

Community College Funding Formula Bill Senate File 2405

Last Action:
**House Appropriations
Committee**
April 4, 2024

An Act modifying provisions related to the distribution formula for general State financial aid to community colleges and including applicability provisions.

**Fiscal Services Division
Legislative Services Agency**

NOTES ON BILLS AND AMENDMENTS (NOBA)

Available online at www.legis.iowa.gov/publications/information/appropriationBillAnalysis

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STUDIES AND INTENT

Requires the Department of Education (DE) to adopt administrative rules to administer the Program.

Page 9, Line 11

SIGNIFICANT CODE CHANGES

Modifies the community college general aid distribution formula under the DE that allocates General Fund appropriations to the 15 community colleges. The proposed distribution formula adjustment includes a base funding allocation, a marginal cost adjustment, a three-year rolling average of full-time equivalent enrollment, a growth adjustment, and other allocations. The Presidents Council is required to establish the distribution formula for the succeeding budget year, on or before October 31 of each year, through the approval of at least 10 members of the Council. The Bill defines the Presidents Council as being comprised of the presidents of the 15 community colleges and the chancellors who serve as the chief executive officers of these institutions. Background: Iowa Code section [260C.18C](#) specifies a detailed formula for calculating each community college's annual appropriation. Currently, the General Assembly appropriates a lump sum for general aid, and those funds are allocated to the various community colleges based on a formula established in statute. The formula consists of three subformulas. The annual inflation rate determines the subformula used. Each of the subformulas provides each community college with base funding equal to the previous year's allocation. If total funding is less than the previous year, each college's base funding is prorated. If the total appropriation is greater than the previous year, the subformulas allocate the new moneys in a series of steps until all of the funding is allocated. The amount of new moneys may not be sufficient to fund all of the steps in a particular subformula.

Page 1, Line 1

ENACTMENT DATE

This Bill applies to FY 2026 and subsequent fiscal years.

Page 9, Line 13

Senate File 2405 provides for the following changes to the Code of Iowa.

Page #	Line #	Bill Section	Action	Code Section
1	1	1	Amend	260C.18C

1 1 Section 1. Section 260C.18C, Code 2024, is amended to read
 1 2 as follows:
 1 3 260C.18C STATE AID DISTRIBUTION FORMULA.

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

Requires that State General Fund appropriations to the DE for the community colleges for general financial aid are allocated to the community colleges in a manner which provides the highest quality educational opportunities and services, to the greatest number of students.

1 14 2. DEFINITIONS. As used in this section and section
 1 15 260C.18D, unless the context otherwise requires:
 1 16 a. "Base funding allocation" means the amount of general
 1 17 state financial aid all community colleges received in the base
 1 18 year.
 1 19 b. "Base year" means the fiscal year immediately preceding
 1 20 the budget year.
 1 21 ~~c. "Below-average support per FTEE" for a community college~~
 1 22 ~~means the state-average combined support per FTEE minus the~~
 1 23 ~~combined support per FTEE for the community college if the~~
 1 24 ~~community college's combined support per FTEE is less than the~~
 1 25 ~~state-average combined support per FTEE.~~
 1 26 ~~d. c. "Budget year" means the fiscal year for which moneys~~
 1 27 ~~are appropriated by the general assembly.~~
 1 28 ~~e. d. "Combined support" for a community college means~~
 1 29 ~~the total amount of moneys the community college received in~~
 1 30 ~~general state financial aid in the base year plus the community~~
 1 31 ~~college's general fund property tax revenue, including utility~~
 1 32 ~~replacement, for the base year.~~
 1 33 ~~f. "Combined support per FTEE" for a community college~~
 1 34 ~~means the community college's combined support divided by its~~
 1 35 ~~three-year rolling average full-time equivalent enrollment for~~
 2 1 ~~the three years prior to the base year.~~
 2 2 ~~g. "Contact hour" for a noncredit course equals fifty~~
 2 3 ~~minutes of contact between an instructor and students in a~~

Removes definitions.

