

Agenda Item #2  
March 28, 2003

Illinois Community College Board

**ILLINOIS COMMUNITY COLLEGE SYSTEM  
FUNDING STUDY TASK FORCE REPORT**

**BACKGROUND:** The Illinois Community College Board, in conjunction with the Illinois Council of Community College Presidents (ICCCP) and the Illinois Community College Trustees Association (ICCTA), has conducted a study of the current Illinois community college funding system. The composition of the Task Force for this study included the ICCB Finance Advisory Committee, the Presidents Council Finance Committee, and other individuals appointed by ICCCP and ICCTA. The Task Force was co-chaired by Bob Luther, President, Lake Land College and Lin Warfel, Trustee, Parkland College. In addition, Brenda Albright of the Franklin Education Group served as facilitator and consultant on this project. The Task Force was staffed by Don Wilske, ICCB Chief Financial Officer and the ICCB System Finances staff.

The Task Force was given the charge to conduct a study of the current Illinois community college funding system. This study focused on a review of the current methodologies used to allocate financial resources to the Illinois Community College System. The Task Force met on six occasions between December 2001 and June 2002. The Board has been given updates on the Task Force's progress at its February, May, and September 2002 meetings. The Illinois Council of Community College Presidents and the Illinois Community College Trustees Association gave their unanimous endorsements of the Task Force's report at their regularly scheduled meetings in September 2002. The July 2002 report of the Community College System Funding Study Task Force was originally scheduled for action by the Illinois Community College Board at its meeting on October 18, 2002. The report was removed from the agenda by ICCB Chairman, Ed Duffy. This action occurred because prior to the scheduled Board meeting, City Colleges of Chicago telephoned Joe Cipfl, ICCB President/CEO, and indicated to him that they were withholding their concurrence with the report until the entire work of the Task Force was completed, including the recommendations regarding the residual nature of the current funding formula. Since January 2003, the Task Force has met three times to review this additional information and to make additional recommendations for changes to the existing base operating grant funding formula. The Board has been given an additional update on the Task Force's progress at its January 2003 meeting. At the March 2003 meetings of the Presidents' Council and ICCTA, both organizations approved the additional recommendations of the Community College System Funding Task Force.

Recommendations are now being made for modifications and enhancements to the current funding system. Attached is a copy of the report issued by the Task Force in July 2002 and the addendum completed in March 2003 .

## **RECOMMENDED ACTION**

It is recommended that the following motion be adopted:

The Illinois Community College Board hereby approves the July 2002 report and March 2003 addendum of the Illinois Community College System Funding Study Task Force and authorizes its President/CEO to take the necessary steps to implement the recommendations outlined below:

Recommendation 1: Changes to Equalization Approach. This recommendation, which requires legislative action, would become effective in fiscal year 2005.

It is recommended that colleges seeking equalization funds meet the following two criteria:

1. The college shall be taxing at 95 percent of the legal maximum operating tax rate for both the Education and the Operations and Maintenance funds, which includes the equity tax provision if applicable. Colleges that do not tax at 95 percent of the legal maximum operating rate due to not utilizing the equity tax provision must make a public notification of their intent to levy the equity tax provision once every five years. The first effective date of this recommendation is 2005, and then this criterion would be reviewed again in 2010.
2. The college shall be charging tuition and universal fees at 85 percent of the state average based on an analysis of data two years prior to allocating the equalization funds. Currently, the criterion is 85 percent of the state average for tuition only.

### Recommendation 2: Changes to Small College Grant Award

It is recommended that colleges: a) that qualify for equalization, b) have an Equalized Assessed Evaluation (EAV) less than \$850 million, and c) that have fewer than 2000 non-correctional FTE students shall receive an additional \$60,000 Small College Grant Award. Currently, the Small College Grant Award is \$60,000. Based on current year information, five small colleges would be affected by this recommendation.

### Recommendation 3: Restricted Grants

The Task Force recommends that no specific percentage limit for restricted grants be sought. Further, the system should seek opportunities for these special initiatives consistent with meeting the educational needs of local communities and the state.

