Community College Funding

Erik Jonasson, Fiscal Analyst

- This report provides background on the sources of revenue used by community colleges, specifically the changing roles each type of funding has played as economic conditions have changed in Michigan and increasing numbers of students have enrolled in community colleges. This report will look at statewide changes in community college revenue sources, as well as highlighting the differences between Michigan's 28 community colleges.

- Community colleges rely mainly on three sources of revenue - state aid, property taxes, and tuition and fees. The amount of revenue collected from each source has changed significantly over time. Changes in both available revenue and enrollment have necessitated that colleges shift from primarily state-aid driven budgets to budgets that rely more on property taxes and tuition and fee revenue. In recent years, property tax revenues have begun to stagnate or decline, creating further financial challenges for community colleges.

- Community colleges have significant discretion in determining how to organize their operating budgets in order to account for available revenue from multiple sources. However, they have limited control over each of these revenues sources. As a consequence, colleges vary significantly in their collection of various sources of revenue, the total size of their operating budgets, and the number of students enrolled. Thus, making uniform statements about how community colleges collect and spend their budgets is problematic.

- Various independent factors, such as a college's millage rates, taxable values, available state aid, and established tuition rates, all play a role in determining how dependent any one college is on a given source of revenue. As such, changes in available revenue affect different colleges in different ways. For example, a decline in property taxes may significantly harm one college's operating budget, while a similar decline for another college may only have marginal effects.
Community colleges differ from four-year universities in both the populations they serve and their available funding methods. Tuition is kept lower than at four-year universities, offset partially by the ability to levy property taxes within the college's district. Additionally, for many students, a terminal degree is not the goal of community college enrollment. Many students take non-degree courses, seek GED or vocational training, or enroll in community college with the goal of transferring to a four-year university. Because of these differences, community colleges must consider the priorities of a diverse student population and the needs of their local communities, while aiming to maintain tuition rates significantly lower than those offered by four-year universities.

As a whole, community college operating budgets have increased steadily over the past two decades, largely due to enrollment increases. Community colleges spent nearly $1 billion more in FY 2010-11 than in FY 1990-91, or $405.3 million more when adjusted for inflation. This reflects an increase of about 170% nominally, or 70% when adjusted for inflation.

Along with changes in overall operations budgets, colleges have drastically changed which revenue sources they rely on. These revenue shifts may vary significantly from college to college, but the sum of these shifts reflect notable changes in college funding. Figure 2 illustrates how the three primary revenue sources for community colleges have changed over time.
In general, community colleges have transitioned from relying primarily on state aid until the early 1990's, when property tax revenue increased significantly. In the 2000's, as enrollment increased and taxable property values peaked and then began to decline, tuition and fee revenue became the primary source of community college revenue. Property taxes still consist of over 30% of community college operating funds, while state aid has dropped below 20%. As a result, community college revenue sources look significantly different today than 10, 20, or 30 years ago.

Enrollment and Cost per Fiscal Year Equated Student (FYES)

In the past decade, community colleges have seen increases in enrollment that have significantly affected both their resources and the amount of support they need to provide. Enrollments in both community colleges and universities have steadily increased, though increased unemployment in FY 2008-09 led to a spike in enrollment in community colleges, due in part to increased popularity of job retraining programs and other career-focused education. In recent years this trend has leveled off once again, and early reports on FY 2011-12 enrollment indicate that community colleges have seen a decrease in the number of enrolled students. Figure 3 measures changes in enrollment in Fiscal Year Equated Students (FYES), a measure based on a sum of full-time and part-time enrollees.
This increase in enrollment creates a financial problem for community colleges. Only one of their three primary revenue sources - tuition and fees - scales with the number of students enrolled. Property tax and state aid remain the same, regardless of the size of the community college student population. Thus, when enrollment increases, community colleges have less property tax or state aid revenue available per student, increasing their overall reliance on tuition and fee revenue and potentially limiting the college's capacity to offer new or additional courses.

