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ABSTRACT

In Florida, community college enrollments have increased by 41% over the past 5 years. The use of a 3-year average to fund enrollment has penalized those colleges which have grown dramatically. This report analyzes the range of community college expenditures by instructional program; the relationship of instructional expenditures to support expenditures; the methodology used for determining the operating costs of new facilities; and issues of matriculation, tuition, and related fee policies. In addition, the report makes recommendations concerning continued state funding for supplemental vocational programs and presents a formula to be used for funding enrollment changes at the community colleges. Following an executive summary and introduction, section II provides an overview of the community college funding process, examining enrollment workload and new facilities workload. Section III discusses the operation, costs, and review processes for supplemental vocational education. Finally, section IV reviews additional considerations and issues, and presents study recommendations which include the following: (1) state funding for community colleges should give priority to each institution's base funding allocation; (2) the calculation of enrollment workload should be based on prior year enrollment rather than on a 3-year rolling average; (3) current student fee levels should be increased; and (4) supplemental vocational education expenditures and enrollments should continue to be reported and analyzed. Data tables, and a 1990 report by the National Center for Higher Education Management Systems on Florida community college funding, are appended. (JMC)

PEPC

FLORIDA COMMUNITY COLLEGE FINANCE: UPDATE

Report and Recommendations of the Postsecondary Education Planning Commission

JANUARY 24 1991 - REPORT 2

POSTSECONDARY EDUCATION PLANNING COMMISSION

The Postsecondary Education Planning Commission, initially created by executive order in 1980 and subsequently given statutory authority (SS 240.145 and 240.147, Florida Statutes), serves as an advisory body to the State Board of Education on all postsecondary education matters. The Commission is composed of 11 members of the general public and one full-time student registered at a postsecondary education institution in Florida. Members are appointed by the Governor with the approval of three members of the State Board of Education and subject to confirmation by the Senate.

The major responsibility of the Commission is preparing and updating every five years a master plan for postsecondary education. The enabling legislation provides that the Plan "shall include consideration of the promotion of quality, fundamental educational goals, programmatic access, needs for remedial education, regional and state economic development, international education programs, demographic patterns, student demand for programs, needs of particular subgroups of the population, implementation of innovative educational techniques and technology, and the requirements of the labor market. The capacity of existing programs, in both public and independent institutions, to respond to identified needs shall be evaluated and a plan shall be developed to respond efficiently to unmet needs."

Other responsibilities include recommending to the State Board of Education program contracts with independent institutions; advising the State Board regarding the need for and location of new programs, branch campuses and centers of public postsecondary education institutions; reviewing public postsecondary education budget requests for compliance with the State Master Plan; and periodically evaluating the State's 28 regional coordinating councils for vocational education and adult general education.

Further information about the Commission, its publications, meetings and other activities may be obtained from the Commission office, 231 Collins Building, Department of Education, Tallahassee, Florida, 32399-0400; telephone (904) 488-7894.

POSTSECONDARY EDUCATION PLANNING COMMISSION

FLORIDA COMMUNITY COLLEGE FINANCE: UPDATE

Prepared in Response to Specific Appropriation 634B
of the
1990 General Appropriations Act
Chapter 90-209, Laws of Florida

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TABLE OF CONTENTS

EXECUTIVE SUMMARY...i

I. INTRODUCTION...1

II. OVERVIEW OF THE COMMUNITY COLLEGE FUNDING PROCESS................4

Enrollment Workload
New Facilities Workload
Other Related Issues

III. SUPPLEMENTAL VOCATIONAL EDUCATION.............................7

Current Program Operation
Program Reviews
Program Costs
Conclusions
Summary

IV. ISSUES AND RECOMMENDATIONS...................................13

Community College Finance
Further Considerations
Supplemental Vocational Education
Conclusion

APPENDIX A Report by Dennis Jones and Paul Brinkman
APPENDIX B Mandatory Cost To Continue Increases
APPENDIX C 1989-90 Expenditures for Ancillary Activities

EXECUTIVE SUMMARY

Proviso language accompanying Specific Appropriation 634B of the 1990 General Appropriations Act directed the Postsecondary Education Planning Commission

> to study community college funding and the related reports and data elements currently used. This study shall include, but not be limited to, an analysis of ranges of expenditures by instructional program; the relationship of instructional expenditures to support expenditures; the methodology for determining the operating costs of new facilities; and matriculation, tuition and related fee policies.
>
> The Commission shall review the types of support functions that various colleges fund from the general current fund, including but not limited to, intercollegiate athletics, centers for performing arts, museums, small business institutes, and joint-use centers. The amount of revenue generated by these functions and deposited in the general current fund shall be compared to the actual expenditures from the general current fund to support these functions.
>
> The Commission shall also determine whether a need exists for continuing state funding for supplemental vocational programs at the community colleges.
>
> In addition, the Commission shall recommend a formula to be used for funding enrollment changes at the community colleges. Comparisons shall be made with the formula used by the Legislature in funding undergraduate enrollment changes in the State University System and with formulas used by other states to fund enrollment changes in their community colleges. A report and recommendations shall be submitted to the Legislature and the State Board of Education by February 1, 1991.

Since the Commission's last study of community college finance in 1986, the system has undergone significant growth. In Florida, student enrollment for the community college system has increased by 116 percent over the last 15 years and 41 percent over the past five years. Rapid growth has skewed financing of the system since it has occurred unevenly among the colleges. In addition, use of a three-year average to fund enrollment changes has penalized those colleges which have grown dramatically.

The methodology used to prepare this report was similar to that employed in previous Commission studies. Relevant studies and descriptions of community college finance policies and issues in Florida and other states were collected and analyzed. A survey form was created and circulated with the assistance of the State Board for Community Colleges for the purpose of collecting information concerning the amount of state revenue devoted to ancillary activities such as intercollegiate athletics, museums, performing arts centers, and public television stations. Representatives of the State Board of Community Colleges, the Community College Council of Presidents, institutional finance officers, the Legislature, the Executive Office of the Governor, and the Department of Education were involved throughout the design and implementation of the study.

In addition, Dr. Dennis Jones and Dr. Paul Brinkman from the National Center for Higher Education Management Systems were engaged to assist with the technical aspects of the finance study. The component of the study concerning supplemental vocational programs was coordinated with several other studies of vocational education conducted by the State Job Training Coordinating Council and the Department of Education. Dr. Andrea Carter was engaged as a consultant to assist with the technical aspects of this part of the study.

The following specific recommendations were identified by the Commission as a result of its work in the areas of community college finance and supplemental vocational education.

Community College Finance

Significant alterations are necessary within the overall community college funding process. In view of the importance of this sector in Florida's two-plus-two system of postsecondary education as well as the dramatic growth and underfunding faced by the colleges in recent years, immediate attention is needed. The following recommendations are presented in priority order and designed to provide an overall policy framework for funding community colleges in the years ahead. The Commission recognizes the fiscal constraints which the State is currently facing and accepts the fact that phased financing of the recommendations may be necessary. We would urge that the recommendations be considered and acted upon collectively rather than selectively implemented. The latter course of action will only result in further funding inequities within the system and lack of a consistent strategy for addressing the needs of all community colleges throughout the State.

Recommendations:

1. **Priority emphasis in community college funding should be placed on each institution's base funding allocation.**

2. **The calculation of enrollment workload should be based on prior year enrollment rather than a three-year rolling average.** Workload funding should continue to be calculated using systemwide mean program costs. Adjustments for enrollment declines should allow a two-year payback. These provisions should be sufficiently responsive to permit elimination of the present five percent corridor. Section 240.359, F.S., should be amended to reflect this approach.

3. **Both student fees and state appropriations should be considered when addressing adequacy and equity of funding.** Estimated fee revenue in any year should be based on prior year enrollment and take into account any increase in fees authorized by the Legislature and State Board of Community Colleges.

4. **The Legislature, the State University System and the State Board of Community Colleges should increase current student fee levels.** In accordance with the recommendation contained in the Master Plan for Florida Postsecondary Education both university and community college matriculation fees should be

indexed in order to allow this significant source of revenue to reflect a sufficient share of the overall operating cost of each system. The indexing policies should retain a differential between university and college fees.

5. The Legislature should immediately increase the minimum fees charged to out-of-state students enrolled in Florida community colleges. A ratio of non-resident to resident fees of at least three to one would cover average direct instructional costs and would be an appropriate starting point with an eventual goal of non-resident charges covering the full cost of their instruction.

6. Retirement and health insurance benefits should be made an explicit component of the cost to continue allocation for each college. The community college cost accounting system should be modified to permit reporting of salary and benefit data as separate categories to be used in the development of future budget requests.

7. The State Board of Community Colleges should develop an incentive capitation grant program based on specified outcomes in excess of the current level of activity. Such outcomes should be subject to objective, external measurement and should focus on critical need areas such as the health professions or the academic success of under-prepared students.

8. In addition to Public Education Capital Outlay (PECO) projects, the Legislature should provide operation and maintenance funding for capital projects which add new square footage which are not supported by PECO or Capital Outlay and Debt Service (CO&DS) funds subject to the following conditions: such projects must be survey recommended and included in the Community College System Capital Improvement Program.

9. The Legislature and the State Board of Community Colleges should modify the cost accounting system to permit consistent reporting of individual college expenditures of state funds from the Community College Program Fund for the operation of ancillary activities.

The above recommendations require priority attention. The following issues are secondary concerns requiring further examination:

10. The Legislature and State Board of Community Colleges should implement a policy of base equalization which provides adjustments to those institutions whose projected revenue allocation (state appropriations and fee revenue) per weighted (adjusted for program mix) full-time-equivalent student, is more than ten percent below the system average. Computation of this adjustment should assume that all colleges are levying student fees at the maximum level allowable.

11. The Commission recognizes that the cost of living varies in different parts of the state, however, it is not clear to what degree such cost differences are already addressed in the current funding process. The issue should be subject to future analysis by the State Board of Community Colleges and reconsidered upon implementation of Recommendations 1-10.

12. Comparisons of funding for programs offered by both school districts and community colleges should continue to be examined and refined. However, the Commission believes that efforts to correct any funding imbalances should focus less on relative differences with other sectors and more on desired educational outcomes, current deficiencies which have been identified and the funds necessary to eliminate these problems.

Supplemental Vocational Education

The Commission does not call for major changes in this program which is one of the largest of its kind in the nation. However, an increase in fees is recommended to achieve a share of the actual cost comparable to charges for other programs. Clarification of policy related to charges for customized training designed for a specific employer is also recommended. Finally, improvements in follow-up of employees and employers involved in this training are suggested.

13. The Legislature, in specifying the range of fees to be charged by community colleges and school districts for supplemental vocational education programs, should consider the actual cost of delivering the programs. Fees established should constitute a larger share (20-25 percent) of the total program cost. In the area of customized supplemental training, modifications in statute and rule should be enacted to clarify the authority of school districts and community colleges to offer these programs on a full-cost basis.

14. Customized supplemental programs offered on a full-cost basis should not be reported for state funding purposes.

15. Supplemental vocational education expenditures and enrollments should continue to be reported and analyzed, accompanied by efforts to increase employer awareness of this significant resource.

16. The Division of Vocational, Adult and Community Education (DVACE) should be commended for the comprehensive review process developed for monitoring supplemental training programs. The reviews, scheduled on a four-year cycle, should be continued indefinitely. DVACE should ensure that all data collected on supplemental programs is essential to the effective administration and evaluation of the program.

17. The State Board of Community Colleges should be authorized to make adjustments to institutional CCPF allocations based on supplemental training program reviews as well as any FTE audits which may be conducted.

18. School districts and community colleges should periodically collect information on the number of supplemental students whose fees are paid or reimbursed by employers. Data should also be collected on the number of students and employers served on a full-cost basis. This information could be collected by DVACE and included in its program review report.

19. Periodically, the Florida Education and Training Placement Information Program (FETPIP), should obtain evaluation feedback from employers served by customized and other supplemental training programs. The format for this information should be designed in cooperation with training providers and should permit employers to evaluate not only the overall effectiveness of the training program, but also to report training outcomes as they impact productivity. In addition, FETPIP should work with the sectors to make the reporting changes necessary to permit follow-up of supplemental students on a sample basis.

I. INTRODUCTION

Proviso language accompanying Specific Appropriation 634B of the 1990 General Appropriations Act directed the Postsecondary Education Planning Commission

> to study community college funding and the related reports and data elements currently used. This study shall include, but not be limited to, an analysis of ranges of expenditures by instructional program; the relationship of instructional expenditures to support expenditures; the methodology for determining the operating costs of new facilities; and matriculation, tuition and related fee policies.
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> The Commission shall review the types of support functions that various colleges fund from the general current fund, including but not limited to, intercollegiate athletics, centers for performing arts, museums, small business institutes, and joint-use centers. The amount of revenue generated by these functions and deposited in the general current fund shall be compared to the actual expenditures from the general current fund to support these functions.
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> The Commission shall also determine whether a need exists for continuing state funding for supplemental vocational programs at the community colleges.
>
> In addition, the Commission shall recommend a formula to be used for funding enrollment changes at the community colleges. Comparisons shall be made with the formula used by the Legislature in funding undergraduate enrollment changes in the State University System and with formulas used by other states to fund enrollment changes in their community colleges. A report and recommendations shall be submitted to the Legislature and the State Board of Education by February 1, 1991.

In 1985, the Florida Legislature directed the Commission to study the Community College Program Fund. The study was to include but not be limited to, an analysis of the ranges of expenditures by instructional programs and the relationship of instructional expenditures to support expenditures. In the resulting study, **Florida Community College Finance**, adopted in January, 1986, the Commission found that:

- The current Community College Program Fund (CCPF) conforms to the funding approach outlined in the Master Plan, is essentially sound, and should be maintained with minor modifications necessary to correct historic inequities in resource allocations which have occurred.

- To correct past inequities and provide continued reductions in the range of expenditures per student in the colleges, the State Board of Community Colleges should calculate an equity adjustment for those schools with below average support costs whose total expenditures are significantly below the system wide average. A supplemental budget request should be developed by the State Board of Community Colleges for consideration by the Legislature. Allocations of any funds provided for this adjustment should be contingent upon the development of institutional plans for use of the funds submitted for approval by the Board.

- To address both enrollment growth and decline while avoiding major shifts in resource allocations based on temporary enrollment changes or inaccurate projections, workload should be computed as the difference between the prior year assigned enrollment and the average of the current year estimated enrollment and the two prior actual years. Funding adjustments should be limited to the direct instruction costs by program and applied when enrollment changes more than five percent from the assigned enrollment.

- In accordance with the recommendation contained in the **Master Plan for Florida Postsecondary Education** both university and community college matriculation fees should be indexed in order to allow this significant source of revenue to reflect a sufficient share of the overall operating cost of each system. These indexing policies should retain a differential between university and college fees.

- As an alternative to across the board percentage increases in funding for the system, specific categorical requests for new, enhanced and high cost programs should be supported where demonstrated need justifies this approach. College and vocational preparatory instruction are examples of appropriate areas of treatment in this manner. Such funds should be folded into the base the year after their initial appropriation.

Subsequent action by the 1986 Legislature included the following:

- The CCPF appropriation for 1986-87 provided $3.3 million in equity adjustment funds for 11 colleges.

