



Background Briefing

COMMUNITY COLLEGES

Marilyn Peterson, Senior Fiscal Analyst

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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.**

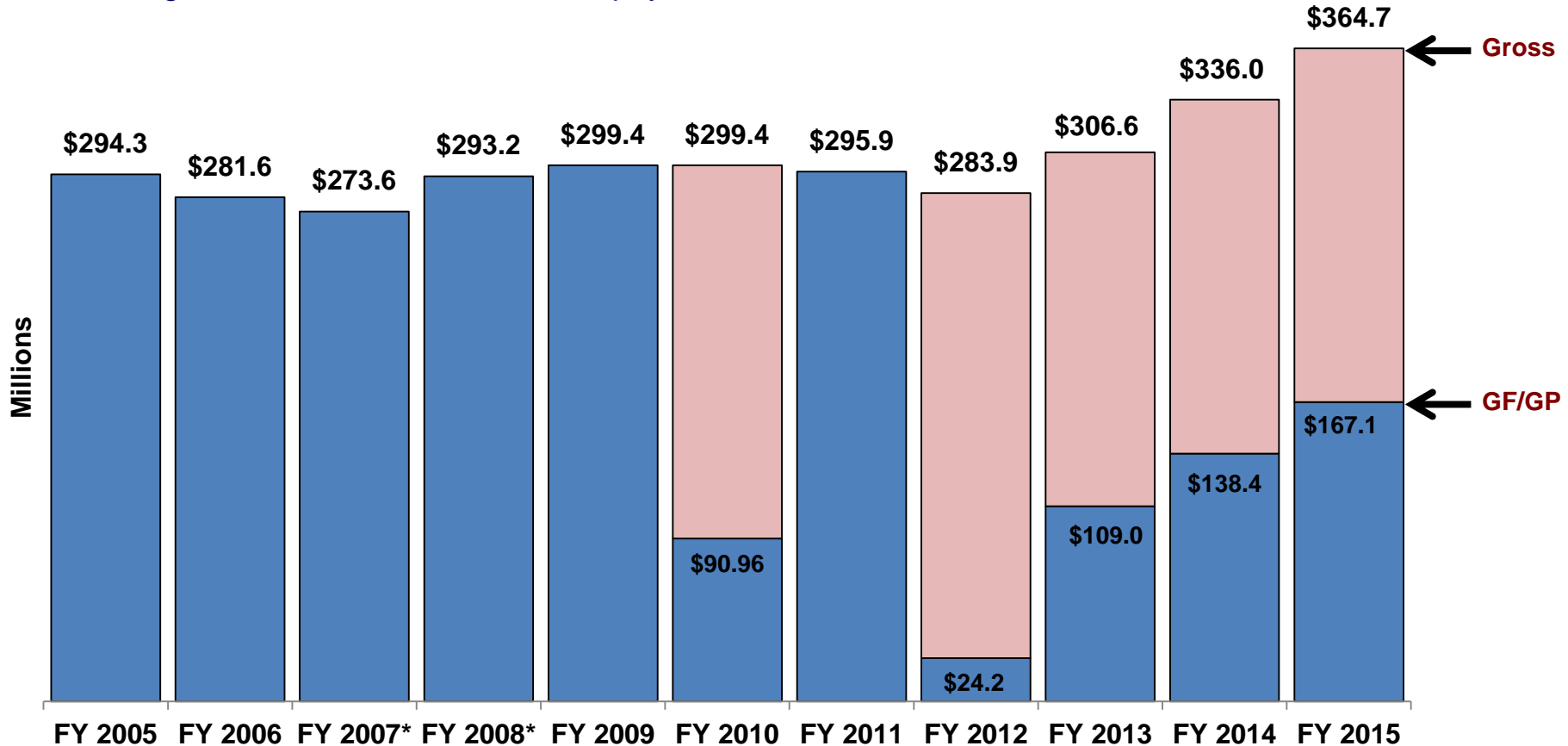
Michigan Public Community Colleges



1. Alpena Community College
2. Bay de Noc Community College
3. Delta College
4. Glen Oaks Community College
5. Gogebic Community College
6. Grand Rapids Community College
7. Henry Ford Community College
8. Jackson Community College
9. Kalamazoo Valley Community College
10. Kellogg Community College
11. Kirtland Community College
12. Lake Michigan College
13. Lansing Community College
14. Macomb Community College
15. Mid Michigan Community College
16. Monroe County Community College
17. Montcalm Community College
18. Mott Community College
19. Muskegon Community College
20. North Central Michigan College
21. Northwestern Michigan College
22. Oakland Community College
23. St. Clair County Community College
24. Schoolcraft College
25. Southwestern Michigan College
26. Washtenaw Community College
27. Wayne County Community College
28. West Shore Community College

Community College 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 through 2014-15). Increases since FY 2011-12 are largely the result of funding the state's share of MPERS payments.

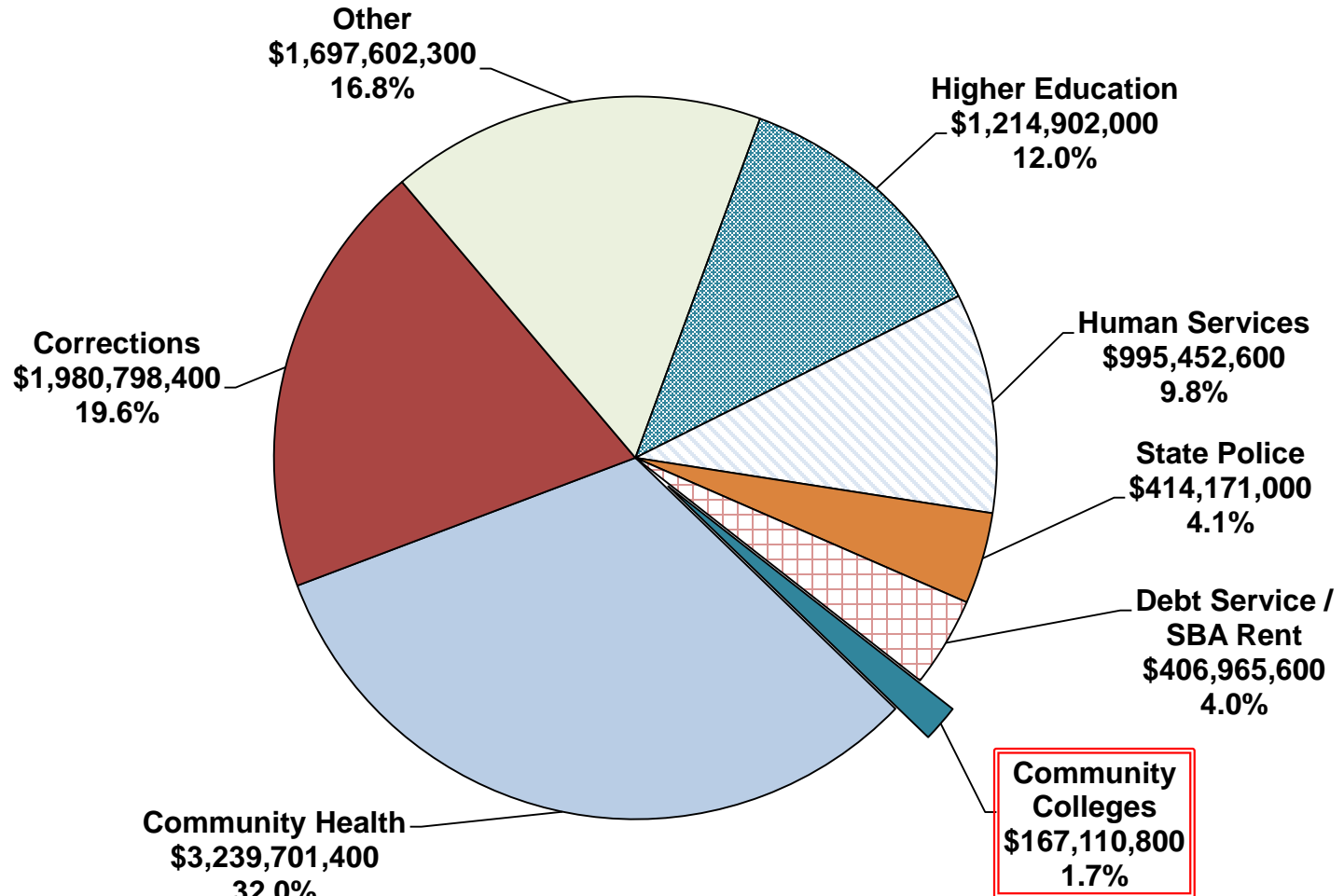


* Note: Delayed payments of \$25.8 million distributed in FY 2008 are shown in FY 2007, the year originally appropriated.

Community Colleges Share of State GF/GP

Community Colleges make up 1.7% of the total state GF/GP budget

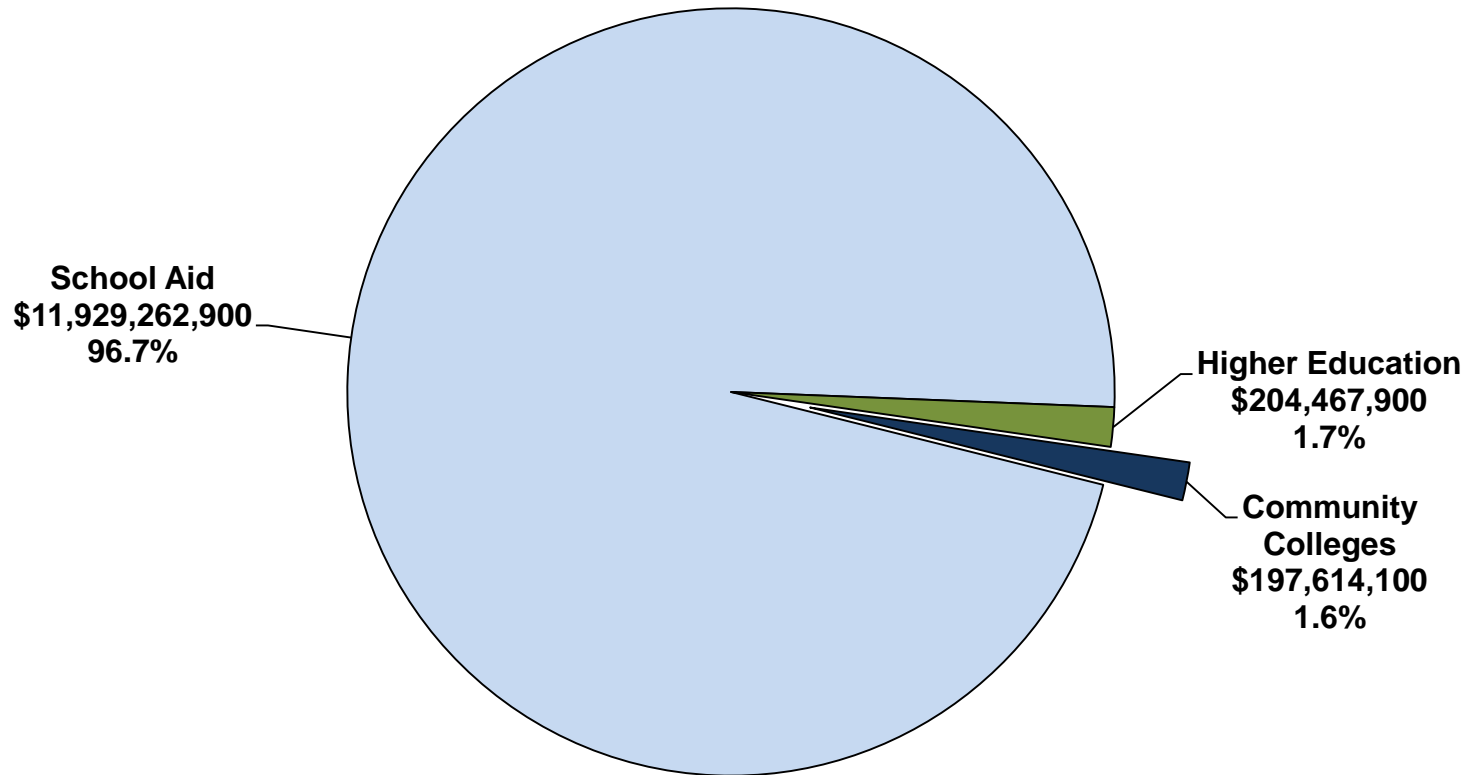
FY 2014-15 GF/GP Total = \$10,116,704,100



