



Background Briefing

COMMUNITY COLLEGES

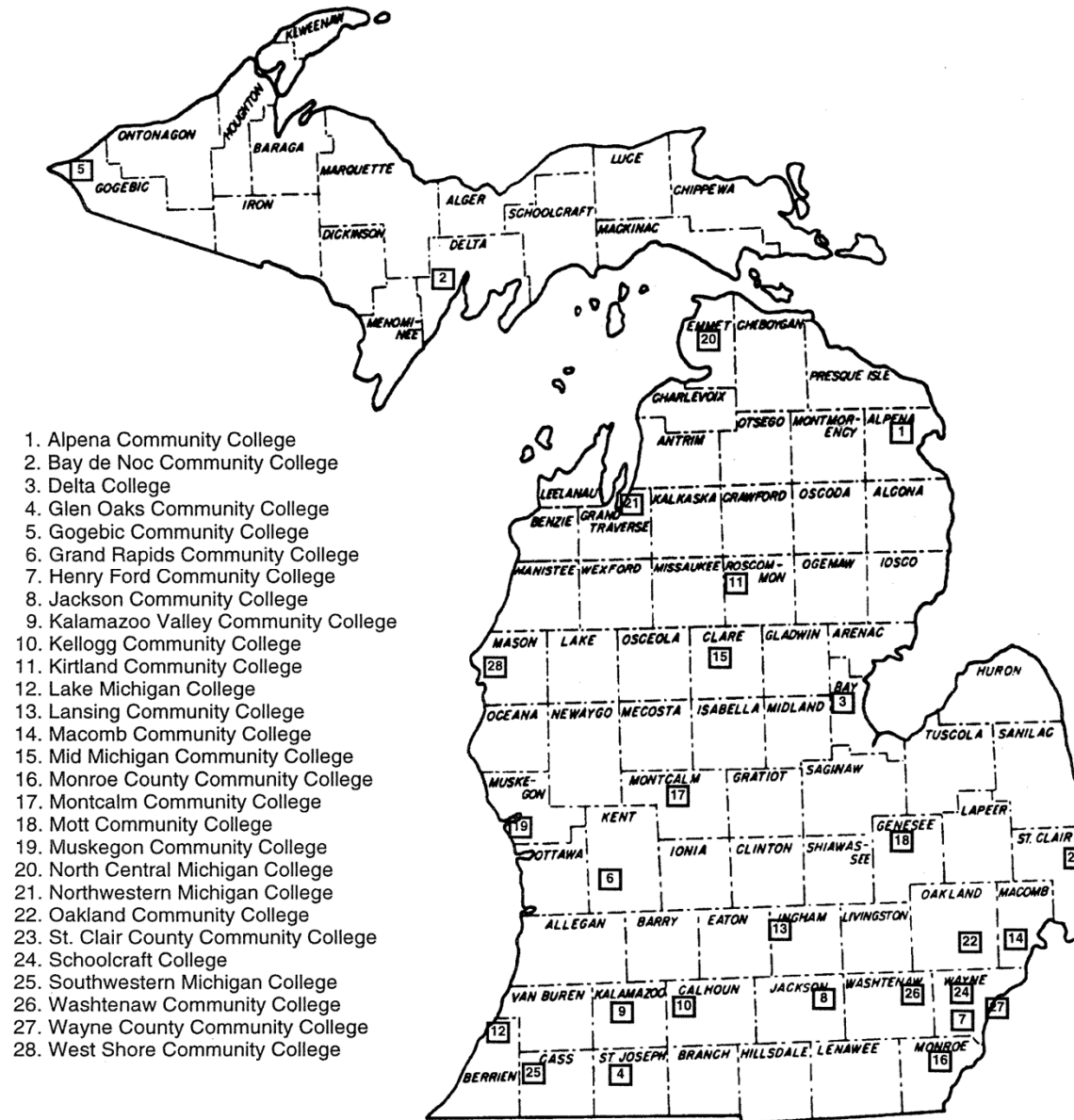
Perry Zielak, Fiscal Analyst

December 2015

Michigan Community Colleges

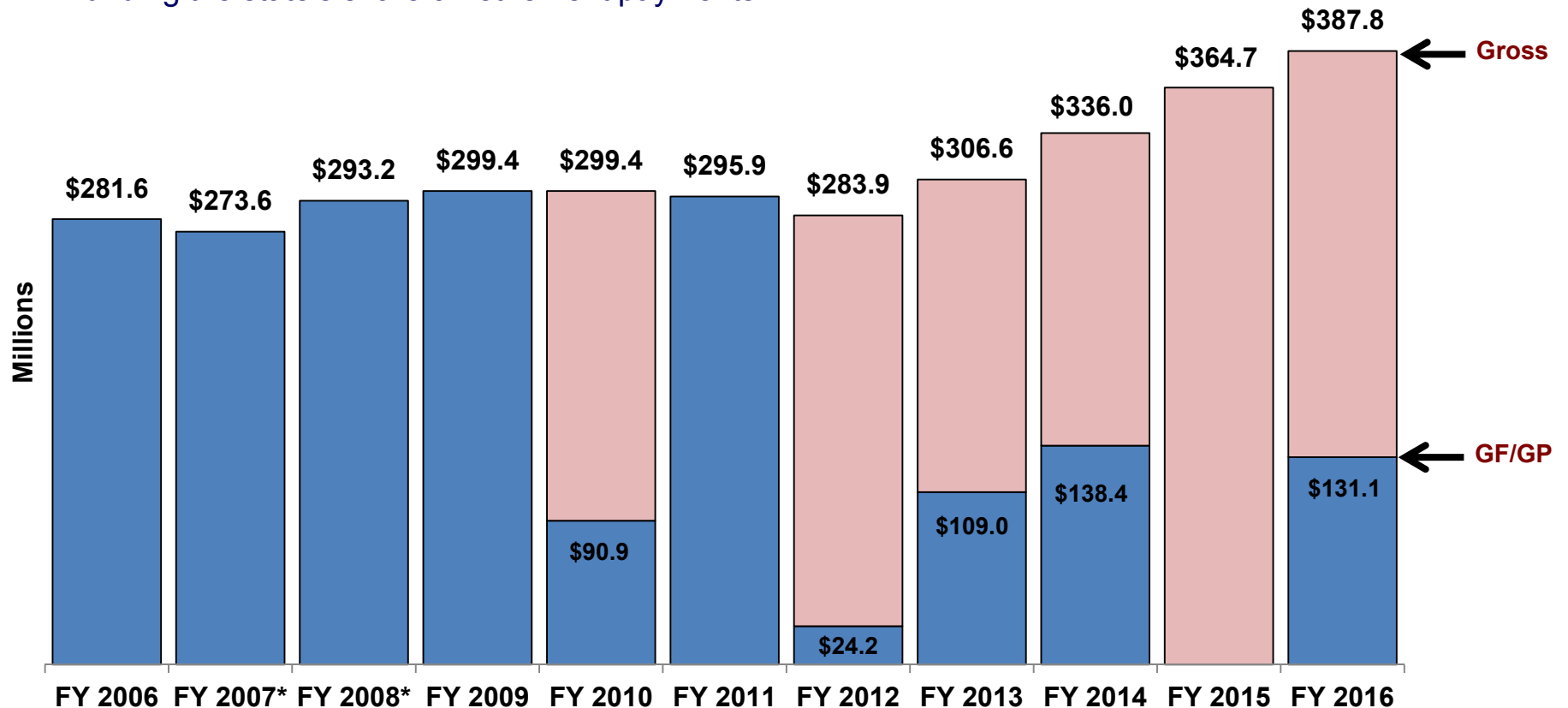
- The community colleges budget provides funding for Michigan's 28 public community colleges. Community colleges are supported through a combination of state appropriations, tuition and fees, and local property taxes.
- Each community college draws students primarily from within a district organized under statute and is governed by a board of trustees elected from within the district. Not all areas of the state fall within a district.
- Community colleges provide collegiate and noncollegiate level education primarily to individuals above the twelfth grade age level within commuting distance. Community college programs include:
 - Vocational-technical education leading to an associate's degree
 - Education in anticipation of transfer to a four-year institution
 - Basic skills
 - Customized training/retraining for displaced workers
- 2012 PA 495 authorized community colleges to offer baccalaureate degrees in cement technology, maritime technology, energy production technology, and culinary arts.

Michigan Public Community Colleges



Community College Gross Appropriations

While the community colleges budget historically was funded entirely with state GF/GP revenues, recent budgets have instead been funded mostly with School Aid Fund revenue (\$197.6 million annually in FYs 2012-13 and 2013-14, \$256.7 million in FY 2015-16). In FY 2014-15, budget was fully funded by School Aid Fund revenue. Increases since FY 2011-12 are largely the result of funding the state's share of retirement payments.

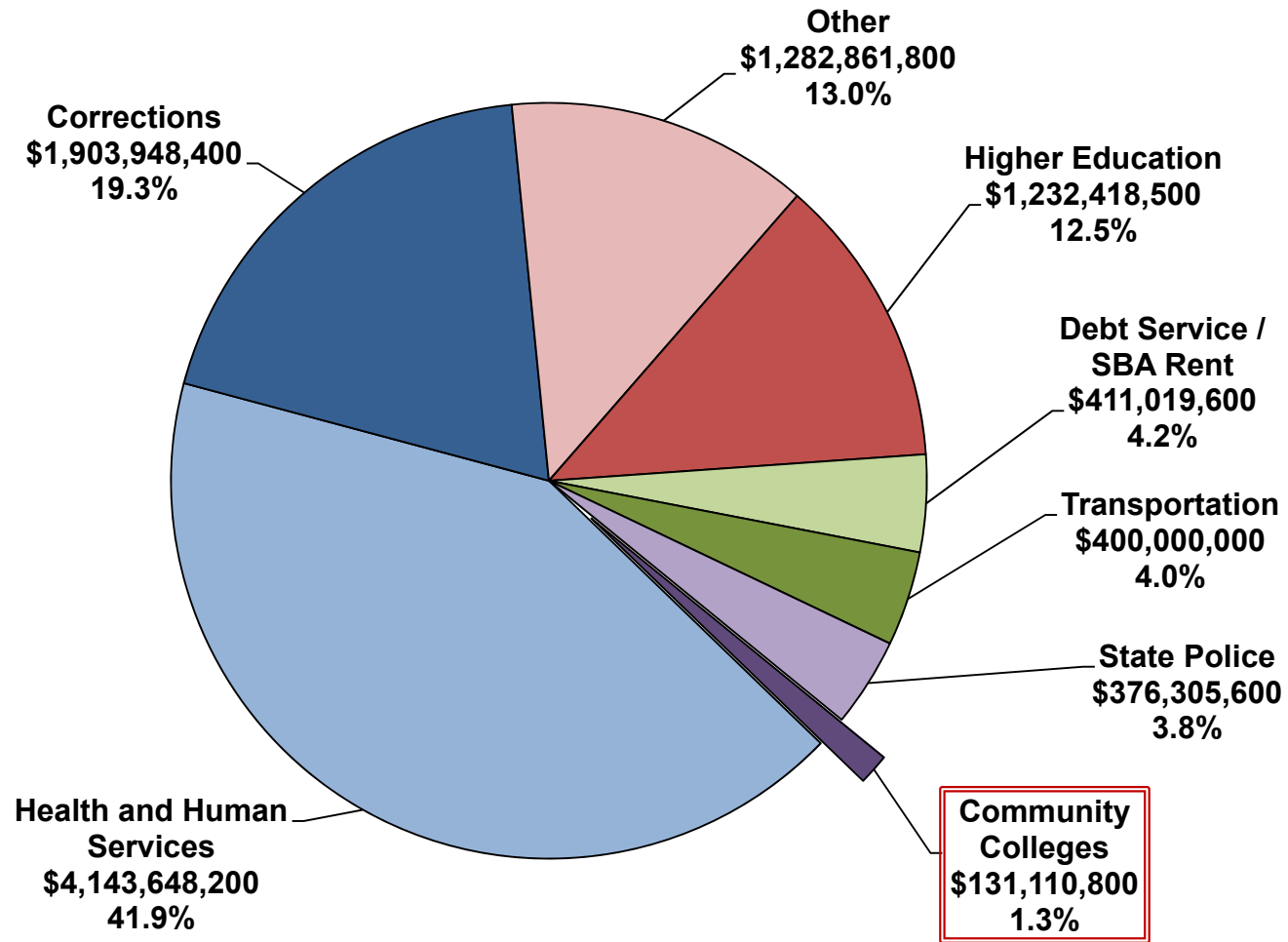


* Note: Delayed payments of \$25.8 million distributed in FY 2008 are shown in FY 2007, the year originally appropriated.