- The three-year average workload methodology used to calculate the allocation of CCPF dollars to individual institutions conformed to that recommended by the Commission.

- The Legislature provided for an increase in student fee revenues but required that it not exceed the average percentage increase in State University System matriculation and tuition fees for 1986-87.

- Categorical funding was provided in a number of areas including Instructional Equipment ($1.8 million) and Library Books ($1 million). Support for college and vocational preparatory instruction was folded into the CCPF base.

Since the Commission's study of community college finance in 1986, the system has undergone significant rapid growth not anticipated in 1986. In Florida, student enrollment for the community college system has increased by 116 percent over the last 15 years and 41 percent over the past five years. Florida's 28 community colleges represent the primary point of access to public postsecondary education in the State with approximately 66 percent of all students enrolled. Approximately 36,000 of all state university students enrolled in the upper division in the Fall of 1989 transferred from a community college. The steady increase in the number of students enrolled has served as a catalyst for suggested changes in the funding process. Because the Community College Program

Fund is based on a three-year rolling average for enrollment workload adjustments, funding has fallen far behind actual enrollment. In response to this situation in 1989 the State Board for Community Colleges recommended using prior year enrollment as a basis for determining the amount of workload funding the colleges would receive. The Commission suggested that a policy shift of this nature should not be undertaken without a thorough review. The Executive Office of the Governor requested that the Commission review the workload issue and provide recommendations by the Fall of 1990. The 1990 Legislature chose to maintain the current workload methodology and requested that the Commission undertake an expanded analysis of community college funding to be completed by February 1, 1991.

This study was assigned by the Commission chairman to the Planning Committee chaired by Dr. Tully Patrowicz. An organizational meeting was held in August followed by monthly public meetings through January. The methodology used to prepare this report was similar to that employed in previous Commission studies. Relevant studies and descriptions of community college finance policies and issues in Florida and other states were collected and analyzed. A survey form was created and circulated, with the assistance of the State Board for Community Colleges, for the purpose of collecting information concerning the amount of state revenue devoted to ancillary activities such as intercollegiate athletics, museums, performing arts centers and public television stations. Representatives of the State Board for Community Colleges, the Community College Council of Presidents, institutional finance officers, the Legislature, the Executive Office of the Governor, and the Department of Education were involved throughout the design and implementation of the study.

In addition, Dr. Dennis Jones and Dr. Paul Brinkman from the National Center for Higher Education Management Systems were engaged to assist with the technical aspects of the finance study. They interviewed state and institutional representatives on the community college funding process. The findings and conclusions of the consultants guided the Committee throughout its work. A copy of their report may be found in Appendix A. The Committee held a series of public meetings for the purpose of receiving testimony, reviewing potential impact of the various policy options, and receiving input on preliminary findings and recommendations. Further, a large number of presidents, business officers and other institutional representatives provided comments and suggestions throughout the study. The component of the study concerning supplemental vocational programs was coordinated with several other studies of vocational education conducted by the State Job Training Coordinating Council and the Department of Education. Dr. Andrea Carter was engaged as a consultant to assist with the technical aspects of this part of the study. Excerpts of her report are included in this document and complete copies of her review may be obtained upon request from the Commission office.

The pages that follow provide an overview of the community college finance system and supplemental vocational education in Florida and a discussion of the issues and recommendations identified by the Commission as a result of its work in these areas.

II. OVERVIEW OF THE COMMUNITY COLLEGE FUNDING PROCESS

The Community College Program Fund (CCPF) is the principal state general revenue appropriation to the Community College System. For the last few years the fund has also been supplemented with revenue from the state lottery. The individual college allocations are specified in the General Appropriations Act. Over the years, general consensus has been reached between the House and Senate Appropriations Committees, the Governor's Budgeting Office, and the State Board of Community Colleges' staff concerning the process to be used for generating and subsequently allocating monies to the CCPF.

The basic steps in developing the level of state support for the Community College Program Fund are as follows:

Step 1 - Establishing the Base Year Data Matrices

In this step matrices are developed for each college which reflect the expenditures for the current year by program and type of expenditure. The source data is derived from the most recent Cost Analysis Report and selected expenditures from the annual Financial Report. The columns of the matrix contain the following programs:

1. Advanced and Professional Instruction
2. Postsecondary Vocational Instruction
3. Postsecondary Adult Vocational Instruction
4. Supplemental Vocational Instruction
5. College and Vocational Preparatory Instruction
6. Adult Elementary and Secondary Instruction
7. Academic Support
8. Student Support
9. Institutional Support
10. Plant Operation and Maintenance

The first six programs are referred to as the Instructional Programs and the last four as Support Programs.

Examples of the types of expenditures in the vertical axis are as follows:

1. Faculty Salaries
2. Administrative Salaries and Benefits
3. Professional Salaries and Benefits
4. Non-Professional Salaries and Benefits (support staff)
5. Expenses
6. Operating Capital Outlay (depreciation amount)

Each college matrix of cost data is converted to a matrix of ratios by dividing the value in each cell by the total value of all the cells. The Base Year Data Matrix is established by multiplying each ratio by the sum of the current year general appropriation for the CCPF and student fee revenue; i.e., the operating funds available in the base year. During this process, certain expenditure types are expanded using factors derived from the Annual Financial Report. The final result is a Base Year Data Matrix for each college that reflects its latest expenditure pattern by program and type of expenditure.

Step 2 - Determination of the Cost to Continue Current Programs

This step develops the basic fiscal requirements for the budget year. The underlying assumption for this step is that programs will be continued at the same level and scope of operation as the prior year. The cost to continue current programs is based on the following factors:

1. Faculty salary increases
2. Other staff salary increases
3. Part-time faculty salary increases
4. Other part-time staff salary increases
5. Price level increases for expenses (materials, supplies, contractual services, travel, etc.)
6. Price level increases for utilities
7. Equipment replacement policy
8. Price increases for library resources

Decisions are made regarding each of these factors and the results applied to each institution's base year matrix of programs and expenditures. The State Board of Community Colleges in its legislative request will determine the values of these factors as a matter of policy, or use price indices forecasts provided by the Office of the Governor and the Legislature. A cost to continue appropriation for each college is constructed based upon its expenditure base and the selected policy factors for the system.

Step 3 - Adjustments for Changes in Workload

Enrollment Workload

Changes in workload in community colleges are measured primarily by changes in student enrollment. Increases in enrollment require additional funds for faculty, support staff, materials, supplies and equipment. This process deals with marginal changes in enrollment; i.e., increases or decreases from an established base of previously funded enrollment (the assigned enrollment). Small changes in enrollment will not influence the requirement for resources; therefore growth or decline must reach a certain threshold before a funding adjustment is made.

The enrollment workload calculation uses a three year rolling average to determine workload funding. The enrollment data consists of the two most recent years' actual enrollment and the current year estimate. The three year average is then compared to the institution's assigned or funded enrollment. If the difference between the current year's estimated assigned enrollment and the three year average is greater than five percent, the college qualifies for enrollment workload funding. The adjustments are then made to each of the six instructional programs shown in Step 1. If the total enrollment workload is negative because of declining enrollments, the reduction is made over a two year period by taking 50 percent each year.

New Facilities Workload

The Legislature provides funding for the increased cost of operating new facilities that will be completed and placed into service during the budget year at specific institutions. Four factors are used to calculate the amount a college will receive for a new building:

1. Operating and maintenance cost/gross square foot
2. Inflation factor to update the cost to the budget year
3. Gross square footage of the new building
4. Date the new building will be placed into use

The output of this formula is the funding that each college will receive for new buildings going into operation during the budget year.

Other Related Issues

In the future, several other issues may be considered as a part of the workload formula. These include legislatively mandated increases in retirement system contributions and increased health insurance costs. Currently these areas are not formally taken into consideration in the funding process. Further, for the past several years the Legislature has funded improved or new programs as part of the CCPF or as separate categorical line items. During the 1989 Legislative Session, additional funding was provided in the CCPF for the "enhancement of college preparatory classes and for the general enhancement of the community college system." These funds were distributed to the colleges based upon the total full-time equivalent enrollment estimated for the 1988-89 year, and they were included in the lump sum allocation of the CCPF. These "enhancement" funds are considered to be recurring and are included in the development of the subsequent year's base year data matrix.

Finally, a number of line-item categorical appropriations are made by the Legislature each year. Some of these items are allocated in the appropriations bill while others are given to the State Board of Community Colleges to be distributed on a grant basis. Examples of those that were specifically appropriated and allocated by the Legislature for 1989-90 are:

1. Learning Resource Center materials, supplies, books, equipment
2. Instructional Equipment
3. Deferred Maintenance Projects
4. Needs Identified by Program Reviews

Categorical funding, which has been provided to the colleges on a competitive grant basis includes such programs as the Sunshine State Skills Program, the Academic Improvement Trust Fund, Nursing Education Challenge Grants and Technology Transfer Centers.

III. SUPPLEMENTAL VOCATIONAL EDUCATION

Supplemental vocational education is designed to enable persons who are or have been employed in a specific occupation to upgrade their competencies to re-enter, maintain stability or advance within their occupation. This training is typically of shorter duration than job preparatory programs and may be delivered by area vocational-technical centers or community colleges. A supplemental program that is designed to serve the specific training needs of an individual employer or group of employers, and is offered only to their designated employees is termed a "customized" program. There are also "open enrollment" supplemental vocational education programs. These are offered by a local educational institution and are open to the public for enrollment. Continuing education courses for nurses, cosmetologists and child care workers are examples of open enrollment supplemental vocational education.

To qualify for state support, a vocational supplemental course must first have a curriculum which includes one or more student outcomes from the state program standards and is approved either by the school board, community college board of trustees, or, for customized programs, by the regional coordinating council. A second condition for state support is that each student enrolled must either be currently employed and taking the course to enhance or upgrade skills related to that employment or have been previously employed and intends to re-enter a related occupation.

Should the course fail to meet the curriculum standard, no state support is authorized for the enrolled students. If individual students enrolled in an approved course fail to meet the employment standard, then their participation in the program does not receive state support under the vocational supplemental program, but may qualify in another funding category, i.e., lifelong learning, adult education. The concern of the Legislature is the role of supplemental vocational education in an era of competitive needs for educational resources, and the responsibility of each partner involved to share the costs of program delivery.

Current Program Operation

Nearly half a million Floridians are served by vocational supplemental education. By headcount, 212,648 individuals were reported enrolled in vocational supplemental courses in community colleges in 1989-90. Although 1989-90 headcount data are not yet available for school districts, districts reported a total of 269,752 enrollees for 1988-89.

Over the three-year period 1987-1990, FTE reports indicate that vocational supplemental programs represent a consistent share of the vocational and overall instructional programs in both community colleges and school districts (Table 1). Vocational supplemental education declined slightly in both the school district and community college sectors from FY 88-89 to FY 89-90. In the community colleges, the one year decline was .5 percent, in the school districts there was a 3.24 percent decline.

Vocational supplemental programs in community colleges accounted for approximately 12 percent of the total vocational program FTE and three to four percent of the total program offerings for the past three years (Table 1). In the school district sector, vocational supplemental programs accounted for a much smaller proportion (1 percent) of the total program offerings, but comprised 21

TABLE 1

HISTORICAL VOCATIONAL SUPPLEMENTAL FTE AS A PERCENTAGE OF TOTAL VOCATIONAL AND TOTAL PROGRAM FTE FOR COMMUNITY COLLEGES AND SCHOOL DISTRICTS

COMMUNITY COLLEGES

YEAR	1 VOC. SUPP. FTE	2 TOTAL VOC. FTE	3 TOTAL FTE	1 - 2 VOC. SUPP. AS % OF TOTAL VOC.	1 - 3 VOC. SUPP. AS % OF TOTAL FTE
1987-88	5,229.30	46,838.7	147,639.0	11%	4%
1988-89	5,772.70	50,115.0	161,390.5	12%	4%
1989-90	5,747.00	54,283.6	177,671.5	11%	3%

Source: Annual FTE by Discipline, CCMIS 202, Division of Community Colleges, Florida Department of Education.

SCHOOL DISTRICTS

YEAR	1 VOC. SUPP. FTE	2 ADULT VOC. FTE	3 TOTAL FTE	1 - 2 VOC. SUPP. AS % OF ADULT VOC.	1 - 3 VOC. SUPP. AS % OF TOTAL FTE
1987-88	10,182.60	46,040.99	1,810.925.48	22%	1%
1988-89	11,145.05	47,650.00	1,879,203.62	23%	1%
1989-90	10,851.76	51,616.35	1,954,242.43	21%	1%

Source: Program Projections and Analysis, Division of Public Schools, Florida Department of Education.

to 23 percent of the total adult vocational program FTE. School districts reported almost twice the FTE of community colleges in vocational supplemental programs; 10,851.76 and 5,747, respectively for 1989-90.

Within each sector, it is noteworthy to analyze the colleges and districts with the largest vocational supplemental programs. Florida Community College at Jacksonville (1,794.3) and Valencia Community College (571.8) had the greatest FTE enrollment in vocational supplemental education (Table 2). Indeed, these two colleges accounted for 41 percent of the total vocational supplemental FTE in the college sector for 1989-90. In the school district sector, Orange, Broward and Hillsborough Counties led in vocational supplemental FTE. Their combined total accounted for nearly half (49 percent) of the district sector vocational supplemental FTE. These districts and colleges serve some of Florida's major industrial centers and it is logical that they would have substantial supplemental programs. However, there are many colleges and school districts reporting little or no supplemental FTE.

Program Reviews

The Division of Vocational, Adult and Community Education (DVACE) is responsible for monitoring the operation of vocational supplemental programs in school districts and community colleges. Presently, the Division is implementing its third year of supplemental program reviews. In 1987-88, the Legislature directed a review of supplemental home economics offerings. The 1988 Legislature directed DVACE to review supplemental vocational courses in all discipline areas in at least 25 percent of the school districts and community colleges each year. In school districts, the DVACE reviews are followed by internal FTE audits by the Division of Administration in the Department of Education and financial audits by the Office of the Auditor General, with the Commissioner authorized to make adjustments resulting from inappropriate offerings in vocational supplemental education or other program areas. For community colleges, any funding adjustments deemed necessary are subject to action by the Legislature. The State Board of Community Colleges has not been authorized to act in this regard.

Of the 1,061 sections of 281 courses across all program areas reviewed by DVACE in 1988-89, 84 percent conformed to state approved program course standards. Of the eligible courses, 90 percent of the students were found to comply with the enrollment criteria for supplemental students. Preliminary results from the 1989-90 review indicate that only four percent of the courses failed to meet state curriculum standards, while 49 percent of the student records examined were ineligible. The primary reason for student ineligibility was incomplete information on student registration forms. Since the 1989-90 reviews were conducted on current year operations, the districts and colleges have an opportunity to correct errors and collect missing information prior to a financial audit. Thus, clear cut guidelines and a thorough process for state monitoring of vocational supplemental programs are in place.

Program Costs

In 1988-89, supplemental vocational programs in Florida cost approximately $59,868,872 to operate. Roughly 80 percent of this figure were state funds, and 20 percent were a combination of local tax funds, student fees and federal funds.