Community Colleges Share of School Aid Fund

The Community Colleges budget receives 1.6% of the total state School Aid Fund (SAF)

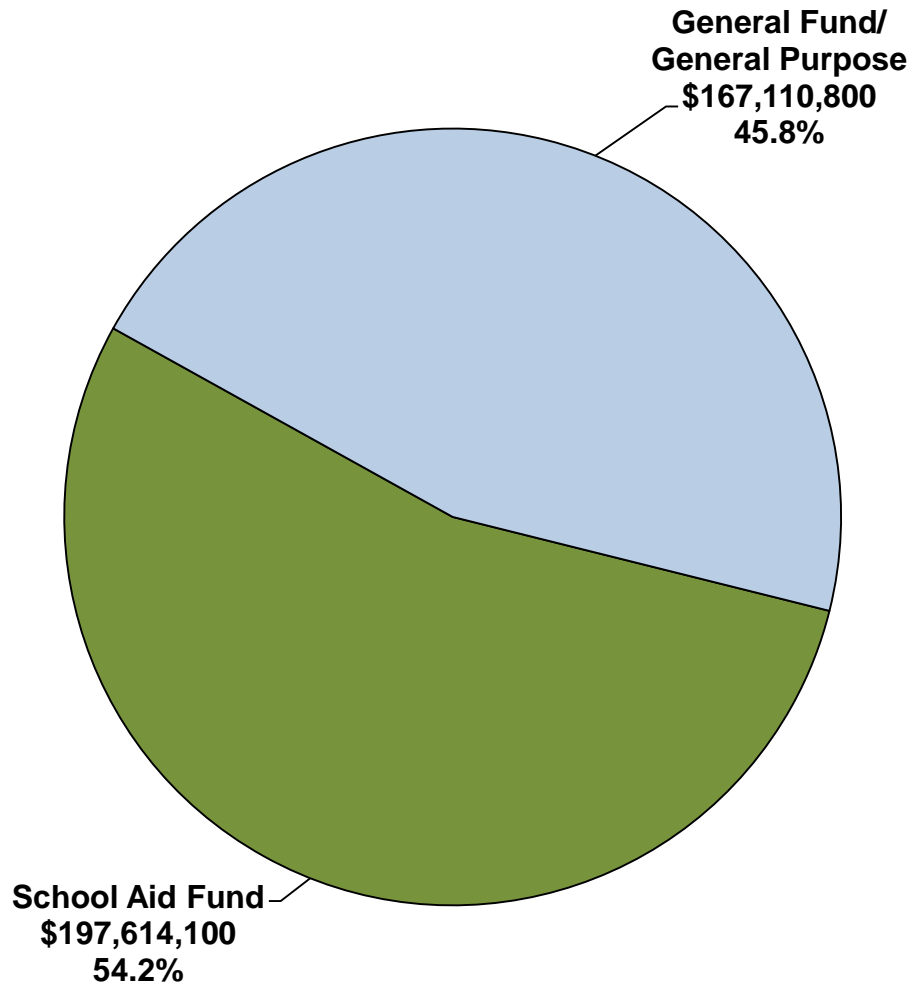
FY 2014-15 SAF Total = \$12,331,344,900



FUNDING SOURCES

Community College Budget Funding Sources

FY 2014-15 Total = \$364,724,900



STATE APPROPRIATIONS

Community Colleges Appropriations FY 2014-15

- **Operations Grants**
 - \$307.2 million, an \$8.9 million (3.0%) increase over FY 2013-14, distributed according to performance formula

- **MPSERS**
 - \$52.3 million, a \$20.9 million (67%) increase to pay for the state's share of colleges' unfunded liability to the Michigan Public School Employees Retirement System (MPSERS).
 - \$1.7 million, unchanged from prior year, for offsetting a portion of community college MPSERS costs

- **Renaissance Zones**
 - \$3.5 million, unchanged from prior year, for replacement of property tax revenue lost through creation of a Renaissance Zone within a community college's district.

FY 2014-15 Community Colleges Budget

Although funding for operational grants increased 3% from FY 2013-14 to FY 2014-15, their share of the budget decreased, from about 88% to 84%. Rising MPSERS-related costs are consuming a greater share of the budget, rising from 10% to nearly 15% of the community colleges budget.

	School Aid Fund	GF/GP	Total	% of Total Approps.
Operational Grants	\$195,880,500	\$111,310,800	\$307,191,300	84.2%
MPSERS	\$1,733,600	\$52,300,000	\$54,033,600	14.8%
Renaissance Zones	\$0	\$3,500,000	\$3,500,000	1.0%
TOTALS	\$197,614,100	\$167,110,800	\$364,724,900	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 2014-15 formula is unchanged from the prior year.

- The FY 2014-15 increase of \$8,947,300 is allocated to college operations grants as follows:
 - 50.0% in proportion to FY 2013-14 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

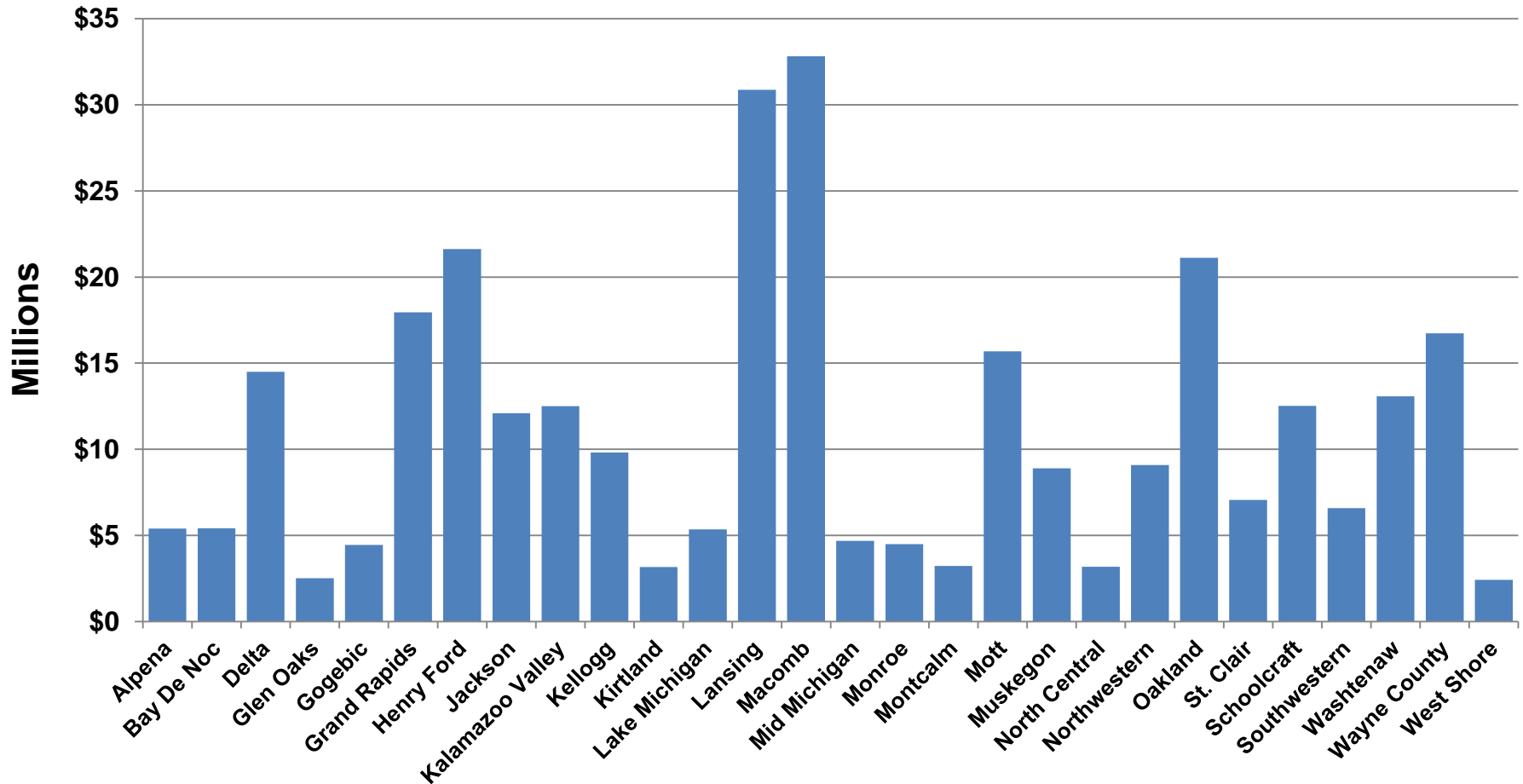
Performance Indicators Formula: Local Strategic Value Component

- 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 2014-15 local strategic value payments.

FY 2014-15 Operations Grants

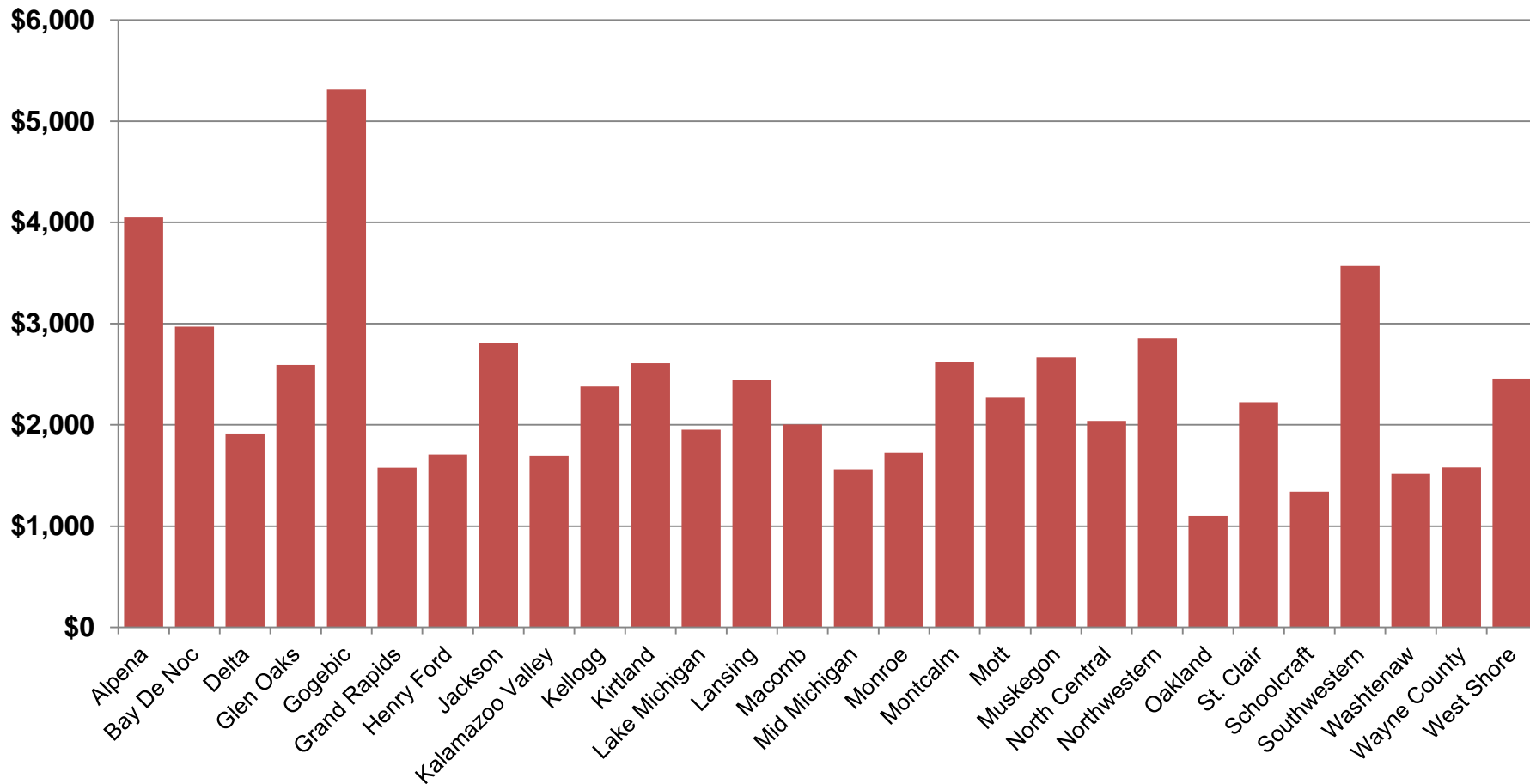
Total: \$307,191,300

Funding for operations grants increased by 3% (\$8.9 million) over FY 2013-14. Increases for individual community colleges ranged from 2.7% to 3.7%.



