HOUSE FISCAL AGENCY

Budget Briefing: Community Colleges

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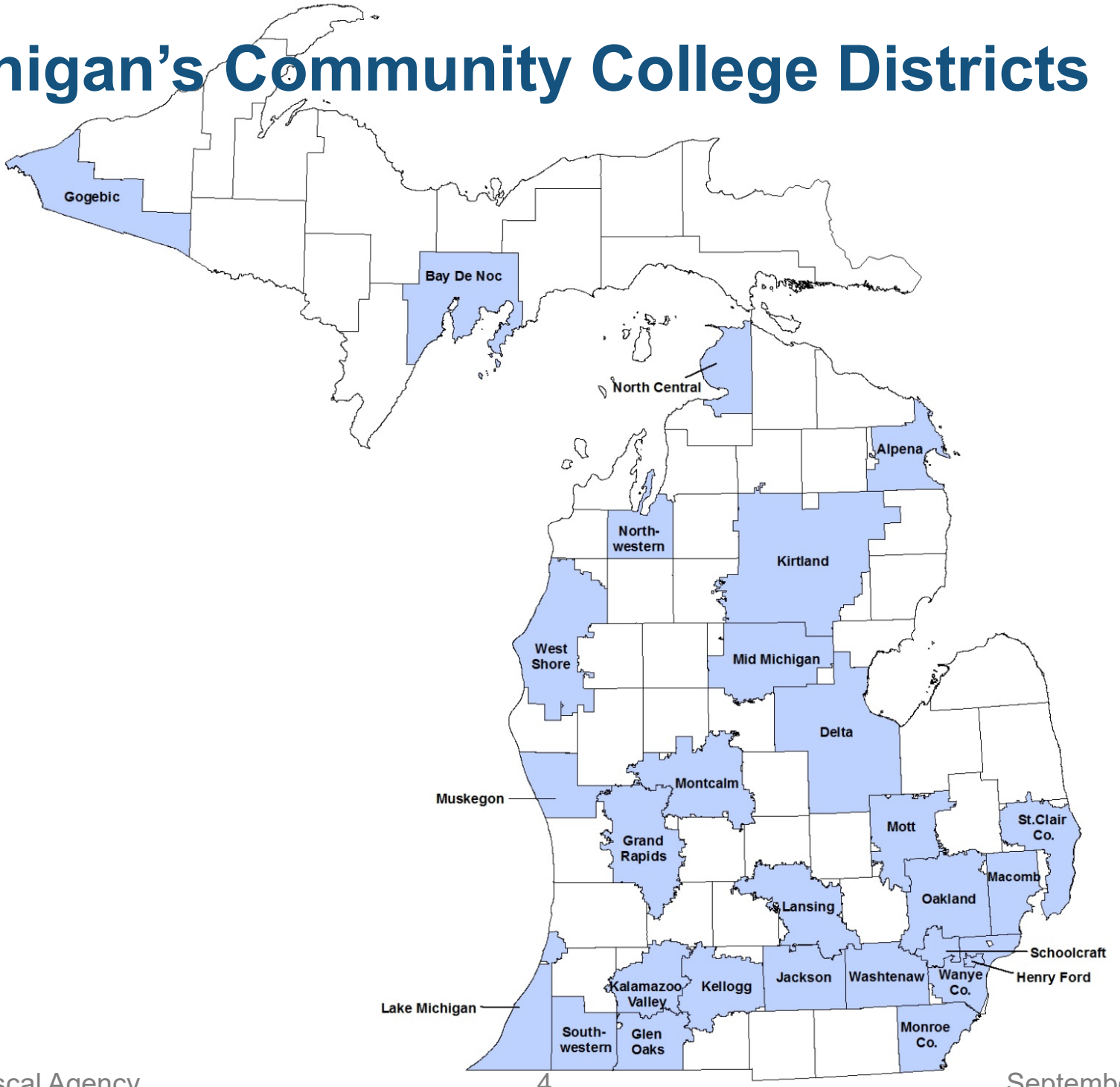
Briefing Topics

- Funding Sources
- Appropriations Areas
- Major Budget Topics
  - Community College Revenues
  - Community College Expenditures
  - Community College Enrollment Data

Michigan's Community Colleges

- The Community Colleges budget provides funding for Michigan's 28 public community colleges. Community colleges are supported through a combination of:
  - State appropriations
  - Tuition and fees
  - Local property taxes
- Each community college draws students primarily from within a district organized under statute and is governed by a board of trustees elected from the district. Not all areas of the state fall within a community college district.
- Community colleges provide collegiate and non-collegiate level education primarily to individuals above the twelfth-grade age level within commuting distance. Community college programs include:
  - Vocational-technical education leading to an associate's degree
  - Education in anticipation of transfer to a four-year institution
  - Basic skills
  - Customized training or retraining for displaced workers
  - Baccalaureate degrees at certain institutions in cement technology, maritime technology (Northwestern MI), energy production technology (Alpena, Jackson), and culinary arts (Henry Ford, Schoolcraft)

Michigan's Community College Districts



Key Budget Terms

Fiscal Year: The state's fiscal year (FY) runs from October to September. FY 2026-27 is October 1, 2026 through September 30, 2027.

Appropriation: Authority to expend funds. An appropriation is not a mandate to spend. Constitutionally, state funds cannot be expended without an appropriation by the legislature.

Line Item: Specific appropriation amount that establishes spending authorization for a particular program or function in a budget bill.

Boilerplate: Specific language sections in a budget bill that direct, limit, or restrict line item expenditures, express legislative intent, and/or require reports.

Lapses: Appropriated amounts that are unspent or unobligated at the end of a fiscal year. Appropriations are automatically terminated at the end of a fiscal year unless designated as a multi-year work project under a statutory process. Lapsed funds are available for expenditure in the subsequent fiscal year.

Note: Unless otherwise indicated, historical budget figures in this presentation have not been adjusted for inflation.

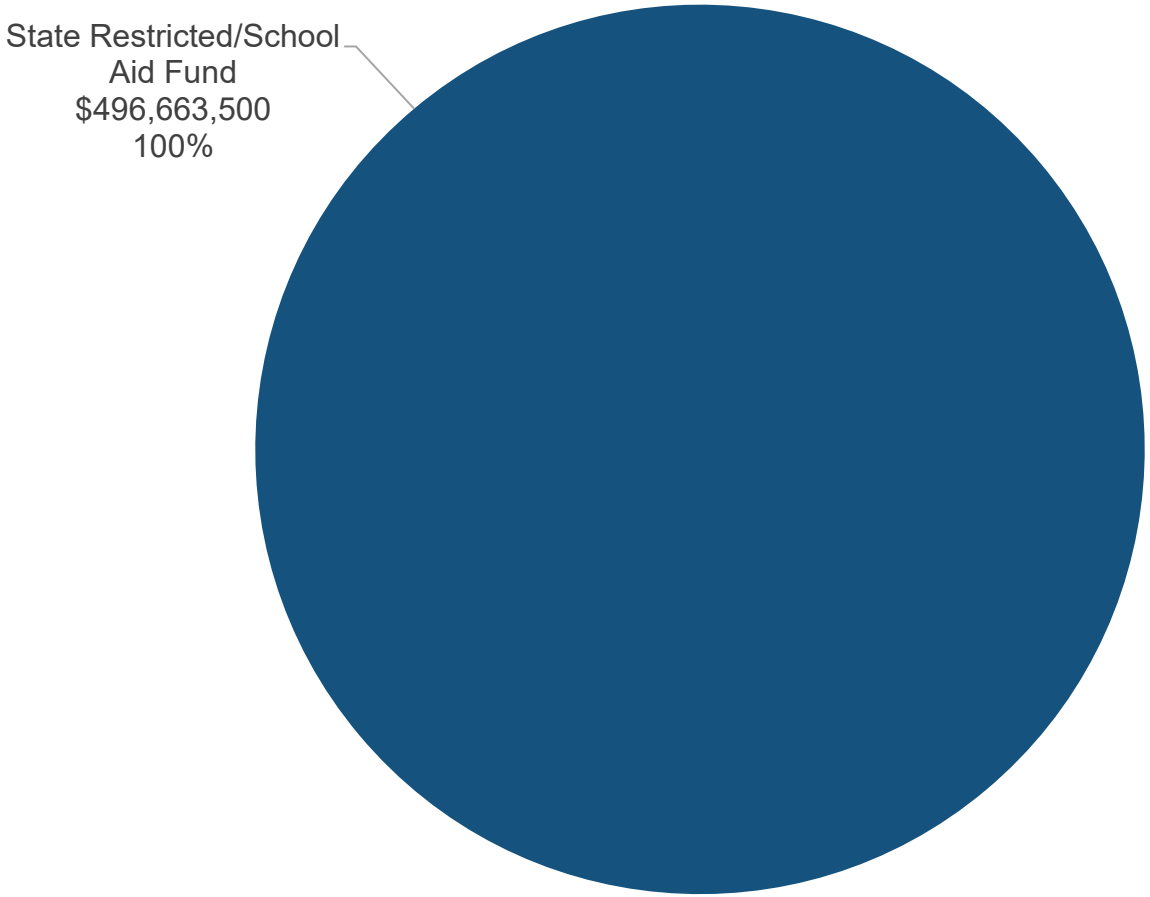
Funding Sources

FY 2026-27 Community Colleges Budget

Fund Source	Funding	Description
Gross Appropriations	$496,663,500	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	0	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	$496,663,500	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	0	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	0	Revenue received from local units of government for state services
Private Revenue	0	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	496,663,500	State revenue restricted by the State Constitution, state statute, or outside restriction that is available only for specified purposes; includes most fee revenue
State General Fund/General Purpose (GF/GP) Revenue	$0	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the legislature

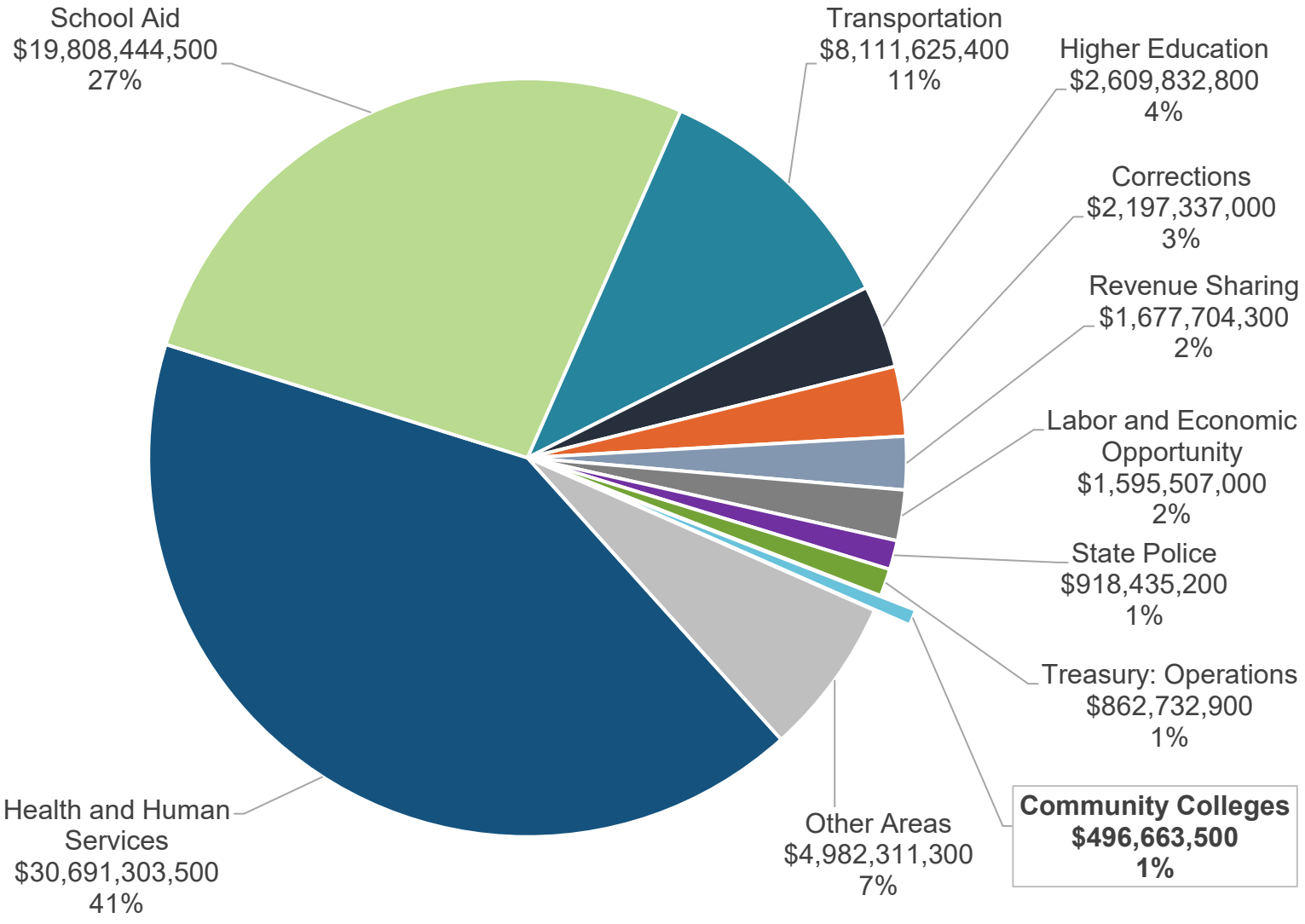
FY 2026-27 Fund Sources

100% of the **$496.7 million** Community Colleges budget is funded by state restricted School Aid Fund (SAF) revenue.



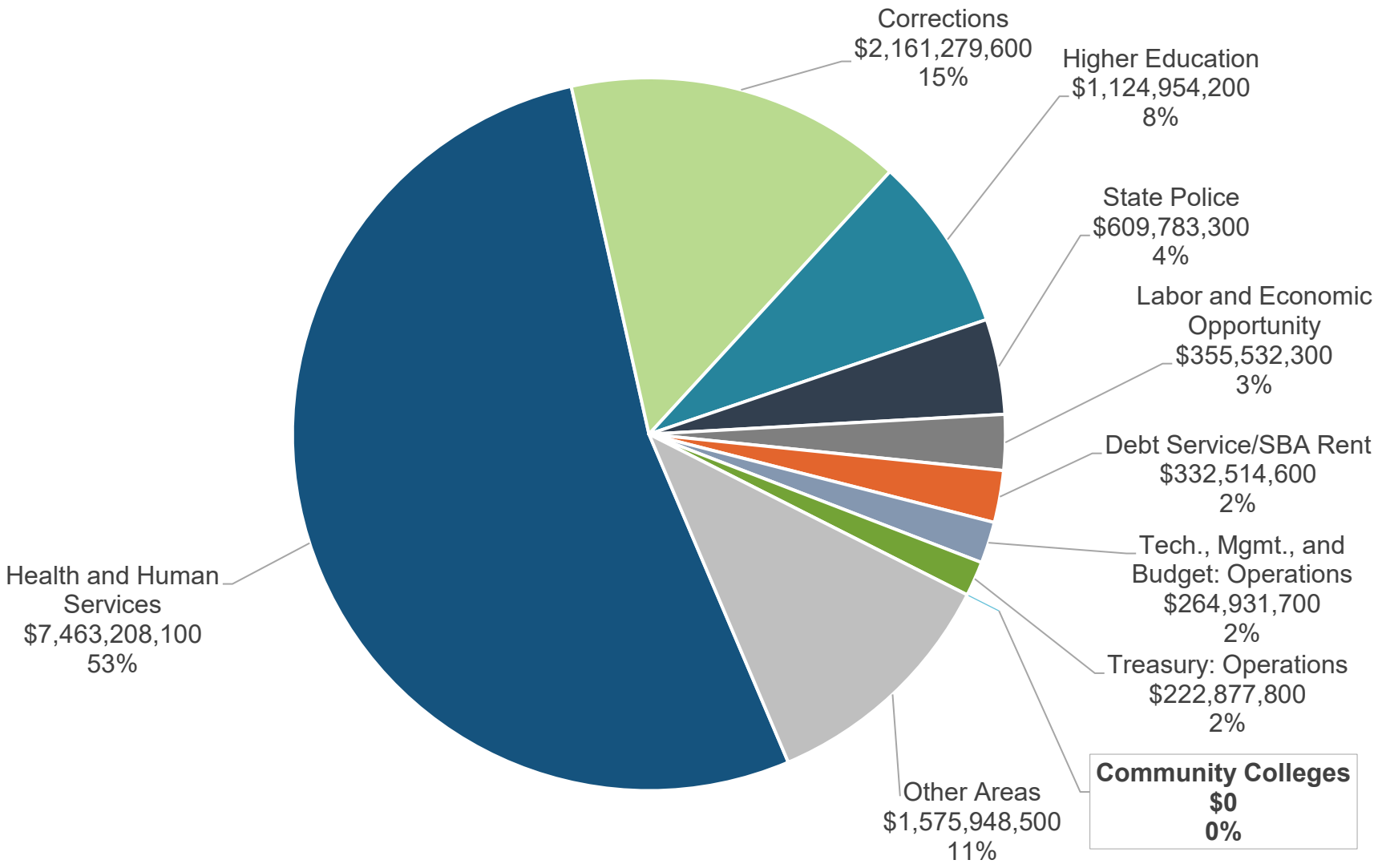
Community Colleges Share of Total State Budget

The Community Colleges budget represents almost **1%** of the **$74.0 billion** state budget (adjusted gross) for FY 2026-27.



