



Budget Briefing: Community Colleges

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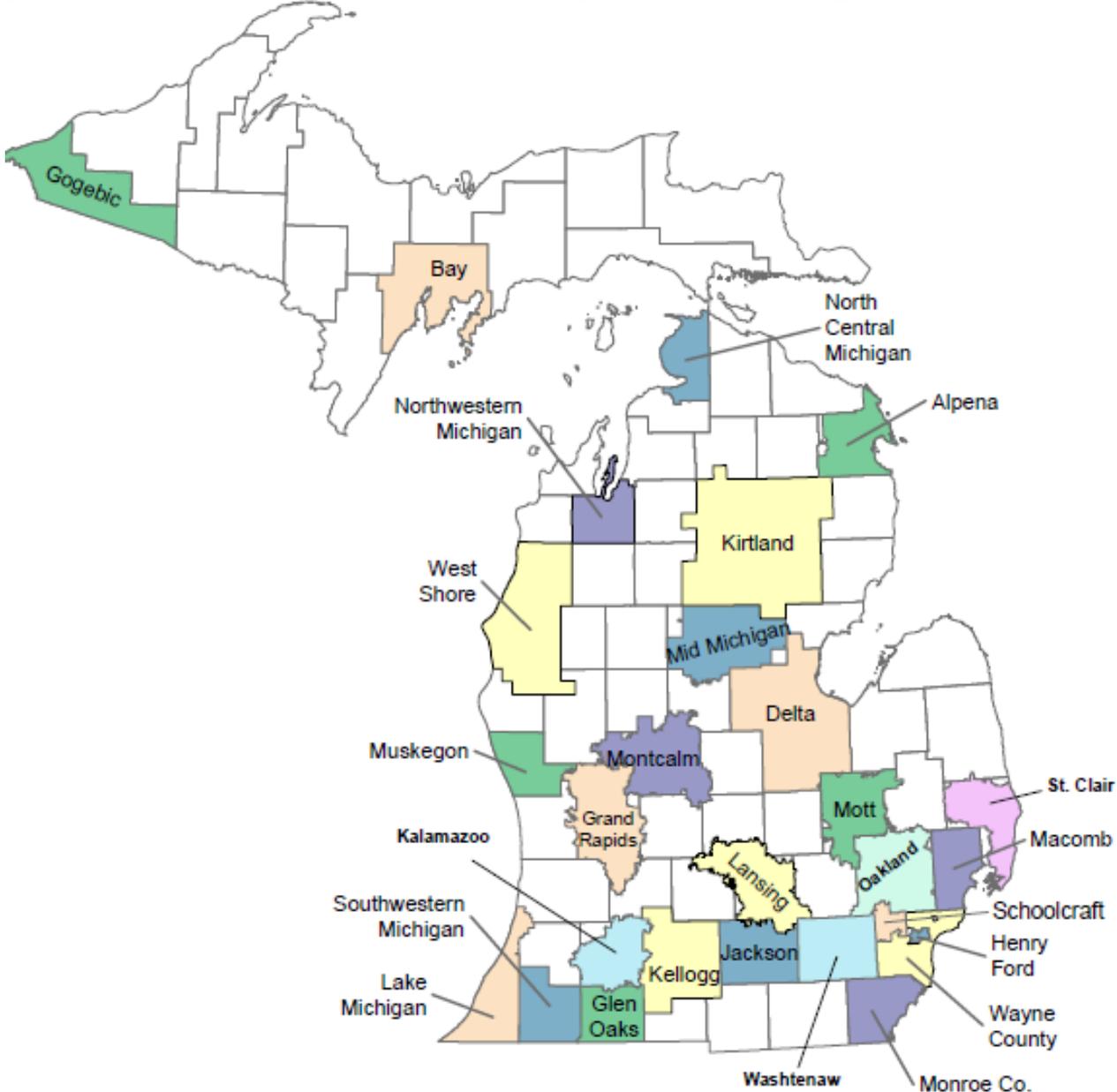
Briefing Topics

- Funding Sources
- Appropriations Areas
- Major Budget Topics
- Community College Revenue
- Community College Expenditures
- Community College Enrollment Data

Michigan's 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
 - 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 the district. Not all areas of the state fall within a community college district.
- Community colleges provide collegiate and non-collegiate 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 or retraining for displaced workers
 - Baccalaureate degrees at certain institutions in cement technology, maritime technology, energy production technology and culinary arts

Michigan's Community Colleges



Key Budget Terms

Fiscal Year: The state's fiscal year (FY) runs from October to September. FY 2016-17 is October 1, 2016 through September 30, 2017.

Appropriation: Authority to expend funds. An appropriation is not a mandate to spend. Constitutionally, state funds cannot be expended without an appropriation by the Legislature.

Line Item: Specific appropriation amount in a budget bill which establishes spending authorization for a particular program or function.

Boilerplate: Specific language sections in a budget bill which direct, limit, or restrict line item expenditures, express legislative intent, and/or require reports.

Lapse: Appropriated amounts that are unspent or unobligated at the end of a fiscal year. Appropriations are automatically terminated at the end of a fiscal year unless designated as a multi-year work project under a statutory process. Lapsed funds are available for expenditure in the subsequent fiscal year.

Note: Unless otherwise indicated, historical budget figures in this presentation have not been adjusted for inflation.

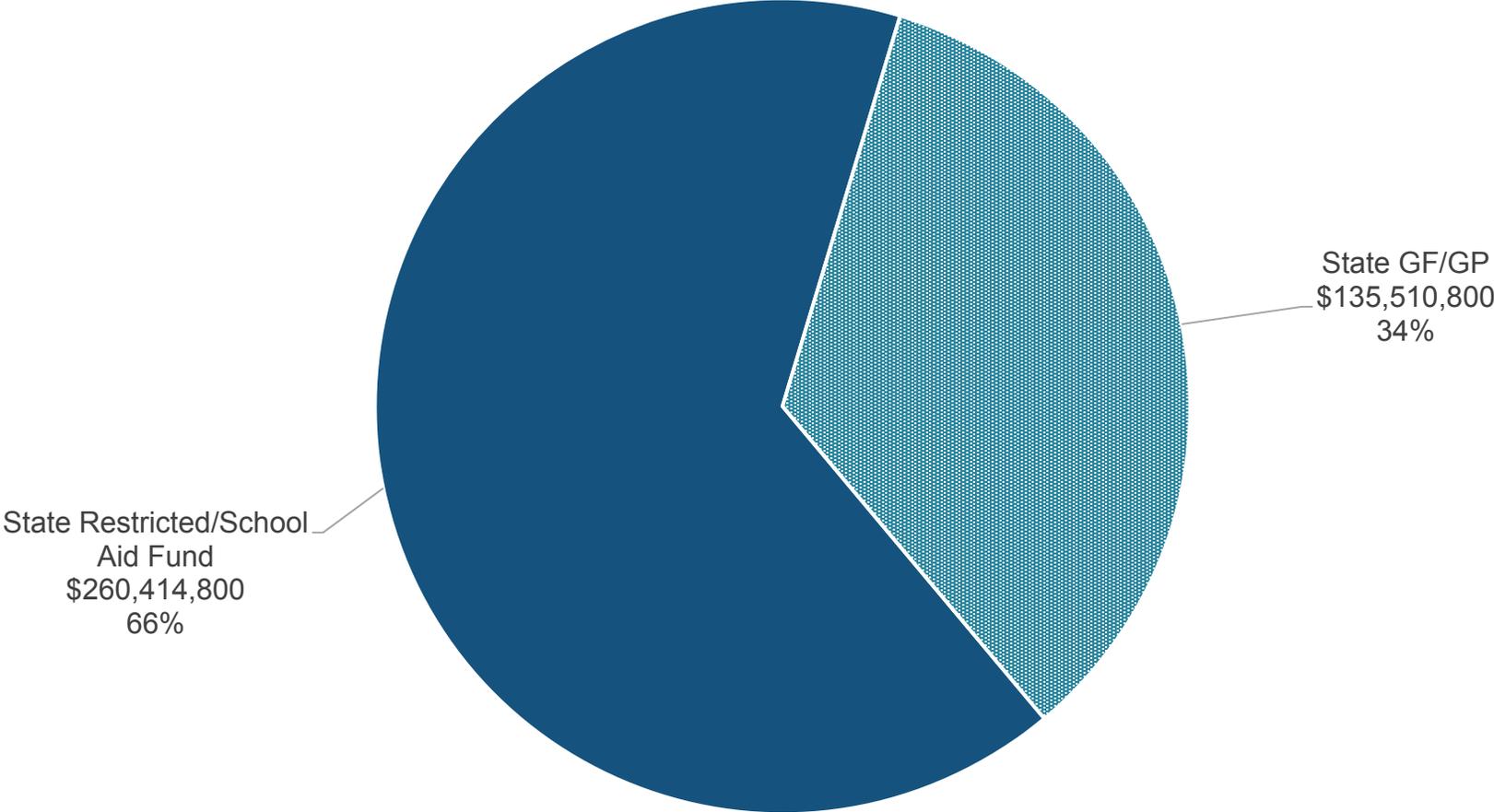
Funding Sources

FY 2016-17 Community Colleges Budget

Fund Source	Funding	Description
Gross Appropriations	\$395,925,600	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	0	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	\$395,925,600	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	0	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	0	Revenue received from local units of government for state services
Private Revenue	0	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	260,414,800	State revenue restricted by the State Constitution, state statute, or outside restriction that is available only for specified purposes; includes most fee revenue
State General Fund/General Purpose (GF/GP) Revenue	\$135,510,800	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the Legislature

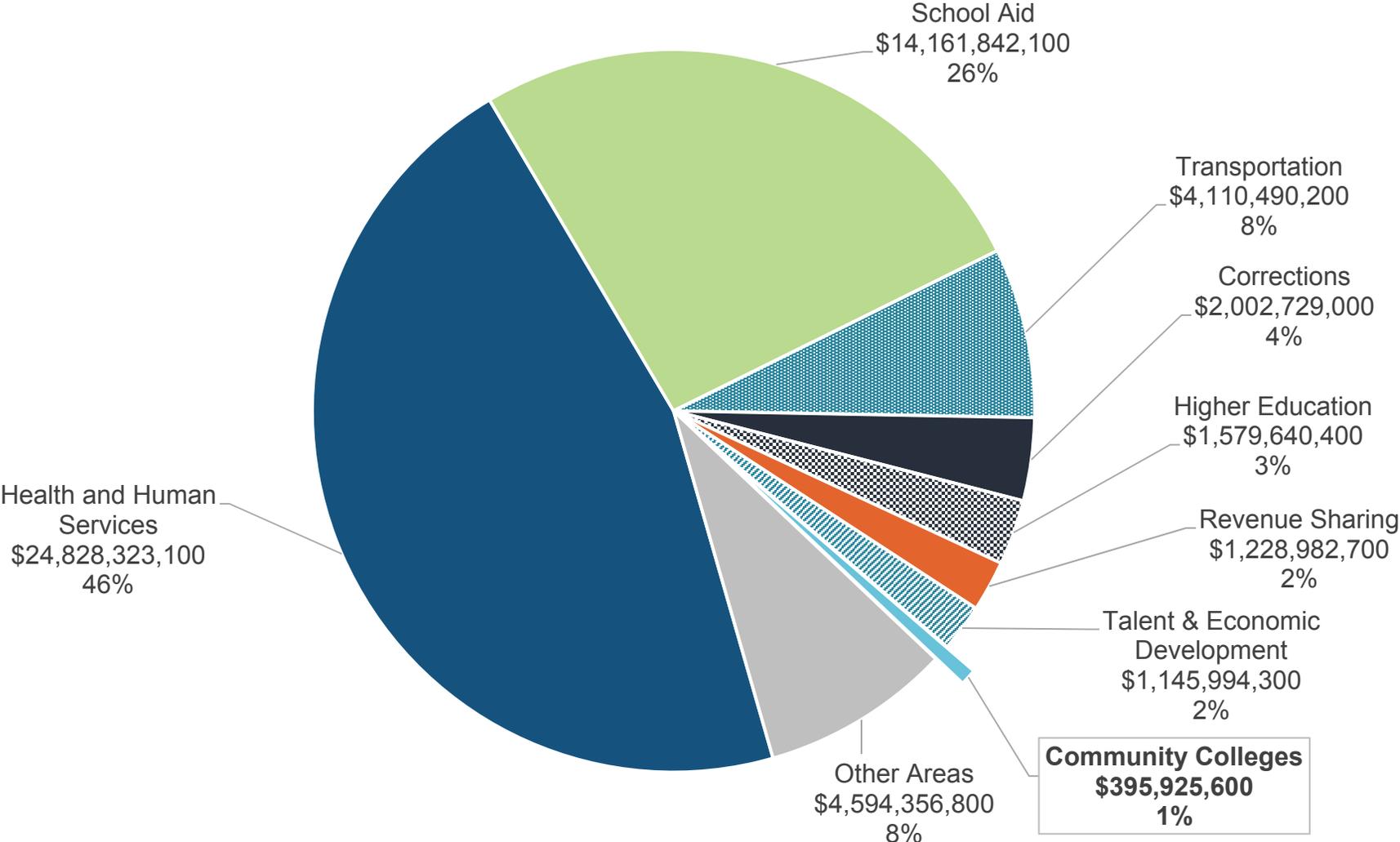
FY 2016-17 Fund Sources

Two-thirds of the **\$395.9 million** Community Colleges budget is funded by state restricted revenue, entirely consisting of School Aid Fund (SAF) revenue.



