



KIM REYNOLDS  
GOVERNOR

**OFFICE OF THE GOVERNOR**

ADAM GREGG  
LT GOVERNOR

May 8, 2024

The Honorable Paul Pate  
Secretary of State of Iowa  
State Capitol  
Des Moines, Iowa 50319

Dear Mr. Secretary,

I hereby transmit:

Senate File 2405, an Act modifying provisions related to the distribution formula for general state financial aid to community colleges and including applicability provisions.

The above Senate File is hereby approved on this date.

Sincerely,

A handwritten signature in black ink that reads "Kim Reynolds".

Kim Reynolds  
Governor of Iowa

cc: Secretary of the Senate  
Clerk of the House



Senate File 2405

AN ACT  
MODIFYING PROVISIONS RELATED TO THE DISTRIBUTION FORMULA  
FOR GENERAL STATE FINANCIAL AID TO COMMUNITY COLLEGES AND  
INCLUDING APPLICABILITY PROVISIONS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 260C.18C, Code 2024, is amended to read as follows:

**260C.18C State aid distribution formula.**

1. *Purpose.* A distribution plan for general state financial aid to Iowa's community colleges is established for the fiscal year commencing July 1, ~~2005~~ 2025, and succeeding fiscal years. Funds appropriated by the general assembly to the department for general financial aid to community colleges shall be allocated to each community college in the manner provided under this section for the community colleges to provide the highest quality educational opportunities and services, as described in section 260C.1, to the greatest number of students.

2. *Definitions.* As used in this section and section 260C.18D, unless the context otherwise requires:

a. "Base funding allocation" means the amount of general state financial aid all community colleges received in the base year.

b. "Base year" means the fiscal year immediately preceding the budget year.

~~c. "Below-average support per FTEE" for a community college means the state-average combined support per FTEE minus the combined support per FTEE for the community college if the community college's combined support per FTEE is less than the state-average combined support per FTEE.~~

~~d. c.~~ "Budget year" means the fiscal year for which moneys are appropriated by the general assembly.

e. d. "Combined support" for a community college means the total amount of moneys the community college received in general state financial aid in the base year plus the community college's general fund property tax revenue, including utility replacement, for the base year.

~~f. "Combined support per FTEE" for a community college means the community college's combined support divided by its three-year rolling average full-time equivalent enrollment for the three years prior to the base year.~~

~~g. "Contact hour" for a noncredit course equals fifty minutes of contact between an instructor and students in a scheduled course offering for which students are registered.~~

~~h. "Credit hour", for purposes of community college funding distribution, shall be as defined by the department by rule.~~

~~i. "Eligible credit courses" means all credit courses that are eligible for general state financial aid which are part of a department-approved program of study. The department shall review and provide a determination should a question of eligibility occur.~~

~~j. "Eligible growth support" for a community college is the community college's below-average support per FTEE multiplied times its three-year rolling average full-time equivalent enrollment.~~

~~k. "Eligible noncredit courses" means all noncredit courses eligible for general state financial aid which fall under one of the eligible categories for noncredit courses as defined by rule of the department. The department shall review and~~

~~provide a determination should a question of eligibility occur.~~

~~l. "Eligible student" means a student enrolled in eligible credit or eligible noncredit courses. The department shall review and provide a determination should a question of eligibility occur.~~

~~m. e. "Fiscal year" means the period of twelve months beginning on July 1 and ending on June 30.~~

~~n. One "full-time equivalent enrollment (FTEE)" equals twenty-four credit hours for credit courses or six hundred contact hours for noncredit courses generated by all eligible students enrolled in eligible courses.~~

~~o. f. "General fund property tax revenue" means the amount of moneys a community college raised or could have raised from a property tax of twenty and one-fourth cents per thousand dollars of assessed valuation on all taxable property in its merged area collected for the base year.~~

~~p. g. "General state financial aid" means the amount of general state financial aid the community college received from the general fund.~~

~~q. "Inflation adjustment amount" means the inflation rate minus two percentage points multiplied times the base funding allocation. The inflation adjustment amount shall not be less than zero.~~

~~r. "Inflation rate" means the average of the preceding twelve-month percentage change, which shall be computed on a monthly basis, in the consumer price index for all urban consumers, not seasonally adjusted, published by the United States department of labor, bureau of labor statistics, calculated for the calendar year ending six months after the beginning of the base year.~~

~~s. "State average combined support per FTEE" means the average of the combined support per FTEE for all community colleges in the state in the base year.~~

~~t. "Three-year rolling average full-time equivalent enrollment" means the average of the audited full-time equivalent enrollment for a community college over the three fiscal years prior to the base year as determined by the department.~~