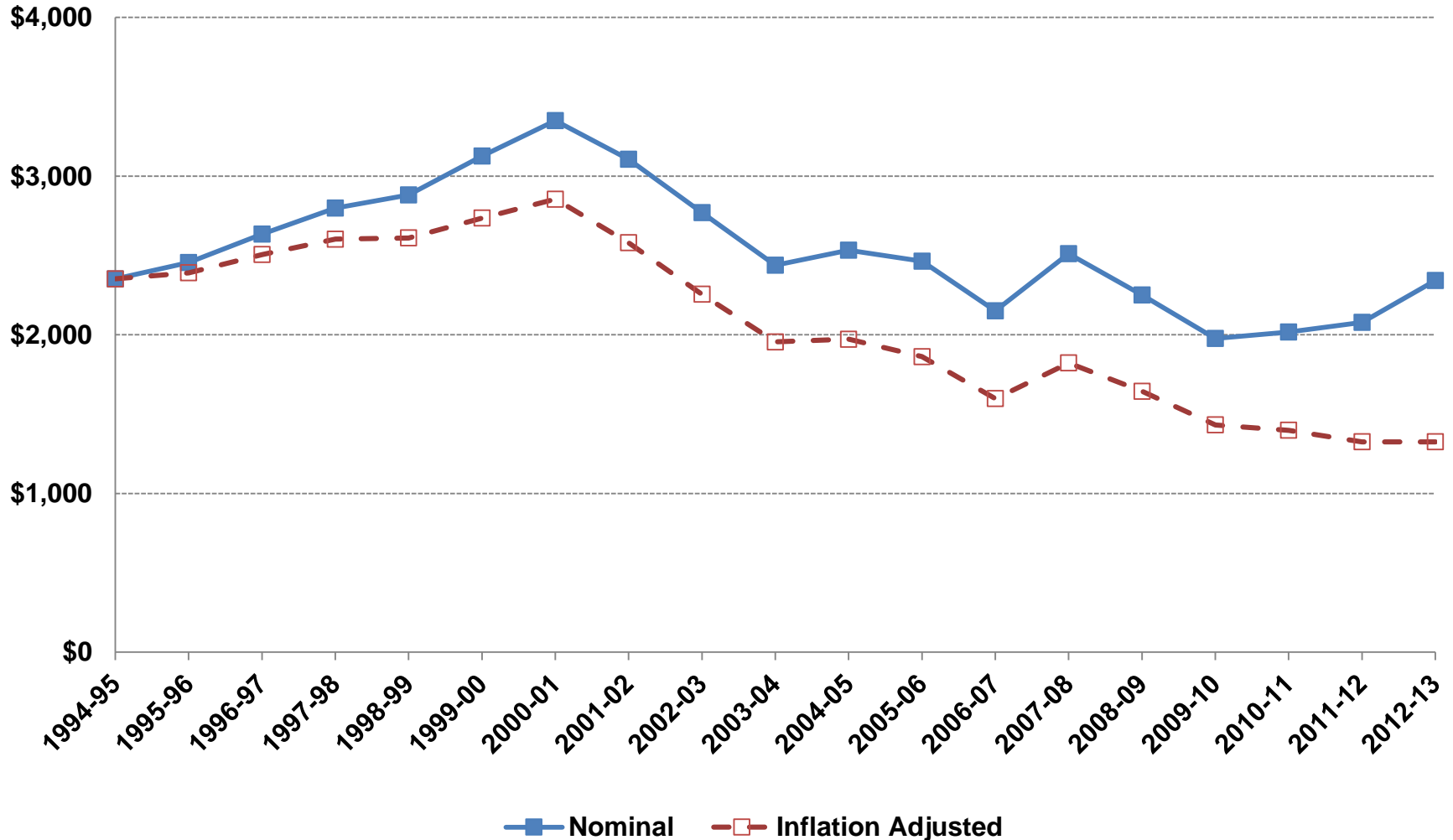
FY 2012-13 State Aid to Community Colleges Per Fiscal Year Equated Student (FYES)

Average State Aid Revenue: \$2,341 per FYES



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.

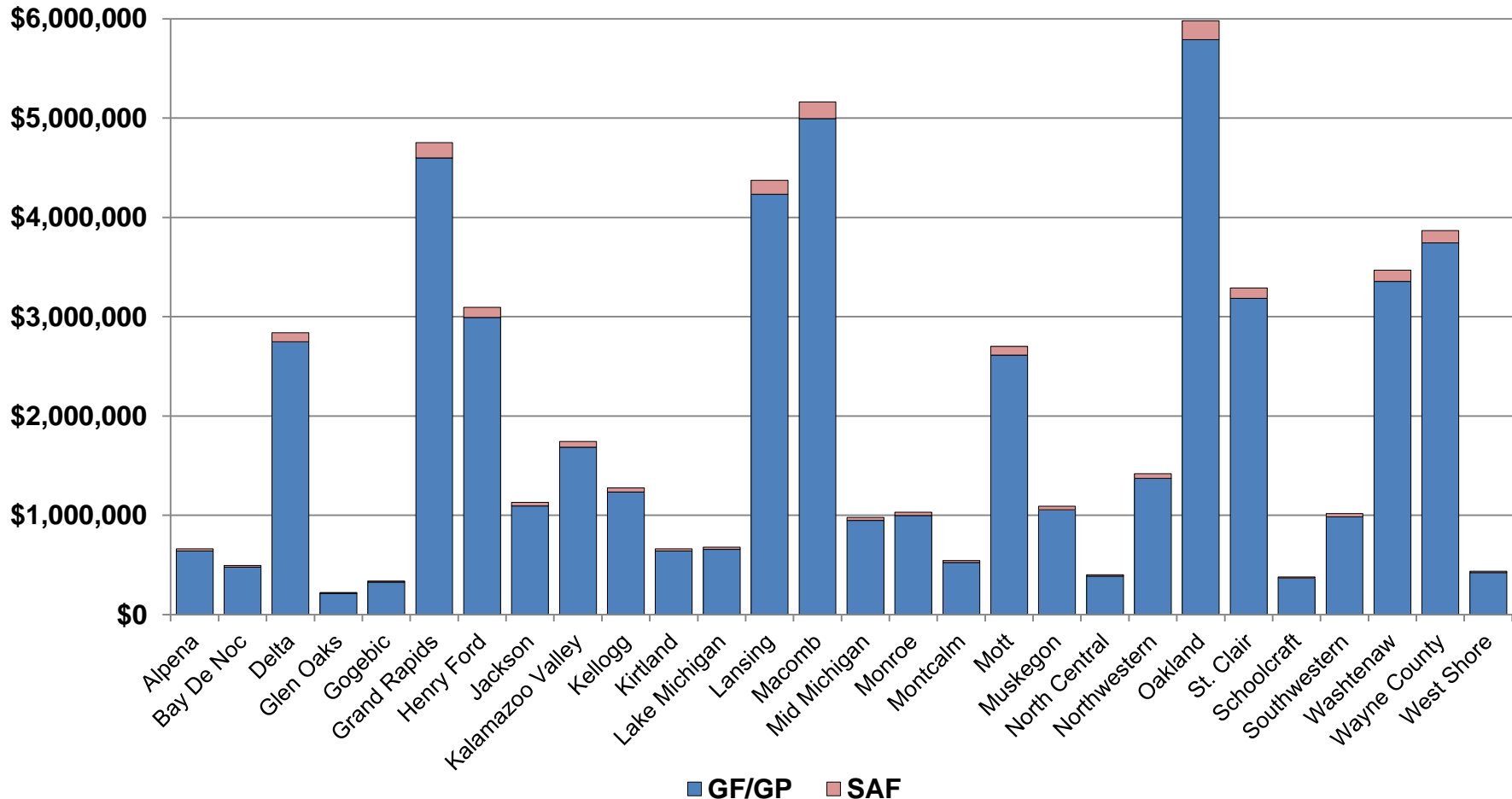


FY 2014-15 MPERS Funding

- Budget provides \$52.3 million GF/GP (a \$20.9 million increase) 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 2014-15 MPSERS Allocations

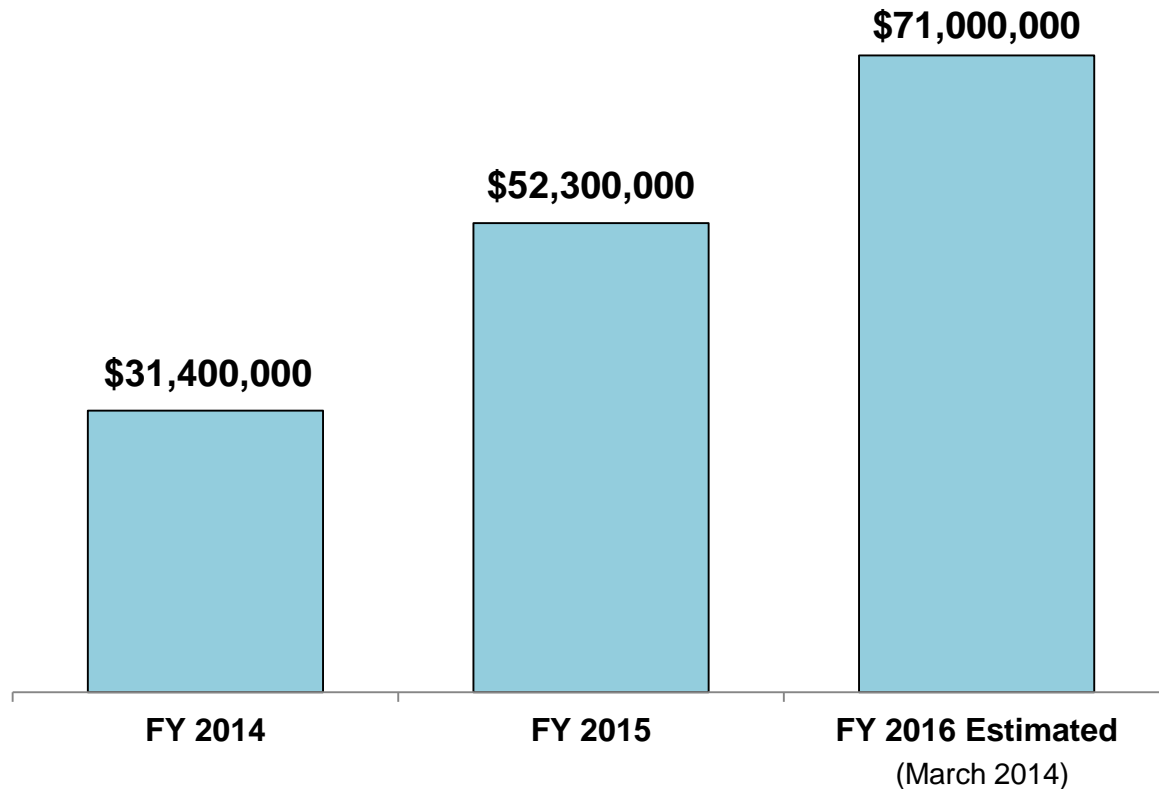
\$52.3 million GF/GP funds the state share of MPSERS unfunded accrued liabilities, while an additional \$1.7 million in School Aid Fund is provided to offset a portion of college MPSERS costs.



