MEMORANDUM

September 12, 2012

To: Members of the Board of Trustees

From: Nancy L. Zimpher, Chancellor

Subject: Community College Chargeback Report

Action Requested

The proposed resolution approves a draft CUNY/SUNY report related to community college operating chargebacks, authorizes the Chancellor or designee to make such changes to the draft report deemed necessary or appropriate, authorizes submission of the final report to the Legislature, and authorizes efforts to develop a uniform operating chargeback rate methodology. The report will be presented to the CUNY Board of Trustees for their approval as well.

Resolution

I recommend that the Board of Trustees adopt the following resolution:

Whereas Ch. 57, Part Q, L. 2012 provides that the State University, in conjunction with CUNY, shall review present requirements for community college charges for non-resident students including chargebacks of operating costs to the non-resident student or the county where the non-resident student resides; to recommend potential changes in law, regulations and policies related to charges attributable to non-resident students that would improve equity, efficiency and fiscal impacts to students, counties and the State; and to submit jointly with CUNY a report of their findings to the Legislature; and

Whereas CUNY and SUNY have prepared a draft report, copy of which is attached hereto, responsive to Ch. 57, that includes eight (8) recommendation; now, therefore, be it
Resolved that the draft report entitled “Operating Chargebacks: A Critical Component in the Funding Partnership for New York’s Community Colleges,” copy of which is attached hereto, be, and the same hereby is, approved; and, be it further

Resolved that the Chancellor, or designee, be, and hereby is authorized to make such changes to the draft report that the Chancellor, or designee, deems necessary or appropriate; and be it further

Resolved that the Chancellor, or designee, be, and hereby is authorized, to submit jointly with CUNY such final report to the chairs of the Senate and Assembly Higher Education Committees, the Chair of the Senate Finance Committee, and the Chair of the Assembly Ways and Means Committee; and, be it further

Resolved that the Chancellor, or designee, be, and hereby is authorized to continue to work with CUNY to agree on a uniform methodology for calculating the operating chargeback rate; to explore the impact of calculating the operating chargeback rate on the basis of actual, rather than estimated, financial information; and to develop a transition timeline for implementing the revised chargeback methodology; and, be it further,

Resolved that should the Chancellor or designee determine that substantial changes are required to the draft, the report would come back to the Community College Committee for review and approval prior to submission to the Legislature.

**Background**

As required by Ch. 57, Part Q, L. 2012, the State University, in conjunction with CUNY, has reviewed present requirements relating to community college operating chargebacks, and has a produced a draft report which sets forth recommendations for improvements. The resolution approves the draft report, authorizes the Chancellor, or designees, to make such changes to the draft report deemed necessary or appropriate, authorizes submission of the report to the Legislature and authorizes continued efforts with CUNY to develop a uniform methodology for calculating operating chargebacks. Ordinarily the Board would adopt a final report rather than a draft. However, this approach is being utilized to allow for additional input from vested constituent groups and to allow for the submission of the report to the legislature prior to the next scheduled board meeting.
The draft report includes the following recommendations:

1. Reinstall State funding pursuant to Education Law 6305(10) which provides reimbursement for all FIT chargebacks, but limit it to upper- and graduate-division students attending FIT. At the same time, provide for an alternate funding source in the event of the State’s inability to provide funding at some future time (see further discussion in section “Chargebacks and the Fashion Institute of Technology”). The estimated annual cost to fully fund the upper division and graduate chargebacks is $11.2M.

2. The City University of New York and the State University of New York will work together to agree on a uniform methodology for calculating the chargeback rate. A revised calculation should be simple, transparent and predictable to eliminate significant prior period adjustments.

3. The chargeback rate adjustments are due primarily to changes from budgeted to actual enrollment, but may also change if the total sponsor contribution changes from the original budgeted amount. To increase predictability, CUNY and SUNY will explore the impact of calculating the chargeback rate based on actual financial information (including the total sponsor contribution and actual resident student enrollment), not budgeted estimates. This would eliminate the need for retroactive adjustments in the chargeback rate.

4. Development of a transition timeline to implement the above recommendations, with the goal of full implementation of any changes for the 2014-15 fiscal year.

5. Develop and require all counties to use a common form and standard procedures for the application and issuance of certificates of residence.