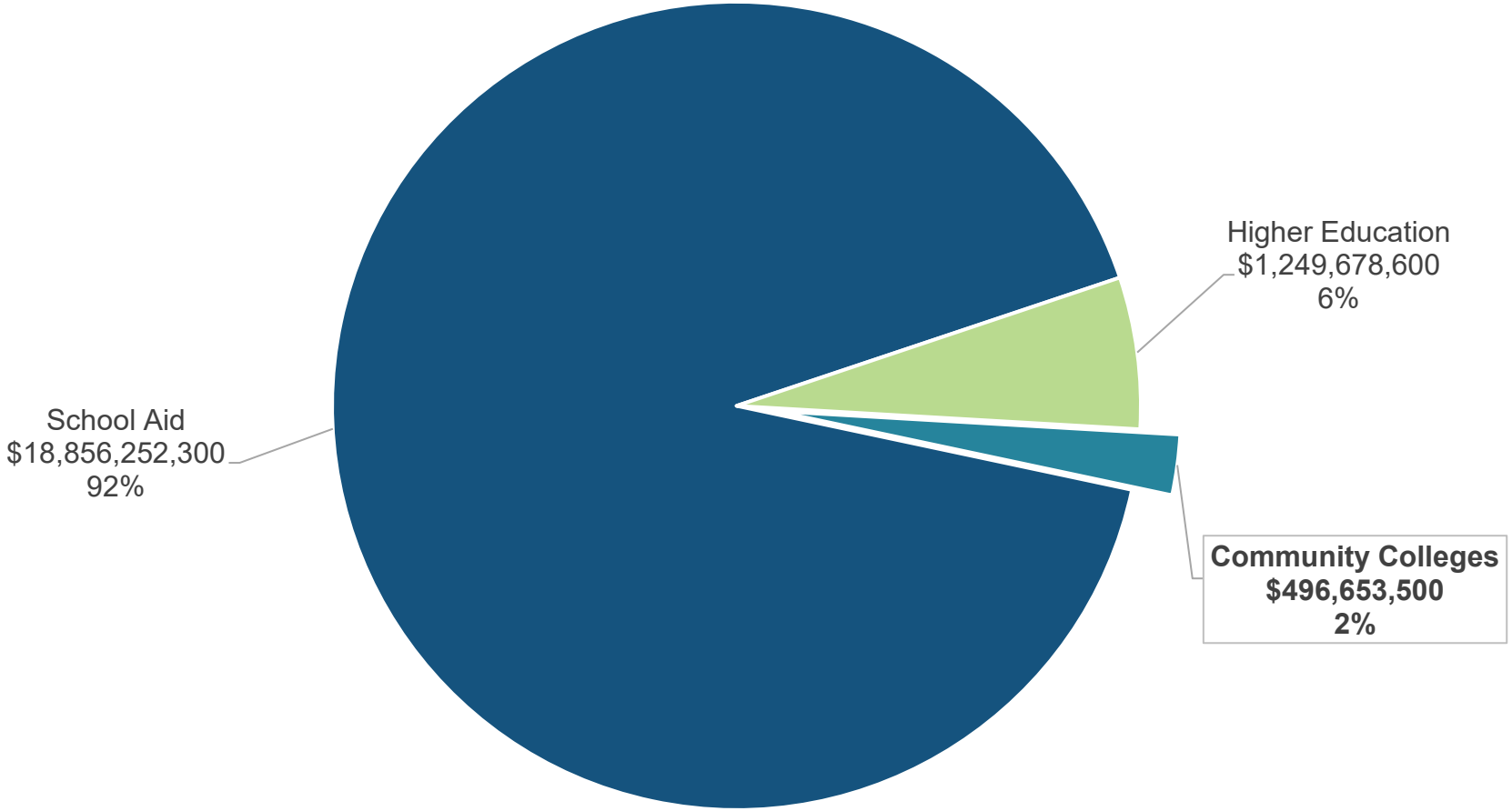
Community Colleges Share of Total GF/GP Budget

The Community Colleges budget receives **none** of the state's **$14.1 billion** GF/GP budget for FY 2026-27.



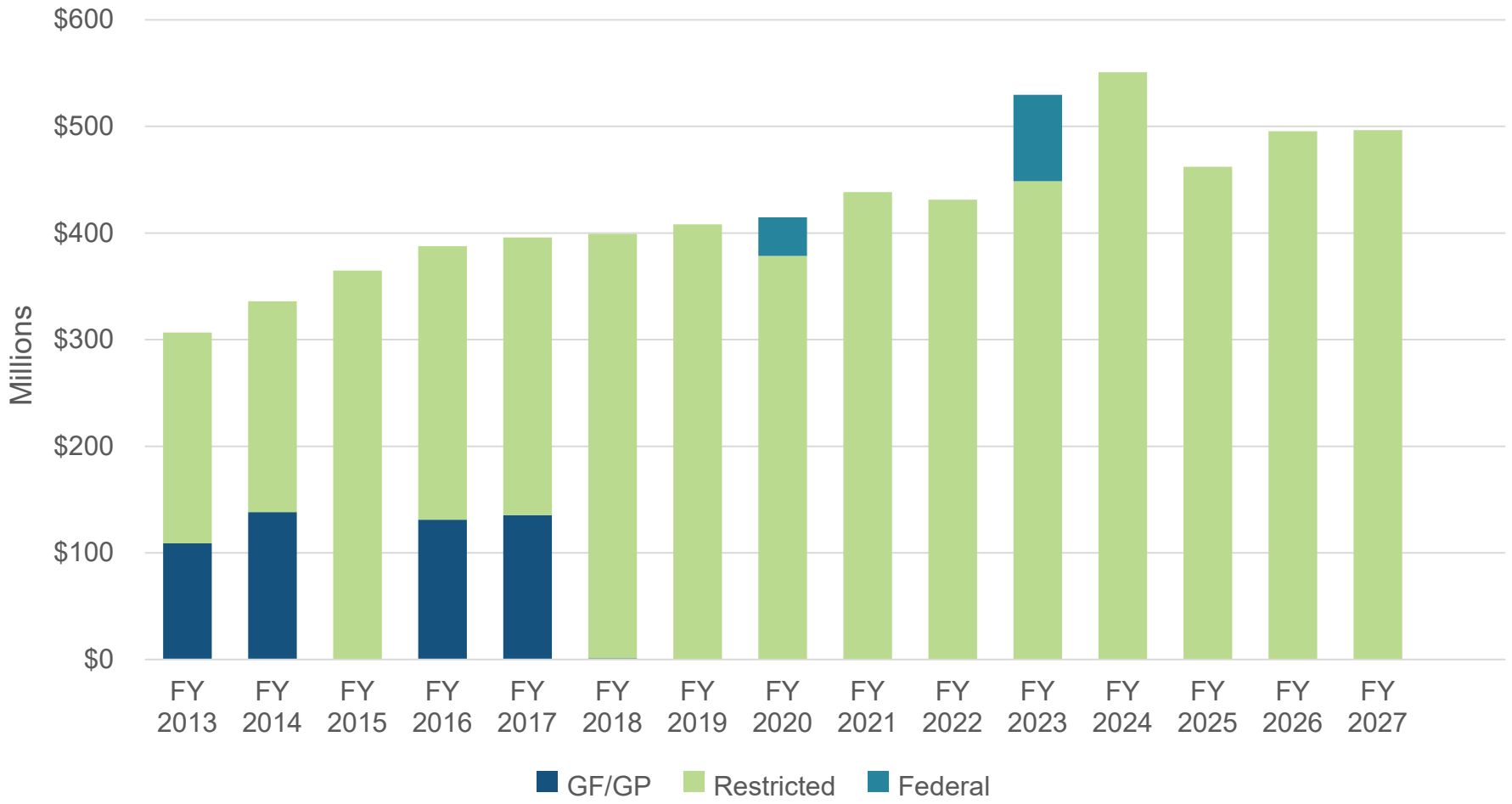
FY 2026-27 School Aid Fund Appropriations

Community Colleges receive **2%** of the **$20.6 billion** School Aid Fund (SAF) budget.



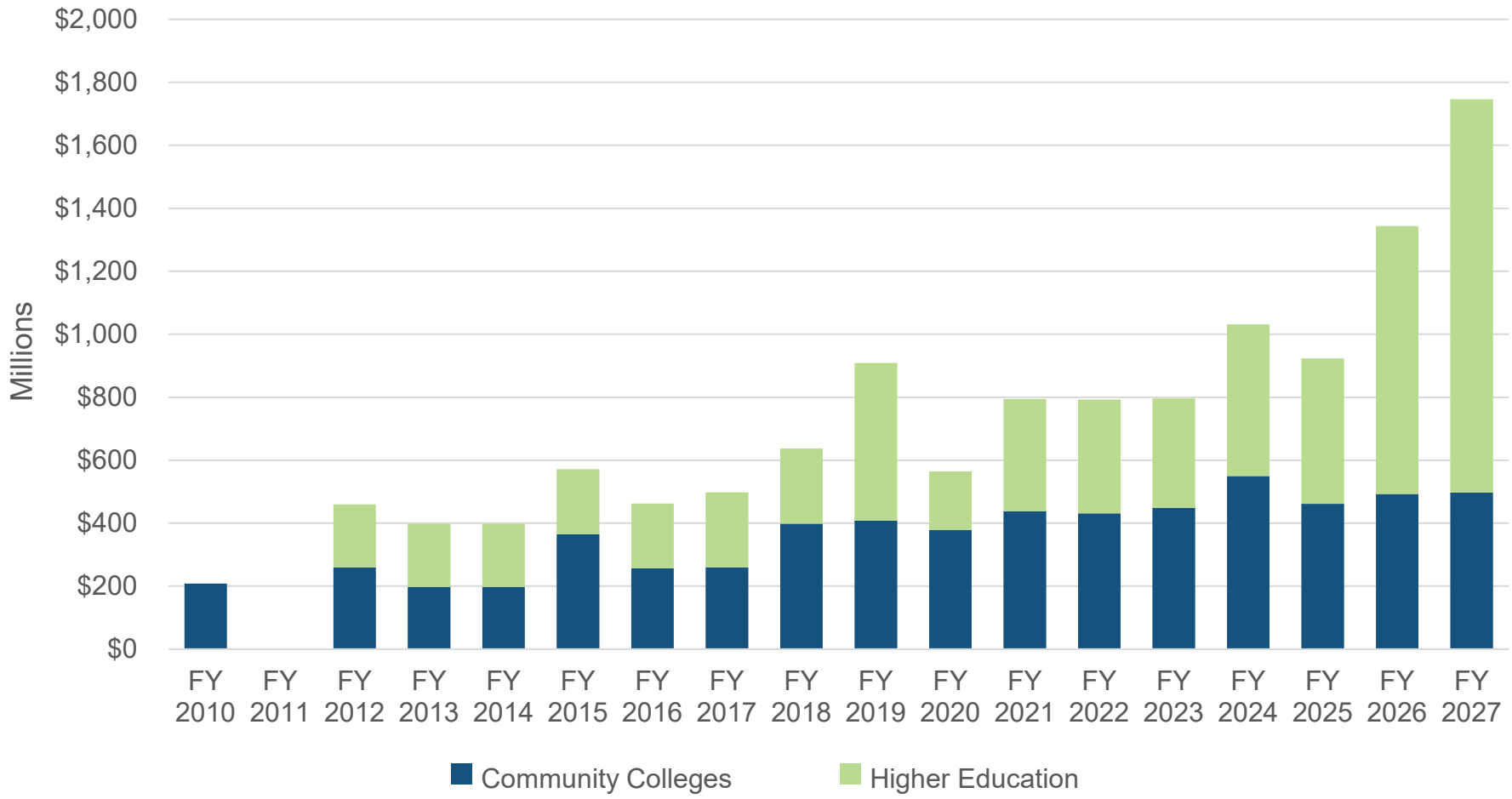
Community Colleges Funding History

Over the last 15 years, community colleges budgets have been funded mostly with School Aid Fund (SAF) revenue. Increases since FY 2012-13 are largely the result of funding the state's share of retirement contributions in MPSERS, although one-time program and operations funding has increased over the last five fiscal years.



Community Colleges and Higher Education School Aid Fund History

While Community Colleges and Higher Education have always been allowable uses for SAF under Article IX of the state constitution, the use of SAF as a fund source did not start until FY 2009-10. SAF appropriations in FY 2026-27 reached an all-time high, with **$1.75 billion** appropriated for both budgets.



Appropriation Areas

Community Colleges Appropriation Areas

Operations Grants: Funding for community colleges' operational costs, with increased funding distributed according to a performance formula.

MPSERS UAAL State Share: Funding to pay for the state's share of colleges' unfunded actuarial accrued liability (UAAL) to the Michigan Public School Employees' Retirement System (MPSERS). The state share is the difference between the contribution rate needed to meet the MPSERS unfunded actuarial accrued liability and the employer contribution cap of 15.21% of payroll. Amounts allocated by proportion to its percentage of total covered payroll in the immediately preceding fiscal year.

MPSERS Offset: Funding to offset a portion of the contributions owed to MPSERS by community colleges. Amounts allocated by the proportion to its percentage of total covered payroll in the immediately preceding fiscal year.