Community Colleges Share of State GF/GP

Community Colleges make up 1.3% of the total state GF/GP budget

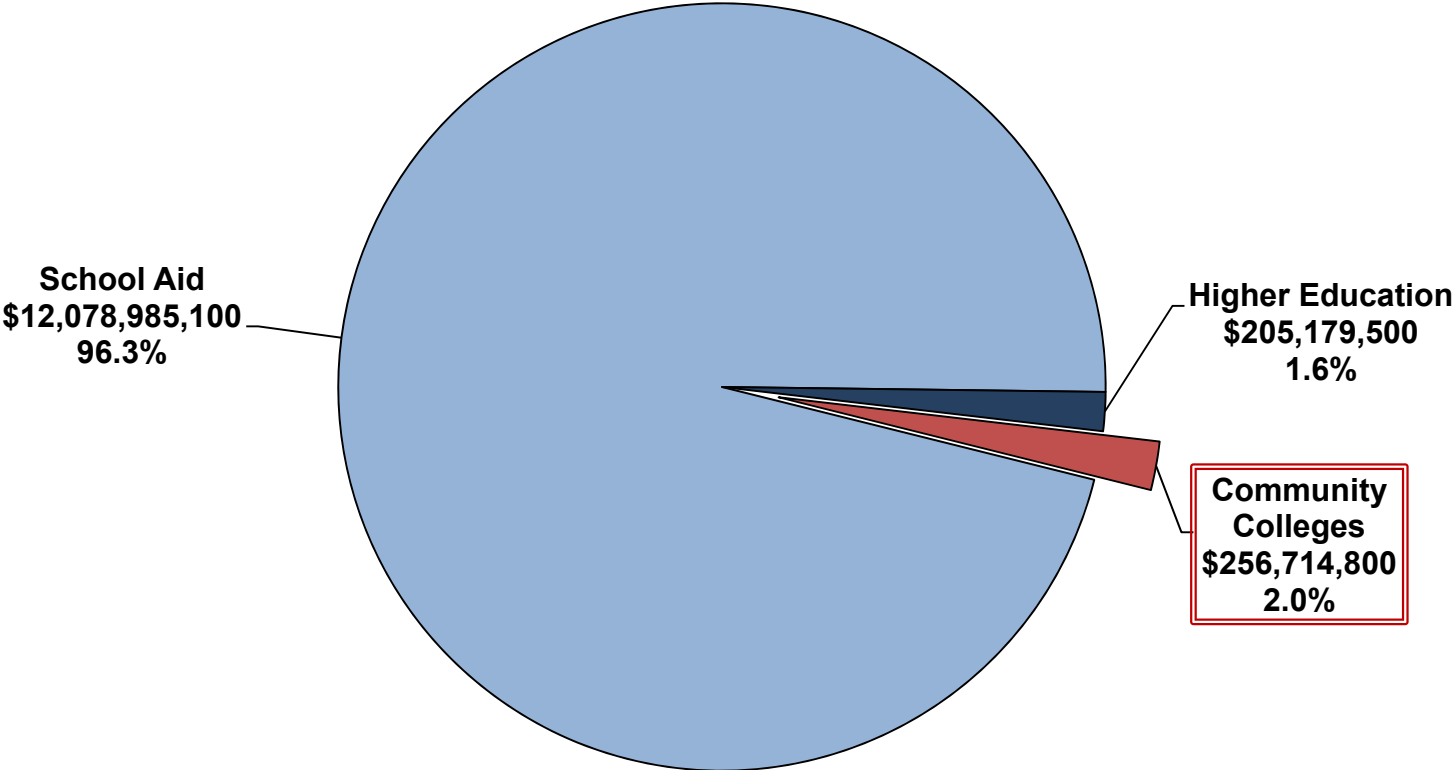
FY 2015-16 GF/GP Total = \$9,881,312,900



Community Colleges Share of School Aid Fund

The Community Colleges budget receives 2.0% of the total state School Aid Fund (SAF)

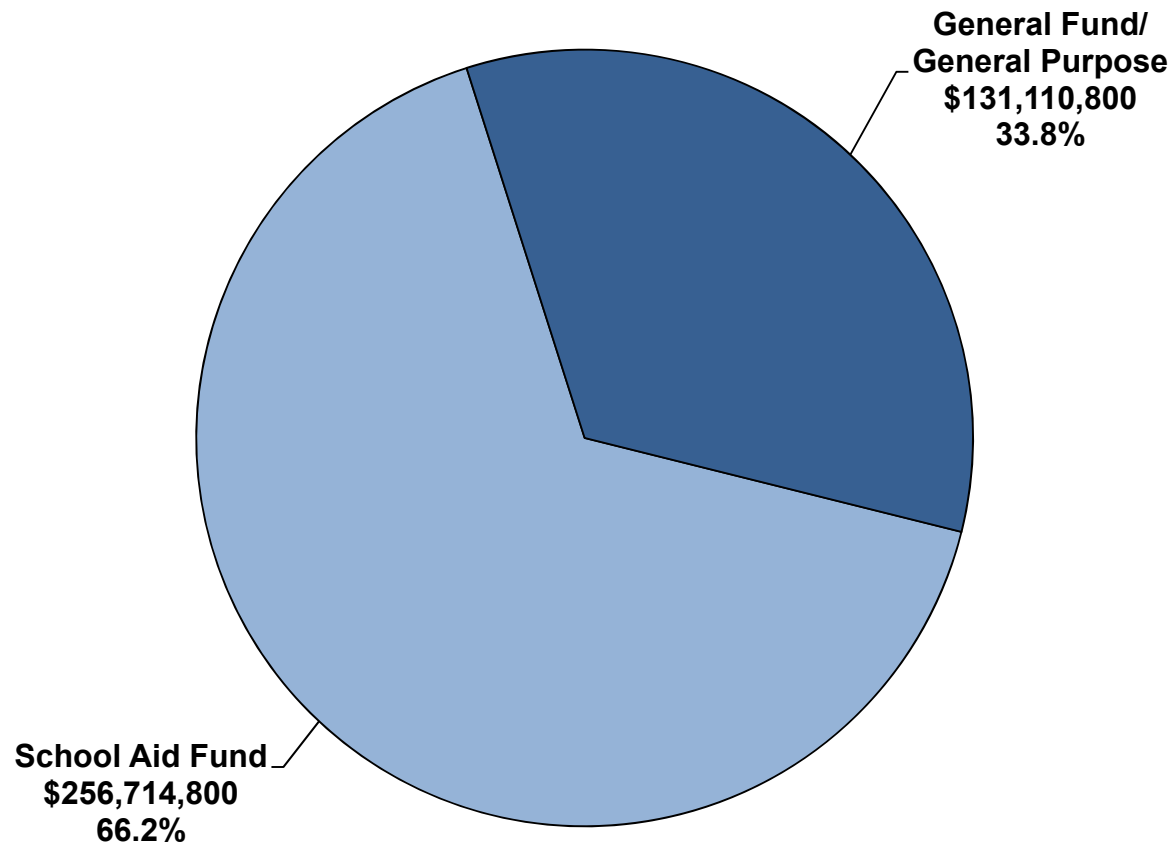
FY 2015-16 SAF Total = \$12,540,879,400



FUNDING SOURCES

Community College Budget Funding Sources

FY 2015-16 Total = \$387,825,600



APPROPRIATION AREAS

Community Colleges Appropriations FY 2015-16

- **Operations Grants**
 - \$311.5 million, a \$4.3 million (1.4%) increase over FY 2014-15, distributed according to performance formula

- **Michigan Public School Employees' Retirement System (MPERS)**
 - \$69.5 million, a \$17.2 million (33%) increase over FY 2014-15 to pay for the state's share of colleges' unfunded liability to MPERS
 - \$1.7 million, unchanged from prior year, for offsetting a portion of community college MPERS costs

- **Renaissance Zones**
 - \$5.1 million, a \$1.6 million (46%) increase from prior year, for replacement of property tax revenue lost through creation of a Renaissance Zone within a community college's district

FY 2015-16 Community Colleges Budget

Although funding for operational grants increased 1.4% from FY 2014-15 to FY 2015-16, their share of the budget decreased, from 84% to 80%. Rising MPSERS-related costs are consuming a greater share of the budget, rising from 15% to 18% of the community colleges budget.

	School Aid Fund	GF/GP	Total	% of Total Approps.
Operational Grants	\$236,181,200	\$75,310,800	\$311,492,000	80.3%
MPSERS	\$17,200,000	\$52,300,000	\$69,500,000	17.9%
MPSERS Offset	\$1,733,600	\$0	\$1,733,600	0.4%
Renaissance Zones	\$1,600,000	\$3,500,000	\$5,100,000	1.3%
TOTALS	\$256,714,800	\$131,110,800	\$387,825,600	100.0%

Operations Grants: Performance Indicators Formula

- Most of the community college budget acts since FY 2006-07 have included formulas that utilized performance indicators to allocate budgetary increases or decreases from the prior year. The FY 2015-16 formula is unchanged from the prior year.

- The FY 2015-16 increase of \$4,300,700 is allocated to college operations grants as follows:
 - 50.0% in proportion to FY 2014-15 base funding
 - 10.0% based on contact hour equated students
 - 7.5% based on administrative costs
 - 17.5% based on a weighted degree formula
 - 15.0% based on a local strategic value component

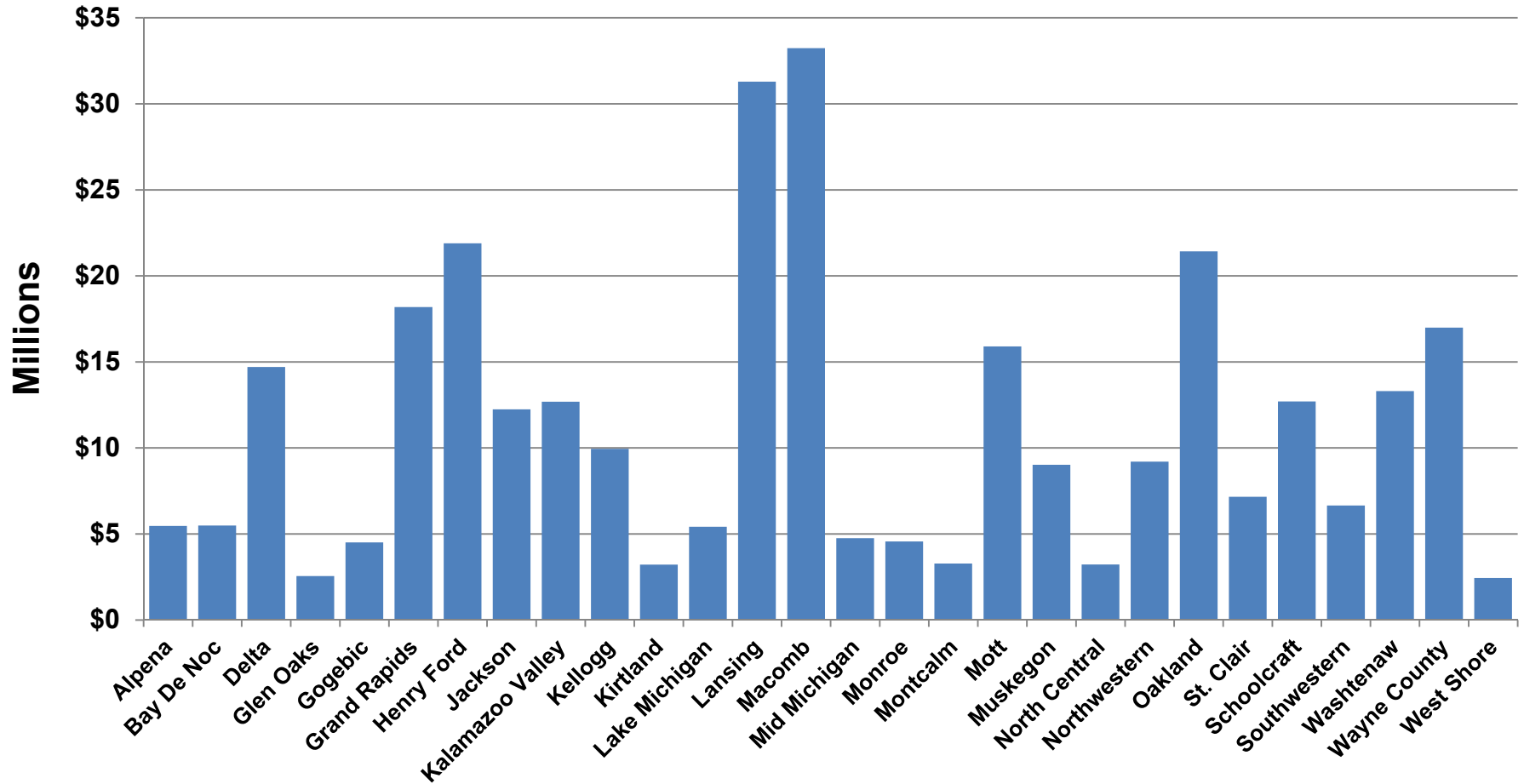
Performance Indicators Formula: Local Strategic Value Component

- The local strategic value component of the performance indicators formula is appropriated for colleges that certify by October 15 that they have met certain best practice standards pertaining to economic development/business partnerships, educational partnerships, and community services.
- Local strategic value funds are distributed to qualifying colleges in proportion to the colleges' prior-year appropriations.
- All 28 community colleges qualified for their FY 2015-16 local strategic value payments.

