

FISCAL BRIEF



COMMUNITY COLLEGE 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 requirement to receive performance funding that restricts tuition and fee increases to the greater of 4.5% or \$205 for FY 2023-24.
- FY 2023-24 allocates \$16.9 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 2023-24 Community Colleges budget, 2023 PA 103, appropriates \$16.9 million in performance funding, a 5.0% increase. The FY 2023-24 budget continues to tie the performance funding increase to tuition and fee restraint requirements, mirroring the tuition and fee restraint requirement for public universities.

COMMUNITY COLLEGE 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 who transfers to a four-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 2023-24 formula compares the 2013, 2014 and 2015 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

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 2023-24 Community Colleges budget continues to subject the receipt of performance funding to tuition and fee restraint conditions, first implemented during the FY 2022-23 budget. 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.

To receive performance funding, community colleges must restrain FY 2023-24 in-district student tuition and mandatory fee increases to 4.5% or \$205, whichever is greater, compared to FY 2022-23.

Community colleges are required to certify compliance with the performance funding conditions by the last business day of August, 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.

For FY 2023-24, all 28 community colleges have submitted their certifications to the state budget director. In a letter dated October 13, 2023, the state budget director confirmed compliance with performance funding conditions for all 28 institutions.

[Attachment 1](#) shows community college in-district tuition and fee rates for FY 2023-24. Community college tuition and fee rates are computed as unweighted averages; rates for full-time in-district enrollment in FY 2023-24 range from \$3,420 at Washtenaw Community College to \$7,035 at Jackson College. The overall average tuition rate is

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

\$4,821, up from \$4,662 in FY 2022-23. Percentage increases range from 0.6% at Montcalm Community College to 4.5% at Jackson College, C.S. Mott Community College, and Southwestern Community College. The unweighted average increase for all 28 community colleges is 3.4%. Dollar increases range from \$30 at Montcalm Community College to \$300 at Jackson College. The unweighted dollar average increase for all 28 community colleges is \$159.31.

Attachment 2 shows operations funding allocated for each community college. Community colleges received a performance funding increase of 5.0%, or \$16.9 million, for FY 2023-24. When ITW funding adjustments are factored in, the overall increase is 4.9%, or \$16.7 million. Overall funding increases range from 4.1% at Jackson College, Lansing Community College, and C.S. Mott Community College to 7.1% at Washtenaw Community College.

ATTACHMENT 1

Michigan Community Colleges FY 2023-24 In-District Tuition and Fee Rates

	FY 2023-24	Contact/Credit	Per	Total Tuition	Total	Total	Total	Fees as
	Tuition	Hour Fees	Semester	& Fees Per	Annual	Increase	Increase %	a % of
			Fees	Contact/Credit	Tuition &	From FY	From FY	Total Per
				Hour	Fees	2022-23	2022-23	C/C Hour
Alpena	\$150.00	\$19.00	\$30.00	\$171.00	\$5,130.00	\$150.00	3.0%	12%
Bay de Noc	150.00	47.00	0.00	197.00	5,910.00	240.00	4.2%	24%
Delta	127.00	25.00	40.00	154.67	4,640.00	180.00	4.0%	18%
Glen Oaks	133.00	39.00	0.00	172.00	5,160.00	90.00	1.8%	23%
Gogebic	138.00	12.00	60.00	154.00	4,620.00	120.00	2.7%	10%
Grand Rapids	120.00	5.50	147.00	135.30	4,059.00	60.00	1.5%	11%
Henry Ford	111.00	24.00	110.00	142.33	4,270.00	90.00	2.2%	22%
Jackson	185.00	49.50	0.00	234.50	7,035.00	300.00	4.5%	21%
Kalamazoo Valley	124.00	0.00	163.00	134.87	4,046.00	130.00	3.3%	8%
Kellogg	131.25	27.00	0.00	158.25	4,747.50	112.50	2.4%	17%
Kirtland	138.00	28.00	0.00	166.00	4,980.00	210.00	4.4%	17%
Lake Michigan	175.50	0.00	0.00	175.50	5,265.00	217.50	4.3%	0%
Lansing	117.00	15.00	25.00	133.67	4,010.00	90.00	2.3%	12%
Macomb	111.00	5.00	128.00	124.53	3,736.00	158.00	4.4%	11%
Mid-Michigan	148.00	36.50	50.00	187.83	5,635.00	240.00	4.4%	21%
Monroe County	124.54	25.00	40.00	152.21	4,566.20	143.70	3.2%	18%
Montcalm	119.00	43.00	0.00	162.00	4,860.00	30.00	0.6%	27%
Mott	151.55	20.23	151.55	181.88	5,456.50	235.06	4.5%	17%
Muskegon	130.00	43.00	35.00	175.33	5,260.00	195.00	3.8%	26%
North Central	144.00	30.00	0.00	174.00	5,220.00	180.00	3.6%	17%
Northwestern	122.00	33.00	40.00	157.67	4,730.00	150.00	3.3%	23%
Oakland	107.00	0.00	110.00	114.33	3,430.00	120.00	3.6%	6%
Schoolcraft	135.00	29.00	56.00	167.73	5,032.00	212.00	4.4%	20%
Southwestern	139.00	59.25	0.00	198.25	5,947.50	255.00	4.5%	30%
St. Clair County	149.00	39.00	0.00	188.00	5,640.00	150.00	2.7%	21%
Washtenaw	99.00	15.00	0.00	114.00	3,420.00	120.00	3.6%	13%
Wayne County	112.00	13.50	50.00	128.83	3,865.00	87.00	2.3%	13%
West Shore	120.00	24.00	0.00	144.00	4,320.00	195.00	4.7%	17%
State Average	132.53	25.23	44.13	160.70	4,821.10	159.31	3.4%	18%