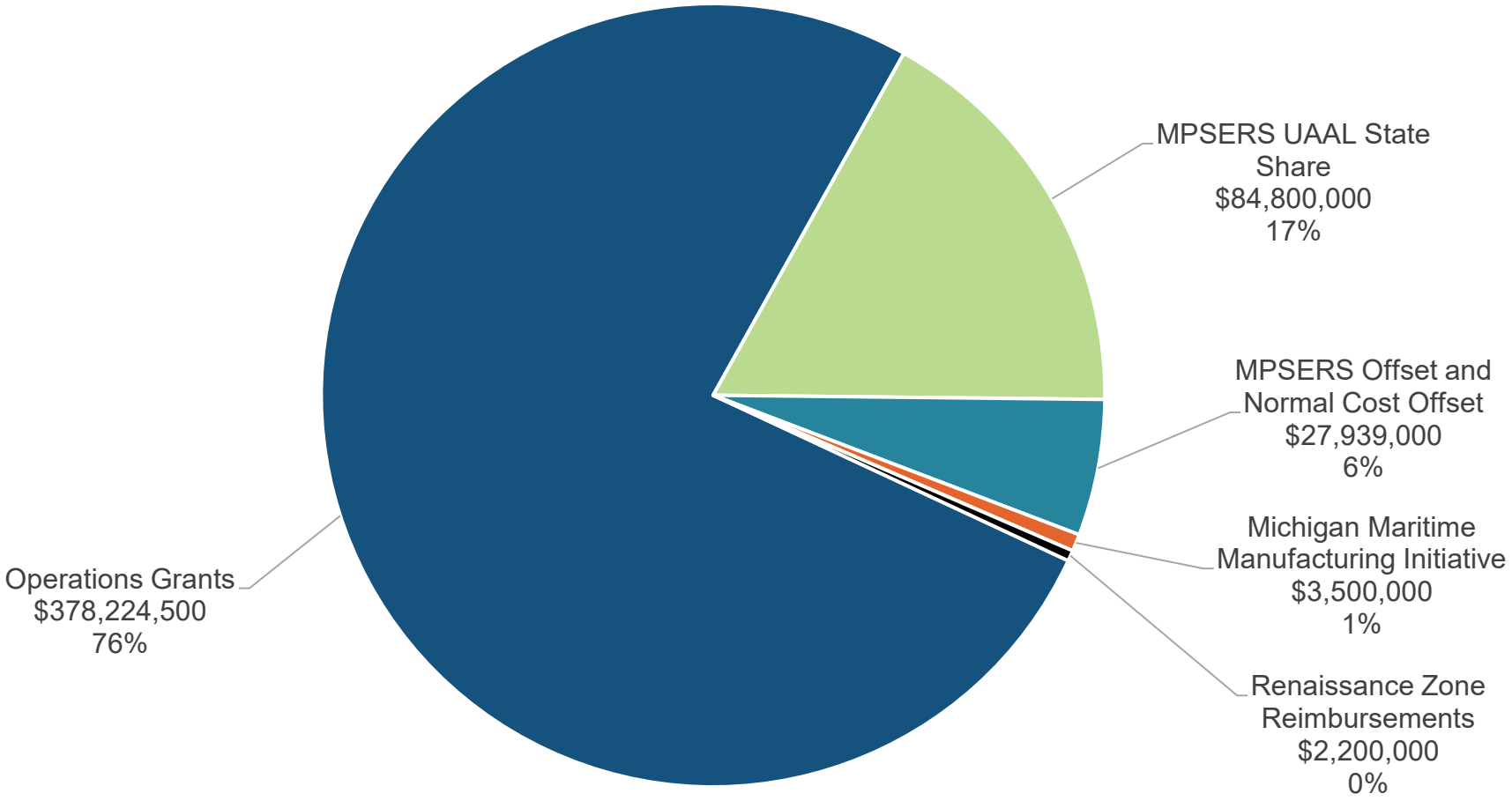
MPSERS Normal Cost Offset: Funding to reimburse community colleges for their normal cost portion to maintain the assumed rate of return for MPSERS at 6.0%.

Renaissance Zone Reimbursements: Replacement of property tax revenue lost in the prior fiscal year due to the creation of a Renaissance Zone property tax exemption within a community college's district.

Michigan Maritime Manufacturing Initiative: One-time competitive grant funding to teach critical skills for maritime construction, welding, and machining.

FY 2026-27 Gross Appropriations

Over three-quarters of the **$496.7 million** Community Colleges budget supports operations grants to all 28 community colleges, funded with School Aid Fund revenues.



Major Budget Topics

Community College Operations Funding

The legislature annually appropriates funds for individual community colleges, a process that since FY 2006-07 has included the use of a performance funding formula to allocate the total increase (or decrease) in state appropriations for community college operations.

Any increased funding for community colleges is distributed using the performance formula. The formula is specified in annual budget act language.

Each community college's operations funding currently consists of three parts:

- Baseline funding - the total amount appropriated in the prior year
- Performance funding - new appropriations determined through the formula
- North American Indian Tuition Waiver costs - funding provided to community colleges to cover waived tuition costs for eligible students

The **FY 2026-27 budget** appropriates increased one-time operations funding through the performance formula, with community colleges getting a **4.0% one-time increase.** This results in a net **1.0% increase** when compared to FY 2025-26 operations appropriations.

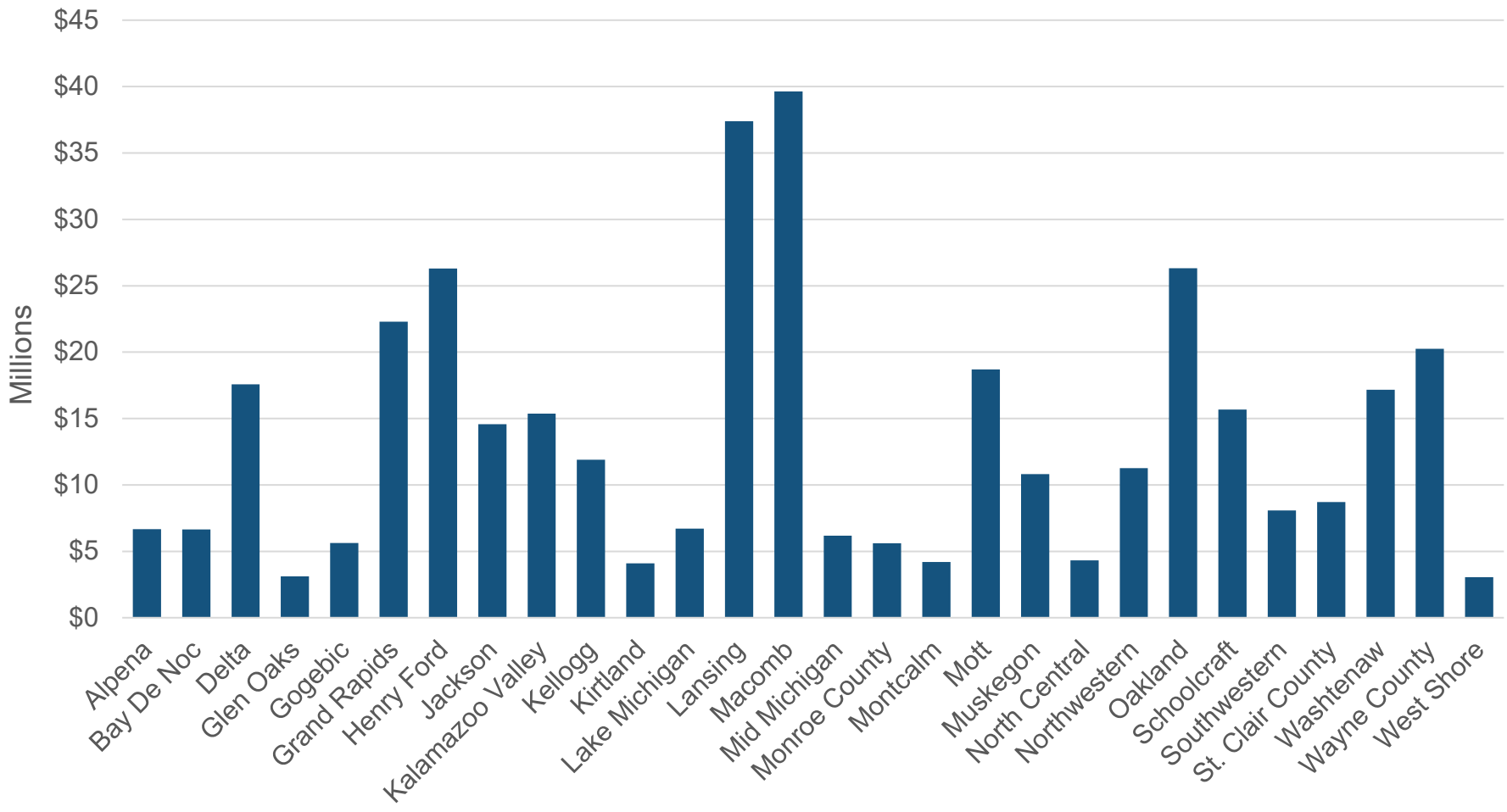
Performance Indicators Formula

The formula is based on the recommendations made from the FY 2015-16 Performance Indicators Task Force. The formula specifies the percentage of total performance funding that is distributed under each metric. Amounts include one-time funding.

FY 2026-27 Formula Component	% of Performance Funding	FY 2026-27 Amount
Across-the-Board Sustainability adjustment	30%	$4,389,000
Contact hour equated students, weighted for health & tech fields	30%	4,389,000
Performance Completion Improvement	10%	1,463,000
Performance Completion Number	10%	1,463,000
Performance Completion Rate	10%	1,463,000
Administrative Costs	5%	731,500
Local Strategic Value Component	5%	731,500
Total Performance Funding	**100%**	**$14,630,000**

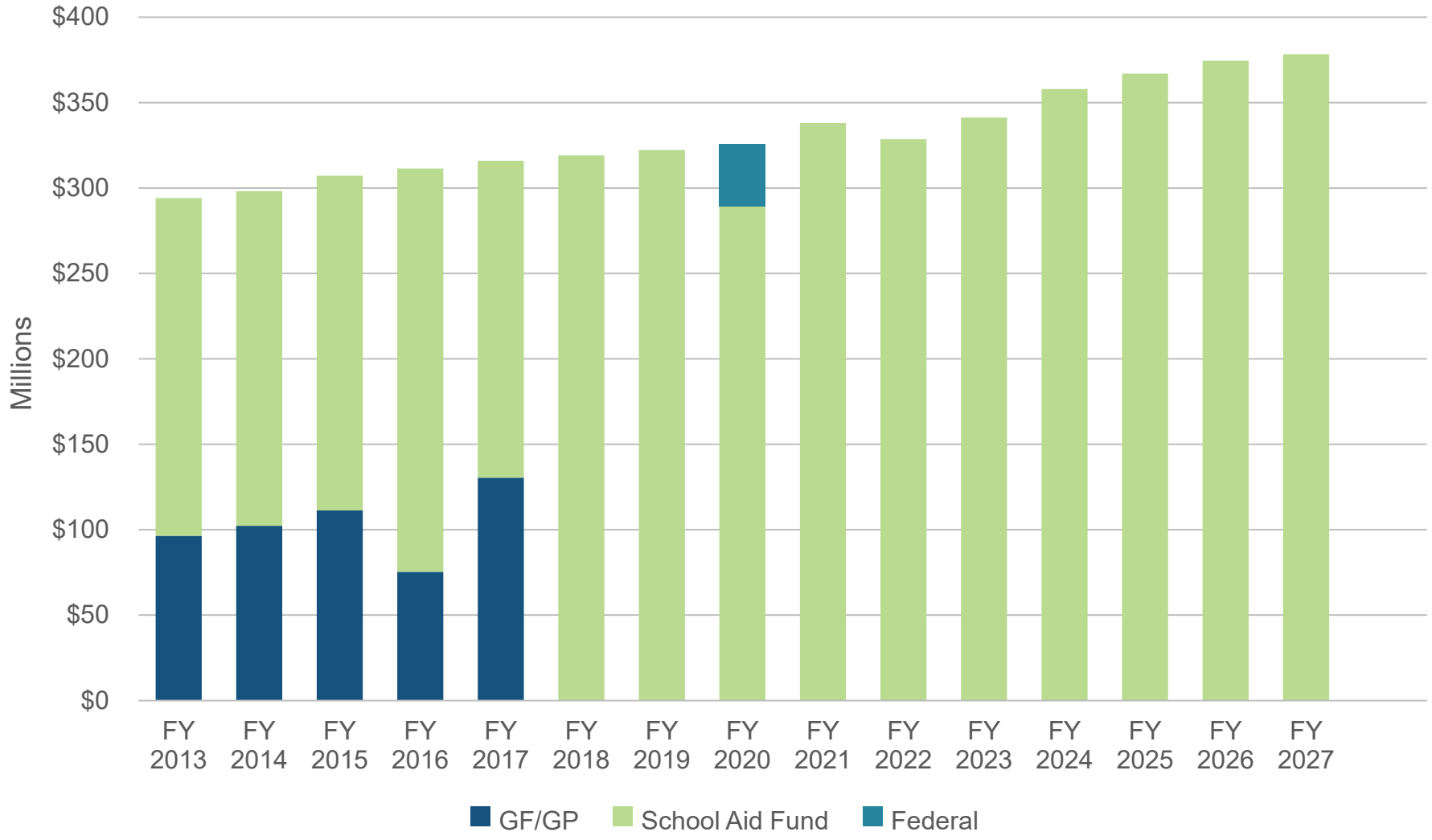
FY 2026-27 Community Colleges Operations Grants

Funding for operations grants equals **$378.2 million**, which was a $3.7 million, or 1.0%, net increase over FY 2025-26.



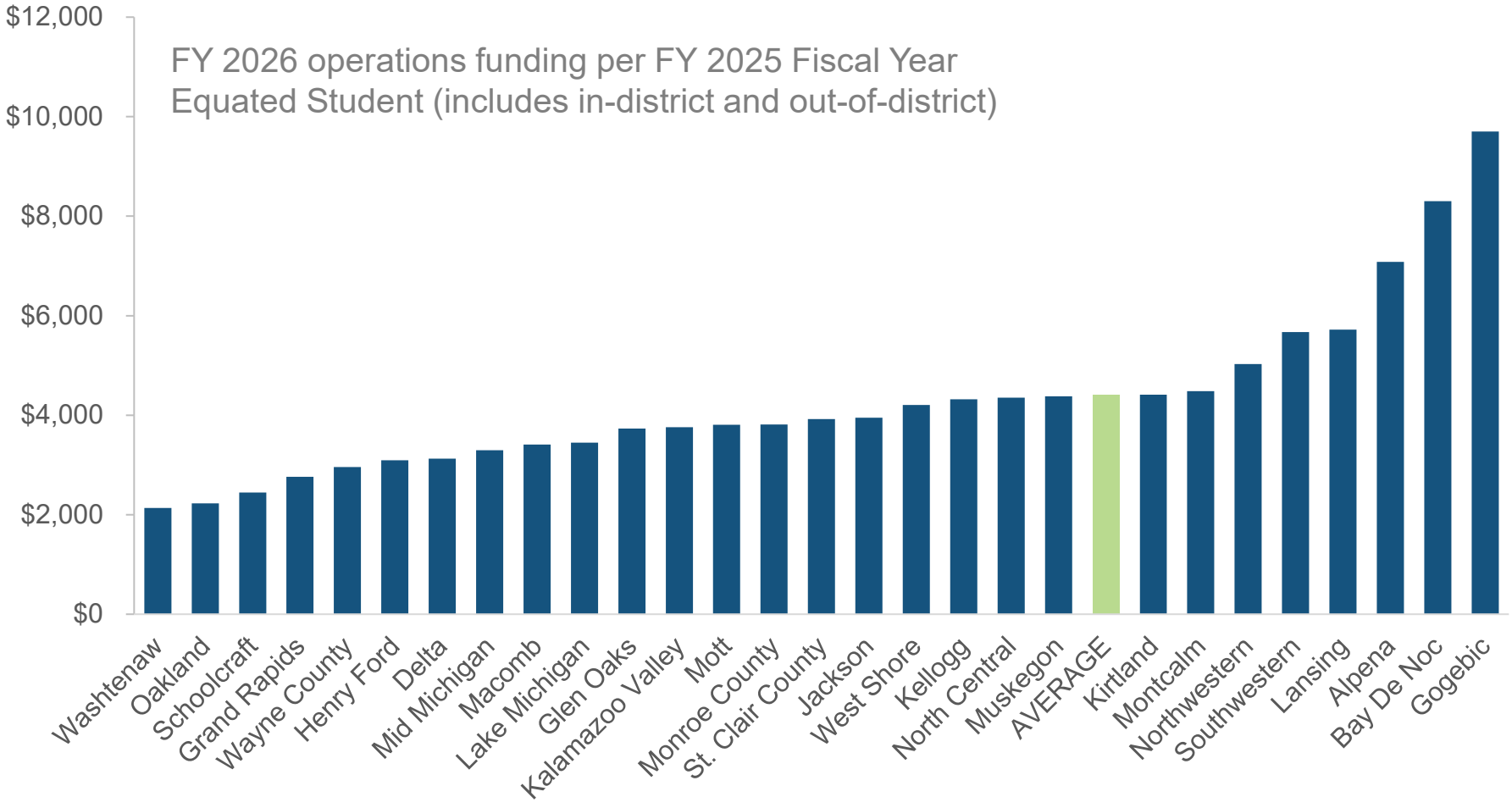
Community Colleges Operations Grants History

State support for community colleges operations has increased by **$84.1 million** (**29%**) since FY 2012-13. Operations grants reflect the nearly exclusive use of SAF in recent years.