FY 2015-16 Operations Grants

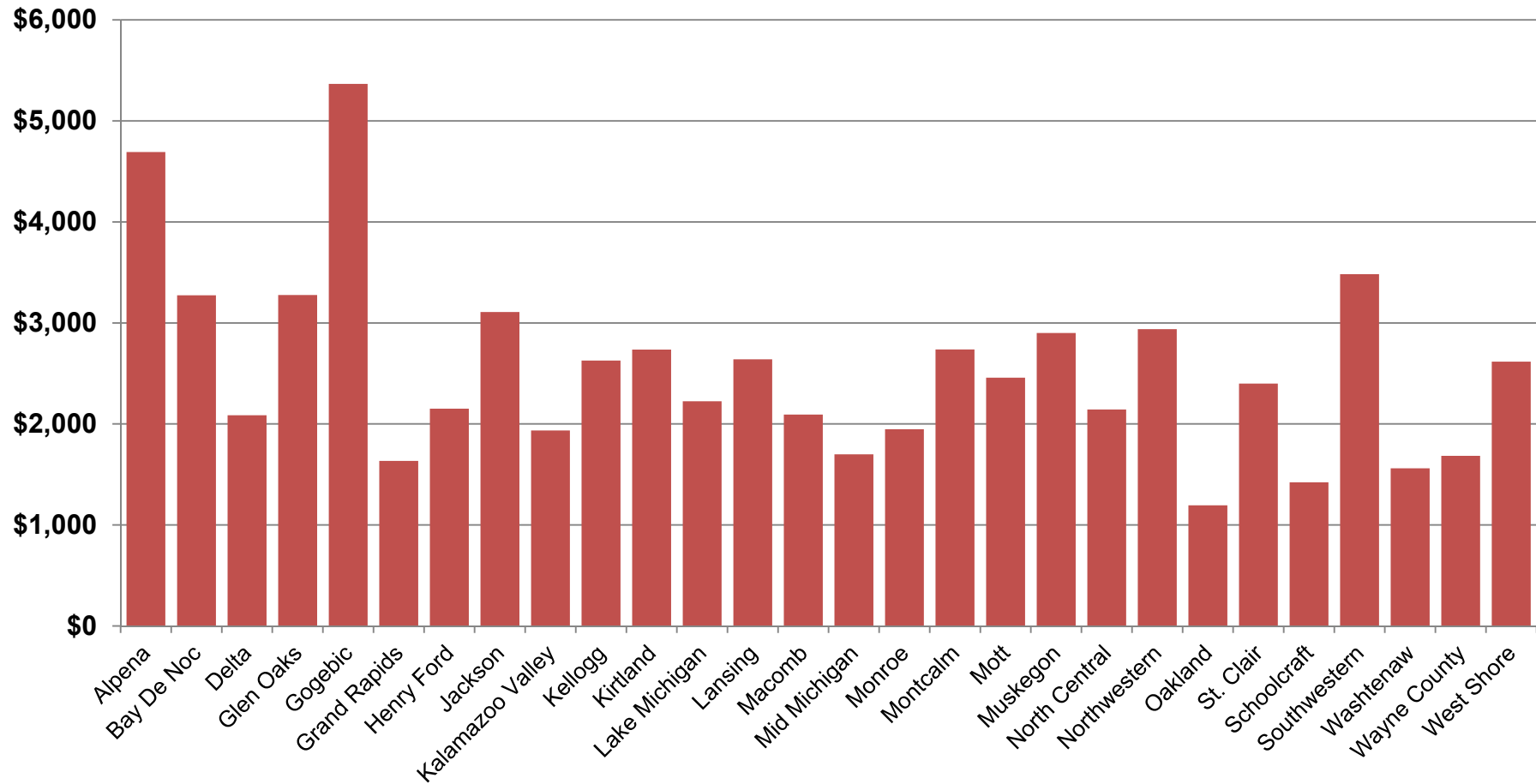
Total: \$311,492,000

Funding for operations grants increased by 1.4% (\$4.3 million) over FY 2014-15.
Increases for individual community colleges ranged from 1.2% to 1.7%.



FY 2013-14 State Aid to Community Colleges Per Fiscal Year Equated Student (FYES)

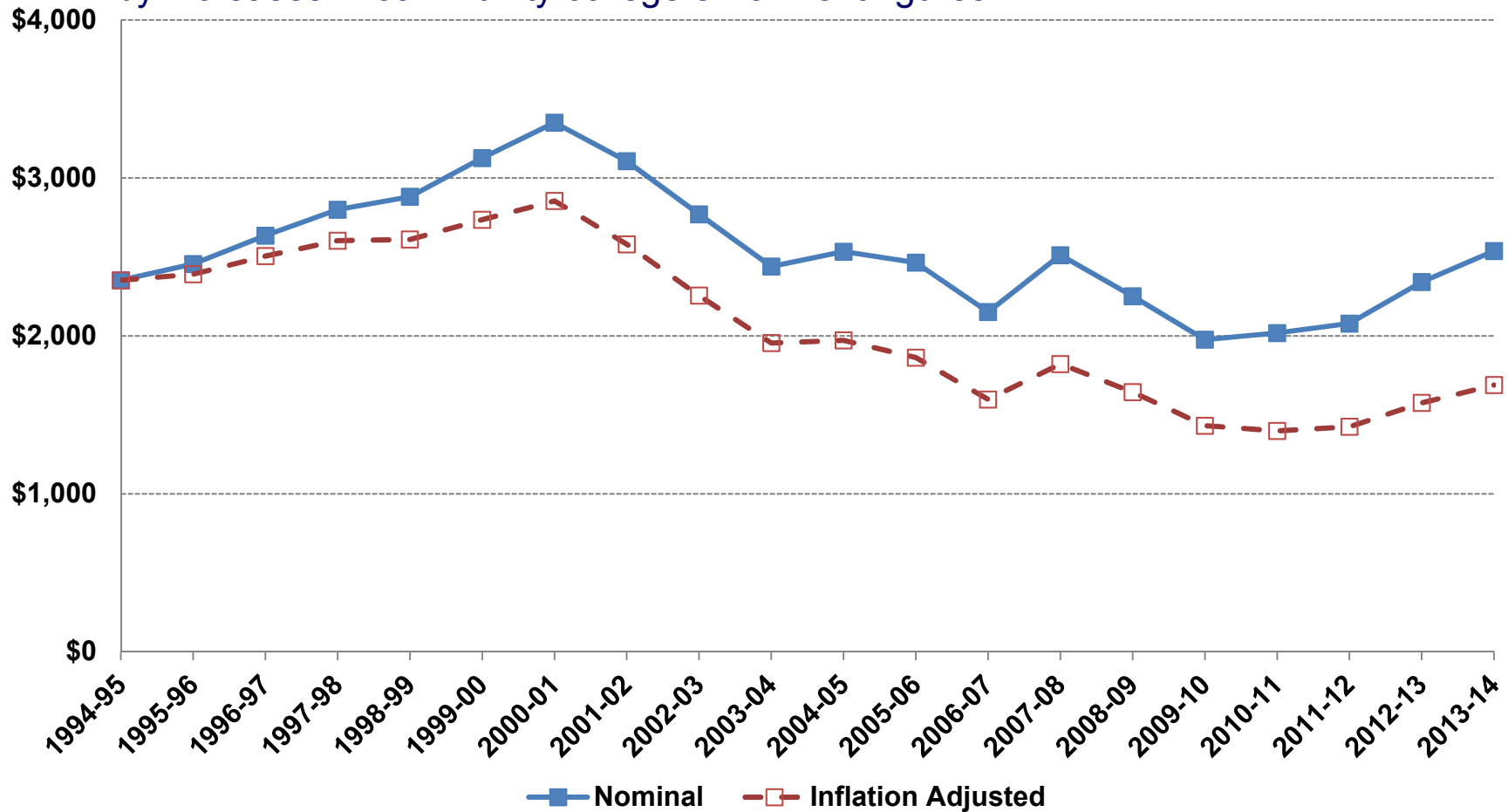
Average State Aid Revenue: \$2,537 per FYES



Based on most recent data (FY 2013-14) from the Activity Classification Structure (ACS)

Average State Aid Revenue Per FYES

The average community college's state aid per FYES peaked in FY 2000-01 at \$3,350. One FYES is the equivalent of one student with one full year (31 semester credit hours) of instruction. The drop from FY 2000-01 is mainly driven by increases in community college enrollment figures.



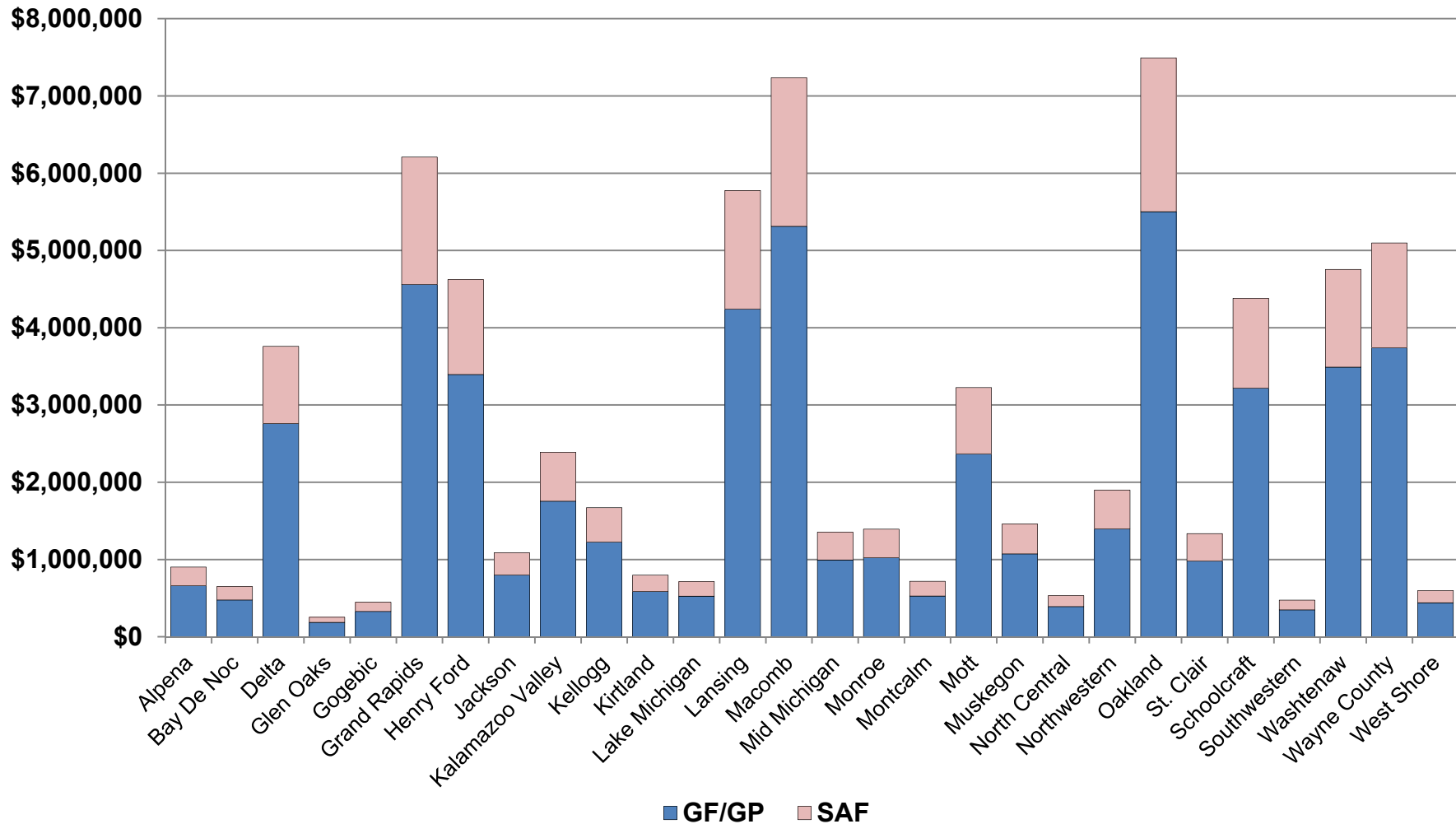
Based on most recent data (FY 2013-14) from the Activity Classification Structure (ACS)

FY 2015-16 MPERS Funding

- Budget provides \$69.5 million (\$52.3 million GF/GP, \$17.2 million School Aid Fund) to fund the state's share of colleges' unfunded liability to the Michigan Public School Employees Retirement System (MPERS). The appropriation funds the difference between the actuarial accrued liability to the system and the employer contribution cap of 20.96% of covered payroll set by 2012 amendments (2012 PA 300) to the Public School Employees Retirement Act.
- Funding of \$1.7 million in School Aid Fund revenues, appropriated to community colleges as an offset to MPERS-related costs, commenced in FY 2012-13 and is unchanged from prior years.
- MPERS-related funding is distributed on basis of prior year's MPERS-covered payroll.

