

FISCAL BRIEF

USE OF SCHOOL AID FUND IN COMMUNITY COLLEGES AND HIGHER EDUCATION

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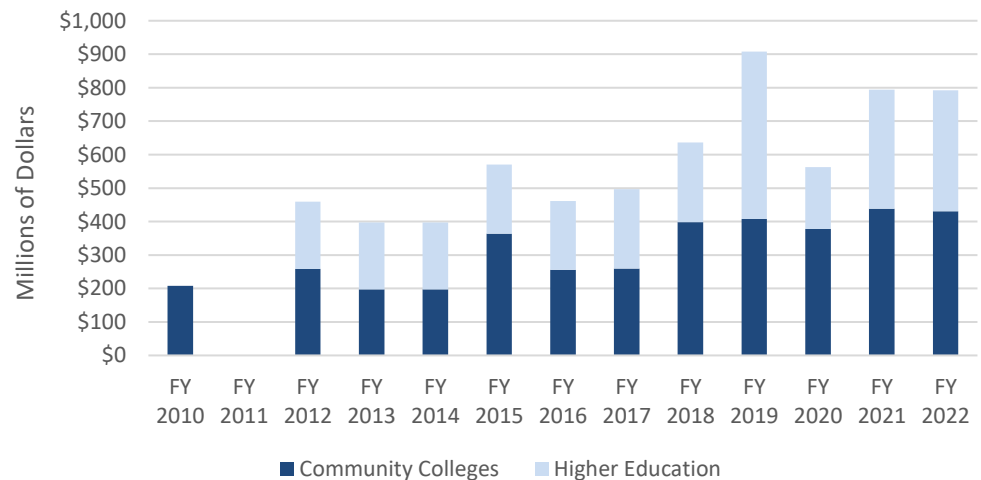
FAST FACTS

- Use of SAF in postsecondary budgets began in FY 2009-10.
- SAF in postsecondary budgets totals \$792.8 million in FY 2021-22.
- Use of SAF peaked in FY 2018-19 at \$908.4 million.
- State funding for Community Colleges is 100% SAF.
- State funding for Higher Education (public universities) is 20% SAF.
- 5% of SAF appropriated in FY 2021-22 is in postsecondary budgets.
- \$6.69 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 \$792.8 million, supporting all of the Community Colleges budget and a fifth of state funds in the Higher Education budget for FY 2021-22. This brief summarizes the historical use of SAF in the Community Colleges and Higher Education budgets.

SAF Appropriations to Community Colleges and Higher Education



SCHOOL AID FUND

Article IX, Section 11 of the Michigan 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."¹ Historically, the SAF has served 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 will generate an estimated \$15.6 billion in FY 2021-22.

¹ Article IX, Section 11 of the Michigan Constitution can be found [here](#)

SAF IN THE COMMUNITY COLLEGES BUDGET

Community colleges receive state funding in the form of operations grants. Prior to 2010, these grants were composed entirely of state general fund (GF/GP) revenues. Due to budgetary pressures created by the economic 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. Outside of FY 2019-20, when a portion of the Community Colleges budget was supported with federal funds due to COVID -19 pandemic-induced budgetary pressures, the Community Colleges budget has been almost entirely (FY 2017-18) or entirely funded with SAF since FY 2017-18. This trend continued in the FY 2021-22 budget.

Table 1 shows the history of the Community Colleges budget since SAF was first included. State Restricted funds in the Community College budget during this time are entirely made up of SAF. A total of \$3.79 billion SAF has been appropriated to Community Colleges since FY 2009-10.

Fiscal Year	General Fund/ General Purpose	State Restricted	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%

SAF IN THE HIGHER EDUCATION BUDGET

Similar to the Community Colleges budget, the state’s 15 public universities receive operations grants as their state funding mechanism. Historically, these operations appropriations have been allocated 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, in which the SAF more than doubled to \$500.1 million, or a third of the budget’s state funding. The use of SAF has declined in recent years, but still makes up a fifth of the Higher Education budget. Similar to the Community Colleges budget, federal funds were used in FY 2019-20 to cover a portion of operations costs due to budgetary pressures caused by the COVID-19 pandemic.

