

FY 2025-26: COMMUNITY COLLEGES
Summary: House Subcommittee Chair's Recommendation
House Bill 4579 (H-1)



Analyst: Perry Zielak

	FY 2024-25 Year-to-Date as of 2/5/25	FY 2025-26 Executive	FY 2025-26 Senate	FY 2025-26 House	Difference: House From FY 2024-25 YTD	
					Amount	%
IDG/IDT	\$0	\$0	\$0	\$0	\$0	--
Federal	0	0	0	0	0	--
Local	0	0	0	0	0	--
Private	0	0	0	0	0	--
Restricted	461,720,800	496,689,600	506,504,600	456,652,500	(5,068,300)	(1.1)
GF/GP	500,000	0	0	0	(500,000)	(100.0)
Gross	\$462,220,800	\$496,689,600	\$506,504,600	\$456,652,500	(\$5,568,300)	(1.2)

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 House Change
1. Community College Operations Increase	Gross	\$366,931,800	(\$3,568,300)
<u>Executive</u> 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:	Restricted	366,931,800	(3,568,300)
	GF/GP	\$0	\$0

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 House 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.			
<u>House</u> includes a net decrease of \$3.6 million School Aid Fund (SAF) for community college operations, a 1.0% decrease when compared to FY 2024-25 ongoing plus one-time operations appropriations. This includes the removal of \$3.6 million SAF one-time operations funding. Projected funding decreases for individual community colleges would range from 0.8% to 1.3%. Total funding for operations would be \$363.4 million SAF.			
2. Michigan Public School Employee Retirement System (MPERS) State Share of Unfunded Actuarial Accrued Liability (UAAL) Stabilization Payment			
<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. <u>House</u> does not include.		Gross \$62,100,000	\$0
		Restricted 62,100,000	0
		GF/GP \$0	\$0
3. MPERS Normal Cost Offset			
<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. <u>House</u> does not include.		Gross \$21,800,000	\$0
		Restricted 21,800,000	0
		GF/GP \$0	\$0
4. Infrastructure, Technology, Equipment, Maintenance, and Safety (ITEMS) Grants			
<u>Senate</u> includes \$10.9 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. <u>House</u> does not include.		Gross \$0	\$0
		Restricted 0	0
		GF/GP \$0	\$0
5. St. Clair County Community College Applied Technology Center Equipment			
<u>Senate</u> includes \$2.0 million SAF of one-time funding for equipment for St. Clair County Community College's Applied Technology Center. <u>House</u> does not include.		Gross \$0	\$0
		Restricted 0	0
		GF/GP \$0	\$0
6. Kalamazoo Valley Community College Circle Center			
<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. <u>House</u> does not include.		Gross \$0	\$0
		Restricted 0	0
		GF/GP \$0	\$0

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 House Change
7. Removal of FY 2024-25 One-Time Appropriations	Gross	\$2,000,000	(\$2,000,000)
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:	Restricted	1,500,000	(1,500,000)
	GF/GP	\$500,000	(\$500,000)

- 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)

Senate concurs. House 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. House concurs.

Sec. 201g. State Fiscal Recovery Funds Reallocation Authorization – DELETED

House deletes language that directs the state budget director to reallocate state fiscal recovery funds that are in jeopardy of not meeting the expenditure deadline of December 31, 2026.

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

Executive deletes language that increases the FY 2023-24 MPSERS Normal Cost by \$1.3 million SAF due to reported payroll of community colleges being slightly higher than original projections. Senate concurs. House 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. House removes preference for businesses owned and operated by veterans.

Sec. 205. Ordering From Geographically Disadvantaged Business Enterprises – DELETED

House deletes language that encourages community colleges to ensure geographically disadvantaged business enterprises compete for and perform contracts for services and/or supplies.

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

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

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. House 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. House concurs with Executive.

Sec. 212. Cost Containment and Efficiency Initiatives – REVISED

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 deletes increasing web-based instruction, high-cost instructional programs, and improving energy efficiency language.