This change in enrollment also accounts for much of the increase in community college budgets over the past two decades. Community colleges that see increased enrollment require more staff, courses, and technology to support these new students, thus increasing the total financial need of the college. Figure 4 below indicates the increase in operating revenue per FYES.

**Figure 3**
Fiscal Year Equated Students (FYE\$S), FY 1990-91 to FY 2011-12

*2011-12 data based on preliminary ACS information, not yet published as of Jan 2013
Source: Workforce Development Agency

**Figure 4**
Average Operating Budgets per FYES, FY 1990-91 to FY 2010-11

Sources: Workforce Development Agency, Detroit Consumer Price Index
When adjusting for inflation, the total change in operating budgets per FYES at all community colleges averages about $1,000 per FYES, meaning colleges spend a total of about $1,000 more real dollars per student per year than they did in FY 1990-91. This is a sum of the changes in all revenue sources, including state aid, property tax, tuition and fee revenue, and other miscellaneous revenue sources.

Figure 5 shows operating budgets ranging from $6,915 (Kalamazoo Valley) to $12,148 (Kirtland) per FYES, with most colleges in the $8,000 to $11,000 range. This amount approximates the available financial resources available to a college for a full-time student, though the actual amount spent on any individual student’s education will vary. Differences in operating budgets reflect differences in available resources, labor costs, and the types of courses, programs, and degrees each college offers to prospective students. Many high demand program areas, such as those related to health care, require higher than average levels of expenditure per student.

Enrollment Differences Between Colleges

While comparisons between colleges generally need to control for enrollment in order to provide fair comparisons, it is important to remember that community college enrollment varies significantly.

Gogebic is Michigan's smallest community college with 974 FYES, while Oakland is the largest, with 19,858 FYES. Unduplicated (headcount) enrollment ranges are even greater, with Gogebic serving 1,690 students and Wayne County serving 72,858 unduplicated students. Large differences between unduplicated enrollment and FYES indicate larger numbers of part-time students, with more students taking fewer credits per year.

These large ranges of full-time and part-time students reflect just one of the many differences among community colleges. Costs related to managing colleges will not scale perfectly in line with increases in enrollment. Some colleges have much larger facilities to maintain, or more comprehensive administrative and advising staffs in order to support the larger student population. Colleges also may offer different types of programs which are more costly than programs offered at other colleges. Thus, even enrollment-controlled comparisons between colleges may omit important details about each college's practices. This paper will generally use FYES when comparing colleges, though it should be noted that, even when controlling for total enrollment, differences between each college's student populations still exist.
Every year, the state appropriates funds for community colleges through the annual budget. In FY 2012-13, these funds were included in Article 2 of PA 201 of 2012. Historically, these appropriations have primarily been funded by General Fund/General Purpose (GF/GP) revenue. However, in FY 2011-12 and FY 2012-13, the School Aid Fund (SAF) was the primary source of revenue for community college state appropriations. These funds are distributed throughout the year, conditional on several boilerplate requirements included in the community college budget. Figure 6 below indicates the history of community college appropriations since FY 1992-93, both nominally and adjusted for inflation.

Without any adjustments for inflation, state aid for community colleges rose to its highest point in FY 2001-02 at $319.2 million, and has fallen and risen intermittently in the following years. However, when adjusting for inflation, the overall decline since the FY 2001-02 is more noticeable. In FY 1992-93 dollars, appropriations for community colleges have declined by about $43.8 million over the past 20 years. This makes state aid the only revenue source for community colleges which has experienced a decline in real funding over the past two decades.

As appropriations remained relatively flat for an extended period, their growth was eventually outpaced by increases in property tax revenue and later, as enrollments began to increase significantly in the 2000’s, by tuition and fee revenue. Today, state aid revenue constitutes 19.1% of community college operating fund revenue, compared to 36.9% in FY 1990-91, or 46.9% in FY 1979-80.