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.



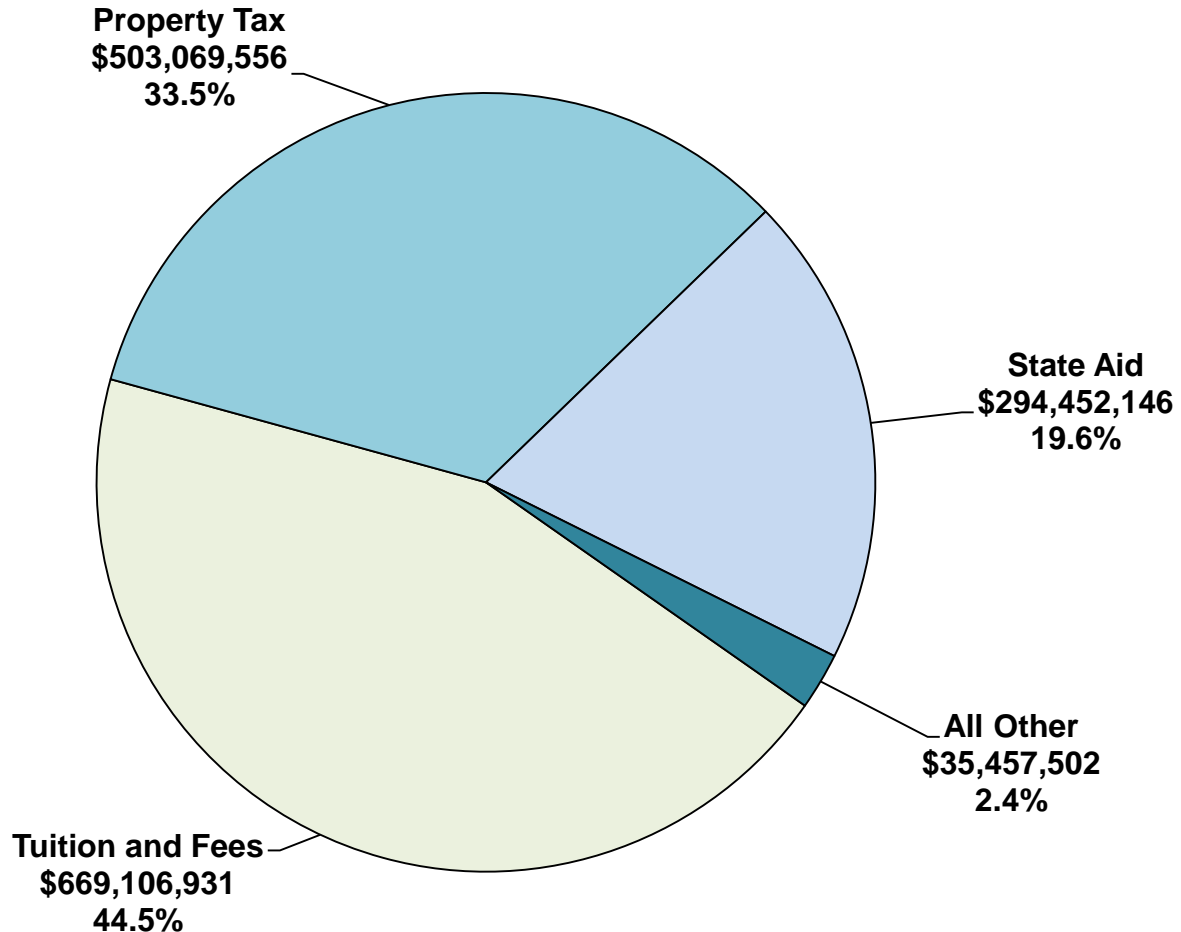
COMMUNITY COLLEGE REVENUES

Community College Revenues

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

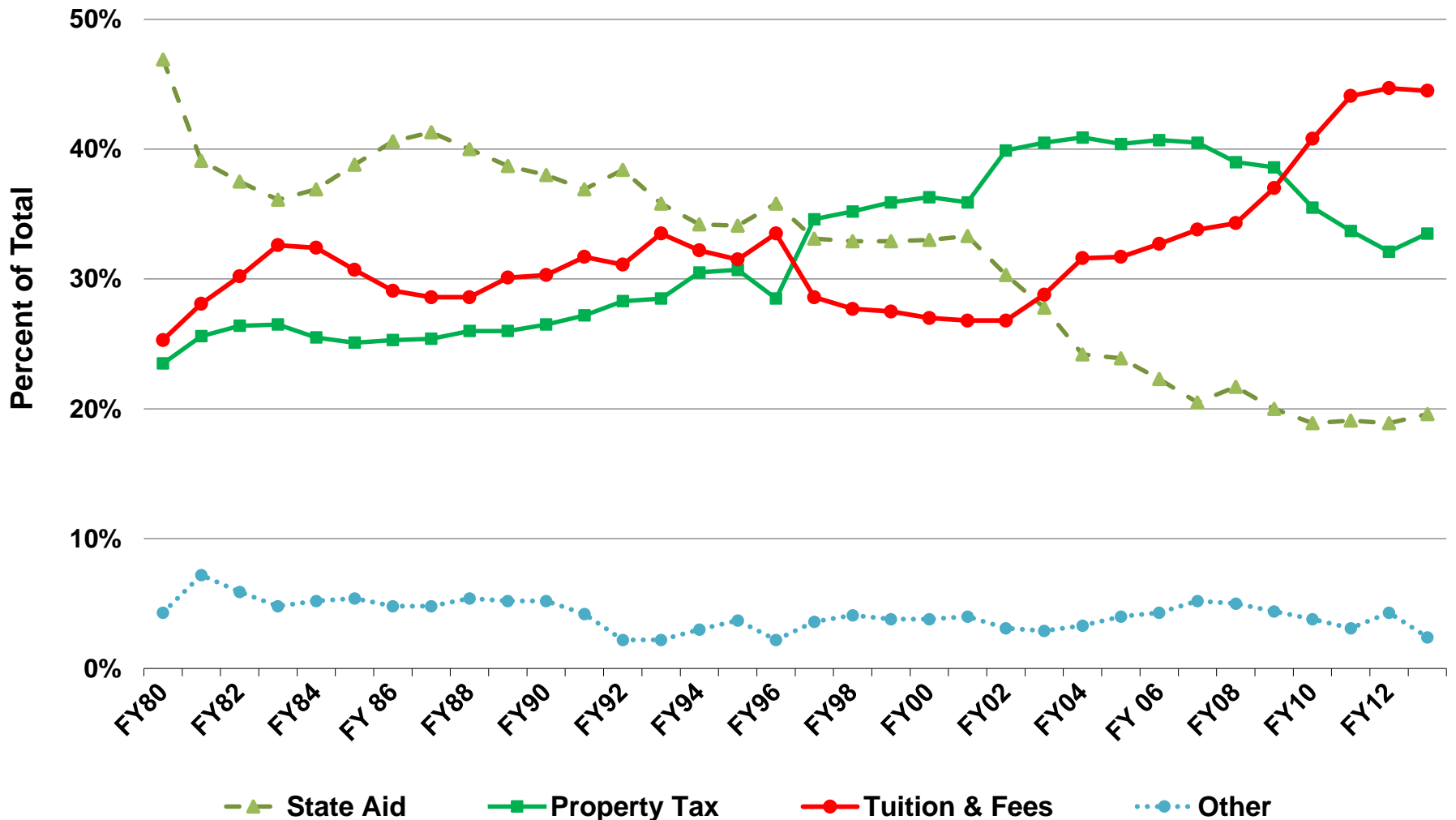
Community College Operating Fund Revenue – Statewide Totals

FY 2012-13 Total: \$1,502,086,135



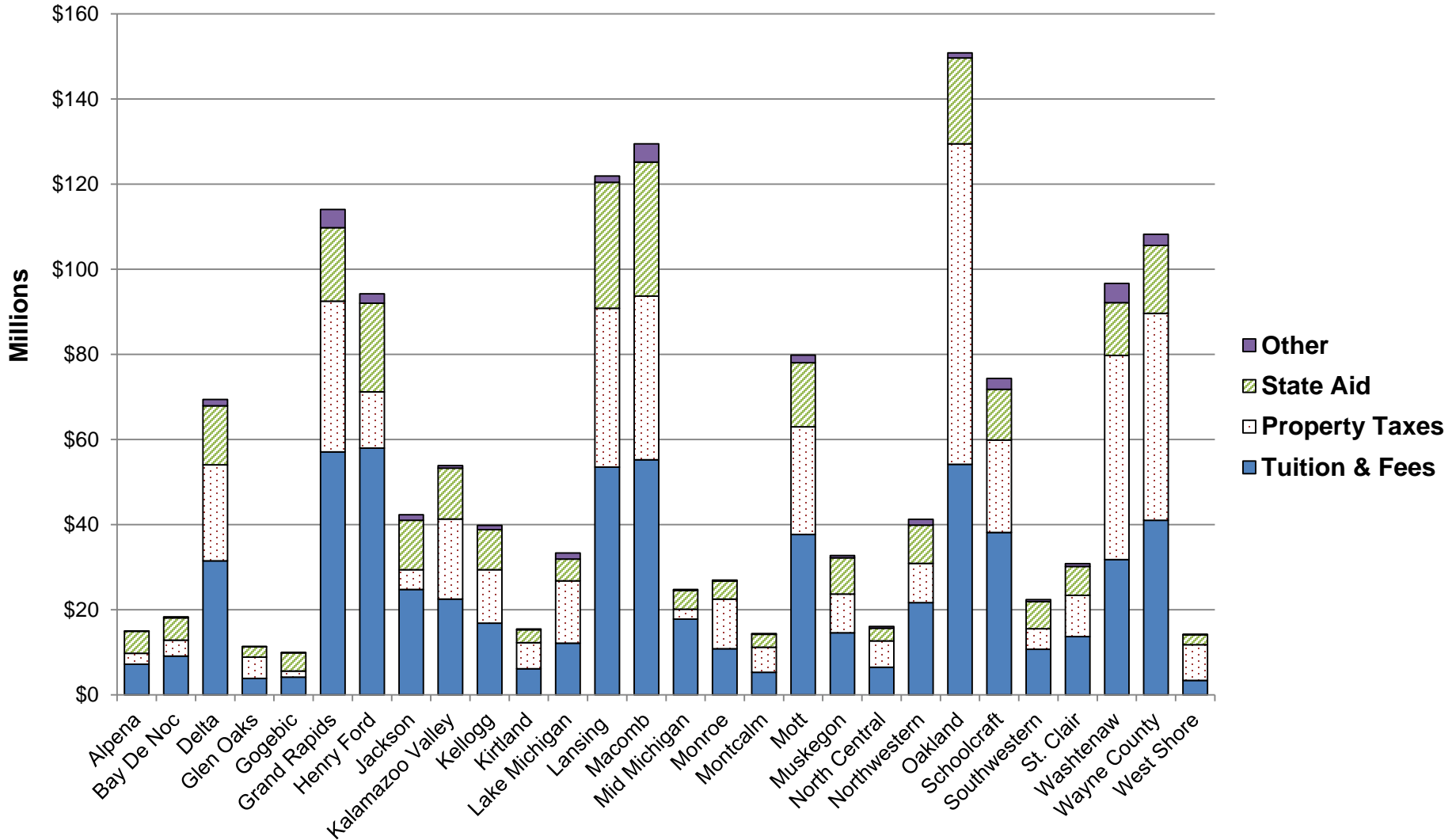
Community College Revenue Sources

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.



