

Summary: Conference Report
COMMUNITY COLLEGES FY 2003-04
House Bill 4388 (S-1) CR-1****



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Overview

The Constitution charges the legislature with enacting laws to provide for the establishment and financial support of community colleges; the twenty-eight existing community colleges have been established under statutes that provided for the creation of community college districts coinciding with the boundaries of counties, school districts, or intermediate school districts. Community colleges are funded from several revenue streams: state aid, student tuition and fees, local property taxes, private donations, and federal grants. Community colleges are located throughout the state and offer a full range of programs of two years or less in duration, including traditional transfer programs (for students moving on to four-year institutions), technical training programs, certificate programs, and customized training or retraining for employees in skilled positions. In recognition of the role that community colleges play in workforce development, various statutory powers and responsibilities pertaining to community colleges were transferred from the Department of Education to the Department of Career Development under Executive Reorganization Order No. 1999-7.

Summary of Major Budget Issues

Operations Funding – The conference report includes Executive-recommended operations funding reduction of \$20.5 million; colleges generally would experience a 6.7% reduction over current year-to-date. Reductions to three small colleges, Alpena, Bay de Noc, and Gogebic, would be smaller due to a larger reduction in funding for Wayne County Community College.

PASS Program – The conference report reflects Executive-recommended elimination of the Postsecondary Access Student Success (PASS) program, which is fully-supported by the Michigan Merit Award Trust Fund. Fewer than 700 students participated last year; current-year funding is \$700,000.

At-Risk Program – The conference report reflects the Executive-recommended reduction of 6.7% for the At-Risk Student Success Program.

Renaissance Zone Tax Reimbursement – The Executive Recommendation and the conference report include a \$652,800 increase for renaissance zone reimbursement payments. These payments reimburse colleges for property tax revenues lost through the establishment of renaissance zones.

MPERS Contribution Subsidy – Contribution rate increases to the Michigan Public School Employees Retirement System (MPERS) are estimated to total \$7.0 million for the community colleges that participate in MPERS. The Executive Recommendation and the conference report assume that the increase would be funded through a MPERS stabilization subaccount, thus enabling MPERS payments to be frozen at their current-year levels.

	FY 2002-03 YTD (as of 3/6/03)	Executive	House	Senate	Conference	Difference: Conf. to 2002-03 YTD Amount %	
IDG/IDT	\$0	\$0	\$0	0	\$0	\$0	0.0
Federal	0	0	0	0	0	0	0.0
Local	0	0	0	0	0	0	0.0
Private	0	0	0	0	0	0	0.0
Restricted	2,295,982	0	0	4,717,500	0	(2,295,982)	(100.0)
GF/GP	307,512,112	289,013,100	289,013,100	289,013,100	289,013,100	(18,499,012)	(6.0)
Gross	\$309,808,094	\$289,013,100	\$289,013,100	293,730,600	\$289,013,100	(\$20,794,994)	(6.7)

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>Conference CR-1****</u>
1. Across-the-Board Operations Reduction	Gross	\$309,180,888	(\$20,386,288)
The Executive recommended that operations funding for each of Michigan’s 28 community colleges be reduced by 6.7% from the current year-to-date, for an overall reduction of \$20.5 million. Due to elimination of funding from Michigan Merit award trust fund, overall GF/GP reduction was \$18.9 million. The House incorporated the reduction for all but Gogebic Community College, which relies especially heavily on state support. (State aid constitutes about 62% of Gogebic's revenues, versus about 30% for community colleges on average.) The House substitute would have provided \$121,500 more for Gogebic than recommended by the Executive, with the funding transferred from at-risk grant funding for other community colleges. The Conference Report reflects Senate action, which restored the at-risk funding to Executive-recommended levels, and funded Alpena, Bay de Noc, and Gogebic at \$150,000 over the Executive recommendation for each, with the funding coming from a \$450,000 reduction to Wayne County Community College.	Restricted	1,577,521	(1,577,521)
	GF/GP	\$302,870,666	(\$18,808,767)
2. Eliminate PASS Program	Gross	\$700,000	(\$700,000)
Executive recommended elimination of the Postsecondary Access Student Scholarship (PASS) program, citing low participation rates (fewer than 700 students received awards last year). The PASS program is fully supported by the Michigan Merit Award Trust Fund. House, Senate, and Conference concur.	Restricted	700,000	(700,000)
	GF/GP	\$0	\$0
3. At-Risk Student Success Program	Gross	\$3,562,706	(\$240,006)
This formula grant program supports colleges' efforts to address the special needs of at-risk students and funds equipment and technology upgrades that may be (but need not be) used by such students. The Executive proposed a 6.7% reduction this program. For colleges other than Gogebic, the House substitute further reduced each college's allocation by \$4,500, and uses the \$121,500 to increase Gogebic operations funding over the Executive-recommended level. The Conference Report reflects Senate action, which funded at-risk programs at the Executive-recommended amount.	Federal	0	0
	Restricted	18,461	(18,461)
	GF/GP	\$3,544,245	(\$221,546)

