

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 1542
 SPONSOR: Education Committee and Senator Villalobos
 SUBJECT: Community College Funding
 DATE: March 5, 2002 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Gordon	O'Farrell	ED	Favorable/CS
2.	_____	_____	AED	_____
3.	_____	_____	AP	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This bill revises the method of determining the annual apportionment to each community college from state funds by defining the components to be considered in that determination.

This bill substantially amends the following section of the Florida Statutes: 240.359.

II. Present Situation:

According to the Office of Program Policy Analysis and Government Accountability, Report No. 98-06A, community colleges receive three types of appropriations: (1) a lump sum for associate degree and college preparatory programs called the Community College Program Fund (CCPF); (2) a lump sum for vocational programs called the Workforce Development Fund (instituted in the 1997-1998 fiscal year); and (3) additional funds for specific categorical issues. During the 2001-2002 fiscal year, Florida's community colleges served over 768,000 students. The Legislature appropriated \$604,811,045 which included a recurring base portion of \$574,219,035.

With varying costs associated with new facilities, health insurance, salary increases, and difficult to predict enrollment changes, community colleges are seeking a stable state funding formula by replacing the current methodology used to determine the CCPF. The current statutory formula, which considers five factors—a school's base budget, a cost-to-continue allocation, an enrollment workload adjustment, the cost of new and improved program enhancements, and the operating costs for new facilities—minus student fees, does not capture the full range of costs incurred by community colleges. In recent years, the Legislature has not used the statutory formula as the sole method for allocating funds to the CCPF.

Section 240.359 outlines the procedure for determining state financial support and the annual apportionment of state funds to each community college district. This bill amends the statute

beginning with subsection (3) which outlines the following procedure for determining the apportionment from state funds.

- The Department of Education must, by December 15th, estimate the annual enrollment of each community college for the current fiscal year and the six subsequent fiscal years.
- The apportionment to each school will then be determined annually in the General Appropriations Act. The Legislature must consider the following five factors:
 - The base budget which includes the state appropriation to the Community College Program Fund in the current year plus matriculation and tuition fees assigned in the current General Appropriations Act.
 - The cost to continue allocation comprised of incremental changes to the base budget such as salaries, price levels and other statutorily unspecified costs.
 - The enrollment workload adjustment which is derived from the following calculations:
 - The change in FTE enrollment from the prior year's actual FTE enrollment multiplied by the systemwide average direct instructional cost level of each program of study further multiplied by a factor of 1.3 for support services. From that product, the Legislature must deduct student matriculation and tuition fees generated by the change in assigned enrollment. The result constitutes the state allocation to each college for enrollment workload.
 - Operating costs of new facilities adjustments for each new facility owned by the college.
 - New and improved program enhancements.
- Student fees in the base budget plus student fee revenues generated by the increases in fee rates are then deducted, resulting in the net annual state apportionment to each college.

This formula does not account for capital outlay or debt service funding which is determined as provided in s. 9(d), Art. XII of the 1968 revised State Constitution. Moreover, under section 240.359(3)(e), community colleges must maintain an unencumbered fund balance between four and ten percent.

This funding formula, particularly funding based on the prior year's student enrollment, has often been criticized for creating unstable funding streams to the community colleges. According to the Division of Community Colleges, the Legislature has used a different funding formula for community colleges each year at least since 1991, adversely affecting the community colleges' ability to plan for operations from year to year. Moreover, the lack of a consistent and equitable funding approach has led to inequities in dollars per FTE funding among the colleges.

III. Effect of Proposed Changes:

This bill changes the funding formula for community colleges in several respects. Significantly, section 240.359(3)(a) would be deleted, eliminating DOE's responsibility to estimate future enrollment based on prior year' enrollments, the initial fall term enrollments for the current fiscal year, and each college's estimated current enrollment and demographic changes. In order to clearly define the source of each school's base budget apportionment from the Community College Program Fund, section 229.359(b)(1) is amended to specify general revenue and the lottery as the funds from which the apportionment is derived.

Alterations to section 240.359(3)(b)(2), detailing the cost-to-continue allocation are significant. The current statute describes this allocation as based on "incremental changes to the base budget including salaries, price levels, and *other related costs*." The new formula states that the *other related costs* to be considered include, but are not limited to:

1. direct instructional funding (includes class size, faculty productivity factors, average faculty salary, ratio of full-time to part-time faculty, cost of programs, and enrollment factors);
2. academic support, including small colleges factor, multi-campus factor, and enrollment factor;
3. student services support, including a headcount of students as well as an FTE count and enrollment factors;
4. library support, including volume and other materials/audio visual requirements;
5. special projects;
6. operations and maintenance of plant, including square footage and utilization factor; and
7. a district cost differential

This bill would require the Legislature to consider the proposed funding formula's factors in allocating funds to the community colleges.

The committee substitute further amends section 240.359(3)(b) by changing the forth of the apportionment factors, operating costs of new facilities adjustments, not be limited to new facilities *owned* by the college, but includes costs associated with new facilities generally. The statute is also amended to require that the Legislature not only consider costs of new and improved program enhancement, but that it provide for those enhancements based on a formula approved by the now defunct Florida Board of Community Colleges. In addition to the list of five factors in the original statute, the bill adds two more components in sub-subparagraphs 5 and 6 of section 240.359(3)(b), performance-based budget funding and workforce development funding.

According to the OPPAGA report referenced above, performance based budget funding has been considered in previous years in determining the funds for the CCPF although that is not explicit in the statute. Performance based budgeting links allocations with the number of points awarded to schools based on performance indicators such as the number of graduates by program and the number who attain certain outcomes such as job placement. Community colleges receive a

portion of the incentive funds set aside based on the number of points accrued. By creating a new section 240.359(3)(b)(5), the bill ensures that performance funds are taken into account.

Currently, a community college is entitled to funding amounting to 85% of its previous year's allocation from Workforce Development Funds. The remaining 15% must be earned by the college on the basis of indicators determined by the Legislature.

Importantly, the new formula removes several requirements that exist in the current statute including: requiring the deduction of student matriculation and tuition fees in determining each school's allocations; requiring the consideration of an enrollment workload adjustment; and the requirement that DOE estimate the annual enrollment of each community college for the current fiscal year and the six subsequent year. Moreover, the bill eliminates the requirement that colleges keep an unencumbered fund balance of between four and ten percent of funds available in the current general fund of the operation budget.

OPPAGA's 1998 report cautiously encouraged this form of input-based funding stating:

[W]e believe that input-based funding would improve the current historical-based funding process because it would help match the level of funding provided to a college with the level and types of programs being provided. However, we do not believe that input-based funding would be the only funding approach used because it does not provide colleges an incentive to improve the performance of their programs.

The committee substitute may provide the combination of an input-based and results-based approach that all parties seek.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

It is difficult to determine the type or level of fiscal impact that may result from the implementation of this formula. Should the Legislature choose to use the new formula as a methodology for the distribution of funds, the allocations to the individual colleges may differ from allocations received using another methodology.

VI. Technical Deficiencies:

References to the Florida Board of Education should be changed to the State Board of Education on page 4, lines 15 and 19.

VII. Related Issues:

None.

VIII. Amendments:

None.