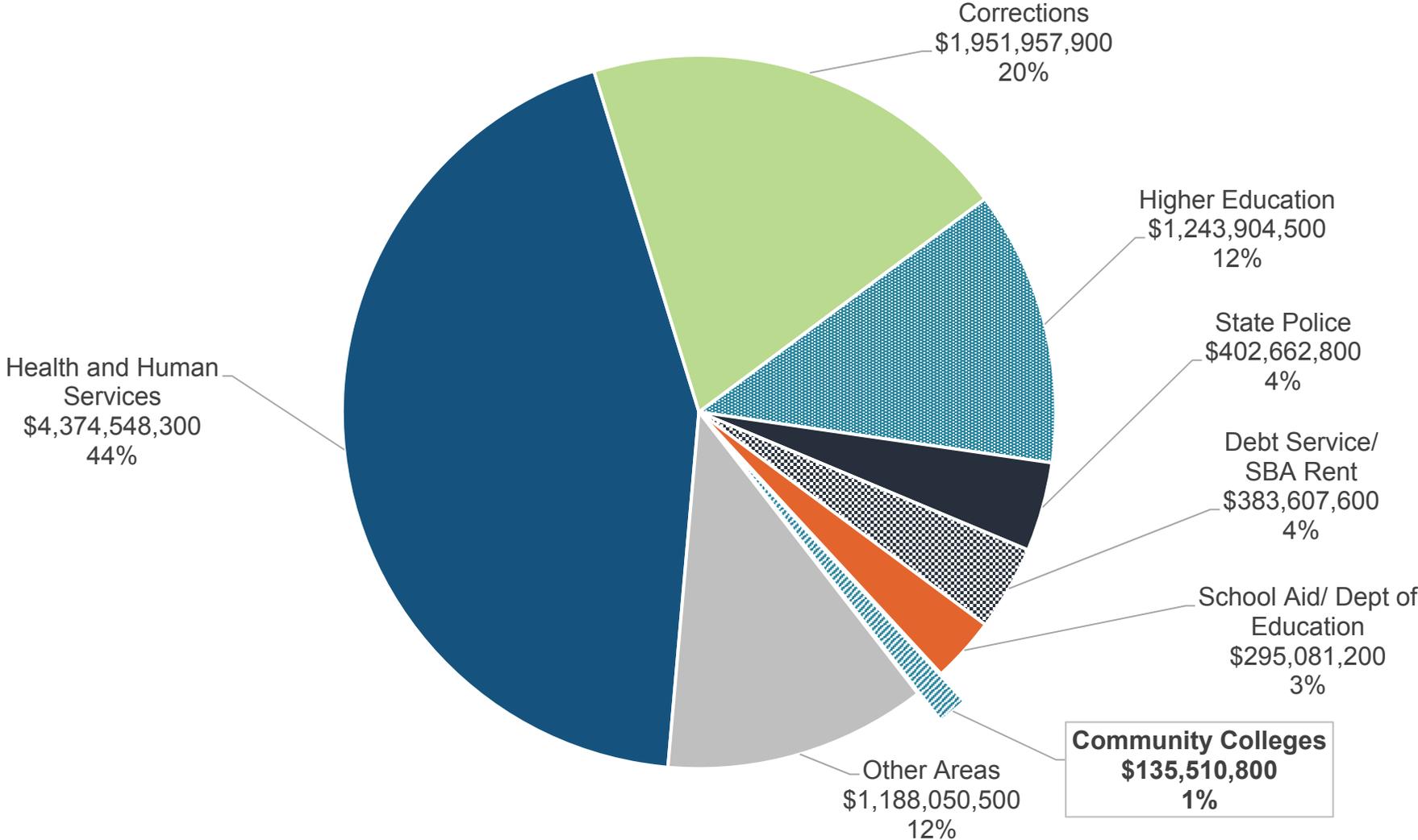
Community Colleges Share of Total State Budget

The Community Colleges budget represents 1% of the **\$54.0 billion** state budget (adjusted gross) for FY 2016-17.



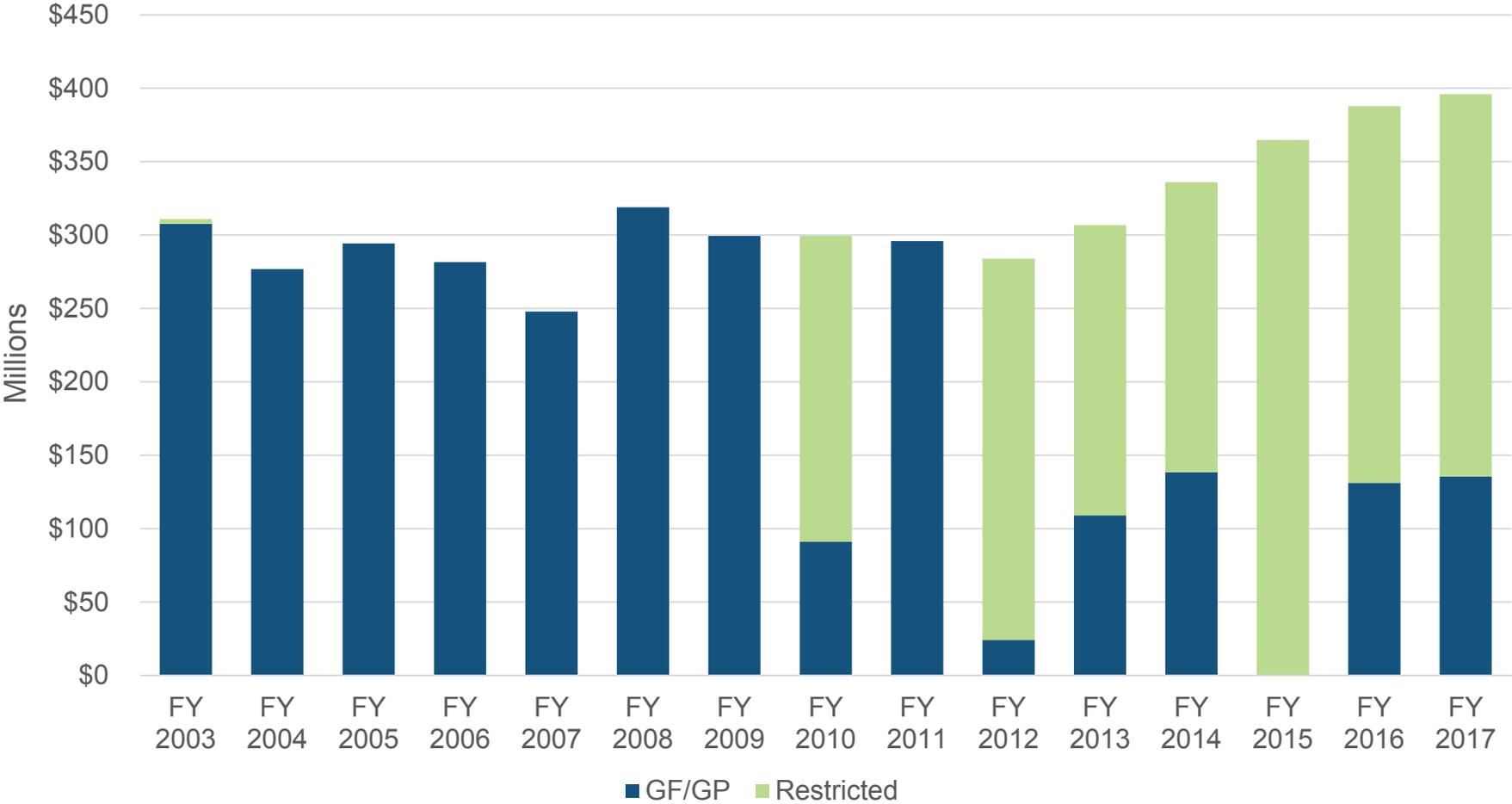
Community Colleges Share of Total GF/GP Budget

The Community Colleges budget represents about 2% of the state's \$10.0 billion GF/GP budget for FY 2016-17.



Community Colleges Funding History

Historically, community colleges have been funded entirely with state GF/GP revenues. Recent budgets have been funded mostly with School Aid Fund (SAF) revenue, with the FY 2014-15 budget entirely funded with SAF. Increases since FY 2011-12 are largely the result of funding the state’s share of retirement contributions.



Appropriation Areas

Community Colleges Appropriation Areas

Operations Grants: Funding for community colleges' operational costs, distributed according to a performance formula.

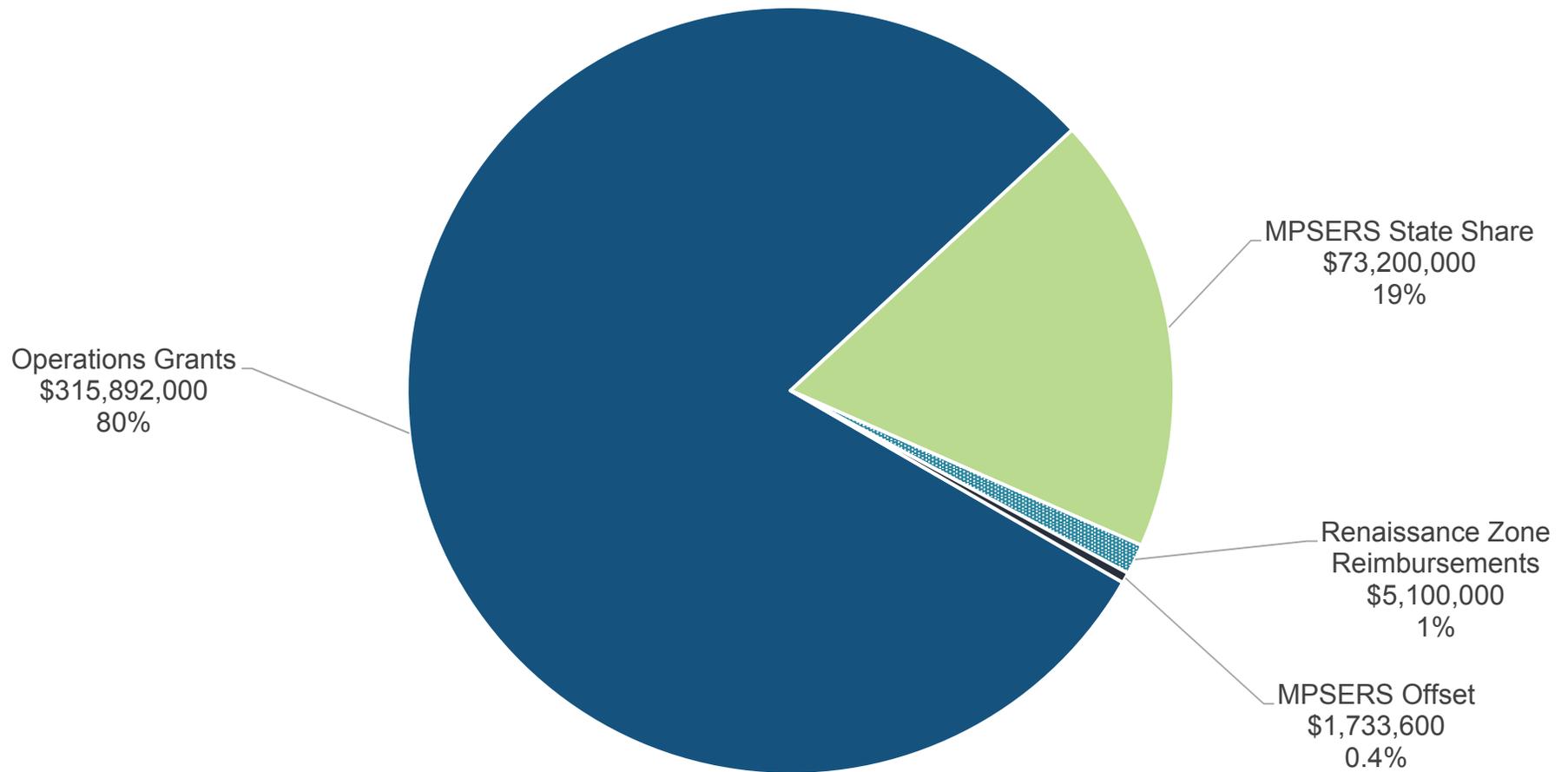
MPSERS State Share: Funding to pay for the state's share of colleges' unfunded liability to the Michigan Public School Employees' Retirement System (MPSERS). The state share is the difference between the contribution rate needed to meet the MPSERS unfunded actuarial accrued liability and the employer contribution cap of 20.96% of payroll. Amounts allocated by proportion to its percentage of total covered payroll in the immediately preceding fiscal year.

MPSERS Offset: Funding to offset a portion of the contributions owed to MPSERS by community colleges. Amounts allocated by the proportion to its percentage of total covered payroll in the immediately preceding fiscal year.

Renaissance Zone Reimbursements: Replacement of property tax revenue lost in the prior fiscal year due to the creation of a Renaissance Zone property tax exemption within a community college's district.

