Summary: Executive Budget Recommendation for Fiscal Year 2020-21
COMMUNITY COLLEGES

Analyst: Perry Zielak

Major Budget Changes from FY 2019-20 Year-to-Date (YTD) Appropriations

1. Community Colleges Operations Increase
Increases funding by $8.1 million School Aid Fund (SAF) to increase operations grants to community colleges by 2.5%, which would be distributed through the performance formula. Attainment of the increase, labeled performance funding, would be conditioned on restraining in-district undergraduate tuition and fee increases to 4.25%. Projected increases for individual community colleges range from 2.0% to 5.2%. Total funding for operations would be $333.6 million SAF.

Increases funding by $10.8 million SAF for the state’s share of community colleges’ UAAL to MPSERS, a 14.8% increase, due to implementing recommendations made by the 2018 Actuarial Experience Study. The state’s share is the difference between the calculated UAAL contribution to the system and the employer contribution cap of 20.96% of payroll set by the Public School Employees Retirement Act (MCL 38.1341). Total funding for the state share of MPSERS would be $83.9 million SAF.

3. MPSERS Normal Cost Offset
Increases funding by $182,000 SAF for the community colleges’ normal cost portion, a 1.5% increase, which would cover the cost to lower the assumed rate of return for MPSERS from 7.05% to 6.8% due to the dedicated gains policy. Total funding for the MPSERS Normal Cost Offset would be $12.4 million SAF.

Notes: (1) FY 2019-20 year-to-date figures include mid-year budget adjustments through February 6, 2020. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as “one-time.”

Overview
The Community Colleges budget supports the 28 public community colleges located throughout the state. 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.
Major Boilerplate Changes from FY 2019-20

Sec. 201a. FY 2020-21 Appropriations – DELETED
Deletes legislative intent language for FY 2020-21 appropriations to be the same as those for FY 2019-20, adjusted for caseloads, available federal funds, economic factors, and available revenue, with an estimated MPSERS FY 2020-21 payment to be $98.5 million.

Sec. 206. Michigan Community Colleges Data Inventory (MCCDI) Data – REVISED
Provides for payment of appropriations in 11 installments per year to community colleges; directs Department of Treasury to withhold appropriations if colleges fail to submit MCCDI data, longitudinal data system data, annual independent audits, tuition and fee information, and degree and certificate award data as required. Adds language stating community colleges accrue renaissance zone payments to its fiscal year ending June 30, 2021. Deletes requirement that the State Budget Director notify the legislature before withholding funds from community colleges that fail to comply with reporting requirements.

Sec. 208. Self-Liquidating Projects – DELETED
Deletes language that prohibits colleges from using state funds for construction or maintenance of self-liquidating projects and deletes requirement that colleges comply with Joint Capital Outlay Subcommittee (JCOS) use and finance policy for any capital outlay project and subjects colleges that fail to comply to a penalty of 1% of their operations funding for each violation.

Sec. 209. Community College Transparency – REVISED
Requires colleges to post specified information on their websites, including: annual operating budgets, general fund revenue and expenditure projections, a listing of debt service obligations, collective bargaining agreements, health care benefits plans, audits and financial reports, and information on dual enrollment programs and other opportunities for earning college credit while in high school. Deletes a provision authorizing the State Budget Director to withhold a community college’s monthly installment payment for failure to comply with posting specified fiscal information on a transparency website. Deletes reporting requirements around budgeted current fiscal year revenues, in addition to reporting requirements involving career and technical programs, dual enrollment and early middle college programs.

Sec. 210f. Articulation Agreements and Academic Partnerships Reporting – DELETED
Deletes language that requires the Michigan Community College Association (MCCA), the Michigan Association of State Universities (MASU), and the Michigan Independent Colleges and Universities (MICU) to report on the names and number of baccalaureate degree programs offered on community college campuses, the names of articulation agreements between universities and community colleges, and the number of students enrolled and degrees awarded through articulation agreements and on-campus baccalaureate programs.

Sec. 212. Cost Containment Initiatives – DELETED
Deletes language that encourages community colleges to evaluate and pursue efficiency and cost-containment measures, including joint ventures, consolidating services, program collaboration, increasing web-based instruction, improving energy efficiency, eliminating low-volume/high-cost instructional programs, self-insurance, and group purchasing.

Sec. 220. Performance Audits – DELETED
Deletes language that explicitly authorizes performance audits by the auditor general and requires audited colleges to report audit responses to the legislature, the fiscal agencies, the Auditor General and the State Budget Director.

Sec. 225. Tuition Rate Reports – REVISED
Requires 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 August 31. Deletes language that requires community colleges to include the annual cost of attendance based on 30 credits.

Sec. 228. Communication with the Legislature – DELETED
Deletes language that forbids a community college from taking disciplinary action against an employee for communicating with the legislature.

Sec. 231. Community Colleges Tuition Restraint – NEW
Adds language that provides tuition restraint requirements in order to receive performance funding increase for FY 2020-21; community colleges must limit in-district tuition and fee increase to 4.25%. Defines the term “fee” to include the cost of any charges paid by more than half of all resident students. Defines the term “tuition and fee rate” to be the average cost charged to the majority of students for the 2 semesters with the highest amount of full-time equated students during an academic year. Specifies that the State Budget Director determines if a community college has satisfied the requirements to receive performance funding and provides reports to the appropriations subcommittees and the fiscal agencies.
<table>
<thead>
<tr>
<th>County</th>
<th>Population</th>
<th>FY 2019-20</th>
<th>Sustainability</th>
<th>Performance Improvement</th>
<th>Performance Completion</th>
<th>Contact Hours</th>
<th>Administrative</th>
<th>Local Strategic</th>
<th>Total Formula Distribution</th>
<th>Adjustments for Lowest Taxable</th>
<th>Total Performance Funding</th>
<th>Indian Tuition Waiver Payment Adjustments</th>
<th>Indian Tuition Waiver Payment</th>
<th>FY 2019-20 Appropriation</th>
<th>% Change</th>
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<td>24,334</td>
<td>9,814</td>
<td>8,724</td>
<td>137,500</td>
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<td>137,500</td>
<td>39,700</td>
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**Data Notes**

- **Component**: Source: CEPI, Years: FYs 2016-2018
- **Performance improvement**: Source: Federal IPEDS, Years: FYs 2016-2018
- **Performance completion number**: Source: CEPI, Years: FY 2019
- **Contact hours**: Source: State MCCDI, Years: FY 2019
- **Administrative**: Source: State MCCDI, Years: FY 2018-2019
- **Lowest taxable value**: Source: State MCCDI, Years: FY 2019

* Indian Tuition Waiver Payments are unrolled from the Operations base amounts. ITW Payments and Adjustment amounts are combined into a "Indian Tuition Waiver Costs Incurred" that is broken out in each college's operations listing in the budget bill.