6. Develop a central repository for common forms (such as the “Application for Certificate of Residence, SUNY B-80” and “Certificate of Residence, SUNY B-81”), timelines, and formal policies.

7. Provide training to county treasurer offices and other appropriate parties through in-person attendance at annual association meetings, webinars, individual visits, or other methods.

8. Work with county treasurers to develop and implement an on-line or electronic billing system.

Attachment
Operating Chargebacks: A Critical Component in the Funding Partnership for New York’s Community Colleges

The community colleges of the City University of New York (CUNY) and the State University of New York (SUNY) are a vital part of the public higher education system in New York State, educating more than 340,000 students at an affordable price. New York’s community colleges enroll the majority of undergraduate students in both systems (51.8%), ensure open access to high quality postsecondary education and contribute significantly to the development of an educated citizenry and skilled workforce. They offer comprehensive learning opportunities ranging from transfer and career degrees to programs customized to serve specific individual, community, business and economic development needs. Historically, the main focus of the community college was the provision of high quality classroom teaching and student learning. In addition, they have aggressively added services to support their local businesses and industries.

Community colleges are geographically distributed, providing for differentiated missions designed to meet the needs of both traditional and non-traditional students. Student choice is central to the mission of community colleges and the chargeback system ensures that students and New York’s 62 counties all share and contribute to keeping these colleges affordable. It is important to note that 42 counties directly sponsor the community colleges in both systems, incurring the responsibility of operating and maintaining these colleges.

The colleges are supported financially through a three-way partnership: the state, the student, and the local sponsor. Since the earliest days of the SUNY system, which originally included the community colleges of CUNY, colleges have been allowed to charge the home county of a New York State student from outside the sponsorship area the local share of the costs, (the “chargeback”) to fully fund all three legs of the partnership. Over the years, a variety of questions have been raised about the chargeback system.

This report addresses some of the most persistent questions about chargebacks and is submitted pursuant to legislation included in the 2012-13 New York State Enacted Budget, which directed the State University of New York Board of Trustees, in conjunction with the City University of New York Board of Trustees, to examine the laws, regulations and policies regarding charges for non-resident students. (See Appendix A.)

A Brief History of Community College Operating Chargebacks

In 1948, New York State passed legislation that authorized qualifying entities to sponsor a community college. Each community college would have its own board of trustees and would be locally sponsored and locally operated. Their financing was a three-way partnership comprised of the State, the local sponsor and students. From the outset, students were free to attend the community college of their choice – giving them the same freedom of choice as those electing to attend a public four-year college without any additional financial penalty.
In 1953, the New York Legislature passed legislation that discontinued six temporary institutions\(^1\) and authorized them to become community colleges. For the first time, the Legislature authorized a “chargeback” to be utilized by these six institutions.\(^2\) This allowed the newly created community colleges to chargeback to the home counties of non-resident students an allocable portion of the local sponsor’s operating costs. The chargeback concept was embraced by the County Officers Association which asserted that the chargeback provision would be of “great financial assistance to local communities in establishing community colleges and will facilitate the transition of the temporary institutes into such colleges.”\(^3\) The legislation also amended Education Law to allow a county, at its discretion, to charge back its associated costs to towns and cities whose residents incur chargebacks by attending a community college outside the home county.\(^4\)

In 1954 the County Officers Association sponsored legislation, supported by the State University Trustees, which extended the use of chargebacks to all community colleges. This legislation was adopted in 1955. Previously, the Trustees’ 1953 Annual Report had stated that “the chargeback plan introduced an entirely new concept of support for higher education in New York State and that the whole charge-back provision should be extended to the four other community colleges of the State.” A Memorandum to the Governor submitted by SUNY supporting the legislation stated that the purpose and effect of the legislation was “to extend the same charge-back provisions to the other community colleges...”\(^5\) as it was “inequitable to provide for a charge-back in the case of six locally sponsored two-year colleges and to deny the same recourse to other such colleges...”

**Chargebacks and the Fashion Institute of Technology**

The Fashion Institute of Technology (FIT) is a unique community college within the SUNY system and this uniqueness, along with special legislation relating to its programs and funding, has resulted in a number of questions being raised about FIT programs and students that are eligible for chargeback billings. The following provides a review of the background and authority for such FIT chargeback billings.