FY 2015-16 MPSERS Allocations

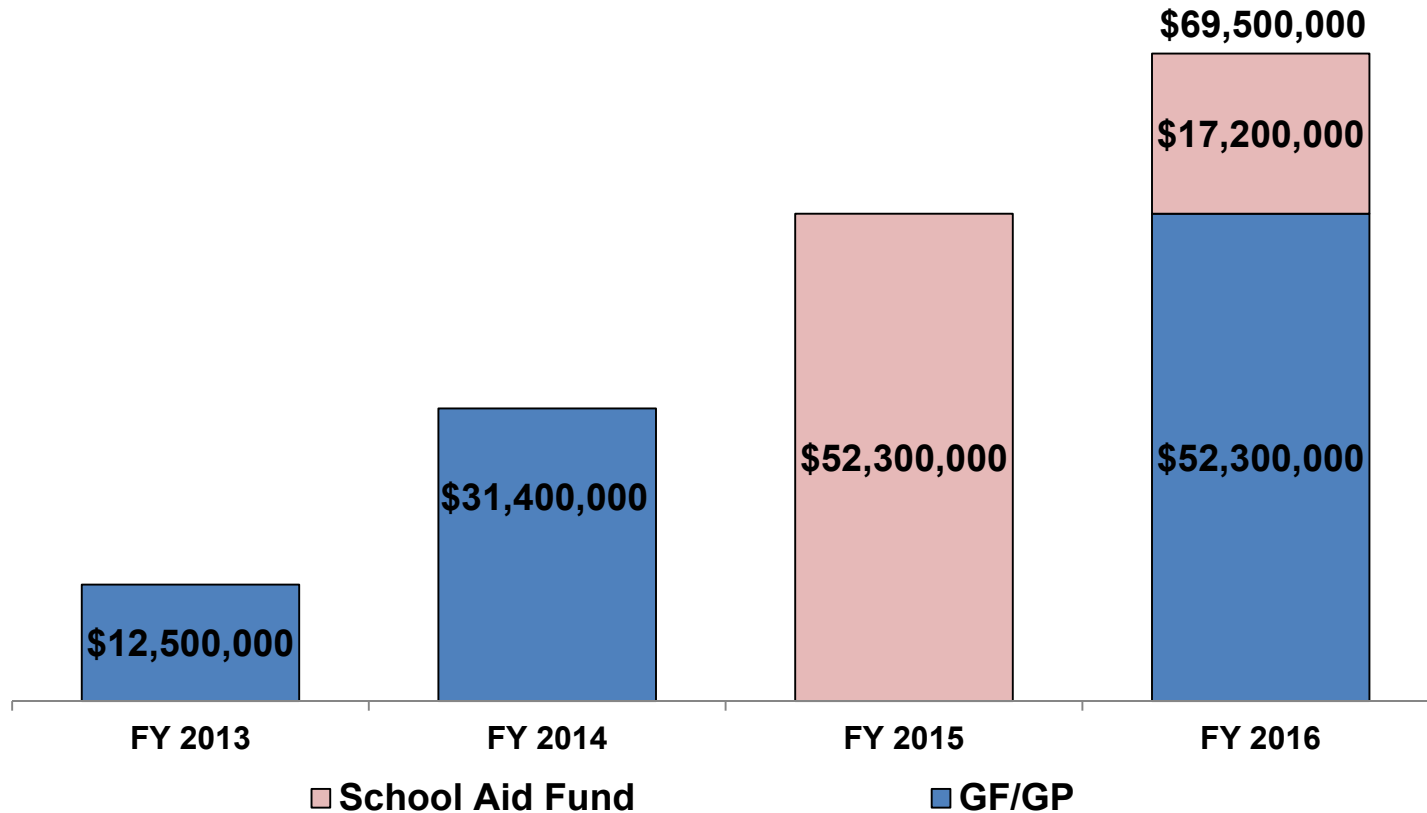
\$52.3 million GF/GP and \$17.2 million School Aid Fund is allocated for the state share of MPSERS unfunded accrued liabilities, while an additional \$1.7 million School Aid Fund is provided to offset a portion of college MPSERS costs.



Community Colleges

Unfunded MPERS Liabilities – State Share

Increasing GF/GP support fills the increasing gap between the cost to meet actuarial needs and the statutory cap on employer contributions for unfunded liabilities, set at 20.96% of covered payroll. FY 2014-15 used School Aid Fund revenue entirely to fill the gap. FY 2015-16 uses both GF/GP and School Aid Fund revenue.



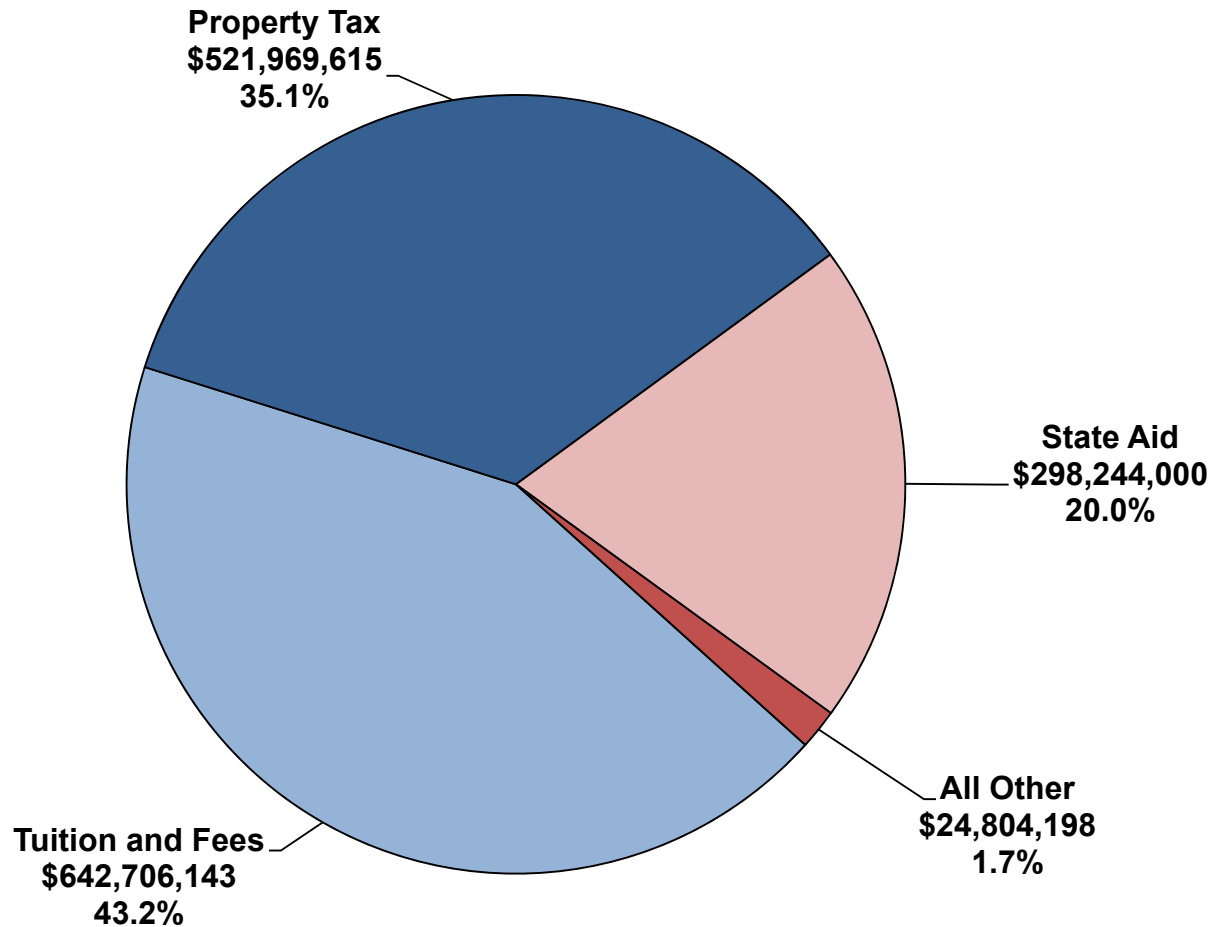
COMMUNITY COLLEGE REVENUES

Community College Revenues

- Community Colleges rely on three main revenue sources:
 - State aid
 - Tuition and fees
 - Property taxes

Community College Operating Fund Revenue – Statewide Totals

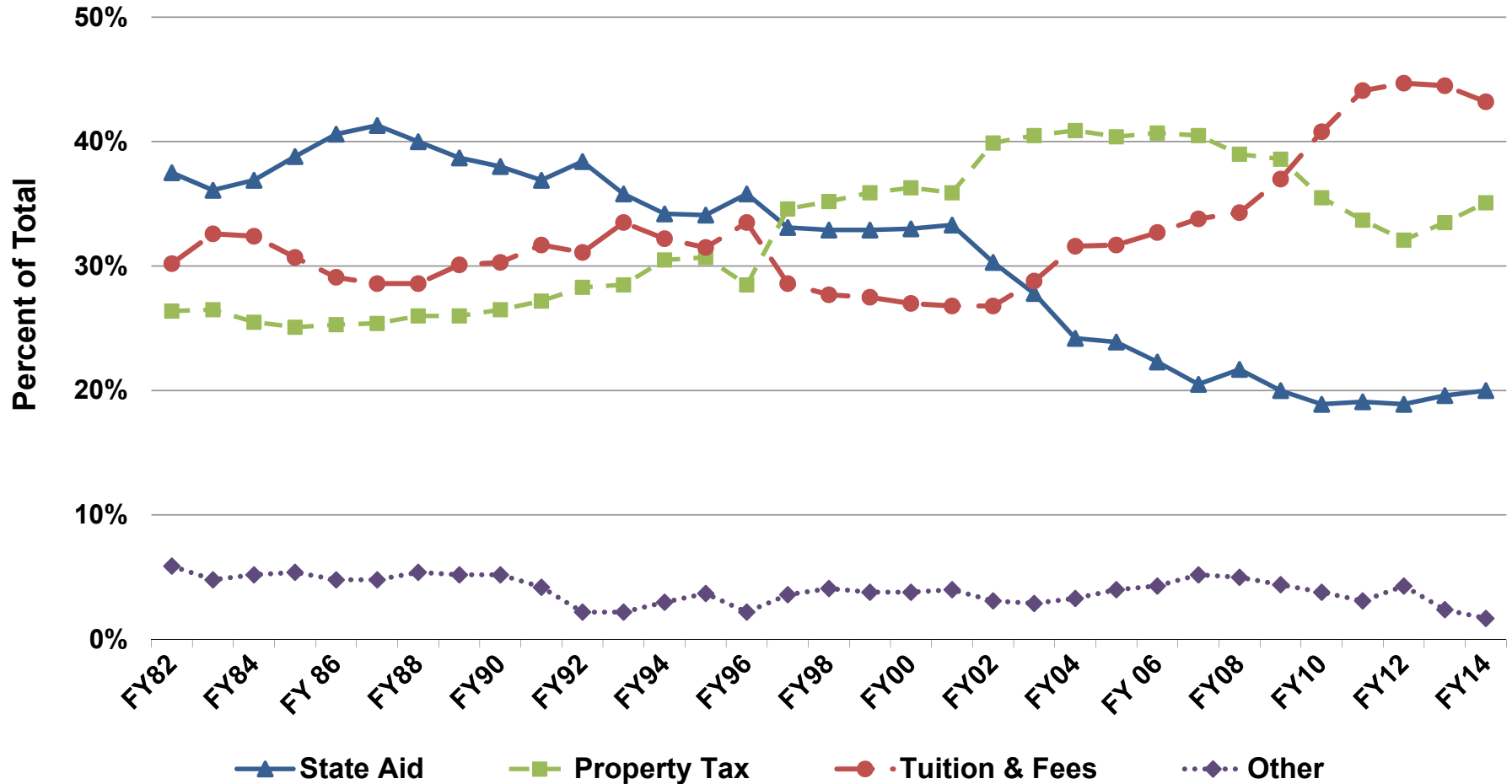
FY 2013-14 Total: \$1,487,723,956



Based on most recent data (FY 2013-14) from the Activity Classification Structure (ACS)