TABLE 2

RANK ORDER OF SCHOOL DISTRICTS AND COMMUNITY COLLEGES
WITH GREATER THAN 100 VOCATIONAL SUPPLEMENTAL FTE, 1989-90

COMMUNITY COLLEGES		VOC. SUPP. FTE	PERCENT OF SYSTEM TOTAL	SCHOOL DISTRICTS		VOC. SUPP. FTE	PERCENT OF SYSTEM TOTAL
1.	Florida - Jacksonville	1,794.3	31%	1.	Orange	2,166.96	20%
2.	Valencia	571.8	10%	2.	Broward	1,602.28	15%
3.	Seminole	420.5	7%	3.	Hillsborough	1,554.9	14%
4.	Brevard	417.6	7%	4.	Pinellas	1,128.20	10%
5.	Miami-Dade	345.3	6%	5.	Palm Beach	907.09	8%
6.	Palm Beach	321.0	6%	6.	Dade	619.29	6%
7.	Broward	213.9	4%	7.	Polk	491.00	5%
8.	Central Florida	180.0	3%	8.	Sarasota	472.64	4%
9.	St. Petersburg	172.10	3%	9.	Leon	363.97	3%
10.	Polk	141.3	2%	10.	St. Johns	266.88	2%
11.	Daytona	138.6	2%	11.	Collier	244.56	2%
12.	Indian River	122.9	2%	12.	Lee	171.23	2%
13.	Santa Fe	106.9	2%	13.	Manatee	156.77	1%
				14.	Lake	136.97	1%

Source: Division of Community Colleges and Division of Public Schools.

In community colleges, approximately $24,141,865 was spent for supplemental vocational programs in 1988-89. This represented 10 percent of all vocational program expenditures and 3.5 percent of total program expenditures. In the school district sector, program costs for supplemental vocational programs were $35,727,007, constituting 18.5 percent of adult vocational program costs and .5 percent of the total program costs.

In school districts, supplemental vocational programs cost an average of $3,206 per FTE, or $3.56 per hour to operate. In community colleges, the average cost per FTE is $4,174.69, or $4.64 per hour. In a comparison of direct instructional cost only, the school district cost per hour is $1.91, while community college cost is $2.33 per hour. Thus, vocational supplemental programs are more expensive to operate in community colleges than in school districts.

An analysis of costs among program areas indicates that in the community colleges supplemental programs in business and office education are the most expensive to operate, costing $5.16 per hour. In school districts, however, supplemental home economics and agriculture programs reported the highest total program costs. Compared to other vocational programs, supplemental programs are less expensive to operate in both sectors. Within community colleges, the average cost of all vocational programs was $5.23/hour, (supplemental $4.64), while in school districts, adult job preparatory programs cost $4.80/hour (supplemental-$3.56). In school districts, supplemental programs also cost less than the average of all program operating costs, but in community colleges, the cost for supplemental programs was slightly higher than the average cost for all instructional programs ($4.55/hour and $4.64/hour respectively).

Students, or their employers, enrolled in vocational supplemental programs in both community colleges and school districts pay fees to help defray the costs of operating the program. A range of allowable fees is established annually in the appropriations bill. For 1990-91, the fees charged were "no less than $.27 per hour and no more than $.67 per hour for Florida residents." Fees for out-of-state residents must be twice the amount established for residents. Although each school board and college board of trustees approves fees, they must be within this range. Generally school districts have charged fees on the lower end of the range while community college fees have been on the higher end of the range.

To compare fees to the actual cost of the program, an assumption was made that school districts charged $.30/hour and community colleges $.60/hour. When that hourly fee charge was compared to the hourly program cost of two years ago, it revealed that, generally speaking, fees collected by school districts paid eight percent or less of the program cost. In colleges, fees amounted to 13 percent or less of the cost of operating the program.

Conclusions

On the basis of a comprehensive examination of the current operation of supplemental vocational education in Florida, a survey of employers recently utilizing these programs, and a survey of other states to determine their practices in similar programs, the following conclusions have been reached:

1. There are clearly defined guidelines for operating vocational supplemental programs and a comprehensive process utilized by DVACE for program

evaluation. Both appear to be operating effectively to ensure that there is a minimum of unneeded program activity.

2. The evidence indicates that vocational supplemental programs' cost/FTE is lower than the average for job preparatory vocational programs. Vocational supplemental program costs are also lower than the average overall program cost for school districts and about the same as the total average program cost in community colleges.

3. Program growth statewide has been steady over time and represents a relatively small portion of the educational offerings in both school districts and community colleges. Vocational supplemental programs do not command a disproportionate share of the total instructional program or resources.

4. Fees paid by students or their employers comprise a relatively small portion of the cost of delivering vocational supplemental programs. There appears to be a willingness among the employers utilizing the program to pay a larger share of the cost.

5. There is widespread support for vocational supplemental programs among both the educators who administer them and the employers who utilize them. The employer surveys received by the Commission also reveal an understanding of the positive impact of training on the economy and advocacy for the state's role in subsidizing this training.

6. According to the results of the Commission's survey of practices in other states, Florida invests more state funds and is more active in supplemental training than most other states.

Summary

The concern of the Legislature for the use of public funds for training employed individuals stems from an environment of burgeoning needs in K-12, increased tuition charges for students in community colleges and universities, and past isolated incidents of impropriety in program offerings.

Florida has committed its educational institutions to a prominent role in economic development and, in view of this commitment, supplemental vocational education is a success story. It is viewed as a valuable service to a target audience, the business community. It is a means by which public education can contribute to the business/education partnerships encouraged in recent years by so many study groups and research reports. Funding for supplemental training should be viewed as a part of Florida's economic development incentives and not entirely as an educational expenditure.

Economic forecasts predict an older workforce with greater needs for re-training. Businesses are increasingly committed to the value of training. The issue is really not whether state funding should be continued for supplemental vocational programs, but how much should be provided. In light of the information presented in this report, the core question is to determine the appropriate financial contribution to be made by each party benefitting from the educational services provided through supplemental vocational education: the State, the employer and the employee.

IV. ISSUES AND RECOMMENDATIONS

The following discussion is based on input from the study consultants, the Community College Council of Presidents, institutional finance officers, vocational deans and directors, state policy makers and staff, and others involved in community college finance and supplemental vocational education. While achieving complete consensus among such a diverse group is probably not possible, the degree of agreement regarding major issues and concerns is high.

Significant alterations are necessary within the overall community college funding process. In view of the importance of this sector in Florida's two-plus-two system of postsecondary education as well as the dramatic growth and underfunding faced by the colleges in recent years, immediate attention is needed. The following recommendations are presented in priority order and designed to provide an overall policy framework for funding community colleges in the years ahead. The Commission recognizes the fiscal constraints which the State is currently facing and accepts the fact that phased implementation may be necessary. We would urge that the recommendations be considered and acted upon collectively rather than selectively implemented. The latter course of action will only result in further funding inequities within the system and lack of a consistent strategy for addressing the needs of all community colleges throughout the State.

Community College Finance

In identifying and addressing issues related to the community college funding process the following principles were considered:

A. Adequacy - The formula or funding process used should allocate sufficient funds for the institutions to fulfill the missions which have been assigned to them. However, formulas cannot create revenues. The overall level of funding must be addressed in addition to the distribution of available resources within the system.

B. Equity - Each of the institutions should have its needs funded in proportion to the overall resources available.

C. Simplicity - The formula should be kept as simple as possible. Complexity endangers the communication value of the formula; the fewer individuals who understand it, the less credible it will be with legislators and others. Further, the more complex the formula, the more it will be subjected to manipulation.

D. Policy Relevance - The allocation of resources is one of the few tools available to state government to create incentives for achievement of state priorities. Further, the budget process is the focal point for much of the discussion about education. The structure of the formula can significantly affect the substance of that discussion. These points suggest that the design of the formula should be such as to explicitly incorporate certain variables as policy variables, subject to modification to reflect changing needs and priorities.

Base Funding

In the conclusion of its 1986 study, **Community College Finance**, the Commission noted that:

> serious attention must be given to the level of funding available to the colleges to assure adequate support for their current functions and emerging areas of responsibility such as college and vocational preparatory education. The colleges must be recognized as equal partners with the school districts and state universities in the provision of quality public educational opportunities for all Floridians.

In the course of the current review, the consultants noted in a national comparison of funding based on over 800 community colleges that only two of Florida's colleges are above the median while more than half are in the lowest 20th percentile (Appendix A, Table 1). This analysis was based on 1987-88 data on adjusted education and general (E & G) expenditures (total E & G expenditures minus restricted and unrestricted student aid). Given the significant growth experienced by the colleges in recent years, improvement in Florida's comparative position is highly unlikely. Within Florida, a review of general revenue funding for public education over the past ten years (Table 3) indicates that each sector's share of general revenue has declined but the decrease has been proportionately greater for community colleges than either school districts or the state universities. While this analysis does not reflect lottery revenue, student fees or other funding sources, general revenue continues to be the primary means of support for all three sectors. In addition, a recent analysis by the Division of Community Colleges indicates that per student funding in the community college system actually has declined by 3.52 percent over last year (Table 4). While high school graduation rates are projected to remain fairly stable over the next four years, beginning in 1995 and beyond, significant growth is anticipated (Table 5). This will place even greater pressure on the community colleges, which should begin to be addressed now.

Recommendation:

1. **Priority emphasis in community college funding should be placed on each institution's base funding allocation.**

Enrollment Workload

While the present method of determining workload is not the sole reason for the current fiscal difficulties faced by the colleges (such factors as mid-year state budget shortfalls and lack of recognition of mandatory cost to continue items have also contributed), it is clear that a change in this approach is needed. The consultants and the Council of Presidents have recommended using prior year actual enrollment as the figure on which workload adjustments should be based. Such a policy change would require approximately $78 million if fully implemented in 1991-92. Based on the current budget, including midyear reductions being implemented by the community colleges at the request of the Governor and Cabinet, the Division of Community Colleges estimates that 20 percent of the system's current enrollment is "unfunded." While it cannot be denied that the colleges are facing a serious situation the term "underfunded" rather than "unfunded" FTEs would be a more accurate description of the situation. On the average, each

TABLE 3

GENERAL REVENUE FUNDING FOR PUBLIC EDUCATION
1980-1990

		PUBLIC SCHOOLS		COMMUNITY COLLEGES		STATE UNIVERSITIES	
FISCAL YEAR	GENERAL REVENUE FUND	APPROPRIATION	% OF G.R.	APPROPRIATION	% OF G.R.	APPROPRIATION	% OF G.R.
1980-81	$4,306,308,747	$1,756,926,290	40.8%	$245,989,420	5.7%	$437,556,211	10.2%
1985-86	6,896,701,256	2,990,222,374	43.4%	356,132,962	5.2%	723,151,369	10.5%
1986-87	7,788,538,247	3,303,566,839	42.4%	392,662,000	5.0%	819,903,023	10.5%
1987-88	8,629,867,335	3,693,541,834	42.8%	421,527,360	4.9%	866,929,663	10.0%
1988-89	9,513,139,207	3,991,086,524	42.0%	462,907,182	4.9%	959,470,760	10.1%
1989-90	10,256,182,967	4,207,450,314	41.0%	497,194,102	4.8%	1,008,311,027	9.8%
1990-91	11,349,234,600	4,469,158,803	39.4%	521,550,000	4.6%	1,033,703,868	9.1%

Source: Executive Office of the Governor, Office of Planning and Budgeting

TABLE 4

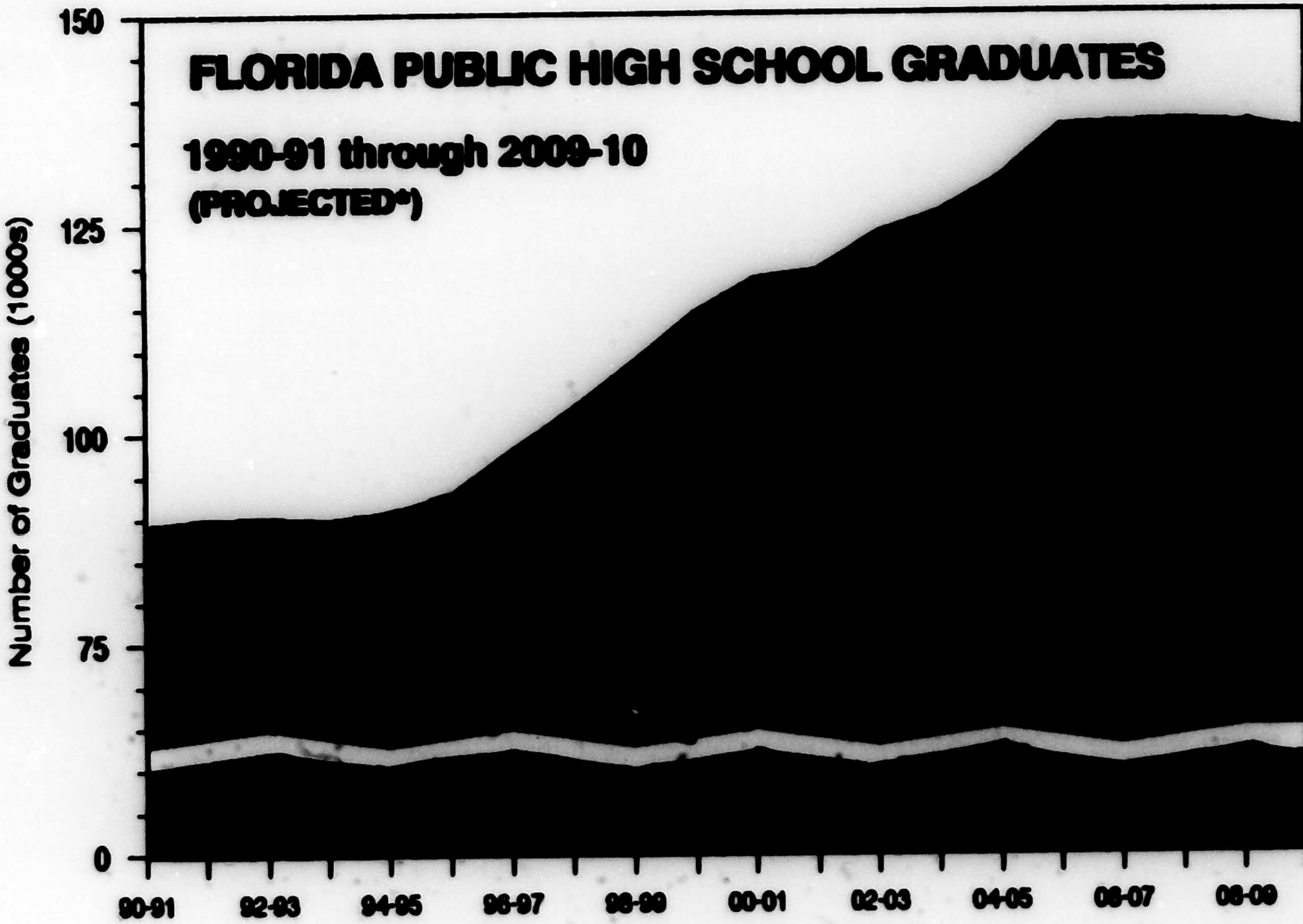
FLORIDA COMMUNITY COLLEGE SYSTEM
EDUCATION & GENERAL FUNDING PER FTE
1985-1990

YEAR[1]	ACTUAL FTE STUDENTS	TOTAL EDUCATION & GENERAL BUDGET	EXPEND. PER FTE	PERCENT CHANGE
1985-86	132,234	$449,550,133	$3,400	-
1986-87	138,071	496,556,287	3,596	5.79%
1987-88	144,829	556,556,162	3,843	6.85%
1988-89	156,841	624,941,139	3,985	3.69%
1989-90	170,479	699,401,213	4,103	2.96%
1990-91[2]	184,078	728,609,637	3,958	-3.52%

Note: 1 - 1985-86 through 1989-90 represent actual data.
2 - 1990-91 represents estimated data based on appropriations and does reflect holdbacks.

