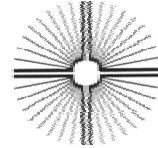


Report of the Workgroup on Community College Finance

League Leadership Forums
September 2004



COMMUNITY
COLLEGE
LEAGUE
OF CALIFORNIA

Overview

- Charge
- Goals
- Highlights of Recommendations
- Estimated Costs of Recommendations
- About the Funding Workgroup





Workgroup Charge

- In a May 25 letter from CEOCCC President Brice Harris, the workgroup was asked to look at:
 1. the status of program-based funding
 2. equalization of district credit funding rates
 3. the computation of district and systemwide growth rates
 4. the noncredit rate, including its relationship with K-12 adult education and additional funds needed to serve these students
 5. the balance of funding between equalization, growth and noncredit funding in the annual budget
 6. the interaction between funding needs and available resources within and beyond Proposition 98

Workgroup sought to create a funding formula that is:



- | | |
|--|---|
| a) fair | l) consistent |
| b) simple | m) accommodates good and bad years |
| c) predictable | n) addresses inequities of equalization and access |
| d) stable | o) promotes a sensible use of public funding |
| e) minimize internal system conflict | p) recognizes local community needs and geographic areas |
| f) timely | q) uses quantitative, verifiable factors |
| g) efficient to administer | r) protects the integrity of base funding |
| h) adequate and sufficient to sustain operations | s) in synch with the community college system mission and state master plan for higher ed |
| i) recognize cost pressures | |
| j) has a multi-year application | |
| k) flexible | |

...within the constraints of acknowledged challenges:



- a. Proposition 98 limitations
- b. legislature and term limits
- c. political split of the state/geographic influence
- d. current program-based funding model
- e. insufficient cost-of-living adjustment
- f. uncertainty of year-to-year funding
- g. lack of backfill – taxes/fees
- h. unfunded or partially funded mandates
- i. special interest influence
- j. state economic cycles
- k. demographics of communities served
- l. conflicting regulations
- m. funding – limited flexibility regarding new revenue generation
- n. inadequate/under-funded base
- o. gap between reasonable state funding and the Real Cost of Education
- p. historic commitment to low fees
- q. legislated limitations such as growth caps, AB 1725 workload measures, etc.

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Basic Funding Mechanism



● Problems identified

- Existing funding system is overly complex and inequitable.
- A simple per-FTES methodology, however, fails to recognize the diversity of community college districts.
- There are fixed costs associated with operating colleges and qualified centers that do not necessarily directly correlate with enrollment.

● Recommendation

- Provide a basic grant for each college and qualified center.
- Provide equal funding per student.

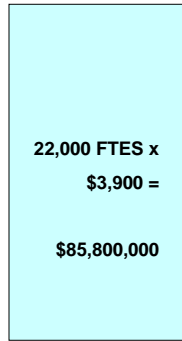
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Basic Funding Method

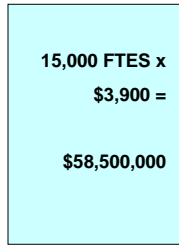


Three Sample Districts

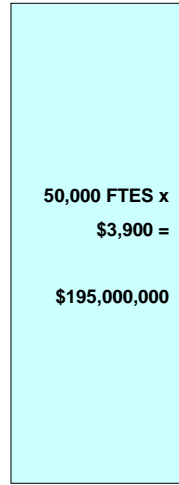
Each district is provided a basic allocation, followed by an equalized amount per credit FTES.



\$5,000,000
(one large college)