Community College Revenue Sources

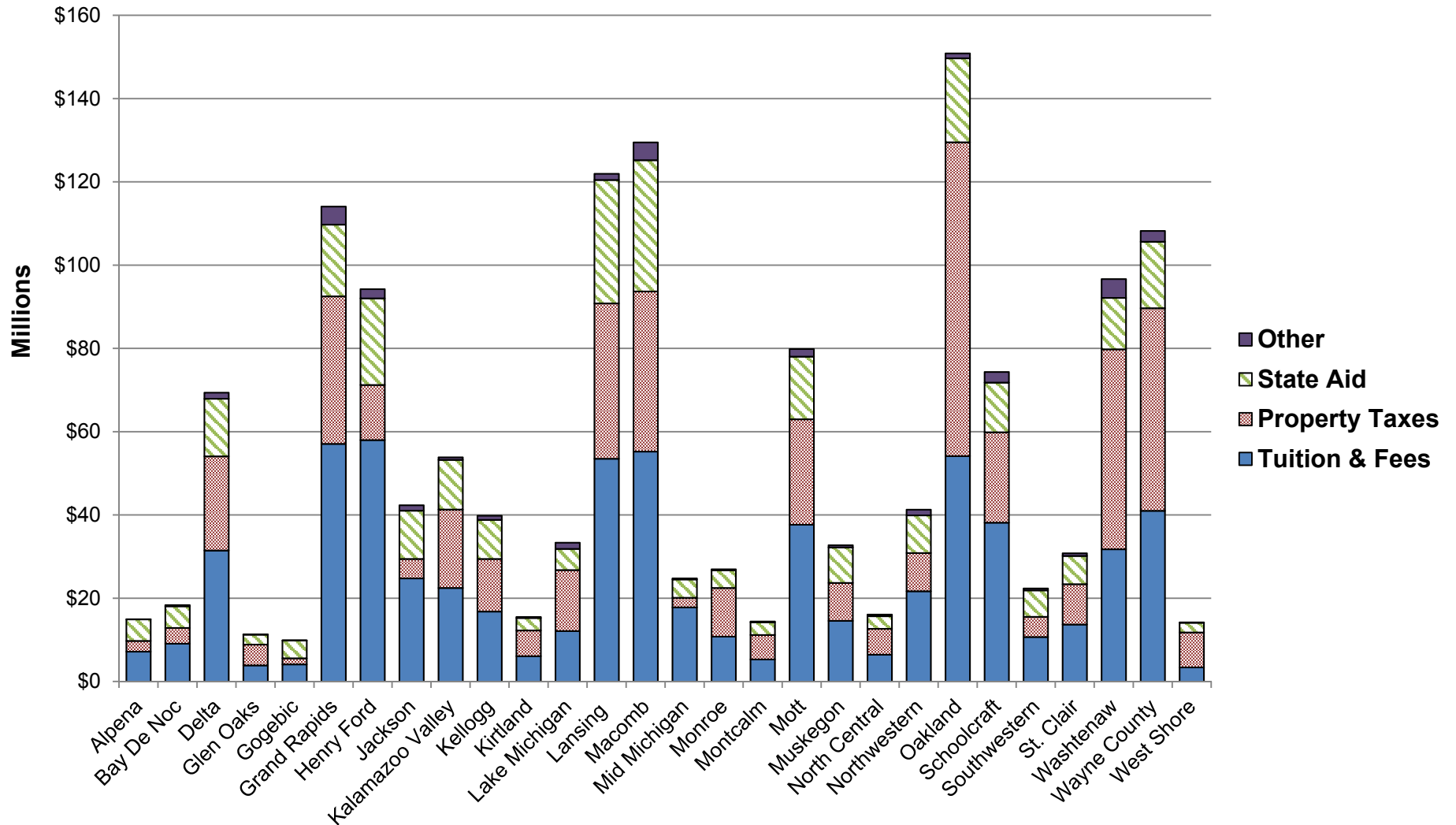
In recent years, the proportion of community college revenues deriving from tuition and fees has increased while proportions from state aid and property taxes have diminished. This is largely due to tuition and enrollment growing faster than state aid allocations, which have held relatively steady.



Based on most recent data (FY 2013-14) from the Activity Classification Structure (ACS)

FY 2013-14 College Operating Funds by Source

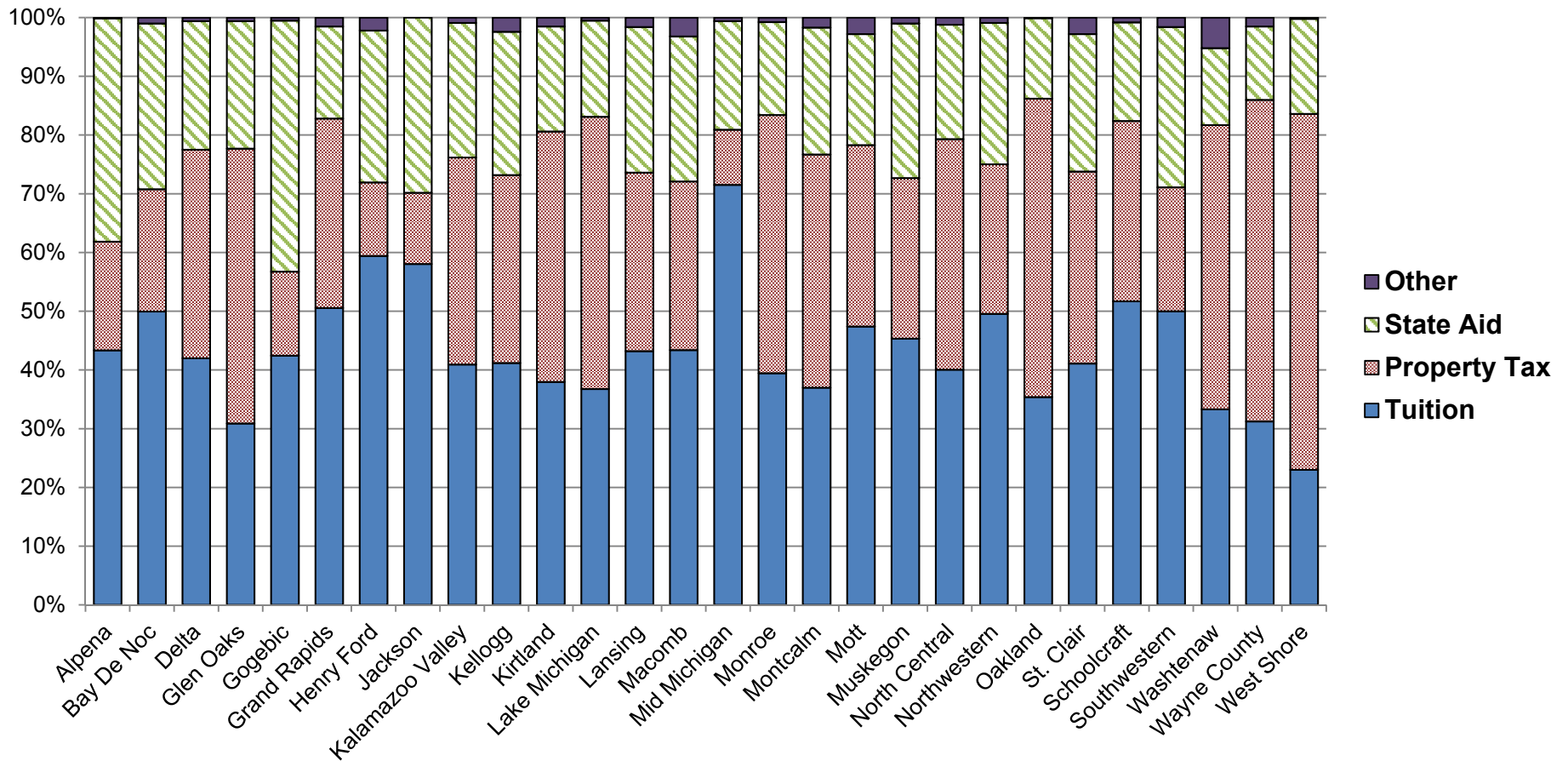
Community college operating budgets vary considerably.



Based on most recent data (FY 2013-14) from the Activity Classification Structure (ACS)

FY 2013-14 Fund Sources as % of Each College's Total Operating Funds

The degree to which community college operating budgets depend on various sources of revenue also vary.

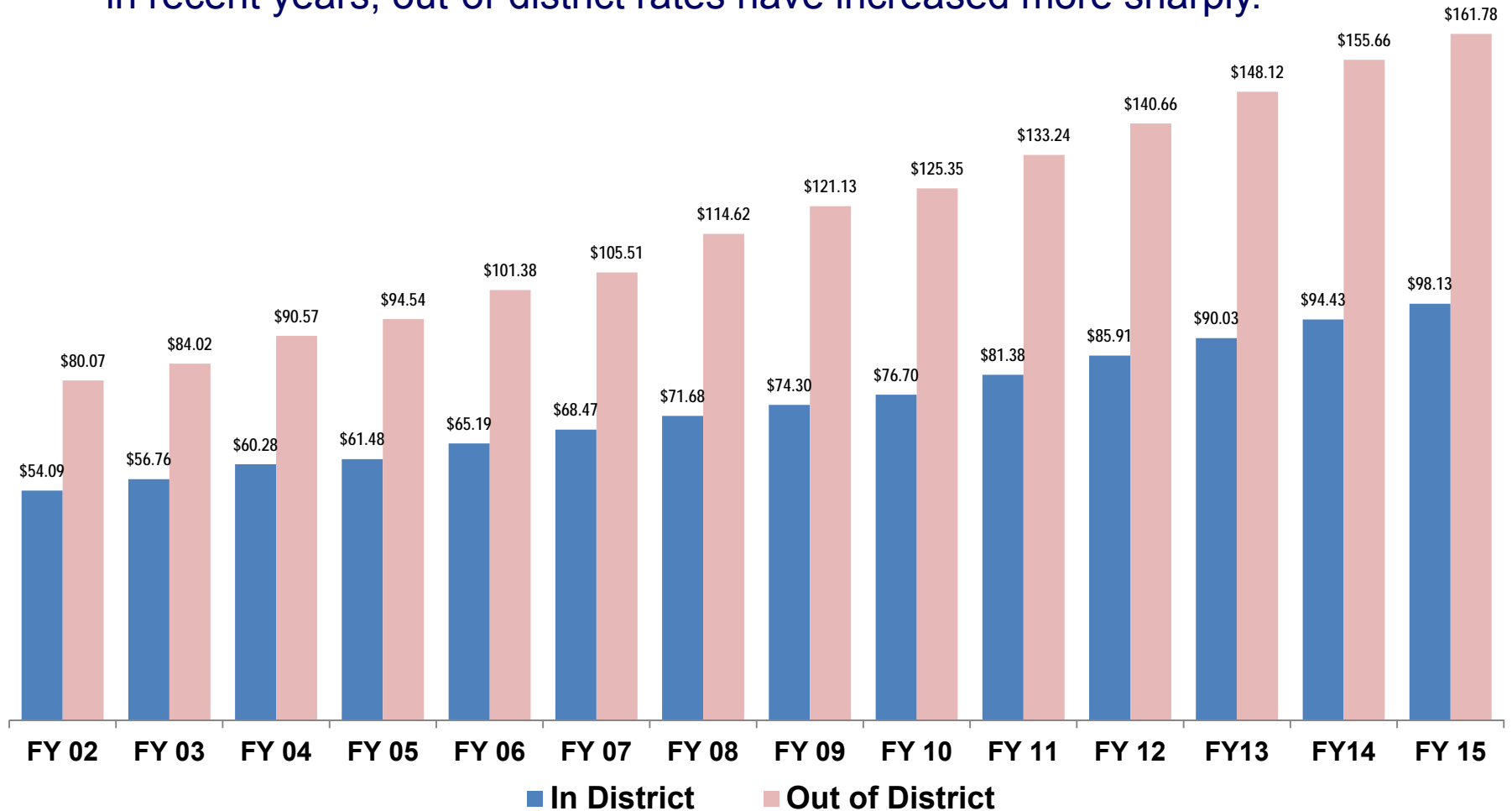


Based on most recent data (FY 2013-14) from the Activity Classification Structure (ACS)