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\(^1\) Five of the institutes were located at Utica (now Mohawk Valley Community College), Binghamton (now Broome Community College), Buffalo (now Erie Community College), White Plains (now Westchester Community College), and New York City (now the NYC College of Technology). The Veterans Vocational School at Troy is now Hudson Valley Community College.

\(^2\) The statute did not authorize the use of chargebacks by the four existing community colleges: Auburn Community College (now Cayuga Community College), Jamestown Community College, Orange County Community College, and the Fashion Institute of Technology.

\(^3\) See 1953 Bill Jacket, L.1953, c.271

\(^4\) Ed Law §6305(5) provides that: “Amounts payable to the state by a county pursuant to this section shall be a general charge; provided however, that a county may charge back such amounts in whole or in part to the cities and towns in the county in proportion to the number of students attending a community college who are inhabitants of each such city or town.”

\(^5\) See Bill Jacket, L.1955,Ch.51
The Fashion Institute of Technology (FIT) was chartered by the NYS Board of Regents in 1944 and, in 1951, FIT became a community college, only the second community college empowered to grant the Associate in Applied Science (AAS) degree in New York State. In 1955, chargebacks were extended to all then-existing community colleges, including FIT, and all future community colleges. In accordance with this statutory procedure for financing community colleges, all existing community colleges, including FIT, submitted chargebacks to the resident counties of those students from counties outside the sponsorship area (“non-resident students”).

The success of the College’s career education programs led local industries to ask FIT to provide a baccalaureate and advanced degree curriculum as well as associate programs. In 1975, Chapter 356 of the Laws of 1975, amended the New York State Education Law and authorized FIT to award baccalaureate degrees. Four years later, legislation authorizing FIT to award master’s degrees was passed. This amendment stipulated that the College would continue to be funded in the same manner as all community colleges, including FIT’s statutory right to bill chargebacks for all applicable non-resident students attending FIT, including upper-division and graduate students.

Subsequently, Chapter 170 of the Laws of 1994 authorized the State to reimburse the counties for the actual amounts the counties paid in chargebacks on behalf of any non-resident student (both lower- and upper-division) attending FIT. Between FY 1995 and FY 2001, the Legislature appropriated over $37 million for such reimbursement to the counties of these chargebacks. That appropriation ceased in FY 2002, though the law continues to remain in effect. Notwithstanding the cessation of the State appropriation, the Education Law imposes a continuing obligation on all counties outside the City of New York to pay all chargebacks associated with all FIT programs in which their residents are enrolled.

As noted above, FIT is the only community college in New York State authorized to offer upper-division courses leading to baccalaureate and graduate degrees, as a result of the enactment of Chapter 356 of the Laws of 1975 and the subsequent amendment. This law also reaffirmed that FIT would continue to be funded as a community college, maintaining the three-way funding partnership of the state, the student, and the local share (sponsor contribution and chargeback revenue).

In 2011, the Senate introduced legislation (S.4741-A/A.8262), which would have prohibited any community college from submitting a chargeback to a county for any non-resident student attending such college for more than two academic years. No action was taken on that legislation. In 2012, new legislation (S.7152/A.10700) was introduced which, while removing the provision authorizing the State to reimburse the counties for 100% of the FIT chargebacks, authorized the direct State payment of upper- and graduate-division chargebacks, subject to appropriation, with the counties remaining liable for upper- and graduate-division chargebacks.

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Note that FIT is sponsored by the Board of Education of the City of New York, now known as the New York City Department of Education.
only in the event the State failed to make such payments. Also, the counties remained liable for chargebacks for associate degree students and certificate program students, with no limit on years of attendance. No action was taken on this legislation in either chamber, in deference to the study authorized by Chapter 57 of the Laws of 2012.

Regarding the State payment of upper and graduate division chargebacks, the State may avoid this payment obligation by simply not appropriating funds for this purpose. It is critical, therefore, that any statutory provision requiring the State to pay chargebacks must also provide an alternate funding source. S. 7152/A10700 would reaffirm the obligation of the counties in the event of the State’s failure or refusal to act, recognizing that provision must be made to assure chargeback payment in all events to avoid the tremendous burden that a failure to pay would exact upon FIT and its non-resident students. It is estimated that for the academic year 2012-2013, $11.2 million would be required in order to support the current county chargebacks associated with those students who reside in the counties across the state outside of New York City and who are enrolled in FIT’s bachelor and graduate degree programs. Upper- and graduate division chargebacks are a critical part of funding the cost of those students’ education at FIT. These funds represent 6.3% of FIT’s operating budget.