These changes become more pronounced in recent years when controlling for increases in enrollment for community colleges. As both the number of total students and number of full-time equated students have increased for community colleges, the amount of state aid available for each student has decreased. While state aid was fairly flat between FY 2007-08 and FY 2011-12, the amount of state aid available per FYES declined from $2,825 per student to $2,159 per student, or a reduction of nearly 25 percent as shown in Figure 7. Adjusted for inflation, State Aid revenue per FYES declined 33 percent between FY 1992-93 and FY 2012-13.
Differences in State Aid Between Colleges

Each college receives its own appropriation, which is not determined by any formal standard. As such, the amount received by each college varies significantly, even when controlling for enrollment. While the average amount received by each college is $2,159 per FYES, appropriations for each college range from $1,031 per FYES (Oakland) to $4,967 (Gogebic). Figure 8 below shows the differences in state aid per student at each college.

The reasons for the funding differences between colleges are varied, but in some cases reflect differences in revenue available from other sources. For example, while Gogebic receives over double the amount of state aid received by the average college, they also collect less than half the average property tax revenue collected by other colleges, partially because of large amounts of state- and federally-owned (and thus tax exempt) land within the district. In this way, the state is able to account for and offset some of the limitations imposed by the regional nature of community colleges, thus allowing them similar resources to their counterparts. But as state appropriations remain flat or decrease, the ability to adjust for such differences is also diminished. Similarly, if performance funding measures do not account for such differences in available revenue, state aid may eventually no longer provide this equalizing factor. The appropriations for community colleges are ultimately determined by the legislature on a year-to-year basis, and thus appropriations amounts and how they are distributed are subject to the annual appropriations process.
Funding Distributions and Performance Funding

A majority of community college funding distributions have been set by historical standards. Historical funding allocations have been determined by various funding formulas, across-the-board increases, and recommendations by the colleges themselves. Additionally, as colleges themselves have changed in size and in what courses are provided, appropriations have not always followed these trends. As such, modern appropriations for community colleges reflect historical practices and rationales that are not immediately obvious, and have become a standard part of colleges' operations appropriations over several decades.

These differences have been persistent for many years, partially because the legislature typically aims to "hold harmless" current levels of appropriation. Historically, previous year appropriations have been unaffected by performance funding, limiting any changes to new appropriations each year. Thus, even funding formulas which aim to accurately assess the current needs of each college are slow to normalize disparities between colleges.

Gast-Mathieu Formula

In FY 1984-85, the state began using the Gast-Mathieu Fairness in Funding Formula to distribute funds to community colleges. The formula calculated the base funding needs of each college using instructional and non-instructional costs and controlling for each college's available property tax revenue and tuition revenue. The goal of this formula was to determine a "target net need," or the amount of funding the state would ideally need to provide in order to fully fund a college's needs. However, this full funding amount was not typically provided, and instead prorated appropriations based on the levels of need in each college were used, along with across-the-board increases.

Using the Gast-Mathieu formula on today's community college budget would require significant adjustment or proration. The formula presumes that colleges only levy 1.0 mill property taxes, when most colleges levy significantly more. As such, using the Gast-Mathieu formula would indicate today that the net need from the state would be about $565.1 million (compared to the FY 2012-13 community colleges budget which appropriated a total of $294.1 million), primarily because the formula does not incorporate increases in millages and property taxes from when the formula was initially used. Appropriations under this formula would likely need to be prorated to align with available funds.

Use of the Gast-Mathieu formula required uniformly collected data from all community colleges. To accomplish this, the Department of Education took the lead role in developing the Activities Classification Structure (ACS) dataset. This data set included financial data including revenue sources, expenditures, and enrollment information at the state's community colleges. This data is still reported and is currently managed by the Michigan Workforce Development Agency1 However, no audits of the ACS dataset have been conducted since FY 2006-07 and are not currently required or requested in any boilerplate language. The most recent audit of ACS data concluded that "selected community colleges did not report ACS data to DLEG in accordance with the provisions of the annual appropriations act for community colleges," and it is not known if such conclusions would still be accurate in more recent years. However, some of the data collected by ACS are used in the Performance Indicators formula, which has been used in recent budget years.