Source: Division of Community Colleges, December 21, 1990.

TABLE 5



*Source: FL Dept of Educ (May, 1990)

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student has paid fees equal to approximately 21 percent of educational costs and is being served within the resources available to the colleges.

Since sufficient state funding may not be available to fully cover the new workload approach, a phased implementation would be appropriate. The method for phase-in can best be determined by the State Board of Community Colleges in cooperation with the Legislature and the Governor's office. One caution which the Commission would urge in selecting an approach would be that it not unduly penalize institutions that have experienced steady growth in favor of those which have had dramatic but sporadic increases.

With regard to decline, the Council of Presidents supports a two-year phased pay back plus a five percent corridor for enrollment declines. The corridor would provide that no adjustment would be made until enrollment declined by at least five percent. The Commission agrees with the position of the study consultants that a phased two-year pay back approach should be sufficient protection in the event of a decline.

In a related workload issue, the consultants recommended increasing the factor for academic support and student services from 1.3 to 1.4 of direct instructional costs. They estimate that this would provide funding for growth equivalent to approximately 90 percent of full cost (direct cost of .5 times 1.4 plus .2 associated with student fees). Based on their national sample of over 800 community colleges, the consultants estimate that marginal costs for enrollment growth represent 90 percent of average costs nationwide.

There are several reasons why this suggestion would benefit from further analysis by the State Board of Community Colleges rather than immediate implementation. First, it does not take into account operating funds for new facilities which are provided as a separate item and which at least indirectly respond to the costs of growth. Second, the current factor of 1.3 is intended to provide funding for the academic support and student services required by additional enrollment. The cost accounting manual currently used by the colleges includes within the Academic Support function such activities as museums and galleries, planetariums, and performing arts auditoriums. Included within the Student Support function are recreational activities, intramural sports and intercollegiate athletics. There is nothing inherently wrong with any of these activities. However, the Legislature and Governor's office have expressed interest in the level of support provided for these types of services. This issue is discussed in a subsequent section. Before a policy change is made which would potentially generate additional state support for these activities, further examination of current expenditure levels is advisable. The Auditor General is presently completing a performance audit of the Division of Community Colleges which includes an analysis of college expenditure patterns and accounting procedures. When completed, this project should provide additional insights and guidance relevant to this issue.

Recommendation:

2. **The calculation of enrollment workload should be based on prior year enrollment rather than a three-year rolling average.** Workload funding should continue to be calculated using systemwide mean program costs. Adjustments for enrollment declines should allow a two-year payback. These provisions should be sufficiently responsive to permit

elimination of the present five percent corridor. Section 240.359, F.S., should be amended to reflect this approach.

Matriculation and Tuition Fees

Decisions regarding adequacy and equity of community college funding cannot be accurately made without taking fees into account. Prior to 1990, the Legislature had not increased the amount of anticipated community college fee revenue in the General Appropriations Act for several years. Colleges continued to exercise their local discretion to adjust fees, however, and the net result was that the average fees collected began to approach the maximum permitted in law and rule. As a result, in the current year the difference between actual fee revenue and the amount identified by the Legislature was approximately $13 million. While recognition of these funds will not directly increase the resources available to the colleges, it will provide a more accurate assessment of the overall funding available to the system and the state support required.

3. **Both student fees and state appropriations should be considered when addressing adequacy and equity of funding.** Estimated fee revenue in any year should be based on prior year enrollment and take into account any increase in fees authorized by the Legislature and State Board of Community Colleges.

Matriculation and tuition fee levels in Florida's community colleges have gradually fallen from above the national average in 1978-79 to considerably below that average in 1990-91. A comparison of the matriculation fee levels in use around the system and with other colleges nationwide suggests the need for some adjustment in the current policies. The 1989-90 median for tuition and fees charged to resident students in Florida's community colleges is $720, according to the Southern Regional Education Board (SREB), in comparison with a national median of $856. The median annual charges for comprehensive community colleges for SREB states ranged from $270 in North Carolina to $1092 in Maryland, with an overall median of $690. Florida ranked 10th out of the 15 SREB states in tuition and fees charged in comprehensive community colleges.

A further comparison using national averages paints a similar picture. An annual analysis of tuition and fee rates conducted by the Higher Education Coordinating Board for the State of Washington indicates that the 1989-90 national average for fees charged to community college resident students was $879. The State Board of Community Colleges estimates that Florida community college fees for residents are 21 percent below the national average for 1990-91.

One of the primary reasons for Florida's relatively low fee levels involves the State's commitment to an open door policy and the belief that higher fees impede access. Community colleges have sought to keep their fees lower than those charged within the state universities in order to maintain a fiscal incentive to encourage students to participate in the State's "two-plus-two" system as well as to recognize the operational cost differences in the two systems. The Master Plan has recommended that the fees charged by the community colleges, the primary point of access into public postsecondary education in Florida, should not exceed those of the state university system. Since state university fees have not kept pace with the increased costs of instruction, increases in community college student matriculation fees have fallen even further behind. In addition, students are usually opposed to any increase which is a direct charge to them.

Over the years, students have become an organized and effective pressure group on various state governing and coordinating boards and upon the Legislature. Thus, despite the importance of tuition charges as a method of raising income, funding construction, influencing access and carrying out the State's commitment to provide citizens with the opportunity to advance their education, charges to public postsecondary students have remained low in Florida.

Current state policy specifically requires the State Board of Community Colleges, using prior year fees rates, assigned enrollment, and the fee revenue established in the General Appropriations Act, to calculate a statewide average for student fees required to generate the revenue established in the General Appropriations Act each year. Each board of trustees may establish a matriculation fee for each program area that must not vary from the adopted statewide rate by more than 10 percent rounded to the nearest one-fourth dollar (Rule 6A-14.054, FAC). The Commission, in its earlier study of community college finance, found that the current range permitted has had the effect of encouraging increased uniformity while retaining the flexibility of the college board of trustees to respond to local conditions.

Information provided by the State Board of Community Colleges indicates that student fees currently comprise approximately 21 percent of the overall revenue required to fund Florida's community colleges. An important policy issue with respect to tuition concerns the share of the total cost of education that is to be borne by the student in relation to the share to be borne by other sources of financial support, such as the general taxpayer. The Carnegie Commission has recommended approximately one-third of the educational costs as a reasonable charge to students. Similarly the **Master Plan for Florida Postsecondary Education** has recommended that the State Board of Community Colleges adopt an indexing policy to ensure that students contribute an equitable amount to the cost of their education. Given the limited revenue sources available to the community colleges and the relatively low level of student matriculation fees when compared with other states, consideration of an increase in student matriculation fees is appropriate.

Recommendation:

4. **The Legislature, the State University System and the State Board of Community Colleges should increase current student fee levels.** In accordance with the recommendation contained in the Master Plan for Florida Postsecondary Education both university and community college matriculation fees should be indexed in order to allow this significant source of revenue to reflect a sufficient share of the overall operating cost of each system. The indexing policies should retain a differential between university and college fees.

The Legislature has historically expressed the belief that non-residents and graduate students should be charged more than undergraduate and resident students. Most states view the subsidizing of higher education for their citizens as an obligation to the extent that such education is available with only low direct charges to students. Florida policy requires that each board of trustees establish a tuition fee which "shall apply to non-Florida residents who enroll in advanced and professional, postsecondary vocational, postsecondary adult vocational, supplemental, adult basic and secondary, preparatory instruction, and lifelong learning." Such tuition fees must be at least as much as the matriculation fee and must be charged in addition to the matriculation fee (Rule 6A-14.054, FAC). As a result, non-resident students pay at least twice the matriculation fee for resident students.

Data collected by the Higher Education Coordinating Board for the State of Washington indicate that the 1989-90 national average for out-of-state tuition and fees was $2,531, while as set forth earlier, the average for in-state students was $879 or roughly a three-to-one ratio. The State Board of Community Colleges reports that Florida community college fees for non-residents are now 66 percent below the national average. A doubling of the tuition rate for out-of-state students would still leave out-of-state tuition and fee levels in Florida at well below the national average in 1990-91. Increasing fees for non-resident students to a three-to-one ratio with in-state students would approximate the funding provided for growth enrollment and would generate an additional $9.8 million in revenue for the system based on current enrollment and fee levels. This figure assumes the increased charges would not result in any decreased enrollment. Alternatively, any decline in out-of-state enrollment which did occur would result in additional space for Florida residents.

Recommendation:

5. **The Legislature should immediately increase the minimum fees charged to out-of-state students enrolled in Florida community colleges.** A ratio of non-resident to resident fees of at least three to one would cover average direct instructional costs and would be an appropriate starting point with an eventual goal of non-resident charges covering the full cost of their instruction.

Mandatory Increase in Benefits

In calculating the current cost to continue allocation, mandated increases in employee benefits beyond the control of the colleges are not addressed as distinct items. Recent examples include increased cost for state health insurance and extension of social security benefits to include temporary and part-time employees. While funding increases for community college personnel are normally calculated based on total compensation, such adjustments have not always kept pace with actual increases in areas such as state retirement and health insurance. Recognizing such mandatory increases as a separate issue would require approximately $9.5 million in 1991-92 (see Appendix B). However, before addressing this area the community college cost accounting system should be modified to permit reporting of salary and benefit data as separate categories.

6. **Retirement and health insurance benefits should be made an explicit component of the cost to continue allocation for each college.** The community college cost accounting system should be modified to permit reporting of salary and benefit data as separate categories to be used in the development of future budget requests.

High Cost Programs

The Council of Presidents recognized the high cost of providing certain programs such as health related fields and recommended a special high cost funding category. The obvious argument against such an approach is that while there are programs with above average costs, there are also others which are below average. While the current funding process does not prescribe how funding is allocated, pursuing the high cost program approach could lead to overly prescriptive expenditure requirements and additional record keeping at the state level and generally impede the flexibility which is inherent in the current funding process.

The consultants endorsed the concept of incentive funding tied to specified program outcomes in the form of capitation grants. The Commission supports this strategy and believes that accountability would be ensured by selecting outcomes subject to an objective external measure such as the College-Level Academic Skills Test (CLAST) or licensure examinations. As a further refinement, this approach could be used to recognize increases in critical areas beyond the current level of activity, e.g., increases in the number of Associate Degree in Nursing (ADN) graduates who become licensed or the number of students requiring college preparatory instruction in two or more areas who pass the CLAST and graduate. Any funds received through such capitation grants could be used for equipment, curriculum materials, adjunct faculty and other program enhancement expenditures.

With regard to funding, the Council of Presidents proposed $3.7 million for its high cost program adjustment. This amount would be sufficient to pilot test an outcomes oriented capitation grant program.

Recommendation:

7. The State Board of Community Colleges should develop an incentive capitation grant program based on specified outcomes in excess of the current level of activity. Such outcomes should be subject to objective, external measurement and should focus on critical need areas such as the health professions or the academic success of under-prepared students.

Operating Costs of New Facilities

The Legislature has routinely funded the operating costs of new buildings during the first year they are placed into operation. This amount is subsequently incorporated into the institution's base budget. Calculation of each institution's funding in this area is based on:

- average operating and maintenance cost per gross square foot for all facilities on the campus;
- number of gross square feet of new space;
- proportion of the year the building will be in use.

The study consultants and the Commission support use of the average cost in calculating operating costs. The other alternative would be an overly complicated system which assigned varying costs to different buildings based on age, type of use and other factors.

An issue raised by the Council of Presidents was the provision of operating costs for new facilities acquired from sources other than Public Education Capital Outlay (PECO) funds. This approach would recognize that it is to the advantage of the State, as well as the colleges, to seek alternative sources for capital projects. However, some facilities which have been acquired have been directly relevant to an institution's educational mission while others have not.

Recommendation:

8. **In addition to Public Education Capital Outlay (PECO) projects, the Legislature should provide operation and maintenance funding for capital projects which add new square footage which are not supported by PECO or Capital Outlay and Debt Service (CO&DS) funds subject to the following conditions: such projects must be survey recommended and included in the Community College System Capital Improvement Program.**

Ancillary Activities

Community colleges are becoming increasingly involved in intercollegiate athletics and the operation of such enterprises as museums, performing arts centers, small business institutes, dormitories, public broadcasting radio and television stations and golf courses. As a part of this study, data concerning the sources and range of funding for such enterprises within the community college system were collected and analyzed to determine the degree to which these support functions are self supporting. With the assistance of the State Board of Community Colleges, Commission staff created and circulated a survey which requested the 28 colleges to indicate the types of ancillary activities each was involved in and the sources of financial support for those activities in 1989-90. While the information collected identifies total expenditures and isolates state funds and student fees, verification of all revenue and expenditures for the activities at issue was not possible within the timeframe of the study. Modification of the cost accounting system would be necessary to permit accurate reporting on a routine basis. Appendix C provides a summary of the responses received and further detail concerning expenditures of state funds and fees for selected functions. The heaviest commitment of state funds is indicated in athletics, performing arts centers, public television stations and small business institutes. State sponsored training programs housed within small business institutes at Miami-Dade Community College and Seminole Community College account for the majority of expenditures by the colleges in the area of ancillary activities. The small business institutes category listed on the survey contains projects such as the Southeast Florida Institute for Criminal Justice, the Southeast Florida Fire Science Academy and service linkages with business. Funding for these activities is most often achieved through direct charges to business, state matching grants or in some instances, specific line-item appropriations within a college's budget.

The total of athletic expenditures within the community colleges from all sources amounted to $5,017,494 in 1989-90. Twenty of 28 colleges reported expenditures for athletics. Of that number, 14 reported state revenue expenditures for athletics totalling $1,478,268 or approximately 29 percent of the total. Approximately 25 percent ($1,262,128) of the expenditures reported for athletic activities was derived from student fees.

Eight community colleges reported the operation of a performing arts center. Total expenditures for the operation of performing arts centers amount to $5,332,836. State revenue used to operate or support performing arts centers at the eight institutions totaled $688,083 or approximately 13 percent of the total with fees ($80,136) collected at four colleges, accounting for another 1.5 percent of the overall total.

Currently, three community colleges, Brevard Community College, Daytona Beach Community College and Pensacola Junior College, operate public television stations. Of the three, only the station operated by Pensacola Community College qualifies for a State Community Service Grant from the Department of Education's Office of Public Broadcasting. Both Daytona Beach Community College and Pensacola Community College receive federal support from the Corporation for Public Broadcasting. Although Lake-Sumter Community College operates a broadcasting station, it is limited to a campus-based, instructional television network. Total expenditures reported by the colleges in 1989-90 for public television stations from all sources amounted to $3,533,303. Of that amount, approximately 44 percent or $1,524,876 was derived from the Community College Program Fund and other state revenue sources beyond the community service grants.