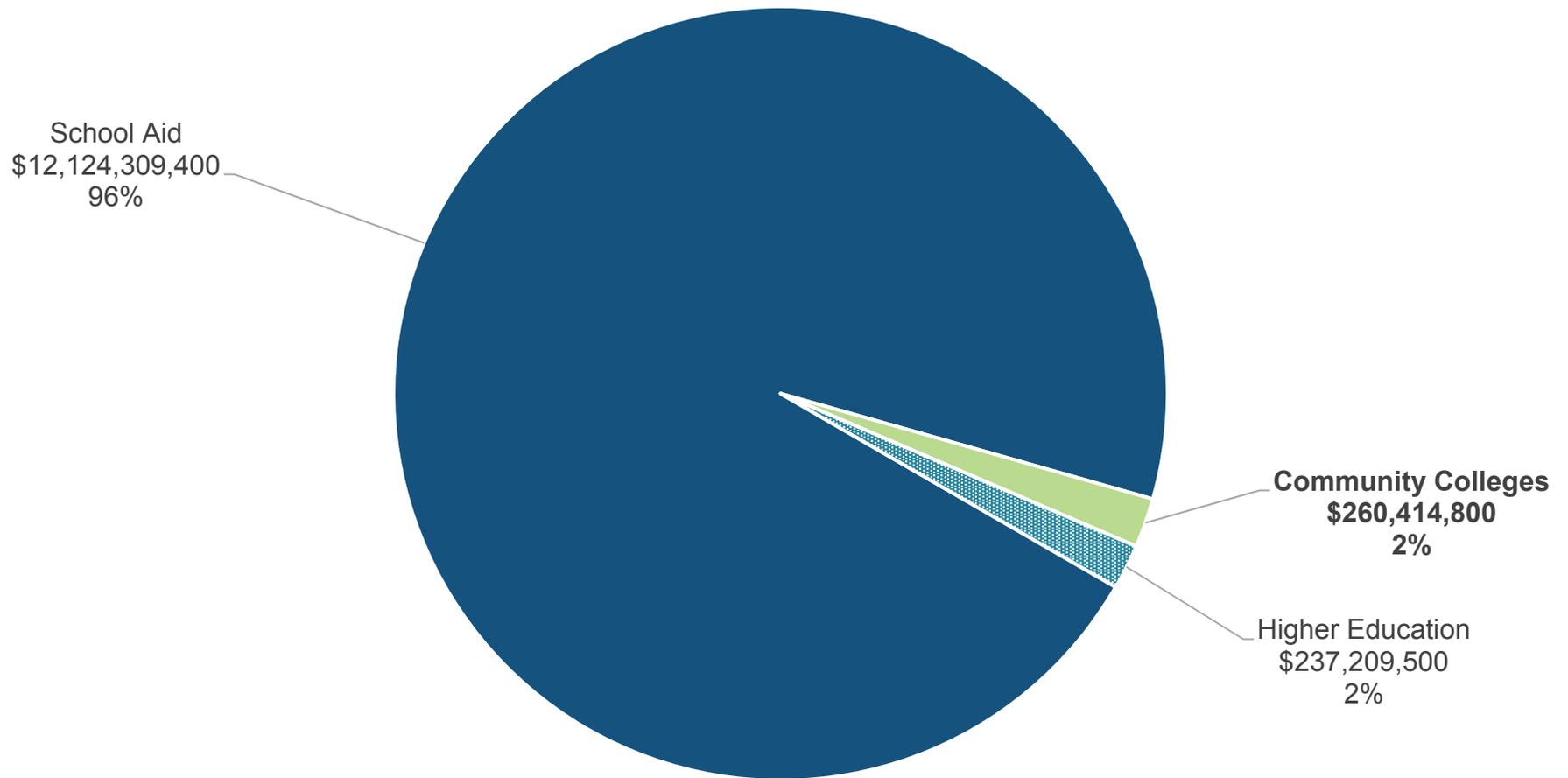
FY 2016-17 Gross Appropriations

About four-fifths of the **\$395.9 million** Community Colleges budget supports operations grants to all 28 community colleges, funded with a majority of School Aid Fund revenues.



FY 2016-17 School Aid Fund Appropriations

Community Colleges receive 2% of the School Aid Fund (SAF) revenues, which total **\$12.6 billion**.



Major Budget Topics

Operations Grants: Performance Indicators Formula

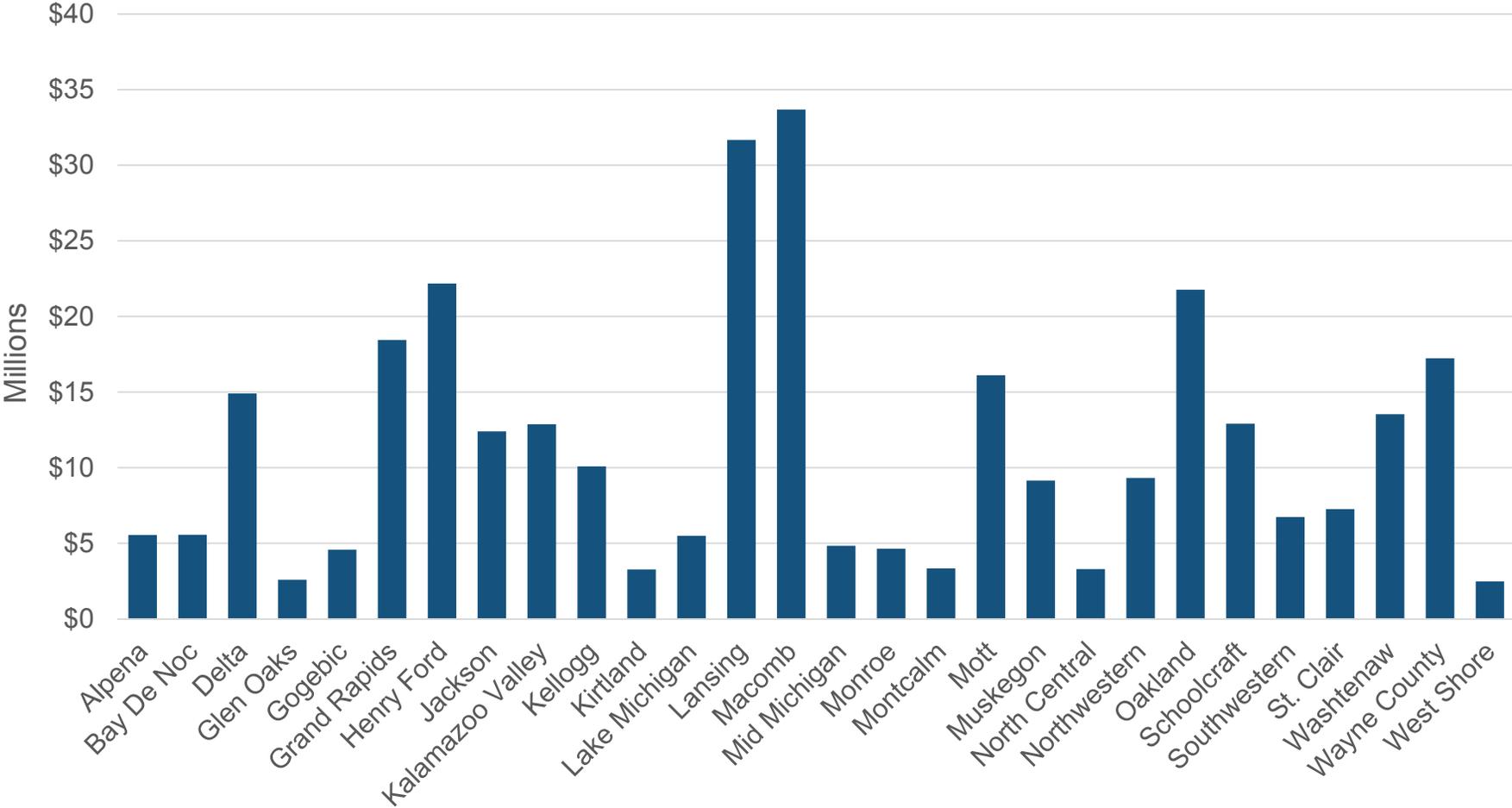
- Most of the community college budget acts since FY 2006-07 have included formulas that utilized performance indicators to allocate budgetary increases or decreases from the prior year.
- The FY 2016-17 formula is based on the recommendations made from the FY 2015-16 Performance Indicators Task Force.
- The FY 2016-17 formula allocates a \$4,400,000 increase to community college operations grants as follows:
 - 30% based on an across-the-board adjustment.
 - 30% based on contact hour equated students, weighted for health & tech 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 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 community 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 community colleges in proportion to the colleges' prior-year appropriations.
- All 28 community colleges qualified for their FY 2015-16 local strategic value payments.

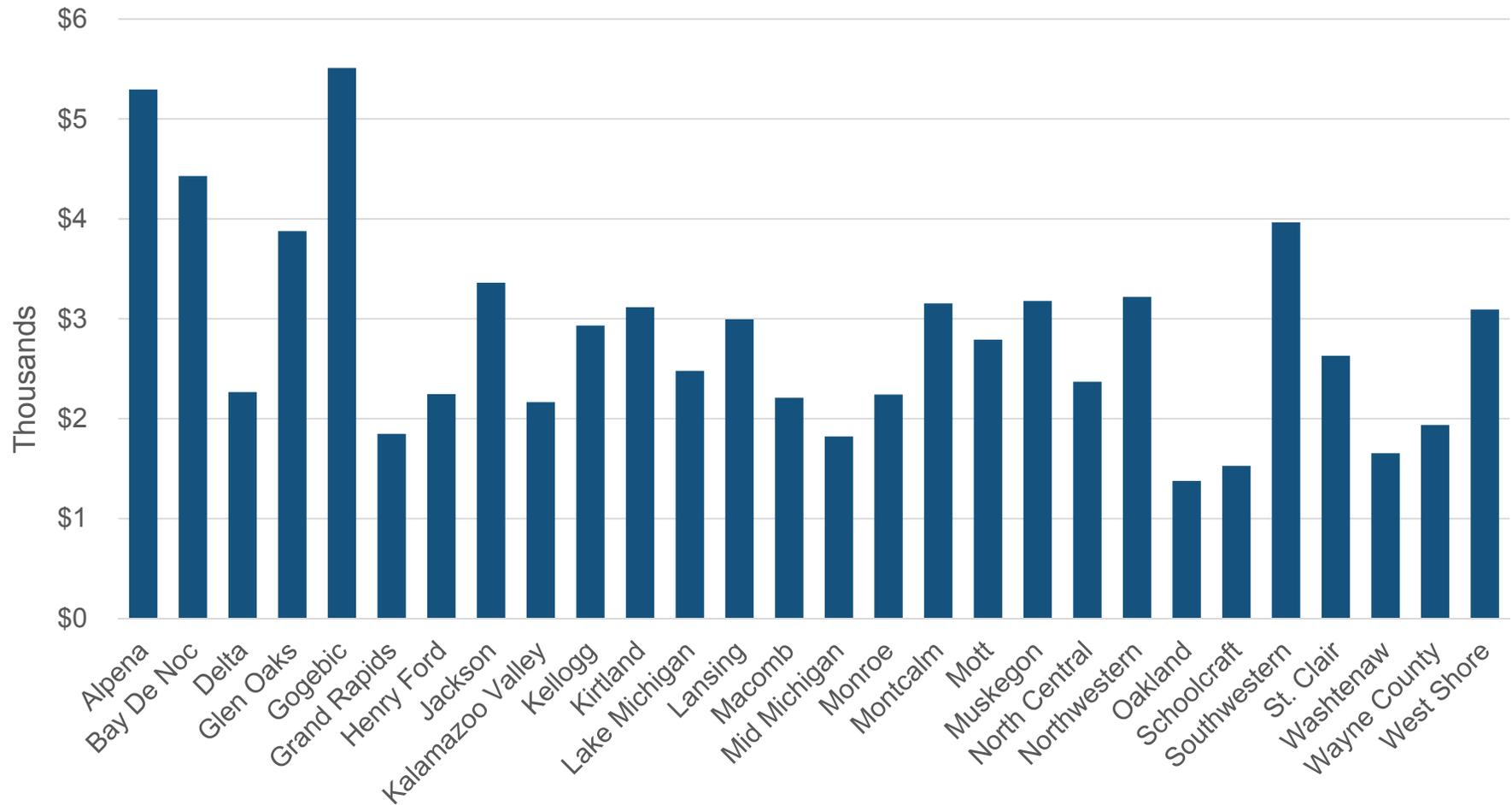
Community Colleges Operations Grants

Funding for operations grants for FY 2016-17 equals **\$315.9 million**, which was a \$4.4 million, or 1.4% increase, over FY 2015-16.



State Aid to Community Colleges Per Fiscal Year Equated Student (FYES)

FY 2014-15 Average State Aid Revenue: **\$2,846 per FYES**. One FYES is the equivalent of one student with one full year of instruction (31 semester credit hours).