State Aid to Community Colleges Per Fiscal Year Equated Student (FYES)

To account for varying enrollments, funding for community college operations often is compared on a per-student basis. The full-time equivalency (or Fiscal Year Equated Student) measurement for each student level is calculated by dividing the total credit hours in a given year by the number of credits considered to be full-time (30 credit hours).



Performance Funding Tuition Restraint

Receipt of $14.6 million in one-time performance formula funding for community colleges for FY 2026-27 is conditioned on compliance with tuition restraint. Tuition restraint has been in place for community colleges since FY 2022-23, while public universities have faced tuition restraint since FY 2011-12.

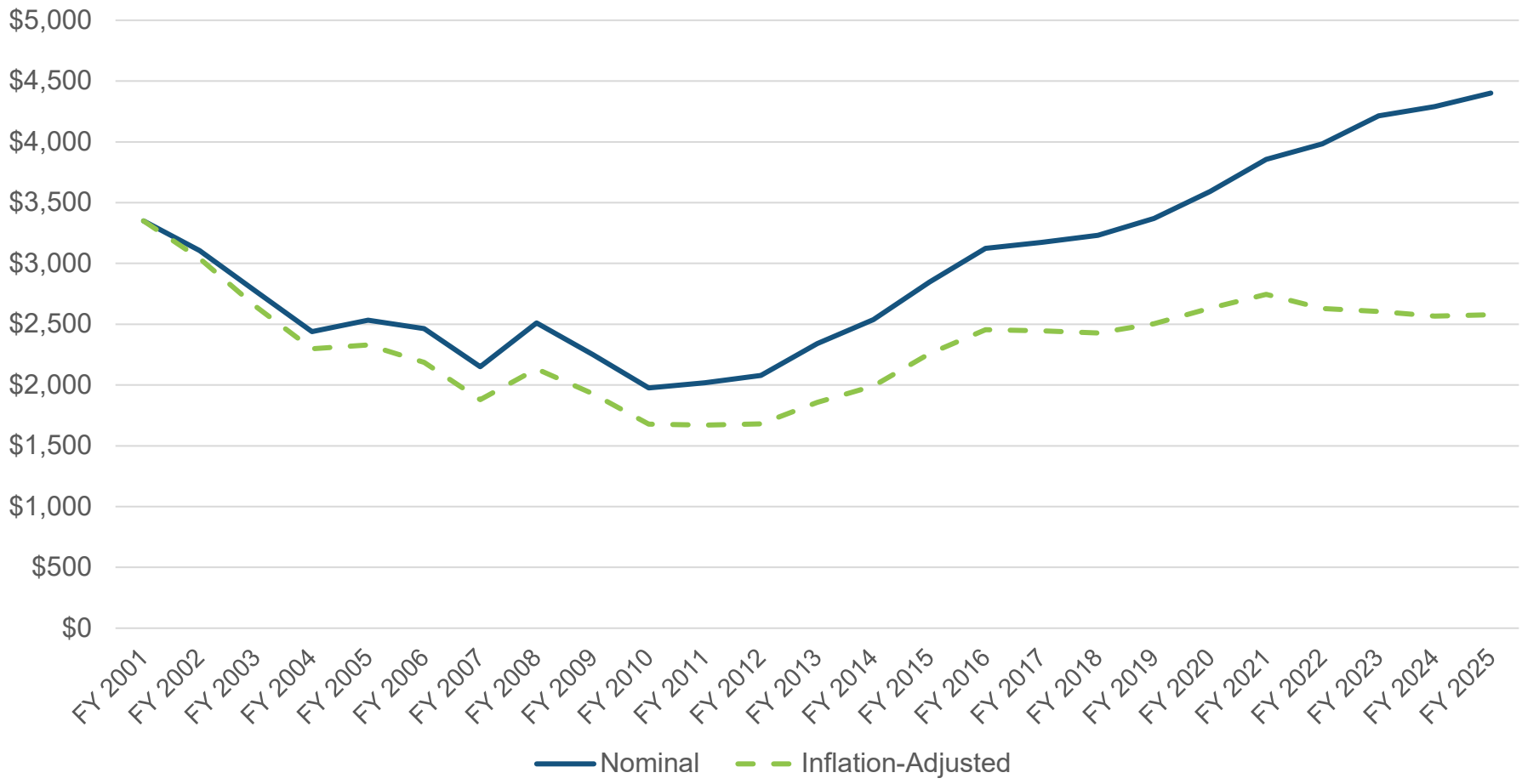
Community colleges must certify to the State Budget Office the following:

- Restraining resident in-district tuition and mandatory fee increases to **4.0%** or **$199** (whichever is greater) over the prior fiscal year

The state budget director confirmed compliance with tuition restraint for all 28 community colleges on September 22, 2026.

Average State Aid Revenue Per FYES

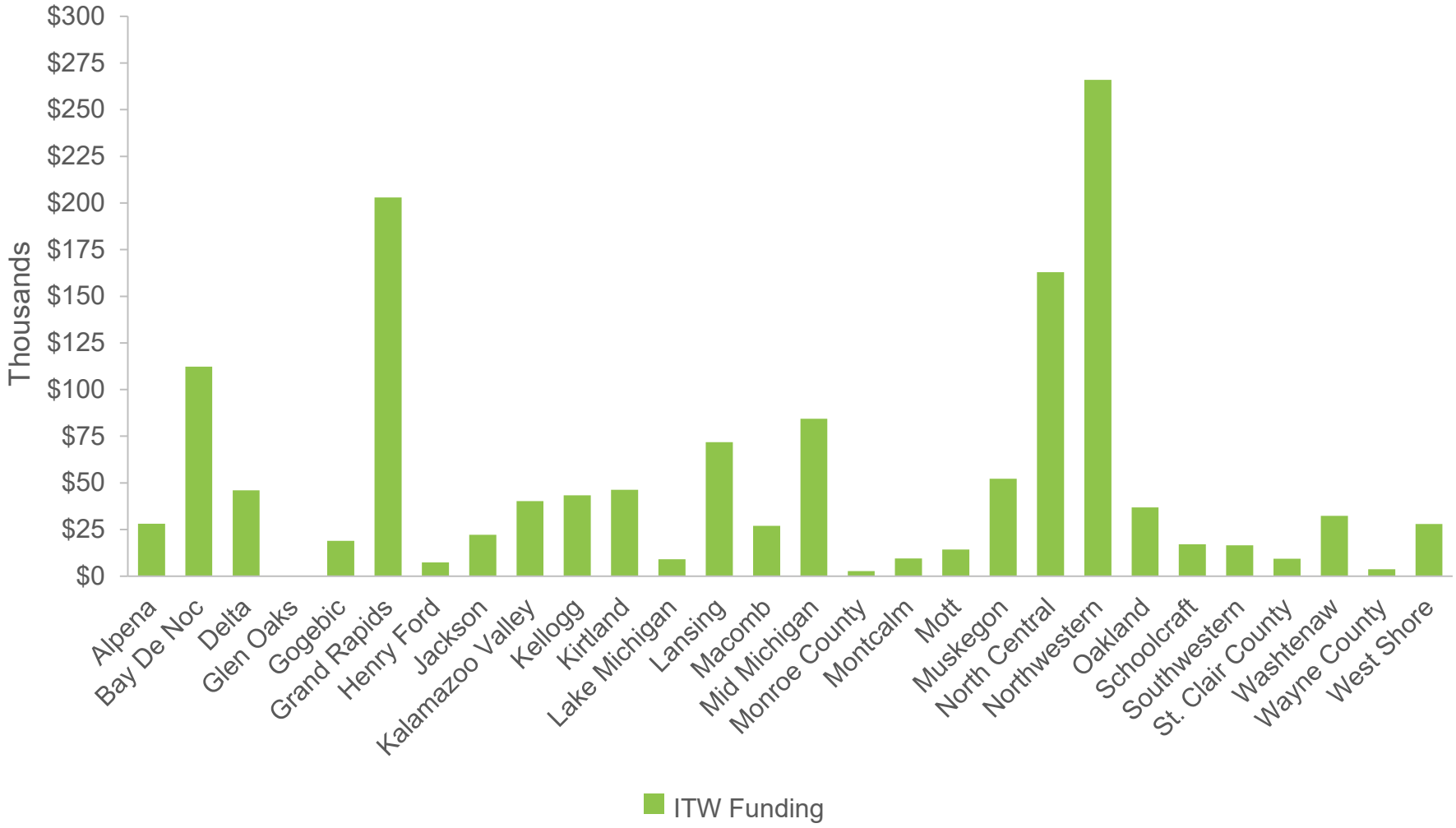
The average community college's state aid per FYES for FY 2024-25 is **$4,401**, surpassing a prior peak in FY 2000-01 at $3,350. However, FY 2025 revenue per FYES is **$772 (23%)** lower than the FY 2001 peak on an inflation-adjusted basis.



Based on most recent data (FY 2023-24) from Michigan Community College Data Inventory Report (MCCDI)

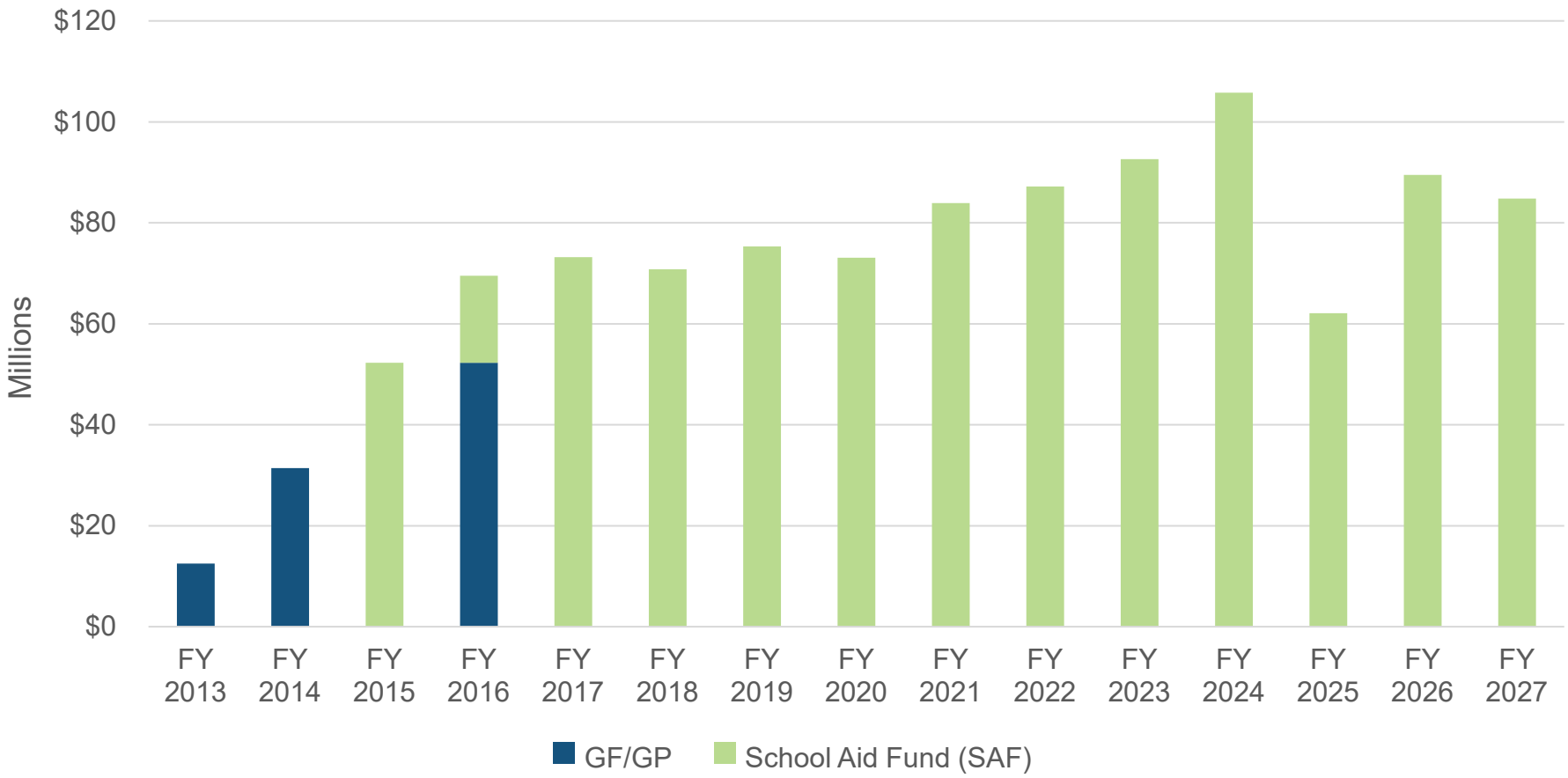
North American Indian Tuition Waiver (ITW)

FY 2026-27 ITW appropriations were adjusted to match reported waiver costs for FY 2024-25. A separate ITW funding category is delineated in each community college's appropriation line item.