Total expenditures for all activities covered in the Commission's survey account for a small percentage of the Community College Program Fund. However, if these activities continue to expand, more systematic accounting for such expenditures and additional safeguards may be warranted. For example, current Board of Regents policy (Rule 6C-9.012, FAC) provides that intercollegiate athletic operations in the State University System must be conducted as self-supporting entities. Education and general funds may only be used to support intercollegiate athletics as authorized by the Legislature or approved by the Board of Regents. A consistent policy for community college intercollegiate athletics and other ancillary activities merits consideration.

Recommendation:

9. The Legislature and the State Board of Community Colleges should modify the cost accounting system to permit consistent reporting of individual college expenditures of state funds from the Community College Program Fund for the operation of ancillary activities.

Further Considerations

The following issues were also identified during the course of the community college finance study. The Commission believes that they are secondary to the policy recommendations outlined on the preceding pages and should be considered for action only after the priority issues have been addressed.

Base Equalization

The Commission's previous study in 1986 addressed the issue of equity among the colleges and discussed the reasons why institutional base allocations had become distorted over time. Two primary factors have been hold-harmless provisions, which guarantee a certain level of funding regardless of enrollment declines, and special appropriations. While small institutions may be expected to have higher costs due to diseconomies of scale, the study consultants calculated a range of over 50 percent in funding per FTE from student fees and state appropriations. A reduction in this range should not be arrived at by redistributing existing resources. The consultants suggested, and the Commission supports, a range of 20 percent (+/- ten percent) as a goal, excluding the smallest institutions, and reaching that range through a special appropriation or earmarking a portion of the cost to continue funds available for an equity adjustment for those institutions at the low end of the spectrum. A further refinement would be to assume that institutions eligible for such an adjustment are charging student fees at the maximum level allowable. This would ensure that the achievement of equity was balanced by a combination of state funding and student fees. The consultants estimated the cost of such an adjustment to be $3.3 million based on 1988-89 data. If all recommendations outlined in the preceding section are implemented the impact of this adjustment would be negligible. It should be understood that this policy is not intended to infuse a large amount of money into the system or significantly reallocate existing resources. Instead it is intended to provide a safety net for those institutions that, for whatever reason, fall below an acceptable level of support.

Recommendation:

10. **The Legislature and State Board of Community Colleges should implement a policy of base equalization which provides adjustments to those institutions whose projected revenue allocation (state appropriations and fee revenue) per weighted (adjusted for program mix) full-time-equivalent student, is more than ten percent below the system average.** Computation of this adjustment should assume that all colleges are levying student fees at the maximum level allowable.

District Cost Differential

The Commission recognizes that the cost of living varies in different areas of the state. One proposal which has surfaced in recent years to address this phenomenon in the community colleges is the idea of an institutional cost differential. This approach is derived from a similar mechanism currently in place for public schools in partial response to the need for equalization of educational funding in elementary and secondary schools.

The method used for Florida public schools measures the cost of living in each school district and assumes that these differences approximate variations in the cost of the education being provided. The Florida Price Level Index (FPLI) is calculated each year by the Revenue and Economic Analysis Unit of the Governor's Office of Planning and Budgeting and serves as the basis for the cost differential used in the Florida Education Finance Program. The Index is based on a market basket of 123 items in five categories - food, apparel, housing, transportation and health, recreation and personal services. Each district receives a value based on its cost for the goods and services identified. Currently, 10 districts (Broward, Collier, Dade, Hillsborough, Manatee, Martin, Monroe, Palm Beach, Pinellas and Sarasota) have cost differentials above the value of 1. All other districts are assigned index values of 1 rather than the actual cost of living reflected in the FPLI.

Proponents indicate that a district cost differential for the colleges would be designed to:

1) recognize differing costs of living;
2) keep the colleges competitive with public schools in the recruitment and retention of faculty; and

3) provide colleges in high-cost areas with additional funding since this is where high numbers of underprepared students are found.

The study consultants do not support this approach. They suggest that it is an indirect way to address issues that are best dealt with directly. Furthermore, they believe that implementation of such an approach would result in:

1) efforts by all colleges to identify reasons for a differential (high-cost, reliance on full-time faculty, sparsity, competition with other area employees), or
2) increased pressure for other funding mechanisms to reestablish equity. Further, in their opinion it is a potentially divisive, overly complicating technique which will divert attention from the real funding problems faced by the colleges.

With regard to the system currently used by the public schools, the formula begins with a value per FTE (base student allocation) that is common to all districts. The district cost differential is then applied. It has been shown that within the colleges the value per FTE varies dramatically. It may be more appropriate to move all colleges to the system average, for example, before applying a cost differential.

Another concern the Commission would raise is that cost of living and cost of providing education, while related, are not the same. Cost of living is only one factor in the location and work decisions which affect the supply and consequently the salaries of college personnel. To provide equal purchasing power among the colleges, attention could be focused on the educational cost differences (e.g. faculty, equipment, utilities) found among the institutions rather than on the costs of goods purchased by the average consumer.

An alternative to an across-the-board differential would be to focus on specific educational costs which require adjustment. To improve the ability of state agencies to attract qualified personnel in selected, hard-to-fill career service job categories, the Department of Administration and the Board of Regents maintain systems of Competitive Area Differentials. This is not directly a cost-of-living differential but rather a competitive pay adjustment designed to permit the State to successfully compete in the labor market for certain employees in high demand. Positions which receive such adjustments are identified through labor market surveys, and analyses of job vacancies and turnover.

In summary, the Commission believes that there are arguments both for and against a district cost differential and that the issue would benefit from further examination. Implementation of all policies previously outlined may reduce the perceived need for such an approach.

Recommendation:

11. The Commission recognizes that the cost of living varies in different parts of the state, however, it is not clear to what degree such cost differences are already addressed in the current funding process. The issue should be subject to future analysis by the State Board of Community Colleges and reconsidered upon implementation of Recommendations 1-10.

Equitable Funding of Programs Offered by School Districts and Community Colleges

Postsecondary adult vocational, supplemental vocational, and adult basic and secondary programs are assigned to both school districts and community colleges in accordance with local agreements. The paper prepared by the Council of Presidents asserts that community colleges are funded less than public schools in each of these three program categories. The comparison does not take into account some significant differences in the way the two sectors are funded. For example, fees are treated as part of the required local effort which makes up a portion of the Florida Education Finance Program (FEFP). Fees are not reflected in the figures reported for the Community College Program Fund (CCPF). Although the Legislature has adopted a common fee range for both sectors this year, historically vocational fees have been considerably higher (over 100 percent in some cases) in the colleges than in school districts. This factor alone would account for the majority of the apparent funding difference. In addition, there is a difference between the conceptual application of the funding approaches in the two systems. One (FEFP) is a total formula process, while the other (CCPF) is a base-plus methodology.

Another way to compare the two systems is by level of expenditures. An analysis of supplemental vocational education funding provided earlier in this report indicates that community college expenditures exceed those of school districts in this area. This can be explained in part by higher fees as well as differences in the level of the training provided.

In summary, funding comparisons between the two sectors are not clear cut or consistent. Assuming all differences in the two funding systems could be taken into account, a question would remain as to which level of funding was the appropriate one.

Recommendation:

12. Comparisons of funding for programs offered by both school districts and community colleges should continue to be examined and refined. However, the Commission believes that efforts to correct any funding imbalances should focus less on relative differences with other sectors and more on desired educational outcomes, current deficiencies which have been identified and the funds necessary to eliminate these problems.

Supplemental Vocational Education

The policy issue regarding student fees for supplemental vocational education is an important one. Different standards have been applied to districts and colleges in this regard in the past. The newly implemented range of fees that applies both to colleges and districts is a good step toward greater consistency. Because vocational programs are more expensive to operate in colleges than in school districts, and since the program leveling process has differentiated between those vocational programs offered in community colleges and school districts, identical fees for both systems are not warranted. Nevertheless, the disparity between fees for comparable types of training remains unacceptable.

State policy should reflect the philosophy that an individual preparing for entry-level employment through enrollment in postsecondary adult vocational programs (non-credit instruction offered in community colleges and vocational-technical centers) pays the lowest possible fees. It is in the best interests of the State that individuals become fully employed, self-sufficient, tax-paying citizens. It is reasonable to expect employed individuals who return for supplemental training to pay a slightly larger fee, since those persons are already gainfully employed. When businesses request customized training services for their employees, they should pay a portion of the cost of delivering the instruction. Given that Florida has informally adopted the standard that degree-seeking students should pay 20-25 percent of the cost of their education, it is logical to apply this same portion to employers and employees utilizing Florida's supplemental vocational education programs. Indeed, most of the states responding to the state practices survey assessed employers a larger share of the cost of training than is here proposed; several as high as 50 percent. Furthermore, results of the employer survey indicate that employers would be willing to pay the slightly higher fees this recommendation entails. Currently, community colleges differentiate between fees for postsecondary adult (46¢/hr.) and supplemental training (62¢/hr.). School districts do not. The Commission recommends that districts should assess a differentiated, higher fee for supplemental students, and flexibility provided for colleges and districts to negotiate with employers utilizing customized supplemental training programs for fees more consistent with market demands. Thus, a hierarchy of fees would be established which takes into account both the state's interest, the financial responsibility of the party benefitting from the instruction, and the level of training offered.

Section 228.077, F.S. authorizes the offering of customized supplemental vocational programs and Section 230.645(9), F.S. recognizes that employers may pay the fees for supplemental training. Some colleges and school districts presently offer customized supplemental vocational programs, the full costs of which are paid by the requesting employer. There appears to be no statute or rule to preclude districts or colleges from this practice, but neither is there clear authority to offer vocational programs on a full-cost basis.

Although there is no evidence to indicate that districts or colleges are collecting state funds for supplemental vocational programs that have been fully paid for by an employer, the practice is not specifically prohibited. The expenditure of state dollars to support a program that has been funded privately is not a wise or prudent use of state resources and should not be permitted.

Recommendation:

13. **The Legislature, in specifying the range of fees to be charged by community colleges and school districts for supplemental vocational education programs, should consider the actual cost of delivering the programs. Fees established should constitute a larger share (20-25 percent) of the total program cost. In the area of customized supplemental training, modifications in statute and rule should be enacted to clarify the authority of school districts and community colleges to offer these programs on a full-cost basis.**

14. **Customized supplemental programs offered on a full-cost basis should not be reported for state funding purposes.**

Few states responding to the Commission's survey fund supplemental training on an enrollment basis. The standard practice among states which offer comparable training for updating is to fund such training by categorical appropriation, thus, state spending is more easily controlled. Although the Commission does not recommend this approach for Florida at this time, it makes sense to track program growth so that the State's investment remains visible. Since a large number of Florida employers are unaware of the availability of supplemental training, continued attention to program outcomes should serve to increase employer awareness of this program.

Recommendation:

15. **Supplemental vocational education expenditures and enrollments should continue to be reported and analyzed, accompanied by efforts to increase employer awareness of this significant resource.**

As noted in the previous section, for the past several years the Legislature has directed the Division of Vocational, Adult, and Community Education (DVACE) to annually review supplemental vocational education in at least 25 percent of the school districts and community colleges. The Division recently published a **Guide to Review of Supplemental Vocational Education Courses**, which sets forth definitions and clarifies standards for the operation of supplemental programs. In addition, it specifies the criteria to be applied in reviewing the delivery of the programs by school districts and community colleges. The Commission received testimony that the records required for supplemental programs are particularly burdensome. While the Commission did not specifically analyze course registration forms and other related documentation, it would urge DVACE to ensure in the course of its reviews that all data collected for supplemental vocational education are essential to the effective administration and evaluation of the program.

When the review teams conduct their on-site visits, curriculum outlines and individual student registration are examined. Exceptions to established guidelines noted in school districts through the review process are forwarded to FTE auditors for corrective action. Community college reviews are forwarded to the Division of Community Colleges, although any funding adjustments deemed necessary are made by the Legislature. The State Board of Community Colleges is not authorized to act in this area. The Commission believes that such authority would allow the State Board of Community Colleges to make any necessary adjustments in a more direct and timely manner.

Recommendations:

16. **The Division of Vocational, Adult and Community Education (DVACE) should be commended for the comprehensive review process developed for monitoring supplemental training programs. The reviews, scheduled on a four-year cycle, should be continued indefinitely. DVACE should ensure that all data collected on supplemental programs is essential to the effective administration and evaluation of the program.**

17. **The State Board of Community Colleges should be authorized to make adjustments to institutional CCPF allocations based on**

supplemental training program reviews as well as any FTE audits which may be conducted.

Although informal surveys taken by some colleges and districts suggest that the large majority of supplemental students enroll in the courses on their own initiative and pay their own fees, no reliable data are collected on this question. This information would be useful in projecting the impact of fee increases and in determining the extent of participation by employers in Florida's supplemental vocational programs.

Recommendation:

18. **School districts and community colleges should periodically collect information on the number of supplemental students whose fees are paid or reimbursed by employers. Data should also be collected on the number of students and employers served on a full-cost basis.** This information could be collected by DVACE and included in its program review report.

Evaluating the outcomes of employee training on a statewide basis is difficult. Because supplemental programs tend to be short-term and represent a relatively small portion of the total educational program, it is not feasible to invest large amounts of time or effort in their assessment. Many participants are served for relatively brief periods, complicating the use of individual follow-up as an evaluation technique. Since improved worker performance is the ultimate objective of supplemental training, it would be fruitful to focus evaluation at the employer level, as well as on the individual trainee.

The purpose of supplemental vocational programs is to increase workforce productivity. Supplemental programs constitute a considerable portion of the total vocational education program. Employers of students who complete job preparatory programs are surveyed by the Florida Education and Training Placement Information Program (FETPIP) to obtain their perceptions about the quality of the training. Such information would also be helpful in making policy decisions for supplemental programs.

Recommendation:

19. **Periodically, the Florida Education and Training Placement Information Program (FETPIP), should obtain evaluation feedback from employers served by customized and other supplemental training programs.** The format for this information should be designed in cooperation with training providers and should permit employers to evaluate not only the overall effectiveness of the training program, but also to report training outcomes as they impact productivity. In addition, FETPIP should work with the sectors to make the reporting changes necessary to permit follow-up on supplemental students on a sample basis.

Conclusion

The community colleges represent a critical link between K-12 education and opportunities for employment and further study at the upper division and beyond. They also find themselves in the middle of conflicting pressures created by unparalleled growth in the face of a weakening revenue base.

While the recommendations on the preceding pages do not call for massive restructuring of the community college funding process, they do provide a policy framework, which, if implemented in a consistent and comprehensive manner, should permit the colleges to respond to the needs of their communities in the years ahead. The recommendations are designed to promote a better balance among expectations, outcomes and available resources. The Commission would caution that selective enactment of these suggestions will only contribute further to distortions which have historically occurred in the allocation of funds among the colleges.