Performance Indicators

The Gast-Mathieu formula was used for the last time in FY 2001-02, and for several years no funding formula was used (funding was either flat, or increased/reduced on an across-the-board basis). In 2005, a task force was formed to develop new performance funding standards to be used in future community college appropriations. The task force then developed the Performance Indicators Formula, which has been either used directly or modified for use in recent budget years2.

1 The ACS dataset is available online at http://www.michigancc.net/acs/databooks.aspx
2 The Performance Indicators Task Force's final report is available online at: http://www.michigancc.net/acs/databooks.aspx
Under the Performance Indicators formula developed by the task force, three specific factors are prioritized: Enrollment, Completion, and Local Strategic Value.

- **Enrollment** is determined by the number of Contact Hour Equated Students (CHES) at a college.
- **Completion** is determined by the two-year average of weighted degree completions, with health, engineering, technology, and natural science degrees receiving extra weighting.
- **Local Strategic Value** provides a set of goals for community colleges to attain related to connection and interaction with their surrounding communities.

These factors were to be used when allocating *additional* revenue, with the base allocation of each college remaining at FY 2005-06 levels, adjusted for inflation (the inflation adjustment, however, has not been included in any budgets.)

The Performance Indicators formula marks a significant shift from the funding practices highlighted in Gast-Mathieu. While Gast-Mathieu primarily focused on factors such as available revenue and expenditures, Performance Indicators focuses exclusively on the outputs of the college. The goal of such performance funding is to either reward colleges that are accomplishing the goals laid out by the formula, or to incentivize improvement at colleges that are underperforming.

The formula allocates a certain percentage to each variable. Initially, enrollment was weighted at 17.5%, Completion was weighted at 17.5%, and Local Strategic Value was weighted at 15.0%. The remaining 50.0% was allocated across-the-board. This version of the formula was used from FY 2006-07 through FY 2008-09. When the formula was used again in FY 2011-12, local strategic value was replaced with the college’s spending on administrative costs and public services (no funding increases occurred in FY 2009-10 or FY 2010-11).

The Performance Indicators formula was modified further in FY 2012-13, re-weighting enrollment at 10.0%, adding a separate category for administrative funding, and creating a specific set of criteria that community colleges must meet in order to receive local strategic value funding. Additionally, all funds appropriated through the Performance Indicators formula were to be used for offsetting costs related to the Michigan Public Schools Employees Retirement System (MPSERS). The percentage allocation of each performance measure is identified in Table 1 below.

<table>
<thead>
<tr>
<th>Performance Metric</th>
<th>Percent Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportionate to Base Funding</td>
<td>50.0%</td>
</tr>
<tr>
<td>Weighted Degree Completions</td>
<td>17.5%</td>
</tr>
<tr>
<td>Local Strategic Value</td>
<td>15.0%</td>
</tr>
<tr>
<td>Student Contract Hours</td>
<td>10.0%</td>
</tr>
<tr>
<td>Administrative Costs</td>
<td>7.5%</td>
</tr>
</tbody>
</table>

While the Performance Indicators formula provides several different incentives for community colleges to increase enrollment, degree completion, and community relations while decreasing administrative spending, the actual financial incentive provided by this formula has thus far been relatively small. In FY 2011-12, the formula in conjunction with a $12.0 million reduction in appropriations. This was done by reducing the total community colleges budget by $18.0 million through across-the-board appropriations reductions, and adding back in $6.0 million using the formula. The formula was used to add $8.5 million in FY 2012-13. As the formula includes appropriations that are 50% across-the-board, only about $3.0 million in FY 2011-12 and $4.25 million of funding in FY 2012-13 was dependent on performance in a community college budget that distributes a total of $294.1 million in FY 2012-13. Thus, performance funding has not yet become a large portion of community college appropriations, though this may change in future budgets, depending on how any future increases or decreases are applied.\(^3\)

