

SB361 Synopsis and Effect on SMCCCD
February 16, 2006

Funding allocation: Allocate based on \$3M per campus plus an amount per credit FTES equalized to the 90th percentile of funded FTES in the system, rounded up to the nearest \$100. *For SMCCCD: \$9M for our 3 campuses plus some amount (about \$4000 per credit FTES).*

Stability and Decline mechanism: Restore the 3-year declining enrollment mechanism that would allow districts up to 3 years to restore the pre-decline enrollment level. *SMCCCD: 2/3 of the 05/06 budget stability funds less 06/07 restoration would be funded in 06/07. Would stabilize our funding better.*

Property Tax and student fee Backfill: Implement a guaranteed property tax and student fee backfill when they less than the amount budgeted. *SMCCCD: eliminates deficit factors, which have ranged from 0%-3% of state base revenue. Much more important to us now that we receive state aid.*

Increased funding for selected non-credit programs: Creates a two-tiered non-credit funding formula, increasing the non-credit FTES funding rate. *SMCCCD: no effect, as our non-credit FTES is minimal.*

Create a "rural access grant": Set aside \$500,000 per eligible rural college to assist in the added costs of operating a rural institution. *SMCCCD: no effect, not a rural college.*

COLA 1: Cost of Living Adjustment should include any prior year unfunded COLAs. *SMCCCD: adds 1.997% for 03/04 or approximately \$1.6M.*

COLA 2: Add 1% to the statutory COLA for core operational and institutional needs. *SMCCCD: adds approximately \$800K.*

Lease revenue bonds excluded from Prop 98: excludes the state's debt service on lease revenue educational bonds from Prop 98. *SMCCCD: effect unknown, but would remove \$50-\$75M from Prop 98 expenses.*

Growth 1: growth should be funded at the sum of each district's calculated growth rate instead of the normal 3% per year. *SMCCCD: effect uncertain, but this would eliminate growth deficits, which have usually been in the 0%-30% range.*

Growth 2: adjust the calculated growth rates to include the effect of the county unemployment rate and three-year overcap FTES. *SMCCCD: effect uncertain. San Mateo County's unemployment rate is currently at 5%, which would not change the district's growth rate.*

Banking growth: allows deficated growth funding to be banked and funded in future years. Unclear how this works with Growth 1. *SMCCCD: effect uncertain.*

Block grant: a stable funding stream should be block-granted to districts for scheduled maintenance and instructional equipment. *SMCCCD: effect uncertain. No additional funding proposed.*

Prioritize annual system budget request: sets priorities for funding various parts of this proposal when there isn't sufficient funding for all items. *SMCCCD: effect uncertain. Provides COLA before growth, which is generally good for the district.*

Issues to be Considered

There are a number of choices to be made as to how SB361 should be implemented, as the language is not specific. Here are some of the issues that are being discussed statewide:

Base Year: There is much controversy across the state as to which year will be used as the base for figuring where a district sits in relation to the 90th percentile. With all of the unfunded FTES being funded in 2004/05, Los Angeles is no longer at the 90th percentile and would be entitled to some equalization funding. Some individuals want to go back to 2003/04. The existing law is based on 2003/04 FTES. If \$130M of equalization were allocated using the existing law, Los Angeles would not receive any.

Hold Harmless: There is a provision in SB361 that a district would receive at least as much equalization under SB361 as it would receive under existing law. How you calculate that hold harmless provision, and when, makes a lot of differences in the allocations. Do you calculate it based on 2003/04, but compare it to 2005/06? The current simulation isn't clear.

Future Years: If the current proposal for \$130M in equalization for 2006/07 is adopted, that is not enough money to actually bring all districts up to the 90th percentile. Would we apply for additional equalization funds in 2007/08? What happens to a district that crosses bands (from small to medium or medium to large, or has a college break off to form its own district)? There is no mechanism to address the changes in funding that would have to occur.

Priorities: SB361 has built-in priorities: 1) prior year COLA, 2) current year COLA, then additional 1% for core operational needs, 3) enrollment growth at 65% and equalization at 27% and non-credit at 8% of remaining funding; 4) program improvement to increase rate per FTES and 5) categorical program funding, first restoration and then program expansion. If the funding passed by the legislature is targeted towards one or another of these issues, how does SB361 deal with that?