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The Task Force recommends that colleges should have flexibility of allocating 50 percent of funds among the various categories within a single restricted grant. Currently, colleges may allocate one-third of funds within a single restricted grant. More flexibility in expending these resources allows each district to target funds to areas of greatest need. The ICCB has implemented this recommendation for fiscal year 2003.

Recommendation 4: Funding Priorities

The ICCB has established five priorities for funding – Base Operating Grants, Equalization, Advanced Technology Grants, P-16 Initiative Grants, and Workforce Development Grants. The Task Force endorsed the ICCB funding priorities, and emphasized the importance of the P-16 Initiative Grants.

Recommendation 5: Data Recommendations

The Task Force recommends that:

- a. Data submissions should be accurate, consistent, and timely with problems handled through the ICCB recognition process.
- b. Requests for data should be limited to what are necessary to support information needs. Collecting data for collection's sake should not be the norm.
- c. ICCB should work with colleges to expand pre-final submission data edit capabilities to help ensure accuracy, consistency, and timeliness.
- d. Data must be collected in a consistent manner to provide fairness for all institutions.

Recommendation 6: Residual Funding

The Task Force recommended that in fall 2002 all community colleges submit cost data that remove all restricted funds and associated enrollments, except flow-through funds to the Department of Corrections.

The ICCB agreed that the work of the Task Force should continue, and the Task Force met again in January, February and March 2003 to determine whether a modification to the formula to exclude restricted funds is appropriate. A primary rationale in considering this change is that restricted funds are provided as an incentive to motivate behavior and, in many instances, are not enrollment-driven. Restricted funds are intended to be an addition to, rather than a subtraction from, funding allocations. In other words, they are intended to supplement rather than supplant existing resources. The amount of restricted grants varies significantly among the various colleges. Consequently, when restricted funds and associated enrollments are included in the cost analysis, they may skew the allocation of funds among campuses.

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The Task Force recommends that:

- a. Remove from the unit cost calculation, all costs of restricted grant programs (with the exception of Illinois Department of Corrections instructional programs) and all associated credit hours that were produced with those costs. This is an effort to treat restricted grants as “in addition to” resources as opposed to “instead of” resources as is currently done. This removes the impact of restricted grants from the formula. This will result in those credit hours generated by restricted grant programs to be removed from funding in the base operating grant. The two primary types of credit hours included in this category would be those associated with state and federal adult education grants and those associated with federal Perkins grants.
- b. Local property tax revenues should be attributed to both unrestricted and restricted credit hours on a proportional basis. This acknowledges that local districts utilize institutional resources in their various grant activities.
- c. Rate adjustments (positive or negative) should be allocated to the six funding categories based upon the aggregate total costs of each funding category. Currently rate adjustments have been used to emphasize statewide priorities and to smooth out year-to-year fluctuations in individual rates. The new methodology will continue to smooth out rate fluctuations, but in a more predictable and consistent manner.

Based upon the additional information provided to the ICCB by the community college system, ICCB staff have calculated the impact of the above recommended changes. Attached in Table A is the revised fiscal year 2004 credit hour rates that would be applied to the newly defined reimbursable credit hours. Attached Table B shows the comparison of the new revised method of calculating credit hours in comparison to the fiscal year 2004 credit hour grant information distributed in December 2002 as recommended by the Illinois Board of Higher Education. This table also indicates that an additional \$8 million would be necessary to hold harmless those districts that would be negatively impacted by these changes. The Task Force has recommended that these changes **only** be implemented if the hold harmless funds are available. The Task Force recommended a three-year hold harmless period to allow local districts to make any adjustments they deem necessary to maximize their access to state resources. In addition, there are statutory changes that must also occur to implement these changes.