Currently, Nassau and Suffolk Counties remain the only counties that have not paid their 2011-12 chargeback assessments to FIT, representing unpaid chargeback amounts totaling approximately $10 million. Suffolk County owes chargebacks for upper-division students only, and Nassau owes chargebacks for both upper- and lower-division students. An Article 78 proceeding has been filed by FIT against Nassau and Suffolk Counties.

**Community College Funding and Finances**

Chargeback revenues are a critical part of all community college operating budgets, along with student tuition, state aid, and the local sponsor share. Since the establishment of community colleges in 1948, the operating costs have been shared by the students, the state and the local sponsor(s). The three entities have often been referred to as the “Funding Partners”. Since 1948, there have been three distinct funding periods as described below.

The key to understanding the funding partnership is the concept that for each student, there are three funding streams: a state funding share (state aid), student funding share (tuition), and a local funding share based upon the student’s legal residence. For students attending a community college sponsored by the county in which they live, their local share is the sponsor’s contribution. For students living in other counties in New York State, their local share is the chargeback received from their home counties. For students that live outside of New York, the non-resident tuition premium (e.g. the difference between the resident and the non-resident tuition rates of tuition) represents their local share. Sharing the costs of educating every community college student via this three-way funding partnership is the foundation of the community college funding formula.
Students attending a community college outside their home county (or sponsorship area) must obtain a “certificate of residence” in order to qualify for the resident tuition rate and for the home county to pay the chargeback. If the student doesn’t have such a certificate, the college cannot bill the home county, and the student becomes liable for the non-resident tuition rate. Students who are not residents of New York State are charged a premium on tuition to provide their local share.

**Pre-Full Opportunity Program (FOP): 1948-49 to 1969-70**

For this period, the funding shares were one-third state, up to one-third student, and one-third or more local share. The share between student and local could change from the budgeted amount, at one-third each, depending upon actual enrollment. Any tuition collected in excess of one-third would be placed in an “excess tuition reserve” account, to be used the following years in support of the students’ one-third share.

The sponsor contribution for the sponsor resident students became the amount that would determine the total budget. Once the sponsors committed to their contribution (local share), the college knew that it could charge tuition equal to that amount (student share). To collect the local share for non-resident students, an equal amount would be the chargeback rate for New York students residing outside the sponsorship area, and the non-resident premium above the resident tuition rate for out-of-state and out-of-country students. For each student eligible for state operating aid, one-third of the allowable costs associated with that student were guaranteed by the State.

**Transition to Full Opportunity Program (FOP): 1970-71 through 1977-78**

The partnership share model was changed with the implementation of the Full Opportunity Program (FOP), beginning in 1970-71. The open admissions policy or FOP program required, in part, the admission of all recent high school graduates and returning veterans from the sponsorship area. Adopting this program required commitment from the college to provide the remediation and support services necessary for student success. To help compensate for these higher costs, the state share was increased to 40% of net operating costs in the year in which a community college adopted the FOP program. Twenty-six community colleges adopted the FOP program in 1970-71; by 1977-78 the remaining four SUNY institutions had also adopted it. The benefit of increased funding from the State was passed on to the local sponsors as the transition year “partnership shares” were State 40%, students 33.3% or less, and local share 26.7% (or so much as may be necessary to make up the difference). No longer was the campus total budget a simple calculation that could be determined once the sponsor support was committed. Instead, the state support and tuition rates became the driving force.

**Post - FOP Adoption: Since 1978-79**

After the adoption of the FOP program, the State funding for all colleges was limited to the lesser of a pre-determined amount per funded FTE student (plus small categorical increments)
or 40% of Net Operating Costs. The maximum student share remained at 33.3% and the local share continued at 26.7% or so much as may be necessary.