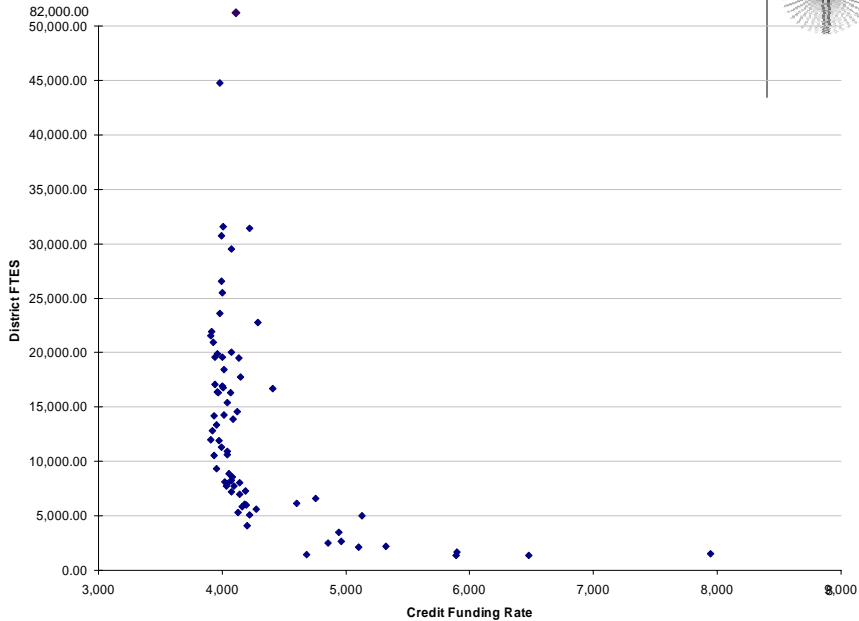


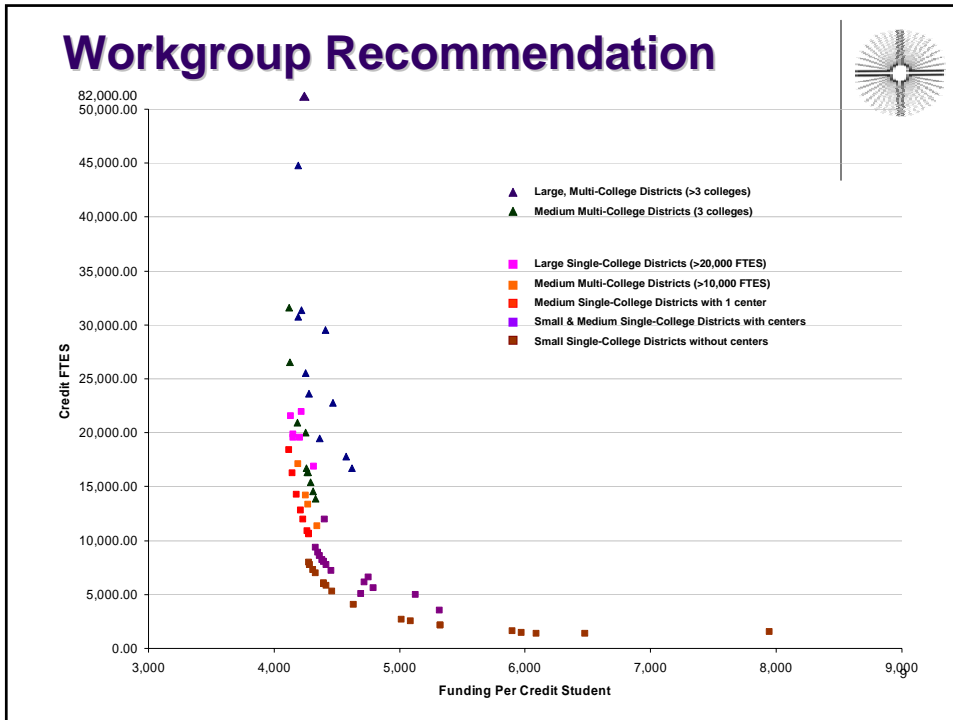
\$5,000,000
(one medium college,
one center)



\$11,000,000
(three colleges,
two centers)

Credit Funding: Currently





Enrollment Growth

- **Problems identified:**
 - Currently, growth rates vary significantly each year and, if deficated, growth entitlement is lost permanently.
 - If a district declines significantly in enrollment, returning to previous funded enrollment levels is nearly impossible.
 - The system's growth request does not match the demonstrated growth rates of districts.
- **Significant Recommendations:**
 - Adjust growth rates to better reflect local community needs and to allow districts to recapture lost enrollment, if there is community demand.
 - Create a banking method to allow districts to capture enrollment growth not funded in previous three years because of a systemwide growth deficit.
 - Request an amount equal to the sum of all district growth rates in the system's annual budget request.

