

FY 2025-26: COMMUNITY COLLEGES
Summary: As Passed by the Senate
Senate Bill 168 (S-2)



Analyst: Perry Zielak

	FY 2024-25 Year-to-Date as of 2/5/25	FY 2025-26 Executive	FY 2025-26 Senate	Difference: Senate From FY 2024-25 YTD	
				Amount	%
IDG/IDT	\$0	\$0	\$0	\$0	--
Federal	0	0	0	0	--
Local	0	0	0	0	--
Private	0	0	0	0	--
Restricted	461,720,800	496,689,600	506,504,600	44,783,800	9.7
GF/GP	500,000	0	0	(500,000)	(100.0)
Gross	\$462,220,800	\$496,689,600	\$506,504,600	\$44,283,800	9.6

Note: Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Overview

The Community Colleges budget, contained in Article II of the compiled School Aid Act, provides funding for operational support of the 28 public community colleges located throughout the state and some retirement costs for employees who participate in the state public school employee retirement system. Community colleges offer a wide variety of educational programs, including traditional two-year transfer programs, associate degrees, career and technical education, developmental and remedial education, continuing education, and baccalaureate programs in a limited number of areas. The colleges are supported primarily through a combination of state aid, local property tax revenue, and tuition and fees.

<u>Major Budget Changes from FY 2024-25 Year-to-Date (YTD) Appropriations</u>	FY 2024-25 Year-to-Date (as of 2/5/25)	FY 2025-26 Senate Change
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1. Community College Operations Increase

Executive includes a net increase of \$11.3 million School Aid Fund (SAF) for community college operations, a 3.1% increase when compared to FY 2024-25 ongoing plus one-time operations appropriations. This includes:

- \$14.6 million SAF, or 4.0%, increase to operations grants for community colleges when compared to FY 2024-25 ongoing operations, which would be distributed through the performance funding formula.
- Removal of \$3.6 million SAF one-time operations funding.
- \$207,100 SAF increase based on FY 2023-24 North American Indian Tuition Waiver (ITW) program costs reported by institutions.

Attainment of the performance funding increase would be conditioned on restraining in-district tuition and fee increases to the greater of 4.5% or \$227 (set at 4.5% or \$217 in the current year). Projected funding increases for individual community colleges would range from 2.4% to 4.5%. Total funding for operations would be \$378.2 million SAF.

Senate includes a net increase of \$7.6 million School Aid Fund (SAF) for community college operations, a 2.1% increase when compared to FY 2024-25 ongoing plus one-time operations appropriations. This includes:

- \$10.9 million SAF, or 3.0%, increase to operations grants for community colleges when compared to FY 2024-25 ongoing operations, which would be distributed through the performance funding formula.
- Removal of \$3.6 million SAF one-time operations funding.
- \$207,100 SAF increase based on FY 2023-24 North American Indian Tuition Waiver (ITW) program costs reported by institutions.