Based on most recent data (FY 2014-15) from the Activity Classification Structure (ACS)

Average State Aid Revenue Per FYES

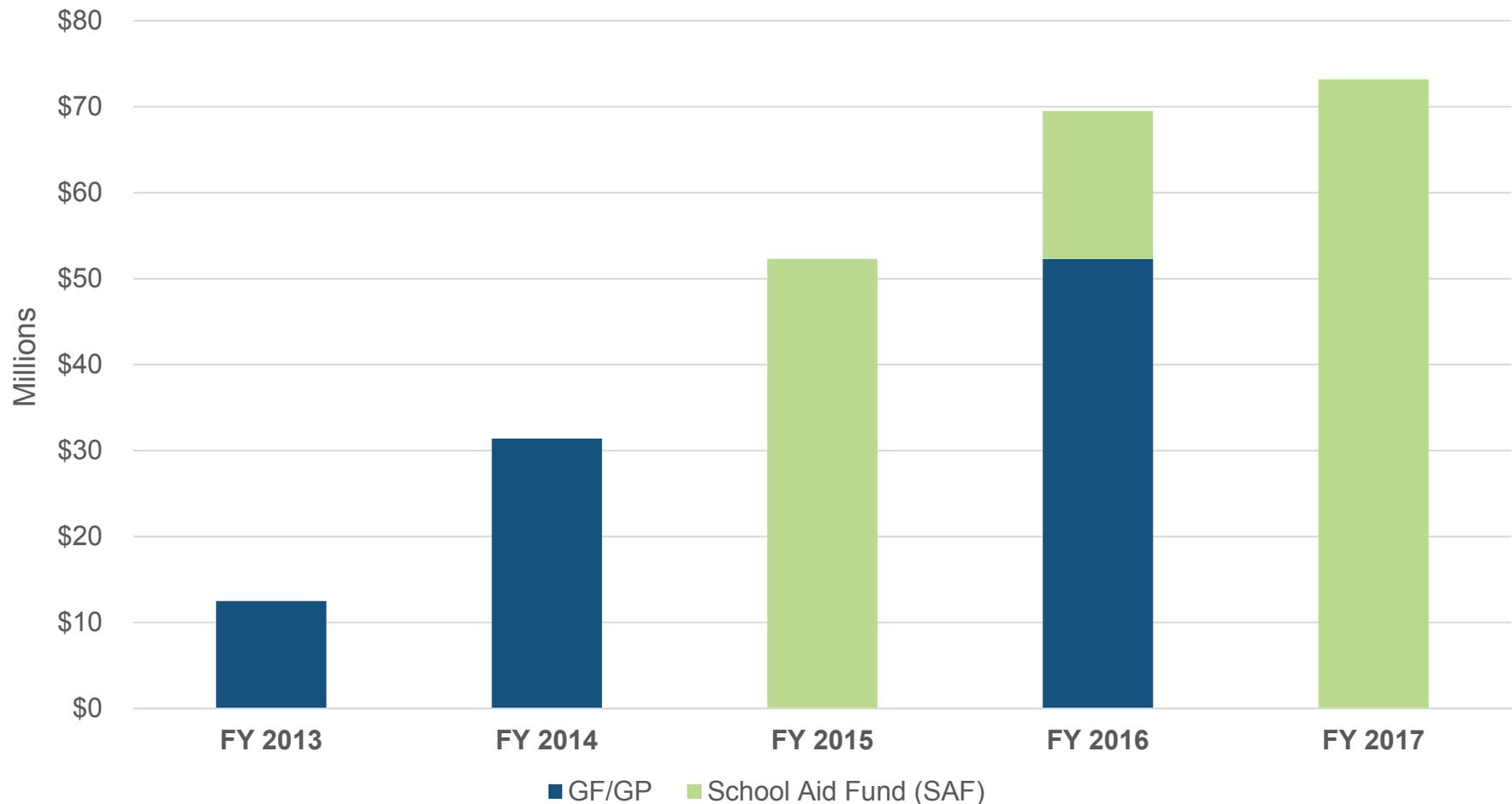
The average community college's state aid per FYES peaked in FY 2000-01 at \$3,350. The drop from FY 2000-01 is mainly driven by increases in community college enrollment figures.



Based on most recent data (FY 2014-15) from the Activity Classification Structure (ACS)

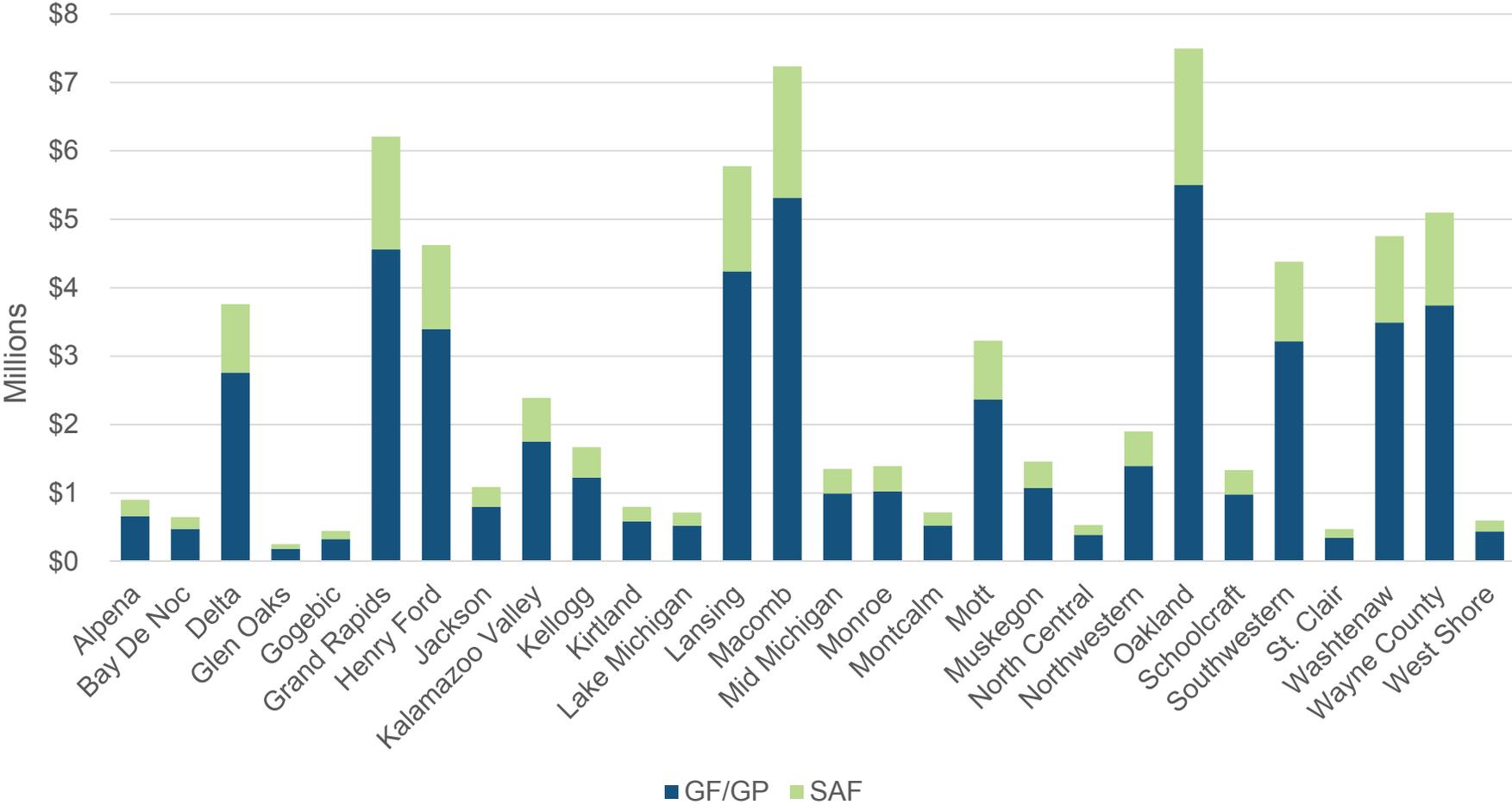
Community Colleges' Unfunded MPERS Liabilities - State Share

The FY 2012-13 budget began using GF/GP revenues to fill the increasing gap between the cost to meet actuarial needs and the statutory cap on employer contributions for unfunded MPERS liabilities, set at 20.96% of covered payroll as defined by 2012 PA 300. School Aid Fund revenue has been increasingly used in recent budgets.



FY 2016-17 MPSERS Allocations

\$69.5 million (\$52.3 million GF/GP, \$17.2 million SAF) is allocated in FY 2015-16 for the state share of MPSERS unfunded accrued liabilities, while an additional \$1.7 million SAF is provided to offset a portion of community college MPSERS costs.



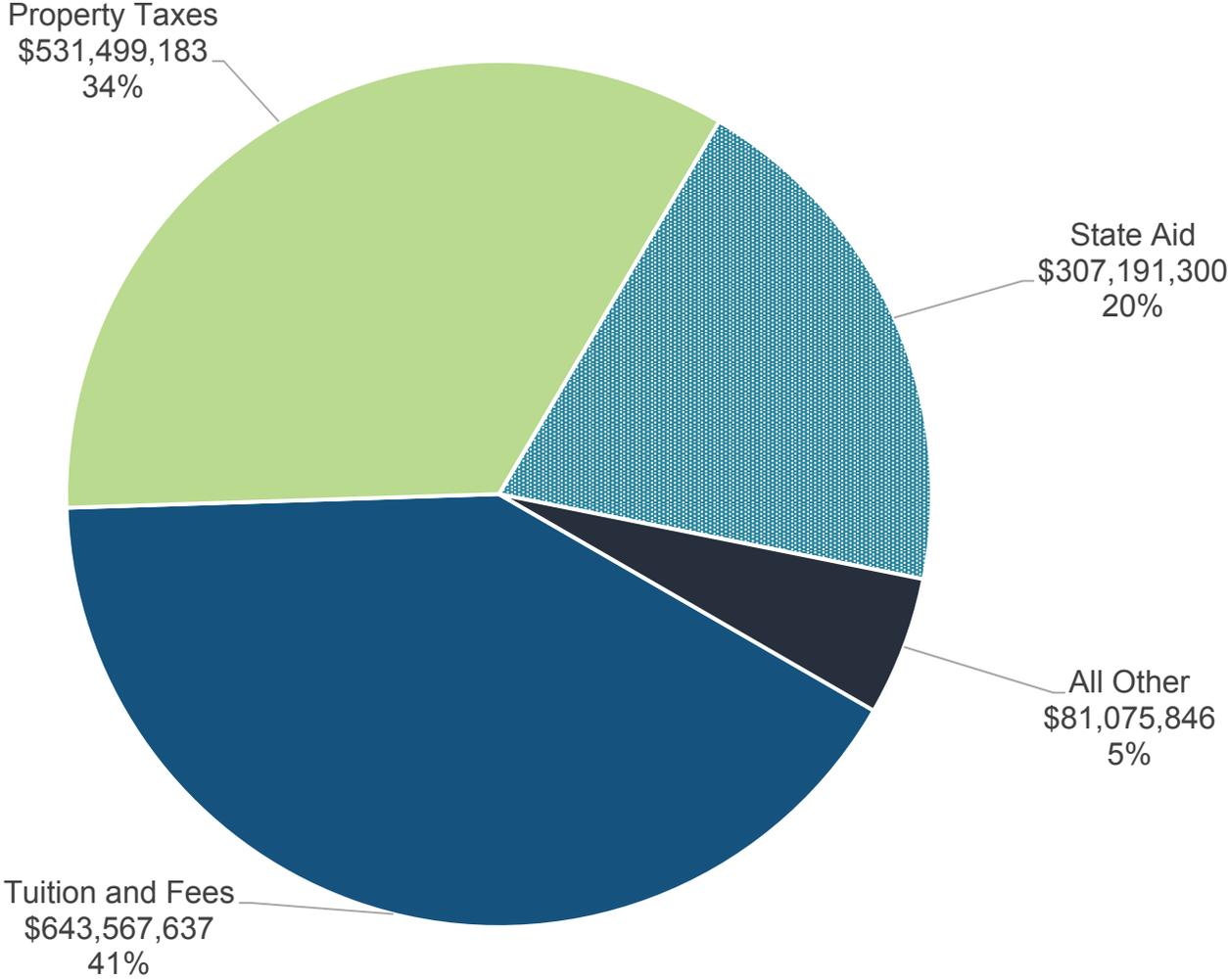
Community College Revenues

Community College Revenues

- Community colleges rely on three main sources for the vast majority of revenue:
 - State aid
 - Tuition and fees
 - Property taxes
- Community colleges may have smaller additional sources of revenue, such as donations or grants.

