



# STUDENT-CENTERED FUNDING FORMULA CEO TASKFORCE

## PRELIMINARY<sup>1</sup> RECOMMENDATIONS

### Taskforce Mission and Purpose:

Following the enactment of the Student-Centered Funding Formula (SCFF) in 2018, the Chief Executive Officers of California Community Colleges - a policy board of the Community College League of California (League) - formed the SCFF Taskforce. The Taskforce has sought to engage CEOs and Trustees to provide a forum for input, feedback, and data-informed deliberation and analysis of the SCFF. The Taskforce is comprised of CEO's representing each area of the state; at-large members reflecting the diversity of districts, and Trustees serving as proxies for the statewide Trustee board (CCCT). Student success, service to community, data-informed decision-making, fiscal sustainability, institutional capacity, and equity and inclusion have been guiding principles in Taskforce deliberations and recommendations. Additionally, as

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<sup>1</sup> The recommendations are *preliminary* only because presently the sector lacks valid, reliable data employed in simulations for analyses of proposed metrics within the funding formula. Responsible and informed policy- and decision-making are necessarily evidence-based.

both elected and hired leaders responsible to multiple constituencies and both the short- and long-term sustainability of their districts, Taskforce members believe strongly that a funding regime for public postsecondary education in the state must: protect the broad mission of the CCCs, support access to current students, and do no harm to any local district or college; i.e. no district should be cut or diminished so that we protect access and service to low-income student populations in every region of the state.

### **Summary of Recommendations:**

The current iteration of the SCFF includes elements and incentives with the potential to support colleges in advancing the mission of serving students and communities. For example: inclusion of a three-year average to calculate growth, and a component that recognizes the challenge of serving low-income and underserved Californians.

As our statewide confederation of CCC districts prepares to fully implement the SCFF, the Taskforce has identified the following preliminary recommendations concerning the transition and implementation of the SCFF:

- In recognition of the immense impact of the funding formula on California's largest system of higher education, ensure data-integrity, valid, reliable simulations and accurate, data-informed analyses are necessary conditions of a successful transition and implementation of the SCFF.
- Secure the 2018-19 Total Computational Revenue (TCR) plus the 2019-20 COLA as the new base for all districts. This base allocation (the District Base Grant portion of the SCFF) is necessary for fiscal sustainability, maintenance of district and campus operations, helping to build institutional capacity, and to permit proper implementation of Guided Pathways and related initiatives confronting equity gaps and to improve persistence and achievement of student outcomes.
- Extend hold-harmless provisions to fiscal year 2021-22 to determine and mitigate data-integrity concerns, increase trust and confidence in local data critical to the success of the formula, provide sufficient time to analyze unintended consequences, and most importantly, to ensure data efficacy in advancing student equity, inclusion, and success.

- Incorporate a Stop-Loss provision within the SCFF to protect statewide access to quality, affordable public postsecondary education. For example, no district would lose more than a half-percent (or something similar) of its base funding year-over-year.
- Level the point system so that all associate degrees (AA's, ADT's), state-approved certificates, and transfer to four-year accredited institutions have the same point value.
- Recognize only the highest award achieved by the same student in a given fiscal year as a means of prioritizing per-student success (in the Success Grant portion of the formula) as opposed to incentivizing award maximization, and redirect savings (from elimination of the current point differentials) to the District Base Grant allocation.
- Keep the Student Success Grant portion of the funding formula set at 10% of the total allocation to mitigate volatility – substantial year-to-year fluctuations in awards – and fiscal uncertainty.
- Ensure programs supporting special-admit students, incarcerated individuals, CDCP noncredit students, and Instructional Service Agreements (ISAs) receive full FTES funding per the existing 100% FTES formula.
- Count outcomes in districts where students took 12 or more units in the district in the year prior to transfer.
- Utilize a two-year average of prior year and prior-prior year in the Supplemental and Success grant portions of formula.
- Determine Pell Grant points on eligibility rather than award status.
- Simplify the calculation of the three-year average.
- Establish and fund an intentional strategy that blends technical assistance to colleges and local professional development support throughout the implementation of the formula.

### **Improving the Student-Centered Funding Formula to Meet its Objectives:**

The California Community College system is the largest public system of higher education in the nation - serving 2.1 million students (approximately 25% of all community college students in the country) - with a *Vision for Success* that focuses on reducing equity gaps, strengthening the state's economy, and providing quality educational access and opportunity. An historic and far-reaching change to the funding formula involving billions of dollars of state resources warrants a comprehensive, data-informed analysis and review to enhance the system's open-access mission and institutional excellence. Such analysis and

review are essential for the public education sector that serves California's most underserved and vulnerable populations. This document outlines a set of modifications and improvements key to structuring the SCFF to meet its purpose of supporting the success of all students.