\(^3\) For more information on the Performance Indicators Formula, see separate HFA memo titled “Performance Indicators Formula,” available at http://www.house.mi.gov/hfa/PDFs/Performance%20Indicators%20memo.pdf
While the Performance Indicators formula has not yet been used for enough time for it to have significantly changed community college appropriations, previous funding formulas typically have not resulted in large swings in each college’s individual share of appropriations. Some targeted changes in State Aid appropriations, such as a decrease of about $6.9 million in Wayne County Community College District’s appropriation in FY 1993-94, have had significant impacts on each college’s proportion of appropriated funds, but other examples of significant changes in a college’s share of appropriations are limited. Of the $294.1 million appropriated for community colleges in FY 2012-13, each college’s share of this appropriation ranges from 0.79% to 10.72%. Figure 9 below compares the change in each college’s percentage share of appropriations between FY 2012-13 and FY 1993-94.

In the most dramatic cases, colleges have received or lost about three quarters of a percentage point of their share of overall revenue. Most colleges have seen changes of a quarter of a percentage point or less. Thus, with a few exceptions, colleges have not seen large changes in their share of state aid. For reference, if a college were to receive an additional 0.25% of overall revenue appropriated in FY 2012-13, that college would receive an additional $735,000.

In sum, community colleges have become less dependent on state revenue over the past two decades, though the amount of revenue received is still a significant portion of each college’s operating budget. Performance funding has been considered in multiple forms over multiple fiscal years, though currently a large majority of community college appropriations are distributed in similar proportions to historical appropriations, and would likely continue to do so if performance funding continues to be allocated as it has been in recent years.

Under Section 144 of the Community College Act of 1966 (1966 PA 331, MCL 389.144), community colleges are authorized to levy property taxes. These funds tie a portion of a community college’s budget to local sources and allow community colleges to operate with lower tuition rates for in-district students. In FY 2010-11, community colleges collected a total of $522.9 million in property tax revenue. This includes revenue from both real and personal property, with personal property taxes (PPT) consisting of about 8.2% of the college’s property tax revenue. A portion of this PPT revenue was eliminated for future years through a package of bills passed in December of 2012.

---

Figure 9
Change in Percentage Share of Appropriations Between FY 1993-94 and FY 2012-13

Source: Workforce Development Agency

---

4 Additional information on the role of Personal Property Taxes in community college funding is available in a separate HFA memo titled "The Effect of Personal Property Tax Elimination on Community Colleges," available online at http://www.house.mi.gov/hfa/PDFs/Community%20College%20PPT%20Evaluation%20Memo.pdf
(PAs 397-404, 406-408 of 2012), though these bills also included replacement revenue for some of the revenue (approximately 80%, according to the Department of Treasury) lost by community colleges.

Historically, property tax revenue has increased steadily, and has been a secure source of revenue not subject to annual appropriations by the legislature or changes in enrollment. Only in FY 2010-11 did property tax revenue first decline significantly. This has created a sudden drop-off in revenue which traditionally had been reliable for colleges.

Figure 10

Property Tax Revenue Between FY 1990-91 and FY 2010-11, Nominal and CPI-Adjusted

Sources: Workforce Development Agency, Detroit Consumer Price Index

Property tax revenue for community colleges peaked in FY 2009-10 at $589.8 million and has since declined by $66.9 million, a reduction of about 11.3%. Property taxes are dependant on two factors: taxable value in a district and millages levied on local properties.

Property tax revenues have declined due to a decrease in local property's taxable value in community college districts. This has been a part of the national decline in property values that arose out of the housing crisis that began in FY 2007-08. As the value of property declines in a district, so does the base for property taxes. This reduces the revenue available to community colleges and other local governments. Taxable value in community college districts fell from $287.0 billion in FY 2008-09 to $254.2 billion in FY 2011-12. Figure 11 indicates the historical changes in taxable value in community college districts.
Taxable values in community college districts typically rose at a consistent pace until FY 2008-09, when the global recession began to significantly reduce property values across the state and nationally. Since then, taxable values have been flat or decreasing. Decline in recent years has averaged between five and six percent per year, roughly the rate which it had increased in previous years. It is unclear when this trend will be reversed, or at what rate taxable value would increase over the next several years. In addition, the rate at which taxable values may increase are capped by Proposal A, limiting the increase to either the rate of inflation or 5%, whichever is smaller. Thus, even when Michigan property values begin to increase, the return to previous levels of taxable value will be significantly delayed.