Community College Operating Fund Revenue – Statewide Totals

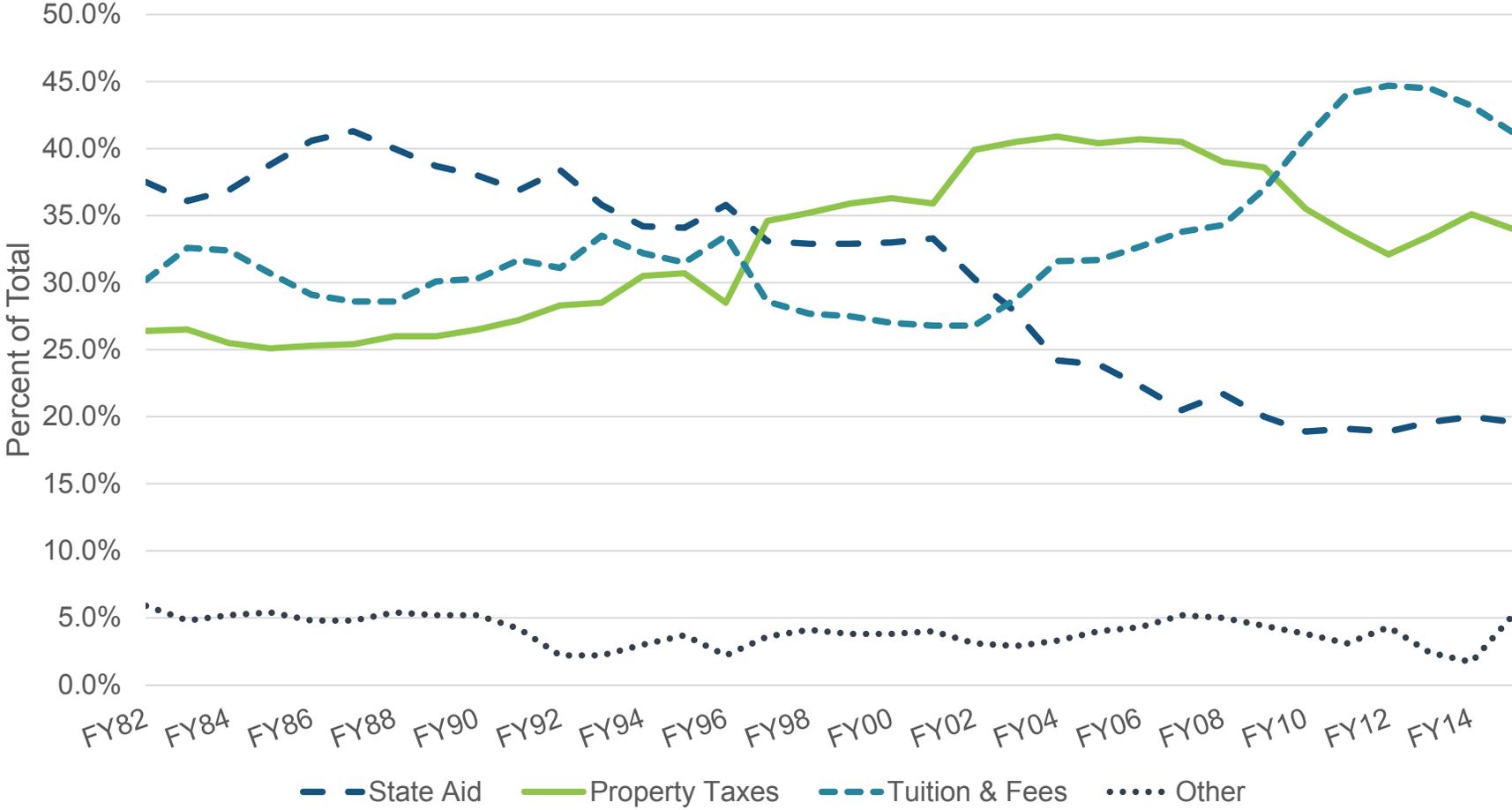
Community colleges receive the largest portion of revenue from tuition and fees. The **FY 2014-15** total revenue for all 28 community colleges: **\$1,563,333,966**



Based on most recent data (FY 2014-15) from the Activity Classification Structure (ACS)

Community College Revenue Sources

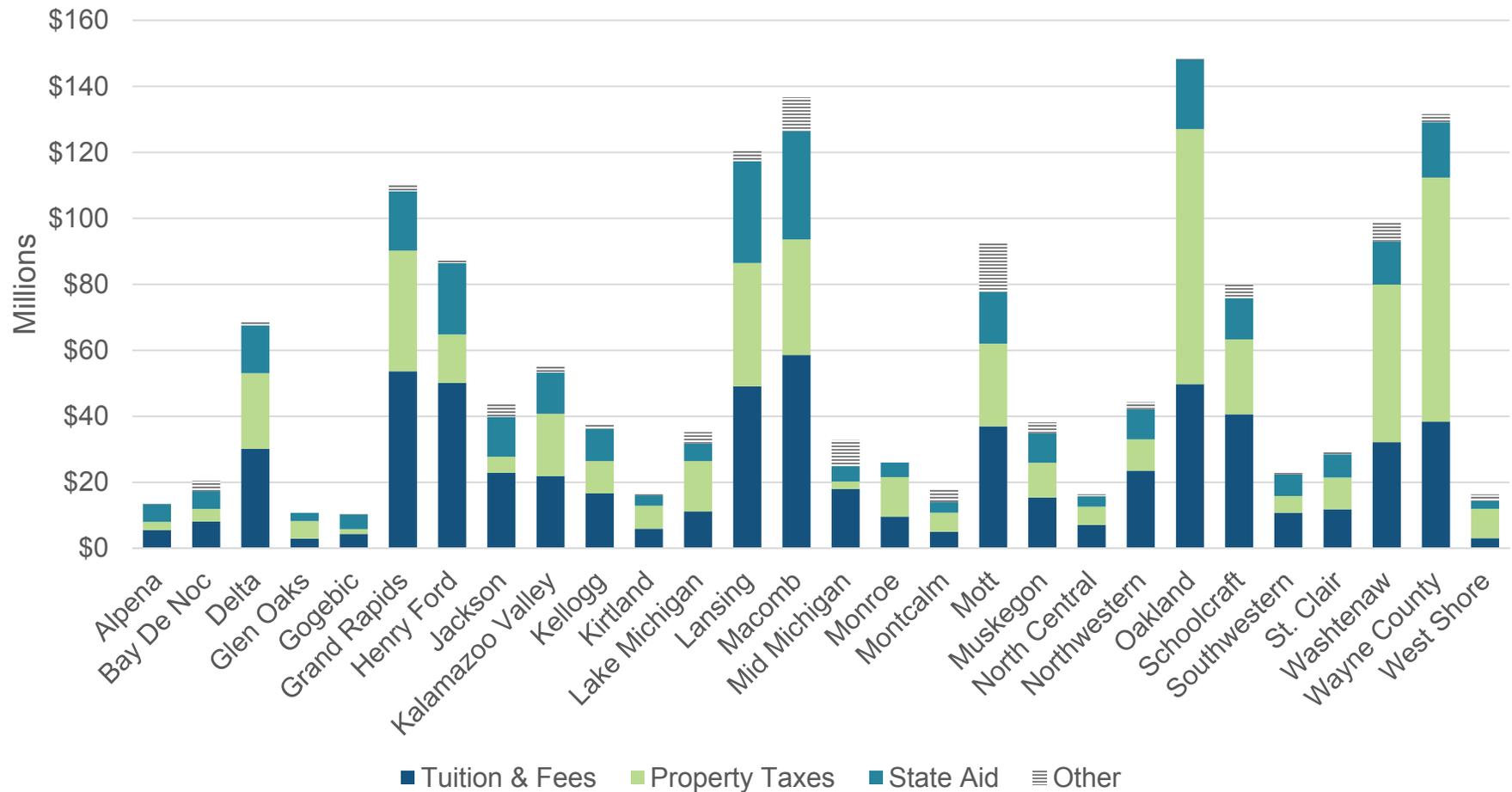
Recent years have seen the proportion of community college revenues deriving from tuition and fees increase while the proportions from state aid and property taxes have diminished. This is largely due to tuition and enrollment growing faster than state aid allocations, which have held relatively steady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



Based on most recent data (FY 2014-15) from the Activity Classification Structure (ACS)

FY 2014-15 Community College Operating Revenue Funds by Source

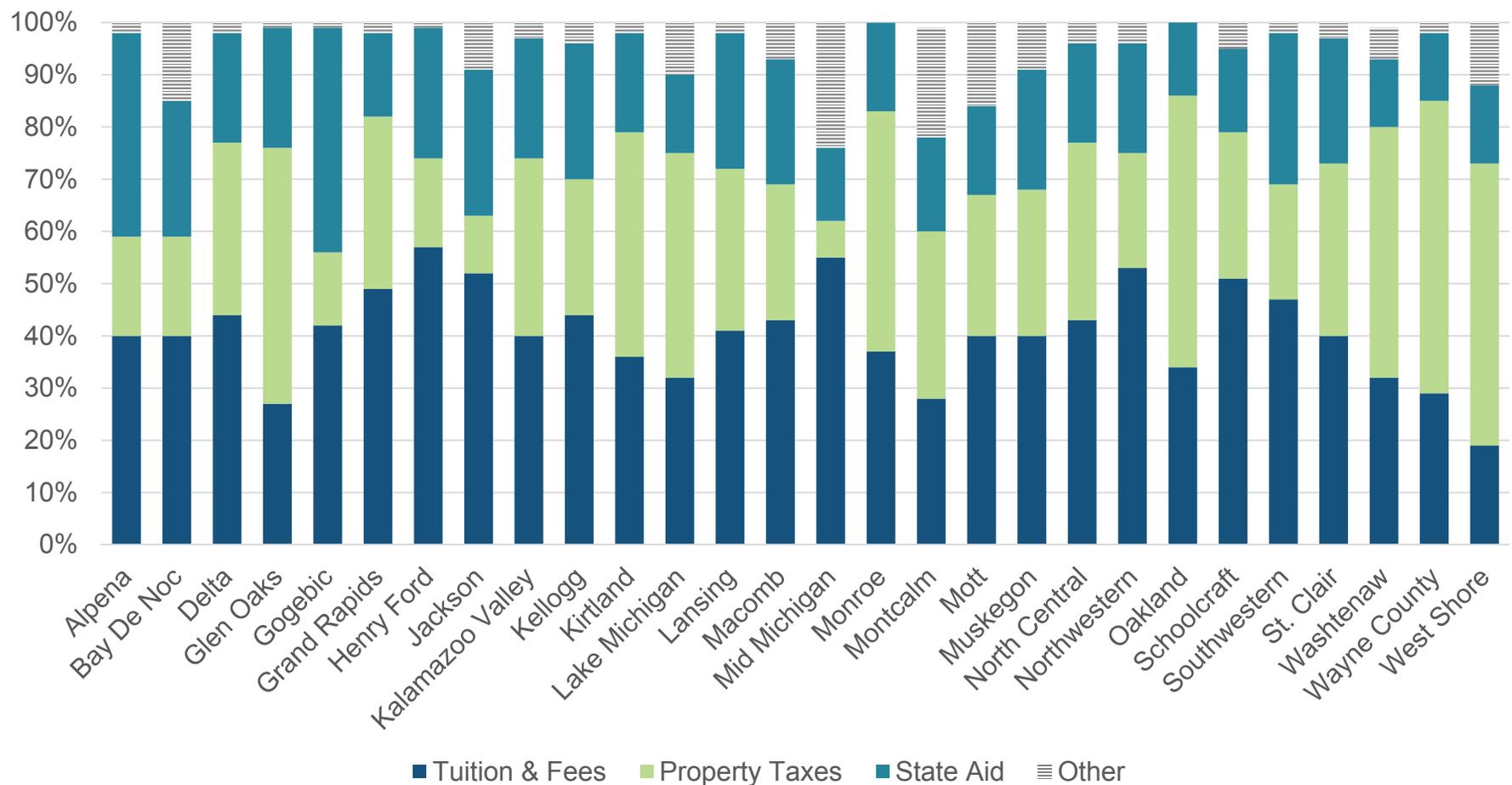
Community college operating budgets vary considerably. Wayne County, Macomb, and Oakland Community Colleges feature the largest operating revenue fund budgets.