## **RECOMMENDATIONS:**

- **Secure the 2018-19 Total Computational Revenue (TCR) plus the 2019-20 COLA as the new base for all districts. This base allocation (the District Base Grant portion of the SCFF) will permit the maintenance of district and campus operations, help build institutional capacity, and permit proper implementation of Guided Pathways and related initiatives to confront equity gaps and improve student persistence and outcomes.**
- **Extend hold-harmless provisions to fiscal year 2021-22 to determine and mitigate data-integrity concerns, to increase trust in local data critical to the success of the formula, to provide sufficient time to analyze unintended consequences, and most importantly, to ensure data efficacy in advancing student equity, inclusion, and success.**

Properly structured and adequately funded, the Student-Centered Funding Formula has the potential to move the CCC to a more accountable and stable system, ensuring that all students – full-time, part-time, first-year, re-entry, and non-credit – have access to affordable, high-quality community colleges. Building capacity for access, equity, and success for all should be a priority; a priority which can only be accomplished through a meaningful infusion of base funding prior to full implementation of SCFF. California Community Colleges serve as an open door to a better life for generations of low-income and working- class families, while supporting the workforce for critical sectors of our economy, strengthening the civic capacity of our citizenry, and advancing equity for historically underserved populations. An essential component of a new funding formula is a commitment to build the institutional capacity of the 72 districts as a necessary condition of student success.

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***Recommendation:***

***Significantly increase base resources for California Community Colleges to build institutional capacity for increased support for low-income students and to improve student outcomes.***

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Over the last decade, pension liabilities, healthcare, costs of construction and equipment, and technological infrastructure costs have nearly tripled. Our colleges remain committed to improving their educational quality and student services, yet these rising costs hinder their ability to even maintain current levels of service. The Columbia University Community College Research Center's findings on funding formulas nationwide demonstrate that a failure to enhance institutional capacity has been one of the greatest detriments to successful outcome-based funding formula implementation.<sup>2</sup> California has the opportunity - as the nation's largest system of higher education – and the responsibility, to heed the data and experiences of our national colleagues. Data-informed organizational redesign, sustainable institutional quality, and enhanced student services for improved outcomes require sufficient time and resources in the form of an appreciable increase in base funding in order to launch and scale.

Specifically, the Taskforce recommends funding districts for the cost to transition to the formula before full implementation; a practice consistent with the implementation of the Local Control Funding Formula (LCFF) for K-12 which focused on building capacity first through an infusion of \$18 billion over seven years prior to full implementation of LCFF. For California

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<sup>2</sup> Dougherty, K., et al., Performance Funding for Higher Education (Baltimore, MD., Johns Hopkins University Press, 2016). 156-158.

Community Colleges, **the Taskforce recommends securing the 2018-19 Total Computational Revenue plus 2019-20 COLA as the new base for all districts.** The SCFF would support success by funding an incremental change from year to year. As mentioned, a fundamental principle of the Taskforce is that upon implementation, no district shall be cut or diminished so that we protect access and service to low-income student populations in every region of the state.

#### **RECOMMENDATIONS:**

- **Provide colleges only the highest award achieved by the same student in a given fiscal year as a means of prioritizing per-student success (as opposed to incentivizing award maximization), and redirect savings to the base allocation.**
- **Level the point system for associate degree awards so that all educational goals and achievements of comparable unit values are counted equally.**
- **Keep the Student Success Grant portion of the funding formula set at 10% of the total allocation to maintain incentives while ensuring funding stability.**

Consistent with the Academic Senate for California Community Colleges (ASCCC), the Taskforce recommends three modest modifications to the SCFF that protect the integrity of local processes, simplify practices, and mitigate revenue instability. These modifications include

- equalizing the points for all associate degree awards,
- limiting the number of awards counted to the highest award per year per student,
- maintaining the Success Grant metrics to 10% of the overall allocation (currently proposed by the Administration for fiscal year 2019-20 only).

These recommendations support a more sustainable SCFF and help mitigate concerns around the availability of sufficient Proposition 98 resources to fund the increasing success outcomes of community colleges. The Taskforce further agrees with ASCCC that these necessary changes will allow the California Community College System to implement the formula in ways that place student success, not the counting of awards, at the forefront of all decisions.