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Major Budget Changes from FY 2024-25 Year-to-Date (YTD) Appropriations		FY 2024-25 Year-to-Date (as of 2/5/25)	FY 2025-26 Senate Change
1. Community College Operations Increase (continued)			
Attainment of the performance funding increase would be conditioned on restraining in-district tuition and fee increases to the greater of 4.5% or \$227 (set at 4.5% or \$217 in the current year). Projected funding increases for individual community colleges would range from 1.5% to 3.2%. Total funding for operations would be \$374.5 million SAF.			
2. Michigan Public School Employee Retirement System (MPERS) State Share of Unfunded Actuarial Accrued Liability (UAAL) Stabilization Payment		Gross	\$62,100,000
		Restricted	62,100,000
		GF/GP	\$0
			\$27,400,000
			27,400,000
			\$0
<u>Executive</u> increases funding by \$27.4 million SAF for the state's share of community colleges' MPERS UAAL, a 44.1% increase. The state's share is the difference between the calculated UAAL contribution to the system and the employer contribution cap of 15.21% of payroll set by the Public School Employees Retirement Act (MCL 38.1341), which was lowered from 20.96% to 15.21% beginning in FY 2025-26. Total funding for the state share of MPERS would be \$89.5 million SAF. <u>Senate</u> concurs.			
3. MPERS Normal Cost Offset		Gross	\$21,800,000
		Restricted	21,800,000
		GF/GP	\$0
			(\$2,200,000)
			(2,200,000)
			\$0
<u>Executive</u> decreases funding by \$2.2 million SAF for the community colleges' MPERS normal cost offset, a 10.1% decrease, due to a lower contribution needed to cover retirement benefits and maintain the assumed rate of return at 6.0%. Total funding for the MPERS normal cost offset would be \$19.6 million SAF. <u>Senate</u> concurs.			
4. Infrastructure, Technology, Equipment, Maintenance, and Safety (ITEMS) Grants		Gross	\$0
		Restricted	0
		GF/GP	\$0
			\$10,972,500
			10,972,500
			\$0
<u>Senate</u> includes \$11.0 million SAF of one-time funding for Infrastructure, Technology, Equipment, Maintenance, Safety, and Housing, which would allow community colleges to repair, improve, or maintain existing buildings, facilities, equipment, technological and physical infrastructure, student housing, and school safety measures. Grant funding would be distributed based on community colleges receiving the equivalent of 1% of operations funding, determined through the performance formula and totaling \$3.6 million. Half of the remaining \$7.3 million ITEMS funding would be distributed equally and half would be distributed proportionately to community colleges that did not receive a Capital Outlay planning or construction authorization between January 1 and October 1, 2025.			
5. St. Clair County Community College Applied Technology Center Equipment		Gross	\$0
		Restricted	0
		GF/GP	\$0
			\$2,000,000
			2,000,000
			\$0
<u>Senate</u> includes \$2.0 million SAF of one-time funding for equipment for St. Clair County Community College's Applied Technology Center.			
6. Kalamazoo Valley Community College Circle Center		Gross	\$0
		Restricted	0
		GF/GP	\$0
			\$500,000
			500,000
			\$0
<u>Senate</u> includes \$500,000 SAF of one-time funding to support Kalamazoo Valley Community College's Circle Center, which is a resource center to address various student wellness needs.			
7. Removal of FY 2024-25 One-Time Appropriations		Gross	\$2,000,000
		Restricted	1,500,000
		GF/GP	\$500,000
			(\$2,000,000)
			(1,500,000)
			(\$500,000)
Removes \$2.0 million Gross (\$500,000 GF/GP) of one-time funding that was included in the FY 2024-25 budget to support the following:			
<ul style="list-style-type: none"> Career and Education Navigators for Adult Learners (\$1.2 million SAF) Public-Service-Focused Careers program (\$500,000 GF/GP) Kalamazoo Valley Community College Internet Accessibility (\$350,000 SAF) 			
<u>Senate</u> concurs.			

Major Boilerplate Changes from FY 2024-25

Sec. 201f. FY 2024-25 One-Time Performance Funding Payment Detail – DELETED

Executive deletes language that details the one-time performance funding payment allocations for each community college for FY 2024-25. Senate concurs.

Sec. 201h. MPERS Normal Cost FY 2023-24 Supplemental Appropriation Detail – DELETED

Executive deletes language that increases the FY 2023-24 MPERS Normal Cost by \$1.3 million SAF due to reported payroll of community colleges being slightly higher than original projections. Senate concurs.

Sec. 204. Buy American/Buy Michigan Goods and Services – REVISED

Prohibits the use of funds to purchase foreign goods or services if American products that are competitively priced and of similar quality are available; states preference for Michigan goods and services. States preference for goods and services provided by Michigan businesses owned and operated by veterans. Senate adds preference for goods and services that are manufactured in union employed facilities.

Sec. 207b. MPERS State Share of Unfunded Actuarial Accrued Liability (UAAL) Appropriation – REVISED

Specifies the purpose and allocation method for the state's share of community colleges' UAAL payment to MPERS. Executive revises employer rate cap from 20.96% to 15.21% to reflect statutory changes made in FY 2024-25. Senate concurs.