Tuition Rate History

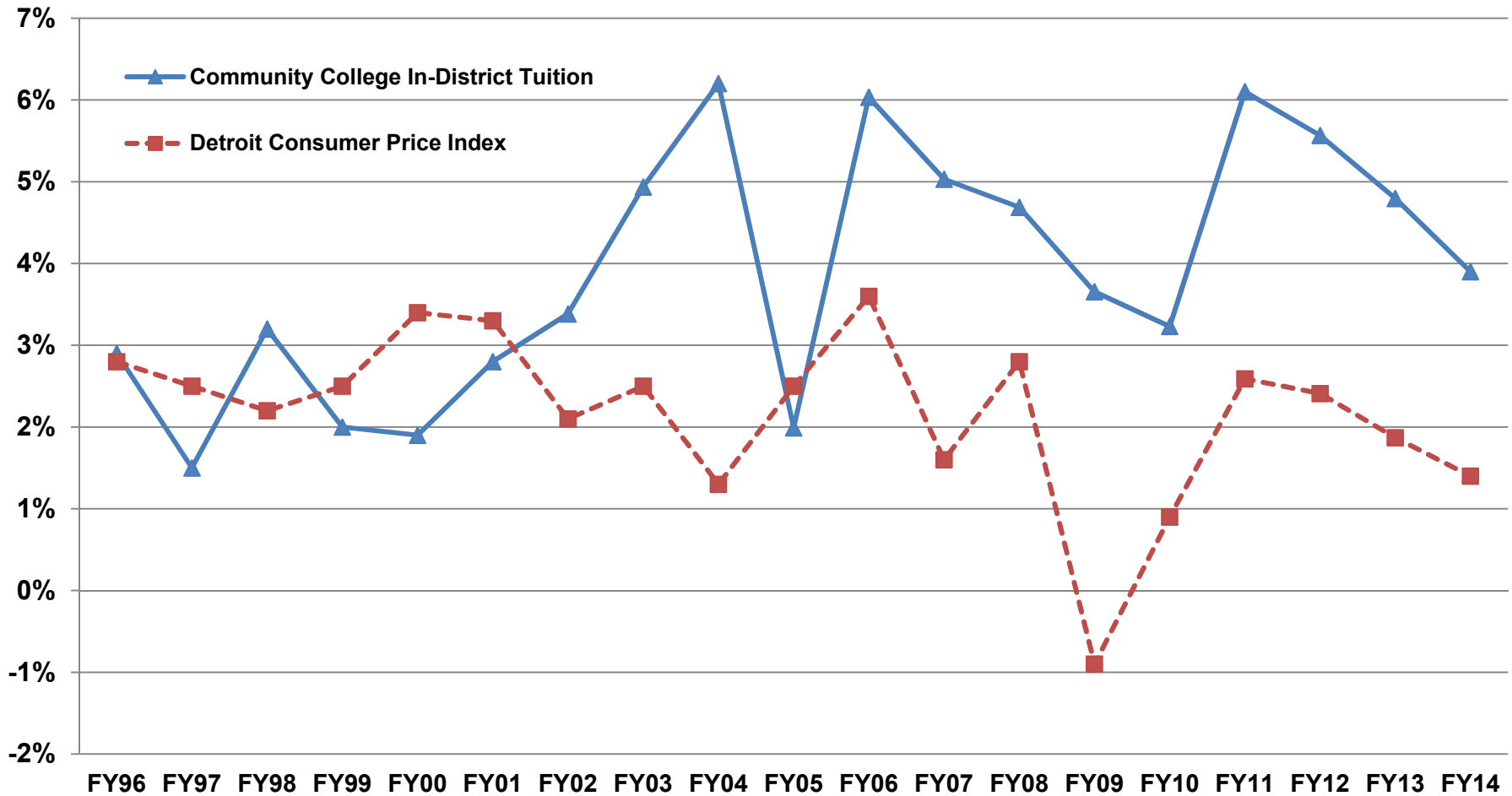
Average Cost Per Credit or Contact Hour

While both in-district and out-of-district tuition rates have risen steadily in recent years, out-of-district rates have increased more sharply.



In-District Tuition Increases Compared to Inflation

While generally following inflationary trends, in-district tuition increases have been higher than inflation rates over the last decade.



COMMUNITY COLLEGE EXPENDITURES

Operational Expenditures

For the purposes of reporting data to the state, Michigan community college expenditures are classified into standardized categories:

- **Instruction**
Faculty salaries and benefits, lab assistants, classroom supplies, noncapital equipment, special licenses or fees for curriculum
- **Public service**
Community use of college facilities for meetings, events, recreation, and recreation, as well as college TV and radio stations
- **Instructional support**
Library and media services, professional development, curriculum development
- **Student services**
Counseling, registrar, student government, student publications, specialized services for specific groups such as veterans or students with disabilities
- **Administration**
President, trustees, financial services, human resources, legal, etc.
- **Physical plant**
Facilities management and maintenance, utilities, security

Michigan Community College Operating Expenditures FY 2013-14

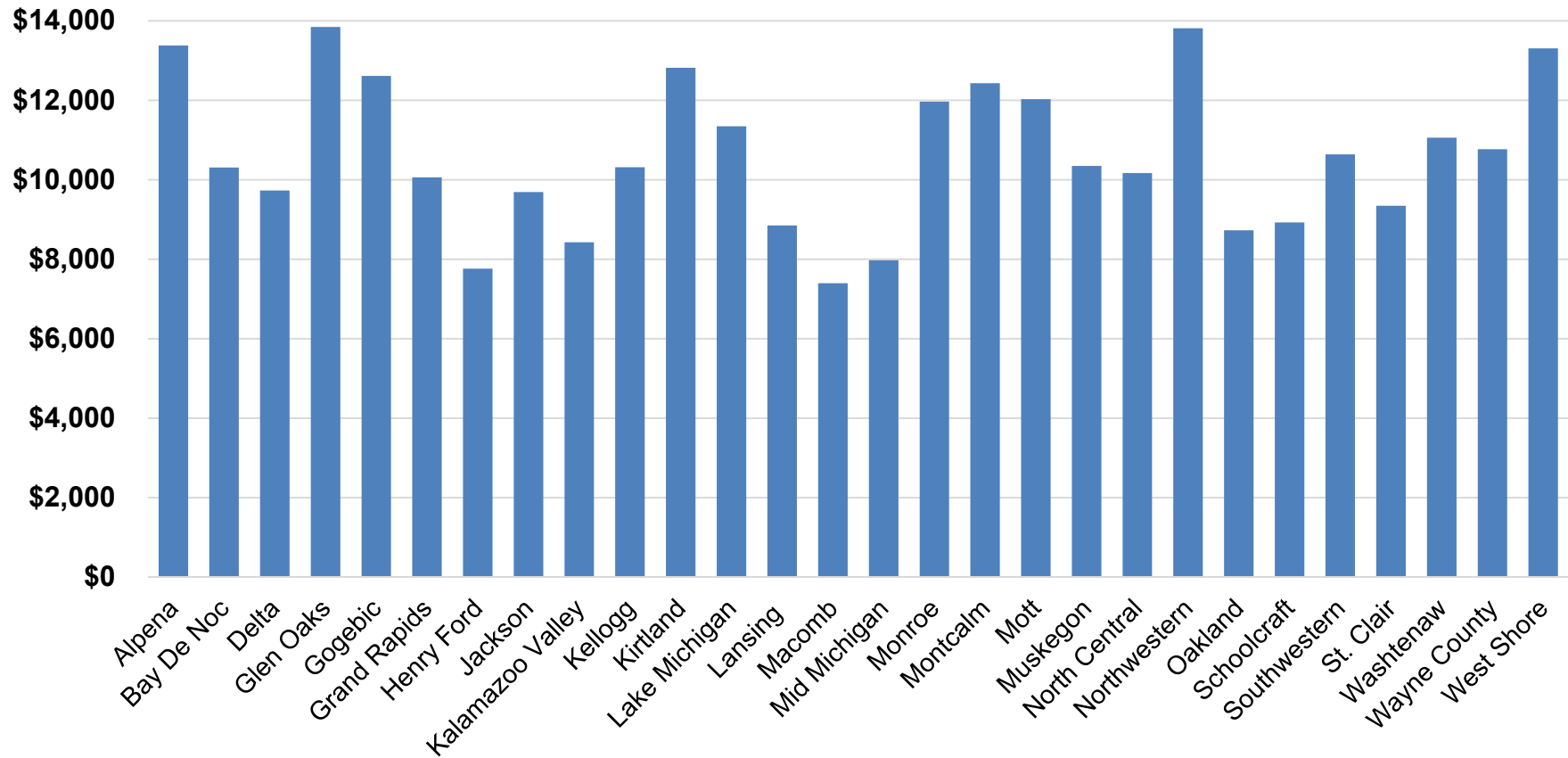
Instruction makes up nearly half of all operating expenses for community colleges.

	Amount	Percent
Instruction	\$644,906,963	46.7%
Public Service	\$19,968,262	1.4%
Instructional Support	\$184,303,305	13.3%
Student Services	\$178,319,674	12.9%
Administration	\$184,784,396	13.4%
Physical Plant	\$170,141,591	12.3%
TOTAL	\$1,382,424,191	100.0%

Based on most recent data (FY 2013-14) from the Activity Classification Structure (ACS)

Operating Expenditures per Fiscal-Year-Equated Student (FYES) FY 2013-14

Smaller community colleges generally have higher expenditures per FYES.



Based on most recent data (FY 2013-14) from the Activity Classification Structure (ACS)

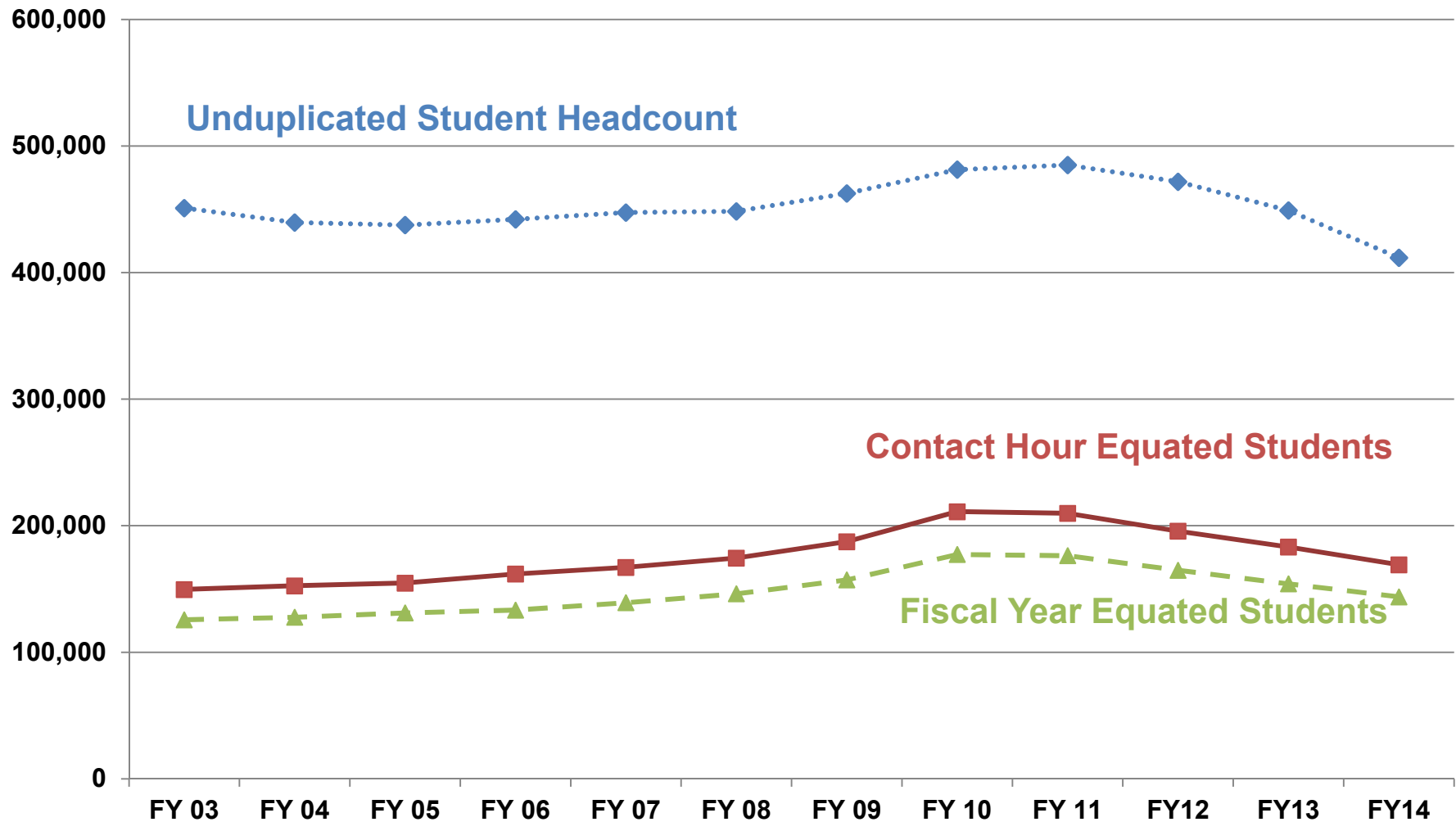
ENROLLMENT DATA

Enrollment Definitions

- **Unduplicated Student Headcount:** The total number of students that have enrolled in at least one community course.
- **Fiscal Year Equated Student (FYES):** The calculated equivalent of one full year of instruction, defined as 31 semester credit hours. Degrees are granted on the basis of credit hours, with the typical associate's degree requiring 62 credit hours.
- **Contact Hour Equated Students (CHES):** The calculated equivalent of one full year of instruction, defined as 496 hours of instruction. This measure can capture additional hours of instruction or student interaction that may not be included in a credit hour.

