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DATE: February 22, 2002

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
COMMITTEE ON COLLEGES & UNIVERSITIES
ANALYSIS**

BILL #: CS/HB 1227
RELATING TO: Community College Funding
SPONSOR(S): Committee on Colleges & Universities and Representative Arza
TIED BILL(S): None

ORIGINATING COMMITTEE(S)/COUNCIL(S)/COMMITTEE(S) OF REFERENCE:

- (1) COMMITTEE ON COLLEGES & UNIVERSITIES YEAS 11 NAYS 0
 - (2) EDUCATION APPROPRIATIONS
 - (3) COUNCIL FOR LIFELONG LEARNING
 - (4)
 - (5)
-

I. SUMMARY:

THIS DOCUMENT IS NOT INTENDED TO BE USED FOR THE PURPOSE OF CONSTRUING STATUTES, OR TO BE CONSTRUED AS AFFECTING, DEFINING, LIMITING, CONTROLLING, SPECIFYING, CLARIFYING, OR MODIFYING ANY LEGISLATION OR STATUTE.

CS/HB 1227 changes the procedure for determining each community college's allocation from the State Community College Program Fund by changing the components the Legislature must consider. CS/HB 1227 adds two new components, removes the enrollment workload adjustment component, and provides for the use of a funding model in the consideration of the cost-to continue allocation.

The funding model that is approved by the Legislature may recognize differing economic factors arising from the individual educational approaches of the various community colleges, including, but not limited to: direct instructional funding; academic support; student services support; library support; special projects; operations and maintenance of plant; and, a district cost differential. CS/HB 1227 requires the Legislature to consider operating cost of new facilities adjustments for all new facilities rather than only new facilities that are owned by the college and have been recommended in accordance with educational plant surveys, needs assessments, and PECO project funding.

CS/HB 1227 also removes: the requirement that the Legislature consider an enrollment workload adjustment; the requirement that student fees and student fee revenues generated by fee rate increases must be subtracted from the subtotal prior to determining the net amount to be apportioned; the requirement that DOE estimate the annual enrollment of each college for the current fiscal year and for the six subsequent fiscal years; the provision that prohibits community colleges from committing funds for the employment of personnel or resources in excess of those required to continue the same level of support for either the previously approved enrollment or the revised enrollment, whichever is lower; and, the requirement that each community college maintain an unencumbered fund balance of between four and ten percent of the funds available in the current general fund of the operating budget.

The fiscal impact of CS/HB 1227 is indeterminate at this time. The Legislature is not required to use the approved funding model in the determination. If the model were used, the impact on each community college's apportionment of the total to be appropriated is not known at this time. CS/HB 1227 has an effective date of July 1, 2002.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

Section 240.359, F.S., provides a required procedure for determining state financial support and the annual apportionment to each community college district authorized to operate a community college under the provisions of s. 240.313, F.S.¹ The procedure is comprised of three main functions:

1. Determining the amount to be included in the State Community College Program Fund.
2. Determining the amount to be included for capital outlay and debt service.
3. Determining the apportionment from state funds.

Determination of the Apportionment of State Funds for Each Community College

In determining the apportionment from state funds, s. 240.359(3)(b), F.S, provides that the apportionment to each community college from the State Community College Program Fund must be determined annually in the General Appropriations Act. Current law further requires that in determining each college's apportionment, the Legislature must consider the following components:

- Base budget, which includes the state appropriation to the Community College Program Fund in the current year plus the related student matriculation and tuition fees assigned in the current General Appropriations Act.
- The cost-to-continue allocation, which consists of incremental changes to the base budget, including salaries, price levels, and other related costs.
- Enrollment workload adjustment. The enrollment workload adjustment must be determined as follows:
 - The actual full-time equivalent (FTE) enrollment for the prior year, as accepted or modified by the Legislature, must be the assigned enrollment and the basis for allocating appropriated funds for enrollment workload. If the enrollment workload allocation to a

¹ Section 240.313, F.S., provides that each community college district authorized by law and the Department of Education is an independent, separate, legal entity created for the operation of a community college.

college is determined to be less than zero, the reduction in allocation must be implemented over a two-year period.