While changes in taxable value are the reason behind recent declines in property tax revenue, changes in millage rates have also influenced the amount of property tax collected. Millage rates range between 1.14 and 3.81 mills, meaning property taxes of $1.14 to $3.81 per $1,000 in property taxable value. With few exceptions, these have remained constant in recent years. Any increase in these millages requires a local vote in order to be enacted. Additionally, millages require periodic voter renewal in order to remain in effect.

Millages have increased over the past two decades, with the average millage levied increasing from 1.97 in FY 1994-95 to 2.20 in FY 2010-11, meaning an average increase of $0.23 per $1,000 of taxable value. This increase translates to additional property tax revenue of about $61.9 million in FY 2010-11 compared to FY 1994-95 millage rates. However, millages must be approved by a local vote, and thus colleges have limited control of their ability to raise millages in order to offset reductions in taxable value or other sources of revenue.

Differences Between Colleges

As with other sources of revenue, property tax revenue varies significantly between colleges. Colleges carry wide ranges in millage rates, as well as taxable property values within their districts. Property tax collections per student vary from $643 per FYES to $5,765 per FYES, which makes property tax revenue more varied than state aid or tuition and fee revenue. Schools that receive the most property tax revenue will generally be those with both high millages and high taxable values, though some colleges are able to compensate for lower taxable value in their district with higher than average millages.

Table 2 illustrates the differences between college millage rates, taxable values, and ultimately their available property tax revenue.
Colleges with similar total property tax revenues may have significantly different taxable values, which then affect the return on any additional millage increases. For example, Lansing Community College and Macomb Community College both collect approximately $40 million in property tax revenue. However, Lansing collects this revenue with only about 1/3rd the taxable value in the district, compensating through significantly higher millage rates. Thus, a community college district like Macomb presumably would see much higher returns to millage increases (if approved by local voters) than Lansing.

Declining taxable value has affected each college differently. Most colleges have lost some revenue in recent years, though it ranges in a single year from a loss of 15% in total property tax revenue, to minor gains in revenue. Figure 12 shows the change in property tax revenue between FY 2009-10 and FY 2010-11. Between FY 2009-10 and FY 2010-11, some colleges have seen a total decline in property tax revenue of more than 10%, with the median decline equaling about five percent of property tax revenue.
As enrollment has increased at community colleges, so has the amount of tuition and fee revenue that colleges collect as shown in Figure 13. Community colleges charge significantly lower tuition than their university counterparts, particularly for those who live in-district.

Figure 13
Community College Tuition and Fee Revenue, FY 1990-91 to FY 2010-11

The revenue generated from tuition and fees has increased steadily over the past two decades, though the rate of increase picked up significantly in the past ten years. However, it is important to differentiate between overall tuition revenue increasing and costs per student. Increasing tuition revenue is a product of both tuition rates and the number of credits taken. As the number of FYES increases, the total tuition revenue collected will increase, even if tuition rates are held constant. Figure 14 indicates the increase in tuition and fee revenue when controlling for FYES.
When adjusting for growth in FYES, the sharp increase in tuition revenue that appears in Figure 14 becomes more normalized. In FY 1990-91 dollars, tuition and fee revenue was approximately $1,408 per FYES in FY 1990-91, and has risen to $2,593 per FYES ($4,101 in FY 2010-11 dollars.) This amounts to an effective increase in costs of $1,185 per FYES over the past 20 years, though actual tuition and fee rates vary significantly between colleges.  