Enrollment History

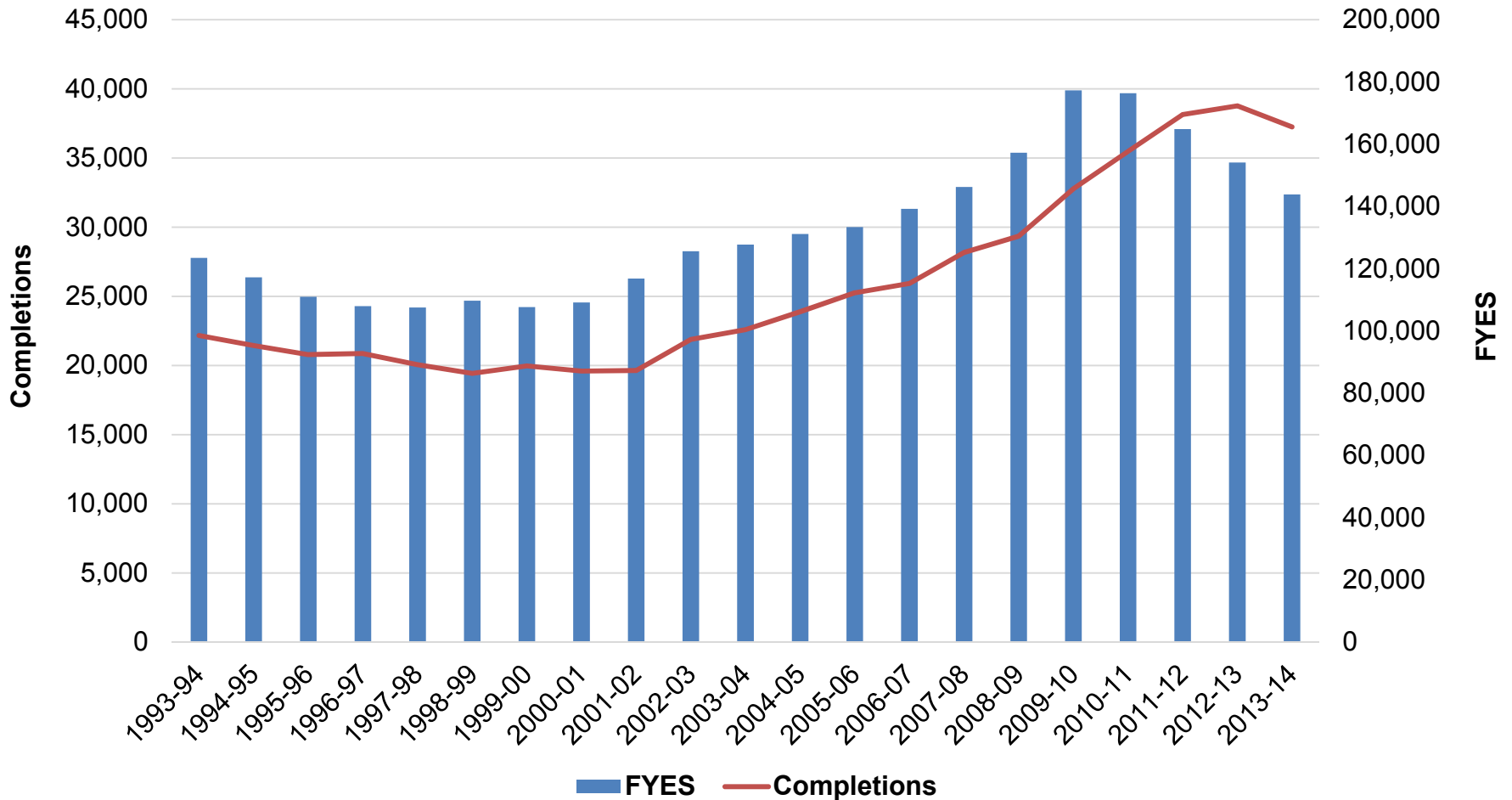
Unduplicated student headcounts are significantly higher but have followed similar trends to FYES and CHES enrollment numbers.



Based on most recent data (FY 2013-14) from the Activity Classification Structure (ACS)

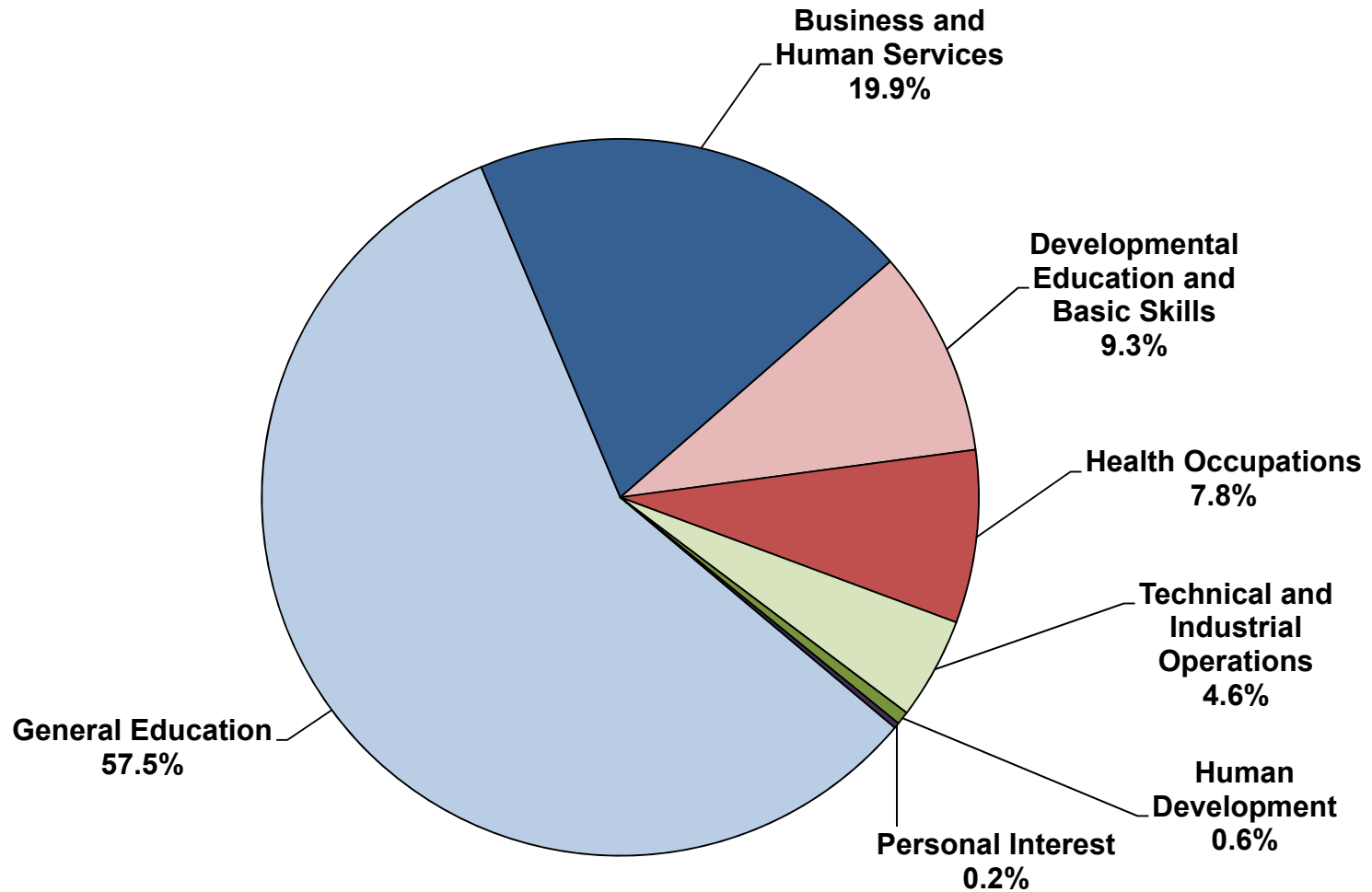
Degree and Certificate Completions

Degree and certificate completions at Michigan community colleges have generally tracked changes in enrollments.



Based on most recent data (FY 2013-14) from the Activity Classification Structure (ACS)

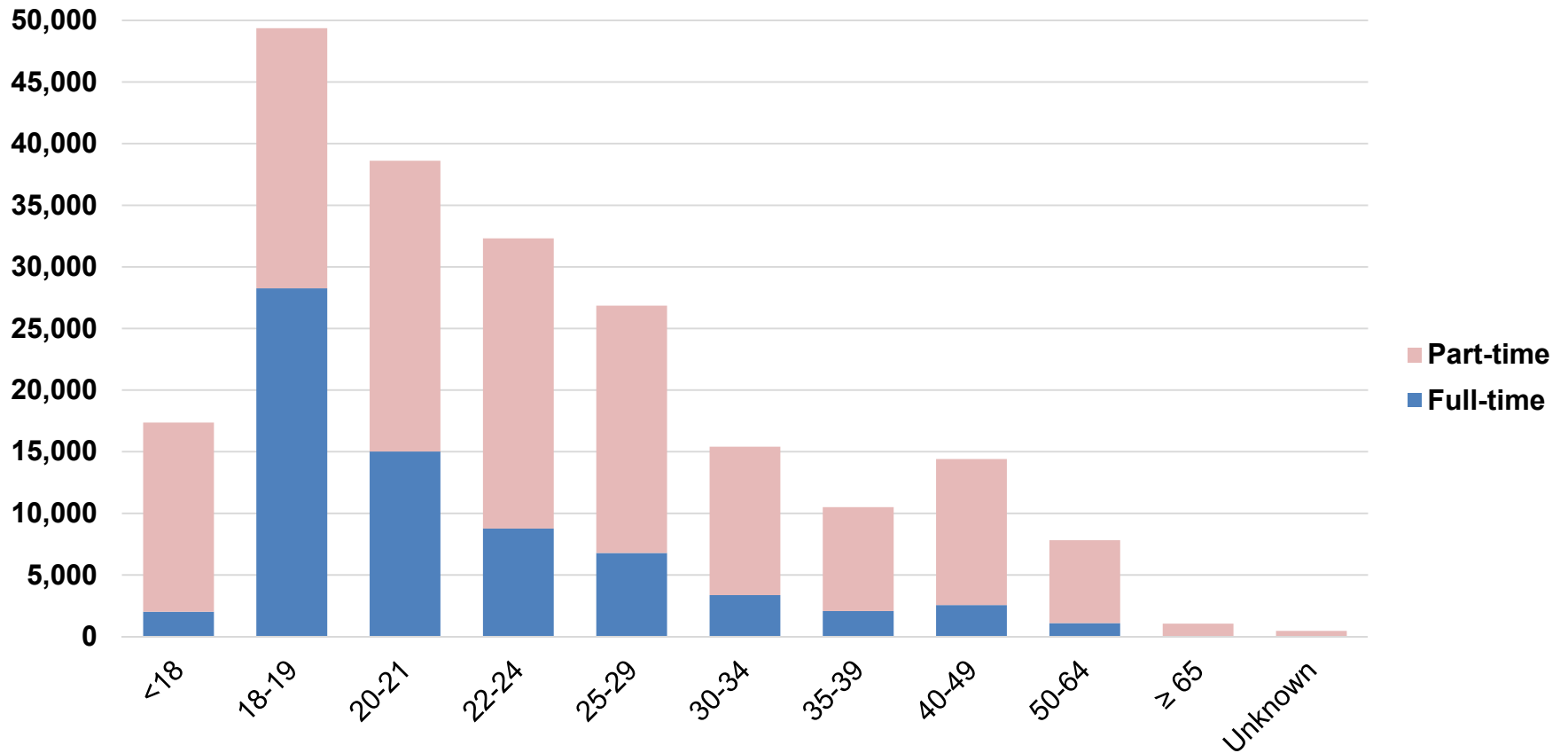
FY 2013-14 Distribution of Students (FYES) By Instructional Area



