

Restricted vs. Unrestricted: Application to Adult Education and Family Literacy

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What This Presentation Can Do

- Identify the source and nature of reporting changes
- Identify issues related to the changes that are important to community colleges
- Make colleges aware that individual strategies are needed for implementation and pros and cons for such strategies

What This Presentation Cannot Do

- This presentation cannot advise colleges on the “correct” mix of Restricted/Unrestricted credit hour claims in order to optimize dollars to be received.

Source/Nature of the Change

- The ICCB periodically reviews the community college funding formula every 5 to 7 years
- The Community College Funding Task Force presented six recommendations to the ICCB, which the ICCB then adopted
(<http://www.iccb.state.il.us/HTML/pdf/sysfin/fundingstudytrpt7-02.pdf>)
- Adoption of these recommendations necessitated statutory change, which became effective July 1, 2003

Source/Nature of the Change

- Of these, the one most directly impacting adult education was the change to the residual funding nature of the formula
- The intent was to remove a formula disincentive for colleges to be successful in obtaining outside sources of funding.
- The overall effect is to treat restricted funds as “in addition to” dollars rather than “instead of” dollars.

Effects of the Community College Funding Formula Change

- Impact on residual funding
- Impact on unit cost calculation
- Impact on credit hour reporting
- Impact on STAIRS reporting
- Impact on the AEFL restricted grant
- Impact on support services

Impact on Residual Funding

- Credit hours generated by restricted programs and restricted costs to be removed from calculation of the base operating grant.
- Rate adjustments should be allocated to the six funding categories based on aggregate total costs of each funding category.

Impact on Residual Funding

- Implemented in FY04 with the “Hold Harmless” grant.
- The “Hold Harmless” grant was based on those districts that have a decrease from the traditional funding formula calculation to the revised funding formula calculation. The grant amount was based on this difference.

Impact On Unit Cost Calculation

- Remove from the unit cost calculation all costs of restricted grant programs and associated credit hours with the exception of IDOC inmate instructional programs.

Impact on Credit Hour Reporting

- Beginning in FY03, the ICCB began collecting both SU and SR records (previously known as S3 records).
- The SU record contains credit hours funded primarily with unrestricted dollars.
- The SR record contains credit hours funded primarily with restricted dollars.

Impact on Credit Hour Reporting

- SU credit hours are identified as being supported by 50% or more unrestricted dollars (includes exact 50% split)
- SR credit hours are identified as being supported by more than 50% restricted dollars

Impact On STAIRS Reporting

- While SU/SR reporting is based on course sections, STAIRS reporting is based on individual students.
- Unit of Instruction - 15 hours of direct instruction provided by a paid instructor for a student enrolled in an approved class
- Credit hour - 15 classroom contact hours of instruction per semester or equivalent.

Impact On STAIRS Reporting

- Reporting occurs by course section in the SU/SR reporting system.
- Reporting occurs by individual student in the STAIRS reporting system.
- This means that college staff operating the two different systems must communicate with each other in order to correctly correlate reporting between the two systems.

Impact On STAIRS Reporting

- Colleges should have continuity between the two reporting systems.
- Therefore, a course section that is reported in the SU/SR claim as being supported with more than 50% restricted grant funds must show individual students being supported with restricted grant funds in STAIRS.

Impact On the AEFL Restricted Grant

- Initially, there will likely be swings in AEFL grant allocations as community colleges individually find their best mixes of restricted/unrestricted reporting.
- If colleges support more of adult education with unrestricted funds, then the adult education funding source may swing toward operating grants and the community college funding formula.

Impact On the AEFL Restricted Grant

- If colleges support more of adult education with restricted funds, then the adult education funding source may swing toward the ICCB AEFL restricted grants.

Impact On Support Services

- Federal regulations require instruction to be paid from restricted funds if support services are paid from restricted funds.
- Therefore, restricted funds cannot be used for the sole purpose of paying for support services.
- However, restricted funds can be used to pay only for direct instruction and improvement of instructional services.

Impact On Support Services

- Adult education providers are not required to support restricted grant spending with unrestricted dollars.
- However, as part of the colleges' mission is to serve the community, this practice is expected and encouraged. The level of support will vary depending on local circumstances.
- Funds should follow the student.

How It Works

- Student Placement
- Tying dollars to the student
- Course section vs class (terminology)
- Options for funding a class
- Course section claims
- Notes and cautions

Student Placement

- A clear distinction must be made by the colleges regarding which students are eligible as adult education students and which are to be classified as remedial students.
- The correct placement of students is important to achieve best outcomes.
- The change in the funding formula has no impact on the placement of students.