Based on most recent data (FY 2014-15) from the Activity Classification Structure (ACS)

FY 2014-15 Fund Sources as % of Each College's Total Operating Revenue Funds

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

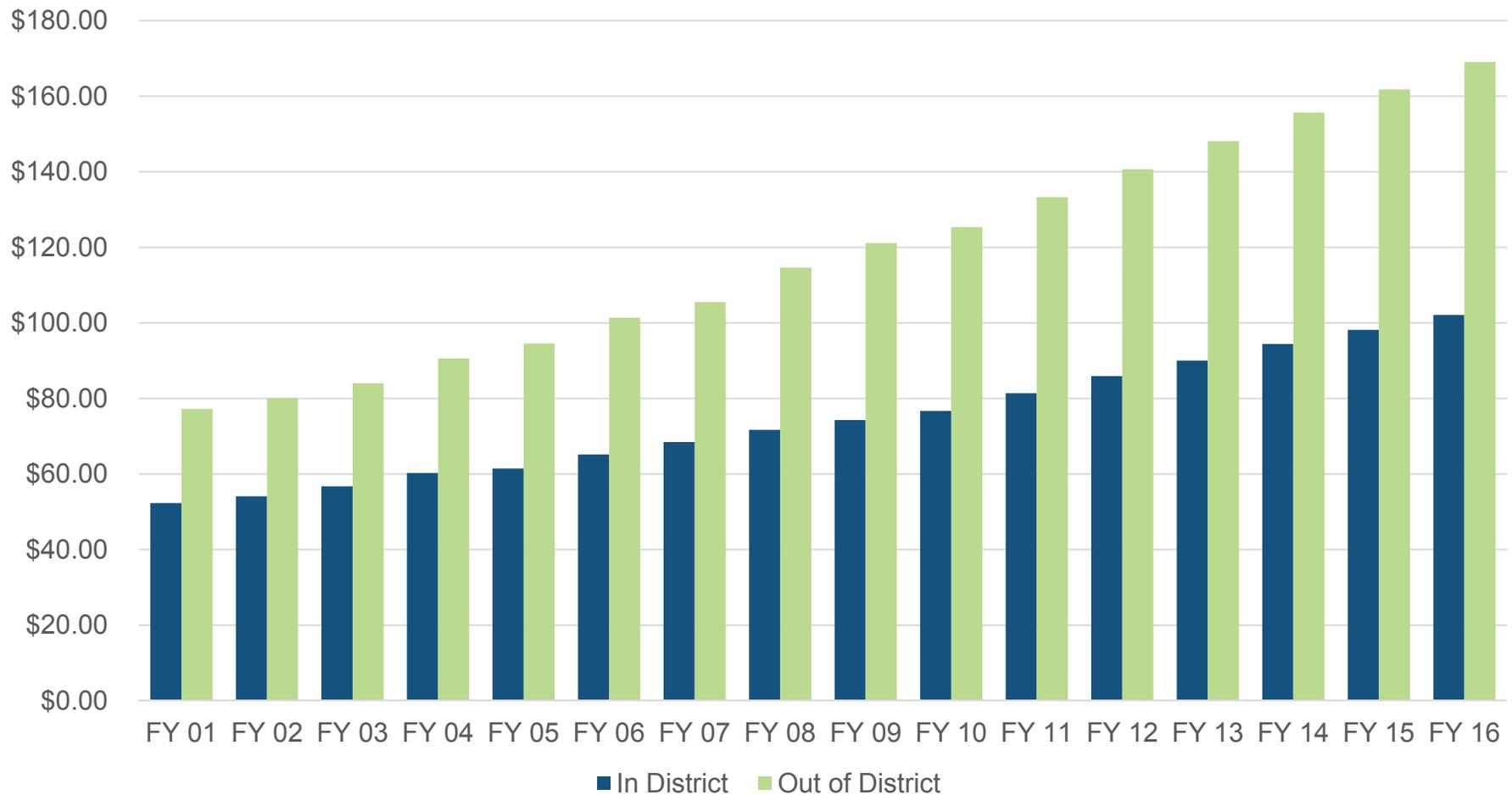


Based on most recent data (FY 2014-15) from the Activity Classification Structure (ACS)

Tuition Rate History

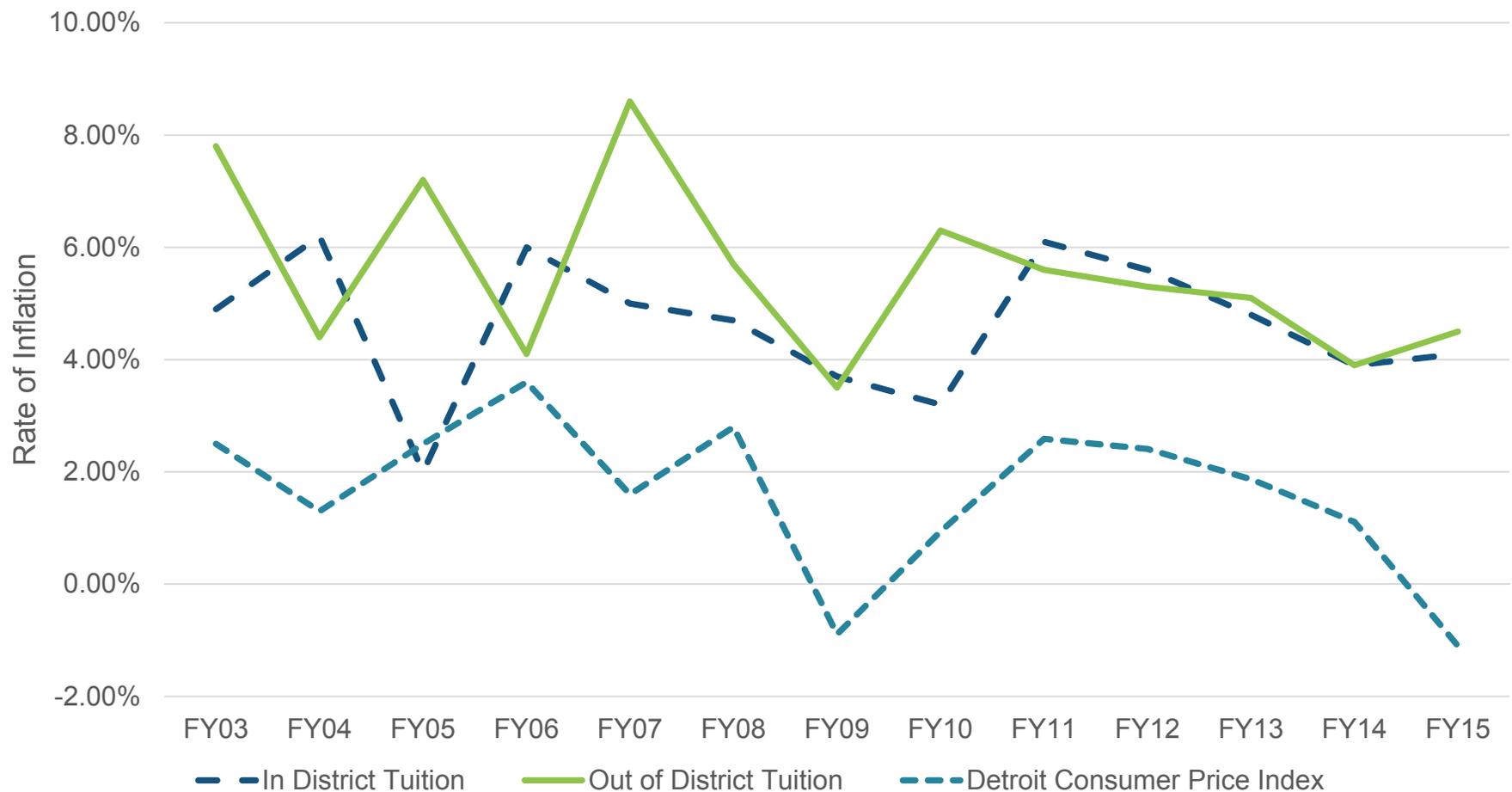
Average Cost Per Credit or Contact Hour

While both in-district and out-of-district tuition rates have risen steadily in recent years, out-of-district rates have increased more sharply, growing by 118% since FY 2000-01.



Tuition Increases Compared to Inflation

While generally following inflationary trends, both in-district and out-of-district tuition increases have been higher than inflation rates over that last decade.



Community College Expenditures

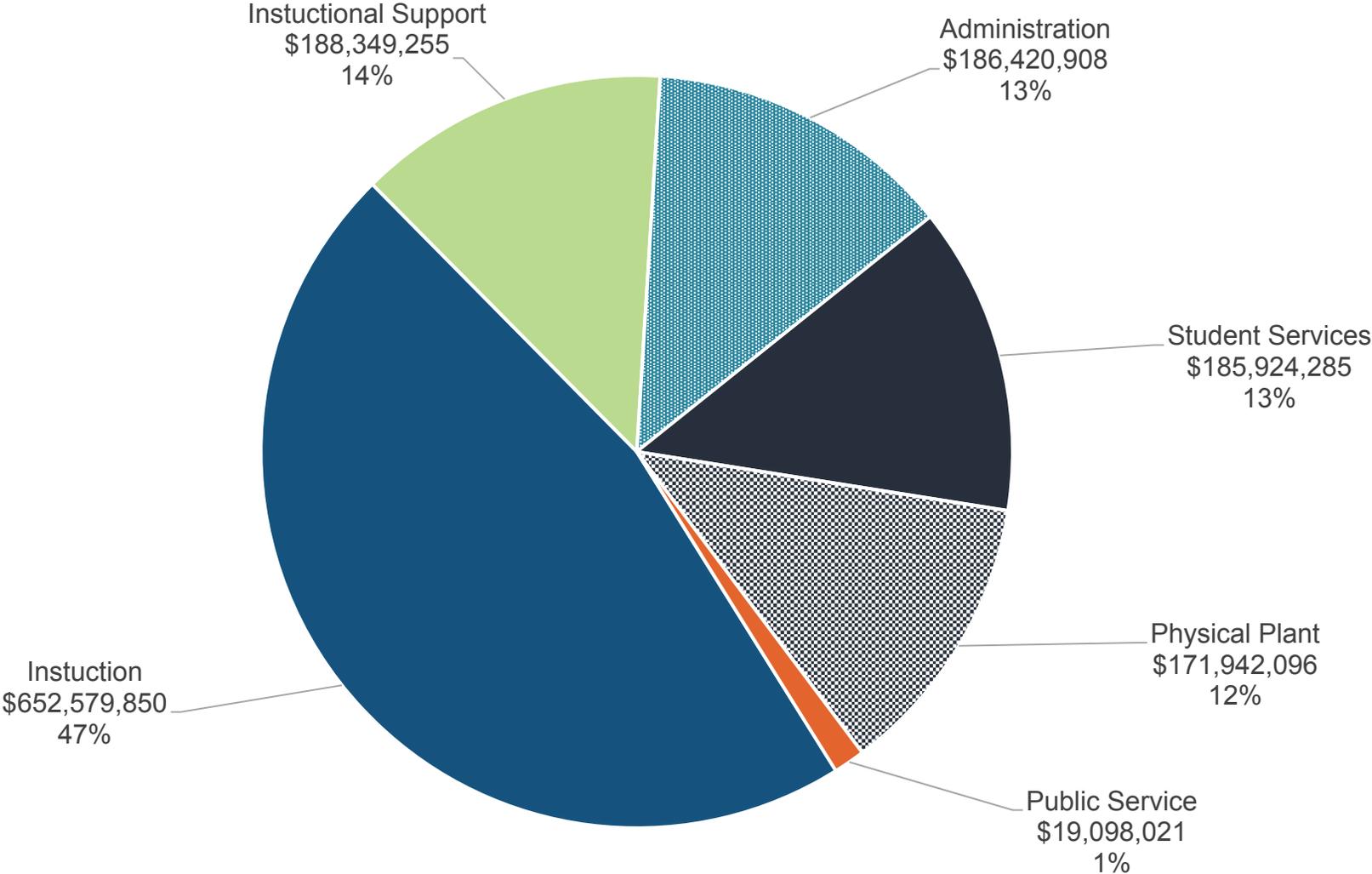
Operational Expenditures

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, non-capital equipment, special licenses or fees for curriculum
- **Public Service:** Community use of college facilities for meetings, events and recreation, as well as college TV and radio stations
- **Instructional Support:** Library and media services, professional development, and 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

Community College Operating Fund Expenditures – Statewide Totals

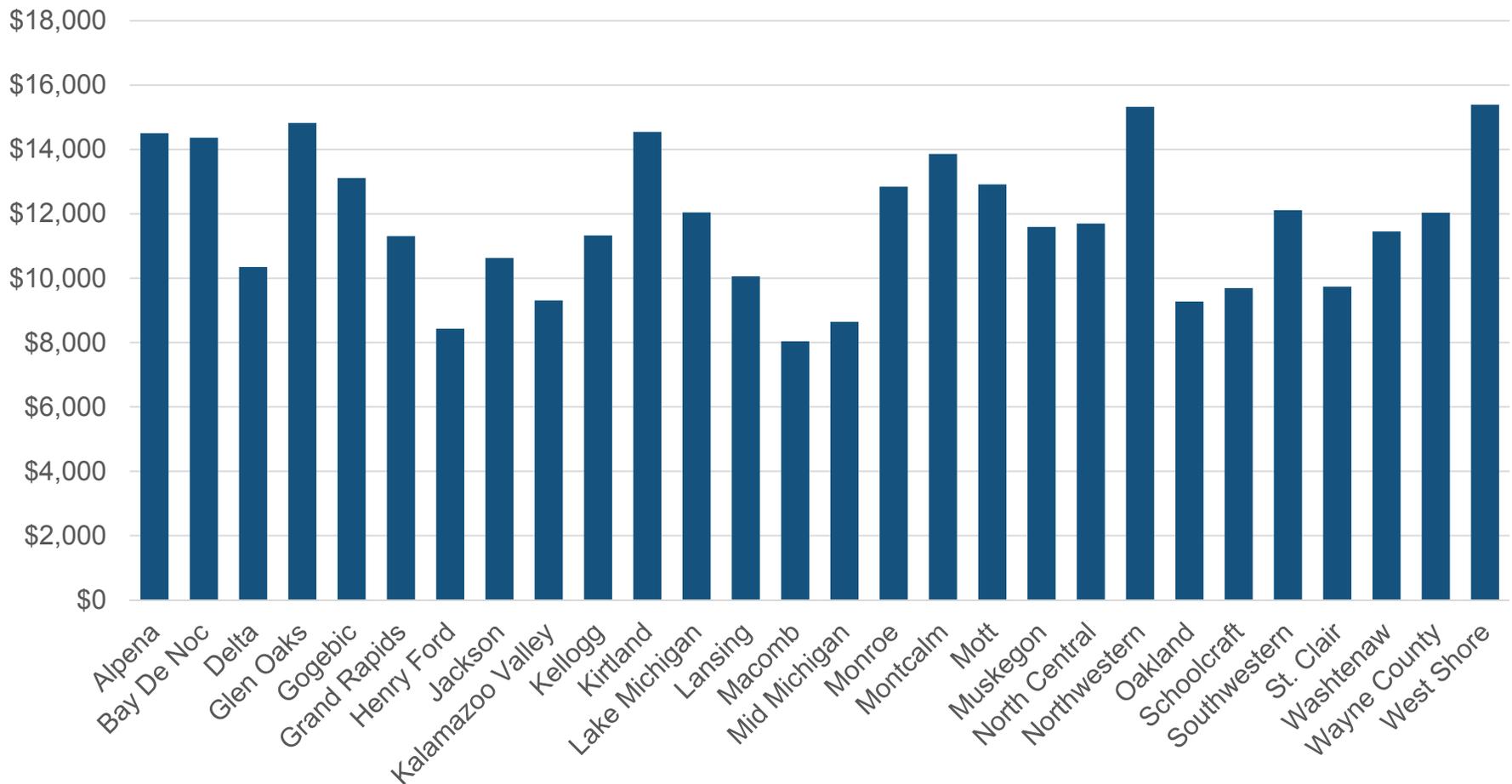
Nearly half of community college expenditures statewide are for instruction.
The **FY 2014-15** total expenses for all 28 community colleges: **\$1,404,314,415**



Based on most recent data (FY 2014-15) from the Activity Classification Structure (ACS)

FY 2014-15 Community College Operating Fund Expenditures per FYES

Smaller community colleges generally have higher expenditures per Fiscal Year Equated Student (FYES).