2 4 scheduled course offering for which students are registered:
2 5 ~~h.~~ "Credit hour", for purposes of community college funding
2 6 distribution, shall be as defined by the department by rule.
2 7 ~~i.~~ "Eligible credit courses" means all credit courses that
2 8 are eligible for general state financial aid which are part
2 9 of a department-approved program of study. The department
2 10 shall review and provide a determination should a question of
2 11 eligibility occur.
2 12 ~~j.~~ "Eligible growth support" for a community college is the
2 13 community college's below-average support per FTEE multiplied
2 14 times its three-year rolling average full-time equivalent
2 15 enrollment.
2 16 ~~k.~~ "Eligible noncredit courses" means all noncredit courses
2 17 eligible for general state financial aid which fall under one
2 18 of the eligible categories for noncredit courses as defined
2 19 by rule of the department. The department shall review and
2 20 provide a determination should a question of eligibility occur.
2 21 ~~i.~~ "Eligible student" means a student enrolled in eligible
2 22 credit or eligible noncredit courses. The department shall
2 23 review and provide a determination should a question of
2 24 eligibility occur.
2 25 ~~m.~~ e. "Fiscal year" means the period of twelve months
2 26 beginning on July 1 and ending on June 30.
2 27 ~~n.~~ One "full-time equivalent enrollment (FTEE)" equals
2 28 twenty-four credit hours for credit courses or six hundred
2 29 contact hours for noncredit courses generated by all eligible
2 30 students enrolled in eligible courses.
2 31 ~~o.~~ f. "General fund property tax revenue" means the amount
2 32 of moneys a community college raised or could have raised from
2 33 a property tax of twenty and one-fourth cents per thousand
2 34 dollars of assessed valuation on all taxable property in its
2 35 merged area collected for the base year.
3 1 ~~p.~~ g. "General state financial aid" means the amount of
3 2 general state financial aid the community college received from
3 3 the general fund.
3 4 ~~q.~~ "Inflation adjustment amount" means the inflation rate
3 5 minus two percentage points multiplied times the base funding
3 6 allocation. The inflation adjustment amount shall not be less
3 7 than zero.
3 8 ~~r.~~ "Inflation rate" means the average of the preceding
3 9 twelve-month percentage change, which shall be computed on

3 10 a monthly basis, in the consumer price index for all urban
 3 11 consumers, not seasonally adjusted, published by the United
 3 12 States department of labor, bureau of labor statistics,
 3 13 calculated for the calendar year ending six months after the
 3 14 beginning of the base year.

3 15 ~~s. "State-average combined support per FTEE" means the~~
 3 16 ~~average of the combined support per FTEE for all community~~
 3 17 ~~colleges in the state in the base year.~~

3 18 ~~t. "Three-year rolling average full-time equivalent~~
 3 19 ~~enrollment" means the average of the audited full-time~~
 3 20 ~~equivalent enrollment for a community college over the three~~
 3 21 ~~fiscal years prior to the base year as determined by the~~
 3 22 ~~department.~~

3 23 ~~u. "Total growth support amount" means the sum of the~~
 3 24 ~~eligible growth support for all the community colleges.~~

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

3 30 a. ~~If the inflation rate is equal to two percent or less:~~

3 31 ~~(1) BASE FUNDING ALLOCATION. The moneys shall first~~
 3 32 ~~be allocated in the amount of general state financial aid~~
 3 33 ~~each community college received in the base year. If the~~
 3 34 ~~appropriation is less than the total of the amount of general~~
 3 35 ~~state financial aid each community college received in the base~~
 4 1 ~~year, the moneys shall be allocated in the same proportion as~~
 4 2 ~~the allocation of general state financial aid each community~~
 4 3 ~~college received in the base year.~~

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

4 10 ~~(3) THREE-YEAR ROLLING AVERAGE OF FULL-TIME EQUIVALENT~~
 4 11 ~~ENROLLMENT. If the increase in the total state general aid~~
 4 12 ~~exceeds two percent over the base funding allocation, an amount~~
 4 13 ~~up to an additional one percent of the base funding allocation~~
 4 14 ~~shall be distributed based upon each community college's~~
 4 15 ~~proportional share of the three-year rolling average full-time~~

Removes definitions utilized in the FY 2024 community college
 General Fund distribution formula.