## RECOMMENDATIONS:

- **Ensure programs supporting special-admit students, incarcerated individuals, CDCP noncredit students, and instructional service agreements receive full FTES funding.**
- **Count outcomes in all districts where students took 12 or more units in the district in the year prior to transfer.**
- **Employ a two-year average of prior year and prior-prior year in the Supplement and Success grant portions of formula.**
- **Simplify the calculation of the three-year average.**

The Taskforce identified a subset of five recommendations that improve the functional operation of SCFF while protecting key programs valuable to the California workforce. Fundamental to the career education mission of California Community Colleges is instruction by districts under instructional service agreements (ISAs) with public safety agencies, educational opportunities for incarcerated individuals, CDCP noncredit students, and academic programs for special-admit students by funding these essential functions at the full credit rate. Specifically, ISAs serve a broader and critical mission for the state by providing ongoing mandated training to fire and police personnel. As a result, students who participate in ISAs are already employed, already hold credentials, and are not students of need. The criteria tied to the remaining 40 percent are not applicable to the students served through these partnerships. Without full funding for students served under ISAs, California is jeopardizing public safety training in our communities.

California Community Colleges play a pivotal role for the transfer pathways to the California State University (CSU), University of California (UC) and private not-for-profit institutions. Transfer preparation is inherent to the mission of all California community colleges. Transfer pathways are accessible and available to all students to build and design course structures that meet their degree needs, geographic location, or time demands. As such, the contributions of each college in supporting students in meeting their transfer goals should be acknowledged and funded. The Taskforce recommends counting outcomes in as many districts as necessary as long as the student took sufficient units in the district in the

year prior to transfer. We maintain that points be assigned to all transfers to any accredited baccalaureate degree-granting college or university.

In the initial months of implementation of SCFF, there have been definitional inconsistencies and ambiguity. To reduce volatility, the Taskforce recommends using a two-year average of prior year and prior-prior year in the Supplement Grant, and a three-year average rather than a single-year calculation to determine FTES enrollment. Consistent with last year's recommendations, the Taskforce recommends a simplified calculation of a three-year average for enrollment. By using averages for measures in the Base, Supplement and Success grants, the formula recognizes that volatile economic conditions lie outside the sphere of influence of our colleges and our student bodies.

#### **RECOMMENDATIONS:**

- **Establish an intentional strategy that blends and funds technical assistance to colleges and local professional development support throughout the implementation of the formula.**
- **Increase the predictability of the funding formula to reduce volatility and potential harm to student academic services and supports.**
- **Limit year-to-year revenue reductions to districts by a specific percentage following sufficient analyses and simulations.**

Beyond the required resources for districts and colleges to build and maintain sufficient institutional capacity, technical assistance and professional development are profitable investments to ensure students are receiving the necessary supports and data-informed practices aligned with the *Vision for Success*. Uncertainty and volatility are inevitable externalities for college and district planning and budgeting, however State and System policies and funding formulas should recognize and seek to mitigate these factors to support student and institutional excellence and success. At a minimum, the Taskforce affirms the need for more simulations and analyses to understand the impacts of economic downturns and reductions in Proposition 98 resources. Similarly, the creation of a *Data Dictionary* or similar reference document with consistent definitions and information would benefit districts and colleges in adapting to a new funding formula. These efforts require sufficient time and



effort and therefore reinforce the necessity of extending the hold harmless transition to the new formula.

Equally important is the establishment of safeguards preventing a significant year-over-year reduction in resources. Further, by law, annually districts must develop and approve budgets that obligate the following year's funds before the State Budget is signed by the Governor, and two months in advance of knowing the revenues they'll have available. Simulations and analysis of a new formula must necessarily identify a floor or limitation on revenue losses year-over-year. A substantial or massive revenue reduction in one year will jeopardize a confederation of districts whose funding still has not reached pre-Great Recession levels adjusted for inflation. To protect access to quality public postsecondary education statewide, there must be a stop-loss limit within the formula.

### **Closing Considerations:**

California's rapidly changing economic and demographic reality demand an honest, data-informed assessment of the opportunities and barriers confronting the 2.1 million students California Community Colleges serve. As a confederation of locally-governed districts in a bilateral governance structure, we have a civic, economic, and social responsibility to transition to and implement a truly Student-Centered Funding Formula that permits colleges to proficiently and equitably serve all Californians enrolled at our campuses statewide. California's community colleges remain the state's most effective bridge to the middle class, higher education's workhorse, and our best strategy for mitigating the effects of generational poverty. With data-informed, evidence-based, and sufficiently-funded institutions, California's Community Colleges will more effectively and efficiently support economic growth by building human capital in the regions in the state that are still suffering the effects of the Great Recession of a decade ago. Members of the Taskforce respectfully submit these recommendations in recognition of this important responsibility and in an effort to improve a funding formula intended to eliminate the achievement gaps of our "two Californias".