

FUNDING FORMULA WORKGROUP

DRAFT - RECOMMENDATIONS

FEBRUARY 2018

An effective California community college apportionment funding model will:

- Ensure access to quality public postsecondary education statewide
- Recognize and support enhanced access and success for underrepresented and economically disadvantaged students
- Reward progress on relevant, mission-driven metrics
- Support student efforts to reach their academic and professional goals in a timely manner
- Support and reward transfer to public and independent educational institutions
- Strengthen Career Education for working Californians
- Moderate the effects of the formula on districts during a recession
- Recognize and support the comprehensive mission of California's community colleges and include the spectrum of student diversity

Context

On January 10, 2018, Governor Brown released a 2018-19 state budget proposal that included its *Student-Focused Funding Formula*. The framework for the new apportionment model includes District **Base Grants** contingent on FTES enrollment comprising **50 percent** of the formula; **Supplemental Grants** based on the number of low-income students districts enroll reflecting two factors: 1) enrollment of students who receive a College Promise Grant fee waiver; 2) enrollment of students receiving a Pell Grant. The Supplemental Grants comprise **25 percent** of the total. **Student Success Incentive Grants** include: 1) the number of degrees and certificates granted; 2) the number of students who complete a degree or certificate in three years or less; 3) funds for each Associate Degree for Transfer granted by the college. Student Success Incentive Grants comprise **25 percent** of the total. Finally, during the first year of implementation districts would be held harmless to 2017-18 levels.

The Governor maintains that the current enrollment-driven formula fails to capture the comprehensive mission of California's community colleges (CCCs), and the countercyclical nature of district enrollment. Moreover, as of late February 2018, 32 districts are in stability, and there has been approximately \$80 million of unused growth funding during the last two years. Furthermore, the Board of Governors seeks a funding formula that aligns with the aspirational goals in the *Vision for Success*.

In late January, Chancellor Oakley requested the Chief Executive Officers of California Community Colleges (CEOCCC) Board convene a small group of CEOs to make recommendations for a new formula by mid-March.

Recommendations

Through adoption of a new funding formula, policymakers have an opportunity to encourage not only a greater focus on success, but also to prioritize equity. Properly structured and adequately funded, a new funding model represents the potential to move to a more accountable and stable system, ensuring that students have access to affordable, high-quality community colleges.

Central to the recommendations herein, is the recognition that persistent attainment gaps cannot be measured in a vacuum. In order to obtain an integrated and comprehensive focus on the enrollment and success of economically disadvantaged and underrepresented students, the CEO Workgroup advocates a funding formula with two primary categories: Access and Equitable Success.

Access

A key principle of the Workgroup has been the protection of education access for individuals across all regions in California. The funding formula for California Community Colleges is based on the annual number of full-time equivalent students (FTES). However, this approach fails to provide stable year-to-year funding, especially for small or rural community colleges that experience frequent enrollment swings.

The Workgroup recommends a funding formula that supports access but shifts away from a dependency on growth. Under the proposed Access portion of the funding formula, districts would be provided a basic allocation and FTES rates adjusted by the annual COLA.

Beginning in 2020-21, FTES apportionment would be allocated based on a three-year weighted average and calculated as: current year, prior year, and prior prior year. Use of a three-year weighted average rather than a single-year calculation to determine FTES caps and stabilization status insulates colleges against wide enrollment swings and economic downturns. More importantly, a three-year weighted average offers stability for purposes of planning, implementing new programs, or the continuation of sustainable and highly effective programs. Such a calculation would eliminate the need for a stability factor. Upon implementation of a three-year weighted average, stability would no longer be applied to FTES calculations. The Workgroup recommends that beginning in 2019-20, FTES from summer courses would be assigned to the fiscal year in which the final day of instruction for the course had been held.

Equitable Success

Outcome metrics that fail to prioritize equity forestall an opportunity to better serve underrepresented and economically disadvantaged students. Incentives to achieve equitable outcomes for focus populations means integrating socioeconomic and success metrics. A comprehensive set of indicators recognizes the value a community college education can add to an individual's life through transferability to a four-year university, skill attainment, employment, and earnings. The Equitable Success portion of the formula considers progress, completion, transfer, employment and earnings; and it recognizes the successful outcomes of underrepresented and economically disadvantaged students within those metrics. Moreover, economically disadvantaged students are more adequately defined by using the Carl D. Perkins Career and Technical Education Act definition¹ which considers the College Promise Grant, Pell Grant, CalWORKs, and WIOA criteria.

Categorical Structure

Categorical programs have also been an important consideration of the Workgroup. Within California Community Colleges, there are 27 categorical programs with 10 designed to serve low-income students. Acknowledging elements of the Legislative Analyst Office's analysis, the Workgroup recommends a simplified and restricted program that supports accountability and local control. This structure can be accomplished through a restricted categorical that aligns reporting metrics and maximizes services to students.

Using Metrics that Matter for Equitable Success

The CEO Workgroup addressed the metrics portion of the funding formula with the goals of keeping it simple, meaningful, and tied to student progress on an educational pathway. After considering an extensive list of possible data, five metrics are proposed: progress, completion, transfer, employment, and earnings. The formula would mirror, in many aspects, the 17% incentive funding employed by the Strong Workforce Program (SWP), with improvements based on experiences from the implementation of SWP. The formula uses data that are already collected and includes both credit and noncredit students. Points are assigned based on levels of education, economic status, and time to completion.

Specifically, the Equitable Success portion of funding incorporates the following:

¹ Carl D. Perkins IV defines economically disadvantage and special populations as: individuals with disabilities; individuals from economically disadvantaged families, including foster children; individuals preparing for nontraditional training and employment; single parents, including single pregnant women, displaced homemakers; individuals with other barriers to educational achievement, including individuals with limited English proficiency.