Notes:

- 1) The majority of community colleges charge tuition based on a contact hour basis. Six 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 2023-24 Community Colleges Operations Appropriations
Enacted Summary

% of Formula:			30%	10%	10%	10%	30%	5%	5%	100%						
	FY 2022-23	Indian	FY 2022-23			Performance-	Performance-				Local	Total	FY 2022	Indian	Total Indian	FY 2023-24
	Total	Tuition	Base	Sustainability	Improvement	Completion	Completion	Contact	Administrative	Strategic	Formula	Tuition	Tuition	Tuition	Waiver	Appropriation
	Appropriation	Waiver	Appropriation			Number	Rate	Hours		Value	Distribution	Waiver Cost	Adjustments	Payment		%
Alpena	\$6,040,500	\$13,700	\$6,026,800	\$90,402	\$24,107	\$20,834	\$44,567	\$45,752	\$33,096	\$15,067	\$273,800	\$26,500	12,800	\$26,500	\$6,327,100	4.7%
Bay de Noc	5,986,700	109,700	5,877,000	88,155	31,070	19,275	45,083	61,571	48,466	14,692	308,300	113,900	4,200	113,900	6,299,200	5.2%
Delta	15,928,400	40,200	15,888,200	238,323	70,571	78,349	63,553	221,259	42,322	39,720	754,100	48,200	8,000	48,200	16,690,500	4.8%
Glen Oaks	2,802,100	0	2,802,100	42,031	11,208	12,045	33,298	31,212	98	7,005	136,900	0	0	0	2,939,000	4.9%
Gogebic	5,145,800	42,500	5,103,300	76,549	28,119	11,246	44,722	33,271	19,762	12,758	226,400	37,900	(4,600)	37,900	5,367,600	4.3%
Grand Rapids	19,950,600	184,400	19,766,200	296,493	79,065	112,923	98,364	406,085	35,817	49,415	1,078,200	122,000	(62,400)	122,000	20,966,400	5.1%
Henry Ford	23,731,400	31,300	23,700,100	355,501	142,838	143,737	94,800	400,136	33,436	59,250	1,229,700	14,100	(17,200)	14,100	24,943,900	5.1%
Jackson	13,337,700	42,600	13,295,100	199,426	53,180	42,215	53,180	148,695	29,091	33,238	559,000	33,300	(9,300)	33,300	13,887,400	4.1%
Kalamazoo Valley	13,832,700	56,600	13,776,100	206,641	55,104	62,231	75,677	231,668	40,037	34,440	705,800	57,500	900	57,500	14,539,400	5.1%
Kellogg	10,781,400	27,000	10,754,400	161,316	43,018	51,511	62,983	128,995	40,136	26,886	514,800	21,000	(6,000)	21,000	11,290,200	4.7%
Kirtland	3,601,000	23,100	3,577,900	53,668	14,312	18,028	14,312	51,674	34,308	8,945	195,200	19,800	(3,300)	19,800	3,792,900	5.3%
Lake Michigan	5,990,800	12,400	5,978,400	89,676	68,844	24,089	23,914	99,097	19,049	14,946	339,600	3,600	(8,800)	3,600	6,321,600	5.5%
Lansing	34,339,200	110,300	34,228,900	513,433	158,158	137,130	157,679	377,229	31,082	85,572	1,460,300	63,500	(46,800)	63,500	35,752,700	4.1%
Macomb	35,950,400	38,500	35,911,900	538,678	170,885	142,255	163,990	586,577	31,301	89,780	1,723,500	26,500	(12,000)	26,500	37,661,900	4.8%
