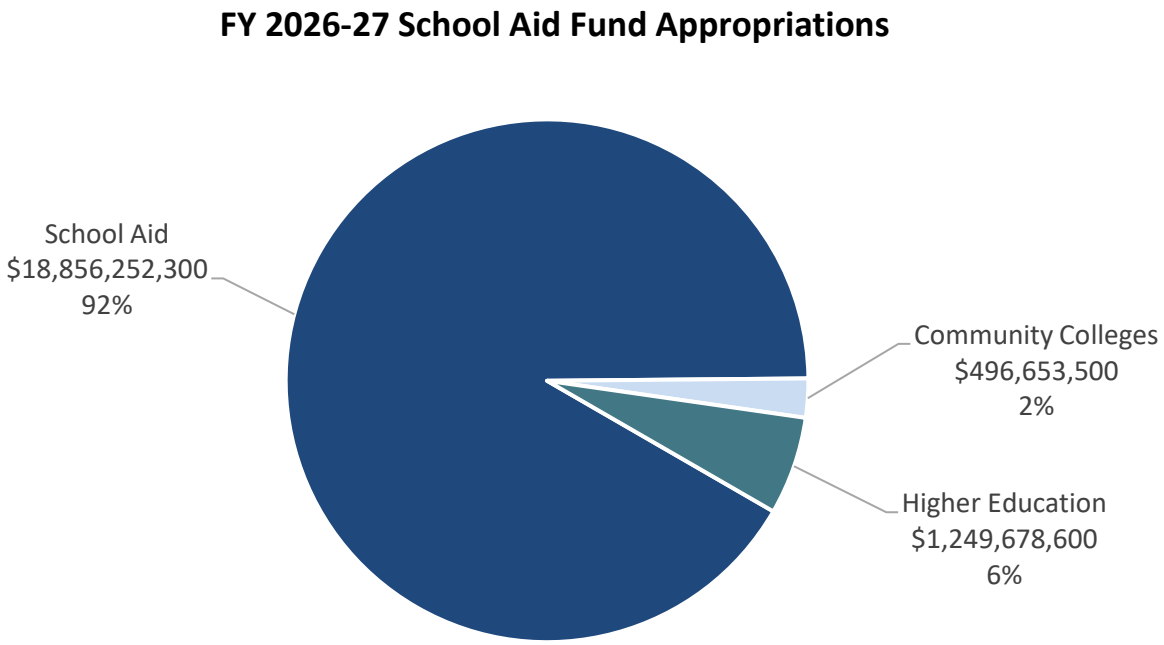
Table 2 shows the funding history of the Higher Education budget since SAF was first included in FY 2011-12. A total of $6.78 billion SAF has been appropriated to public universities since FY 2011-12. State restricted funding for FY 2026-27 includes the addition of the Postsecondary Scholarship Fund, which is used to supplement state scholarship program funding.

Table 2: Higher Education Funding History

Fiscal Year	General Fund/ General Purpose	State Restricted: SAF	State Restricted: Non-SAF	Federal	Gross Appropriation	SAF as % of Gross
2011-12	$1,065,632,500	$200,019,500	$200,000	$98,326,400	$1,364,178,400	15%
2012-13	1,101,628,300	200,465,700	100,000	97,026,400	1,399,220,400	14%
2013-14	1,132,981,400	200,465,700	100,000	97,026,400	1,430,573,500	14%
2014-15	1,212,902,000	206,467,900	100,000	98,026,400	1,517,496,300	14%
2015-16	1,232,418,500	205,179,500	100,000	101,526,400	1,539,224,400	13%
2016-17	1,243,904,500	237,109,500	100,000	106,526,400	1,587,640,400	15%
2017-18	1,279,254,500	238,343,500	100,000	111,526,400	1,629,224,400	15%
2018-19	1,046,017,900	500,088,300	100,000	123,526,400	1,669,732,600	30%
2019-20	1,207,949,300	185,692,700	0	297,753,000	1,691,395,000	11%
2020-21	1,275,139,700	356,063,300	0	126,026,400	1,757,229,400	20%
2021-22	1,317,821,500	661,403,300	0	128,526,400	2,107,751,200	31%
2022-23	1,540,221,000	547,888,300	0	131,026,400	2,219,135,700	25%
2023-24	1,677,754,100	482,268,300	0	145,026,400	2,305,048,800	21%
2024-25	1,859,424,300	461,668,300	0	3,200,000	2,324,292,600	20%
2025-26	1,482,943,700	850,768,300	0	3,200,000	2,336,912,000	36%
2026-27	1,124,954,200	1,249,678,600	232,000,000	3,200,000	2,609,832,800	48%

SHARE OF SCHOOL AID FUNDS

For FY 2026-27, Community Colleges will receive approximately 2% of the $19.7 billion SAF appropriation, while Higher Education will receive approximately 6%. The remaining balance of SAF is appropriated in the School Aid, or K-12 education, budget.



CONCLUSION

The use of SAF in higher education reached a nominal high point in the FY 2026-27 budget with $1.75 billion appropriated to the Community Colleges and Higher Education budgets. This represents approximately 8% of the total SAF appropriation for the fiscal year. Since FY 2021-22, SAF usage has averaged $1.19 billion between the two budgets. SAF appropriations increased by $788.0 million in the Higher Education budget between FY 2024-25 and FY 2026-27.

Various legislative attempts have been made to remove SAF from one or both postsecondary budgets since SAF became consistently appropriated in both budgets. These efforts have been complicated by budgetary pressures and competing spending priorities on the General Fund budget and the $1.7 billion of GF/GP that would be needed to remove SAF from both the Community Colleges and Higher Education budgets.

APPENDIX A

Table 3 shows the SAF funding history in Community Colleges and Higher Education budgets since SAF was first included in FY 2009-10. A total of $13.04 billion SAF has been appropriated to postsecondary budgets since the use of SAF was introduced in FY 2009-10, with a 48%-52% split between Community Colleges and Higher Education.

Table 3: Community Colleges and Higher Education SAF History			
Fiscal Year	SAF in Community Colleges	SAF in Higher Education	Total SAF
2009-10	$208,400,000	$0	$208,400,000
2011-12	259,629,400	$200,019,500	459,648,900
2012-13	197,614,100	200,465,700	398,079,800
2013-14	197,614,100	200,465,700	398,079,800
2014-15	364,724,900	206,467,900	571,192,800
2015-16	256,714,800	205,179,500	461,894,300
2016-17	260,414,800	237,109,500	497,524,300
2017-18	398,301,500	238,343,500	636,645,000
2018-19	408,215,500	500,088,300	908,303,800
2019-20	378,445,600	185,692,700	564,138,300
2020-21	438,363,600	356,063,300	794,426,900
2021-22	431,417,000	661,403,300	1,092,820,300
2022-23	448,558,000	547,888,300	996,446,300
2023-24	550,817,500	482,268,300	1,033,085,800
2024-25	461,720,800	461,668,300	923,389,100
2025-26	495,432,100	850,768,300	1,346,200,400
2026-27	496,663,500	1,249,678,600	1,746,342,100
TOTAL	**$6,253,047,200**	**$6,783,570,700**	**$13,036,617,900**