



WYOMING COMMUNITY COLLEGE COMMISSION

Sustainable Funding Workgroup Report and Considerations

DECEMBER 10, 2020

COMMUNITY COLLEGE COMMISSION

JOINT APPROPRIATIONS COMMITTEE

Overview of Community College Sustainable Funding Workgroup

Established February 2020 per January 10, 2020, request of the Joint Appropriations Committee

Report and Considerations Adopted December 4, 2020 during Special Meeting WCCC

Facilitated by Western Interstate Commission for Higher Education (WICHE) and State Higher Education Executive Officers (SHEEO) with a high level of expertise reviewing funding approaches from all 50 states.

Charge

The Community College Sustainable Funding Workgroup (CCSF) is a workgroup of the WCCC comprised of commissioners, WCCC staff, presidents, and trustees. The purpose of the workgroup is to develop up to three, but no more than four recommendations/proposals for sustainable funding of the state aid (block grant) for the community colleges as administered/allocated through WCCC rules promulgated to administer HB 80.

Sustainable Funding

- Wyoming's community colleges are constantly searching for established, consistent, non-volatile funding sources which provide a level of support to sustain and build service to students and the communities the colleges support. Sustainable funding includes external cost adjustments in order to manage multiple increasing cost factors such as inflationary pressure and increased compliance and regulations as well as other aspects related to modern operations and technology.
- The current funding of Wyoming CC's includes approximately 60% state support, 20% local revenue, 20% from tuition and fees. Adjusting any of the three levels will require adjustments in the other levels in order for Wyoming's colleges to maintain the current standard of service.

Governance in a Coordinated Model with Local Control

Addressing Local Control within a State-wide model is a nationwide discussion. The workgroup studied this topic in its June 3 meeting. The same study was provided to the Select Committee on Community College Governance and Funding in October.

Wyoming's current college governance structure has evolved significantly since 1946, incorporating positive contributions by educators, administrators, and legislators. The current system as established by the legislature maintains local control and is coordinated at the state-level ensuring location-appropriate programming and economic development for students, business, and communities with capturing system-wide efficiencies and opportunities.

Changing commission and college governance structure will not address the funding shortfall and could adversely impact the current structure which is working well.

Final Sustainable Funding Considerations with Options/Alternatives

In order to meet the statutory obligations, state's interests, legislative priorities, and foundational efforts of the WCCC, community colleges, and higher education, the workgroup provides the following recommendations:

1. Sustainable Funding for community colleges is imperative for operations, programs development, facilities including major maintenance, IT, and staffing.
2. Sustainable Funding for community colleges must include provisions for external cost adjustments in order to avoid inflationary pressure and to meet compliance requirements.
3. Constitutional recognition or recognition through statutory language of the importance of community colleges as “necessary institutions” in the education pipeline would provide the community colleges state-level protections.

Budget Erosion since 2010--\$94 million

Budget Deficits resulting in JAC request to the WCCC to study the topic

- General Fund appropriations funding loss as of January 2020: \$53.8 million
- Prior Health Insurance cut: \$7.5 million

2020 Budget reduction Step 2 and Step 3

- Step 2 Cuts: \$22.9 million
- Step 3 Governor's Recs: \$9.8 million

Guiding Principles and Menu of Options

Guiding Principles that CC and Higher Ed MUST:

Provide Return on Investment

Increase post-secondary educational attainment per the state priority

Consider and incorporate External Costs Adjustments and Inflation, and

Community Colleges and higher education must be responsive and efficient to the state's need for post-secondary education.

Menu of Options Reviewed:

Mill Levies increases

- *In-district, Out-of-district*
- *Optional additional mills*

Tuition Impacts including Differential Tuition for out-of-district students (increased 6% Oct)

Sales and Use Tax

- *Statewide, Regional, Exemptions*

Economic Development Tax

Funding Strategies Framework Considerations with Options/Alternatives

Total Budget Needed for State Aid: \$304 million

Based on the current taxing structure, the options available resulted a two part approach comprised of General Funds and Added Taxes

I. Total State General Fund Target 45% (\$212.7 million pre-2020 budget cut)

- *Reduces state aid from approximately 60% down to 45% (approximately \$30 million reduction in Gen Fund from the adopted budget)*

II. Funding Strategies Two-Pronged Approach (\$91.2 million)

- *Prong 1: Imposing an ad valorem (property) tax in the form of some amount of mill*
- *Prong 2: Imposing a proportion of a new additional 1 or more penny sales and use tax*

Impact of Mill Levy and Sales and Use Tax

- 1 mill statewide levy increase would generate approximately \$45 million biennially
 - Consideration of in-district only would generate approximately \$16 million biennially
 - Consideration of out-of-district only would generate approximately \$29 million biennially
- 1 penny sales and use tax would generate approximately \$323 million biennially

Closer Look at Prongs 1 & 2 Options/Alternatives

Prong 1: Alternative within Mill Levy: Recognizing our tax structure assessments are not the same across sectors, a simple increase would disproportionately burden industries paying the most property taxes. If constitutionally permissible and if the Legislature wishes to avoid this additional burden to the higher taxed entities, an increase of 3.7 mills to the residential property tax might be considered to generate the same funds. Various options could be considered.

Prong 2: Alternative within 1 or more penny sales and use tax: Since a limited number of industries contribute disproportionately of approximately 50% of sales and use tax, if the Legislature wishes to avoid additional burdens to specific industries, an alternative the Legislature could consider would be removal of sales tax exemptions (except on food) and the addition of sales tax on services as identified in the August 2020 Department of Revenue report.

Consideration of LSRA as Stopgap Measure

Until the sustainable funding measures are enacted by the Legislature, the WCCC asks the Legislature to consider a recommendation that an appropriate amount of the LSRA be used to both stabilize community college funding during the 2020 enacted cuts, as well as some portion or all of the existing deficit.