



Docket Item:

Administrative Rule Summary of Permanent Chapter 589 relating to when the Growth Management Component of the Community College Support Fund Distribution Methodology is applied.

Summary:

- | | |
|---|---|
| <input type="checkbox"/> New Rule | <input type="checkbox"/> Temporary |
| <input checked="" type="checkbox"/> Amend Existing Rule | <input checked="" type="checkbox"/> Permanent |
| <input type="checkbox"/> Repeal Rule | |

Prompted by:

- | |
|--|
| <input type="checkbox"/> State law changes |
| <input type="checkbox"/> Federal law changes |
| <input checked="" type="checkbox"/> Other |

The distribution methodology for the Community College Support Fund (CCSF) includes a Biennial Growth Management Component (GMC), defined in ORS 589-002-0110(16) as "...the percent change, from one biennium to the next, of the total number of *[full-time equivalent]* FTE for all community college districts that could be included in the funding formula without reducing resources available per FTE. The biennial growth management component is determined by the amount of total public resources available for the current biennium compared to the prior biennium and the estimated increased cost of FTE."

The proposed amendment to 589-002-0120 changes the application of the GMC so that it only applies to a community college district when its funded FTE students reaches 1101 or more. This change will allow small community college districts to grow to meet the needs of their communities and is in alignment with the goal of "maintaining small districts as a means of educational access" as articulated in the Purpose Statement in 589-002-0100 Community College Support Fund Distribution. As colleges increase enrollment, they receive additional funding. This has the potential to increase the proportion of the CCSF received by community college districts with annual FTE below 1100, of which there are currently three (Oregon Coast Community College, Tillamook Bay Community College, and Columbia Gorge Community College). In the growth scenarios that were reviewed, this had a maximum impact of -0.44% on funds for another district.

Docket Material:

Hearing Officer's Report and Rule Text attached in Appendices A and B, respectively.

Staff Recommendation:

Approval of the permanent administrative rule amendment to 589-002-0120 relating to when the Growth Management Component of the Community College Support Fund Distribution Methodology is as presented in the docket material.

Appendix A:

Hearing Officer's Report



Oregon

Kate Brown, Governor

Higher Education Coordinating Commission
Office of the Executive Director, Policy & Communications
255 Capitol Street NE, Third Floor
Salem, OR 97310
www.oregon.gov/HigherEd

March 21, 2017

To: Neil Bryant, Chair
Ben Cannon, Executive Director

From: Kelly Dickinson, HECC Rules Coordinator

RE: Presiding Officer's Report on Rulemaking Hearing

Date of Rulemaking Hearing: March 15, 2017

Location of Rulemaking Hearing: HECC Offices, Public Service Building
255 Capitol Street NE, Salem, OR 97301

Summary of Proposed Rules:

The distribution methodology for the Community College Support Fund (CCSF) includes a Biennial Growth Management Component (GMC), defined in ORS 589-002-0110(16) as "...the percent change, from one biennium to the next, of the total number of *[full-time equivalent]* FTE for all community college districts that could be included in the funding formula without reducing resources available per FTE. The biennial growth management component is determined by the amount of total public resources available for the current biennium compared to the prior biennium and the estimated increased cost of FTE."

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The rulemaking hearing on the proposed rules convened at 3:00pm. Opening statements regarding instructions for making comments on the proposed rules and a brief summary of the proposed rules were read into the record.



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Oral Comments:

The hearing adjourned at 4:00pm. No one was in attendance at the hearing to submit oral or written comments. Prior to the close of the public comment period, HECC received written public comment from five community college presidents suggesting a change the rule language to focus on the full-time equivalent enrollment (FTE) rather than on the specific college. Agency staff considered that recommendation and agreed that it clarified the intent of the rule. The rule language was adjusted accordingly and the final text reflects the change.