- The systemwide average direct instructional cost level of each program of study must be used to calculate the enrollment workload adjustment. This amount, multiplied by a factor of 1.3, for support services must be multiplied by the change in enrollment as determined pursuant to s. 240.359(3)(b)3.a., F.S. From this amount, student matriculation and tuition fees generated by the change in assigned enrollment must be deducted and the remaining amount shall be the state allocation to each college for enrollment workload.
 - Students enrolled in a recreation and leisure program and students enrolled in a lifelong learning program may not be counted as FTE enrollments for purposes of enrollment workload adjustments.
- Operating costs of new facilities adjustments, which shall be provided, from funds available, for each new facility that is owned by the college and is recommended in accordance with s. 235.15, F.S.

Section 235.15, F.S., sets forth a process by which community colleges may receive PECO funds for new educational facility construction. Section 235.15, F.S., requires each community college board of trustees to "...arrange for an educational plant survey to aid in formulating plans for housing the educational program and student population, faculty, administrators, staff, and auxiliary and ancillary services of the district or campus..." The survey report must include information on existing educational plants and recommendations for new plants. Community college plant surveys must also contain required needs assessment criteria. Each community college's survey must reflect the capacity of existing facilities as specified in the inventory maintained by the Division of Community Colleges. Projects must meet certain criteria to be eligible for expenditures of PECO funding. Only the president of a community college may certify to DOE that a project meets the definition of a PECO project and the limiting criteria for expenditures of PECO funding.

- New and improved program enhancements, which must be determined by the Legislature.
- Student fees in the base budget plus student fee revenues generated by increases in fee rates must be deducted from the sum of the above component. The amount remaining must be the net annual state apportionment to each college.

Other Provisions Relative to Determining the Apportionment from State Funds

Section 240.359, F.S., also provides the following provisions relative to determining the apportionment from state funds to community colleges:

- The Department of Education is required to estimate the annual enrollment of each community college for the current fiscal year and for the six subsequent fiscal years. These estimates must be based upon prior years' enrollments, upon the initial fall term enrollments for the current fiscal year for each college, and upon each college's estimated current enrollment and demographic changes in the respective community college districts. DOE must submit this estimation by December 15 of each year.
- Community colleges are prohibited from committing funds for the employment of personnel or resources in excess of those required to continue the same level of support for either the previously approved enrollment or the revised enrollment, whichever is lower.

- The apportionment to each community college district for capital outlay and debt service must be the amount determined in accordance with s. 240.359(2), F.S. This amount, less any amount determined as necessary for administrative expense by the State Board of Education and any amount necessary for debt service on bonds issued by the State Board of Education, must be transmitted to the community college district board of trustees to be expended pursuant to State Board of Education rules.
- Colleges must seek to maintain an unencumbered fund balance of between four percent and ten percent of the funds available in the current general fund of the operating budget. If the ten-percent upper level is exceeded for two consecutive years, the appropriation to the college in a succeeding fiscal year must be reduced by the average of the excess of the fund balance over the ten percent for the two years. In exceptional cases, when fund balances greater than ten percent are necessary for a college, prior approval must be obtained from the State Board of Community Colleges.²
- Expenditures for apprenticeship programs must be reported separately.

Current Community College Funding

Unlike public schools and state universities, community colleges are not enrollment funded. State universities can predict enrollment primarily based on the number of students they are permitted to admit in any given year. Public school growth corresponds with the population growth of the state. Community college enrollment, however, is not easy to predict and not an effective tool for determining funding. The enrollment patterns of community colleges, over time, conversely relate to growth in the economy thus creating a problem where more funding is available for community colleges when enrollment is down and vice versa.

The Division of Community Colleges (DCC) reports that the Legislature has utilized a different funding methodology for community colleges every year since 1991. "This has had an impact on the ability of the colleges to plan for their operations and created inequities within the system." HB 1779 was introduced during the 2001 Legislative Session in an effort to adopt the funding model into law; however, the bill died in committee without being heard. The Senate companion also died in committee without being heard. However, the apportionment of state funds to community colleges that was appropriated in the 2001 General Appropriations Act was calculated *in part* utilizing a funding model proposed by the community colleges.