Student Placement

- Adult education eligibility is based on the following specific criteria:
 - ▶ Lack sufficient mastery of basic educational skills to enable individuals to function effectively in society
 - ▶ Do not have a secondary diploma or its recognized equivalent, and have not achieved an equivalent level of education
 - ▶ Are unable to speak, read, or write the English language

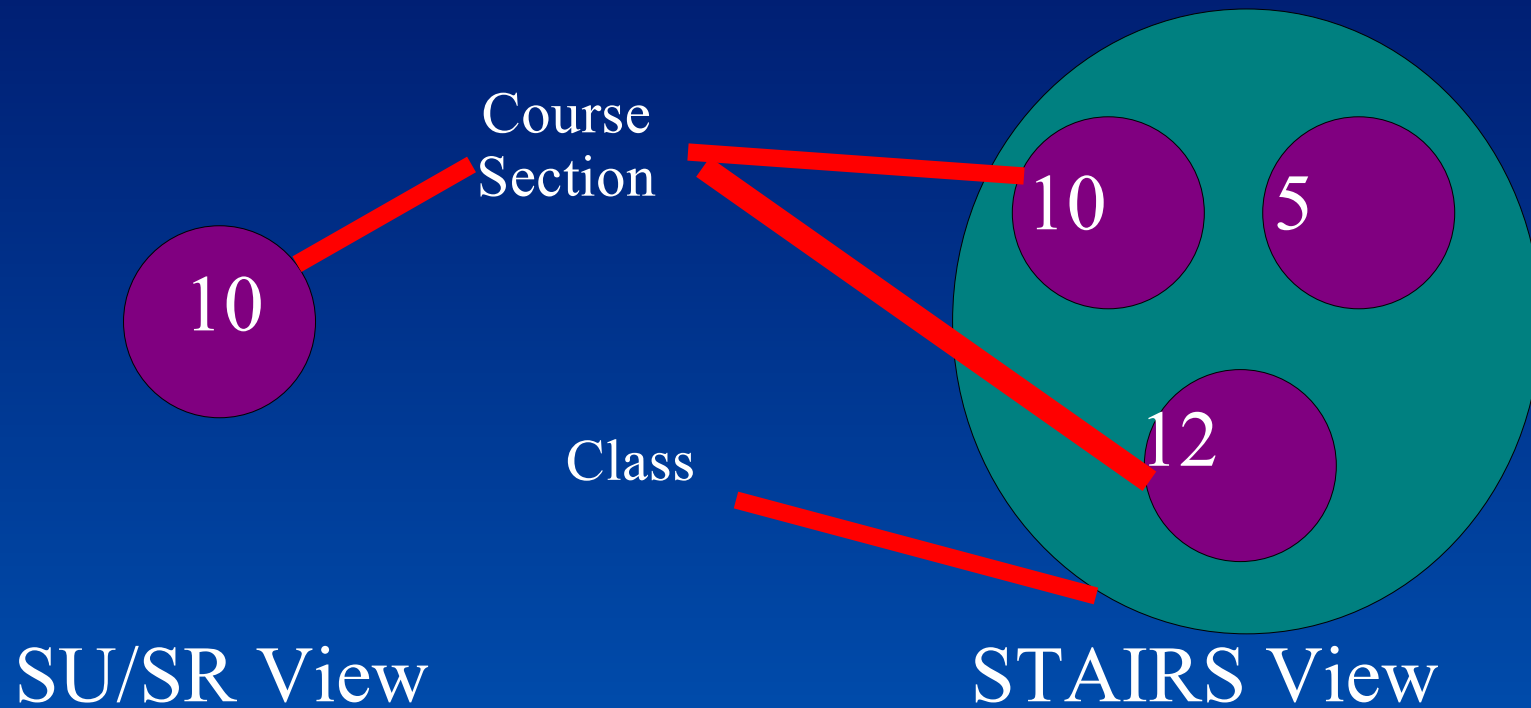
Student Placement

- FY05 remedial (category 5) instructional costs are reimbursed at the rate of \$18.40 per credit hour.
- FY05 adult education (category 6) instructional costs are reimbursed at the rate of \$57.34 per credit hour.
- Community colleges must properly determine whether individuals are remedial students or adult education students.