Appendix B:

Rule Text

589-002-0120

Community College Support Fund Distribution Methodology

(1) The Community College Support Fund (CCSF) shall be distributed in equal payments as follows:

(a) For the first year of the biennium, August 15, October 15, January 15, and April 15;

(b) For the second year of the biennium, August 15, October 15, and January 15;

(c) The final payment of each biennium is deferred until July 15 of the following biennium as directed by the legislature.

(d) Should any of the dates set forth above occur on a weekend, payment shall be made on the next business day.

(e) All payments, made before actual property taxes imposed by each district are certified by the Oregon Department of Revenue, shall be based on the department's best estimate of quarterly entitlement using property tax revenue projections. Payments shall be recalculated each year as actual property tax revenues become available from the Oregon Department of Revenue and any adjustments will be made in the final payment(s) of the fiscal year.

(2) Community college districts shall be required to submit enrollment reports in the format specified by the commissioner, including numbers of clock hours realized for all coursework, in a term-end enrollment report by the Friday of the sixth week following the close of each term. If reports are outstanding at the time of the quarterly payments, payment to the district(s) not reporting may be delayed at the discretion of the commissioner.

(a) All payments, made before actual Full-Time Equivalent (FTE) student enrollment data are available shall be based on the department's best estimate of quarterly entitlement using student enrollment data from previous years.

(b) Payments shall be recalculated each year as FTE student enrollment data become available and any adjustments will be made in the fiscal year.

(3) Reimbursement from the CCSF shall be made for career technical education, lower-division collegiate, developmental education and other courses approved by the state board in accordance with OAR 589-006-0100 through 589-006-0400. State reimbursement is not available for hobby and recreation courses as defined in 589-006-0400.

(4) Residents of the State of Oregon and the states of Idaho, Washington, Nevada, and California shall be counted as part of each community college district's CCSF reimbursable FTE, but only for those students who take part in coursework offered within Oregon's boundaries.

(5) State funding for community college district. Operations is appropriated by the legislature on a biennial basis to the CCSF. The amount of state funds available for each biennium and for distribution through the funding formula shall be calculated based on the following:

(a) Funds to support services provided to inmates of state penitentiary and correctional institutions by community college districts shall be subtracted from the amount allocated to the CCSF before the formula is calculated. The amount available for services provided to inmates shall be equal to the funding amount in the preceding biennium, except as adjusted to reflect the same percentage increase or decrease realized in the overall CCSF appropriation. The distribution method of CCSF funding for individual state

penitentiary and correction institution programs provided by community college districts will be determined in consultation between the agency and the Department of Corrections.

(b) Funds to support contracted out-of-district (COD) programs described in OAR 589-002-0600 shall be subtracted from the amount allocated to the CCSF before the formula is calculated.

(A) A community college district providing contracted out-of-district services will receive an allocation equal to the college's number of reimbursable COD FTE multiplied by the statewide average of non-base community college support funds per total funded FTE. The average funds per total funded FTE is based on the same year COD services are provided.

(B) The allocation is distributed after the reimbursable COD FTE has been reported to CCWD for the full academic year. An adjustment to the allocation may be made if the final audited FTE is significantly different than the COD FTE from which the allocation was made.

(C) Beginning July 1, 2014, to be eligible for a COD allocation, each participating community college district must:

(i) Provide the department with a copy of the agreement between the community college district and the local participating entity by October 1 of each service year.

(ii) Enter into a contract with the department by January 1 of the service year for a COD allocation payment.

(iii) Follow all requirements found in OAR 589-002-0600.

(D) Section (5)(b)(A) and (B) of this rule applies to COD contracts that were in effect starting with the 2012–13 fiscal year.

~~(e)(i)~~ Funds to support targeted investments such as distributed learning shall be subtracted from the amount allocated to the CCSF before the formula is calculated. The amount available for these investments shall be equal to the funding amount in the preceding biennium, except as adjusted to reflect the same percentage change to the current biennium's total CCSF appropriation.