Finally, the overall level of funding for the colleges merits attention. This burden cannot be borne by state funding alone. Along with student fees, other revenue sources must continue to be aggressively pursued through such avenues as foundation support, matching gifts, and corporate collaboration. In this way the colleges will realize their role as equal partners with school districts and state universities in the provision of public educational opportunities for all Floridians.

APPENDIX A

REPORT ON

FUNDING OF FLORIDA COMMUNITY COLLEGES

Dennis P. Jones

Paul T. Brinkman

December 11, 1990

National Center for Higher Education Management Systems (NCHEMS)

I. Introduction

Two staff members of the National Center for Higher Education Management Systems (NCHEMS), Dennis Jones and Paul Brinkman, were asked to assess the current system by which state funds are allocated to Florida's community colleges and to recommend options that would lead to improvements in the overall process. This assessment was mandated by proviso language accompanying appropriation 634B of the 1990 General Appropriations Act. Issues to be addressed included the range of expenditures by instructional program, the relationship of instructional expenditures to support expenditures, tuition policies, and methods for funding enrollment changes.

In conducting the study, NCHEMS staff members reviewed prior studies of this subject as well as position papers developed by the college presidents, PEPC and others; conducted interviews with representatives of the colleges, state education agencies, and the executive and legislative branches of government; met with the Planning Committee of PEPC; conducted analyses of available data, and consulted with finance experts in two other community college systems (California and Colorado). Based on these activities, and experiences with similar issues in numerous other states, the NCHEMS staff members are prepared to offer a series of observations and recommendations. These are presented in this report.

II. Background

As background for subsequent discussion, an understanding of the current method used to allocate funds to the several community colleges is necessary. Rather than attempt a detailed description of the current formula, we believe it important to draw attention to the following characteristics of the allocation methodology:

A. The current methodology focuses on allocation of state resources rather than on the broader issue of community college finance.

   Florida's community colleges are funded through two primary sources of revenues--state appropriations (the Community College Program Fund, CCPF) and student matriculation fees. With regard to matriculation fees, the legislature has established maximums for the rates that can be charged for different kinds of community college programs. These rates are established in the context of charges levied by the State University System and by the state's public schools, rather than within a policy framework that establishes shares to be borne by the major funders. Historically, fee revenues have not been considered in the process by which state funds are allocated. For 1990-91, however, authorization was granted for matriculation fee increases and the revenues generated were utilized to meet needs that normally would have been met out of state appropriations.

B. The allocation mechanism employed serves to adjust current levels of funding for:

   1. Changing (increasing) costs of the factors of production, and

2. Changing service/enrollment levels.

This approach carries with it the implicit assumption that existing levels of funding for the individual colleges are both adequate and equitable, that is, that current funding is sufficient to meet the differing programmatic needs of each of the colleges, given current levels of service/enrollment.

C. Changes in the "cost-to-continue" are determined largely through policy action.

The initial step in determining the <u>additional</u> resources required of each institution is to calculate the "cost-to-continue" programs at the current level and scope--next year will be just like this year except for adjustments in the prices of goods and services. The items for which price changes are reflected include:

- Faculty salaries
- Other staff salaries
- Part-time salaries
- Other part-time staff salaries
- Expenses (materials, supplies, contractual services, travel)
- Utilities
- Equipment

Price changes incorporated into the calculation are determined by policy action of the State Board of Community Colleges or on the basis of price forecasts provided by the Office of the Governor and the Legislature. It is particularly noteworthy that fringe benefits are not separated and given independent attention, especially since costs associated with health insurance and other benefits represent the most rapidly escalating cost factors. Failure to fully fund mandated fringe benefit increases was mentioned as a significant problem by many of the college representatives interviewed.

D. Adjustments for workload changes are made in such a way that 1) marginal costs of additional enrollments are reflected and 2) several years may pass between the time that the enrollment increases are experienced and the time that financial adjustments are made.

Adjustments for workload (enrollment) changes are made when the average for the most recent three-year period exceeds the current year number of funded FTE by at least 5%.

The amount of adjustment is 130% of the systemwide direct instructional cost.

There are several points to be made with regard to this particular method of calculating the adjustments associated with enrollment changes. First, it combines two of the most frequently used mechanisms for "buffering" financial requirements from the vicissitudes of enrollment changes. These two mechanisms are the use of a rolling average and a threshold (or corridor) that must be exceeded before enrollment changes are recognized in funding enhancements. This combination creates an interesting set of incentives. On the one hand, it creates incentives for large amounts of growth--the colleges are much better off with no growth than with growth that totals 4.9% or less over a three-year period. Moderate growth is not funded at all. Second, since the mechanism is applied to decreasing as well as increasing enrollments, the colleges can actually achieve more resources per student by decreasing the size of the student body modestly within any three-year period.

Second, the financial adjustments are made on a marginal cost basis--approximately 65% of the average cost associated with providing educational services to an FTE student on a systemwide basis. This level was established on the assumptions that tuition revenues would be available to augment the appropriations for workload increases and that new students can be added to an institution without increasing the administrative costs of the institution proportionately.

These basic assumptions hold only under a limited set of conditions. First, they hold only if tuition revenues are not utilized as one of the sources of revenue from which the state's obligations are met. Second, they hold over a relatively small range of enrollment increases; institutions cannot increase in size indefinitely without occasioning the need for more administrative staff and their associated expenses. At some level of enrollment, marginal costs will come to approximate average costs.

In discussing the current formula and the consequences of its operation with representatives of the colleges and the various branches of state government, we found, first, no sentiment for a major change in the resource allocation mechanism. Many individuals suggested modifications, but no one suggested shifting the philosophic base on which the current formula is based--base funding adjusted for price and workload changes.

Second, we heard relatively little complaint about inequities in the system, although the data lead us to believe that we might have. No one suggested that the pressures being felt could be relieved by reallocation of funds within the system. Rather, the single largest (and many would argue, the only) problem was seen to be the failure of the budget process to generate sufficient revenues to meet the needs of a rapidly growing student population. The culprit is widely believed to be the buffering mechanisms built into the formula--the three-year rolling average feature and the threshold that requires growth to exceed 5% to be recognized. While this feature of the formula is the obvious target, one can just as easily argue that it is failure to provide sufficient base funds that is at the root of the problem.

Third, there was considerable conversation about the impact of enrollment growth coupled with limited resources. Much of this conversation focused on factors dealing with competitiveness of the colleges, the depreciation of assets, and threats to educational quality--factors such as salary levels that are not competitive with those in the local public schools, increasing use of part-time faculty, limitations of services through the closing of classes, deferred maintenance on buildings, and obsolescence of equipment used for instructional purposes. Less visible are the subtle program shifts occasioned by allocation of limited resources away from areas in which the institutions, but not necessarily the state, perceive a relatively low return on their investment. For example, there are increasing pressures to eliminate (or not expand) high cost/low volume programs such as those in the allied health areas. Similarly, it is increasingly difficult to devote sufficient attention to students requiring significant amounts of remedial instruction before they can be successful at the collegiate level. While institutional reluctance to place a high priority on such programs is understandable, the demographics of Florida are such that the collection of institutional actions do not necessarily lead to results that meet the state's needs.

III. Observations and Findings

In this section we present a series of observations and findings that we consider to be important considerations in framing the recommendations that appear in Section IV of this report. They are quite different in form, some being general observations about the role of formulas in the resource allocation process and others being specific to conditions in Florida. Taken together, they provide a basis for action.

A. Observation: Formulas do not generate revenue.

Formulas can be a means for developing a request budget to be submitted to the legislature and the Governor's Office. They can also be a mechanism for allocating a pool of resources, once appropriated, to institutions. While formulas can be used to calculate the level of resources needed to meet an expected demand and to indicate how many of those resources each institution should receive, no formula can dictate the appropriation levels. Revenues available to state government may be insufficient or community colleges may fall below other needs and programs on the priority list. For whatever reason, it is unusual when any formula is fully funded. Changing the formula brings no guarantee of a larger appropriation; it may only create a larger unmet "need". However, changing the formula will very likely change the points of discussion and negotiation among the colleges and between the colleges and the state legislature. This may be sufficient reason, in itself, to change some of the detail within the formula.

B. Observation: Florida's community colleges are state funded and locally controlled.

Almost all the funds for the Florida community colleges are directly or indirectly controlled at the state level. The majority of community college funding is directly controlled through the state appropriation process. The only other significant revenue source is student fees, a source that is indirectly tightly controlled through the legislature's setting of maximum fee rates. Notwithstanding the funding process, the direct governance of the community colleges is vested in local boards. This creates a situation where, in essence, one group determines the revenues and another group controls the expenditures. There are no suggestions that this arrangement be changed; we believe that the very nature of community colleges requires local control, and changing the general funding structure is an unlikely prospect. However, we would note that this arrangement inherently contains within it the probability of unresolved conflicts in priorities--especially when the formula itself does not provide a framework or mechanism for resolving those frameworks.

The missions of the community colleges are reflected in the program structure utilized in data reporting, that is:

- Advanced and Professional (A&P) - educational programs that prepare students for transfer to four-year institutions

- Postsecondary Vocational - preparation for job entry

- Postsecondary Adult Vocational - noncredit preparation for employment

- Supplemental Vocational - programs for skill enhancement/job upgrading; normally short courses for already employed persons

- College Preparatory - remedial courses for students in the academic track

- Vocational Preparatory - remedial courses for students in the vocational track

- Adult Basic, Secondary, and GED Preparation - education at the elementary and secondary levels provided to adult learners

- Lifelong Learning and Community Instructional Services - non-credit, personal interest courses.

It should be noted that FTEs generated in the last category are excluded from the CCPF calculations. While these mission components are explicit in the calculation, they do not enter directly into priority setting or budget negotiations. Rather, they enter as elements of a cost reimbursement formula. In essence, the colleges are given lump sum appropriations and they allocate funds to programs according to local priorities. This allocation affects the institution's cost structure which in turn indirectly affects subsequent years' allocations. The relative weights attached to the various programs are derived from prior year's cost data rather than through policy. As a consequence, the issues around priorities stay submerged, as perhaps they should given the differences that emerged in the courses of our interviews. At the state level the focus is clearly on the A&P program--community colleges are viewed almost exclusively as the first two years of a four-year college education. At the local level, they are viewed much more broadly. Indeed, several would put much more priority on other, higher cost programs such as vocational preparation, or on programs that are excluded from the program fund. Given the current mechanism, the colleges have every incentive--both economically and politically--to emphasize the A&P program.

C. Observation: Much of the funding problem concerns the base (cost-to-continue) portion of the formula.

Much of the conversation with regard to modifying the resource allocation formula is being focused on the enrollment workload adjustment component of the budget. However, altering this feature of the formula will not solve the problems as they now exist--the adequacy and equity of base funding. Certainly, the structure of the enrollment workload adjustment has exacerbated matters; because growth is funded at a marginal rate less than the average cost rate, any growth will lead an institution to have fewer dollars per student than would have been the case with no growth. But there have been other factors at work that have exerted equal or greater pressures. Among these are failure to adequately fund mandated benefit increases and other elements of the cost-to-continue portion of the budget.

Because the base is the largest portion of the budget--much larger than enrollment adjustments, for example--it is almost necessarily the place to begin looking for solutions when significant problems arise.

D. Finding: Florida's community colleges, in most cases, have comparatively few resources.

In our interviews, institutional representatives consistently expressed concern about the level of resources available to meet the educational needs of the students on their campuses. An analysis of expenditures per FTE student for the Florida community colleges versus those of all other community colleges in the U.S. suggests that their concerns are well founded. The data in Table 1 indicate that only two Florida institutions are above the national median on this measure. We consider this prima facie evidence of inadequate funding for the level of services being rendered. Because Florida enrollments are generally increasing faster than enrollments in other states and because funding has not kept pace in recent years, it is probable that more recent data would reveal a worse, not a better, picture.

E. Finding: Base funds are not distributed equitably across the institutions.

The resources available to Florida's community colleges are not only limited, comparatively speaking, but the resources that are available are not equitably distributed among the institutions. Eliminating three small institutions (where one would expect costs to be higher), we find that revenues per weighted FTE (WFTE) vary by more than $1,500. This is true if one deals with the Program Fund alone or with Program Fund plus student fee revenues (see Tables 2 and 3). This represents a 73% range in the former instance and a 52% variation in the latter. If Lake City were excluded, the ranges would drop precipitously--to 50% and 35%, respectively--but they would still be large.

Table 1

Adjusted Educational and General Expenditures* Per FTE Student

	Percentile	No. of Institutions
	Highest 10%	0
	2nd 10%	1
	3rd 10%	1
Above	4th 10%	0
Median	5th 10%	0
Below	6th 10%	3
Median	7th 10%	4
	8th 10%	4
	9th 10%	5
	Lowest 10%	10

Source: National Center for Education Statistics, Integrated Postsecondary Education Data Systems, 1987-88

* Adjusted E&G Expenditures = Total E&G Expenditures - (restricted and unrestricted student aid). FTE enrollment = FT headcount + 1/3 of PT headcount.

Table 2

CCPF Appropriations per Weighted FTE
1988-89

Institution	Weighted FTE	CCPF/WFTE
Florida Keys	931	$3,717
Lake Sumter	1,093	3,683
Lake City	2,130	3,575
North Florida	918	3,561
Pensacola	7,207	3,265
Chipola	1,481	3,184
Daytona Beach	7,652	2,754
Miami-Dade	30,910	2,689
Santa Fe	7,081	2,677
Brevard	8,571	2,655
Central Florida	3,016	2,655
Gulf Coast	2,884	2,622
St. Petersburg	10,312	2,601
Seminole	6,168	2,583
South Florida	2,242	2,560
Polk	3,161	2,549
Florida JC at Jax	16,170	2,532
St. John's River	1,662	2,529
Broward	12,176	2,432
Palm Beach	8,078	2,363
Manatee	4,408	2,362
Valencia	9,242	2,310
Hillsborough	8,749	2,260
Okaloosa-Walton	3,204	2,241
Edison	3,996	2,220
Indian River	6,345	2,167
Tallahassee	4,749	2,162
Pasco-Hernando	2,619	1,944

All Institutions
- Median CCPF/WFTE = $2,572
- High/Median = $3,717/$2,572 = 1.45
- Low/Median = $1,944/$2,572 = .76
- High/Low = $3,717/$1,944 = 1.91

Largest 25 Institutions (WFTE)
- Median = $2,549
- High/Median = $3,575/$2,549 = 1.40
- Low/Median = $1,944/$2,549 = .76
- High/Low = $3,575/$1,944 = 1.84

Source: Division of Community Colleges

Table 3

CCPF Appropriations + Matriculation and Tuition Fees
Per Weighted FTE

1988-89

Institution	Weighted FTE	(CCPF+Fees)/WFTE
Florida Keys	931	$4,593
Lake Sumter	1,093	4,527
Lake City	2,130	4,184
North Florida	918	4,067
Pensacola	7,207	3,959
Chipola	1,481	3,803
Miami-Dade	30,910	3,718
St. Petersburg	10,312	3,516
Santa Fe	7,081	3,493
Daytona Beach	7,652	3,488
Central Florida	3,016	3,474
Polk	3,161	3,464
Gulf Coast	2,884	3,383
Brevard	8,571	3,378
Broward	12,176	3,367
Palm Beach	8,078	3,261
Valencia	9,242	3,260
Manatee	4,408	3,252
Seminole	6,168	3,168
St. John's River	1,662	3,129
Hillsborough	8,749	3,081
Florida JC at Jax	16,170	3,074
Edison	3,996	3,021
South Florida	2,242	2,965
Tallahassee	4,749	2,950
Okaloosa-Walton	3,204	2,883
Indian River	6,345	2,754
Pasco-Hernando	2,619	2,655

All Institutions
- Median = $3,373
- High/Median = $4,593/$3,373 = 1.36
- Low/Median = $2,655/$3,373 = .79
- High/Low = $4,593/$2,655 = 1.73

Largest 25 Institutions (WFTE)
- Median = $3,261
- High/Median = $4,184/$3,261 = 1.28
- Low/Median = $2,655/$3,261 = .81
- High/Low = $4,184/$2,655 = 1.58

Source: Division of Community Colleges

It should be noted that there is no systematic variation by size of institution. Indeed, some of the larger institutions are at the high end and some smaller institutions at the low end. It should also be noted that St. John's River, for example, one of the relatively small institutions in the system, has revenues per WFTE that are significantly lower than several of the other institutions of generally similar size.