Comparisons Between Colleges

Tuition revenue per FYES in FY 2010-11 ranges from $2,710 at Kalamazoo Valley Community College to $5,754 at Northwestern Michigan Community College. Differences in tuition revenue could reflect a variety of different causes, such as the ability of students to pay, available revenue from other sources, and differences in costs associated with instruction and support at each college. Figure 15 below shows the range of tuition and fee revenue per FYES at each college.

---

5 As colleges tend to differ in their rates of in-district and out-of-district student enrollment ratios, reporting tuition revenue based on tuition rates may be misleading. Thus, this paper primarily uses the total tuition revenue collected per FYES.
Pell Grants

Pell Grants are provided by the federal government to students with financial need, who use the funds to pay for post-secondary education at universities, community colleges, and for-profit institutions. The maximum award amount for academic year 2011-12 was $5,550, though actual awards depend on various factors such as need and available funding. In community college finances, Pell Grants and other scholarships are reflected in their tuition and fee revenue, meaning the total cost of tuition and fees is not borne just by students, but also by the federal government and other scholarship or grant providers.

According to the U.S. Department of Education, 153,629 Michigan community college students were awarded a total of $506.9 million in Pell Grants in 2010-11, averaging about $3,299 per Pell Grant recipient. Per FYES, Pell Grants provide about $2,874, compared to the total tuition and fee revenue collected of $4,101. Students may use these funds for tuition and fees, or other expenses associated with attending college.

![Figure 16](image)

**Pell Grant Award Amounts, FY 2010-11**

*Source: U.S. Department of Education*

In-District vs. Out-of-District

While four-year universities typically differentiate between in-state and out-of-state students in terms of tuition rates, community colleges differentiate primarily between in-district and out-of-district students (out-of-state students are charged a higher third rate, but the out-of-state population tends to be fairly small at most community colleges). Community college districts are typically defined by county, school district, or city/township borders, but unlike K-12 school districts, community college districts are not inclusive of all regions in Michigan. Thus, some prospective community college students must choose only from out-of-district colleges, while others may choose to attend college in a separate district by their own choice.

In-district, average tuition cost per credit hour was $85.76 in FY 2011-12 (including fees), while the cost for out-of-district students was $141.87 per credit hour, meaning attending a college in-district costs about 60% as much per credit hour as attending a college out-of-district, though actual costs vary by college.

The difference between each college's total tuition revenue is partially a function of how many in-district students attend a college, compared to the number of out-of-district students. On average, 68.3% of students attending a community college are in-district, but some colleges enroll as few as 25.8% in-district students (Henry Ford), or as many as 89.8% (Wayne County Community College District). Figure 17 shows the differences in in-district and out-of-district student populations at various colleges.
When looking at community college sector as a whole, there are several clear trends over recent years.

- Enrollments have increased; and therefore, tuition and fee revenue has become a larger portion of each college’s budget.
- As state aid has remained largely flat over this time, its importance to community college budgets has declined from previous decades, when it was often a college’s primary source of revenue.
- Increases in property values led to increased reliance on property tax revenue, though the decline of property value that occurred at the end of the decade has led to a sharp drop-off in this revenue, and it is unclear when colleges can expect that revenue source to stabilize.

However, caution should be taken when applying most of these trends to any individual community college. Because of differences in geography, enrollment, and demographics, different colleges experience these statewide trends in different ways. A college that is less reliant on property tax revenue will be less affected by changes in property values, while colleges that have seen more modest enrollment increases will not see a significant spike in tuition and fee revenue. Changes in how state aid is appropriated may eventually also play a significant role in these colleges’ finances, but the comparatively low amount of funding that is appropriated according to any sort of funding formula means such changes will be slow to materialize. Between changing enrollment, tuition and fees, property tax revenue, and any future changes to state appropriations, each major portion of the community college budget has the potential to change significantly over the next several years.

* * *

NOTE: This report was written by Erik Jonasson, Fiscal Analyst. Kathryn Bateson, Administrative Assistant, prepared the report for publication.