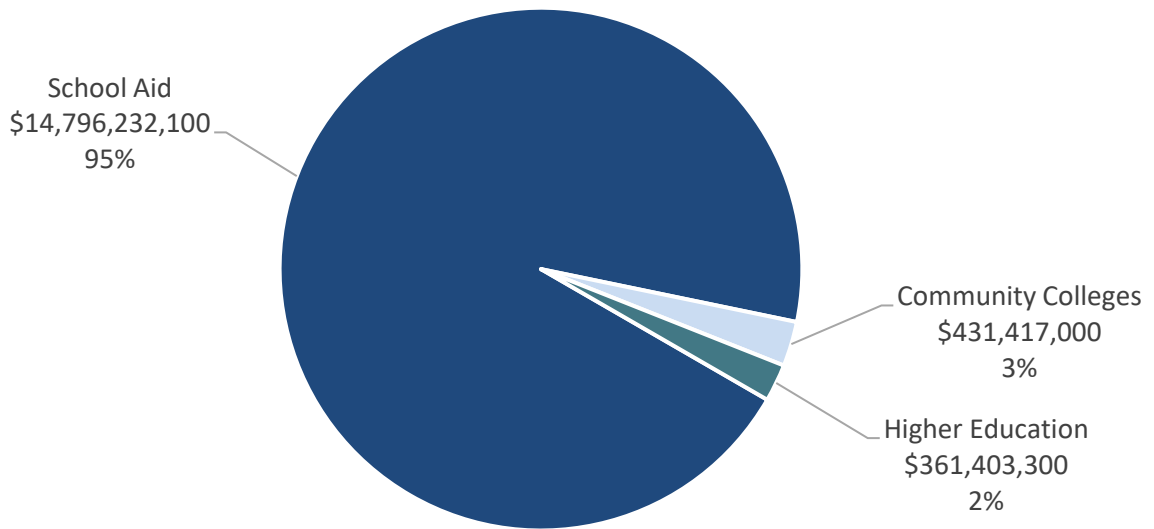
Table 2 shows the funding history of the Higher Education budget since SAF was first included. A total of \$2.89 billion SAF has been appropriated to public universities since FY 2011-12.

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	\$1,363,978,400	15%
2012-13	1,101,628,300	200,465,700	100,000	97,026,400	1,399,120,400	14%
2013-14	1,132,981,400	200,465,700	100,000	97,026,400	1,430,473,500	14%
2014-15	1,212,902,000	206,467,900	100,000	98,026,400	1,517,396,300	14%
2015-16	1,232,418,500	205,179,500	100,000	101,526,400	1,539,124,400	13%
2016-17	1,243,904,500	237,109,500	100,000	101,526,400	1,582,540,400	15%
2017-18	1,279,254,500	238,343,500	100,000	111,526,400	1,629,124,400	15%
2018-19	1,046,017,900	500,088,300	100,000	123,526,400	1,669,632,600	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	361,403,300	0	128,526,400	1,807,751,200	20%

SHARE OF SCHOOL AID FUNDS

For FY 2021-22, Community Colleges will receive approximately 3% of the \$15.6 billion SAF appropriation, while Higher Education will receive approximately 2%. The balance of SAF is appropriated in the School Aid, or K-12 education, budget.

FY 2021-22 School Aid Fund Appropriations



CONCLUSION

The use of SAF peaked in the FY 2018-19 budget, when \$908.4 million was appropriated to the Community Colleges and Higher Education budgets, which represented approximately 7% the total SAF appropriation that fiscal year. SAF appropriations are \$792.8 million, or about 5%, of the total SAF appropriation for FY 2021-22.

Various legislative attempts have been made to remove SAF from one or both of the postsecondary budgets. These efforts have been complicated by pressures and competing spending priorities on the General Fund budget and the total sum of nearly \$800 million of GF/GP that would be needed to remove SAF from both the Community Colleges and Higher Education budgets.

A total of \$6.69 billion SAF has been appropriated to postsecondary budgets since the use of SAF was introduced in FY 2009-10.