

FY 2021-22: COMMUNITY COLLEGES

Summary: As Reported by House Appropriations Committee House Bill 4401 (H-4)



Analyst: Perry Zielak

	FY 2020-21 YTD as of 2/11/21	FY 2021-22 Executive	FY 2021-22 House	FY 2021-22 Senate	FY 2021-22 Conference	Difference: House From FY 2020-21 YTD	
						Amount	%
IDG/IDT	\$0	\$0	\$0			\$0	--
Federal	0	0	0			0	--
Local	0	0	0			0	--
Private	0	0	0			0	--
Restricted	425,667,600	434,653,600	445,266,900			19,599,300	4.6
GF/GP	0	0	5,511,100			5,511,100	--
Gross	\$425,667,600	\$434,653,600	\$450,778,000			\$25,110,400	5.9

Notes: (1) FY 2020-21 year-to-date figures include mid-year budget adjustments through February 11, 2021. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) Gross appropriations and GF/GP appropriations are inflated by \$823,000 due to an error in the bill. Intended appropriations are \$449,955,000 Gross and \$4,688,100 GF/GP.

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.

Major Budget Changes from FY 2020-21 YTD Appropriations

1. Community College Operations Increase

Executive increases community college operations funding by \$6.4 million School Aid Fund (SAF). This includes a one-time \$6.5 million SAF increase to operations grants for community colleges, a 2.0% increase, which would be distributed through the performance funding formula, and a \$93,100 SAF decrease based on FY 2019-20 North American Indian Tuition Waiver program costs reported by institutions. Attainment of the one-time operations increase would be conditioned on restraining in-district undergraduate tuition and fee increases to 4.2%. Projected funding increases for individual community colleges would range from 1.4% to 2.7%. Total funding for operations would be \$331.8 million SAF. House increases community college operations funding by \$22.5 million Gross (\$5.5 million GF/GP), a 6.9% increase. This includes a \$93,100 SAF decrease based on FY 2019-20 North American Indian Tuition Waiver program costs reported by institutions. All operations funding would be allocated based on a funding formula that allocates \$3.5 million to each institution, uses a 3-year average of fiscal year equated students (FYES) multiplied by an established funding per FYES measure and FY 2020-21 appropriation levels, and a 10% cap on increases above FY 2020-21 levels, with amounts over the cap redistributed through an iterative process to all institutions below the cap. Hold harmless adjustments were made for two community colleges below FY 2020-21 funding levels, Lansing and C.S. Mott. Projected funding changes for individual community colleges would range from 0.0% to 10.6%. Total funding for operations would be \$347.9 million Gross (\$5.5 million GF/GP).

	FY 2020-21 Year-to-Date (as of 2/11/21)	FY 2021-22 House Change
Gross	\$325,440,000	\$22,504,400
Restricted	325,440,000	16,993,300
GF/GP	\$0	\$5,511,100

[continued on next page]

		FY 2020-21 Year-to-Date (as of 2/11/21)	FY 2021-22 House Change
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Major Budget Changes from FY 2020-21 YTD Appropriations

1. Community College Operations Increase (continued)

Note: Intended appropriation is \$347.1 million (\$4.7 million GF/GP). A miscalculation led to an additional \$823,000 being included for Lansing and C.S. Mott when amendment for hold harmless was adopted.

2. Michigan Public School Employee Retirement System (MPERS) State Share of Unfunded Actuarial Accrued Liability (UAAL) Stabilization Payment	Gross	\$83,900,000	\$3,300,000
	Restricted	83,900,000	3,300,000
	GF/GP	\$0	\$0

Executive increases funding by \$3.3 million SAF for the state's share of community colleges' UAAL to MPERS, a 3.9% increase, due to changes in payroll growth assumptions. 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 MPERS would be \$87.2 million SAF. House concurs.

3. MPERS Normal Cost Offset

	Gross	\$12,394,000	(\$694,000)
<u>Executive</u> decreases funding by \$694,000 SAF for the community colleges' normal cost portion, a 5.6% decrease, due to maintaining the current assumed rate of return at 6.8%. Total funding for the MPERS Normal Cost Offset would be \$11.7 million SAF. <u>House</u> concurs.	Restricted	12,394,000	(694,000)
	GF/GP	\$0	\$0

Major Boilerplate Changes from FY 2020-21

Sec. 201e. One-Time Operational Support Payment Detail – NOT INCLUDED

Executive adds language detailing the one-time operational support payment allocations for each community college. House does not include.