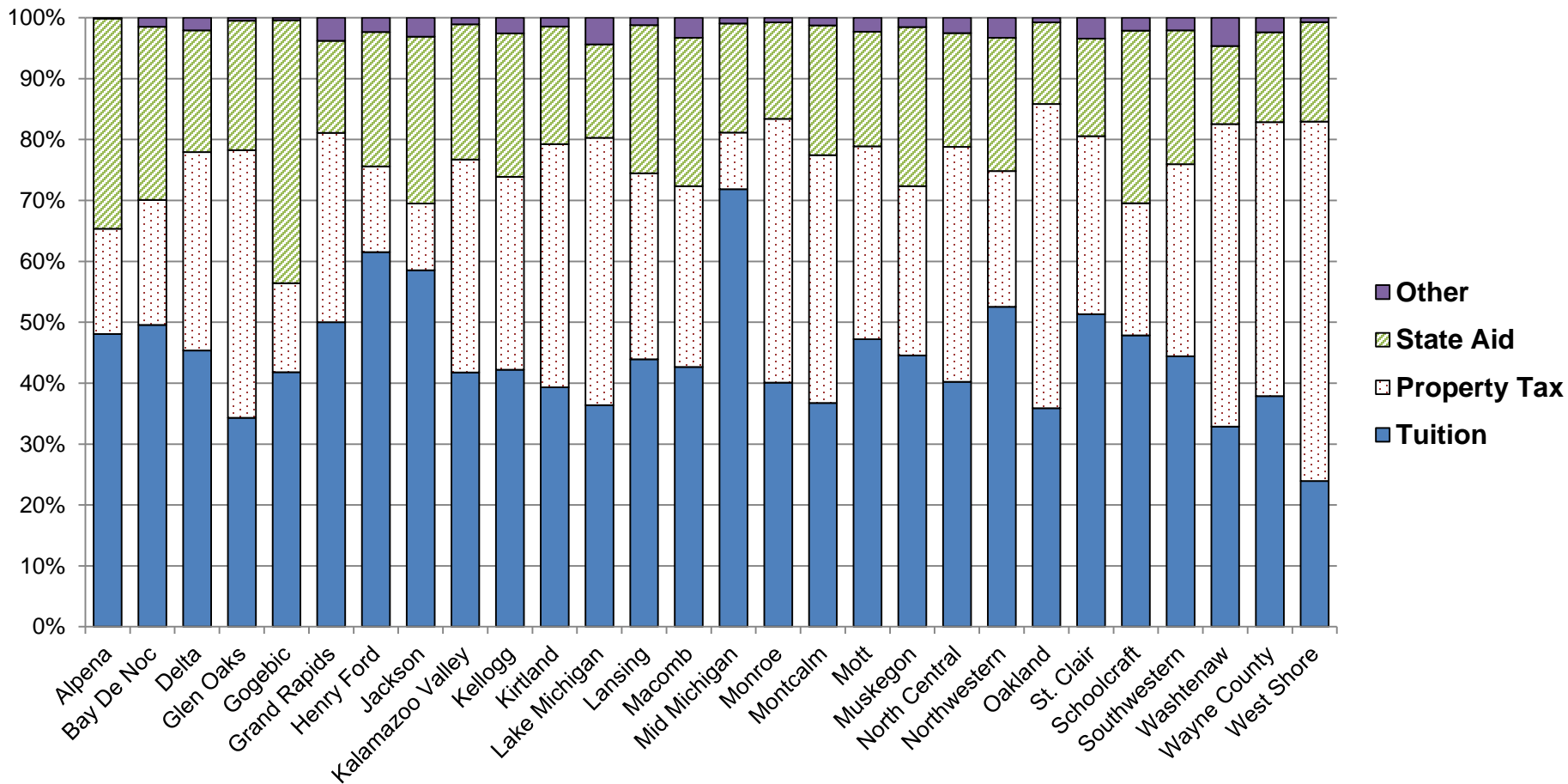
FY 2012-13 College Operating Funds by Source

Community college operating budgets vary considerably.



FY 2012-13 Fund Sources as % of Each College's Total Operating Funds

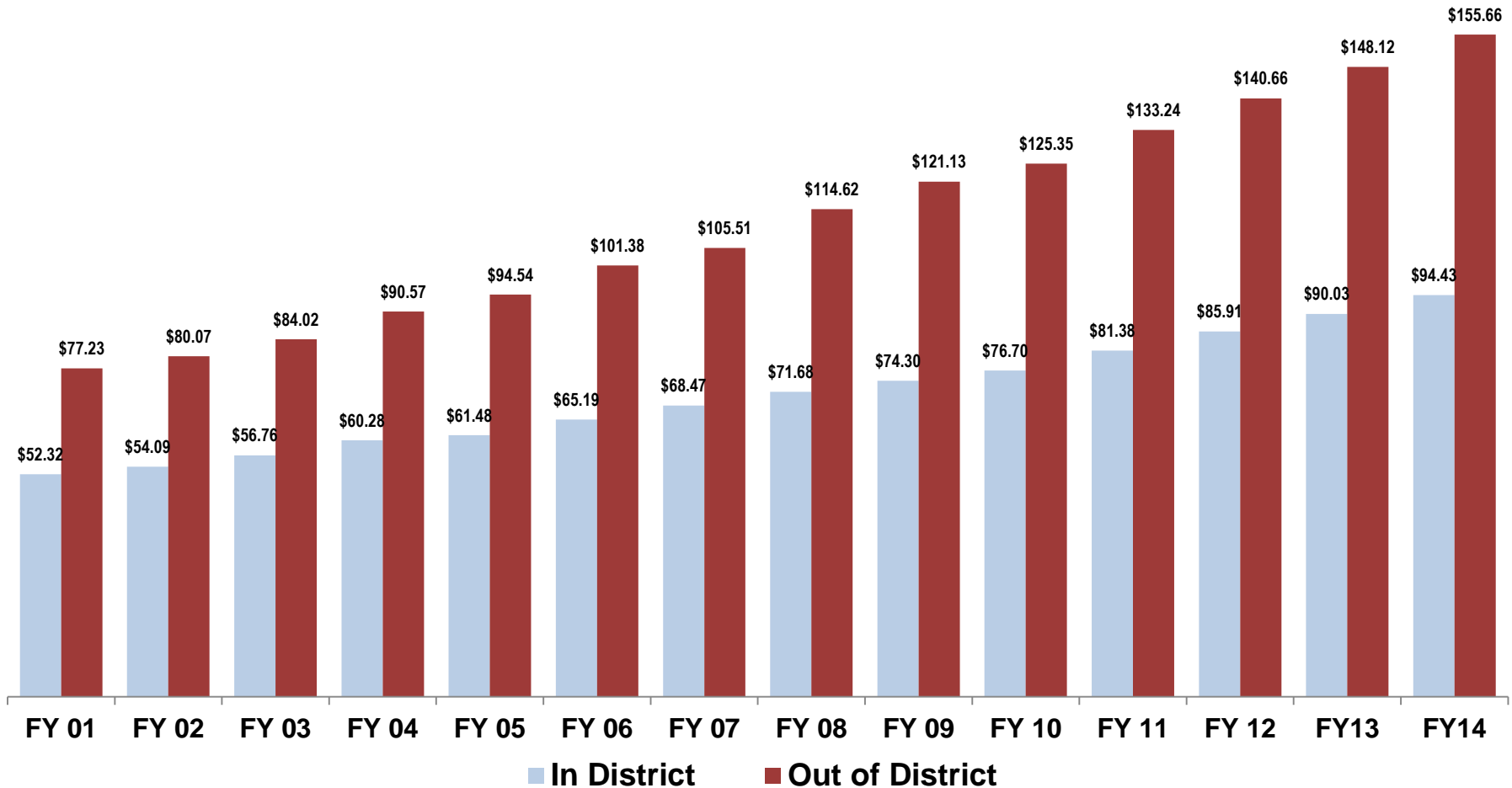
The degree to which community college operating budgets depend on various sources of revenue also vary.



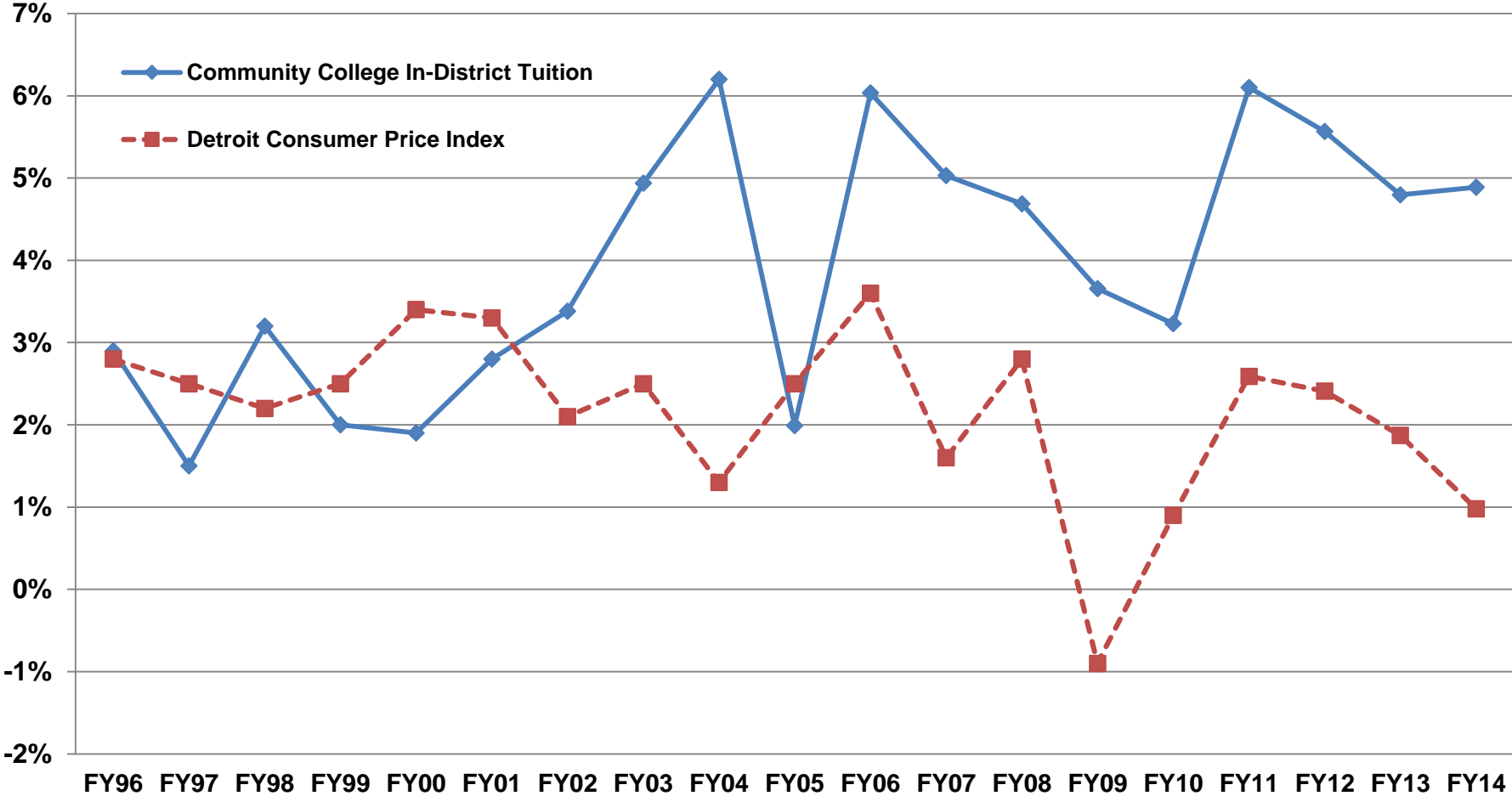
Tuition Rate History

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



Note: FY 2013-14 percentage change in Detroit Consumer Price is estimate from May 15, 2014 Consensus Revenue Estimating Conference.

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.