4 16 equivalent enrollments for all community colleges.
 4 17 ~~(4) EXTRAORDINARY GROWTH ADJUSTMENT. If the increase in~~
 4 18 ~~total state general aid exceeds three percent over the base~~
 4 19 ~~funding allocation, an amount up to an additional one percent~~
 4 20 ~~of the base funding allocation shall be distributed as follows:~~
 4 21 ~~(a) Forty percent of the moneys shall be allocated based~~
 4 22 ~~upon each community college's proportional share of the~~
 4 23 ~~three-year rolling average full-time equivalent enrollments for~~
 4 24 ~~all community colleges.~~
 4 25 ~~(b) Sixty percent of the moneys shall be allocated to~~
 4 26 ~~community colleges that have eligible growth support. The~~
 4 27 ~~allocation shall be based upon the proportional share that each~~
 4 28 ~~community college's eligible growth support bears to the total~~
 4 29 ~~growth support amount. Once the moneys allocated under this~~
 4 30 ~~subparagraph division equal the total growth support amount,~~
 4 31 ~~the remaining moneys allocated under this subparagraph shall be~~
 4 32 ~~allocated as provided in subparagraph division (a).~~

4 33 ~~(5) ADDITIONAL THREE-YEAR ROLLING AVERAGE FTEE~~
 4 34 ~~ALLOCATION. If the increase in total state general aid~~
 4 35 ~~exceeds four percent over the base funding allocation, all~~
 5 1 ~~remaining moneys shall be distributed based upon each college's~~
 5 2 ~~proportional share of the three-year rolling average full-time~~
 5 3 ~~equivalent enrollments for all community colleges. Annually,~~
 5 4 ~~on or before October 31 of each year, the presidents of~~
 5 5 ~~the community colleges and the chancellors of the community~~
 5 6 ~~colleges who serve as the chief executive officers of such~~
 5 7 ~~community colleges shall establish a distribution formula for~~
 5 8 ~~general state aid to the community colleges for the succeeding~~
 5 9 ~~budget year. When determining the distribution formula~~
 5 10 ~~pursuant to this paragraph, the presidents and chancellors~~
 5 11 ~~shall consider the enrollment and combined support for each~~
 5 12 ~~community college, along with any other factor deemed relevant~~
 5 13 ~~by the presidents and chancellors. The distribution formula~~
 5 14 ~~shall not allocate funding to a community college that is below~~
 5 15 ~~the general state financial aid the community college received~~
 5 16 ~~in any previous budget year, unless there is a reduction in the~~
 5 17 ~~base funding allocation. The distribution formula requires the~~
 5 18 ~~approval of at least ten of the presidents and chancellors. If~~
 5 19 ~~the presidents and chancellors approve a distribution formula~~
 5 20 ~~pursuant to this paragraph, the presidents and chancellors~~
 5 21 ~~shall transmit the distribution formula to the department, and~~

The Presidents Council is required to establish the distribution formula for the succeeding budget year, on or before October 31 of each year, through the approval of at least 10 members of the Council. The Bill defines the Presidents Council as being comprised of the presidents of the 15 community colleges and the chancellors who serve as the chief executive officers of these institutions. The distribution formula must consider the following:

- Enrollment and combined support for each community college.
- Allocations cannot be made below the general State financial aid received the previous budget year unless there is a reduction in base funding allocation.
- Any other factor deemed relevant by the DE.

The DE will implement the approved distribution formula.

