
Docket Item:

Approve Permanent Rule Amendment 589-002-120 Community College Support Fund Distribution methodology update relating to the community college funding formula distributions pursuant to ORS 350.075(3)(f).

- | | |
|---|---|
| <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:

- State law changes
 Federal law changes
 Other: To align existing rule with state law

These changes go into effect on adoption.

Summary:

Community College Support Fund Distribution methodology update to align the HECC's statutory authority with current practices.

Need for Rule(s):

Current Oregon Administrative Rule (OAR) on the Community College Support Fund Distribution methodology is found in 589-002-0120 (see below). The current OAR needs to be updated to align the HECC's statutory authority with current practices, specifically:

- The current Oregon Administrative Rule, as written, is not consistent with HECC's statutory authority. HECC cannot defer a payment from one biennium to the next.
- HECC's practice (calculating the size of the July payment based on the CCSF from the previous biennium) and making eight payments each biennium is consistent with statutory authority, but inconsistent with the Oregon Administrative Rule language (i.e., HECC does not defer a CCSM payment from one biennium to the next).
- The "...as directed by the legislature" is ambiguous. Although SB 1022 (2003) did direct the last payment, \$56M, to be deferred, it is not clear that the direction exists in perpetuity.

Material:

Rule Text and Tables

Staff Recommendation:

Staff recommends approving the permanent rules as drafted.

Division 2
COMMUNITY COLLEGE FUNDING

589-002-0120

Community College Support Fund Distribution Methodology

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

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

~~(b) The July 15 payment of the first year shall be calculated using the previous biennium's Community College Support Fund level and a community college district may include this payment as accrued revenues in the budget and financial statement of the community college district of the previous biennium consistent with ORS 294.383;~~

~~(b)c) 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.~~

Community College Support Fund Distribution Methodology

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

(a) For the first year of the biennium, July 15, 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 July 15 payment of the first year of the biennium shall be calculated using the previous biennium's Community College Support Fund level.

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

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

~~(eef)~~ 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 Commission in accordance with OAR 589-006-0100 through 589-006-0400, but excluding upper division courses included in applied baccalaureate programs, defined in 589-006-0050 and described in 589-006-0100, Section (7) . 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.

(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.

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

(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 Commission 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 Commission 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 Commission 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”.

[ED.NOTE: Tables referenced are available from the agency.]

Table 1. Community College Support Fund Growth Management Calculation Tables

Calculation of Base Year		
Fiscal Year 2010-11		Source:
A	Base Year FTE	116,355 Base Year 2009-10 CCSF Reimbursable FTE
B	Base Year Total Public Resources (TPR)	354,329,184 January 2011 CCSF Formula Distribution Model, Fiscal Year 2009-10
C	Base Year TPR per FTE	3,045 Calculated (B/A)
D	Current Service Level Inflation	0.00% Assumption
E	Cost Adjusted TPR per FTE	3,045 Calculated (C*(1+D))
F	Annual TPR	337,041,314 January 2011 CCSF Formula Distribution Model, Fiscal Year 2010-11
G	Fundable FTE	110,678 Calculated (F/E)
H	Start-up Annual Growth Management Component	-4.88% Calculated (G-A)/A
I	State Board of Education Quality Growth Factor	0.00% State Board of Education - Adopted June 23, 2011
J	Start-Up Growth Management Component (net)	-4.88% Calculated (H+I) (This number is annual for start-up)
L	Fundable FTE in Start-up 2010-11 used for weighting	110,678 Calculated (A)*(1+J)
M	Final TPR Per Fundable FTE	3,045 Calculated (F/L)

Calculation of Base TPR Per FTE using 2009-10 FTE and Funding

Calculation for the Funded Annual Base FTE used for weighting to be used for the start-up of the 2011-13 biennium.

Biennial Growth Management Component Calculation		
2011-13 Biennium Calculation		Source:
A	Prior Biennium's CCSF Reimbursable FTE Annualized	110,678 For the 2011-13 Biennium, CCSF Reimbursable FTE from Base Year 2010-11 is used for this calculation. There after, the prior biennium's Fundable FTE annualized will be used.
B	Prior Biennium's Total Public Resources (TPR) Annualized	337,041,314 Total Public Resources equals CCSF funding plus community college district's property tax. For the 2011-13 Biennium, Fiscal Year 2010-11 TPR has been used for this calculation. There after, the prior biennium's TPR annualized will be used.
C	Prior Biennium's TPR Per Fundable FTE	3,045 Calculated: (B/A), Prior biennium's Fundable FTE / Prior Biennium's TPR Annualized
D	CCSF Current Service Level Inflation in Biennial Budget	6.57% The Department Community Colleges and Workforce Development's Agency Request Budget, Current Service Level Inflation (CSL)
E	Cost Adjusted TPR Per Fundable FTE	3,245 Calculated: (C*(1+D)), Prior Biennium's TPR Per Fundable FTE * (1+Current Service Level Inflation)
F	Total Public Resources Annualized	333,409,768 The CCSF Funding Distribution Formula Model used to distribute the first quarter's CCSF payment for the current biennium provides the CCSF funding and the Department of Revenue's property tax forecast is the source of the biennium's property tax. Total Public Resources are annualized.
G	Preliminary Fundable FTE	102,746 Calculated: (F/E), TPR Annualized / Cost Adjusted TPR Per Fundable FTE
H	Biennial Growth Management Component	-7.17% Calculated: ((G-A)/A), (Preliminary Fundable FTE - Prior Biennium's Fundable FTE Annualized / Prior Biennium's Fundable FTE Annualized)
I	State Board of Education Biennial Quality Growth Factor	0.00% State Board of Education Adopts each biennium
J	Total Biennial Growth Management Component (net)	-7.17% Calculated: (H+I), Biennial Growth Management Component + State Board of Education Biennial Quality Growth Factor
K	Annual Growth Factor	-3.59% Calculated (J/2)
L1	Fiscal Year12 FTE Funded used for weighting	106,705 Calculated (A)*(1+K)
L2	2011-13 Biennium Fundable FTE used in weighting	102,742 Calculated (A)*(1+J)
M	Final TPR per Fundable FTE	3,245 Calculated (F/L)