~~(e)(ii)~~ Funds remaining in the CCSF shall be distributed through the formula as described in section 6.

~~(e)(iii)~~ State general fund and local property taxes for territories annexed or formed effective June 1, 1996 or later shall not be included in the funding formula for the first three years of service. Additionally, the FTE generated in newly annexed territories shall not impact the funding formula during the first three years of service. Beginning in the fourth year, funding will be distributed through the formula as outlined in this rule.

(6) Distribution of funds to community college districts from the CCSF shall be accomplished through a formula, based on the following factors:

(a) Base Payment: Effective for the 2015-16 fiscal year, each community college district shall receive a base payment of \$819 for each Weighted Reimbursable FTE up to 1,100 and \$409.50 per FTE for unrealized enrollments between actual Weighted Reimbursable FTE and 1,100 FTE. Each year thereafter, the base payment will be adjusted by the amount of the annual seasonally unadjusted Portland CPI-U of the prior year.

The base payment for each community college district will be adjusted according to the size of the district. Community college district size for purposes of this adjustment will be determined each year by the FTE set forth in section (8)(b) of this rule. The base payment adjustments shall be:

- (A) 0–750 FTE 1.3513;
- (B) 751–1,250 FTE 1.2784;
- (C) 1,251–1,750 FTE 1.2062;
- (D) 1,751–2,250 FTE 1.1347;
- (E) 2,251–2,750 FTE 1.0641;
- (F) 2,751–3,250 FTE 1.0108;
- (G) 3,251–3,750 FTE 1.0081;
- (H) 3,751–4,250 FTE 1.0054;
- (I) 4,251–4,999 FTE 1.0027;
- (J) 5,000 or more FTE 1.000.

(b) Student-Centered Funding: The formula is designed to distribute the CCSF is based on each community college district's FTE.

(A) The equalized amount per FTE is determined by dividing Total Public Resources (TPR) — excluding base payments, contracted out-of-district payments, and any other payments directed by the State Board or the legislature — by funded FTE. The department shall make the calculation based on submission of FTE reports by community college districts and in accordance with established FTE principles.

(B) To determine the number of funded FTE for each community college district, a three-year weighted average of fundable FTE for each community college district will be used with the first year prior to current fundable FTE weighted at 40%, second year prior to current fundable FTE weighted at 30%, and third year prior to current fundable FTE weighted at 30%.

(c) Beginning with the 2011–13 biennium, a Biennial Growth Management Component is added to the calculation of each community college district's funded FTE. The purpose of the Biennial Growth Management Component is to manage the level of total public resource available per FTE within the total public resources available. Beginning with the 2017-19 biennium, the Growth Management Component shall only apply to reimbursable FTE at or above 1101.

(A) The methodology for calculating the base year and subsequent biennial growth management component is displayed in Table 1 "Community College Support Fund Growth Management Calculation Tables" and is available through the following hyperlink. [Table not included. See ED. NOTE.]

(B) The calculations that will implement the Growth Management Component in the CCSF Distribution Formula Model are available in Table 2. Formula Calculation of Fundable FTE by Community College District." [Table not included. See ED. NOTE.]

(C) The state board has authority, on a biennial basis to, set the “quality growth factor” that may increase or decrease the number of FTE that will be counted for funding purposes above or below the Biennial Growth Management Component. The state board will consider the following principles as guidelines for setting the “quality growth factor”:

(i) Balance the desire to support growth beyond that which is funded through the funding formula distribution model with the desire to enhance quality by increasing the level of funding provided on a per-student FTE basis.

(ii) The TPR per FTE should not erode by more than 5% on an annual basis.

(iii) Where current TPR per FTE is determined to be insufficient to support the “quality of education” desired, a growth factor could be established that would increase the TPR per FTE.

(iv) If revenue is significantly reduced during a biennium, the Board may reduce the “quality growth factor”.