



The Florida Senate

Interim Project Report 98-55

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Committee on Budget

Senator Locke Burt, Chairman

EVALUATION OF COMMUNITY COLLEGE FUNDING FORMULA

SUMMARY

For many years, state funding for community colleges has not provided a consistent or equitable formula. Recent changes -- especially two performance based programs and the new Workforce Development Fund -- have highlighted the problems inherent in the methodology.

The purpose of this project was to develop a new funding formula for the Associate in Arts degree and college preparatory remedial programs of the Florida Community College System. These funds are currently appropriated in the General Appropriations Act within the categorical "Aid to Local Governments, Grants and Aids - Community College Program Fund."

The State Community College System has hired a consultant and formed working groups that are also developing recommendations for a new method to fund the community colleges. Final recommendations should be received by February 1, 1999.

A major problem for these efforts is that information in the community college database is not adequate to separate costs associated with one program from those of another.

The new proposal for a funding model is a distribution formula that will require the Legislature to consider a variety of funding issues before deciding how to allocate funds among the colleges. Among the factors recommended are:

1. Enrollment growth.
2. The policy for salary increases for state employees established in the General Appropriations Act.
3. The legislatively determined policy as to the amount of the community college allocation that should be earned based on a college's performance, specifically the efficiency with which each college graduates its students and the success of students who enter employment or continue their education.

4. For program enhancements, allocating an equal dollar value per full-time-equivalent (FTE) student.
5. Operating costs for new facilities.

A major recommendation of the study is that the community college cost analysis be restructured to identify all college credit instructional costs within one program cost category.

BACKGROUND

The focus of the interim project was to develop a formula to fund the costs of instruction and support related to the Associate in Arts degree program and college preparatory instruction. These formulas are needed because of changes in the programs traditionally funded within the Community College Program Fund specific appropriation. The intention was to use information currently available in the community college database to determine a current system-wide average cost for the operation of the two programs and to use that figure as the basis for funding related to enrollment growth.

In 1997, the Legislature created a Division of Workforce Development within the Department of Education. Funding for all adult and post-secondary vocational education activities previously appropriated in the public schools' Florida Educational Finance Program (FEFP) and in the community colleges' Community College Program Fund (CCPF) was transferred to the Division of Workforce Development and consolidated within the new categorical appropriation "Workforce Development." The funds remaining in the Community College Program Fund were supposed to represent only the resources related to course work in the Associate in Arts degree track and to college preparatory instruction.

The actual dollar calculation for the transfer was based on the community college cost analysis and the six program cost categories for which colleges report the

expenditures for direct cost of instruction. These cost categories are:

- A. Advanced and Professional - This category theoretically represents all expenditures of a college for courses required for its Associate in Arts degree program.
- B. Postsecondary Vocational - This category theoretically represents all expenditures of a college for courses required for its Associate in Science degree program.
- C. Adult Vocational - This category theoretically represents all expenditures of a college for courses required for its certificate vocational programs.
- D. Supplemental Vocational - This category theoretically represents all expenditures of a college for its courses in continuing vocational education. These courses are designed to help people currently on the job improve existing skills and do not lead to a degree or certificate.
- E. Preparatory Instruction - This category theoretically represents all expenditures of a college for remedial college preparatory or vocational preparatory courses.
- F. Adult Education - This category theoretically represents all expenditures of a college for students, primarily without a high school education who are enrolled in adult basic education, adult secondary education, and General Education Development (GED) activities.

In addition to these "Program Cost Categories" the colleges report expenditures for other activities, called indirect costs, which support the instructional programs. These support cost categories are:

- A. Research
- B. Public Service
- C. Academic Support
- D. Student Service
- E. Institutional Support
- F. Physical Plant Operations
- G. Student Financial Assistance
- H. Contingencies, Transfers, etc.

These support costs are allocated to the various instructional program categories based on an equal amount per FTE student and do not represent the actual support expenditures for a program. For example, it is not possible to determine how much of the physical plant operations cost is actually expended for the Associate in Arts program, how much is for the Associate in Science program, or for any other instructional program category.

Allocation of Workforce Development Funds:

In 1998, the Legislature transferred all community college Workforce Development funds to a category called Education Administered Funds. The funding for the Community College Program Fund was not affected by the creation of this new funding category so that, again theoretically, the Community College Program Fund continued to represent each college's cost to operate its Associate in Arts and college preparatory educational activities. Distribution of the Workforce Development funds to the colleges in future years is supposed to be based upon a formula that provides a base of up to 85 percent of prior year appropriations with the remaining 15 percent subject to adjustments based on performance.

Allocation of the Community College Program Fund:

The distribution of funds to the individual community colleges through the Community College Program Fund is not currently based on a formula. The present level of funding for the individual colleges is primarily the result of the political process impacting the individual college appropriations over a period of several years. The amount appropriated to each college has not been based on growth or decline in actual enrollment or the number of full-time-equivalent students. It has not been adjusted to reflect a college's degree program mix, the number of campuses, or the total square footage of college facilities. There has not been a factor to reflect the relative cost of living for different parts of the state. The result has been a funding approach that did not provide a consistent or equitable funding formula for the colleges.

For at least the past 4 years, the Legislature has attempted to reduce the disparities in funding by providing equalization funds to the colleges whose funding is the least when expressed as a ratio of dollars per FTE. This attempt to equalize funding has been offset, however, by the decision to hold certain colleges harmless for declines in enrollment and to guarantee specific percent increases in each college's total appropriation from the Community College Program Fund. The net result appears to have been a small decrease in the range of funding from the college with the highest funding per FTE to the college with the lowest funding per FTE. The majority of colleges, however, have been compressed in the disparity of their funding per FTE.