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Table A

CREDIT HOUR GRANT RATES BY CATEGORY FOR FISCAL YEAR 2004 IBHE RECOMMENDATIONS  
Using Revised Methodology

	<u>Baccalaureate</u>	<u>Business</u>	<u>Technical</u>	<u>Health</u>	<u>Remedial</u>	<u>ABE/ASE</u>	<u>Totals/Averages</u>
FY 2002 Unit Cost	\$ 174.25	\$ 183.37	\$ 205.57	\$ 248.53	\$ 167.91	\$ 159.35	\$ 182.23
FY 2004 Weighted Cost	\$ 180.47	\$ 189.92	\$ 212.91	\$ 257.41	\$ 173.90	\$ 165.03	\$ 188.74
Less:							
Tuition & Fees	56.38	56.38	56.38	56.38	56.38	0.00	52.21
Local Tax Contribution	89.52	89.52	89.52	89.52	89.52	89.52	89.52
Voc./Adult Ed. Grants	0.00	6.99	6.99	6.99	0.00	0.00	1.92
Other Revenues	0.15	0.16	0.18	0.22	0.15	0.14	0.17
Total	\$ 146.05	\$ 153.05	\$ 153.07	\$ 153.11	\$ 146.05	\$ 89.66	\$ 143.82
Rate Adjustment	(7.14)	(7.45)	(8.38)	(10.15)	(6.99)	(6.55)	(7.47)
Credit Hour Rate	\$ 27.28	\$ 29.42	\$ 51.47	\$ 94.14	\$ 20.87	\$ 68.82	\$ 37.45
Reduction for O&M Grants	1.13%	1.13%	1.13%	1.13%	1.13%	1.13%	1.13%
Effective Credit Hour Rate	<u>\$ 26.97</u>	<u>\$ 29.09</u>	<u>\$ 50.89</u>	<u>\$ 93.09</u>	<u>\$ 20.63</u>	<u>\$ 68.05</u>	<u>\$ 37.03</u>
FY 2004 Rates at IBHE Recommendation Level using current methodology	\$ 34.04	\$ 22.63	\$ 39.56	\$ 77.83	\$ 25.22	\$ 16.10	
% change from current rates to revised rates	-26.2%	22.2%	22.3%	16.4%	-22.2%	76.3%	