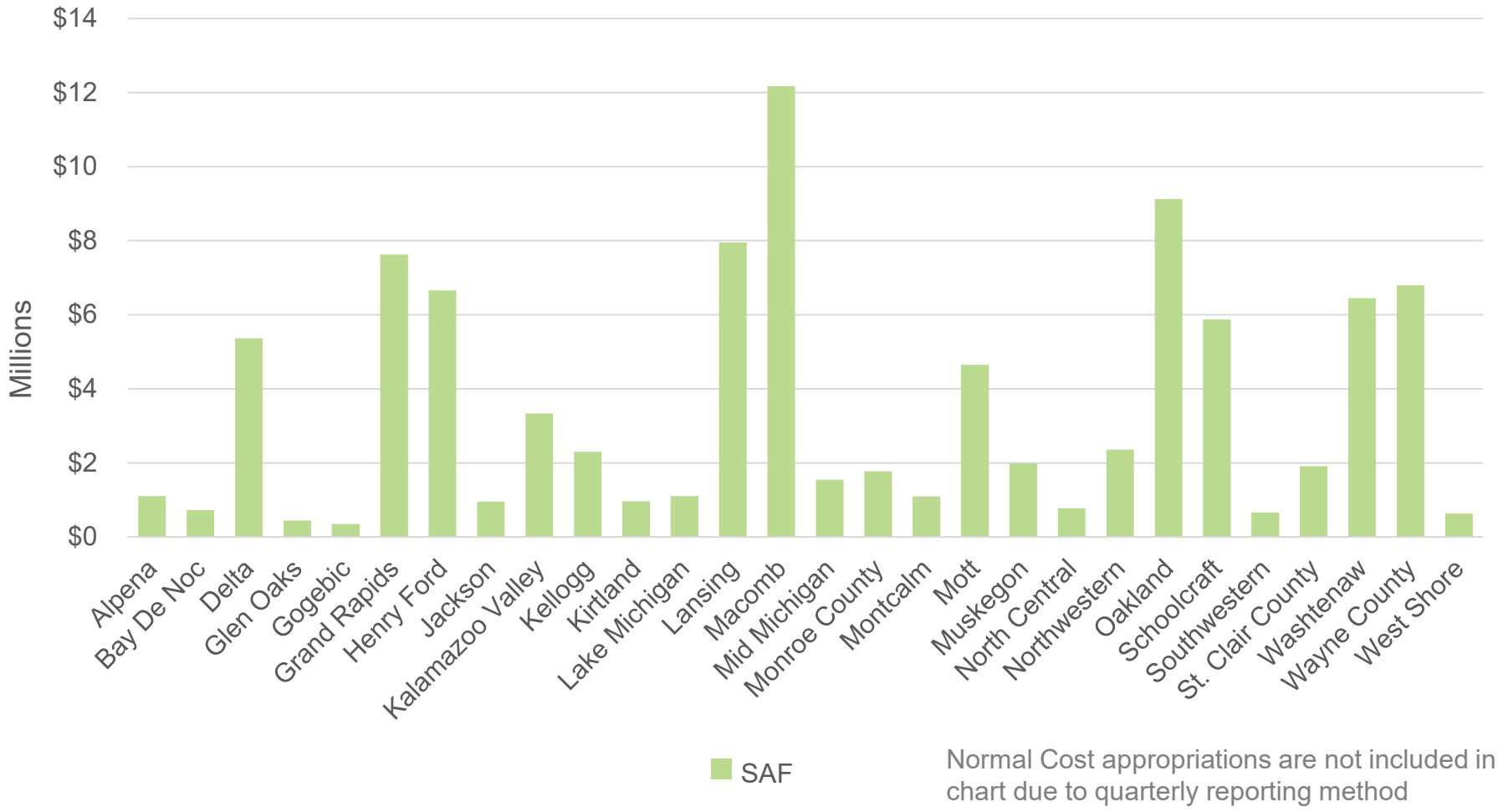
Community Colleges' MPSERS Unfunded Actuarial Accrued Liabilities - State Share

The FY 2012-13 budget began funding the gap between the cost to meet actuarial needs and the statutory cap on employer contributions for MPSERS UAAL. Recent increases have been primarily due to the implementation of more conservative actuarial assumptions. The decline in FY 2024-25 is due to the retiree health care UAAL reaching full funding. The FY 2026-27 state share total is **$84.8 million**.



FY 2026-27 MPSERS Allocations

A total of **$112.7 million** SAF is appropriated for MPSERS-related costs. **$84.8 million** SAF is allocated for the state share of MPSERS unfunded actuarial accrued liabilities, and **$27.9 million** offsets a portion of the colleges' MPSERS normal cost and liability contribution. Allocations are based on each college's proportion of total MPSERS payroll.



Normal Cost appropriations are not included in chart due to quarterly reporting method

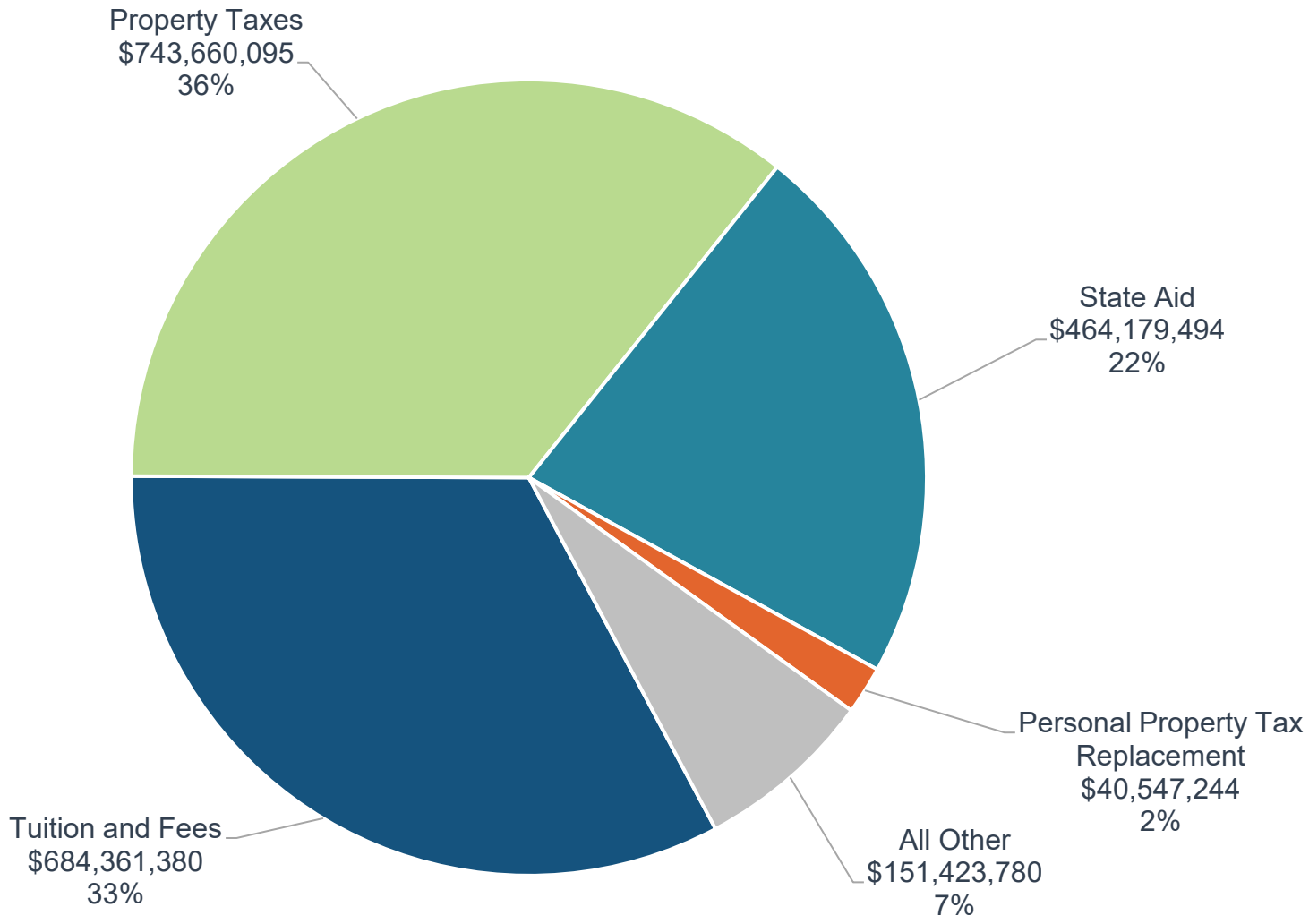
Community College Revenues

Community College Revenues

- Community colleges primarily rely on three main sources for revenue:
  - State aid
  - Tuition and fees
  - Property taxes
- Community colleges may have smaller additional sources of revenue, such as donations or grants, that are classified as “Other.”
- Reporting details were changed for state aid for the FY 2017-18 cycle. State aid is considered to be:
  - State operations grants
  - MPSERS payments
  - Renaissance Zone Reimbursements
- Personal Property Tax Replacement Funds were added as a separate revenue category.

Community College Operating Fund Revenue – Statewide Totals

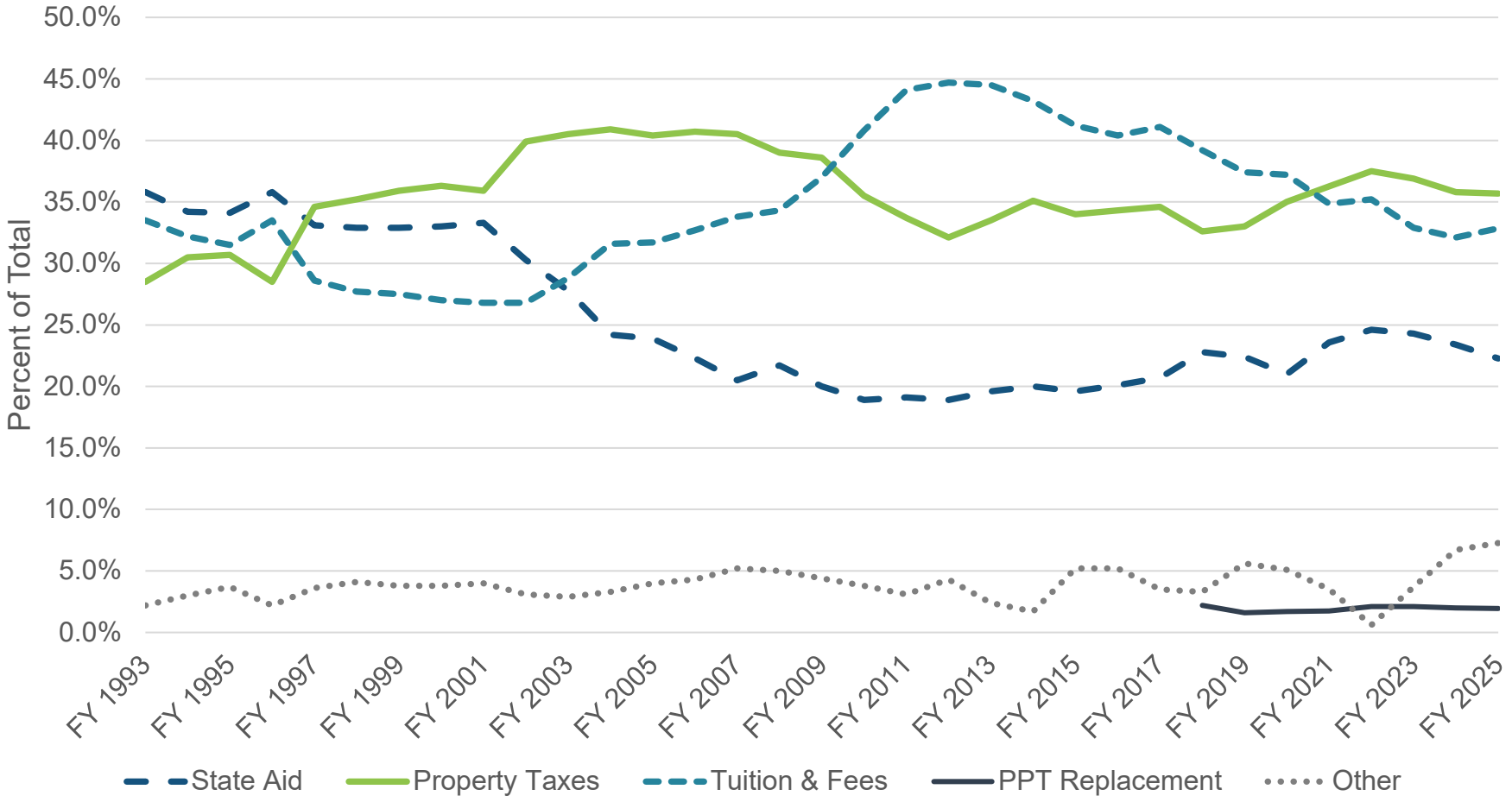
Community colleges receive the largest portion of revenue from property taxes.
FY 2024-25 total revenue for all 28 community colleges: **$2.1 billion**.



Based on most recent data (FY 2024-25) from Michigan Community College Data Inventory Report (MCCDI)

Community College Revenue Sources

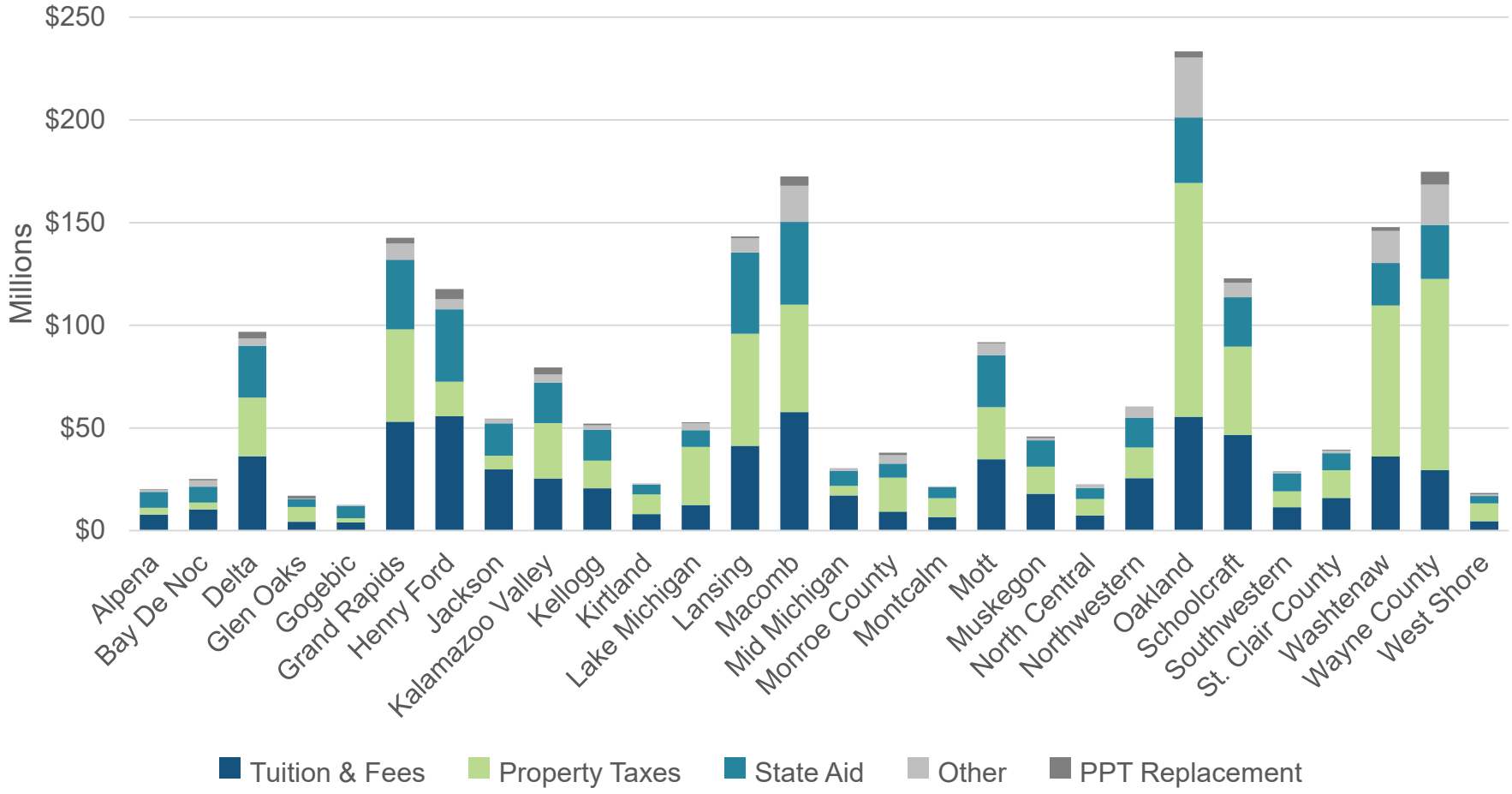
Property tax revenue has been the biggest revenue source for 18 of the last 30 fiscal years. This is largely due to enrollment changes during that period. FY 2017-18 revised the State Aid category and added PPT Replacement tracking.