Major Boilerplate Changes from FY 2024-25

Sec. 216c. Infrastructure, Technology, Equipment, Maintenance, and Safety (ITEMS) Appropriation Detail – NOT INCLUDED

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. House does not include.

Sec. 216e. Institutional Best Practices Detail – DELETED

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. House concurs with Executive.

Sec. 217. Michigan Community College Data Inventory Reporting Requirements – REVISED

Requires CEPI to establish, maintain, and coordinate the MCCDI database of community college data. Requires CEPI to compile the Demographic Enrollment Profile report and performance metrics to support the performance funding formula. House restricts the Demographic Enrollment Profile from including references to gender, race, and ethnicity.

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. House concurs.

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. House concurs with Executive on uniform reporting requirements but revises FY 2025-26 in-district tuition and fee restraint to the greater of 3.0% or \$149 and does not include FY 2026-27 restraint.

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

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. House deletes.

Sec. 217d. Students for Fair Admissions v. Harvard Restrictions – NEW

House adds language that requires community colleges not to violate *Students for Fair Admissions v. Harvard*, with a 25% operations reduction for any institution that violates the case. Lists redistribution method for reduced funds.

Sec. 217d. Diversity, Equity, and Inclusion (DEI) Programs Report – NOT INCLUDED

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. House does not include.

Sec. 217e. Restriction on Diversity, Equity, and Inclusion (DEI) Spending – NEW

House adds language that restricts community colleges from spending any funding on DEI, with the sum of money spent on DEI reduced from operations allocations. Lists redistribution method for reduced funds.

Sec. 217e. Itemized Cost of Attendance Report – NOT INCLUDED

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. House does not include.

Major Boilerplate Changes from FY 2024-25

Sec. 217f. Institutional Salaries Spending Restriction – NEW

House adds language that restricts community colleges from spending more than 10% of salary spending on staff who do not teach, maintain facilities, or protect as law enforcement with the sum of money spent over the cap reduced from operations allocations.

Sec. 217f. Public School Academy (PSA) Authorizer Fee and State Scholarship Reduction – NOT INCLUDED

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. House does not include.

Sec. 217g. Males in Female Sports Restriction – NEW

House adds language that restricts community colleges that participate in intercollegiate athletics from allowing biologically defined males from participating in biologically defined female sport teams and authorizes the state budget director to withhold 5% of monthly operations payments until an institution complies.

Sec. 217h. Remote Employees Report – NEW

House adds language that requires community colleges to post a list of all employees, including titles and salaries, who work remotely.

Sec. 217i. Common Areas and Public Ceremonies Race and Sex Restrictions – NEW

House adds language that restricts community colleges from having any common area spaces that are restricted by sex or race, restricts institutions from having any public ceremonies or gatherings restricted by sex or race, and authorizes the state budget director to withhold 5% of monthly operations payments until an institution complies.

Sec. 226e. Post-Secondary Degree, Certification or Credential Obtainment Goal – DELETED

House deletes language that sets a goal of 60% of Michigan residents achieving a post-secondary credential, certification or degree by 2030.

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. House retains.

Sec. 230. Performance Formula Detail, Local Strategic Value Categories, Tuition and Fee Restraint – REVISED

States the formula by which the amount available for performance funding. 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. House deletes two best practices in the local strategic value categories.