We conclude that the allocation of resources, over time, has not resulted in an equitable pattern of funding. We have not attempted to uncover all the reasons for this condition; they are undoubtedly numerous and the cumulative result of many years of independent decisions. We would also note that only a few years have passed since the last revisions to the formula. The more important point, however, is that the method for calculating the cost-to-continue further exacerbates the dollar amount of the variance since fixed percentage increases favor institutions with higher bases.

F. Finding: The enrollment workload adjustment component does not react adequately to the changing enrollment circumstances of the colleges.

As described previously, the enrollment adjustment factor features a three-year rolling average and a corridor that requires the rolling average to be at least 5% above the assigned enrollment before it comes into play. Given the relatively low base funding and the relatively low marginal revenues associated with the workload adjustment (see the next finding), most of the institutions are not in a good position to fund additional enrollments out of existing resources (which is the net effect if they grow less than the 5% corridor requires) or to wait for several years for enrollment growth to be recognized.

G. Finding: The reimbursement factor per weighted FTE for the workload adjustment (1.3 x direct instructional costs) is too low.

Since the direct instructional costs represent slightly less than 50% of the average cost per weighted FTE, the reimbursement factor amounts to 65% (1.3 x .50) of average cost. The 30% (in the 1.3 multiplier) represents the costs over and above direct instruction that are directly tied to students (academic support and student services). With matriculation fees amounting to approximately 20% of revenues (and therefore of costs), this means that approximately 85% of average costs are covered by revenues of some form.

Two points are worthy of note. First, systemwide the student-related costs (academic support and student services) are, on average, 38% of direct instruction as shown in Table 4. Second, as long as marginal revenues are lower than average costs, funding of new students will necessarily drag down average costs. With average costs as low as they are in most of the institutions, the colleges can ill afford a situation in which marginal revenues continue to be substantially lower than average costs.

Table 4

Expenditures
Academic Support + Student Services as a Percent of Instruction
1988-89

	(1) Instruction	(2) Academic Support + Student Services	(3) (2)/(1)
Brevard	$16,092,523	$4,714,425	29.30%
Broward	22,478,524	9,299,312	41.37
Central Florida	5,313,465	2,564,053	48.26
Chipola	3,101,461	656,079	21.15
Daytona Beach	13,579,767	4,817,285	35.47
Edison	6,107,418	2,194,450	35.93
Florida JC at Jax	24,236,712	12,188,971	50.29
Florida Keys	2,215,462	1,347,098	60.80
Gulf Coast	5,594,983	2,189,010	39.12
Hillsborough	15,346,521	5,146,684	33.54
Indian River	10,275,908	3,964,964	38.59
Lake City	3,955,895	1,598,847	40.42
Lake Sumter	2,052,559	1,348,193	65.68
Manatee	7,363,229	2,676,861	36.35
Miami-Dade	62,913,561	20,061,987	31.89
North Florida	1,679,763	1,080,302	64.31
Okaloosa-Walton	4,597,721	2,108,384	45.86
Palm Beach	12,984,083	6,215,317	47.87
Pasco-Hernando	3,236,523	1,492,612	46.12
Pensacola	14,639,475	5,049,354	34.49
Polk	5,754,594	2,549,316	44.30
St. John's River	2,336,895	1,120,117	47.93
St. Petersburg	20,519,979	6,898,054	33.62
Santa Fe	14,647,254	4,127,155	28.18
Seminole	10,171,888	4,619,582	45.42
South Florida	2,934,570	1,455,498	49.60
Tallahassee	7,701,393	2,479,787	32.20
Valencia	14,057,088	6,963,989	49.54

Source: Report for Florida Community Colleges: The Fact Book, June 1990.

H. Finding: The distribution of expenditures across programs by the colleges is not unreasonable.

One of the issues raised in the proviso language was the relationship of instructional expenditures to support expenditures. Another was the range of expenditures by instructional program.

With regard to the former question, the basic data are presented in Table 5. In reviewing these data, we find nothing particularly unusual or alarming. It is worthy of note that those institutions that have a relatively low percentage of expenditures devoted to instruction have high percentages devoted to academic support and/or student services. This could reflect either differences in accounting for the same type of activity or, more likely, real differences in how the institutions choose to serve their students. The relationship of most interest is column 6 of Table 5. The institutions in which support costs are higher in relationship to student-related costs are the smaller institutions. This is to be expected given the fixed cost nature of many support costs.

We did not review the range of expenditures by detailed instructional program. Such comparisons tend to be particularly difficult to interpret in any meaningful policy context since variations are typically a function of idiosyncratic institutional conditions--a senior faculty member teaching a program in one institution and a junior faculty member in another, small class sizes, etc.

The one point we would remark on is the relatively small differences in the systemwide weighting factors for the different major programs (A&P, Postsecondary Vocational, etc.). Since these factors are derived from institutional cost data, it suggests that the institutions are either not engaging in high cost programs or are attempting to do them on a shoestring.

IV. Conclusions and Recommendations

On the basis of these observations and findings, we are prepared to make a series of recommendations concerning modifications that might be made to the resource allocation formula. Throughout we have attempted to reflect several criteria that we believe are characteristic of the most effective and workable formulas:

A. Adequacy - The formulas used should generate sufficient funds for the institutions to fulfill the missions which have been assigned to them. As noted earlier, formulas cannot generate revenues. However, if funds provided are inadequate to the assigned mission, it is appropriate to at least alter expectations.

B. Equity - Each of the institutions should have the same proportion of their (differing) needs met.

C. Simplicity - The formula should be kept as simple as possible. Complexity endangers the communication value of the formula; the fewer

Table 5

Distribution of E&G Expenditures by Program
1988-89

Institution	(1) Instruction	(2) Academic Support	(3) Student Services	(4) Institutional Support	(5) Plant O&M	(6) (4)+(5) / (1+2+3)
Brevard	51.69%	8.43%	6.72%	16.25%	15.21%	47.07%
Broward	48.30	9.89	10.09	16.30	12.22	41.78
Central Florida	45.56	10.80	11.18	19.84	11.98	47.10
Chipola	51.59	10.91	0.00	16.24	10.43	42.66
Daytona Beach	46.25	8.10	8.30	23.92	12.38	57.94
Edison	46.72	8.06	8.73	21.01	10.79	50.06
Florida JC at Jax	45.77	12.19	10.82	19.35	10.96	44.05
Florida Keys	43.39	17.51	8.87	18.74	10.91	42.50
Gulf Coast	52.47	12.42	8.11	14.11	10.32	33.47
Hillsborough	52.30	8.43	9.11	18.62	10.72	42.01
Indian River	51.36	9.40	10.42	13.97	13.08	38.00
Lake City	43.89	8.88	8.86	21.40	15.78	60.35
Lake Sumter	38.11	15.72	9.31	22.62	11.17	53.51
Manatee	48.23	9.06	8.47	18.91	13.92	49.93
Miami-Dade	50.19	7.75	8.25	20.26	12.98	50.21
North Florida	40.23	14.57	11.30	18.21	15.04	50.30
Okaloosa-Walton	46.03	14.04	7.07	17.95	12.49	45.35
Palm Beach	45.73	13.04	8.84	17.72	14.49	47.63
Pasco-Hernando	40.25	9.09	9.48	26.97	13.36	68.56
Pensacola	48.22	8.78	7.85	19.11	11.18	46.69
Polk	47.97	10.76	10.49	16.21	12.94	42.12
St. John's River	41.65	11.51	8.45	22.75	12.31	56.91
St. Petersburg	54.47	10.25	8.06	16.29	10.46	36.75
Santa Fe	53.51	6.56	8.52	21.09	9.66	44.83
Seminole	45.88	10.97	9.87	21.17	11.70	49.26
South Florida	39.64	10.53	9.14	19.18	17.65	62.11
Tallahassee	49.72	7.02	8.99	16.18	8.84	38.07
Valencia	45.29	13.12	9.32	19.16	11.77	45.67
Mean	46.94%	10.64%	8.74%	19.06%	12.31%	47.67%
High	54.47	17.51	11.30	26.97	17.65	68.56
Low	38.11	6.56	0	13.97	8.84	36.75
High/Mean	1.16	1.65	1.29	1.42	1.43	1.44
Low/Mean	.81	.62	0	.73	.72	.77
High/Low	1.43	2.67	0	1.93	1.99	1.87

Source: Report for Florida Community Colleges: The Fact Book, June 1990.

the individuals that truly understand it, the less credible it will be with legislators and others. Further, the more complex the formula, the more subject it will become to manipulation.

D. Policy Relevance - The allocation of resources is one of the few tools available to state government to create incentives for achievement of state priorities. Further, the budget process is the focal point for much of the discussion about education. The structure of the formula can significantly affect the substance of that discussion. These points suggest that the form of the formula should be such as to explicitly incorporate certain variables as policy variables, subject to modification to reflect changing needs and priorities.

With these criteria in mind, we offer the following recommendations:

1. That both matriculation fees and state appropriations be considered when assessing adequacy and equity of funding.

   Both of these major sources of institutional revenues are, in essence, controlled at the state level. Establishing fee and appropriation levels are acts that, taken together, indicate state policy with regard to both funding levels and the shares of that funding to be borne by the major parties at interest--the taxpayers and the students. Given the structure of decisionmaking in Florida, neither of these decisions can, or should, be made in isolation from the other. If the local districts had considerable leeway in the levying of matriculation fees, we would suggest that determination of funding equity at the state level be calculated on the basis of state appropriation alone. However, this is not the case in Florida.

2. Primary attention should be given to creating more adequate and equitable base funding.

   It is our judgment that inadequacies and inequities of base funding for the institutions are the most fundamental problems inherent in the funding process for the Florida community colleges. The reasons for this situation are found both in the inequities extant when the current formula was instituted and the patterns of funding since that time.

   In this regard, we suggest moving to a position over a period of five years where the range of funding from student fees and appropriations per weighted FTE be narrowed from the 52% value in FY1989 to a range of approximately 20%. The smallest institutions should be allowed to be outside this range on the high side. We further suggest that this be accomplished through a) a special appropriation or b) taking a portion of the cost-to-continue increment each year and, as the first step in the allocation process, making an equity adjustment to the base funding of those institutions at the lowest end of the spectrum. On the assumption of a ± 10% range around $3,700 per WFTE--a range that places the three smallest institutions and Lake City (a larger institution with revenues considerably outside the expected range) outside the upper bound--the cost of this adjustment in 1988-89 would have been approximately $3.3 million.

3. Make benefits an explicit part of the cost-to-continue calculation.

   In the current cost-to-continue calculation, no separate recognition is extended to employee benefits, one of the most rapidly rising components of most institutions' budgets. Failure to include this item as a separate object of expenditure 1) gives a false impression of the amount of funds to be distributed to employees as salary and wages (as opposed to compensation), 2) can easily cause communication problems between administrators and faculty, and 3) allows the state as primary funder to avoid directly confronting the consequences of mandated benefit increases. For those reasons we believe that benefits, at least those common across the system, should be treated separately in the cost-to-continue calculation.

4. Change the enrollment workload adjustment by eliminating both the three-year rolling average (using the prior year's actual enrollments as the base) and the 5% corridor.

   The current arrangement makes the system too slow to respond to the substantial enrollment changes occurring at many institutions within the system. As a consequence, we suggest that:

   a. The enrollment workload adjustment for the coming year be based on the differences in enrollment between the past year and the current year.

   b. This adjustment be made in stages, moving, for example, from a three-year rolling average to a two-year (or two and one-half year) average and finally to the current year's increment (or decrement).

   c. The corridor be removed.

   d. For protection against precipitous decline, institutions losing enrollment should have a two-year payback period, i.e., lag in the reduction of their base.

   e. That lag along with the marginal adjustment (see 5.b. below) will serve to increase funding per student for institutions losing enrollment. Unless there are exceptional circumstances, such as an institution that is already very small, institutions that lose enrollment should not be allowed to exceed the equity range (see 3 above) in funding per student.

5. The enrollment workload adjustment should be funded at 1.4 times, rather than 1.3 times, direct instructional costs per weighted FTE students.

This is a small adjustment to the formula but has the virtues of:

a. Reflecting the average relationship between academic support and student services on the one hand and direct instructional costs on the other.

b. Making the marginal revenue of growth approximately equal to .90 of the average cost per student (direct costs of approximately .50 of total costs times 1.4 plus .2 associated with matriculation fees). This figure (.90) is consistent with our research on the relationship between enrollment and educational and general expenditures. We estimated a statistical model conceptualized as a cost function in which total expenditures (E&G expenditures less student aid) are regressed on FTE enrollment and a number of variables designed to control for input prices and for differences in curricular emphasis. The model predicts that marginal costs are 90 percent of average costs and that costs per student decrease at a decreasing rate as enrollment increases. The sample used consisted of 807 public two-year colleges; the data were from 1987-88.

6. Consideration should be given to incorporating more state-level policy variables/incentive mechanisms into the formula.

In most political-educational settings the resource allocation process provides a singularly important forum for discussion of issues and creation of a political consensus around priorities. The structure of the formula currently being utilized to allocate resources to the Florida community colleges is such that it makes growth and resource prices the focal point for the discussion. As a consequence, many of the suggestions for modifications to the formula discussed with us during our interviews were framed in terms of costs of either programs or resources (e.g., proposals to support high cost programs and to recognize cost of living differentials across districts).

During these same interviews, however, we heard several thoughtful people suggest the need for formula features that would provide an opening for discussion of state expectations of community colleges and, in turn, institutions' missions and the ways in which local needs create varying priorities within these missions. Taking these stated needs to be important points, we suggest that two mechanisms for accomplishing this end be considered:

a. Establish the weights associated with each of the six instructional programs as policy variables rather than as artifacts of the costing procedures. In a recent year the cost factors associated with the programs were roughly as follows:

Advanced and Professional	1.00
Postsecondary Vocational	1.26
Postsecondary Adult Vocational	1.01
Supplemental Vocational	1.07
College and Vocational Preparatory	.95
Adult Basic	.80

Significantly different incentives could be created if, for example, the weight for postsecondary vocational were set by policy at a value of 1.5. This would have the dual outcomes of providing additional funds for high cost programs and create incentives for the institutions to enroll students in postsecondary vocational programs. Similarly, if the weight for the college and vocational preparatory program were increased, the colleges heavily involved in such programs would receive the incremental funds necessary to provide the types of support services needed to help ensure success on the part of students enrolled in such programs.

b. Utilize incentive funding tied to program outcomes rather than program costs in areas where the state has critical needs.