Another factor that has tended to hamper the attempts to equalize FTE funding is the Performance Based Incentive Funding program, which has operated statewide since 1996. Money earned by each college through this program has been rolled into the college's base funding in the following year. Because this money is earned by performance rather than being distributed equally based on FTE, the earnings can result in further dis-equalization in funding expressed as a ratio of dollars to FTE.

Following the 1998 Legislative Session, the community college system hired a consultant to help develop a new funding formula. Working with representatives of the colleges, a number of meetings have been held to discuss and develop the new formula. The working groups of community college representatives were formed around the instruction and support categories in the community college cost analysis. The six working groups are:

1. Libraries
2. Student Services
3. General Administration (Institutional Support)
4. Physical Plant Operations
5. Instruction/ Academic Support
6. Adult Education

The final reports from the consultant and the six working groups should be received before February 1, 1999.

METHODOLOGY

Staff reviewed the findings and recommendations of community college funding formula studies conducted in prior years by various individuals and groups. These included commissions appointed jointly by the Governor and Legislature, consultants hired by the Division of Community Colleges, reports by the Postsecondary Education Planning Commission, and previous presentations by Senate staff about the development of a funding formula for postsecondary education funding.

Materials about funding formulas in other states were examined. These included information about Illinois, Ohio, South Carolina, Tennessee, and Texas, provided to the community college working groups by their consultant.

Meetings were held with staff from the Division of Community Colleges, the Postsecondary Education Planning Commission, the House of Representatives, the Senate, and individual community colleges. Input

was also sought from staff in the Governor's Office of Planning and Budgeting.

Articles about national funding issues in education were reviewed for relevance to Florida. The primary focus of the articles concerned three different beliefs about the intended outcome of education -- those of the educational establishment, the general public, and elected officials.

FINDINGS

The Community College System provides a variety of course offerings to students with varying educational objectives. In reporting the cost of a course, however, the college assigns each course to a program area based upon the content of the course rather than the student's educational objective.

Students with different educational goals sit in the same classroom. Students seeking an Associate in Arts degree are often in the same course with students seeking an Associate of Science degree. For example, college English, college Algebra and a computer course may each count toward either of the degrees. The college may report the English and algebra classes in the Advanced and Professional (A&P) cost category and report the computer class in the postsecondary vocational cost category.

The current community college database does not allow the identification of expenditures, faculty assignments, student/teacher ratios, or space utilization by type of degree or program. In addition, colleges may choose to report the same course in different educational programs of the cost analysis.

The first step in developing a coherent and fair funding formula requires a system of costing by student educational objectives and a consistent reporting of courses among the colleges. Such a system would take time to develop and could not be implemented before the 1999-2000 fiscal year.

The major educational funding issue in other states appears to be performance based budgeting. How Florida should implement performance funding has been a concern of the Legislature for at least the past three years.

Undergraduate funding policies for community colleges and universities do not necessarily encourage institutions and students to carry out the statutory mission of

community colleges -- to be the primary point of access to higher education. Current policies have a direct impact on the cost to the state for lower level instruction, the utilization of existing facilities, and the need to construct additional facilities.

RECOMMENDATIONS

Freshman and sophomore level (lower level) college credit courses should generate state funding at the same value whether they are provided by community colleges or universities. It should not matter if the student is enrolled in the state university system or the community college system. Neither should it matter whether the student is in an Associate in Arts or an Associate in Science degree program. As an incentive for students to attend the community colleges for their first two years toward the baccalaureate degree, student fees should continue to be lower at community colleges. This does not require the transfer from the Education Administered Funds entity of the funds for college credit courses in Workforce Development.

College preparatory courses should generate state funding at the same value for both the community colleges and universities. It should not matter if the student is enrolled in the state university system or in the community college system. As an incentive for students to attend the community colleges for their first two years toward the baccalaureate degree, student fees should continue to be lower at community colleges. This recommendation is not an endorsement to expand the number of universities that are allowed to offer college preparatory instruction.

A new funding model should be implemented for the Associate in Arts program and college preparatory instruction. It should include the following components:

1. Provide increased funding to those colleges with enrollment growth using the same staffing pattern or funding formula used for the lower level in the State University System.
2. Provide funds for salary increases for community college employees at the same rate as the policy set in the General Appropriations Act for state employees.
3. Some portion of each year's increase in the total Community College Program Fund allocation should be contingent upon each college's performance in the outcomes of the number of Associate in Arts degrees granted, the characteristics of those degree recipients, the efficiency with which the college produces those graduates, the success those graduates have in advancing to institutions of higher education or finding employment, and, for college preparatory students, how successfully students advance through the college preparatory curriculum and enter the Associate in Arts program.
4. For quality enhancement, the remaining allocation of the increase in funds for the community college system should be distributed to each college based on an equal dollar value per full-time-equivalent student. Even these enhancement funds could be based upon improving specific performances, if the Legislature wished.
5. Provide operational funding for new facilities at the state average cost per square foot for the community college system.

The community college cost analysis should be restructured to reflect more accurately the instructional programs funded by the Legislature. It should be possible to track and identify a college's spending for college credit courses and report those funds within one cost category.

COMMITTEE(S) INVOLVED IN REPORT (Contact first committee for more information.)

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MEMBER OVERSIGHT

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