Sec. 210. Collaboration With Four-Year Universities, Local Employers, and Each Other – REVISED

Encourages community colleges to collaborate with four-year universities, particularly in areas of training, instruction, and program articulation. Also encourages community colleges to collaborate with local employers and each other to identify local employment needs; encourages community colleges to work with universities to develop equivalency standards. Executive revises language to require community colleges to collaborate with four-year universities, local employers and each other. Senate concurs.

Sec. 210d. Reverse Transfer Agreements – REVISED

Encourages community colleges to work with public universities to increase the number of students awarded community college credentials as a result of "reverse transfer" of credits for university coursework to a community college. Executive adds language that requires community colleges to consult with the Michigan Department of Lifelong Education, Advancement, and Potential (MiLEAP) at least once an academic year on transfer credits and transfer student policies, publicly post transfer policies and resources on a website and admissions materials, and provide information on the Michigan Transfer Network, transfer pathways, and financial aid for transfer students. Senate concurs on consulting with MiLEAP at least once an academic year.

Sec. 216c. Infrastructure, Technology, Equipment, Maintenance, and Safety (ITEMS) Appropriation Detail – NEW

Senate adds language that details infrastructure, technology, equipment, maintenance, safety and housing categories that ITEMS funding could be used for by community colleges. Specifies that all community colleges will receive an appropriation equal to about 1% of operations funding and the remaining funding will be distributed to institutions that do not receive a Capital Outlay planning or construction authorization between January 1, 2025 and November 1, 2025.

Sec. 216e. Institutional Best Practices Detail – REVISED

Executive deletes language that details requirement that community colleges must certify to following at least 2 of 5 institutional best practices to receive both ongoing and one-time performance funding increases, one of which must be the best practice on transfers and working to increase the number of reverse transfer or articulation agreements. Senate revises to require community colleges to certify to following all institutional best practices to receive performance funding and ITEMS funding, and adds 2 additional best practices on co-requisite model of gateway math and English courses and assessing students for credit based on prior learning.

Sec. 217a. Community College Annual Reporting Requirements – REVISED

Requires each community college to submit Michigan Community College Data Inventory (MCCDI) data, tuition and fee information, longitudinal data system data, degree and certificate award data, and annual independent audits as required by the first business day of November or have monthly payments withheld. Executive revises language to clarify monthly state operations payments would be withheld. Senate concurs.

Major Boilerplate Changes from FY 2024-25

Sec. 217b. Community College Tuition and Fee Restraint and Annual Rate Report – REVISED

Requires community colleges to report tuition and fee rates, the annual cost of tuition and fees for a 30 credit course load, and tuition and fee increases from the prior year to CEPI by the last business day of August; details tuition restraint requirements in order to receive performance funding for FY 2024-25; and requires community colleges to limit in-district tuition and fee increases to 4.5% or \$217, whichever is greater. Sets FY 2025-26 tuition and fee restraint to the greater of 4.5% or \$227. Executive revises language that limits FY 2025-26 in-district tuition and fee increases to 4.5% or \$227 whichever is greater, and limits FY 2026-27 in-district tuition and fee increases to the greater of 5.0% or \$248. Adds language that details the state budget director shall implement uniform reporting requirements for tuition restraint, has the sole authority to determine compliance with the requirements, and will report information to the house and senate appropriation subcommittees and fiscal agencies. Senate concurs but revises FY 2026-27 restraint to the greater of 3.5% or \$174.

Sec. 217c. Charter School Authorizing Body Report – REVISED

Requires each community college or tribal college that serves as an authorizing body for public school academies to post a report on various details on public school academies authorized by the institution. Senate adds requirement that institutions must adopt a policy to ensure that structures and properties vacated by authorized public school academies do not become blight to the surrounding neighborhoods.

Sec. 217d. Diversity, Equity, and Inclusion (DEI) Programs Report – NEW

Senate adds language that requires each community college to report on changes to DEI programs made after January 1, 2025 and to report on resources, programs, or efforts that would mitigate negative consequences if DEI programs were reduced.