~~u. "Total growth support amount" means the sum of the~~

~~eligible growth support for all the community colleges.~~

3. *Distribution formula.* Moneys appropriated by the general assembly from the general fund to the department for community college purposes for general state financial aid for a budget year shall be allocated to each community college by the department as follows:

~~a. If the inflation rate is equal to two percent or less:~~

~~(1) *Base funding allocation.* The moneys shall first be allocated in the amount of general state financial aid each community college received in the base year. If the appropriation is less than the total of the amount of general state financial aid each community college received in the base year, the moneys shall be allocated in the same proportion as the allocation of general state financial aid each community college received in the base year.~~

~~(2) *Marginal cost adjustment.* After the base funding has been allocated, each community college shall be allocated up to an additional two percent of its base funding allocation. The community college's allocation shall be in the same proportion as the allocation of general state financial aid each community college received in the base year.~~

~~(3) *Three-year rolling average of full-time equivalent enrollment.* If the increase in the total state general aid exceeds two percent over the base funding allocation, an amount up to an additional one percent of the base funding allocation shall be distributed based upon each community college's proportional share of the three-year rolling average full-time equivalent enrollments for all community colleges.~~

~~(4) *Extraordinary growth adjustment.* If the increase in total state general aid exceeds three percent over the base funding allocation, an amount up to an additional one percent of the base funding allocation shall be distributed as follows:~~

~~(a) Forty percent of the moneys shall be allocated based upon each community college's proportional share of the three-year rolling average full-time equivalent enrollments for all community colleges.~~

~~(b) Sixty percent of the moneys shall be allocated to community colleges that have eligible growth support. The allocation shall be based upon the proportional share that each~~

~~community college's eligible growth support bears to the total growth support amount. Once the moneys allocated under this subparagraph division equal the total growth support amount, the remaining moneys allocated under this subparagraph shall be allocated as provided in subparagraph division (a).~~

~~(5) Additional three-year rolling average FTEE allocation.~~ If the increase in total state general aid exceeds four percent over the base funding allocation, all remaining moneys shall be distributed based upon each college's proportional share of the three-year rolling average full-time equivalent enrollments for all community colleges. Annually, on or before October 31 of each year, the presidents of the community colleges and the chancellors of the community colleges who serve as the chief executive officers of such community colleges shall establish a distribution formula for general state aid to the community colleges for the succeeding budget year. When determining the distribution formula pursuant to this paragraph, the presidents and chancellors shall consider the enrollment and combined support for each community college, along with any other factor deemed relevant by the presidents and chancellors. The distribution formula shall not allocate funding to a community college that is below the general state financial aid the community college received in any previous budget year, unless there is a reduction in the base funding allocation. The distribution formula requires the approval of at least ten of the presidents and chancellors. If the presidents and chancellors approve a distribution formula pursuant to this paragraph, the presidents and chancellors shall transmit the distribution formula to the department, and the department shall implement the distribution formula.

~~b. If the inflation rate is greater than two percent but less than four percent:~~

~~(1) Base funding allocation.~~ The moneys shall first be allocated in the amount of general state financial aid each community college received in the base year. If the appropriation is less than the total of the amount of general state financial aid each community college received in the base year, the moneys shall be allocated in the same proportion as the allocation of general state financial aid each community

college received in the base year.

~~(2) *Marginal cost adjustment.* After the base funding has been allocated, each community college shall be allocated up to an additional two percent of its base funding allocation. The community college's allocation shall be in the same proportion as the allocation of general state financial aid each community college received in the base year.~~

~~(3) *Three-year rolling average of full-time equivalent enrollment.* If the increase in the total state general aid exceeds two percent over the base funding allocation, an amount up to an additional one percent of the base funding allocation shall be distributed based upon each community college's proportional share of the three-year rolling average full-time equivalent enrollments for all community colleges.~~

~~(4) *Extraordinary growth adjustment.* If the increase in total state general aid exceeds three percent over the base funding allocation, an amount up to an additional one percent of the base funding allocation shall be based as follows:~~

~~(a) Forty percent of the moneys shall be allocated based upon each community college's proportional share of the three-year rolling average full-time equivalent enrollments for all community colleges.~~

~~(b) Sixty percent of the moneys shall be allocated to community colleges that have eligible growth support. The allocation shall be based upon the proportional share that each community college's eligible growth support bears to the total growth support amount. Once the moneys allocated under this subparagraph division equal the total growth support amount, the remaining moneys allocated under this subparagraph shall be allocated as provided in subparagraph division (a).~~

