

## **2008-09 GROWTH OVER CAP MECHANISM**

For 2008-09, the District's funded growth cap is 1.43 percent. The District is anticipating not receiving any State funding for its growth in enrollment over-cap above 1.43 percent. While the State and District are faced with balancing the budget and the student enrollments are increasing at a faster rate than the state funding, the District will continue to advocate for greater access to students. It is increasingly clear that the District and its colleges must develop an explicit enrollment strategy that recognizes the State's inability to support unrestricted growth in the District's enrollment and the Colleges' to maintain their balanced budgets.

On October 15, 2008, the Fiscal Policy and Review Committee (FPRC) reviewed the college deficit reduction plans, discussed the growth over cap funding and evaluated the colleges requests for forgiveness of their college debts. The following are some of the proposed funding strategies discussed at the FPRC committee:

1. Set aside \$4,000,000 from Contingency Reserve to fund enrollment growth over cap (beyond the state funded growth cap of 1.43%) to ensure that the educational access continues to be available to all students.
2. Due to the lack of funded growth revenue from the state and the anticipation of the mid-year state budget reduction, colleges must plan the growth in enrollment by improving the instructional productivity (increase average class size) and minimizing any added expenditures. A minimum average class size of 34 should be used as one of the funding criteria in determining the growth over-cap funding to colleges.
3. Colleges that have debt repayments will be allowed to use their growth FTES over cap to reduce their debt repayments and restructure their debts. The colleges must submit a multi-year (4 years) comprehensive financial and enrollment plan to resolve the colleges' financial problems and achieve financial stability in order to participate in this debt reduction process.

On November 12, 2008, because of the state budget crisis, the District does not expect to receive any over cap funds nor can any reserved funds be set aside for this purpose. Therefore, the FPRC recommended that an incentive be offered to colleges running deficits. Colleges that grow beyond cap would be able to reduce their deficit repayment obligation. The recommendation was presented to and approved by the DBC for implementation. The growth over cap funding shall be applied as follow:

**Colleges that have debt repayments will be allowed to use their growth FTES over cap (above state funded growth FTES) to reduce their debt repayments using the state funding growth rate(s). The mechanism will be effective only for fiscal year 2008-09 and applied to all outstanding prior-years debt repayments.**