Sec. 217e. Itemized Cost of Attendance Report – NEW

Senate adds language that requires each community college to report on the itemized cost of attendance for full-time students for the past two fiscal years.

Sec. 217f. Public School Academy (PSA) Authorizer Fee and State Scholarship Reduction – NEW

Senate adds language that reduces state-funded scholarship payments for community colleges that are also PSA authorizing bodies by up to 1% of authorizing fees collected.

Sec. 228. Communication With the Legislature – RETAINED

Executive deletes language that forbids a community college from taking disciplinary action against an employee for communicating with the legislature. Senate retains.

**FY 2025-26 Community Colleges Operations Appropriations
As Passed by the Senate**

% of Formula:				30%	10%	10%	10%	30%	5%	5%	100%						
	Total FY 2024-25 Appropriation	FY 24 Indian Tuition Waiver Payment	FY 2024-25 One-Time Distribution	FY 2024-25 Base Appropriation	Sustainability	Performance- Improvement	Performance- Completion Number	Performance- Completion Rate	Contact Hours	Admin.	Local Strategic Value	Total Formula Distribution	FY 2024 Indian Tuition Waiver Cost	Indian Tuition Waiver Adjustments	Total FY 26 Indian Tuition Waiver Payment	FY 2025-26 Appropriation	% Change
Alpena	\$6,493,500	\$21,800	\$68,400	\$6,403,300	\$58,197	\$109,487	\$11,934	\$28,671	\$32,768	\$20,471	\$9,700	\$271,200	\$13,500	(8,300)	\$13,500	\$6,688,000	3.0%
Bay de Noc	6,473,100	100,000	75,100	6,298,000	57,240	15,264	11,921	28,502	35,618	20,129	9,540	178,200	92,000	(8,000)	92,000	6,568,200	1.5%
Delta	17,067,300	24,800	160,100	16,882,400	153,438	42,964	43,315	52,087	150,235	25,710	25,573	493,300	51,800	27,000	51,800	17,427,500	2.1%
Glen Oaks	3,016,000	1,800	30,100	2,984,100	27,121	7,232	8,360	19,233	24,694	0	4,520	91,200	2,900	1,100	2,900	3,078,200	2.1%
Gogebic	5,493,600	48,400	46,200	5,399,000	49,070	15,069	7,291	26,995	20,312	12,551	8,178	139,500	40,100	(8,300)	40,100	5,578,600	1.5%
Grand Rapids	21,521,800	111,100	226,500	21,184,200	192,536	51,343	65,957	51,343	267,513	24,731	32,089	685,500	153,100	42,000	153,100	22,022,800	2.3%
Henry Ford	25,554,400	6,400	247,300	25,300,700	229,949	61,320	89,707	61,320	248,019	22,229	38,325	750,900	4,500	(1,900)	4,500	26,056,100	2.0%
Jackson	14,193,900	42,300	119,000	14,032,600	127,537	34,010	33,363	34,010	99,294	15,307	21,256	364,800	27,100	(15,200)	27,100	14,424,500	1.6%
Kalamazoo Valley	14,889,900	37,200	148,300	14,704,400	133,643	35,638	36,624	46,976	131,050	27,470	22,274	433,700	46,900	9,700	46,900	15,185,000	2.0%
Kellogg	11,567,100	35,400	105,000	11,426,700	103,853	27,694	32,359	27,694	89,178	26,306	17,309	324,400	26,700	(8,700)	26,700	11,777,800	1.8%
Kirtland	3,902,200	25,800	41,300	3,835,100	34,856	29,150	12,586	9,295	32,646	22,186	5,809	146,400	46,300	20,500	46,300	4,027,800	3.2%
Lake Michigan	6,474,300	6,000	60,100	6,408,200	58,242	19,547	15,847	26,606	52,430	9,862	9,707	192,200	19,400	13,400	19,400	6,619,800	2.2%