Based on most recent data (FY 2024-25) from Michigan Community College Data Inventory Report (MCCDI)

FY 2024-25 Community College Operating Revenue Funds by Source

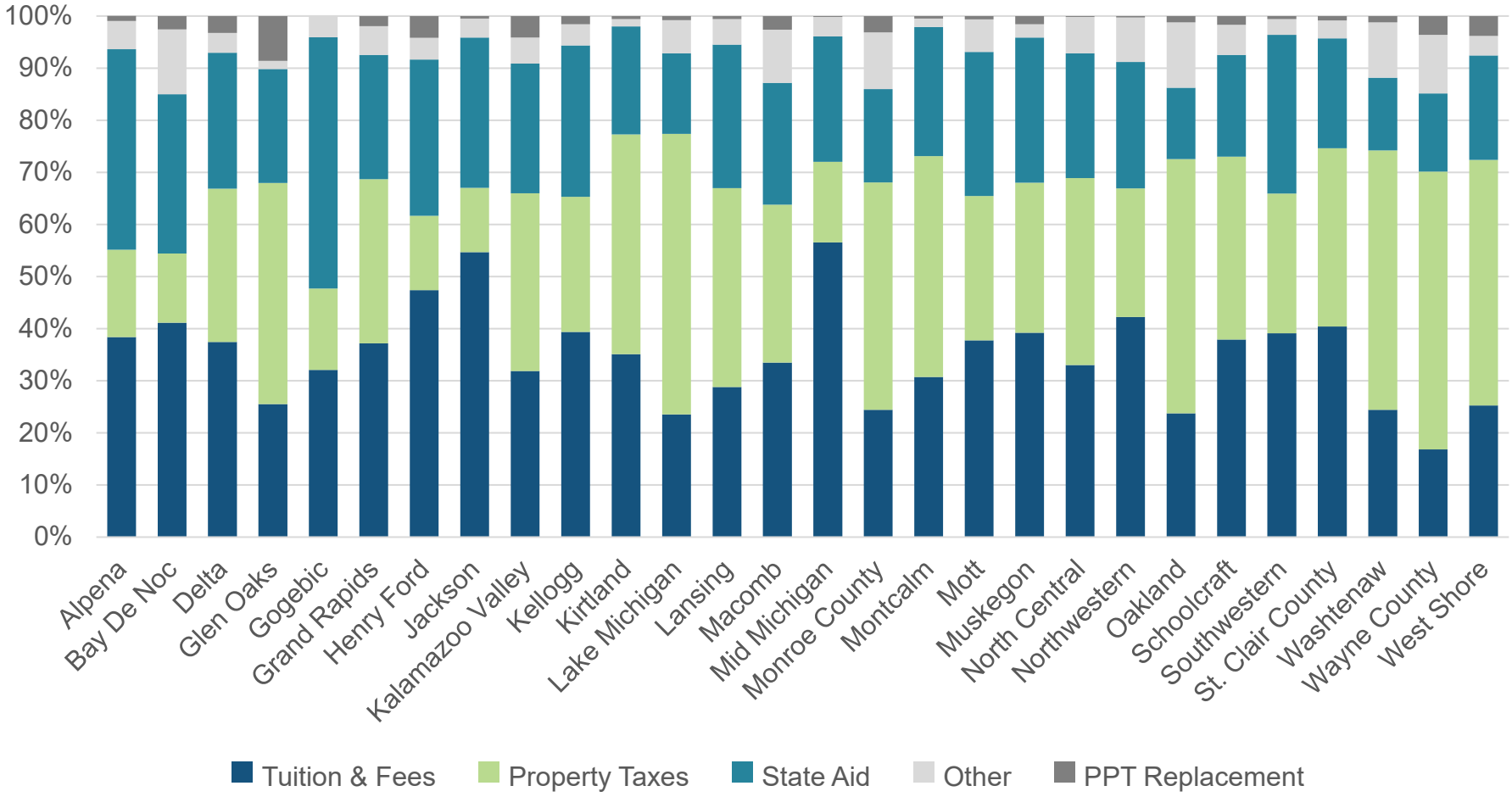
Community college operating budgets vary considerably. Oakland, Macomb, and Wayne County Community Colleges feature the largest operating revenue fund budgets.



Based on most recent data (FY 2024-25) from Michigan Community College Data Inventory Report (MCCDI)

FY 2024-25 Fund Sources as % of Each College's Total Operating Revenue Funds

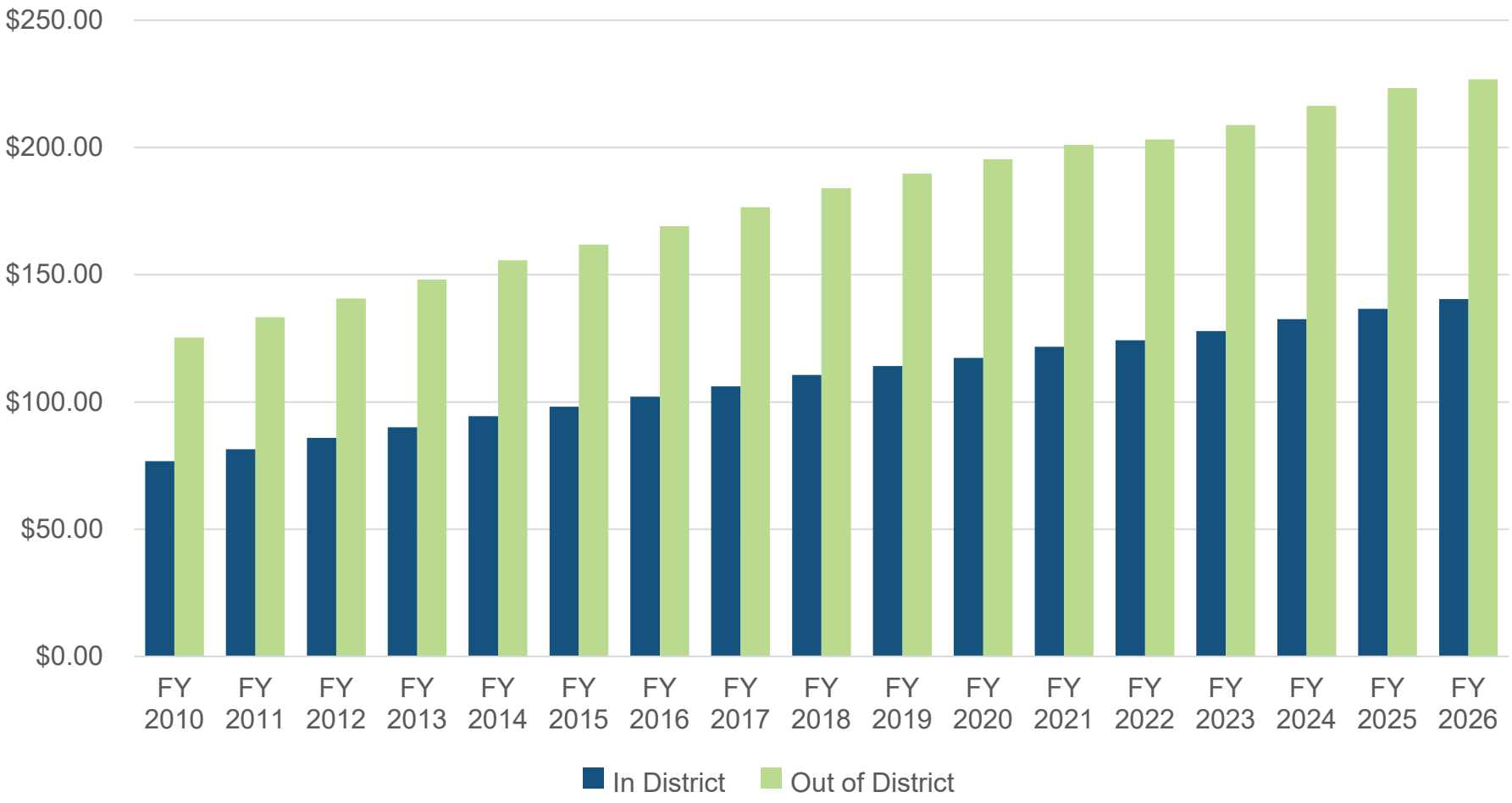
The degree to which community college operating budgets depend on various sources of revenue varies greatly.



Based on most recent data (FY 2024-25) from Michigan Community College Data Inventory Report (MCCDI)

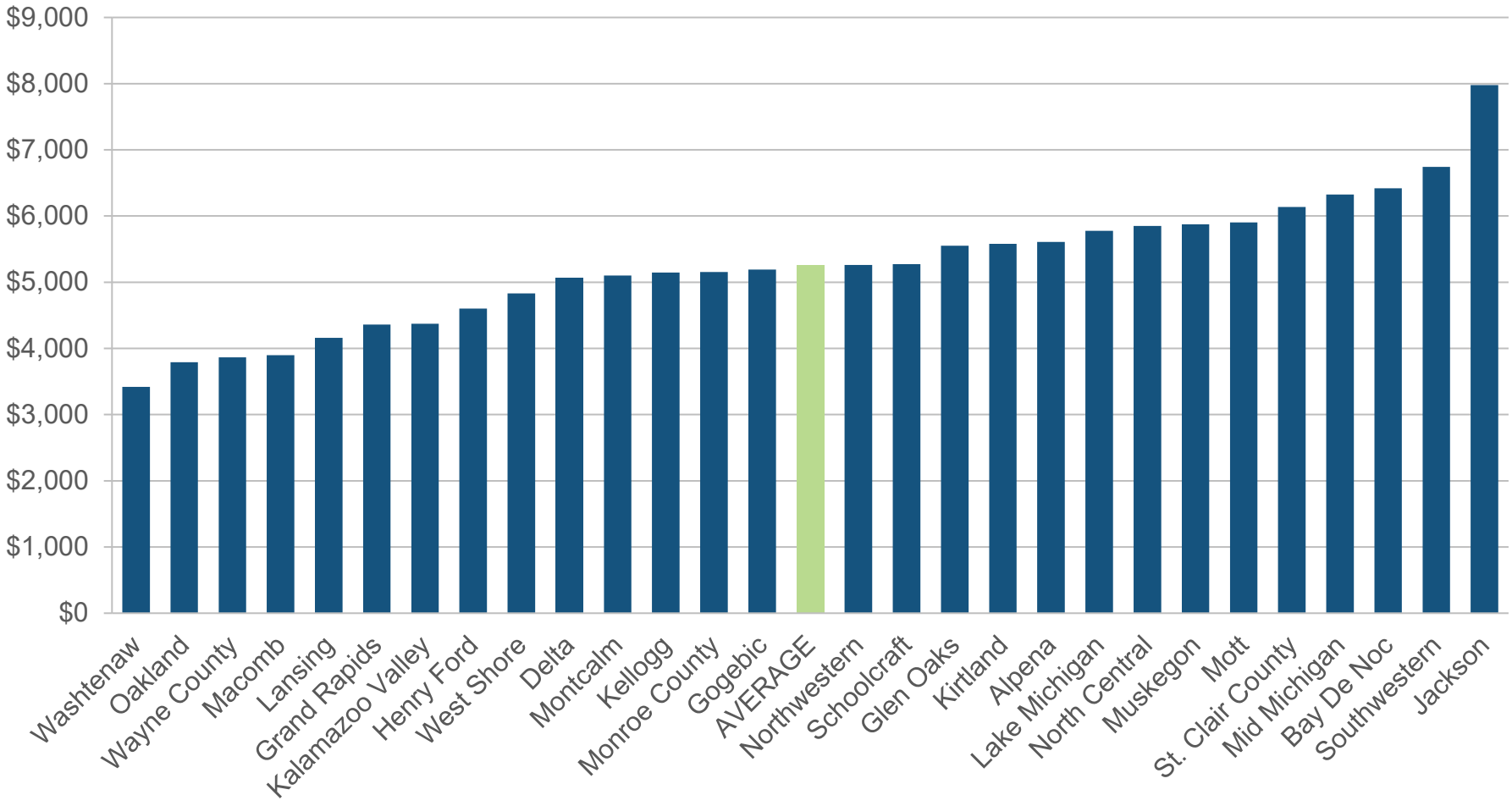
Tuition Rate History Average Cost Per Credit or Contact Hour

Both in-district and out-of-district tuition rates have risen steadily in recent years with in-district rates growing by **86%** and out-of-district rates growing by **84%** since FY 2009-10.



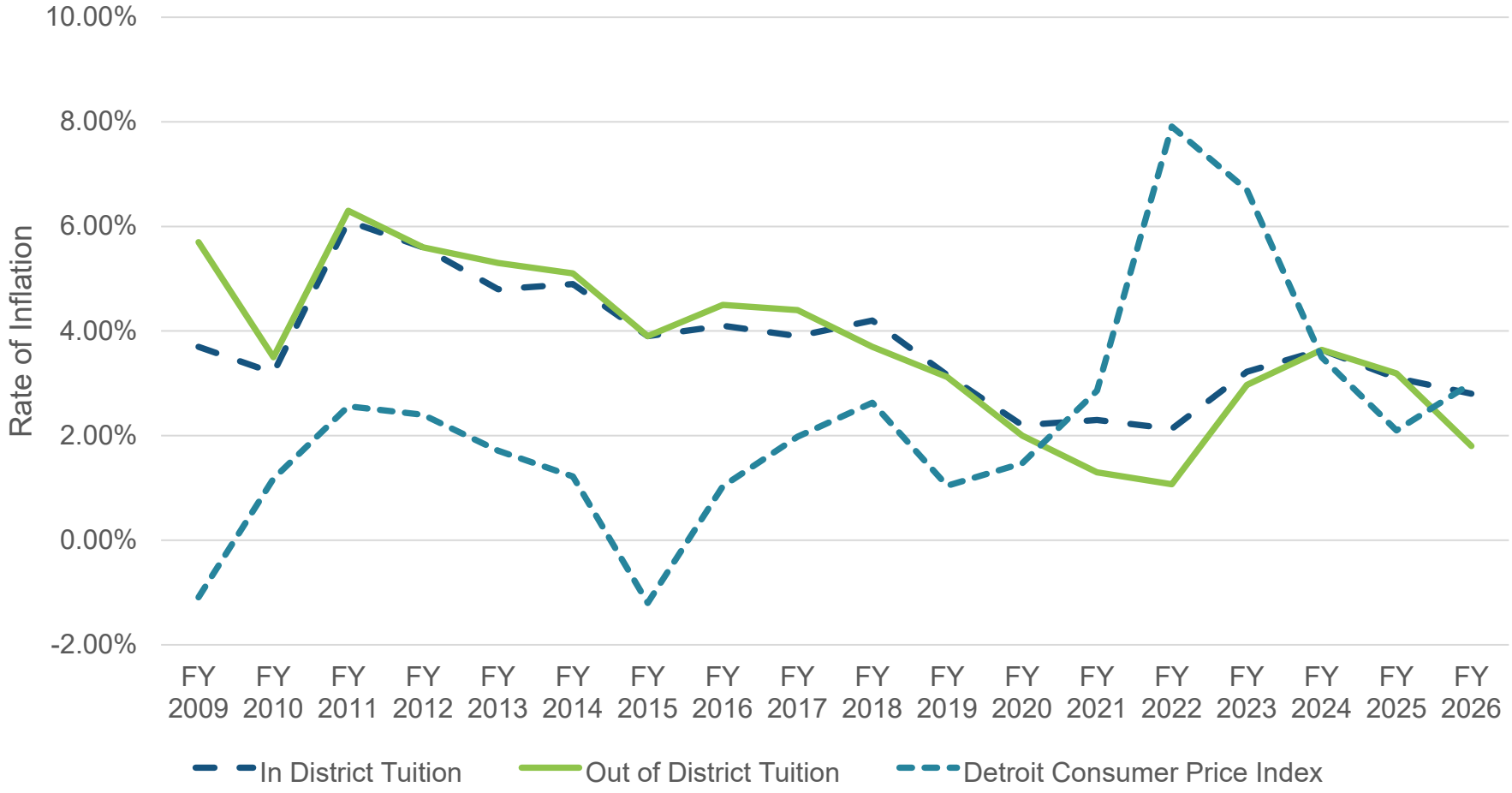
FY 2026-27 In-District Tuition and Fees Average Rates

Community college in-district annual tuition and fees average rates for FY 2026-27 range from $3,420 at Washtenaw to $7,980 at Jackson. The statewide average is **$5,258**.