The DCC reports that the funding model proposed by the Community College System was developed with extensive participation from community college stakeholders, including the State Board of Community Colleges, college presidents, Division of Community Colleges staff, business officers, academic and student affairs officers, and management information systems staff, using the following guidelines:

- (1) provide a "fair" funding methodology by addressing equalization and funding of enrollments (stable, declining, and growing);
- (2) recognize differences among colleges including unique roles in providing a variety of educational programs, providing access, serving multiple campuses, and providing public service programs essential for high quality community colleges;

² Chapter 2001-170, L.O.F., abolished the Board of Regents and the State Board of Community Colleges effective July 1, 2001. All powers and duties of those boards were transferred, by Type II transfer, to the Florida Board of Education.

- (3) recognize unique circumstances such as cost-of-living differences for various parts of the state;
- (4) provide a clearer rationale on funding needs; and
- (5) recognize funding approaches used by other states.

C. EFFECT OF PROPOSED CHANGES:

CS/HB 1227 changes the procedure for determining each community college's allocation from the State Community College Program Fund by changing the components the Legislature is required to consider. CS/HB 1227 provides two new components, removes a component, removes several requirements, and provides for the use of a funding model in the consideration of the cost-to-continue allocation.

Determination of the Apportionment of State Funds for Each Community College

CS/HB 1227 requires the Legislature to consider the following components:

- **Base budget** – The base budget includes the state general revenue and lottery appropriations to the Community College Program Fund in the current year plus the related student matriculation and tuition fees established in the current GAA.
- **Cost-to-continue allocation** – The cost-to-continue allocation consists of incremental changes to the base budget, including salaries, price levels, and other related costs allocated through a funding model that is approved by the Legislature.

CS/HB 1227 provides that the funding model that is approved by the Legislature *may* recognize differing economic factors arising from the individual educational approaches of the various community colleges, including, but not limited to: **direct instructional funding**, including class size, faculty productivity, average faculty salary, ratio of full-time to part-time faculty, costs of programs, and enrollment factors; **academic support**, including small colleges factor, multicampus factor, and enrollment factor; **student services support**, including headcount of students as well as FTE count and enrollment factors; **library support**, including volume and other materials/audiovisual requirements; **special projects, operations and maintenance of plant**, including square and utilization factors; and, a **district cost differential**.

Representatives of the Division of Community Colleges report that the components of their recommended funding model are common activities or functions within a community college and each function has a mathematical calculation which funds all colleges based on the same standards or parameters for that particular function. "To the sum of these functions, a district cost differential is added which recognizes the difference in the cost of living for employees among Florida counties. This differential is calculated from the Florida Price Level Index..."

- **Operating costs of new facilities adjustments** – Operational costs for new facilities adjustments must be provided from funds available for each new facility. The Legislature is currently required to consider operating costs of new facilities adjustments, which are provided from funds available, for each new facility that is *owned by the college and is recommended in accordance with s. 235.15, F.S.* CS/HB 1227 removes the requirement that the new facility for which an operating cost adjustment is made be owned by the college and recommended in accordance with educational plant surveys, localized needs assessments, and PECO project funding (s. 235.15, F.S.).

- **New and improved program enhancements** – New and improved program enhancements must be determined by the Legislature and may be allocated through the funding model that is approved by the Legislature.
- **Performance-based budget funding.**
- **Workforce development funding.**

CS/HB 1227 removes the requirement that the Legislature consider an enrollment workload adjustment and removes the requirement that student fees and student fee revenues generated by fee rate increases must be subtracted from the subtotal of all considered components prior to determining the net amount to be apportioned.

Other Provisions Relative to Determining the Apportionment from State Funds

- CS/HB 1227 removes the requirement that DOE estimate the annual enrollment of each college for the current fiscal year and for the six subsequent fiscal years.
- CS/HB 1227 removes the provision that prohibits community colleges from committing funds for the employment of personnel or resources in excess of those required to continue the same level of support for either the previously approved enrollment or the revised enrollment, whichever is lower.
- CS/HB 1227 removes the requirement that each community college maintain an unencumbered fund balance of between four and ten percent of the funds available in the current general fund of the operating budget.

