Overview
The Governor’s proposed budget includes significant new investment in our state’s community colleges, including an increase in both ongoing and one-time funding of $16.2 million (5 percent ongoing and 5 percent one-time). Fiscal year 2023 recommended funding for community colleges totals $470 million.

Performance Funding Formula
Both the ongoing and one-time $16.2 million operations increases are allocated among the 28 community colleges using the current performance funding formula. This formula allocation is as follows:

- 30 percent across-the-board, proportional to previous year base funding.
- 30 percent based on contact hours weighted to recognize high-cost areas of instruction.
- 30 percent based on three performance metrics (10 percent for number of degree and certificate completions, 10 percent for completion rate, and 10 percent for completion improvement).
- 5 percent based on administrative costs.
- 5 percent based on local strategic value qualifications.

North American Indian Tuition Waiver
The Governor’s budget continues to fully fund the Indian Tuition Waiver with $1.4 million to reimburse community colleges for the cost of tuition waivers for eligible Native American students.

MPSERS Retirement Funding
The Governor’s budget continues to cap the amount of unfunded accrued liability contributions paid by community colleges to the Michigan Public School Employees Retirement System (MPSERS), with the state making payments for amounts over the cap of 20.96 percent. The community colleges budget includes a total of $110.4 million for community college retirement obligations, which is an increase of $9.8 million over fiscal year 2022, with most of the increase attributable to changes in payroll growth assumptions, plus an additional $5.3 million to equalize the share of MPSERS cost offset funds between community colleges and other MPSERS participating entities at the same level received by K-12 school districts.

Renaissance Zone Tax Reimbursements
The Governor’s proposed budget also continues funding of $2.2 million for Renaissance Zone Tax Reimbursements. These reimbursements hold community college districts harmless from the impact of property tax exemptions in designated state Renaissance Zones.

Fiscal Year 2022 Supplemental
Finally, the Governor recommends an additional $58.5 million general fund for Infrastructure, Technology, Equipment, and Maintenance (ITEM). The purpose of these funds is to aid community colleges with improving existing facilities, buildings, and other physical and technological infrastructure. These funds will help address deferred maintenance across college campuses and extend the lifespan of these critically important public spaces. Individual college allocations are distributed according to enrollment.