5 22 the department shall implement the distribution formula.
5 23 b. If the inflation rate is greater than two percent but
5 24 less than four percent.
5 25 ~~(1) BASE FUNDING ALLOCATION. The moneys shall first~~
5 26 ~~be allocated in the amount of general state financial aid~~
5 27 ~~each community college received in the base year. If the~~
5 28 ~~appropriation is less than the total of the amount of general~~
5 29 ~~state financial aid each community college received in the base~~
5 30 ~~year, the moneys shall be allocated in the same proportion as~~
5 31 ~~the allocation of general state financial aid each community~~
5 32 ~~college received in the base year.~~
5 33 ~~(2) MARGINAL COST ADJUSTMENT. After the base funding has~~
5 34 ~~been allocated, each community college shall be allocated up to~~
5 35 ~~an additional two percent of its base funding allocation. The~~
6 1 ~~community college's allocation shall be in the same proportion~~
6 2 ~~as the allocation of general state financial aid each community~~
6 3 ~~college received in the base year.~~
6 4 ~~(3) THREE-YEAR ROLLING AVERAGE OF FULL-TIME EQUIVALENT~~
6 5 ~~ENROLLMENT. If the increase in the total state general aid~~
6 6 ~~exceeds two percent over the base funding allocation, an amount~~
6 7 ~~up to an additional one percent of the base funding allocation~~
6 8 ~~shall be distributed based upon each community college's~~
6 9 ~~proportional share of the three-year rolling average full-time~~
6 10 ~~equivalent enrollments for all community colleges.~~
6 11 ~~(4) EXTRAORDINARY GROWTH ADJUSTMENT. If the increase in~~
6 12 ~~total state general aid exceeds three percent over the base~~
6 13 ~~funding allocation, an amount up to an additional one percent~~
6 14 ~~of the base funding allocation shall be based as follows:~~
6 15 ~~(a) Forty percent of the moneys shall be allocated based~~
6 16 ~~upon each community college's proportional share of the~~
6 17 ~~three-year rolling average full-time equivalent enrollments for~~
6 18 ~~all community colleges.~~
6 19 ~~(b) Sixty percent of the moneys shall be allocated to~~
6 20 ~~community colleges that have eligible growth support. The~~
6 21 ~~allocation shall be based upon the proportional share that each~~
6 22 ~~community college's eligible growth support bears to the total~~
6 23 ~~growth support amount. Once the moneys allocated under this~~
6 24 ~~subparagraph division equal the total growth support amount,~~
6 25 ~~the remaining moneys allocated under this subparagraph shall be~~
6 26 ~~allocated as provided in subparagraph division (a).~~
6 27 ~~(5) INFLATION ADJUSTMENT. If the increase in total~~

6 28 state general aid exceeds four percent over the base funding
 6 29 allocation, an amount up to the inflation adjustment amount
 6 30 shall be distributed to each community college in the same
 6 31 proportion as the allocation of general state financial aid
 6 32 each community college received in the base year.

6 33 ~~(6) ADDITIONAL THREE-YEAR ROLLING AVERAGE FTEE~~
 6 34 ~~ALLOCATION.~~ If there are remaining moneys to be distributed
 6 35 under this paragraph after distributing moneys under
 7 1 subparagraph (5), all remaining moneys shall be distributed
 7 2 based upon each community college's proportional share of the
 7 3 three-year rolling average full-time equivalent enrollments
 7 4 for all community colleges If the presidents of the community
 7 5 colleges and the chancellors of the community colleges who
 7 6 serve as the chief executive officers of such community
 7 7 colleges fail to approve a distribution formula on or before
 7 8 October 31 pursuant to paragraph "a", the department shall
 7 9 establish the distribution formula for general state aid
 7 10 to the community colleges for the succeeding budget year.
 7 11 When determining the distribution formula pursuant to this
 7 12 paragraph, the department shall consider the enrollment
 7 13 and combined support for each community college, along with
 7 14 any other factor deemed relevant by the department. The
 7 15 distribution formula shall not allocate funding to a community
 7 16 college that is below the general state financial aid the
 7 17 community college received in any previous budget year, unless
 7 18 there is a reduction in the base funding allocation.

7 19 ~~c.~~ If the inflation rate equals or exceeds four percent:
 7 20 ~~(1) BASE FUNDING ALLOCATION.~~ The moneys shall first
 7 21 be allocated in the amount of general state financial aid
 7 22 each community college received in the base year. If the
 7 23 appropriation is less than the total of the amount of general
 7 24 state financial aid each community college received in the base
 7 25 year, the moneys shall be allocated in the same proportion as
 7 26 the allocation of general state financial aid each community
 7 27 college received in the base year.