Tying Dollars to the Student

- Determining whether to serve a student primarily by restricted funds or primarily by unrestricted funds is a local decision.
- Identification of the funding source should occur at the time of enrollment but can be changed during the year.
- However, changing it throughout the year for earlier semesters may necessitate a reclassification and resubmission of data before year end.
- The funding source identified in STAIRS must be consistent with the final SU/SR classification.

Course Section vs. Class



Options for Funding a Class

- Option 1: Funded completely with restricted funds
 - ▶ Pro: Less administrative effort than using mixed sources of funding
 - ▶ Pro: Simplifies unit cost calculations
 - ▶ Pro: Ability to earn more Performance dollars compared to other options
 - ▶ Pro: Easier to earn AEFL restricted dollars
 - ▶ Con: Ineligible for credit hour reimbursement
 - ▶ Con: Less flexibility in use of funding sources (no support from other funding streams)

Options for Funding a Class

- Option 2: Funded with mix of restricted/unrestricted funds
 - ▶ Pro: Greater flexibility in use of multiple funding sources
 - ▶ Pro: Possibility of obtaining and optimal mix of restricted and unrestricted funding
 - ▶ Pro: Ability to earn some Performance dollars (if supported with more than 50% of restricted funds)

Options for Funding a Class

- Option 2: Funded with mix of restricted/unrestricted funds
 - ▶ Con: Additional administrative effort
 - ▶ Con: Makes unit cost calculation more complex

Other Considerations:

- ▶ Eligibility to earn AEFL restricted dollars (if supported with more than 51% of restricted funds)
- ▶ Eligibility for credit hour reimbursement (if supported with 50% or more of unrestricted funds)

Options for Funding a Class

- Option 3: Funded completely with unrestricted funds
 - ▶ Pro: Less administrative effort than using mixed sources of funding
 - ▶ Pro: Simplifies unit cost calculations
 - ▶ Pro: Eligible for credit hour reimbursement
 - ▶ Con: Inability to earn Performance dollars
 - ▶ Con: Ineligibility to earn AEFL restricted dollars
 - ▶ Con: Less flexibility in use of funding sources (no support from other funding streams)

Caution

- Regardless of how a class is funded in STAIRS, it must tie back to how a course section is claimed, either as restricted or as unrestricted.
- As an example, consider a class that is team taught:

Course Section Claims

- Scenario: A class is team taught by two teachers who are paid accordingly:
 - ▶ Teacher 1 - ICCB Unrestricted Funds
 - ▶ Teacher 2 - ICCB Restricted Funds
- How is this handled when determining the restricted/unrestricted claim?

Course Section Claims

Answer

- It depends on the situation!
- Remember that credit hour claims are made by course section, not by class
- If 50% or more of the total costs are supported by unrestricted funds, then
 - ▶ SU credit hours are reported.
 - ▶ Units of Instruction are reported in STAIRS as supported by an Unrestricted (4900) funding source.

Course Section Claims

Answer

- If more than 50% of the total costs are supported by restricted funds, then
 - ▶ SR credit hours are reported.
 - ▶ Units of instruction are reported in STAIRS as supported with a specific restricted source of funds.

Caveats

- Colleges should keep in mind that at least 51% of direct instructional costs of courses must be supported by the AEFL grant in order to claim those units of instruction for AEFL funding.
- Units of Instruction claimed as unrestricted cannot use student gains to earn Performance dollars.

Caveats

- Student data, whether supported by restricted or unrestricted dollars, must be reported in STAIRS to evaluate student progress.
- Again, changing the funding source during the year for earlier semesters may necessitate a reclassification and resubmission of data before year end. It is to the college's benefit to pre-plan.

Other Related Notes

- For the purpose of consistency, STAIRS will allow for the collection of unduplicated units of instruction of the students who are pre- and post-tested.
- All courses in which adult education students are enrolled must be approved by the AEFL staff of the ICCB.

Other Related Notes

- The decision of how to fund a course will vary depending on local circumstances.
- There is no magic formula and no guarantees.

Warning

To Avoid/Minimize Major Shifts In Funding

- Move cautiously
- Move deliberately
- Communicate with internal staff often
- Monitor financial implications of local decisions

Related STAIRS Update and Record Layout

- New Fields
 - ▶ Unrestricted Funds (4900)
 - ▶ Other Restricted Funds (4910)
- Effective date for STAIRS submissions
- STAIRS data entry instructions

Discussion of Q&A Handout

Questions and Comments