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Table B

<u>Credit Hour Grant</u>			
	FY 2004 IBHE Recommendations using current <u>methodology</u>	FY 2004 IBHE Recommendations using Revised <u>methodology</u>	<u>Difference</u>
BLACK HAWK	\$ 4,674,787	\$ 4,315,635	\$ (359,152)
CHICAGO	\$ 31,832,832	\$ 37,257,289	\$ 5,424,457
DANVILLE	\$ 1,562,415	\$ 1,456,845	\$ (105,570)
DUPAGE	\$ 15,524,495	\$ 14,318,036	\$ (1,206,459)
ELGIN	\$ 4,994,950	\$ 4,932,713	\$ (62,237)
HARPER	\$ 7,727,613	\$ 7,319,772	\$ (407,841)
HEARTLAND	\$ 2,539,690	\$ 2,361,041	\$ (178,649)
HIGHLAND	\$ 1,655,042	\$ 1,404,458	\$ (250,584)
ILLINOIS CENTRAL	\$ 6,638,117	\$ 6,329,963	\$ (308,154)
ILLINOIS EASTERN	\$ 5,629,136	\$ 5,403,434	\$ (225,702)
ILLINOIS VALLEY	\$ 2,691,769	\$ 2,560,075	\$ (131,694)
JOLIET	\$ 6,788,621	\$ 7,171,024	\$ 382,403
KANKAKEE	\$ 2,481,164	\$ 3,607,439	\$ 1,126,275
KASKASKIA	\$ 2,632,119	\$ 2,632,638	\$ 519
KISHWAUKEE	\$ 2,359,234	\$ 2,094,909	\$ (264,325)
LAKE COUNTY	\$ 6,852,386	\$ 7,380,209	\$ 527,823
LAKE LAND	\$ 5,118,221	\$ 5,256,893	\$ 138,672
LEWIS & CLARK	\$ 3,222,427	\$ 3,342,079	\$ 119,652
LINCOLN LAND	\$ 4,680,661	\$ 4,430,966	\$ (249,695)
LOGAN	\$ 4,183,756	\$ 4,035,945	\$ (147,811)
MC HENRY	\$ 3,148,215	\$ 2,789,295	\$ (358,920)
MORAIN VALLEY	\$ 8,496,700	\$ 8,278,060	\$ (218,640)
MORTON	\$ 2,072,131	\$ 1,551,060	\$ (521,071)
OAKTON	\$ 7,366,501	\$ 6,922,985	\$ (443,516)
PARKLAND	\$ 5,444,940	\$ 5,288,250	\$ (156,690)
PRAIRIE STATE	\$ 2,856,342	\$ 2,543,689	\$ (312,653)
REND LAKE	\$ 2,704,594	\$ 2,910,283	\$ 205,689
RICHLAND	\$ 2,091,259	\$ 1,804,275	\$ (286,984)
ROCK VALLEY	\$ 5,005,217	\$ 4,561,184	\$ (444,033)
SANDBURG	\$ 2,178,495	\$ 2,101,491	\$ (77,004)
SAUK VALLEY	\$ 1,766,909	\$ 1,719,428	\$ (47,481)
SHAWNEE	\$ 1,736,224	\$ 1,800,958	\$ 64,734
SOUTH SUBURBAN	\$ 4,086,273	\$ 3,625,176	\$ (461,097)
SOUTHEASTERN	\$ 2,141,885	\$ 2,093,615	\$ (48,270)
SOUTHWESTERN	\$ 7,863,498	\$ 7,553,273	\$ (310,225)
SPOON RIVER	\$ 1,200,654	\$ 1,146,537	\$ (54,117)
TRITON	\$ 8,172,070	\$ 7,877,228	\$ (294,842)
WAUBONSEE	\$ 4,081,769	\$ 4,112,810	\$ 31,041
WOOD	\$ 1,513,380	\$ 1,427,025	\$ (86,355)
Subtotal	\$ 197,716,491	\$ 197,717,985	Hold
Rounding	\$ 3,109	\$ 1,615	<u>Harmless</u>
Total	\$ 197,719,600	\$ 197,719,600	(8,019,771)

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**COMMUNITY COLLEGE SYSTEM FUNDING STUDY RECOMMENDATIONS - MAJOR CHANGES**

<b><u>Topic</u></b>	<b><u>Current</u></b>	<b><u>Proposed</u></b>
Base Operating Grant (Credit Hour Component)	<p>Includes credit hours produced with both unrestricted <u>and</u> restricted expenditures.</p> <p>Credit hour rate calculation includes deductions for local, tax, tuition, restricted grant and other revenues.</p> <p>Rate adjustment allocated on a discretionary basis by funding category.</p>	<p>Includes only credit hours produced with unrestricted credit hours plus Department of Corrections.</p> <p>Credit hour rate calculations includes deductions for local tax, tuition, and other revenues. Excludes deductions for restricted grants.</p> <p>Rate adjustment allocated on aggregate funding category costs.</p>
Equalization Grant	<p>Requires 85% of state average tuition to be eligible.</p> <p>No local tax requirement.</p>	<p>Requires 85% of state average tuition <u>and</u> universal fees be eligible.</p> <p>Requires 95% of legal maximum of operating tax rates be levied (subject to property tax extensions limitation law).</p>

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**COMMUNITY COLLEGE SYSTEM FUNDING STUDY RECOMMENDATIONS - MAJOR CHANGES**  
(Continued)

<u>Topic</u>	<u>Current</u>	<u>Proposed</u>
Small College Grant	\$60,000 for colleges with less than \$2500 FTE.	\$60,000 for colleges with less than \$2500 FTE.
	—	Additional \$60,000 for colleges with less than \$2000 FTE and less than \$850,000,000 EAV.
Restricted Grants	One-third transfer between grant components.	One-half transfer between grant components (done in FY2003).