Based on most recent data (FY 2014-15) from the Activity Classification Structure (ACS)

Community College Enrollment Data

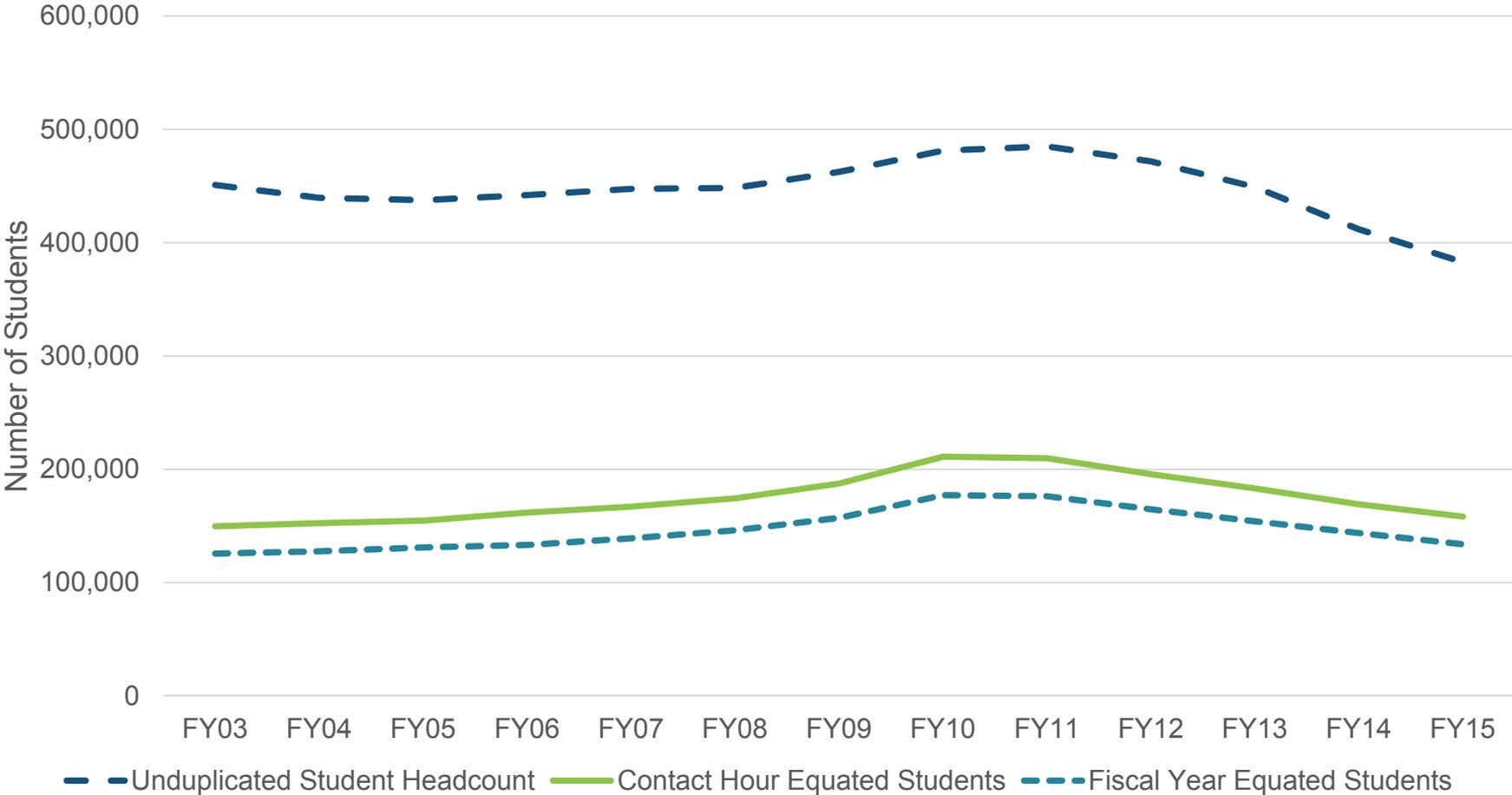
Enrollment Definitions

For the purposes of reporting data to the state, Michigan community college enrollment figures use the following categories:

- **Unduplicated Student Headcount:** The total number of students that have enrolled in at least one community college 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 Student (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.

Community College Enrollment History

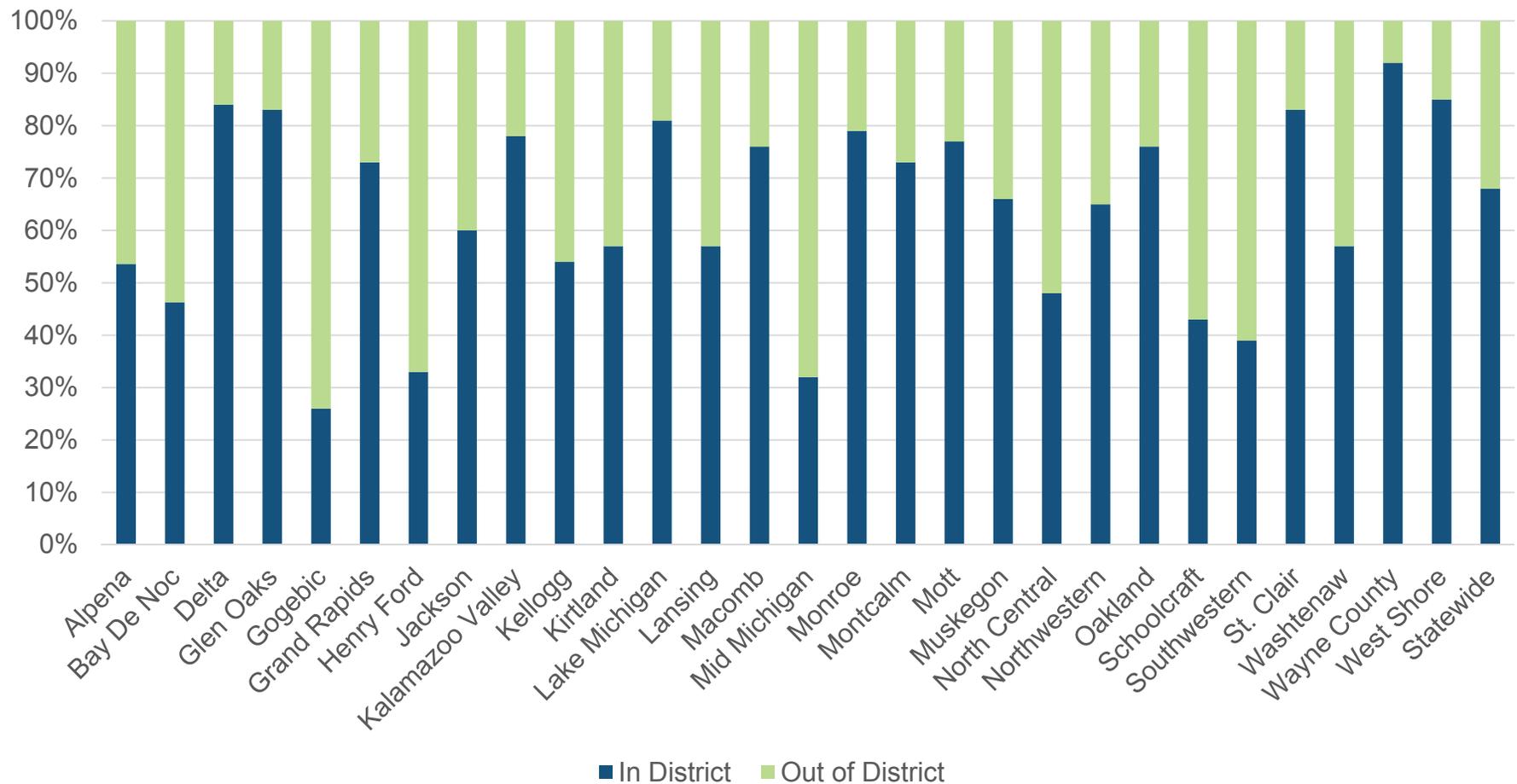
Unduplicated student headcounts are significantly higher but have experienced trends similar to FYES and CHES enrollment numbers.



Based on most recent data (FY 2014-15) from the Activity Classification Structure (ACS)

FY 2014-15 In-District Versus Out-of-District Student Comparison

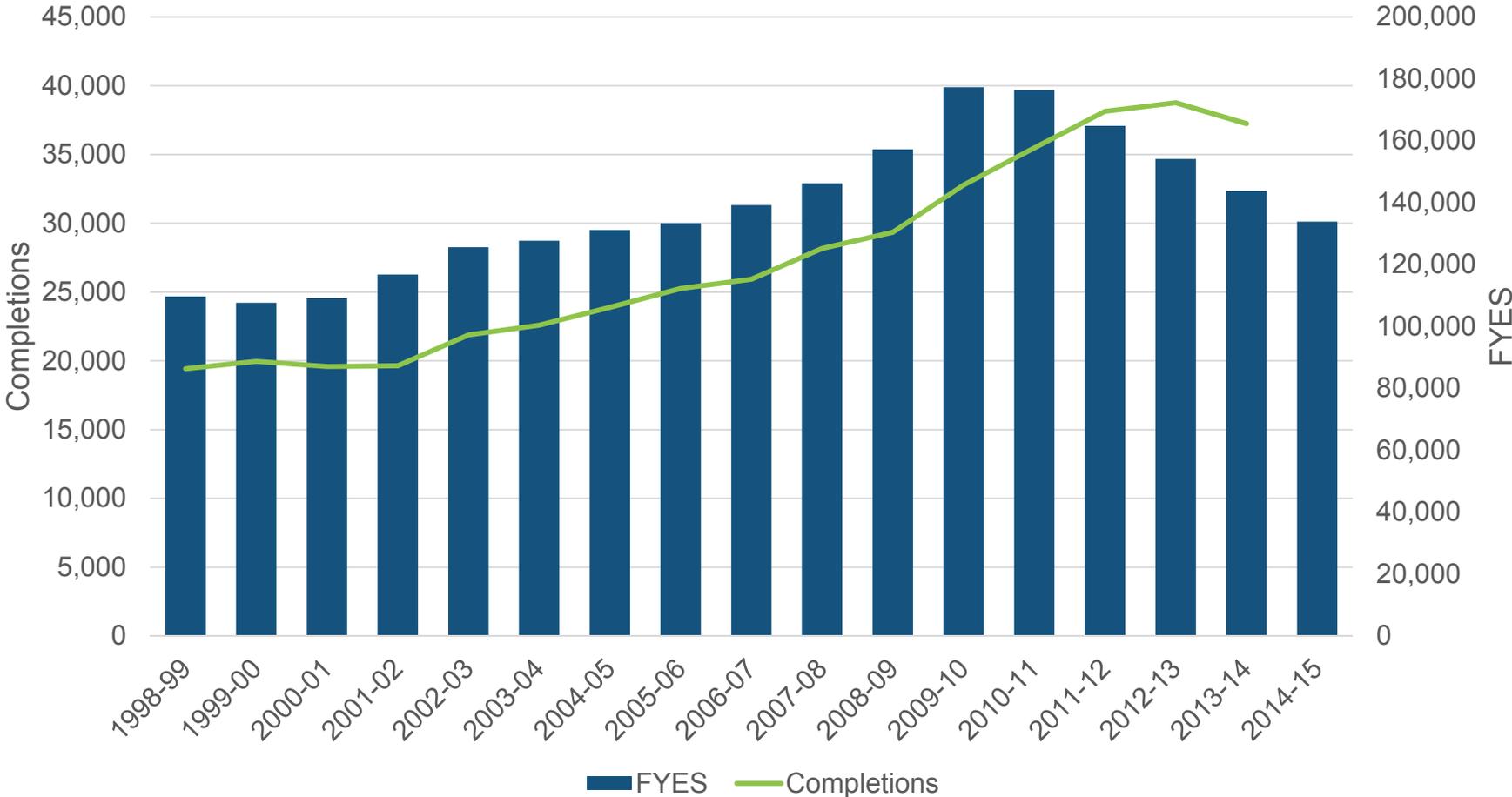
Community colleges can vary greatly on the percentage of in-district versus out-of-district students served. Wayne County Community College has the highest percentage of in-district students (92%), while Gogebic Community College has the lowest (26%). The statewide in-district average is 68%.