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Noncredit Instruction

● Problems identified

- Past attempts to increase the noncredit rate have failed.
- Diversity of noncredit offerings contributes to the difficulty in securing additional funding.
- State has compelling and immediate interest in high school competency, short-term vocational programs.

● Recommendation

- Provide funding for noncredit in two tiers, with one tier receiving a higher rate for high school competency and short-term vocational programs, and other programs identified by academic professionals.

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Budget Prioritization

● Problems identified:

- Even if the system redesigns its funding system to ensure equitable access, the effort is meaningless without funding.
- The system frequently requests far more funds than reasonably available, without articulating clear priorities.

● Recommendation:

- The system should establish clear priorities for state budget requests, with the highest priorities being:
 - Restore any prior year deficit
 - Provide COLA and core operational and institutional needs adjustments
 - Provide funding for equitable access:
 - Equalization (27%), Growth (65%), and Non-credit (8%)
 - Growth would be entire equitable access pot after equalization and non-credit funding is complete.
 - Program improvement to increase the standard rate per FTES
 - Appropriate categorical program funding:
 - Restoration and deficit elimination
 - Program expansion

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Major Workgroup Recommendation Cost Estimates



	Year 1	Year 2	Year 3	Year 4	Year 5
COLA + Core Operational and Institutional Needs	\$175,000,000	\$190,925,000	\$209,361,670	\$229,206,902	\$247,768,309
Credit Equalization	\$80,000,000	\$80,000,000	\$80,000,000		
Growth	\$170,000,000	\$225,837,000	\$247,644,947	\$271,119,021	\$293,074,514
Noncredit	\$30,000,000	\$30,000,000	\$30,000,000	\$30,000,000	
Total	\$455,000,000	\$526,762,000	\$567,006,617	\$560,325,922	\$540,842,823

The Funding Challenge



	Year 1	Year 2	Year 3	Year 4	Year 5
Current Funding Formula	\$375m	\$435m	\$463m	\$414m	\$441m
Funding Workgroup	\$455m	\$527m	\$567m	\$530m	\$541m
Available Prop. 98 (10.3%-10.93%)	\$230m – \$372m	\$309m- \$327m	\$309m- \$327m	\$257m- \$273m	\$171m- \$182m



Implementation

- **Title V Regulation:** *Budget priorities, growth rate calculation*
- **Legislation/Education Code:** *Equalization, Non-credit funding, student fees*
- **Ballot:** *To ensure adequate funding is available and to provide student fee protection, constitutional or statutory changes might have to be placed on the ballot.*

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Timeline

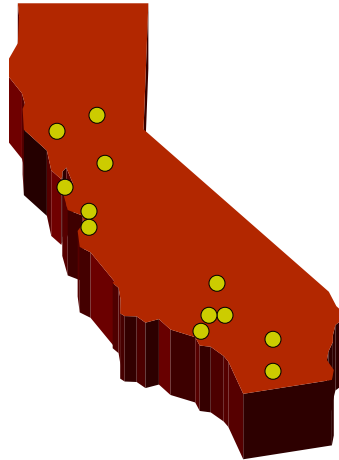
June-August	Funding Workgroup Deliberations and Report Development
September	
10	Presentation to the CCCT and CEOCCC Boards
20-22	Discussion at Leadership Forums
23	First Reading at Consultation Council
October	
21	Second Reading at Consultation Council
November	
8-9	Presentation to the Board of Governors
January	
4	Introduction of Legislation
10	Introduction of the 2005-06 Budget

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About the Funding Workgroup



- The Workgroup was composed of twelve chief business officers, representing the following districts:
 - *North: Butte, Cabrillo, Los Rios, Mendocino-Lake, San Francisco, San Jose-Evergreen*
 - *South: Desert, Glendale, Grossmont-Cuyamaca, Kern, Los Angeles, Pasadena*



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New Formula – In a Nutshell



- Every district gets an allocation for each college.
- Every credit and non-credit student is funded uniformly.
- Over three years, equalization would bring all districts to within the 90th percentile, at a cost of approximately \$210 million over 2004-05 budget.
- Non-credit is provided in two tiers, with a higher tier for high school competency and vocational education.
- Annual swing in district enrollment growth rates is mitigated, and unemployment rate is factored into district rates.

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