Based on most recent data (FY 2013-14) from the Activity Classification Structure (ACS)

Fall 2014 Distribution of Enrollments by Age

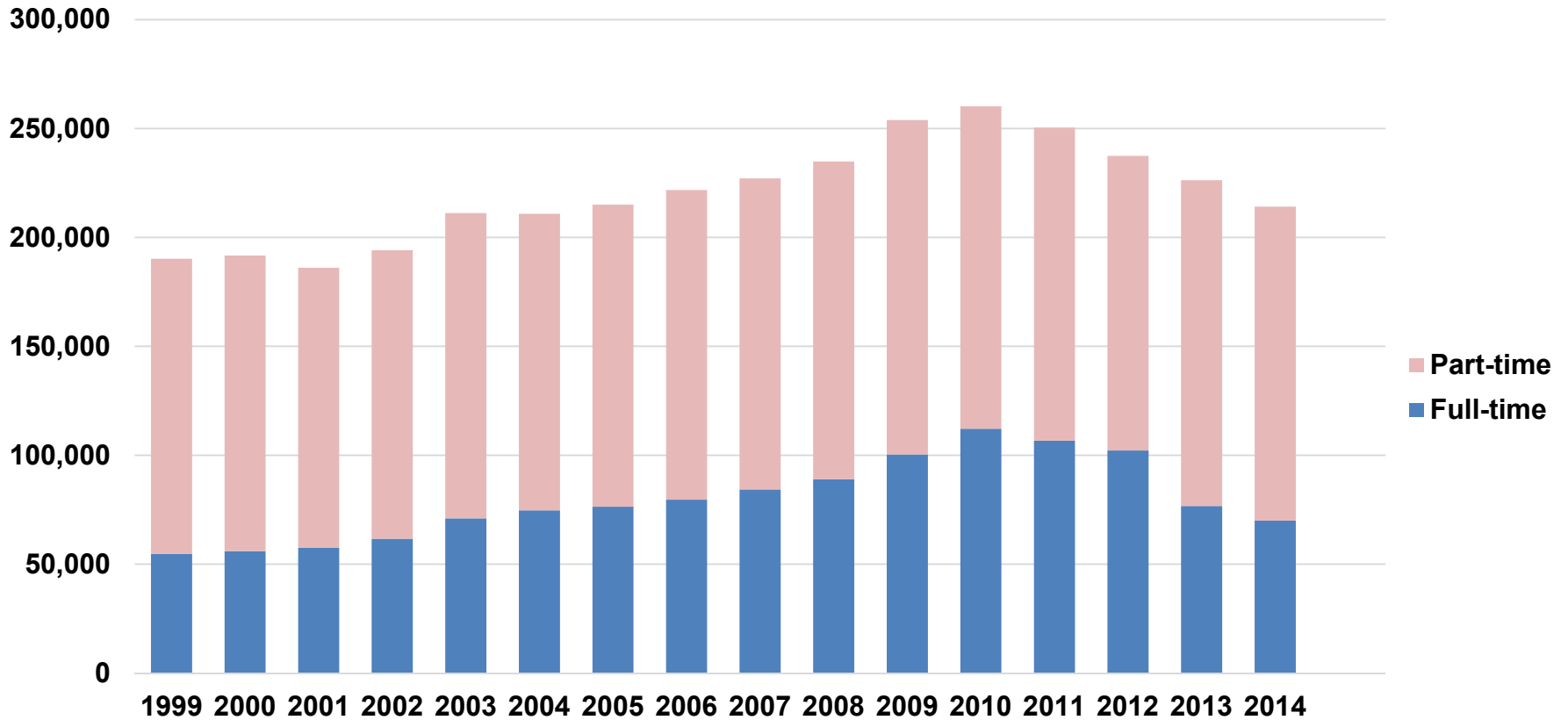
Most community college students are under age 25 and most are part-time students, but the average age of a Michigan community college student is 26 years old.



Based on most recent data (FY 2013-14) from the Activity Classification Structure (ACS)

Fall Enrollment Trends

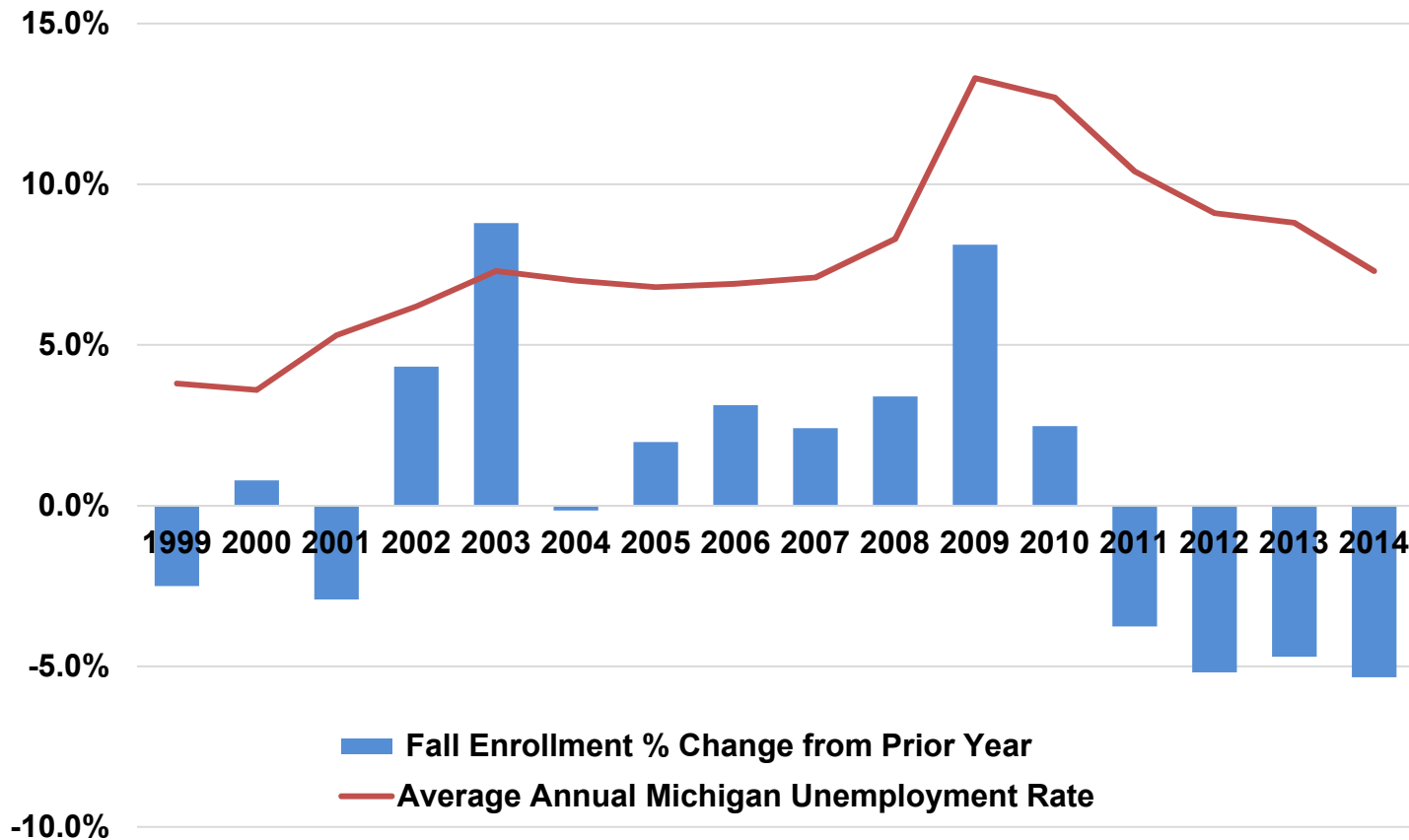
Fall enrollments, a common measure of enrollment trends, peaked in 2010 at 260,175, but has dropped to 214,166 in 2014.



Based on most recent data (FY 2013-14) from the Activity Classification Structure (ACS)

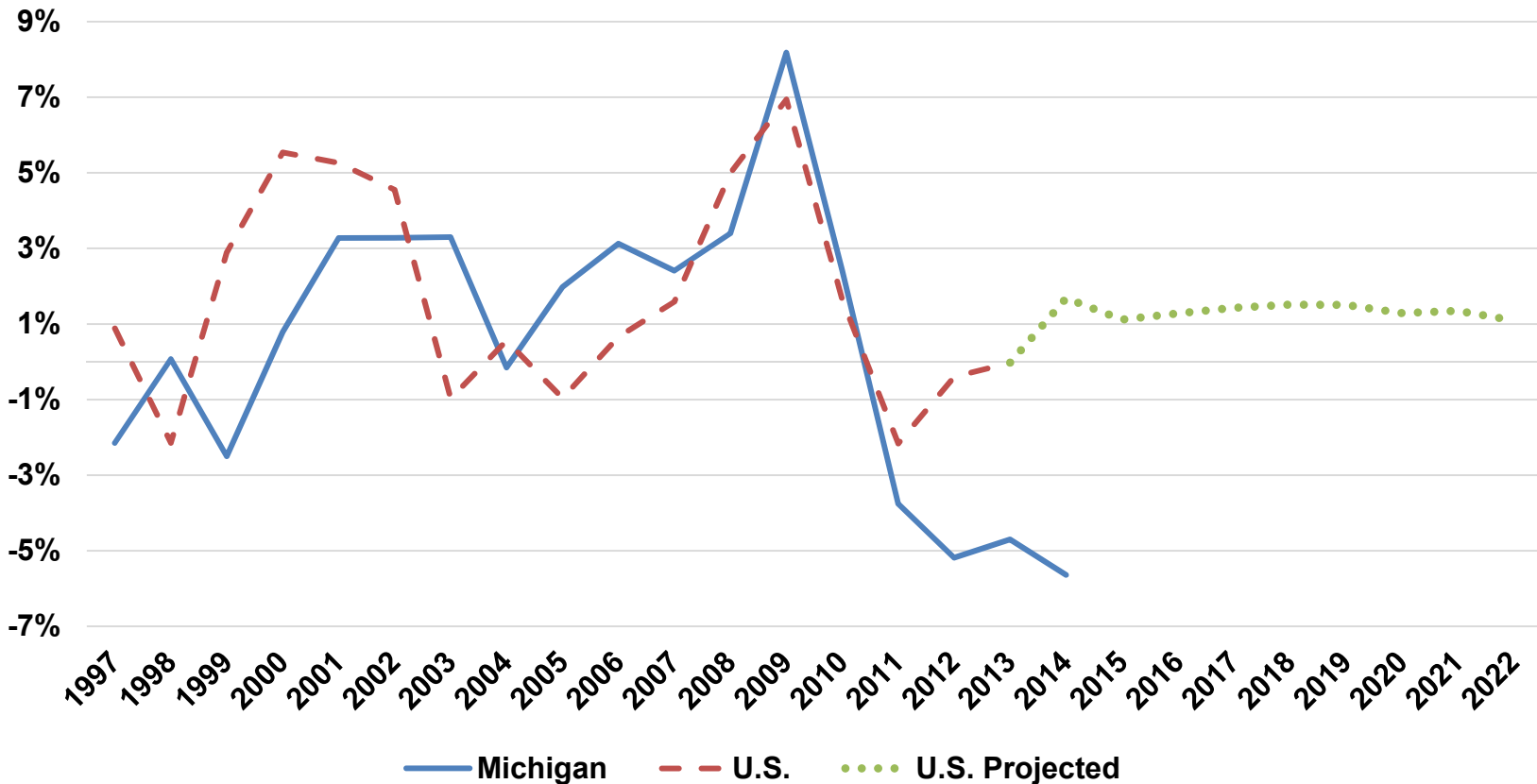
Fall Enrollment: Annual Percentage Changes

While enrollment numbers peaked in 2010, the sharpest increase occurred the year before, when enrollment grew by 8.1% from 2008 to 2009. That increase is illustrative of the countercyclical nature of community college enrollment: enrollments tend to increase during times of economic stress.



State and National Fall Enrollments Percent Change from Prior Year

Historically, trends in Michigan community college enrollments have roughly mirrored national trends. While U.S. community college enrollments are expected to increase slightly in the coming years, Michigan has seen continued declining enrollments from the 2009-10 peak, diverging from the national enrollment trend and projections.



U.S. enrollment and projected figures based on the National Center for Education Statistics

**For more information about the
Community Colleges budget, contact:**

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