Community Colleges
Performance Funding Formula

Perry Zielak, Senior Fiscal Analyst
October 18, 2022
Community College Operations Funding

The legislature annually appropriates funds for individual community colleges.

This process has included the use of a performance funding formula to allocate the total increase (or decrease) in state appropriations for community college operations.

Language describing the community college performance formula is specified in annual budget act language.

Each community college’s operations funding currently consists of three parts:

• Baseline funding - the total amount appropriated in the prior year
• Performance funding - new appropriations determined through the formula
• North American Indian Tuition Waiver costs - funding provided to community colleges and public universities to cover waived tuition costs for eligible students
Community Colleges Performance Formula

The formula is based on the recommendations made from the FY 2015-16 Performance Indicators Task Force. The formula specifies the percentage of total performance funding that is distributed under each metric.

<table>
<thead>
<tr>
<th>FY 2022-23 Formula Component</th>
<th>% of Performance Funding</th>
<th>FY 2022-23 Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Across-the-Board Sustainability adjustment</td>
<td>30%</td>
<td>$4,855,200</td>
</tr>
<tr>
<td>Contact Hours, weighted for health &amp; technology fields</td>
<td>30%</td>
<td>4,855,200</td>
</tr>
<tr>
<td>Performance Completion Improvement</td>
<td>10%</td>
<td>1,618,400</td>
</tr>
<tr>
<td>Performance Completion Number</td>
<td>10%</td>
<td>1,618,400</td>
</tr>
<tr>
<td>Performance Completion Rate</td>
<td>10%</td>
<td>1,618,400</td>
</tr>
<tr>
<td>Administrative Costs</td>
<td>5%</td>
<td>809,200</td>
</tr>
<tr>
<td>Local Strategic Value</td>
<td>5%</td>
<td>809,200</td>
</tr>
<tr>
<td><strong>Total Performance Funding</strong></td>
<td><strong>100%</strong></td>
<td><strong>$16,184,000</strong></td>
</tr>
</tbody>
</table>
Formula Component: Sustainability

<table>
<thead>
<tr>
<th>FY 2022-23 Formula Component</th>
<th>% of Performance Funding</th>
<th>FY 2022-23 Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Across-the-Board Sustainability adjustment</td>
<td>30%</td>
<td>$4,855,200</td>
</tr>
</tbody>
</table>

Sustainability represents 30% of formula distributed funding.

Funding is distributed proportionally to each community college based on its share of base operations funding in the prior fiscal year.
Formula Component: Contact Hours

Contact hours represents 30% of formula distributed funding.

Contact hours are a measure of instruction time, which differs from credit hours. 16 contact hours equates to 1 credit hour.

Funding is distributed based on the number of contact hours per community college compared to the total number of contact hours for all 28 community colleges.

Contact hours in the health occupations and technology & industrial operations categories are given a 2x multiplier to account for higher instruction costs.

Contact hours data is obtained from the Michigan Community College Data Inventory (MCCDI), administered by the Center for Educational Performance and Information (CEPI).
Performance completion improvement represents 10% of formula distributed funding.

Completions are defined as students obtaining a degree, certificate or transfer to a 4-year institution.

Funding is distributed based on the combination of two factors:

- 20% is distributed to colleges that demonstrate an improvement in completions over a six-year period looking at 3 student cohorts. The FY 2022-23 formula compares the 2012, 2013 and 2014 cohorts.

- 80% is distributed proportionally to each college as a hold-harmless provision.

Completion improvement data is obtained from the Community College Success Rates report from CEPI.
**Formula Component: Performance Completion Number**

<table>
<thead>
<tr>
<th>FY 2022-23 Formula Component</th>
<th>% of Performance Funding</th>
<th>FY 2022-23 Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Completion Number</td>
<td>10%</td>
<td>1,618,400</td>
</tr>
</tbody>
</table>

Performance completion number represents 10% of formula distributed funding. Completions are defined as students obtaining a degree, certificate or transfer to a 4-year institution.

Funding is distributed based on the number of completions over a three-year period for a community college relative to the overall number of completions for all 28 community colleges over the same three-year period.

Completion number data is obtained from the federal Integrated Postsecondary Education Data System (IPEDS).
Formula Component: Performance Completion Rate

<table>
<thead>
<tr>
<th>FY 2022-23 Formula Component</th>
<th>% of Performance Funding</th>
<th>FY 2022-23 Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Completion Rate</td>
<td>10%</td>
<td>1,618,400</td>
</tr>
</tbody>
</table>

Performance completion rate represents 10% of formula distributed funding.
Completions are defined as students obtaining a degree, certificate or transfer to a 4-year institution.