Mid Michigan	5,555,700	97,600	5,458,100	81,871	29,616	21,673	21,832	94,336	21,810	13,645	284,800	55,600	(42,000)	55,600	5,798,500	4.4%
Monroe County	5,005,000	1,400	5,003,600	75,054	38,051	22,725	20,014	80,656	32,131	12,509	281,100	2,100	700	2,100	5,286,800	5.6%
Montcalm	3,767,400	8,500	3,758,900	56,383	22,414	21,789	15,036	42,165	31,082	9,397	198,300	9,500	1,000	9,500	3,966,700	5.3%
Mott	17,127,100	28,800	17,098,300	256,474	68,393	66,908	68,393	159,232	31,224	42,746	693,400	31,500	2,700	31,500	17,823,200	4.1%
Muskegon	9,775,400	42,000	9,733,400	146,001	53,627	38,005	59,537	119,502	36,482	24,333	477,500	12,700	(29,300)	12,700	10,223,600	4.6%
North Central	3,779,800	163,900	3,615,900	54,238	51,238	19,724	34,552	54,477	29,612	9,040	252,900	142,200	(21,700)	142,200	4,011,000	6.1%
Northwestern	10,162,300	155,500	10,006,800	150,102	47,373	36,095	61,261	118,509	28,112	25,017	466,500	177,000	21,500	177,000	10,650,300	4.8%
Oakland	23,505,300	35,800	23,469,500	352,042	93,878	142,567	115,891	466,563	34,496	58,674	1,264,100	22,300	(13,500)	22,300	24,755,900	5.3%
Schoolcraft	13,960,700	21,200	13,939,500	209,092	66,844	83,533	55,758	289,483	32,787	34,849	772,300	30,700	9,500	30,700	14,742,500	5.6%
Southwestern	7,359,900	27,100	7,332,800	109,992	54,427	18,574	52,751	66,681	29,288	18,332	350,000	12,700	(14,400)	12,700	7,695,500	4.6%
St. Clair County	7,805,200	18,600	7,786,600	116,799	44,379	49,523	52,720	116,109	24,837	19,466	423,800	16,000	(2,600)	16,000	8,226,400	5.4%
Washtenaw	14,875,000	23,700	14,851,300	222,769	86,178	220,916	80,934	385,048	41,188	37,128	1,074,200	12,700	(11,000)	12,700	15,938,200	7.1%
Wayne County	18,384,700	8,600	18,376,100	275,641	73,504	70,338	73,504	252,478	25,813	45,940	817,200	4,600	(4,000)	4,600	19,197,900	4.4%
West Shore	2,742,200	21,200	2,721,000	40,815	18,786	10,953	10,884	29,108	12,732	6,802	130,200	14,400	(6,800)	14,400	2,865,600	4.5%
	\$341,224,400	\$1,386,200	\$339,838,200	\$5,097,570	\$1,699,190	\$1,699,190	\$1,699,190	\$5,097,570	\$849,595	\$849,595	\$16,991,900	\$1,131,800	(\$254,400)	\$1,131,800	\$357,961,900	4.9%

Requirement to receive performance funding for FY 2023-24:
 1. Restrain FY 2023-24 in-district tuition/fee rate increase to 4.5% or \$205 (whichever is greater)

Data Notes	
Component	Years
Performance improvement	FYs 2019-2021
Performance completion number	FYs 2019-2021
Performance completion rate	FYs 2019-2021
Contact hours	FY 2022
Administrative	FYs 2021-2022