2011-13 Total Public Resources	
CCSF Funding Formula	\$ 381,339,537
Property Tax from CSL Calculation (source: Dept. of Revenue)	\$ 285,479,998
Total	\$ 666,819,535
Half of Total	\$ 333,409,768

Table 2. Formula Calculation of Fundable FTE by Community College District

Fiscal Year		Description (Items underlines are defined in rule)	Source or Formula	Example (One Community College District)
2008-09	A	FY 2008-09 <u>CCSF Reimbursable FTE</u>	Reported by Colleges	2,241
2009-10	B	FY 2009-10 <u>CCSF Reimbursable FTE</u>	Reported by Colleges	2,554
2010-11	C	Annual Growth Factor	Growth Management Component Calculation Tables	-4.88%
	D	FY 2010-11 <u>CCSF Reimbursable FTE</u>	Reported by Colleges	2,530
	E	Base Preliminary Cap #1 using FY09 Actuals	(A*(1+C))	2,132
	F	Base Preliminary Cap #2 using FY10 Actuals	(D*(1+C))	2,429
	G	Base FTE Cap	(Greater of E or F)	2,429
	H	Base <u>Fundable FTE</u> (used in next 3 year's FTE weighting)	(Least of D or G)	2,429

Fiscal Year		Description	Source or Formula	Example
2011-12	A	<u>Annual Growth Factor</u>	Growth Management Component Calculation Tables	-3.59%
	B	FY 2011-2012 <u>CCSF Reimbursable FTE</u>	Reported by Colleges	2,530
	C	<u>Preliminary Cap #1</u> using 2010-11 <u>FTE Cap</u>	(Least of FY 2010-11 Base FTE Cap*(1+Growth Factor)) or (CCSF Reimbursable FTE)	2,342
	D	<u>Preliminary Cap #2</u> using FY 2010-11 <u>Fundable FTE</u>	(FY 2010-11 Fundable FTE*(1+Growth Factor))	2,342
	E	<u>FTE Cap</u>	Greater of (C or D)	2,342
	F	<u>Fundable FTE</u> (used in next 3 year's FTE weighting)	Least of (B or E)	2,342
	G	<u>Funded FTE</u> (Prior 3-year weighted average FTE used to calculate distribution of current year's funding)	(FY 2010-11 Fundable FTE*40%)+(FY 2009-10 CCSF Reimbursable FTE*30%)+(FY 2008-09 CCFS Reimbursable FTE*30%)	2,410
2012-13	H	<u>Annual Growth Factor</u>	Growth Management Component Calculation Tables	-3.59%
	I	Current years <u>CCSF Reimbursable FTE</u>	Reported by Colleges	2,530
	J	<u>Preliminary Cap #1</u> using prior years <u>FTE Cap</u>	Least of (E*(1+H)) or (I)	2,258
	K	<u>Preliminary Cap #2</u> using prior year's <u>Fundable FTE</u>	(F*(1+H))	2,258
	L	<u>FTE Cap</u>	Greater of (J or K)	2,258
	M	<u>Fundable FTE</u> (used in next 3 year FTE weighting)	Least of (I or L)	2,258.14
	N	<u>Funded FTE</u> (Prior 3-year weighted average FTE used to calculate distribution of current year's funding)	(F*40%)+(Two years prior Fundable FTE*30%)+(Three years prior Fundable FTE*30%)	2,432

Fiscal Year		Description	Source or Formula	Example
Future Fiscal Years	A	Annual Growth Factor	Growth Management Component Calculation Tables	0.00%
	B	FY 2012-2013 <u>CCSF Reimbursable FTE</u>	Reported by Colleges	2,530
	C	<u>Preliminary Cap #1</u> using prior years <u>FTE Cap</u>	Least of (prior years FTE Cap*(1+Current Year's Growth Component)) or (Current Year's CCSF Reimbursable FTE)	2,258
	D	<u>Preliminary Cap #2</u> using prior year's <u>Fundable FTE</u>	Prior Year's Fundable FTE*Growth Management Component	2,258
	E	<u>FTE Cap</u>	Greater of Preliminary Cap 1 or Preliminary Cap 2	2,258
	F	<u>Fundable FTE</u> (used in next 3 year's FTE weighting)	Least of CCSF Reimbursable FTE or FTE Cap	2,258
	G	<u>Funded FTE</u> (Prior 3-year's weighted average FTE used to calculate distribution of current year's funding)	(One Year Prior*40%)+(Two Years Prior*30%)+(Three Years Prior*30%)	2,335