During this period, limits were imposed on the amount community colleges could spend and still receive 40% reimbursement from the State, enforced through restrictions on tuition revenue, which could not exceed one-third of net operating costs. However, Education Law allowed for additional spending, provided the funding came from the sponsor.\(^7\)

For six years\(^8\), the restriction on tuition, and by extension, spending, was loosened somewhat. Tuition could be set at a rate that would generate $100 per FTE more in revenue than one-third of the net operating costs. Since 1993-94, the limitation of the student share at one-third has been waived annually without restriction in the New York State Enacted Budget, provided the sponsor maintains effort (that is, provides at least as much funding as the prior year, either in total or per sponsor resident FTE student.) In other words, the spending limits can be exceeded by contributions from either or both the local sponsors and the students.

**Calculation of Operating Chargebacks**

Currently there are three methodologies for determining the sponsor contribution and operating chargebacks. Each methodology is consistent with and designed to compute the portion of the local sponsor’s share as allowed in Ed Law §6305(2): “...an allocable portion of the local sponsor's share of the operating costs of such community college attributable to such non-resident students, computed on a per student basis...” can be charged back to the non-resident student’s home county.

**State University of New York – Board and Sponsor Governed**

The sponsor commits to a fixed dollar amount at the beginning of the college fiscal year, which is not adjusted if the sponsor resident population changes during the year. This contribution is divided by the estimated number of full-time equivalent\(^9\) students from the sponsorship area in the calculation of the chargeback rate.

This amount per student is added to the resident tuition for NYS students not presenting a certificate of residence and out-of-state students. This “premium”, limited to twice the resident rate, represents the local share for these students.

The addition of the sponsor contribution, appropriated fund balance and the budgeted total local shares for these categories of students represents the total local share for all students.

\(^7\) Ed Law §6304 (d) (3): “Nothing herein contained shall be construed to prevent any local sponsor or sponsors from creating and operating community colleges which exceed maximum cost limitations or allowances prescribed by the state university trustees, provided however, that the excess costs over such prescribed limits or allowances shall be borne and paid for or otherwise made available to or by such sponsors.”

\(^8\) 1983-84 to 1987-88 and 1991-92

\(^9\) FTE= total credit hours divided by 30
This total amount is then divided by the total estimated FTE student enrollment to get an average rate per student. This budgeted chargeback rate is then adjusted (either up or down) by the actual per student chargeback amount computed for the last completed college fiscal year.10

**State University of New York – Regionally Governed**

For these colleges, a per-student amount for the sponsoring counties is determined as part of the budget process. The sponsoring counties and the New York State non-sponsoring counties are billed and pay the same rate based on the actual FTE student enrollment. No chargeback adjustment is necessary as all the sponsor and non-sponsoring counties pay the same rate based on actual FTE student eligibility.

**City University of New York – Board and Sponsor Governed**

The CUNY methodology is the same; the sponsor contribution is divided by the budgeted number of FTE students from the sponsorship area to determine the chargeback rate. In theory the same number would be computed if this amount was added to all other students’ categories and then divided by the total of all these students; the local share per student (whether paid by the sponsoring county, the student’s home county, or as a non-resident tuition rate) would be the same.

**Intra-County Apportionment of Community College Operating Chargebacks**

Ed Law §6304 (1)(c) permits the county government to assess the local chargeback associated with a county resident attending a community college not sponsored by that county, to the cities and towns within that county where the student lives.11

According to the Office of the State Comptroller (OSC), eight counties currently redistribute the costs of some community college expenses to their cities and towns, through their own taxing authority, by directly taxing the residents of those communities:

- Cayuga
- Chemung
- Erie
- Monroe

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10The adjustment is rounded down to the nearest multiple of ten dollars ($10) as Education Law only allows for the recoupment of “a portion” of the local sponsor’s share

11“Where a county or city is the local sponsor of a community college, or appoints members to a community college regional board of trustees, the expenditures of the county or city for the college, or community college region, shall be a purpose of the county or city provided, however, that taxes to pay the local sponsor’s share of operating costs, or the operating shares of the community college region charged to the county, may be charged back to the cities and towns in the county in proportion to the number of students attending the community college each term who were residents of each such city or town at the beginning of such term
• Niagara
• Oswego
• Rensselaer
• St. Lawrence

However, the OSC data does not capture the entire universe of counties exercising this authority because there are other mechanisms by which they can charge back localities that would not in fact be reported to OSC. These could include invoice billing and withholding sales tax. The NYS Association of Counties (NYSAC) is currently surveying all 62 counties to ascertain those additional counties that exercise this option. The results of this survey are not yet available.

