

Senate File 2405 - Introduced

SENATE FILE 2405

BY COMMITTEE ON APPROPRIATIONS

(SUCCESSOR TO SF 2373)

(SUCCESSOR TO SSB 3164)

A BILL FOR

1 An Act modifying provisions related to the distribution formula
2 for general state financial aid to community colleges and
3 including applicability provisions.

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

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

3 **260C.18C State aid distribution formula.**

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

14 2. *Definitions.* As used in this section and section
15 260C.18D, unless the context otherwise requires:

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

19 b. "*Base year*" means the fiscal year immediately preceding
20 the budget year.

21 ~~e. "*Below-average support per FTEE*" for a community college~~
22 ~~means the state-average combined support per FTEE minus the~~
23 ~~combined support per FTEE for the community college if the~~
24 ~~community college's combined support per FTEE is less than the~~
25 ~~state-average combined support per FTEE.~~

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

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

33 ~~f. "*Combined support per FTEE*" for a community college~~
34 ~~means the community college's combined support divided by its~~
35 ~~three-year rolling average full-time equivalent enrollment for~~

1 ~~the three years prior to the base year.~~

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

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

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

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

16 ~~k. "Eligible noncredit courses" means all noncredit courses~~
17 ~~eligible for general state financial aid which fall under one~~
18 ~~of the eligible categories for noncredit courses as defined~~
19 ~~by rule of the department. The department shall review and~~
20 ~~provide a determination should a question of eligibility occur.~~

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

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

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

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

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

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

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

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

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

23 ~~u.~~ "Total growth support amount" means the sum of the
24 eligible growth support for all the community colleges.

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

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

31 (1) ~~Base funding allocation.~~ The moneys shall first
32 be allocated in the amount of general state financial aid
33 each community college received in the base year. If the
34 appropriation is less than the total of the amount of general
35 state financial aid each community college received in the base

1 ~~year, the moneys shall be allocated in the same proportion as~~
2 ~~the allocation of general state financial aid each community~~
3 ~~college received in the base year.~~

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

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

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

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

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

33 ~~(5) *Additional three-year rolling average FTEE*~~
34 ~~*allocation.* If the increase in total state general aid~~
35 ~~exceeds four percent over the base funding allocation, all~~

1 ~~remaining moneys shall be distributed based upon each college's~~
2 ~~proportional share of the three-year rolling average full-time~~
3 ~~equivalent enrollments for all community colleges~~ Annually,
4 on or before October 31 of each year, the presidents of
5 the community colleges and the chancellors of the community
6 colleges who serve as the chief executive officers of such
7 community colleges shall establish a distribution formula for
8 general state aid to the community colleges for the succeeding
9 budget year. When determining the distribution formula
10 pursuant to this paragraph, the presidents and chancellors
11 shall consider the enrollment and combined support for each
12 community college, along with any other factor deemed relevant
13 by the presidents and chancellors. The distribution formula
14 shall not allocate funding to a community college that is below
15 the general state financial aid the community college received
16 in any previous budget year, unless there is a reduction in the
17 base funding allocation. The distribution formula requires the
18 approval of at least ten of the presidents and chancellors. If
19 the presidents and chancellors approve a distribution formula
20 pursuant to this paragraph, the presidents and chancellors
21 shall transmit the distribution formula to the department, and
22 the department shall implement the distribution formula.

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

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

33 ~~(2) *Marginal cost adjustment.* After the base funding has~~
34 ~~been allocated, each community college shall be allocated up to~~
35 ~~an additional two percent of its base funding allocation. The~~

1 ~~community college's allocation shall be in the same proportion~~
2 ~~as the allocation of general state financial aid each community~~
3 ~~college received in the base year.~~

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

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

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

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

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

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

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

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

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

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

34 ~~(3) *Three-year rolling average of full-time equivalent*~~
35 ~~*enrollment.* If the increase in the total state general aid~~

1 ~~exceeds two percent over the base funding allocation, an amount~~
2 ~~up to an additional one percent of the base funding allocation~~
3 ~~shall be distributed based upon each community college's~~
4 ~~proportional share of the three-year rolling average full-time~~
5 ~~equivalent enrollments for all community colleges.~~

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

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

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

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

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

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

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

7 b. Each community college shall complete and submit an
8 annual student enrollment audit to the department. ~~Adjustments~~
9 ~~to community college state general aid allocations shall be~~
10 ~~made based on student enrollment audit outcomes.~~

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

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

15

EXPLANATION

16 The inclusion of this explanation does not constitute agreement with
17 the explanation's substance by the members of the general assembly.

18 This bill modifies provisions related to the distribution
19 formula for general state financial aid to community colleges.
20 Current Code section 260C.18C establishes a distribution
21 formula for the allocation of state moneys appropriated
22 annually by the general assembly to the department of education
23 for distribution to each community college. The distribution
24 formula includes a base funding allocation, a marginal
25 cost adjustment, a three-year rolling average of full-time
26 equivalent enrollment, an extraordinary growth adjustment, and
27 other allocations.

28 The bill provides that funds appropriated by the general
29 assembly to the department of education for general financial
30 aid to community colleges shall be allocated to each community
31 college for the community colleges to provide the highest
32 quality educational opportunities and services to the greatest
33 number of students.

34 The bill modifies Code section 260C.18C to provide that the
35 moneys that the general assembly appropriates from the general

1 fund of the state to the department of education for community
2 college purposes for general state financial aid shall be
3 allocated to each community college by the department pursuant
4 to the terms of a distribution formula that is approved by at
5 least 10 of the presidents and chancellors of the community
6 colleges. The presidents and chancellors must, on or before
7 October 31 of each year, establish such distribution formula
8 for the succeeding budget year. However, the distribution
9 formula shall not allocate funding to a community college
10 that is below the general state financial aid the community
11 college received in any previous budget year, unless there is a
12 reduction in the base funding allocation.

13 If the presidents and chancellors of the community colleges
14 fail to approve a distribution formula, the bill requires
15 the department of education to establish the distribution
16 formula for general state aid to the community colleges for
17 the succeeding budget year. When determining the distribution
18 formula, the department of education is required to consider
19 the enrollment and combined support for each community college.
20 Additionally, the bill provides that the distribution formula
21 established by the department of education shall not allocate
22 funding to a community college that is below the general state
23 financial aid the community college received in any previous
24 budget year, unless there is a reduction in the base funding
25 allocation.

26 Current law provides that adjustments to community college
27 state general aid allocations are required to be made based on
28 the outcomes of audits of student enrollment. The bill strikes
29 this provision.

30 The bill applies to budget years beginning on or after July
31 1, 2025.