As an alternative to a resource allocation mechanism based on the basic principle of reimbursement for costs incurred, it is possible to create elements that reward institutions for results obtained. The most straightforward such device is the capitation grant, an award made to institutions for graduating students with degrees in specified fields. Use of such grants directly conveys the priority associated with graduating individuals from certain programs. Since priority needs are often in such areas as the allied health fields, these grants also provide a mechanism for providing resources to high cost fields. Finally, capitation grants have the benefits of being relatively simple to utilize and of being nonintrusive--they create incentives for institutional behaviors without prescribing the means to the desired ends.

These alternatives are suggested for consideration at this time. They do not represent recommendations; they have not been discussed with a sufficiently wide array of the key actors. Still, our sense of an absence of substantive discussion of the priorities for, and directions of, the community colleges in the state, leads us to conclude that the incorporation of such elements into the formula could help create a political consensus that would serve the colleges well.

7. Other Items

We have been asked to comment on certain other features, both current and proposed, of the mechanism used to allocate state appropriations to Florida's community colleges. Comments on this miscellany of topics are presented below.

a. New Facilities Workload

When new buildings are placed into operation in the course of the fiscal year, the Legislature historically has provided operating funds for the facility. The amount is calculated on the basis of:

- average operating and maintenance cost per gross square foot for all facilities on the campus

- number of gross square feet of new space

- proportion of the year which the building will be in use.

Questions have arisen concerning the rate per square foot and the selection of buildings eligible for such support. Should a different rate be used for new buildings on the basis that such buildings should require less maintenance than old facilities? Should facilities not acquired with state funds be supported?

With regard to the first item, we suggest continuing the policy of funding at the average cost, rather than the marginal cost, rate. To do otherwise leads to a natural extension of the argument that would create a different support rate for each building based on age and various other characteristics of its construction. This would inevitably lead to more complications and costs than potential benefits.

The second item is not as straightforward. On the one hand, it is important to maintain positive incentives for colleges to acquire construction funds from sources other than state government. Refusal to provide operating and maintenance funds is a substantial disincentive to acquiring construction funds from sources other than the state. On the other hand, blanket support for all buildings that might be acquired by a college could obligate the state to the support of many facilities that are only tangentially related to the primary mission of the college (e.g., colleges could be given buildings of historical rather than educational value because, by so doing, the donor could ensure the building's continued maintenance).

Given these competing motives, we suggest that the state fully fund the operating and maintenance costs of facilities acquired with non-state funds that are used primarily (or exclusively) for classrooms, faculty and administrative offices, libraries, laboratories, etc. and that no more than half the operating and maintenance costs be provided for facilities not used for these purposes. This suggestion is generally in line with the recommendation of the Council of Presidents.

b. District Cost Differential

Some of the institutions have proposed the use of a district cost differential, much as that used by the public schools, to 1) recognize the differing costs of living in the various districts, 2) keep community colleges competitive with public schools in the recruitment and retention of faculty, and 3) provide additional funds to colleges in high-cost areas because these are also the colleges dealing with the greatest numbers of educationally underprepared students.

We are not in favor of this approach. First, we suggest that using the cost differential approach is an indirect way of dealing with issues that are best addressed directly. If base funding for the colleges were increased and if the weighting factors employed were established at values greater than 1.0 rather than less than 1.0 for preparatory and adult basic programs, the underlying issues would be addressed in a much more tenable fashion.

Second, it is our belief that implementation of a district cost differential will 1) result in an effort by all colleges to identify reasons why they should receive a differential (high cost, reliance on full-time faculty, sparse population, competition with other employers in their areas, etc.) or 2) failing this, they will increase pressure for other funding arrangements designed to reestablish equity (i.e., an arrangement which will provide offsetting funds to districts that don't benefit from cost differential funding).

The problems faced by the districts are real. However, we feel they would be addressed better if they were addressed head-on rather than through a device that is politically devisive and is technically (potentially) complicated and subject to much debate.

Appendix A

Persons Interviewed in the Course of the Project

Postsecondary Education Planning Commission

Bill Proctor
Pat Dallet
John Opper

State Board of Community Colleges

Clark Maxwell
Ed Cisek

Florida Association of Community Colleges

Bill Odom

Board of Regents

Ron Stubbs

Legislative and Governor's Staffs

Ed Woodruff, Senate Appropriations
Nancy McKee, House Appropriations
Sunny Phillips, Governor's Office
Myrtle Bailey, Governor's Office

Institutional Representatives

Randy Spivak, Pensacola Junior College
Jack Spears, Florida Community College at Jacksonville
Tom Hanna, Tallahassee Community College
Jim Hinson, Tallahassee Community College
Jeff Schemberer, Okaloosa-Walton Community College
Bob McCabe, Miami-Dade Community College
Will Holcomb, Broward Community College
Bob Austin, South Florida Community College
Steve Megregian, Brevard Community College
Winston Richter, Miami-Dade Community College
Norris Minor

APPENDIX B

Mandatory Cost To Continue Increases

STATE BOARD OF COMMUNITY COLLEGES
REQUESTS FOR MANDATORY COST TO CONTINUE INCREASES
1991-92

CATEGORY	REQUEST
Retirement	$3,466,220
Health Insurance	1,745,282
Social Security Tax (temporary and part-time employees)	4,289,474
Total	$9,500,976

APPENDIX C

1989-90 Expenditures for Ancillary Activities

COMMUNITY COLLEGE EXPENDITURES FOR SELECTED ANCILLARY ACTIVITIES 1989-90

	PUBLIC TELEVISION		STATE FUNDS & FEES TOTAL	TOTAL EXPENDITURES	STATE FUNDS PERCENT OF TOTAL	STUDENT FEES PERCENT OF TOTAL
	State Rev	Fees				
BREVARD	395,537		395,537	438,848.00	90.13%	
BROWARD						
CENTRAL FLORIDA						
CHIPOLA						
DAYTONA BEACH	608,930		608,930	1,227,930.00	49.59%	
EDISON						
FL. CC AT JAX.						
FLORIDA KEYS						
GULF COAST						
HILLSBOROUGH						
INDIAN RIVER						
LAKE CITY						
LAKE-SUMTER	121,519		121,519	121,519.41	100.00%	
MANATEE						
MIAMI-DADE						
NORTH FLORIDA						
OKALOOSA-WALTON						
PALM BEACH						
PASCO-HERNANDO						
PENSACOLA	398,890		398,890	1,745,005.89	22.86%	
POLK						
ST. JOHNS RIVER						
ST. PETERSBURG						
SANTA FE						
SEMINOLE						
SOUTH FLORIDA						
TALLAHASSEE						
VALENCIA						
TOTAL	1,524,876	0	1,524,876	3,533,303	44.00%	0.00%

Source: Commission Survey, Fall, 1990.

C-1

C-2

COMMUNITY COLLEGE EXPENDITURES FOR SELECTED ANCILLARY ACTIVITIES 1989-90

	PERFORMING ARTS CENTERS		STATE FUNDS & FEES TOTAL	TOTAL EXPENDITURES	STATE FUNDS PERCENT OF TOTAL	STUDENT FEES PERCENT OF TOTAL
	State Rev	Fees				
BREVARD	298,731		298,731	1,527,272.00	19.56%	
BROWARD	165,299	56,415	221,714	690,225.00	23.95%	8.17%
CENTRAL FLORIDA						
CHIPOLA				17,434.00		
DAYTONA BEACH				110,911.00		
EDISON				2,109,039.00		
FL. CC AT JAX.						
FLORIDA KEYS	77,101		77,101	297,169.00	25.95%	
GULF COAST						
HILLSBOROUGH						
INDIAN RIVER						
LAKE CITY	51,933	8,454	60,387	87,037.00	59.67%	9.71%
LAKE-SUMTER	5,331		5,331	30,561.13	17.44%	
MANATEE						
MIAMI-DADE						
NORTH FLORIDA						
OKALOOSA-WALTON						
PALM BEACH	50,996		50,996	255,846.15	19.93%	
PASCO-HERNANDO	13,804	4,601	18,405	18,405.10	75.00%	25.00%
PENSACOLA						
POLK				6,995.00		
ST. JOHNS RIVER						
ST. PETERSBURG						
SANTA FE						
SEMINOLE				6,000.00		
SOUTH FLORIDA				122,152.00		
TALLAHASSEE						
VALENCIA	24,888	10,666	35,554	53,790.00	46.27%	19.83%
TOTAL	688,083	80,136	768,219	5,332,836	12.90%	1.50%

Source: Commission Survey, Fall, 1990.

COMMUNITY COLLEGE EXPENDITURES FOR SELECTED ANCILLARY ACTIVITIES 1989-90

	ATHLETICS		STATE FUNDS & FEES TOTAL	TOTAL EXPENDITURES	STATE FUNDS PERCENT OF TOTAL	STUDENT FEES PERCENT OF TOTAL
	State Rev	Fees				
BREVARD	137,021		137,021	357,119.00	38.37%	
BROWARD	49,525	81,627	131,152	225,508.00	21.96%	36.20%
CENTRAL FLORIDA	169,617	50,607	220,224	352,008.00	48.19%	14.38%
CHIPOLA	67,499	11,385	78,884	81,324.00	83.00%	14.00%
DAYTONA BEACH		162,937	162,937	178,356.00		91.35%
EDISON				287,445.00		
FL. CC AT JAX.	342,480	73,050	415,530	549,664.00	62.31%	13.29%
FLORIDA KEYS						
GULF COAST	71,000	23,700	94,700	232,800.00	30.50%	10.18%
HILLSBOROUGH				19,090.00		
INDIAN RIVER	80,871	26,957	107,828	299,401.00	27.01%	9.00%
LAKE CITY	40,420	6,580	47,000	130,842.00	30.89%	5.03%
LAKE-SUMTER	54,243	312	54,555	85,597.77	63.37%	0.36%
MANATEE		37,707	37,707	200,933.00		18.77%
MIAMI-DADE	145,829	43,612	189,441	226,941.00	64.26%	19.22%
NORTH FLORIDA		191,951	191,951	191,950.61		100.00%
OKALOOSA-WALTON						
PALM BEACH		431,436	431,436	437,023.19		98.72%
PASCO-HERNANDO						
PENSACOLA	71,062		71,062	151,582.31	46.88%	
POLK	10,957	6,574	17,531	155,786.00	7.03%	4.22%
ST. JOHNS RIVER		21,717	21,717	36,172.00		60.04%
ST. PETERSBURG				308,959.00		
SANTA FE						
SEMINOLE	141,000		141,000	220,400.00	63.97%	
SOUTH FLORIDA	96,744	32,248	128,992	228,864.00	42.27%	14.09%
TALLAHASSEE						
VALENCIA		59,728	59,728	59,728.00		100.00%
TOTAL	1,478,268	1,262,128	2,740,396	5,017,494	29.46%	25.15%

Source: Commission Survey, Fall, 1990.

C-3

COMMUNITY COLLEGE EXPENDITURES FOR ANCILLARY ACTIVITIES 1989-90
(STATE FUNDS)

	SMALL BUSINESS INSTITUTES	MUSEUMS	PERFORMING ARTS CENTERS	ATHLETICS	PLANE-TARIUMS	PUBLIC T.V.	PUBLIC RADIO	CHILD CARE CENTERS	JOINT USE CENTERS	BOOK-STORES	FOOD SERVICE/ VENDING	HEALTH MEDICAL/ CENTERS	RESID. FACI-LITIES	OTHER	TOTAL
BREVARD			298,731	137,021	257,385	395,537									1,088,674
BROWARD			165,299	49,525	140,104										354,928
CENTRAL FLORIDA				100,617				123,384	75,634						300,635
CHIPOLA				67,490											67,490
DAYTONA BEACH						608,930			19,885					142,726	771,541
EDISON															0
FL. CC AT JAX.		1,407		342,480											343,887
FLORIDA KEYS			77,101						24,000						101,101
GULF COAST				71,000											71,000
HILLSBOROUGH															0
INDIAN RIVER				80,871		170,633									251,504
LAKE CITY			51,933	40,420											92,353
LAKE-SUMTER			5,331	54,243		121,519									181,094
MANATEE															0
MIAMI-DADE	2,233,820			145,829											2,379,649
NORTH FLORIDA															0
OKALOOSA-WALTON															0
PALM BEACH			50,986			111,804		9,225				74,475		20,086	266,576
PASCO-HERNANDO		156	13,804												13,960
PENSACOLA				71,082		398,880									469,961
POLK				10,967											10,967
ST. JOHNS RIVER					27,581										27,581
ST. PETERSBURG															0
SANTA FE															0
SEMINOLE	221,000			141,000							26,100				388,100
SOUTH FLORIDA				96,744							41,913				138,657
TALLAHASSEE															0
VALENCIA			24,000												24,000
TOTAL	2,454,820	1,562	688,083	1,478,288	425,070	1,807,403	0	132,609	119,519	0	68,013	74,475	0	162,811	7,412,833

C-4

COMMUNITY COLLEGE EXPENDITURES FOR ANCILLARY ACTIVITIES 1989-90
(STUDENT FEES)

	SMALL BUSINESS INSTITUTES	MUSEUMS	PERFORMING ARTS CENTERS	ATHLETICS	PLANE-TARIUMS	PUBLIC T.V.	PUBLIC RADIO	CHILD CARE CENTERS	JOINT USE CENTERS	BOOK-STORES	FOOD SERVICE/ VENDING	HEALTH MEDICAL/ CENTERS	RESID. FACI-LITIES	OTHER	TOTAL
BREVARD															0
BROWARD			56,415	81,627	47,816										185,858
CENTRAL FLORIDA	1,531			50,607				36,814							88,952
CHIPOLA				11,386											11,386
DAYTONA BEACH				162,837											162,837
EDISON															0
FL. CC AT JAX.		300		73,060											73,360
FLORIDA KEYS															0
GULF COAST				23,700											23,700
HILLSBOROUGH															0
INDIAN RIVER				26,957			56,878	71,321							155,156
LAKE CITY			8,454	6,580											15,034
LAKE-SUMTER	292			312											604
MANATEE				37,707											37,707
MIAMI-DADE	720,849			43,612											764,461
NORTH FLORIDA				191,961							36,000				227,961
OKALOOSA-WALTON															0
PALM BEACH				431,438		63,033	116,880								611,360
PASCO-HERNANDO		52	4,801												4,853
PENSACOLA															0
POLK				6,574											6,574
ST. JOHNS RIVER				21,717											21,717
ST. PETERSBURG															0
SANTA FE															0
SEMINOLE	20,500														20,500
SOUTH FLORIDA				32,248							13,971				46,219
TALLAHASSEE															0
VALENCIA			10,666	59,728											70,394
TOTAL	743,162	352	80,136	1,282,128	47,816	63,033	173,758	108,135	0	0	49,971	0	0	0	2,520,491

C-5

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