- Measuring Transfers – Since the CSUs and UCs lack capacity for all CC transfer-ready students, the revised definition includes transfer to private institutions. The Workgroup recognizes the concern over the lag time in collecting data from the National Student Clearinghouse (approximately 18 months), and the lack of control CCs have in ensuring transfer. The definitions of *transfer ready* and *transfer prepared* were discussed along with the effectiveness of these measures. In the recommended approach, points are assigned to all transfers with additional points for students who transfer within three years, (since not all students are able to attend a CCC full time).
- Employment and Economic Mobility – Evidence demonstrates a positive correlation between education attainment and wage increases, and how students can earn wage increases even during poor economic times. In data modeling for the 17% Committee, small and rural colleges fared better when employment and earnings outcomes were included (as opposed to just enrollment and completion figures). Employment includes every student and certificate or degree type. Combining employment with wage gains captures all types of jobs and skill building. Still, as with transfers to private institutions, there is a time lag in collecting the data.
- Capturing Momentum Points – With the implementation of Guided Pathways, it will be important to reward colleges for improving student persistence. The metrics for progress recognize critical student advancement prior to achieving completion outcomes.

Implementation

To ensure effective implementation of this proposal, the CEO Funding Formula Workgroup is recommending a 7-year implementation process. A thoughtful and incremental transition process is consistent with the implementation of major education finance reforms over the last twenty years, including SB 361 and the K-12 Local Control Funding Formula. Specifically, the 7-year implementation timeline would include two years of hold harmless and an incremental 5-year phase-in process. This allows districts to plan and make data-informed adjustments that enhance student success. Beginning in year three, funding would be allocated according to the Access and Equitable Success metrics. The percentage allocated based on the Equitable Success metrics would increase by 5% each year until full implementation in 2025. It should be emphasized that each 5% increase represents approximately \$400 million in system-wide funding, more than enough to stimulate systemic change. At full implementation, over \$2 billion would be dedicated to the metrics outlined in the Equitable Success category.



Timeline:

Year 1: 2018-19	Hold Harmless to 17-18 with COLA <ul style="list-style-type: none">One-time funds to recognize district performance under Equitable Success metrics		
Year 2: 2019-20	Hold Harmless to 18-19 w/ COLA <ul style="list-style-type: none">One-time funds to recognize district performance under Equitable Success metricsSummer FTE assigned to the fiscal year in which the final day of instruction was held.		
Implementation of Equitable Success Metrics			
Year	Access Metrics	Equitable Success Metrics	Estimated Equitable Success Dollar Amount
Year 3: 2020-21	Access: 95% 3-year weighted average	Equitable Success: 5% 2-year average (of 18-19 and 19-20)	\$419 Million
Year 4: 2021-22	Access: 90% 3-year weighted average	Equitable Success: 10% 2-year average (of 19-20 and 20-21)	\$838 Million
Year 5: 2022-23	Access: 85% 3-year weighted average	Equitable Success: 15% 2-year average (of 20-21 and 21-22)	\$1.3 Billion
Year 6: 2023-24	Access: 80% 3-year weighted average	Equitable Success: 20% 2-year average (of 21-22 and 22-23)	\$1.7 Billion
Year 7: 2024-25	Access: 75% 3-year weighted average	Equitable Success: 25% 2-year average (of 22-23 and 23-24)	\$2.1 Billion
Full Implementation	75% 3-year weighted average	25% 2-year average	

Evaluation of the Funding Formula

A comprehensive review of the new Student-Focused Funding Formula necessitates an analysis that includes the impact of regulations such as the FON and 50 percent law. To consider the Formula's efficacy and any unintended consequences, we recommend an analysis be done in Years one and two, with recommendations due by June 2020.

Conclusion

The Governor's proposal for a new funding formula offers a means to highlight our students' transformational academic achievements, and enables California Community Colleges to demonstrate our efficacy as comprehensive and results-oriented institutions of higher education. Primary goals of the aforementioned recommendations are to protect postsecondary education access to economically disadvantaged and underrepresented students, reward districts'

intentional efforts to advance student success and completion, and to recognize and support the comprehensive mission and indispensable role of California's public community colleges.

Addendum – DRAFT Equitable Success Metrics

METRIC	DESCRIPTION	ASSIGNED VALUE (points)	ASSIGNED VALUE/ ECONOMICALLY DISADVANTAGED* (points)
Progress students who take more units are more likely to complete	# of students who completed 12 academic credits in one year	1/2	3/4
	# of students who attained 48 noncredit contact hours in one year	1/2	3/4
Completion longer term awards yield stronger economic outcomes over time	# of students who earned a credit certificate or degree	Cert 12-18 units=1 Cert 18 to <30 units=2 Cert 30 units to associate degree=3 CCC bachelor degree=4	Cert 12-18 units=1.5 Cert 18 to <30 units=3 Cert 30 units to associate degrees =4.5 CCC bachelor degree=6
	# of students who earned a noncredit certificate	Noncredit certificate <288 hours=1 Noncredit cert 288 hours or more = 2	Noncredit cert <288 hours=1.5 Noncredit cert 288 hours or more=3
Transfer faster time to transfer supports economic mobility	# of students who transferred to a four-year institution	1	1.5
	# of students who transferred to a four-year institution in 3 years	2	3
Employment stable employment signals that students learned necessary skills	# of non-transfer students who exited college and were employed one year later	1	1.5
Earnings improved earnings that lead to living wages are evidence of economic mobility	# of non-transfer students who earned an award or were skills builders, exited college, and improved their earnings within one year	1	1.5
	# of non-transfer students who earned an award or were skills builders, existed college, and	1	1.5

	attained the regional living wage within one year		
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