

Date: December 8, 2016

To: OPC

From: OPC Workgroup on Growth Management Component (GMC) of Distribution Formula for Funding

Workgroup Recommendation: That the Growth Management Component (GMC) of the CCSF Distribution Formula only apply once colleges have reached 1100 FTE annual enrollment.

Background: At the 2016 OPC summer retreat, a Workgroup was formed to consider whether the Growth Management Component of the CC Distribution formula was operating as intended, particularly as it applied to smaller colleges. This workgroup was asked to examine the issue and bring a recommendation to OPC in time for implementation for the 117-19 Biennium, if a change was recommended.

Workgroup Members were:

- Birgitte Ryslinge, OCCC
- Connie Green, TBCC
- Joanne Truesdell
- Julie Hucklestein
- Jessica Howard
- Roberto Gutierrez
- Ex officio: Patrick Crane

The workgroup met several times since first convening in the fall. Key considerations:

- While some members had hoped that this group might consider the elimination of the GMC for all colleges, consensus emerged that such consideration would be outside of the capacity and the OPC charter of this particular workgroup.
- We settled on the definition of smaller colleges to be below 1100, as this is the threshold of full funding for the *Base* component of the funding formula. *The purpose of a base allocation is to increase stability and predictability of funding for individual colleges. The base allocation provides funding for basic district operations that are essential and do not vary in direct proportion to districts' full-time equivalent student enrollment*¹
- We worked with Patrick Crane to understand the financial implications of a change to the GMC application.
- We relied on historical memory of group members along with source documents to understand the intentions and guiding principles used to initially establish the GMC and other related aspects of the Funding Formula.

Financial Impact of the Change: The attached spreadsheet shows the system-wide impact of the current application of the GMC (Columns 1&2) in scenarios of 5% decline in enrollment and 5% increase in enrollment. Column 3 shows the impact of introducing a 1100 FTE threshold for

¹ Source Document, *Distribution Formula: Questions and Answers* July 20, 2016

the GMC, under a 5% enrollment increase. Many colleges saw no decrease to their funding allocation under the new scenario, and those that did experience a decrease in percentage of allocation mostly saw a variation of .01 to .02 percent. (PCC in 19-20 was projected at a .04% decrease.) Group consensus was that the impact on other colleges was negligible and acceptable.

Relevant Guiding Principles

In 2009 OPC established a committee to consider implementing a GMC. The committee adopted the following principles for growth management.

- Stability/predictability
- Policy will work in low/flat/increased funding
- Collaboration rather than competition
- Statewide access
- Incent sustainable growth (means deter unfettered, unfunded growth)
- Policy change(s) remain w/OPC & SBE
- Understandable to decision-makers (local boards, legislators, etc.)
- Dollars follow students
- Maintain local decision-making

Beyond this (*Growth Management Component*), the State Board of Education (SBE) has the authority and responsibility to, on a Biennial basis, set a “Growth Factor” that allows for some growth (or decrease) in the number of FTE that will be counted for funding purposes. (NOTE: This “factor” could also be accurately referred to as the “Quality Factor” in that any positive number will intentionally allow enrollment growth to erode the funding available to serve students, and any negative number will intentionally enhance the funding available to serve students – on a TPR per FTE basis.) **The SBE should consider the following principles as guidelines for setting the Growth Factor²:**

- Balance the desire to support growth beyond that which is funded by the model outlined above with the desire to enhance quality by increasing the level of funding provided on a per-student FTE basis.
- Total CSL-adjusted TPR per FTE should not erode by more than 5% on an annual basis. (i.e. The SBE-established Growth Factor should never exceed 5% annually)
- Where current TPR per FTE is determined to be insufficient to support the quality of education desired, a NEGATIVE Growth Factor should be established to enhance funding per FTE.
- Structural/programmatic capacity to handle growth should be considered. (i.e. For example, it may be determined that the “system” cannot/should not accommodate a growth rate greater than x% per year/biennium.
- The unintended consequences of funding too much or too little growth should be considered. (i.e. Over limited growth funding may incentivize institutional and/or academic program development dormancy).

² State Board of Education Topic Summary, Oct 29, 2010.

How does a 1100 Threshold GMC align with Guiding Principles?

1. The financial analysis shows that this change does not jeopardize funding stability/predictability within the system.
2. By allowing the smaller colleges to grow, there is increased access for students in some rural areas, thereby increasing statewide access.
3. Providing a path for the smallest colleges to reach the full base funding level at 1100 FTE increases the stability, predictability and sustainability of the smallest colleges. *The purpose of a base allocation is to increase stability and predictability of funding for individual colleges. The base allocation provides funding for basic district operations that are essential and do not vary in direct proportion to districts' full-time equivalent student enrollment*³
4. Small colleges (for example, 500 FTE) can experience a GMC (for example, 5%) which is barely sufficient to add a single new program (25 FTE). This results in the unintended consequences identified in the Growth Factor discussion cited above: *the unintended consequences of funding too much or too little growth should be considered. (i.e. Over limited growth funding may incentivize institutional and/or academic program development dormancy).*

³ Source Document, *Distribution Formula: Questions and Answers* July 20, 2016