Sec. 206. Appropriations Payment Schedule and Reporting Requirements – REVISED

Provides for payment of appropriations in 11 installments per year to community colleges to be paid on the 16th of each month; directs Department of Treasury to withhold appropriations if colleges fail to submit Michigan Community College Data Inventory (MCCDI) data, longitudinal data system data, annual independent audits, tuition and fee information, and degree and certificate award data as required. Executive adds language stating that payments related to the MPERS Normal Cost Offset would be distributed in quarterly payments. Deletes requirement that the state budget director notify the legislature before withholding funds from community colleges that fail to comply with reporting requirements. Revises MCCDI data reporting date to the first business day of November. House concurs but retains the state budget director notification requirement.

Sec. 207a. MPERS Offset Appropriation – REVISED

Specifies the purpose and allocation method for the MPERS offset. Funds to be allocated based on prior-year covered payroll and to be used solely for offsetting a portion of the retirement contributions owed by the receiving college. Executive adds language specifying that the MPERS Normal Cost offset would be based on reported quarterly payroll for members in the current fiscal year. House concurs.

Sec. 208. Self-Liquidating Projects Restriction and Capital Outlay Requirements – RETAINED

Executive deletes language that prohibits community colleges from using state funds for construction or maintenance of a self-liquidating project and deletes requirement that colleges comply with Joint Capital Outlay Subcommittee (JCOS) use and finance policy for any capital outlay projects and subjects community colleges that fail to comply with JCOS requirements to a penalty of 1% of the operations funding for each violation. House retains.

Major Boilerplate Changes from FY 2020-21

Sec. 209. Transparency Website and Various Reporting Requirements – 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. Executive 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. House retains deleted language but deletes reference to local strategic value component. Adds requirement that community colleges submit information to the Michigan Community College Association (MCCA), which would compile and report the information to the House and Senate Appropriation Subcommittees on Community Colleges, House and Senate Fiscal Agencies and the state budget director.

Sec. 209a. Campus Safety Information and Resources Website, Safety Reporting Requirements – RETAINED

Requires community colleges to develop a "campus safety information and resources" webpage, which must be linked and displayed on their home webpage. The page must display various safety information and policies, and the schools must certify compliance to the state budget director or have monthly state payments withheld. Executive deletes language that requires certification to the state budget director. House retains.

Sec. 212. Cost Containment and Efficiency Initiatives – RETAINED

Executive 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. House retains.

Sec. 220. Auditor General Performance Audits – RETAINED

Executive 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. House retains.

Sec. 226b. 2020-21 Academic Year and COVID-19 Reporting Requirements – REVISED

Executive deletes language that requires community colleges to report various enrollment and student residential data for the 2020-21 academic year by September 30, 2021 and deletes requirement for community colleges to report information related to online and COVID-19 fees, along with COVID-19 mitigation strategies and related data by November 1, 2020. House retains deleted language but revises requirements to have community colleges report all federal and state funding received related to the COVID-19 pandemic.

Sec. 226d. Free and Open Speech Policies Reporting Requirement – REVISED

Executive deletes language that requires community colleges to report on activities related to strategic planning or assessment of policies that provide for open and free speech while protecting students from hate speech and discrimination. House retains.

Sec. 226f. Community College COVID-19 Vaccination Requirement Prohibition – NEW

House adds language that restricts community colleges from requiring COVID-19 vaccination as a prerequisite for enrollment or attending in-person instruction.

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. House retains.

Sec. 230. Performance Formula Detail and Local Strategic Value Categories – REVISED

States the formula by which the amount available for performance funding (which is the amount of the annual increase in funding for community college operations) is allocated: 30% proportionate to prior-year base appropriations, 30% based on contact-hour-equated students weighted for health and technology/industrial fields, 10% based on performance completion improvement, 10% based on performance completion number, 10% based on performance completion rate, 5% based on administrative costs, 5% based on meeting certain requirements reflective of providing strategic value to the local community. Lists requirements for the local strategic value categories. States that community colleges must participate and submit semi-annual updates to the Michigan Transfer Network to receive performance funding payments. Executive adds language specifying the one-time operational support payments are distributed using the formula.