~~(5) *Inflation adjustment.* If the increase in total state general aid exceeds four percent over the base funding allocation, an amount up to the inflation adjustment amount shall be distributed to each community college in the same proportion as the allocation of general state financial aid each community college received in the base year.~~

~~(6) *Additional three-year rolling average FTEE allocation.* If there are remaining moneys to be distributed under this paragraph after distributing moneys under~~

~~subparagraph (5), all remaining moneys shall be distributed based upon each community college's proportional share of the three-year rolling average full-time equivalent enrollments for all community colleges. If the presidents of the community colleges and the chancellors of the community colleges who serve as the chief executive officers of such community colleges fail to approve a distribution formula on or before October 31 pursuant to paragraph "a", the department shall establish the distribution formula for general state aid to the community colleges for the succeeding budget year. When determining the distribution formula pursuant to this paragraph, the department shall consider the enrollment and combined support for each community college, along with any other factor deemed relevant by the department. The distribution formula shall not allocate funding to a community college that is below the general state financial aid the community college received in any previous budget year, unless there is a reduction in the base funding allocation.~~

~~c. If the inflation rate equals or exceeds four percent:~~

~~(1) Base funding allocation. The moneys shall first be allocated in the amount of general state financial aid each community college received in the base year. If the appropriation is less than the total of the amount of general state financial aid each community college received in the base year, the moneys shall be allocated in the same proportion as the allocation of general state financial aid each community college received in the base year.~~

~~(2) Marginal cost adjustment. After the base funding has been allocated, each community college shall be allocated up to an additional two percent of its base funding allocation. The community college's allocation shall be in the same proportion as the allocation of general state financial aid each community college received in the base year.~~

~~(3) Three-year rolling average of full-time equivalent enrollment. If the increase in the total state general aid exceeds two percent over the base funding allocation, an amount up to an additional one percent of the base funding allocation shall be distributed based upon each community college's proportional share of the three-year rolling average full-time~~



~~equivalent enrollments for all community colleges.~~

~~(4) *Inflation adjustment.* If the increase in total state general aid exceeds three percent over the base funding allocation, an amount up to the inflation adjustment amount shall be distributed to each community college in the same proportion as the allocation of general state financial aid each community college received in the base year.~~

~~(5) *Extraordinary growth adjustment.* If there are remaining moneys to be distributed under this paragraph after distributing moneys under subparagraph (4), an amount up to an additional one percent of the base funding allocation shall be based as follows:~~

~~(a) Forty percent of the moneys shall be allocated based upon each community college's proportional share of the three-year rolling average full-time equivalent enrollments for all community colleges.~~

~~(b) Sixty percent of the moneys shall be allocated to community colleges that have eligible growth support. The allocation shall be based upon the proportional share that each community college's eligible growth support bears to the total growth support amount. Once the moneys allocated under this subparagraph division equal the total growth support amount, the remaining moneys allocated under this subparagraph shall be allocated as provided in subparagraph division (a).~~

~~(6) *Additional three-year rolling average FTEE allocation.* If there are remaining moneys to be distributed under this paragraph after distributing moneys under subparagraph (5), all remaining moneys shall be distributed based upon each community college's proportional share of the three-year rolling average full-time equivalent enrollments for all community colleges.~~

4. *Information supplied by colleges and adoption of rules.*

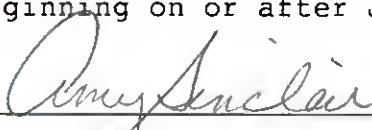
a. Each community college shall provide information in the manner and form as determined by the department. If a community college fails to provide the information as requested, the department shall estimate the full-time equivalent enrollment of that college.

b. Each community college shall complete and submit an annual student enrollment audit to the department. Adjustments

~~to community college state general aid allocations shall be made based on student enrollment audit outcomes.~~

c. The department shall adopt rules under chapter 17A as necessary for the allocation of general state financial aid.

Sec. 2. APPLICABILITY. This Act applies to budget years beginning on or after July 1, 2025.



AMY SINCLAIR

President of the Senate



PAT GRASSLEY

Speaker of the House

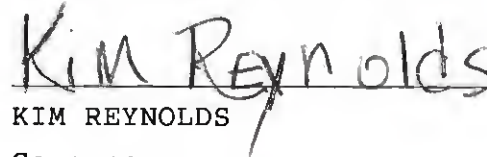
I hereby certify that this bill originated in the Senate and is known as Senate File 2405, Ninetieth General Assembly.



W. CHARLES SMITHSON

Secretary of the Senate

Approved May 8<sup>th</sup>, 2024



KIM REYNOLDS

Governor