7 28 ~~(2) MARGINAL COST ADJUSTMENT.~~ After the base funding has
 7 29 been allocated, each community college shall be allocated up to
 7 30 an additional two percent of its base funding allocation. The
 7 31 community college's allocation shall be in the same proportion
 7 32 as the allocation of general state financial aid each community
 7 33 college received in the base year.

If the community colleges fail to approve a distribution formula on or before October 31, the DE is to establish the distribution formula for general State aid to the community colleges for the succeeding budget year. The DE must consider the following:

- Enrollment and combined support for each community college.
- Allocations cannot be made below the general State financial aid received the previous budget year.
- Any other factor deemed relevant by the DE.

7 34 ~~(3) THREE-YEAR ROLLING AVERAGE OF FULL-TIME EQUIVALENT~~
 7 35 ~~ENROLLMENT.~~ If the increase in the total state general aid
 8 1 exceeds two percent over the base funding allocation, an amount
 8 2 up to an additional one percent of the base funding allocation
 8 3 shall be distributed based upon each community college's
 8 4 proportional share of the three-year rolling average full-time
 8 5 equivalent enrollments for all community colleges.
 8 6 ~~(4) INFLATION ADJUSTMENT.~~ If the increase in total state
 8 7 general aid exceeds three percent over the base funding
 8 8 allocation, an amount up to the inflation adjustment amount
 8 9 shall be distributed to each community college in the same
 8 10 proportion as the allocation of general state financial aid
 8 11 each community college received in the base year.
 8 12 ~~(5) EXTRAORDINARY GROWTH ADJUSTMENT.~~ If there are
 8 13 remaining moneys to be distributed under this paragraph after
 8 14 distributing moneys under subparagraph (4), an amount up to an
 8 15 additional one percent of the base funding allocation shall be
 8 16 based as follows:
 8 17 ~~(a)~~ Forty percent of the moneys shall be allocated based
 8 18 upon each community college's proportional share of the
 8 19 three-year rolling average full-time equivalent enrollments for
 8 20 all community colleges.
 8 21 ~~(b)~~ Sixty percent of the moneys shall be allocated to
 8 22 community colleges that have eligible growth support. The
 8 23 allocation shall be based upon the proportional share that each
 8 24 community college's eligible growth support bears to the total
 8 25 growth support amount. Once the moneys allocated under this
 8 26 subparagraph division equal the total growth support amount,
 8 27 the remaining moneys allocated under this subparagraph shall be
 8 28 allocated as provided in subparagraph division (a).
 8 29 ~~(6) ADDITIONAL THREE-YEAR ROLLING AVERAGE FTEE~~
 8 30 ~~ALLOCATION.~~ If there are remaining moneys to be distributed
 8 31 under this paragraph after distributing moneys under
 8 32 subparagraph (5), all remaining moneys shall be distributed
 8 33 based upon each community college's proportional share of the
 8 34 three-year rolling average full-time equivalent enrollments for
 8 35 all community colleges.

9 1 4. INFORMATION SUPPLIED BY COLLEGES AND ADOPTION OF RULES.
 9 2 a. Each community college shall provide information in
 9 3 the manner and form as determined by the department. If
 9 4 a community college fails to provide the information as

Makes conforming changes by removing the requirement that the community college funding allocations are to be made based on student enrollment audit outcomes.

9 5 requested, the department shall estimate the full-time
9 6 equivalent enrollment of that college.
9 7 b. Each community college shall complete and submit an
9 8 annual student enrollment audit to the department. ~~Adjustments~~
9 9 ~~to community college state general aid allocations shall be~~
9 10 ~~made based on student enrollment audit outcomes.~~

9 11 c. The department shall adopt rules under chapter 17A as
9 12 necessary for the allocation of general state financial aid.
9 13 Sec. 2. APPLICABILITY. This Act applies to budget years
9 14 beginning on or after July 1, 2025.

Requires the DE to adopt administrative rules to administer the Program.