Tuition Increases Compared to Inflation

Though generally growing at a higher rate than inflation historically, both in-district and out-of-district tuition increases have followed inflationary trends. After trailing inflation between FY 2021 and FY 2023, tuition rates returned to their historical trend of exceeding the inflation rate in FY 2024 and FY 2025. Rates fell below inflation for FY 2026.



Community College Expenditures

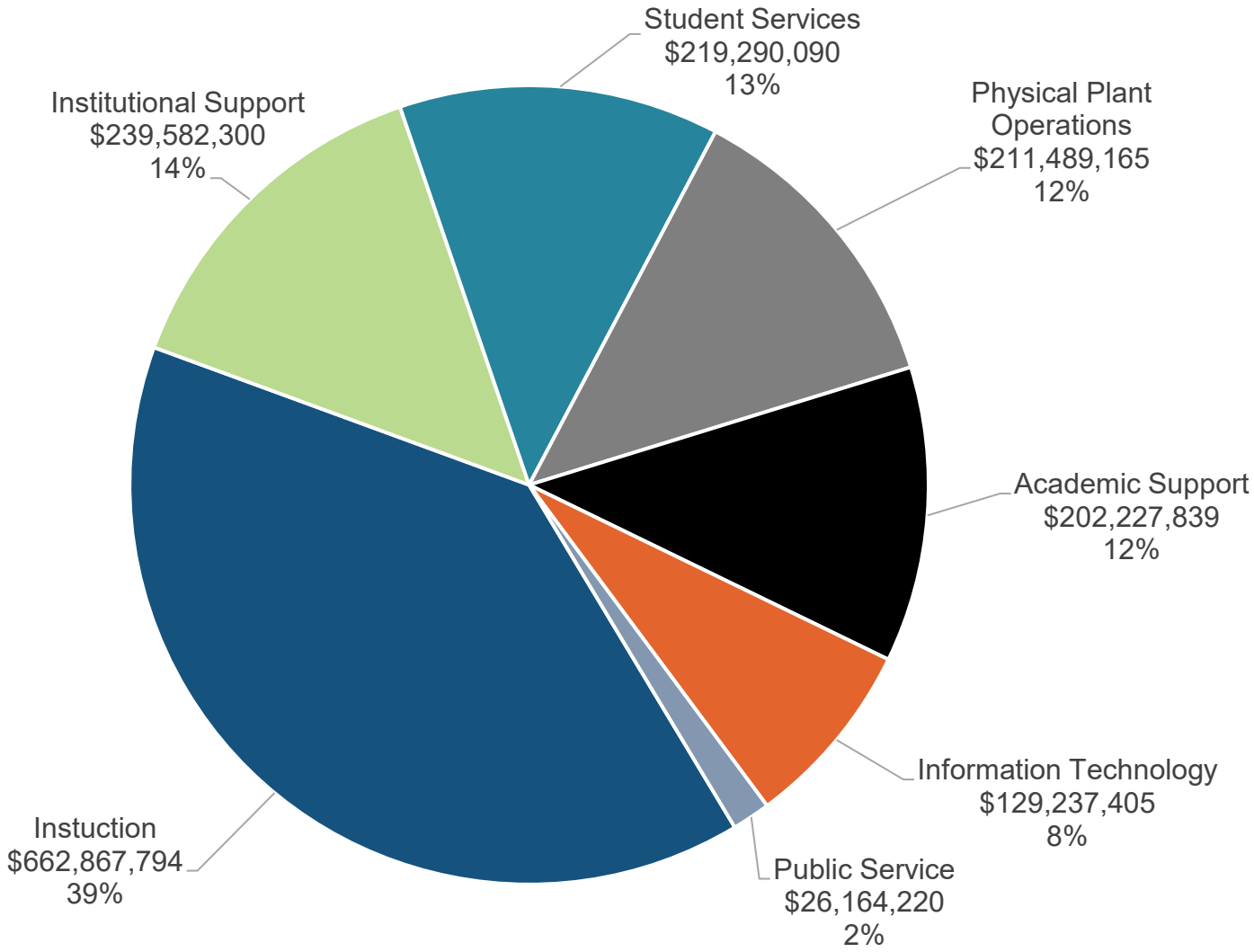
Operational Expenditures

For the purposes of reporting data to the state, Michigan community college expenditures are classified into standardized categories:

- **Instruction:** Faculty salaries and benefits, lab assistants, classroom supplies, non-capital equipment, special licenses or fees for curriculum
- **Information Technology:** Computing systems, programs, hardware, telephone
- **Public Service:** Community use of college facilities for meetings, events and recreation, as well as college TV and radio stations
- **Academic Support:** Library and media services, professional development, curriculum development, Deans, program directors
- **Institutional Support:** President, trustees, financial services, human resources, legal, etc.
- **Student Services:** Counseling, registrar, student government, student publications, specialized services for specific groups, such as veterans or students with disabilities
- **Physical Plant Operations:** Facilities management and maintenance, utilities, security

Community College Operating Fund Expenditures – Statewide Totals

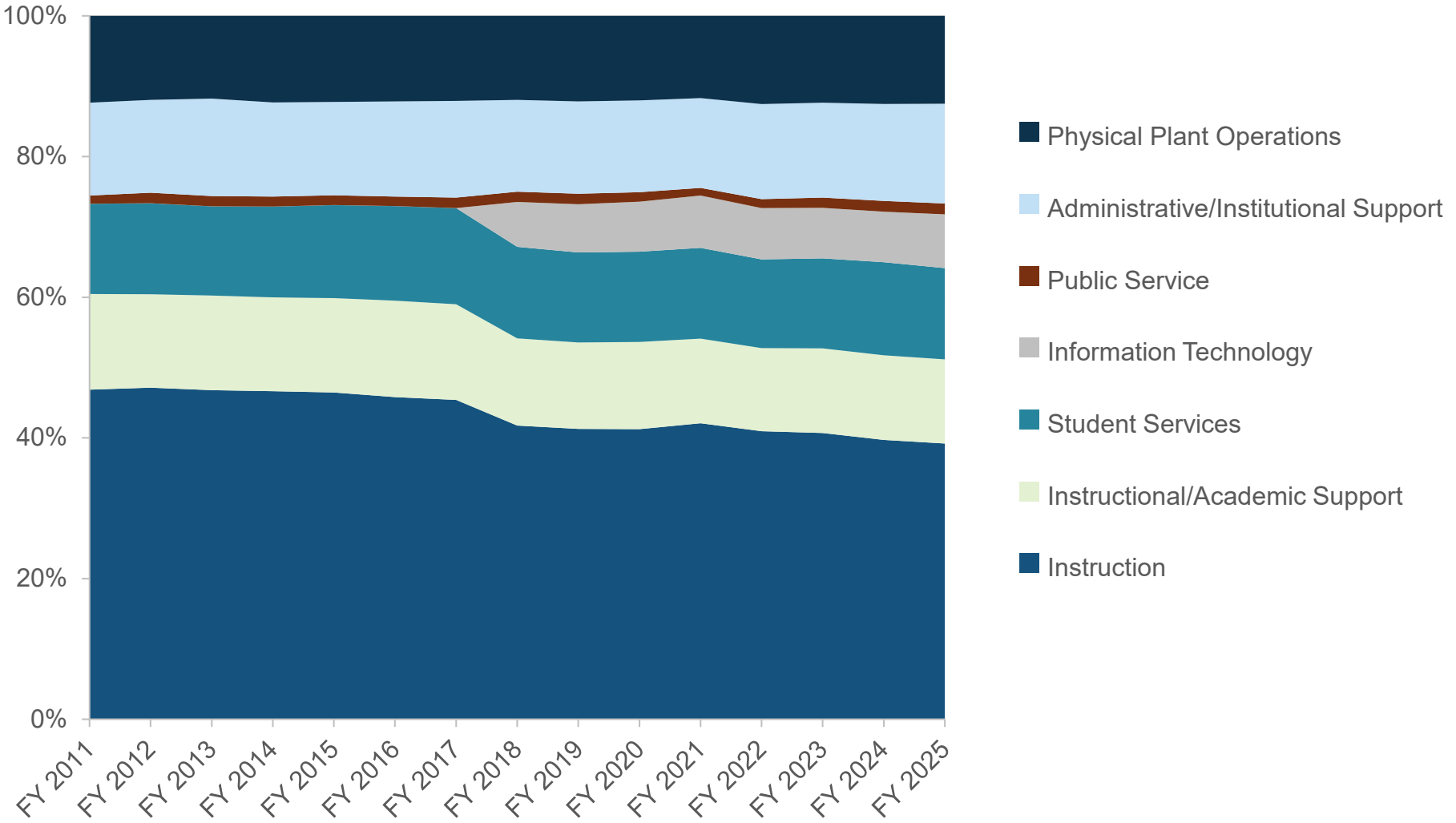
Nearly **40%** of community college expenditures statewide are for instruction. FY 2024-25 total expenses for all 28 community colleges: **$1.7 billion**.



Based on most recent data (FY 2024-25) from Michigan Community College Data Inventory Report (MCCDI)

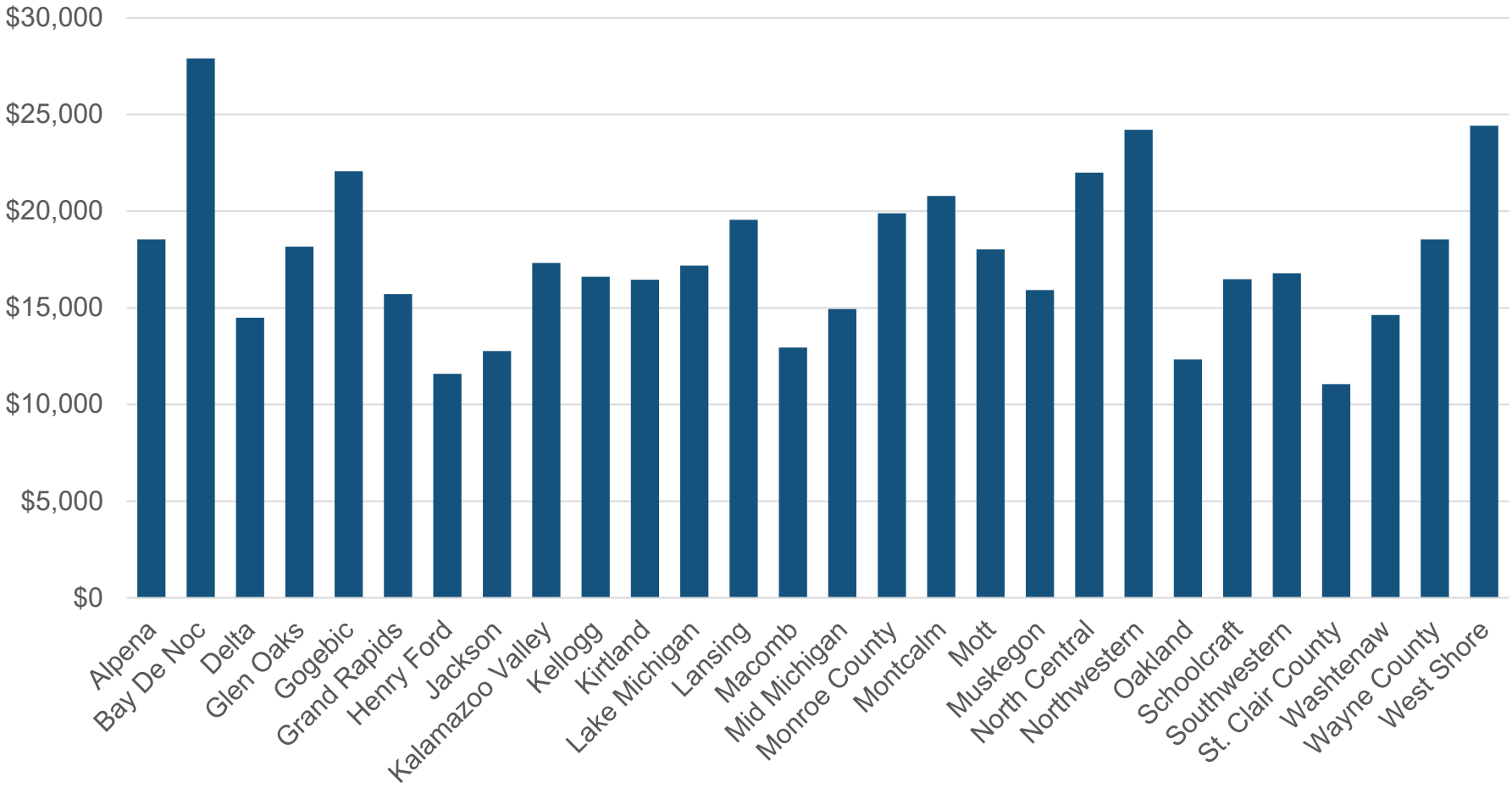
Total Community College Operating Fund Expenditures by Category

Over the past 15 years, the percentage of community colleges spending devoted to instruction has declined from **47%** to **39%**.The budget shares of other spending categories have remained comparatively stable. Categories were reclassified in FY 2017-18.



FY 2024-25 Community College Operating Fund Expenditures per FYES

Smaller community colleges generally have higher expenditures per Fiscal Year Equated Student (FYES).