Lansing	36,512,400	81,200	296,800	36,134,400	328,413	122,975	85,677	100,107	212,516	20,285	54,735	924,700	82,100	900	82,100	37,141,200	1.7%
Macomb	38,534,400	23,700	350,100	38,160,600	346,828	92,488	102,319	103,902	366,080	21,202	57,805	1,090,600	90,900	67,200	90,900	39,342,100	2.1%
Mid Michigan	5,975,200	75,500	62,700	5,837,000	53,050	14,147	16,186	14,147	68,197	19,298	8,842	193,900	82,500	7,000	82,500	6,113,400	2.3%
Monroe County	5,426,200	1,800	55,900	5,368,500	48,792	43,903	14,960	24,148	47,654	18,968	8,132	206,600	400	(1,400)	400	5,575,500	2.8%
Montcalm	4,086,000	1,900	50,800	4,033,300	36,657	9,775	11,960	9,775	25,674	22,342	6,110	122,300	1,700	(200)	1,700	4,157,300	1.7%
Mott	18,174,300	5,800	150,700	18,017,800	163,757	43,669	47,540	43,669	144,788	20,963	27,293	491,700	10,300	4,500	10,300	18,519,800	1.9%
Muskegon	10,480,500	21,300	99,300	10,359,900	94,157	25,109	25,107	36,899	78,268	23,365	15,693	298,600	43,500	22,200	43,500	10,702,000	2.1%
North Central	4,162,800	162,500	52,600	3,947,700	35,879	9,568	10,682	22,096	39,492	20,571	5,980	144,300	162,400	(100)	162,400	4,254,400	2.2%
Northwestern	10,914,300	196,800	97,700	10,619,800	96,520	25,739	24,103	38,142	71,407	17,408	16,087	289,400	254,700	57,900	254,700	11,163,900	2.3%
Oakland	25,428,100	33,800	264,300	25,130,000	228,398	60,906	91,598	73,384	305,700	18,434	38,066	816,500	38,400	4,600	38,400	25,984,900	2.2%
Schoolcraft	15,166,400	21,000	173,400	14,972,000	136,075	36,287	51,049	47,760	182,401	26,915	22,679	503,200	25,300	4,300	25,300	15,500,500	2.2%
Southwestern	7,885,300	29,500	69,200	7,786,600	70,770	18,872	11,412	31,463	48,158	17,978	11,795	210,400	19,100	(10,400)	19,100	8,016,100	1.7%
St. Clair County	8,453,900	24,100	87,800	8,342,000	75,817	20,218	30,194	32,726	68,523	18,072	12,636	258,200	13,300	(10,800)	13,300	8,613,500	1.9%
Washtenaw	16,503,100	24,600	221,200	16,257,300	147,757	39,402	134,535	52,115	240,259	26,181	24,626	664,900	19,000	(5,600)	19,000	16,941,200	2.7%
Wayne County	19,642,700	4,400	178,000	19,460,300	176,868	78,456	63,400	47,165	187,877	17,672	29,478	600,900	2,500	(1,900)	2,500	20,063,700	2.1%
West Shore	2,939,100	12,000	30,400	2,896,700	26,327	7,021	7,265	7,021	20,999	12,018	4,388	85,000	17,600	5,600	17,600	2,999,300	2.0%
	\$366,931,800	\$1,180,900	\$3,568,300	\$362,182,600	\$3,291,750	\$1,097,250	\$1,097,250	\$1,097,250	\$3,291,750	\$548,625	\$548,625	\$10,972,500	\$1,388,000	\$207,100	\$1,388,000	\$374,543,100	2.1%

Requirement to receive performance funding for FY 2025-26:

1. Restrain FY 2025-26 in-district tuition/fee rate increase to 4.5% or \$227 (whichever is greater)
2. Certify to following all Institutional Best Practices.

Data Notes	
Component	Years
Performance improvement	FYs 2021-2023
Performance completion number	FYs 2021-2023
Performance completion rate	FYs 2021-2022
Contact hours	FY 2024
Administrative	FYs 2023-2024