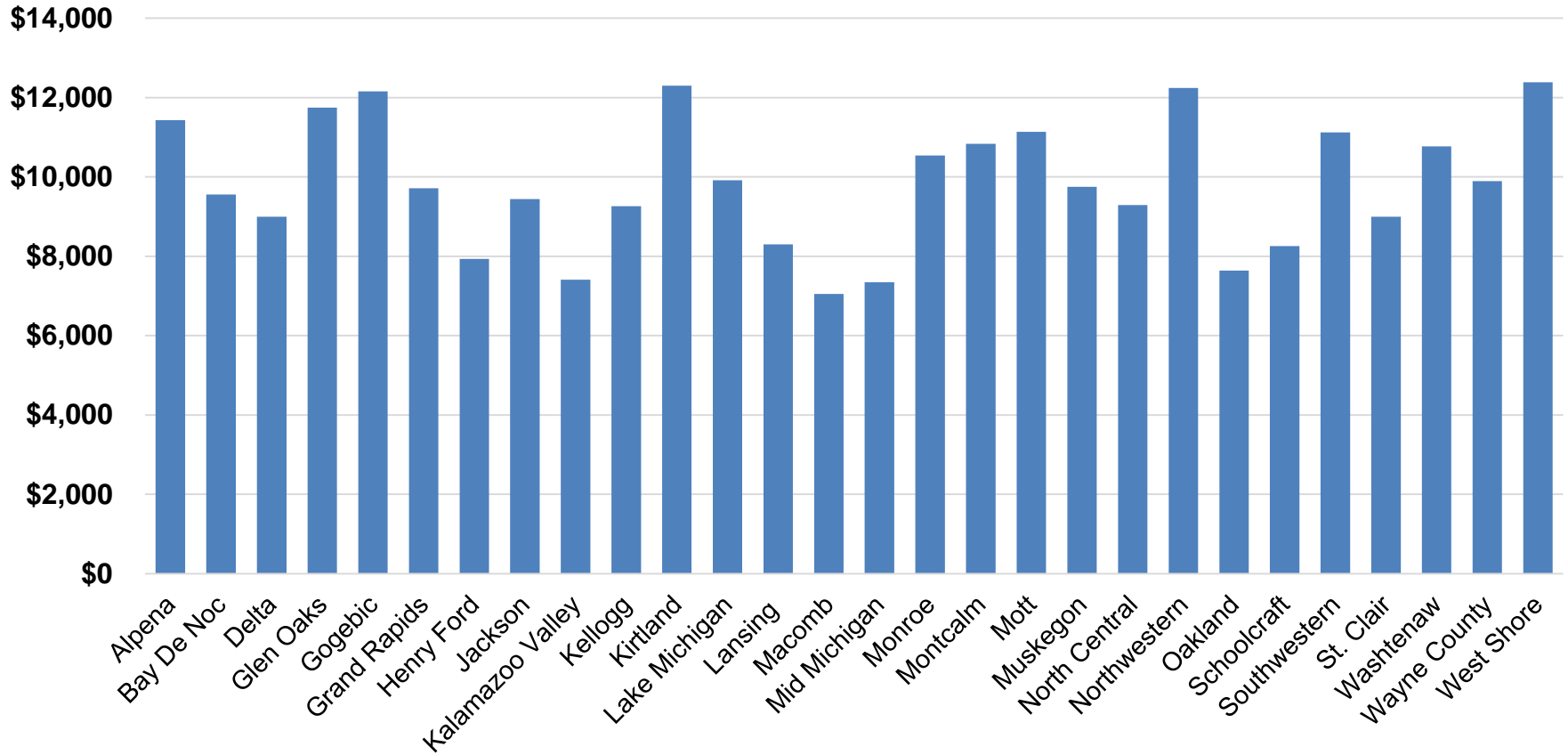
- **Physical plant**

Facilities management and maintenance, utilities, security

Michigan Community College Operating Expenditures FY 2012-13

	Amount	Percent
Instruction	\$644,541,098	46.8%
Public Service	\$19,771,747	1.4%
Instructional Support	\$184,765,241	13.4%
Student Services	\$175,151,711	12.7%
Administration	\$190,941,983	13.9%
Physical Plant	\$161,953,309	11.8%
TOTAL	\$1,377,125,089	100.0%

Operating Expenditures per Fiscal-Year-Equated Student (FYES) FY 2012-13

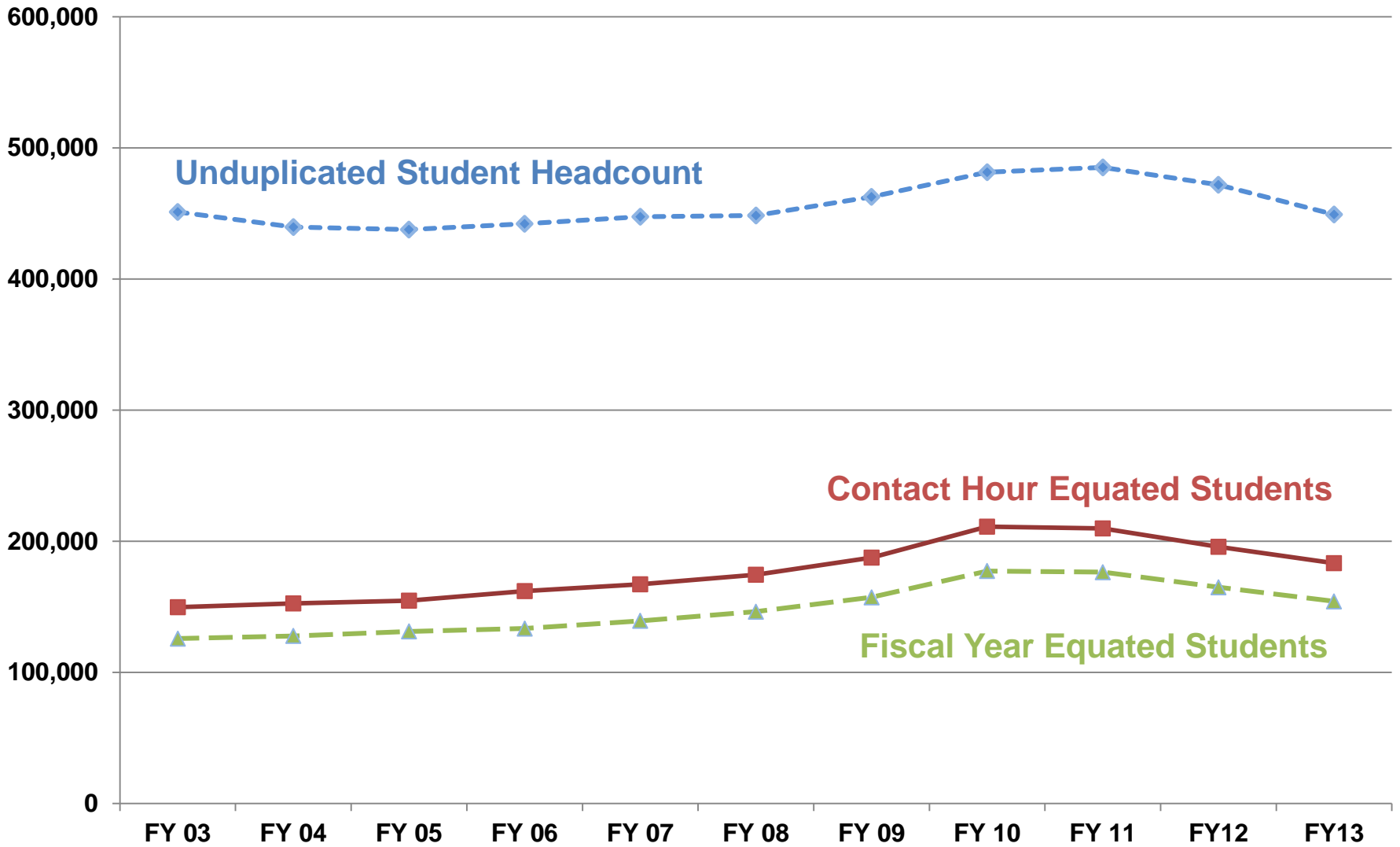


ENROLLMENT DATA

Enrollment Definitions

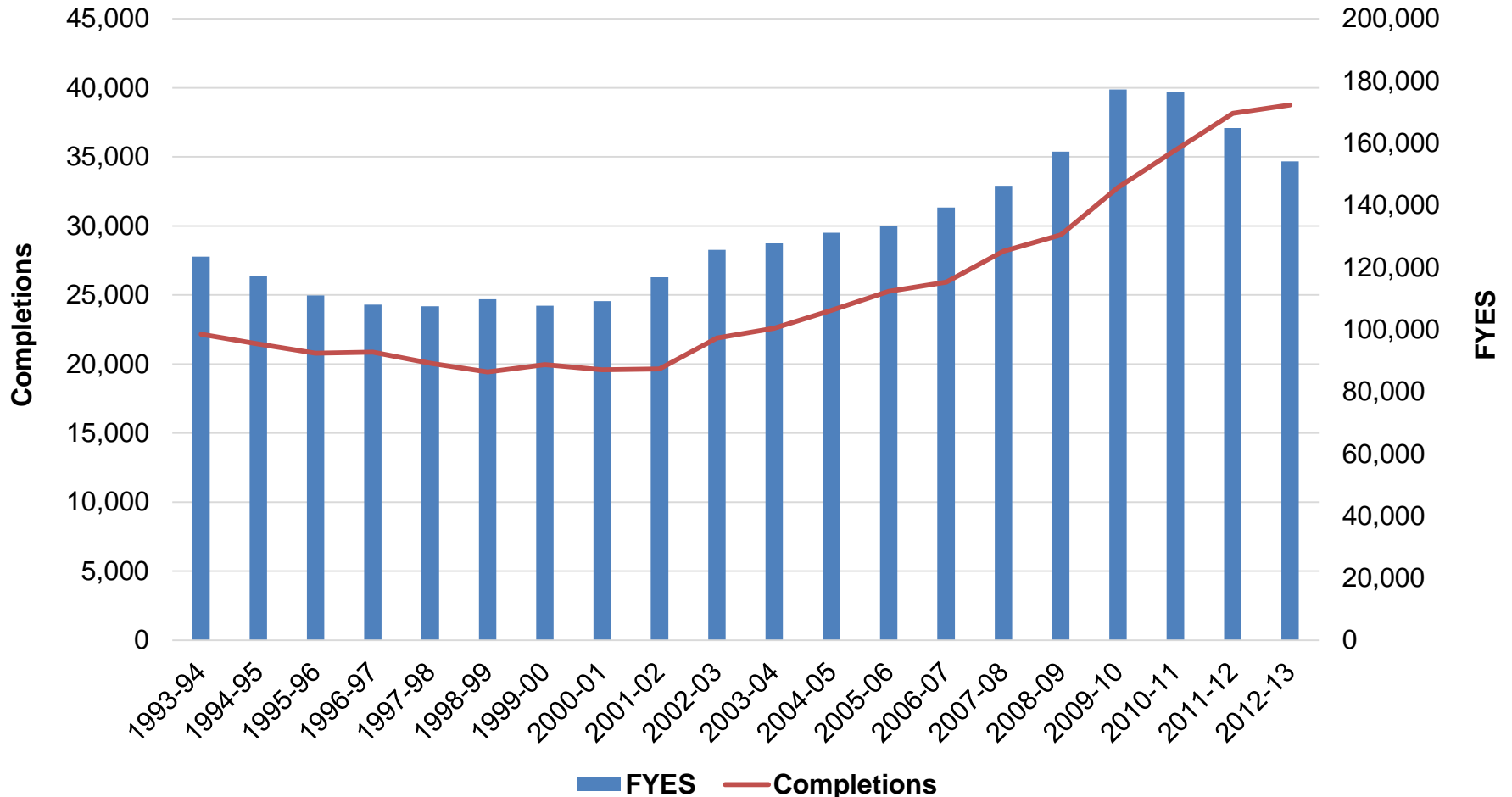
- **Unduplicated Student Headcount:** The total number of students that have enrolled in at least one community course.
- **Fiscal Year Equated Student (FYES):** The calculated equivalent of one full year of instruction, defined as 31 semester credit hours. Degrees are granted on the basis of credit 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