**FY 2025-26 Community Colleges Operations Appropriations
House Subcommittee Chair's Recommendation**

% 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	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$13,500	0	\$21,800	\$6,425,100	(1.1%)
Bay de Noc	6,473,100	100,000	75,100	6,298,000	0	0	0	0	0	0	0	0	92,000	0	100,000	6,398,000	(1.2%)
Delta	17,067,300	24,800	160,100	16,882,400	0	0	0	0	0	0	0	0	51,800	0	24,800	16,907,200	(0.9%)
Glen Oaks	3,016,000	1,800	30,100	2,984,100	0	0	0	0	0	0	0	0	2,900	0	1,800	2,985,900	(1.0%)
Gogebic	5,493,600	48,400	46,200	5,399,000	0	0	0	0	0	0	0	0	40,100	0	48,400	5,447,400	(0.8%)
Grand Rapids	21,521,800	111,100	226,500	21,184,200	0	0	0	0	0	0	0	0	153,100	0	111,100	21,295,300	(1.1%)
Henry Ford	25,554,400	6,400	247,300	25,300,700	0	0	0	0	0	0	0	0	4,500	0	6,400	25,307,100	(1.0%)
Jackson	14,193,900	42,300	119,000	14,032,600	0	0	0	0	0	0	0	0	27,100	0	42,300	14,074,900	(0.8%)
Kalamazoo Valley	14,889,900	37,200	148,300	14,704,400	0	0	0	0	0	0	0	0	46,900	0	37,200	14,741,600	(1.0%)
Kellogg	11,567,100	35,400	105,000	11,426,700	0	0	0	0	0	0	0	0	26,700	0	35,400	11,462,100	(0.9%)
Kirtland	3,902,200	25,800	41,300	3,835,100	0	0	0	0	0	0	0	0	46,300	0	25,800	3,860,900	(1.1%)
Lake Michigan	6,474,300	6,000	60,100	6,408,200	0	0	0	0	0	0	0	0	19,400	0	6,000	6,414,200	(0.9%)
Lansing	36,512,400	81,200	296,800	36,134,400	0	0	0	0	0	0	0	0	82,100	0	81,200	36,215,600	(0.8%)
Macomb	38,534,400	23,700	350,100	38,160,600	0	0	0	0	0	0	0	0	90,900	0	23,700	38,184,300	(0.9%)
Mid Michigan	5,975,200	75,500	62,700	5,837,000	0	0	0	0	0	0	0	0	82,500	0	75,500	5,912,500	(1.0%)
Monroe County	5,426,200	1,800	55,900	5,368,500	0	0	0	0	0	0	0	0	400	0	1,800	5,370,300	(1.0%)
Montcalm	4,086,000	1,900	50,800	4,033,300	0	0	0	0	0	0	0	0	1,700	0	1,900	4,035,200	(1.2%)
Mott	18,174,300	5,800	150,700	18,017,800	0	0	0	0	0	0	0	0	10,300	0	5,800	18,023,600	(0.8%)
Muskegon	10,480,500	21,300	99,300	10,359,900	0	0	0	0	0	0	0	0	43,500	0	21,300	10,381,200	(0.9%)
North Central	4,162,800	162,500	52,600	3,947,700	0	0	0	0	0	0	0	0	162,400	0	162,500	4,110,200	(1.3%)
Northwestern	10,914,300	196,800	97,700	10,619,800	0	0	0	0	0	0	0	0	254,700	0	196,800	10,816,600	(0.9%)
Oakland	25,428,100	33,800	264,300	25,130,000	0	0	0	0	0	0	0	0	38,400	0	33,800	25,163,800	(1.0%)
Schoolcraft	15,166,400	21,000	173,400	14,972,000	0	0	0	0	0	0	0	0	25,300	0	21,000	14,993,000	(1.1%)
Southwestern	7,885,300	29,500	69,200	7,786,600	0	0	0	0	0	0	0	0	19,100	0	29,500	7,816,100	(0.9%)
St. Clair County	8,453,900	24,100	87,800	8,342,000	0	0	0	0	0	0	0	0	13,300	0	24,100	8,366,100	(1.0%)
Washtenaw	16,503,100	24,600	221,200	16,257,300	0	0	0	0	0	0	0	0	19,000	0	24,600	16,281,900	(1.3%)
Wayne County	19,642,700	4,400	178,000	19,460,300	0	0	0	0	0	0	0	0	2,500	0	4,400	19,464,700	(0.9%)
West Shore	2,939,100	12,000	30,400	2,896,700	0	0	0	0	0	0	0	0	17,600	0	12,000	2,908,700	(1.0%)
	\$366,931,800	\$1,180,900	\$3,568,300	\$362,182,600	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,388,000	\$0	\$1,180,900	\$363,363,500	(1.0%)

Requirement to receive performance funding for FY 2025-26:

1. Restrain FY 2025-26 in-district tuition/fee rate increase to 3.0% or \$149 (whichever is greater)

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