Notification of Counties and Timeline for Billing and Payment

The county fiscal year begins on January 1st; the annual budgets include provisions for the payment of operating and capital chargebacks. In estimating their chargeback obligations, the counties must estimate the number of resident FTEs and the anticipated chargeback rates for each community college that their residents are likely to attend. The state fiscal year begins on April 1st; changes in state aid for community colleges will have a direct impact on the amount of money that will be required from the counties, either as direct sponsor contribution or total chargeback payments.

The fiscal year for most SUNY community colleges begins September 1; the Fashion Institute of Technology’s fiscal year and CUNY community colleges’ fiscal year commence on July 1. The Education Law allows a student to obtain a certificate of residence not more than 60 days before the start of each academic year. Thus, July 1 would be the earliest date that a student could obtain a certificate of resident for a September 1 community college fiscal year. The certificate of residence is valid for all courses that start and end within the 12 month period after the certificate is issued. In other words, if a student obtains a certificate of residence in January 2012, it is good through December 2012, covering the spring, summer and fall 2012 semesters. The student does not have to obtain a new certificate of residence until the following January.

Each September, the SUNY Board of Trustees approves the operating budget for each community college, including the capital and operating chargeback rates. The counties are notified after the Board meeting (in late September or early October) of the approved operating and capital chargeback rates for each SUNY community college12.

12 Note that in a year when the New York State budget is passed late, not all colleges will be prepared to submit their budgets for the September meeting, requiring this schedule to be altered.
CUNY also issues its chargeback rates in the early fall. Colleges have 45 days from the start of the semester (the first day of classes) to submit their billings to the counties for the capital and operating chargebacks. For example, for a college with a September 1 \textsuperscript{st} semester start date, October 15\textsuperscript{th} would be the last day for the college to bill a county for the eligible FTE. The statute further prescribes a 60 day limit on the counties for issuing payment to the community colleges. In this example, the counties would have to remit payment by December 15\textsuperscript{th}.

For the spring semester, the 45 day period to bill and the 60 day period to pay apply once again.

## Issues and Recommendations

During the recent economic crisis, counties and municipalities have been understandably concerned about rising costs and limited revenues. One area of concern has been the financing of community colleges, especially the chargeback system. Similarly, the community colleges have been seriously impacted by budget reductions, unpredictable increases and decreases in enrollment, and the growing costs of providing high quality instruction and services to students. The resulting financial pressures have made it critically important that revenue from all three funding streams — state aid, local share (including sponsor contribution and chargeback revenue), and tuition — is provided at appropriate levels.

### The Fashion Institute of Technology

Several counties have raised concerns regarding the payment of chargebacks for upper division and graduate students at the Fashion Institute of Technology. As was described in more detail earlier in this document, the law requires FIT to be operated and financed as a community college; these students have always been eligible for chargebacks. For a period of time (1995-2001), New York State provided funding to cover the cost of all chargebacks for students at FIT; however, fiscal constraints have prevented the state from funding this program.

**Recommendation:**

1. Reinstate State funding pursuant to Education Law 6305(10) which provides reimbursement for all FIT chargebacks, but limit it to upper- and graduate-division students attending FIT. At the same time, provide for an alternate funding source in the event of the State’s inability to provide funding at some future time (see further discussion in section “Chargebacks and the Fashion Institute of Technology”). The estimated annual cost to fully fund the upper division and graduate chargebacks is $11.2M.

### The Chargeback Rate

There have also been questions raised about the (a) equity between local sponsor contribution per resident student and the chargeback rate per student charged to other counties, (b)

\[ \text{Equity} = \frac{\text{Local Sponsor Contribution}}{\text{Chargeback Rate}} \]

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\textsuperscript{13} Education Law §6305(4)

\textsuperscript{14} The date September 1\textsuperscript{st} is used for illustration purposes. Each college determines its own start date for the semester so the college’s billing deadline and the county’s payment deadline will vary by campus.

\textsuperscript{15} Eligible FTE are those students enrolled as of the end of 21 days (the third week of classes).
variations in the chargeback rate from year-to-year (whether it goes up or down), and adjustments to prior-year chargebacks, and (c) the variations in the chargeback rates between different community colleges.