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>Conference CR-1****</u>
4. Renaissance Zone Tax Reimbursements	Gross	\$1,097,200	\$652,800
The Executive Recommendation included a \$652,800 increase for Renaissance Zone Reimbursement payments.	Federal	0	0
These payments hold harmless community colleges that lose money from their property tax levies due to the presence of a Renaissance Zone within their taxing authority. House, Senate, and Conference concur.	Restricted	0	0
	GF/GP	\$1,097,200	\$652,800

<u>FY 2002-03: Changes to Current-Year Appropriations</u>		<u>YTD FY 2002-03</u>	<u>Conference CR-1****</u>
1. Additional Funding for College Operations	Gross	\$309,180,888	\$1,077,700
The Conference report provides an across-the-board increase for community college operations	Restricted	1,577,521	1,077,700
	GF/GP	\$302,870,666	\$0

Major Boilerplate Changes from FY 2002-03:

Sec. 211. Payment of At-Risk Funding – RETAINED

Current-year section 211 requires the state to pay each community college its full at-risk pupil program allocation by November 1, 2002. The **Executive** proposes to pay 50% of each allocation in the state's first fiscal quarter and 50% in the second fiscal quarter. **House, Senate, and Conference** retain current law.

Sec. 216. Contributions to Public School Employees Retirement System – MODIFIED

House, Senate, and Conference added language to bar community colleges from being required to submit more than four reports annually to the Michigan public school employees retirement system for the purposes of calculating retirement benefits.

Sec. 217. Capital Outlay Projects – MODIFIED

Conference adopts **Senate** language requires Joint Capital Outlay Subcommittee review for projects over \$1.0 million, eliminates current language pertaining to capital projects, and retains prohibition on self-liquidating projects.

Sec. 218. Statistical Report on Minorities and Women Employees – DELETED

Executive, House, Senate, and Conference delete a section that provides for the development and distribution of a statistical report on minority and female employees.

Sec. 219. TIFA report – RETAINED

The **Executive** recommended deletion of a section that requires the Department of Treasury to report on the amount of property tax revenue forgone by community colleges due to Tax Increment Financing Authorities (TIFAs) and tax abatements. **House, Senate, and Conference** retain.

Sec. 220. Financing Special Maintenance – RETAINED

Conference retains current language expressing legislative intent for development of proposals and financing alternatives for special maintenance projects.

Sec. 228. Review of Funding under Gast-Mathieu Formula – DELETED

Conference deletes language added by **House** that expressed legislative intent to review community college funding for consistency with Gast-Mathieu formula.

Major Boilerplate Changes from FY 2002-03:

Sec. 236. Site Visits – NEW

House, Senate, and Conference include language to limit the frequency and scope of site visits and related activities, and to require the Department of Career Development to provide copies of the proposed state plan prior to submission to the U.S. Department of Education for approval under the Perkins act.

Sec. 403. Economic Development Job Training (EDJT) – RETAINED

Executive recommended deletion of a section that expresses a legislative intent for at least 70% of EDJT grant money to be awarded to community colleges. **House, Senate, and Conference** retain current law.

Sec. 404. Michigan Postsecondary Access Student Scholarship (PASS) – DELETED

Executive, House, Senate, and Conference eliminate the PASS program, which supports costs of tuition and fees for eligible community college students.

Sec. 405. Tuition Incentive Program (TIP) – DELETED

Conference deletes **Senate** language (along with associated funding) that included provisions identical to analogous provisions in the higher education budget.