Funding is distributed based on the combination of two factors:

- 20% is distributed to community colleges above the statewide completion rate average, which uses completions over a six-year period looking at 3 student cohorts. The FY 2022-23 formula compares the 2012, 2013 and 2014 cohorts.

- 80% is distributed proportionally to each college as a hold-harmless provision.

Completion improvement data is obtained from the Community College Success Rates report from CEPI.
Administrative costs represents 5% of formula distributed funding.

Funding is distributed where community colleges with lower reported administrative costs averaged between two fiscal years receive a higher share of funding. The FY 2022-23 formula uses FYs 2019-20 and 2020-21.

Administrative cost data is obtained from the Michigan Community College Data Inventory (MCCDI), administered by CEPI.
## Formula Component: Local Strategic Value

<table>
<thead>
<tr>
<th>FY 2022-23 Formula Component</th>
<th>% of Performance Funding</th>
<th>FY 2022-23 Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Strategic Value</td>
<td>5%</td>
<td>809,200</td>
</tr>
</tbody>
</table>

Local strategic value represents 5% of formula distributed funding.

Funding is distributed on a proportional basis to each community college.

Community colleges must certify that they meet at least four out of five practices within three criteria categories to receive funding:

- Economic development and business & industry partnerships
- Educational partnerships
- Community services

List of practices within each criteria category is in the annual budget bill.
## Community Colleges Performance Formula

**FY 2022-23 Community Colleges Operations Appropriations**

**Enacted Summary**

<table>
<thead>
<tr>
<th>% of Formula:</th>
<th>FY 2021-22 Total Appropriation</th>
<th>FY 2021-22 Base Appropriation</th>
<th>FY 2021-22 Tuition Waiver Payment</th>
<th>FY 2021-22 One-Time Payment</th>
<th>Sustainability</th>
<th>Performance-Improvement</th>
<th>Performance-Completion Number</th>
<th>Performance-Completion Rate</th>
<th>Contact Hours</th>
<th>Administrative</th>
<th>Local Strategic Value</th>
<th>Total Distribution</th>
<th>FY 2021 Tuition Waiver Cost</th>
<th>Waiver Cost Adjustments</th>
<th>Total Tuition Waiver Payment</th>
<th>FY 2022-23 Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$328,583,400</td>
<td>$323,654,200</td>
<td>$3,236,500</td>
<td>$3,236,500</td>
<td>$1,692,700</td>
<td>$1,692,400</td>
<td>$1,692,800</td>
<td>$1,692,300</td>
<td>$1,692,100</td>
<td>$1,692,000</td>
<td>$1,692,000</td>
<td>$1,692,000</td>
<td>$1,692,000</td>
<td>$1,692,000</td>
<td>$1,692,000</td>
<td>$3,412,244,400</td>
</tr>
</tbody>
</table>

### West Shore

- **Gogebic**: 4,968,100
- **Grand Rapids**: 19,193,200
- **Henry Ford**: 22,753,900
- **Jackson**: 12,912,300

### Kalamazoo Valley

- **Kellogg**: 10,419,200
- **Kirtland**: 3,404,000
- **Lake Michigan**: 5,768,200
- **Lansing**: 33,255,300
- **Macomb**: 34,629,700
- **Mid-Michigan**: 5,396,300
- **Monroe County**: 4,798,100

### Macomb College

- **Montcalm**: 3,612,600
- **Mott**: 16,623,500
- **Muskegon**: 9,431,700
- **North Central**: 3,612,700

### Northern Michigan

- **Northwestern**: 9,906,900
- **Oakland**: 22,485,200
- **Schoolcraft**: 13,386,700
- **Southeastern**: 7,081,900

### St. Clair County

- **Washtenaw**: 14,808,300
- **Wayne County**: 17,782,100
- **West Shore**: 2,630,600

### Other Colleges

- **Alpena**: $5,830,600
- **Bay de Noc**: 5,772,400
- **Delta**: 15,364,000
- **Glen Oaks**: 2,684,500

**Notes:**
- Community Colleges Performance Formula for FY 2022-23.
- Details on appropriations, operations, and performance metrics.

**Source:** House Fiscal Agency

**Date:** March 2022
For more information about the Community Colleges budget:

HFA Resources

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

Contact Information

Perry Zielak
Senior Fiscal Analyst
pzielak@house.mi.gov
(517) 373-8080