House revises formula that distributes operational funding by starting the phase in of a formula that multiplies the 3-year average of community colleges' FYES measure by a calculated FYES funding figure. The FYES funding figure is obtained by dividing the prior fiscal year's operations funding plus any new funding, excluding North American Indian Tuition Waiver [continued on next page]

Major Boilerplate Changes from FY 2020-21

Sec. 230. Performance Formula Detail and Local Strategic Value Categories – REVISED (continued)

funding, by the total sum of all community colleges' 3-year average FYES measure. The formula also distributes \$98.0 million equally divided by all institutions, and caps individual community college increases at 10% above FY 2020-21, redistributing amounts over the cap using an iterative process to every institution below the 10% cap through a revised 3-year average FYES measure.

The formula for FY 2021-22 would allocate 33.3% of operations funding based on the FYES average and 66.7% based on FY 2020-21 appropriation levels, plus \$98.0 million equally divided by all institutions and redistributed funding from the 10% institutional appropriation increase cap. FY 2022-23 formula funding would allocate 66.7% of operations funding on the FYES average and 33.3% based on FY 2020-21 appropriation levels, plus \$98.0 million equally divided by all institutions and redistributed funding from the 10% institutional appropriation increase cap. For FY 2023-24, 100% of operations funding would be distributed based on the FYES average, plus \$98.0 million equally divided by all institutions and redistributed funding from the 10% institutional appropriation increase cap. Indian Tuition Waiver funding would be excluded from formula calculations. Deletes all local strategic value related language. Adds language that states community colleges should work to ensure courses are transferable to all public universities in the state.

Sec. 231. Community Colleges Tuition Restraint Requirement – NOT INCLUDED

Executive adds language that provides tuition restraint requirements in order to receive the one-time operational support payments for FY 2021-22; community colleges must limit in-district tuition and fee increase to 4.2%. 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 operational support payments and provides reports to the appropriations subcommittees and the fiscal agencies. House does not include.

**FY 2021-22 Community College Operations Appropriations
As Reported House Appropriations Committee**

% of Formula:

	FY 2020-21 Indian Tuition Waiver Payment	FY 2020-21 Base Appropriation	FYES 3-Year Average	\$98.0 Million Equal Distribution	33% Distribution Based on FYES Average	67% Distribution Based on FY21 Appropriation	FYES Formula Distributed Funding	Indian Tuition Waiver Adjustments	Total FY22 Indian Tuition Waiver Payment	Total Post 110% Cap Redistributions	Hold Harmless Funding	Proposed Total FY 2021-22 Appropriation	% Change	Change from FY 2020-21 Total
Alpena	\$14,200	\$5,753,300	989	\$3,500,000	\$695,019	\$2,876,362	\$3,571,400	\$9,700	\$23,900	\$0	\$0	\$6,354,900	10.2%	\$587,400
Bay de Noc	116,700	5,602,800	1,247	3,500,000	876,329	\$2,801,120	3,677,400	(5,100)	111,600	0	0	6,285,800	9.9%	566,300
Delta	47,700	15,160,500	5,419	3,500,000	3,808,200	\$7,579,492	11,389,900	12,400	60,100	1,745,300	0	16,695,300	9.8%	1,487,100
Glen Oaks	0	2,651,200	747	3,500,000	524,954	\$1,325,467	1,850,400	0	0	0	0	2,916,300	10.0%	265,100
Gogebic	49,600	4,873,700	708	3,500,000	497,547	\$2,436,606	2,934,200	2,400	52,000	0	0	5,418,300	10.1%	495,000
Grand Rapids	233,900	18,773,100	10,476	3,500,000	7,362,005	\$9,385,611	16,747,600	(35,300)	198,600	2,650,100	0	20,868,900	9.8%	1,861,900
Henry Ford	24,500	22,533,100	8,441	3,500,000	5,931,910	\$11,265,423	17,199,500	(9,500)	15,000	2,718,700	0	23,433,200	3.9%	875,600
Jackson	58,000	12,756,200	3,371	3,500,000	2,368,969	\$6,377,462	8,748,600	(11,800)	46,200	1,085,700	0	13,380,500	4.4%	566,300
Kalamazoo Valley	63,800	13,099,900	4,978	3,500,000	3,498,288	\$6,549,295	10,049,800	22,300	86,100	1,259,300	0	14,504,600	10.2%	1,340,900
Kellogg	61,600	10,267,100	2,718	3,500,000	1,910,074	\$5,133,037	7,045,300	(10,300)	51,300	687,600	0	11,284,200	9.3%	955,500
Kirtland	36,400	3,358,400	860	3,500,000	604,365	\$1,679,032	2,283,400	(29,900)	6,500	0	0	3,701,400	9.0%	306,600
Lake Michigan	8,600	5,702,700	1,785	3,500,000	1,254,408	\$2,851,065	4,105,500	4,500	13,100	0	0	6,287,400	10.1%	576,100
Lansing	158,000	32,852,000	8,093	3,500,000	5,687,353	\$16,424,357	22,113,900	(35,300)	122,700	2,606,600	4,666,800	33,010,000	0.0%	0
Macomb	43,400	34,276,100	13,430	3,500,000	9,437,928	\$17,136,336	26,576,500	(20,100)	23,300	4,325,500	0	34,425,300	0.3%	105,800
Mid-Michigan	124,800	5,184,400	2,314	3,500,000	1,626,163	\$2,591,941	4,218,100	29,100	153,900	0	0	5,872,100	10.6%	562,900
Monroe County	500	4,746,200	1,654	3,500,000	1,162,348	\$2,372,863	3,535,200	200	700	0	0	5,221,600	10.0%	474,900
Montcalm	7,100	3,570,600	884	3,500,000	621,231	\$1,785,121	2,406,400	(2,300)	4,800	0	0	3,932,900	9.9%	355,200
Mott	24,000	16,440,000	4,567	3,500,000	3,209,458	\$8,219,178	11,430,800	17,000	41,000	1,470,900	21,300	16,464,000	0.0%	0
Muskegon	73,900	9,289,100	2,704	3,500,000	1,900,235	\$4,644,086	6,544,300	(16,400)	57,500	684,000	0	10,281,300	9.8%	918,300
North Central	173,400	3,389,300	1,213	3,500,000	852,435	\$1,694,481	2,546,900	7,800	181,200	0	0	3,927,600	10.2%	364,900
Northwestern	276,000	9,567,100	2,392	3,500,000	1,680,977	\$4,783,072	6,466,300	(24,800)	251,200	605,100	0	10,822,600	10.0%	979,500
Oakland	35,100	22,211,700	10,622	3,500,000	7,464,607	\$11,104,739	18,571,600	(1,600)	33,500	2,687,100	0	24,469,700	10.0%	2,222,900
Schoolcraft	40,300	13,196,200	6,544	3,500,000	4,598,794	\$6,597,440	11,196,200	(1,500)	38,800	0	0	14,558,500	10.0%	1,322,000
Southwestern	37,200	6,979,400	1,466	3,500,000	1,030,231	\$3,489,351	4,519,600	(3,100)	34,100	0	0	7,714,900	10.0%	698,300
St. Clair County	3,400	7,385,200	2,377	3,500,000	1,670,436	\$3,692,231	5,362,700	11,700	15,100	0	0	8,140,300	10.2%	751,700
Washtenaw	32,300	13,855,900	7,937	3,500,000	5,577,724	\$6,927,257	12,505,000	3,000	35,300	0	0	15,280,300	10.0%	1,392,100
Wayne County	14,900	17,593,400	6,528	3,500,000	4,587,550	\$8,795,820	13,385,600	100	15,000	2,102,500	0	19,003,100	7.9%	1,394,800
West Shore	26,500	2,585,600	663	3,500,000	465,923	\$1,292,671	1,758,600	(6,300)	20,200	0	0	2,866,400	9.7%	254,300
TOTAL:	\$1,785,800	\$323,654,200	115,127	\$98,000,000	\$80,905,459	\$161,810,917	\$242,740,700	(\$93,100)	\$1,692,700	\$24,628,400	\$4,688,100	\$347,121,400	6.7%	\$21,681,400

Total Formula Distributed Funding:	\$242,740,650
Total 3-Year FYES Average:	115,127
Funding per FYES:	\$2,108