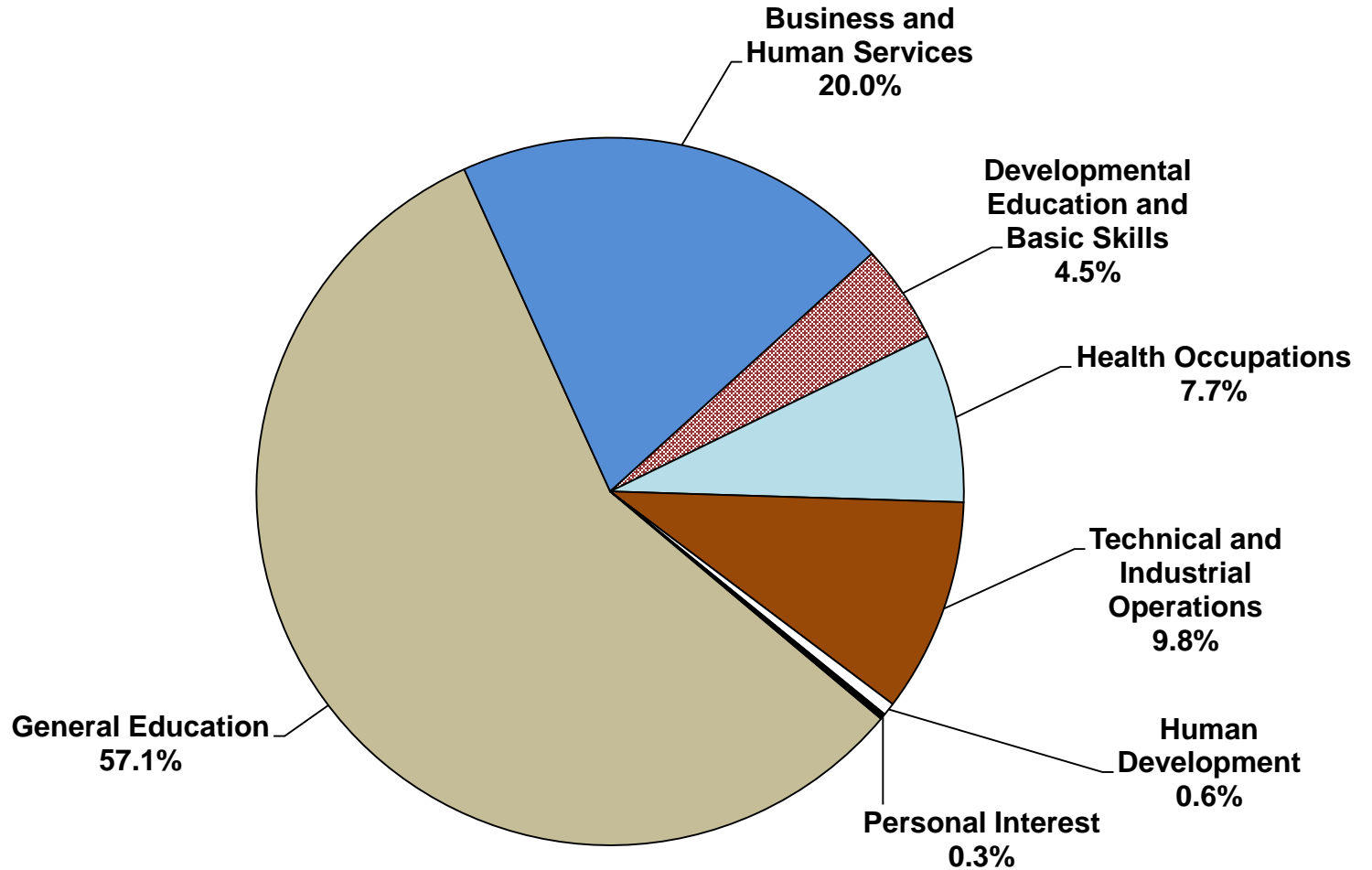


Degree and Certificate Completions

Degree and certificate completions at Michigan community colleges have steadily increased in recent years, generally tracking increases in enrollments.

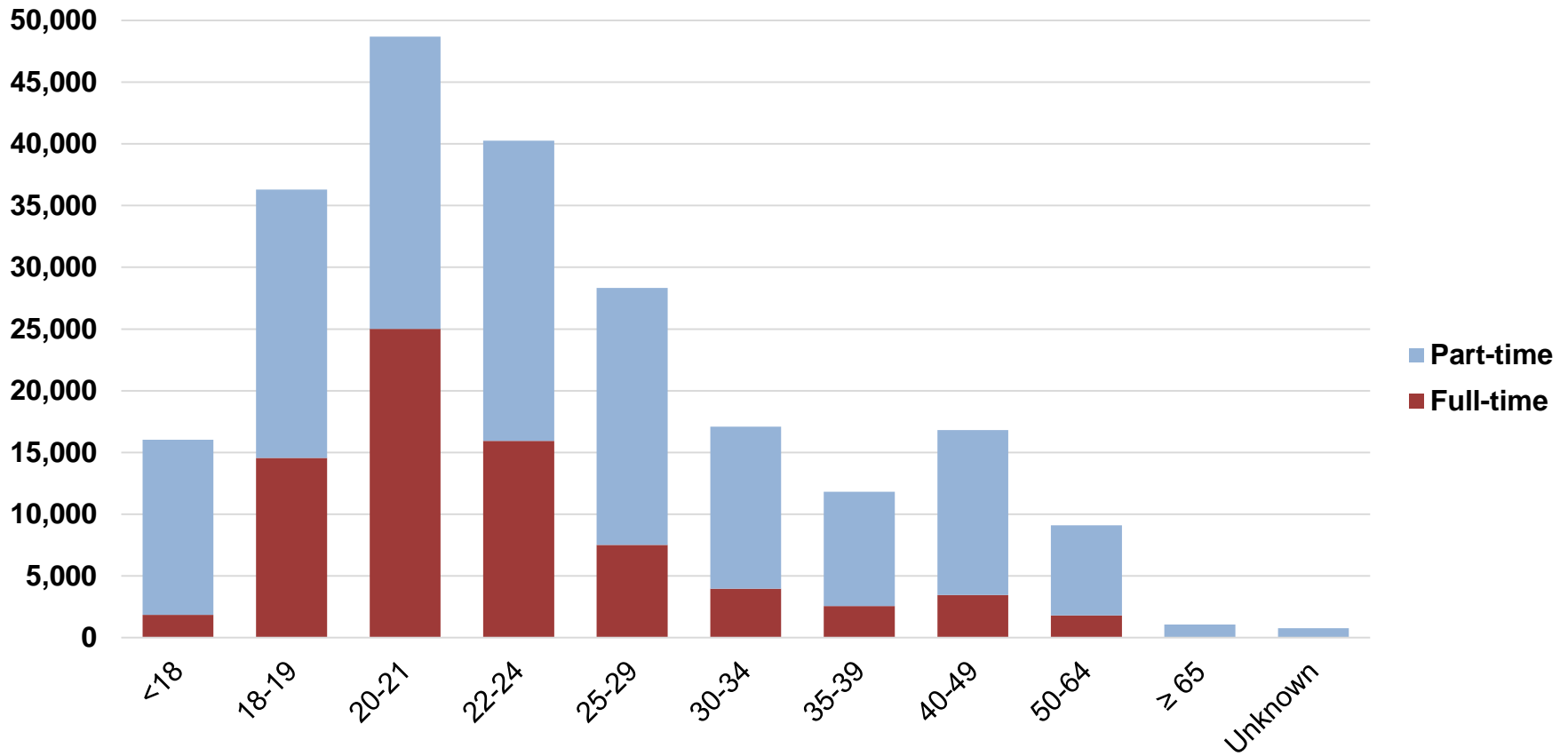


FY 2012-13 Distribution of Students (FYES) By Instructional Area



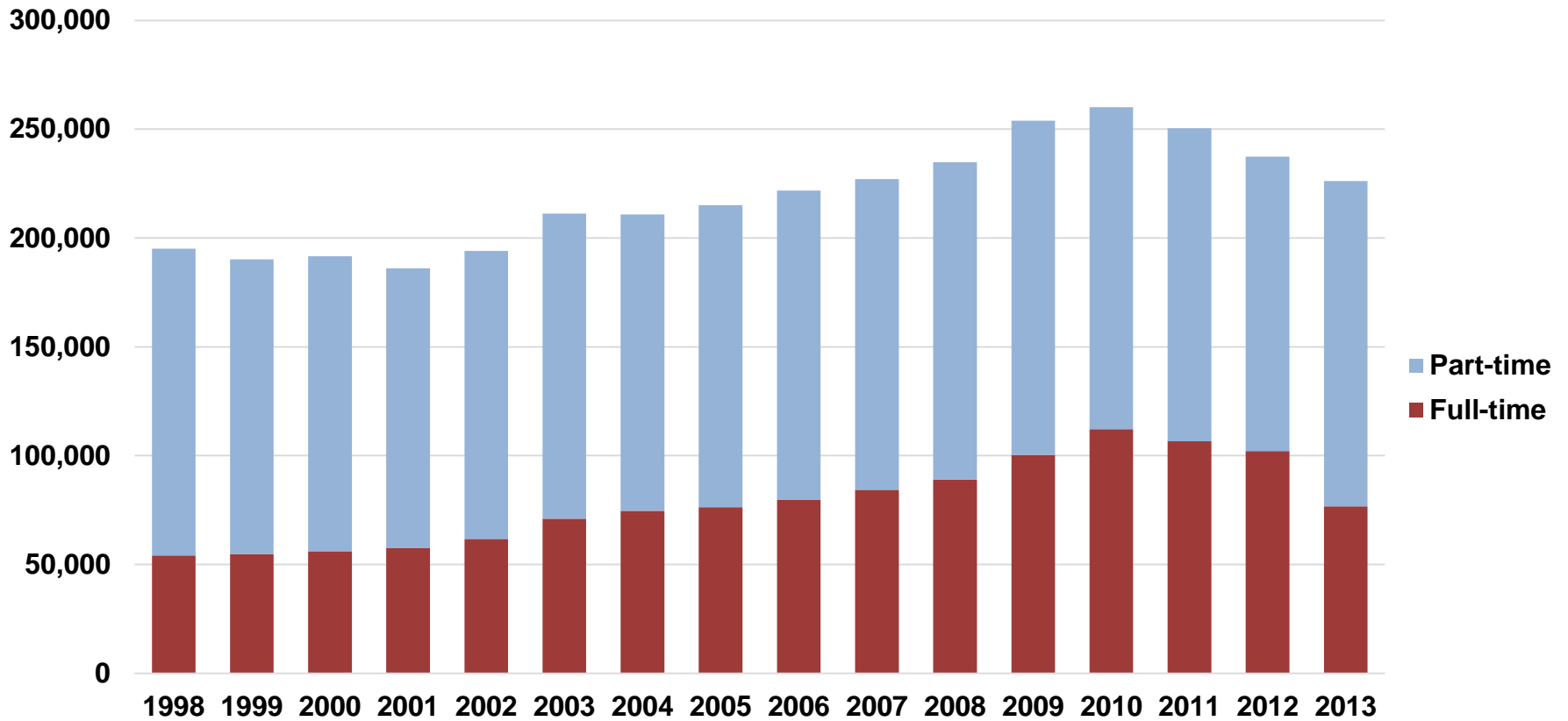
Fall 2013 Distribution of Enrollments by Age

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.