CS/HB 1227 replaces references to “State Board of Community College”³ “ and “State Board of Education”⁴ with “Florida Board of Education.”

D. SECTION-BY-SECTION ANALYSIS:

This section need be completed only in the discretion of the Committee.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

See FISCAL COMMENTS.

2. Expenditures:

See FISCAL COMMENTS.

³ Chapter 2001-170, L.O.F., abolished the Board of Regents and the State Board of Community Colleges effective July 1, 2001. All powers and duties of those boards were transferred, by Type II transfer, to the Florida Board of Education.

⁴ In the 1998 General Election, Floridians amended the State Constitution, effective January 7, 2003, to require a new state board of education consisting of seven members appointed by the Governor, subject to confirmation by the Senate, and to require that this board appoint the Commissioner of Education.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

See FISCAL COMMENTS.

2. Expenditures:

See FISCAL COMMENTS.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

The fiscal impact of CS/HB 1227 is indeterminate at this time. The Legislature is not required to use the approved funding model in the determination. If the model were used, the impact on each community college's apportionment of the total to be appropriated is not known at this time.

CS/HB 1227 requires that the Legislature consider operational costs for new facilities adjustments, which must be provided from funds available, for each new facility. The Legislature is currently required to consider operating costs of new facilities adjustments which are provided from funds available for each new facility that is *owned by the college and is recommended in accordance with s. 235.15, F.S.* CS/HB 1227 removes the requirement that the new facility for which an operating cost adjustment is made be owned by the college and recommended in accordance with educational plant surveys, localized needs assessments, and PECO project funding.

CS/HB 1227 removes the provision that prohibits community colleges from committing funds for the employment of personnel or resources in excess of those required to continue the same level of support for either the previously approved enrollment or the revised enrollment, whichever is lower.

CS/HB 1227 removes the requirement that each college maintain an unencumbered fund balance of between four and ten percent of the funds available in the current general fund of the operating budget.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

The bill does not require counties or municipalities to take action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

The bill does not reduce the authority that counties or municipalities have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

The bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

CS/HB 1227 does not appear to violate any constitutional provisions.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On February 19, 2002, the Committee on Colleges & Universities adopted a "strike-everything" amendment and passed the bill as a committee substitute. CS/HB 1227 differs from HB 1227 in the following ways:

- CS/HB 1227 restores current law, *requiring, rather than permitting*, the apportionment to each community college from the Community College Program Fund to be determined annually in the GAA.
- CS/HB 1227 provides that "other related costs" which the Legislature must consider in the cost-to-continue allocation be allocated through *a funding model approved by the Legislature rather than through the resource allocation funding model*.
- CS/HB 1227 provides that the funding model "*may*", rather than "*shall*", consider various factors.
- Unlike the original bill, CS/HB 1227 does not require that standard student matriculation and tuition fee revenues and related state support must be deducted from the sum of the components included in the resource allocation funding model in order to determine state support.
- Unlike the original bill, CS/HB 1227 does not require the use of a relative need index and does not require the Legislature to use a funding model that is approved by the Florida Board of Education.
- CS/HB 1227 requires the Legislature to consider operating costs of new facility adjustments for each new facility, as opposed to each new facility *in accordance with s. 235.15, F.S.*, and the guidelines of the Florida Board of Education as in the original bill.
- CS/HB 1227 requires the Legislature to consider new and improved program enhancements that are determined by the Legislature and may be allocated through a funding model *approved by the Legislature* rather than the resource allocation funding model.
- Unlike the original bill, CS/HB 1227 removes the provision that prohibits community colleges from committing funds for the employment of personnel or resources in excess of those required to continue the same level of support for either the previously approved enrollment or the revised enrollment, whichever is lower.
- Unlike the original bill, CS/HB 1227 removes the requirement that each college maintain an unencumbered fund balance of between four and ten percent of the funds available in the current general fund of the operating budget.

STORAGE NAME: h1227s1.cu.doc

DATE: February 22, 2002

PAGE: 9

VII. SIGNATURES:

COMMITTEE ON COMMITTEE ON COLLEGES & UNIVERSITIES:

Prepared by:

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