Based on most recent data (FY 2024-25) from Michigan Community College Data Inventory Report (MCCDI)

Community College Enrollment Data

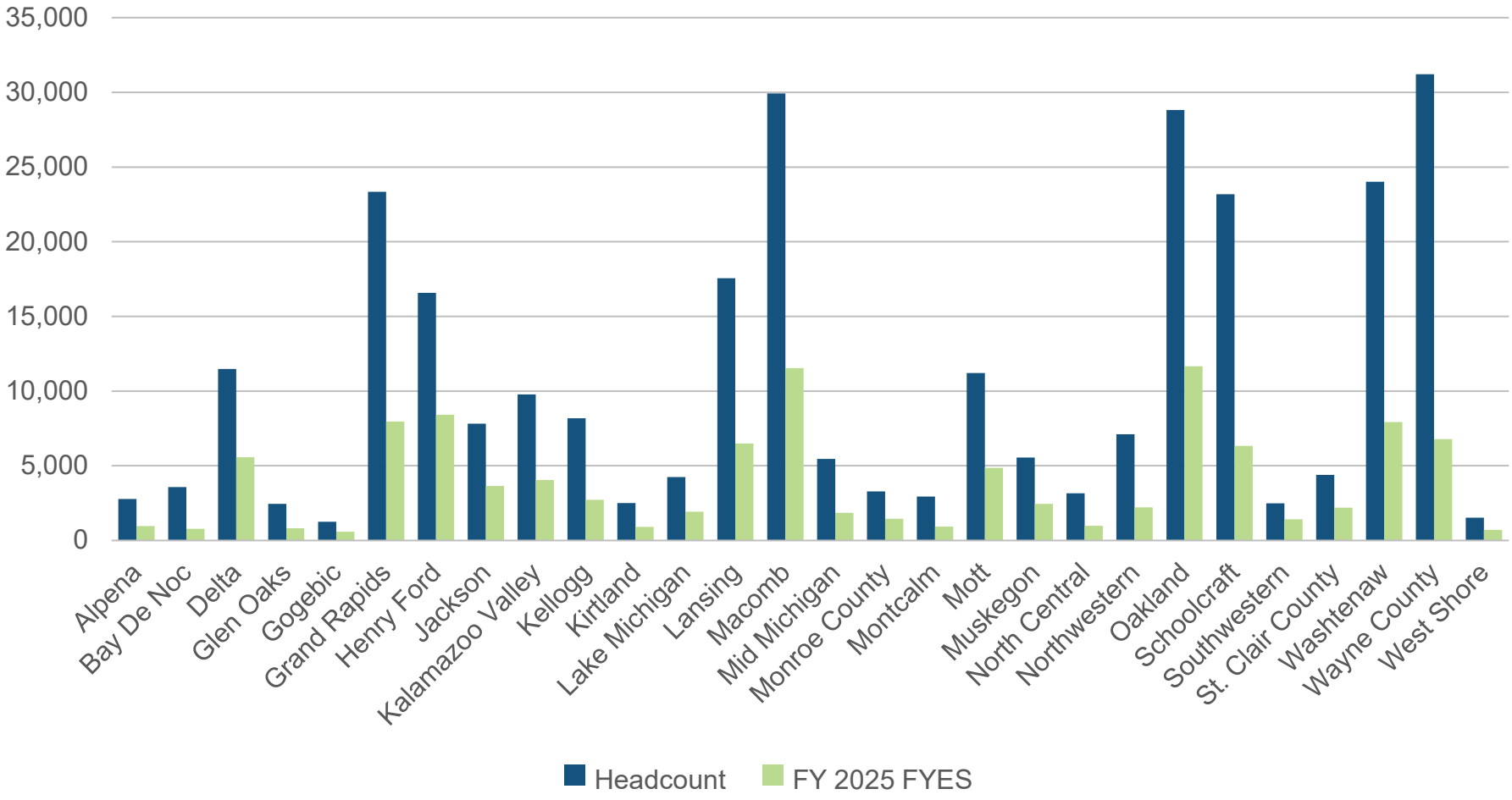
Enrollment Definitions

For the purposes of reporting data to the state, Michigan community college enrollment figures use the following categories:

- **Unduplicated Student Headcount:** The total number of students that have enrolled in at least one community college course
- **Fiscal Year Equated Student (FYES):** The calculated equivalent of one full year of instruction, defined as 30 semester credit hours. Degrees are granted on the basis of credit hours, with the typical associate's degree requiring 60 credit hours
- **Contact Hour Equated Student (CHES):** The calculated equivalent of one full year of instruction, defined as 480 hours of instruction. This measure can capture additional hours of instruction or student interaction that may not be included in a credit hour

FY 2024-25 Community College Enrollments

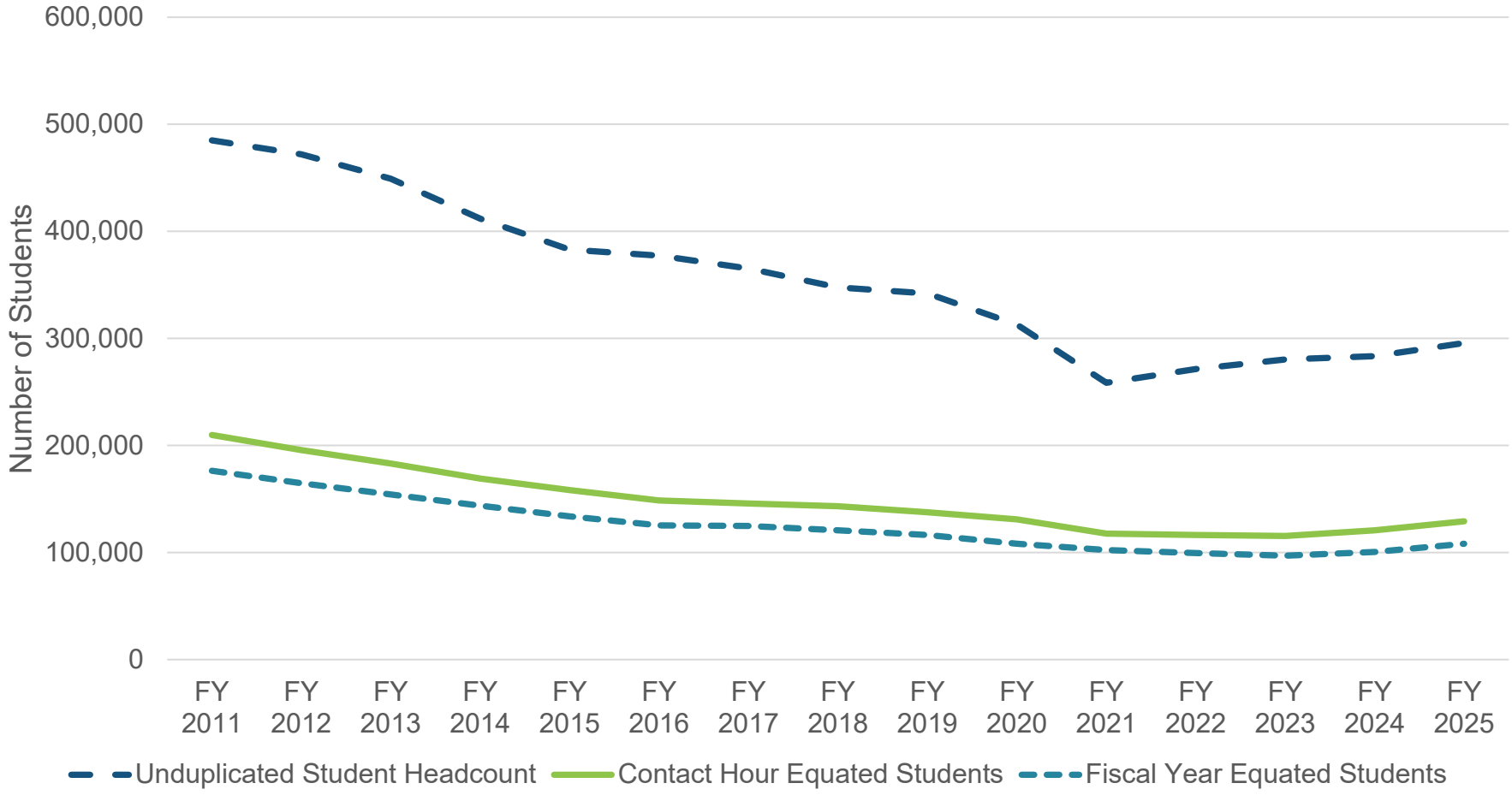
Headcount enrollments range from over 1,200 for Gogebic to over 32,000 for Wayne County. Numbers for Fiscal Year Equated Students (FYES) are much lower, because it is a calculated measure of the number of full-time equivalent students.



Based on most recent data (FY 2024-25) from Michigan Community College Data Inventory Report (MCCDI)

Community College Enrollment History

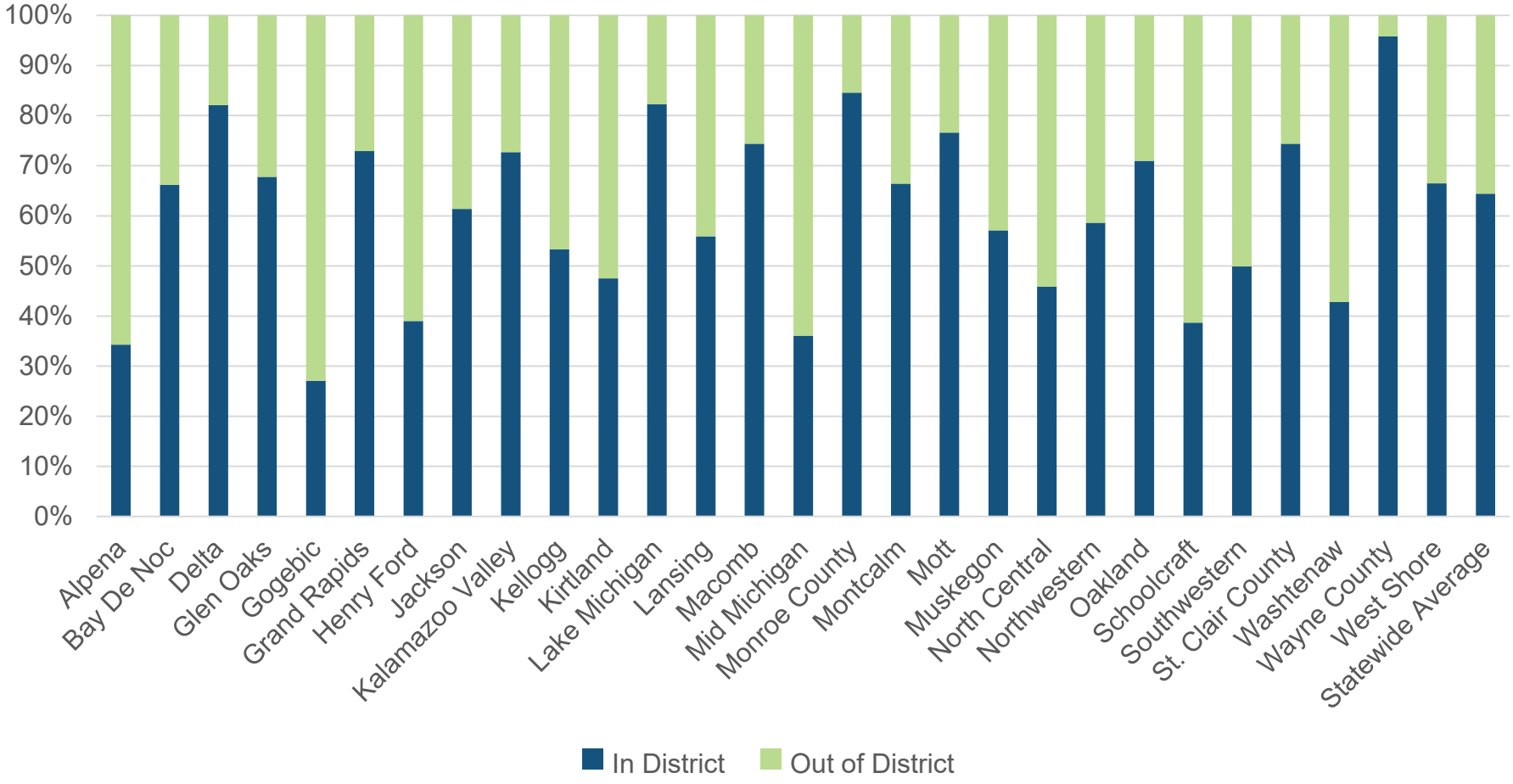
Unduplicated student headcounts are significantly higher but have experienced trends similar to FYES and CHES enrollment numbers. Headcount enrollment has fallen by **39%** over the past 15 years, while FYES and CHES have fallen by **39%** and **38%**. COVID-19 led to a sharp drop, while Michigan Reconnect and Michigan Achievement Scholarship has improved recent enrollment.



Based on most recent data (FY 2024-25) from Michigan Community College Data Inventory Report (MCCDI)

FY 2024-25 In-District Versus Out-of-District Student Comparison

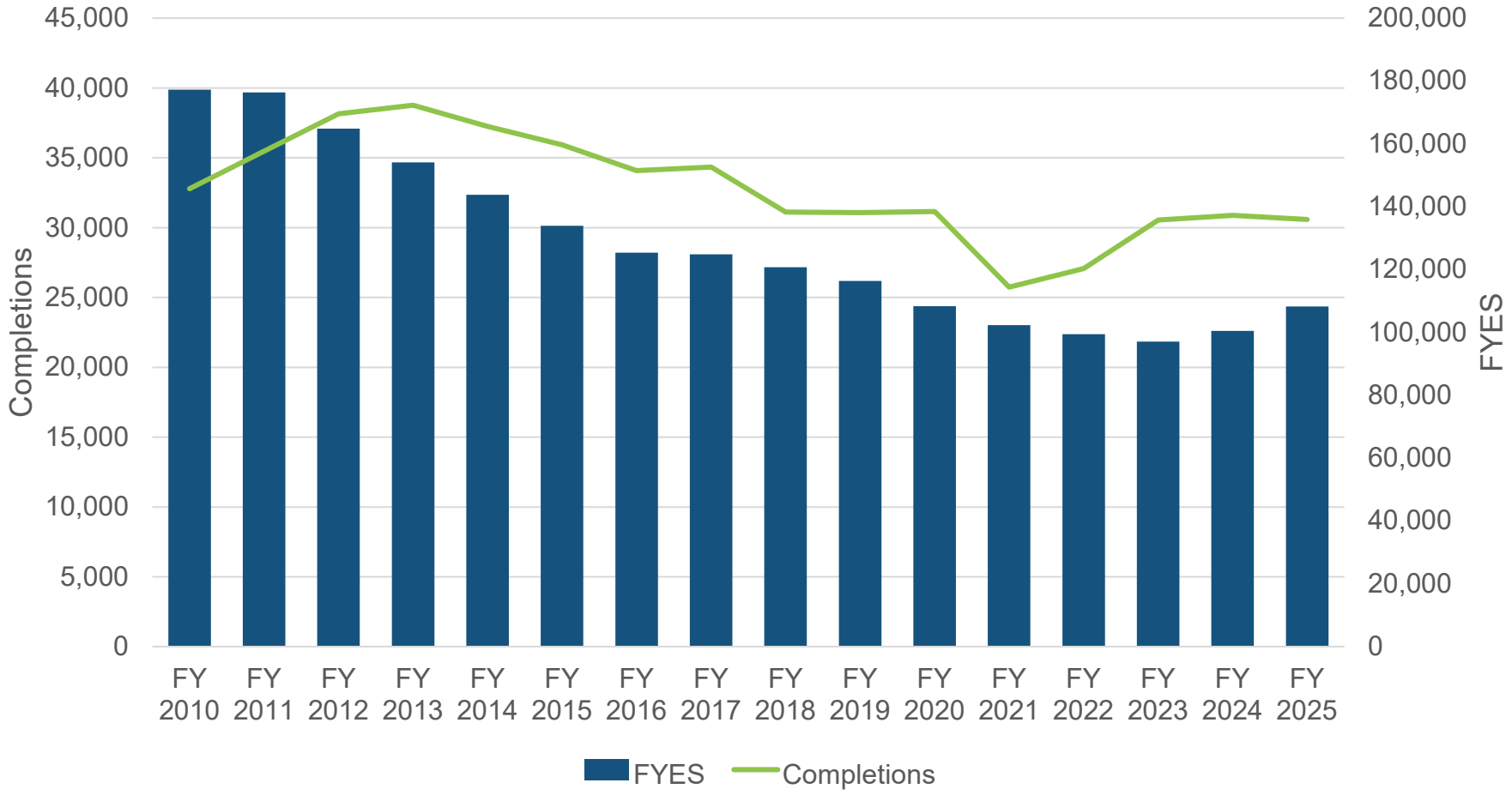
Community colleges vary greatly on the percentage of in-district versus out-of-district students served. Wayne County Community College has the highest percentage of in-district students (96%), while Gogebic Community College has the lowest (27%). The statewide in-district average is **64%**.



Based on most recent data (FY 2024-25) from Michigan Community College Data Inventory Report (MCCDI)

Degree and Certificate Completions

Degree and certification completions at Michigan community colleges have generally tracked changes in enrollment. After a COVID-19 related impact, completions have grown by 19% (over 4,800 additional completions) from FY 2020-21 to FY 2024-25.



Based on most recent data (FY 2024-25) from Michigan Community College Data Inventory Report (MCCDI)

For more information about the Community Colleges budget:

HFA Resources

http://www.house.mi.gov/hfa/CommunityColleges.asp

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