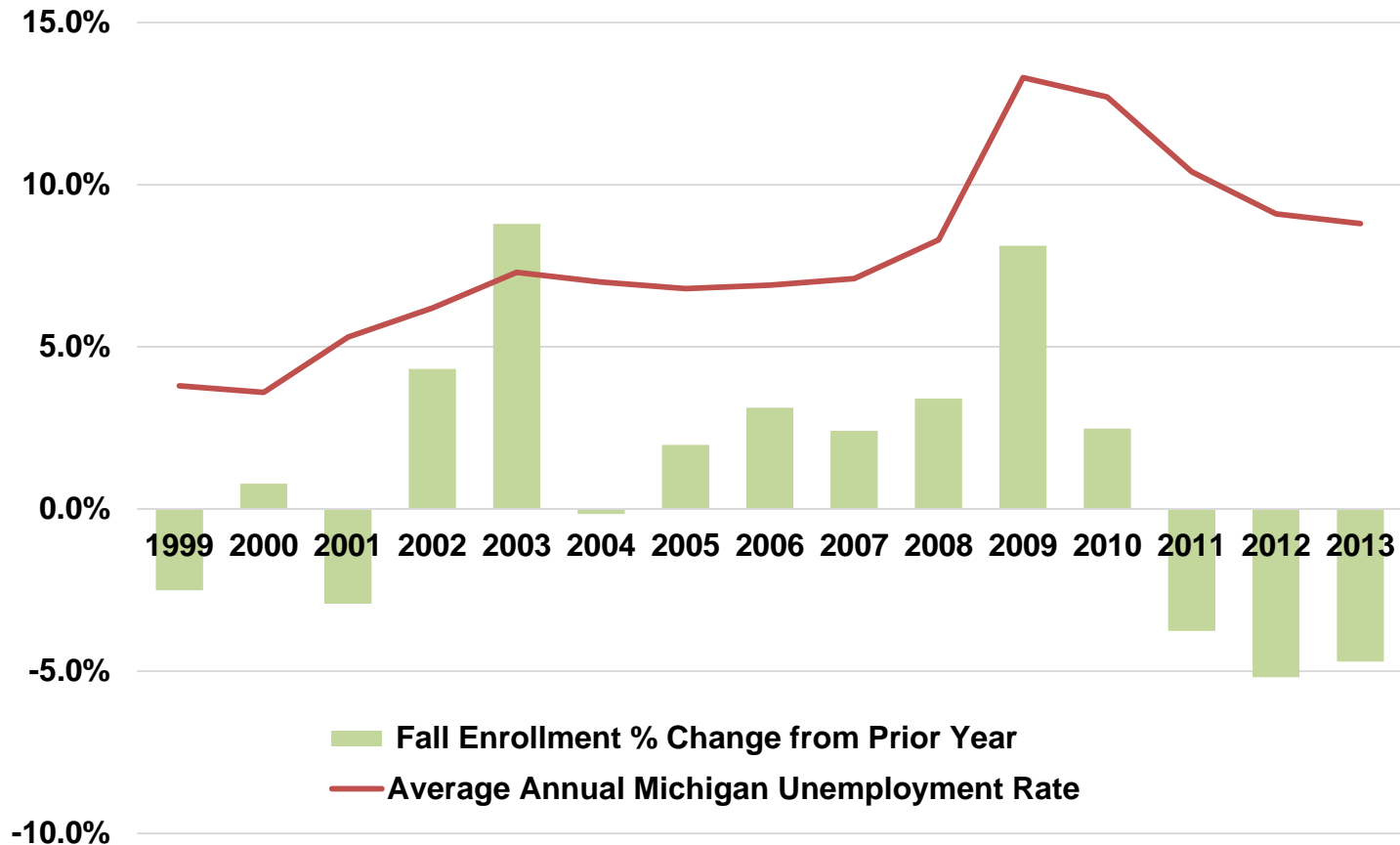
Fall Enrollment Trends

Fall enrollments, a common measure of enrollment trends, peaked in 2010 at 260,175.



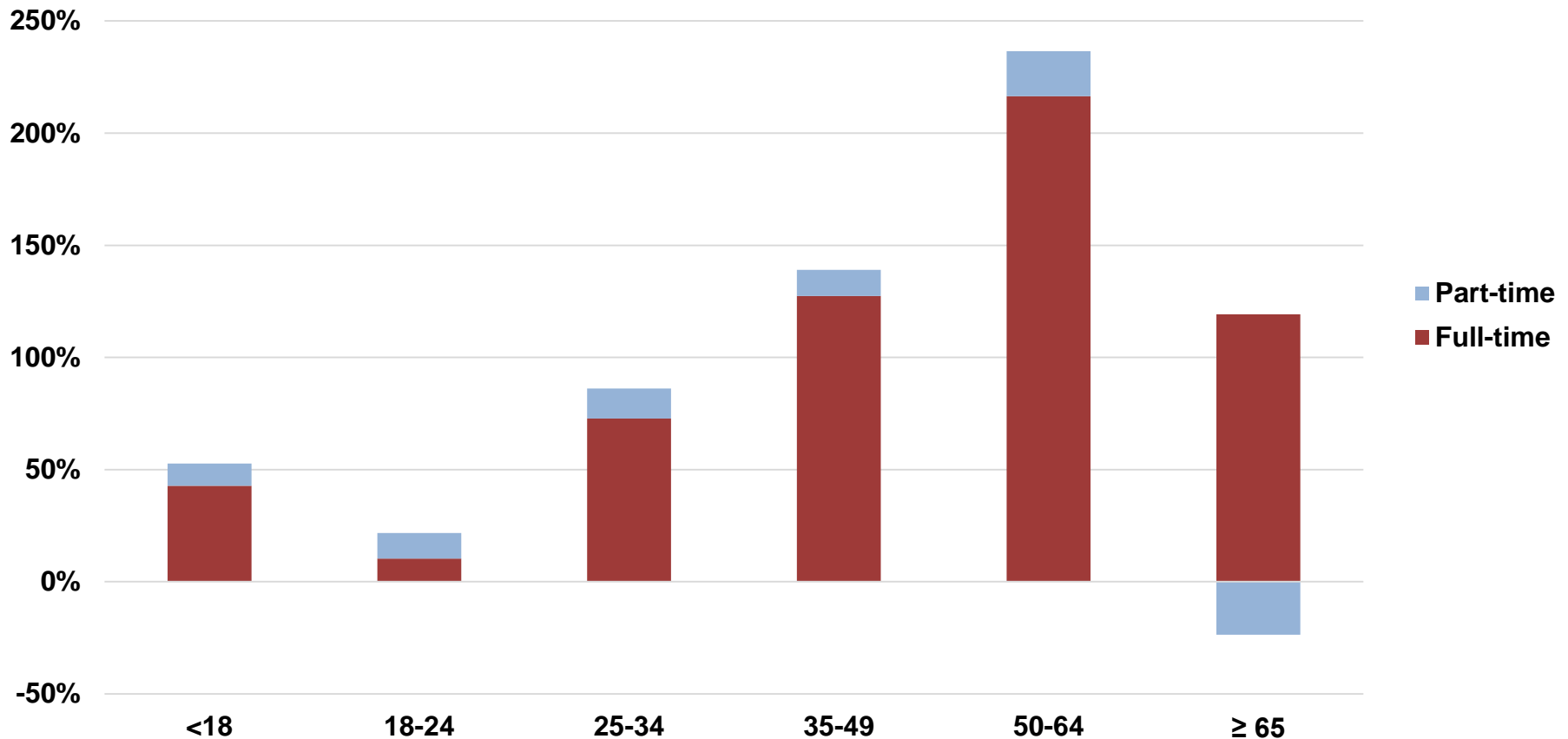
Fall Enrollment: Annual Percentage Changes

While enrollment numbers peaked in 2010, the sharp 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.



Percent Changes in Fall Enrollments By Age Group, 2006 to 2010

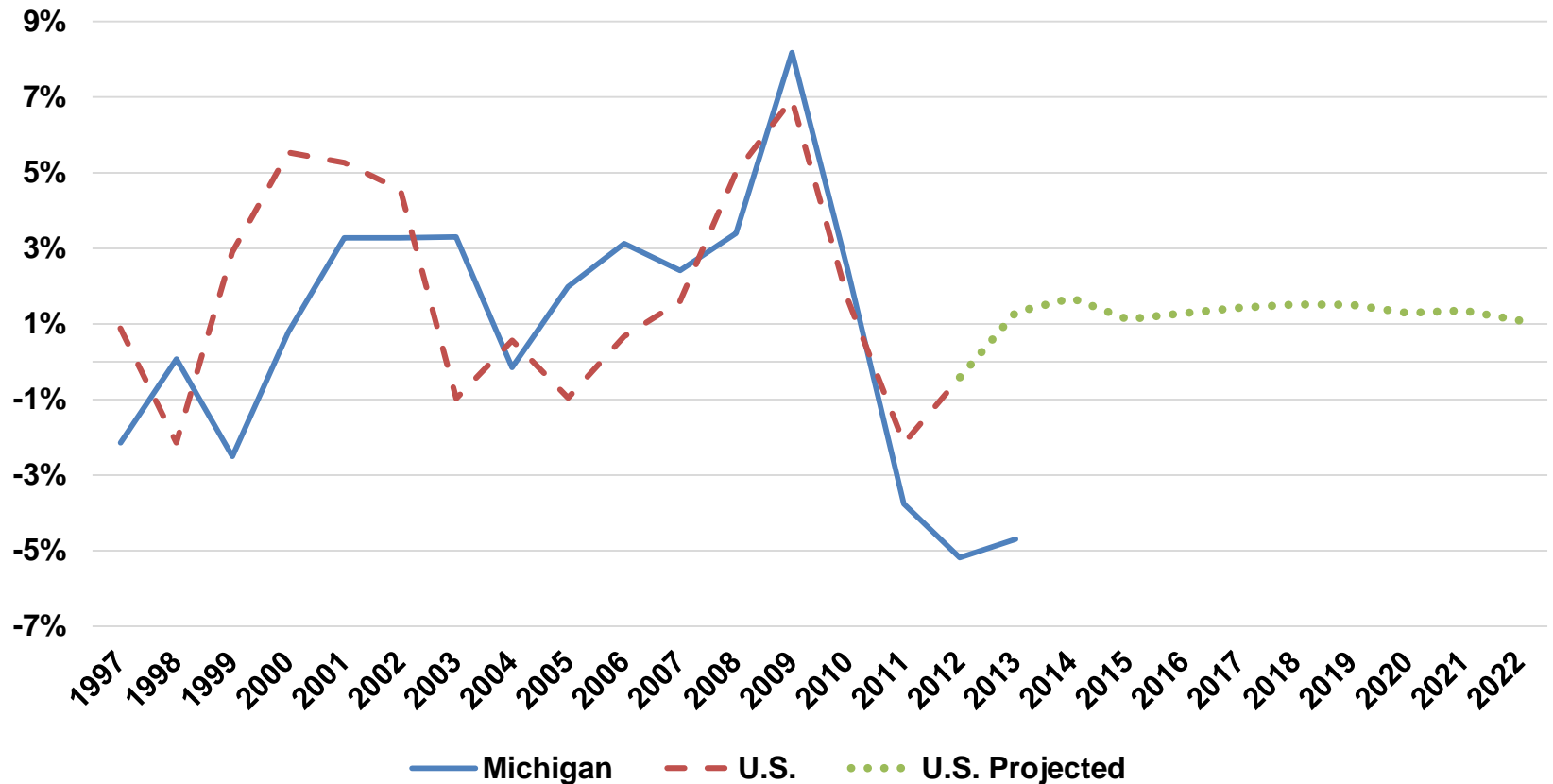
Enrollment increases preceding the 2010 peak were proportionately greater among students over age 35, which may be a reflection of a return to school for workers displaced by the economic downturn.



State and National Enrollment Trends

Historically, trends in Michigan community college enrollments have often diverged from national trends. While U.S. community college enrollments are expected to increase slightly in the coming years, Michigan may instead see continued decreases offsetting the recent spike in 2010 and reflecting declining numbers of high school graduates.

**State and U.S. Community College Fall Enrollments
Percent Change from Prior Year**



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

**Marilyn Peterson
mpeterson@house.mi.gov
(517) 373-8080**