The difference between the sponsor contribution and the chargeback rate, and the variations from year-to-year can often be attributed to timing and the use of budgeted enrollment data versus actual enrollment data. However, the variation in chargeback rates between different community college is due to the ability and willingness of the local sponsor to provide funding. Absent either a requirement that all counties provide the same level of support, or a state takeover of the local funding obligation, variations in the chargeback rate will continue.

**Recommendations:**

2. The City University of New York and the State University of New York will work together to agree on a uniform methodology for calculating the chargeback rate. A revised calculation should be simple, transparent and predictable to eliminate significant prior period adjustments.

3. The chargeback rate adjustments are due primarily to changes from budgeted to actual enrollment, but may also change if the final sponsor contribution changes from the original budgeted amount. To increase predictability, CUNY and SUNY will explore the impact of calculating the chargeback rate based on actual financial information (including the total sponsor contribution and actual resident student enrollment), not budgeted estimates. This would eliminate the need for retroactive adjustments in the chargeback rate.

4. Development of a transition timeline to implement the above recommendations, with the goal of full implementation of any changes for the 2014-15 fiscal year.

**Application of Laws and Regulations**

Community colleges have noted inconsistencies among county treasurer offices in applying laws and regulations, including billing and payment cycles, and requirements related to certificates of residence. Although those requirements are fully described in statute and in regulations, additional training, and clearer and more readily accessible information would be beneficial to all parties.

**Recommendations**

5. Develop and require all counties to use a common form and standard procedures for the application and issuance of certificates of residence

6. Develop a central repository for common forms (such as the “Application for Certificate of Residence, SUNY B-80” and “Certificate of Residence, SUNY B-81), timelines, and formal policies
7. **Provide training to county treasurer offices and other appropriate parties through in-person attendance at annual association meetings, webinars, individual visits, or other methods**

8. **Work with county treasurers to develop and implement an on-line or electronic billing system**

**Charging Local Municipalities**

Local municipalities have also expressed concern regarding the appropriateness of allocating chargebacks to towns and village. Longstanding legislation enables counties to choose this approach.

**Conclusion**

In summary, the chargeback issue is a complicated one that has no single solution – since different parties desire to derive different things from current and future chargeback legislation. Chargebacks have been an integral part of the community college funding formula practically from their establishment. The challenging economic times confronting all levels of government have brought the issue to the forefront. The Task Force hopes that this report has provided some insights, understanding, and clarity to a very challenging issue, and that the recommendations for simplifying the calculation of the chargeback rate, provision of training, and the establishment of a central depository for documents, policies and guidelines will be an initial start in addressing the aforementioned issues.
APPENDIX A
Authorizing Legislation

PART Q (Article VII legislation, S.6257—E/A.9057—D)
Chapter 57, Laws of 2012

Section 1. Section 6305 of the education law is amended by adding a new subdivision 11 to read as follows:

11. The state university board of trustees, in conjunction with the city university board of trustees, is directed to examine the laws, regulations, and policies regarding community college charges for non-resident students. This examination shall review the impacts of the current law mechanisms for covering the local sponsor's share of community college operating costs attributable to non-resident students, including the impacts of charging a non-resident student or charging the county where the student resides a per student allocable portion of the local sponsor’s share of operating costs, and shall also specifically include examination of the following:
   a) the methodology for determining the amount that may be charged by a community college for each non-resident student's allocable portion of the local sponsor's share of operating costs;
   b) the process for notifying a county of the approved annual operating and community college charge-back rates and the timeline for a county to pay the charge-back rate to the community college;
   c) policies regarding charge-back rates paid by city and towns in the county; and
   d) recommendations for potential modification to the laws, regulations, and policies regarding community college charges for non-resident students that would result in improvements related to equity and efficiency and the fiscal impacts of implementing such modifications to students, counties and the state.

The boards shall submit a joint report of their findings to the chairs of the senate and assembly higher education committees and the chair of the senate finance committee and the chair of the assembly ways and means committee no later than September first, two thousand twelve.

§ 2. Section 6222 of the education law is amended by adding a new subdivision 3 to read as follows:
3. The city university board of trustees shall work in conjunction with the state university board of trustees for the purposes of examining the laws, regulations, and policies regarding community college charges for non-resident students and submitting a report to the legislature pursuant to subdivision eleven of section sixty-three hundred five of this title.

§ 3. This act shall take effect immediately.