Based on most recent data (FY 2014-15) from the Activity Classification Structure (ACS)

Degree and Certificate Completions

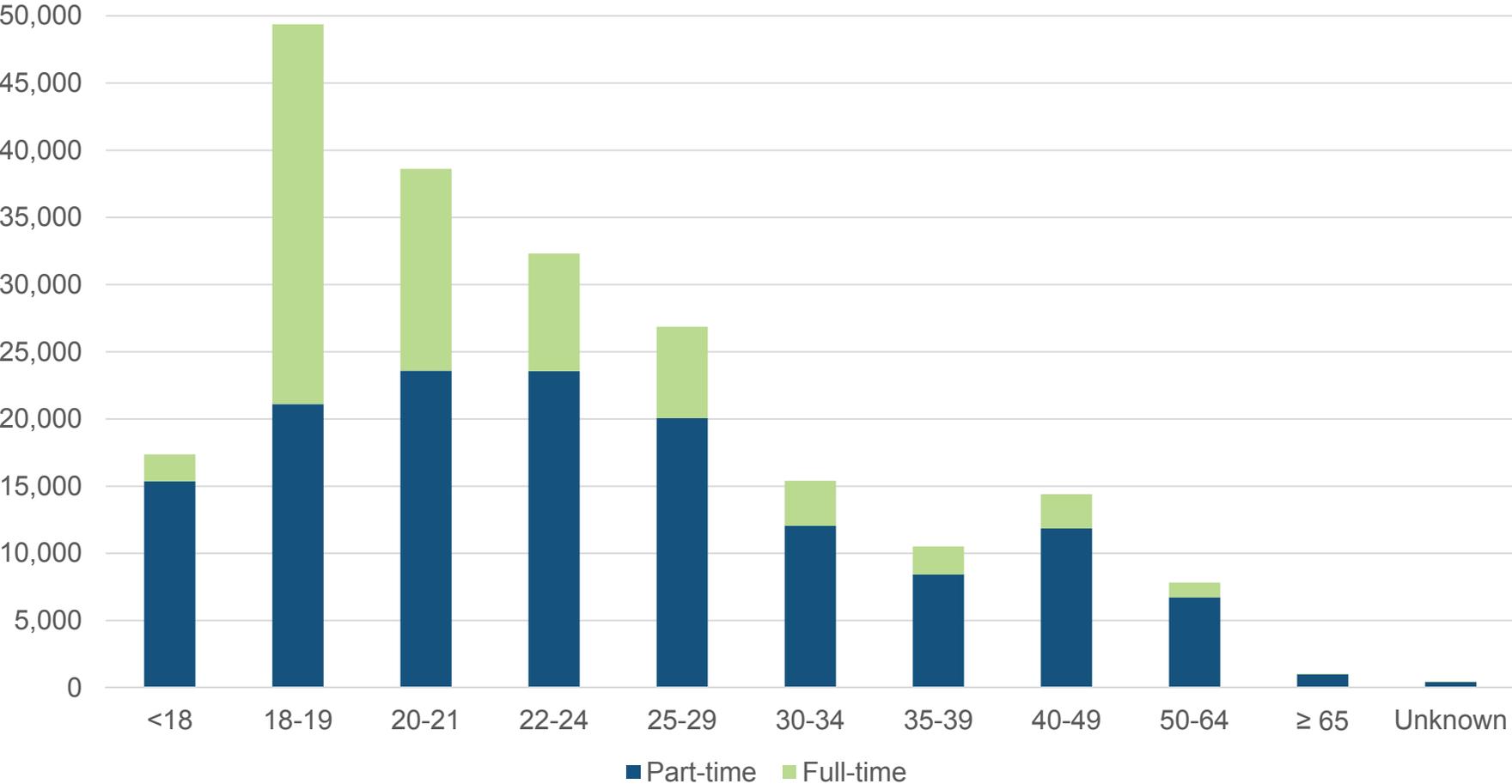
Degree and certification completions at Michigan community colleges have generally tracked changes in enrollment.



Based on most recent data (FY 2014-15) from the Activity Classification Structure (ACS)

Distribution of Enrollments by Age Based on Fall 2014 Semester

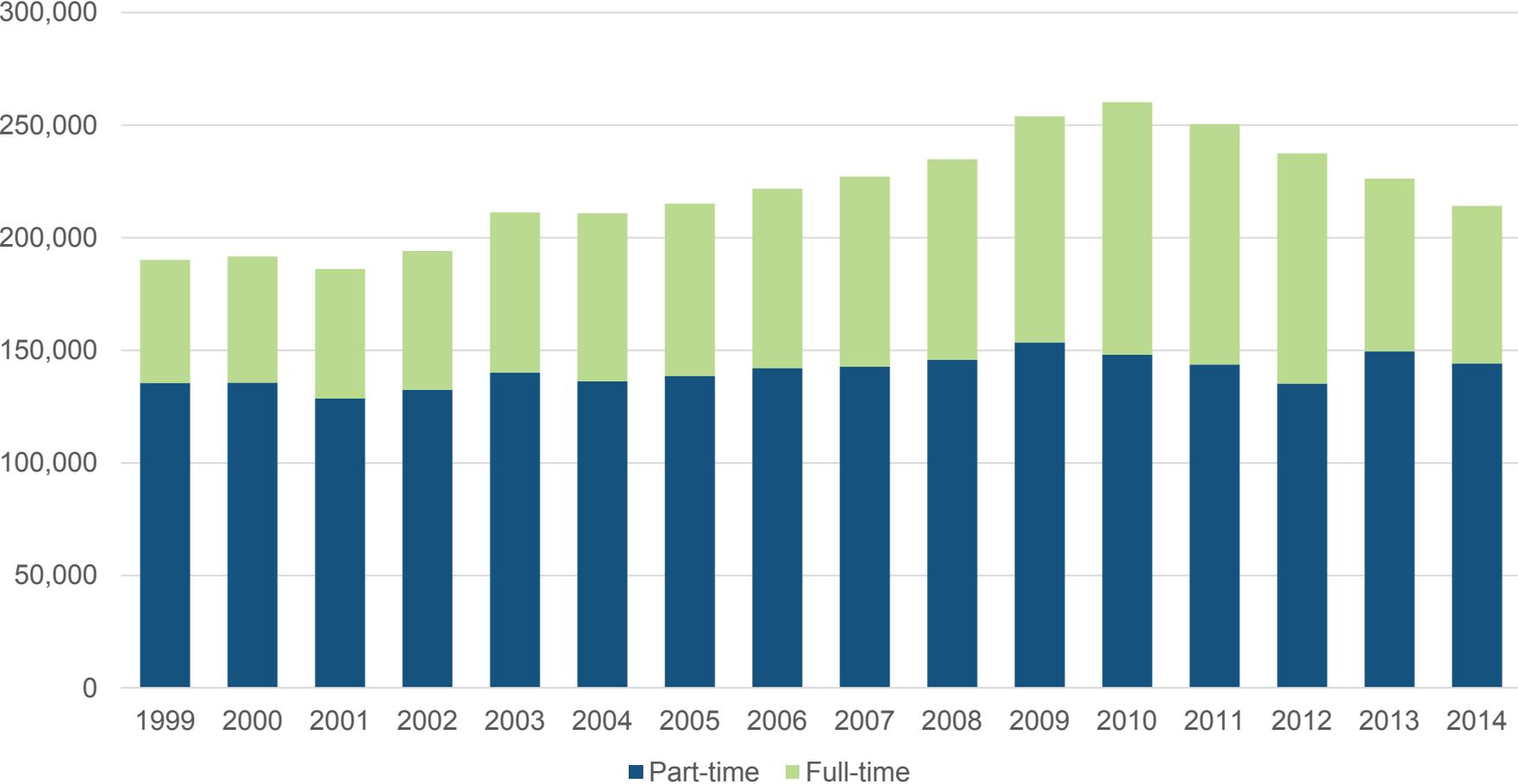
The majority of community college students are under age 25 and most are part-time students. The average age of a Michigan community college student is 26 years old.



Based on most recent data (FY 2013-14) from the Demographic Enrollment Profile

Fall Enrollment Trends

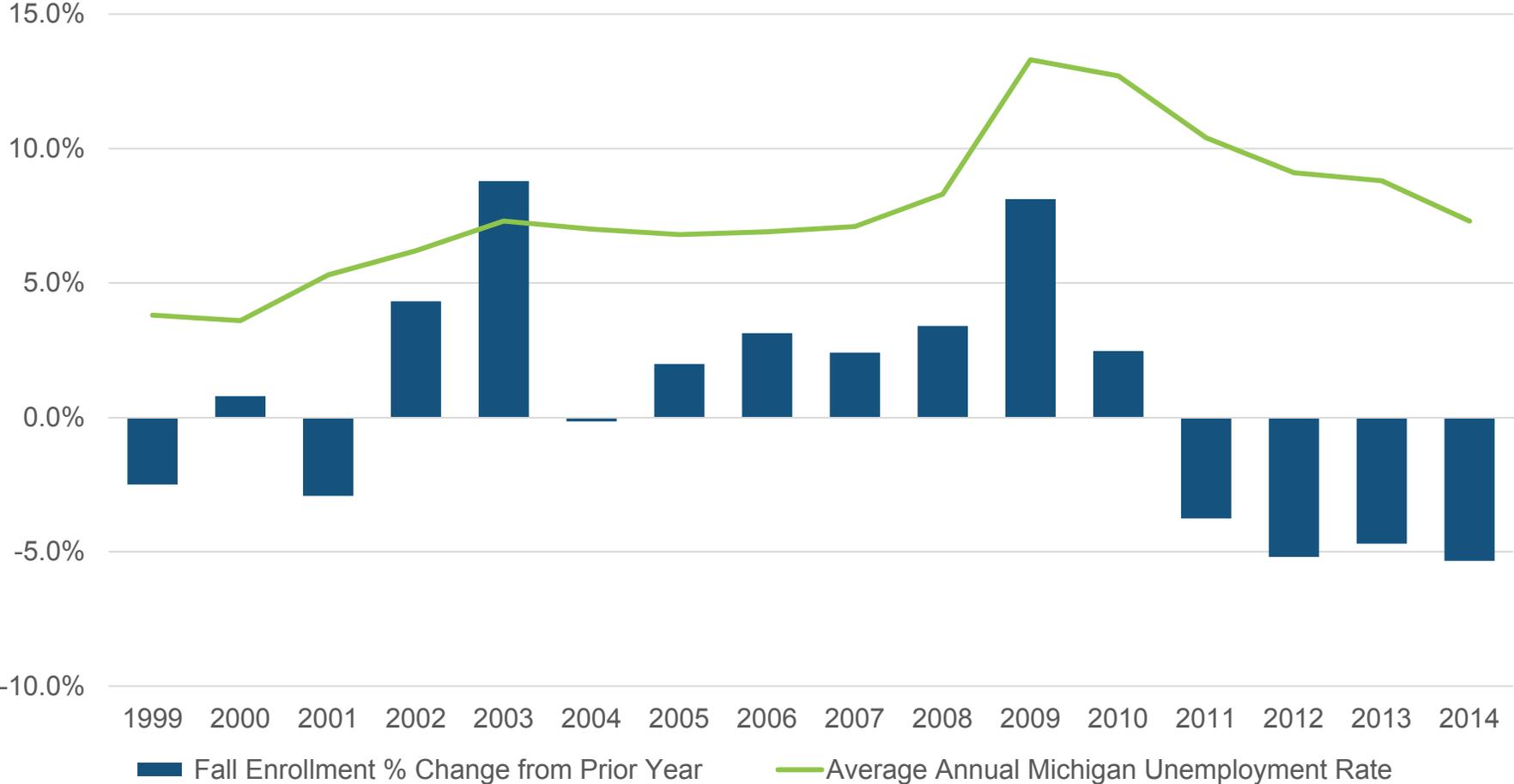
A common measure of enrollment trends, Fall enrollments peaked in 2010 but have been falling ever since.



Based on most recent data (FY 2013-14) from the Demographic Enrollment Profile

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.



Based on most recent data (FY 2013-14) from the Demographic Enrollment Profile

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:

HFA Resources

<http://www.house.mi.gov/hfa/CommunityColleges.asp>

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