Student Centered Funding Formula: A Way Forward for the CCC System

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Background

A realistic assessment of the new Student Centered Funding Formula (SCFF) implementation must conclude that it has been rocky at best given the quick timeline it was under. Reliable simulations were not available, the metrics were changed after one year and are being re-benched, and wide swings in projected Total Computational Revenue (TCR) levels throughout 2018-19 made planning and budgeting extremely difficult. The system finds itself in a place ripe for infighting and fragmentation in its advocacy. Some districts are looking at a probably "fiscal cliff" in a couple of years, even though there is time in the hold-harmless period to improve on the success metrics and enrollment. Many districts are facing enrollment declines, and the SCFF has stabilized funding for several years. Others will receive (when the dust settles) 8% or more in year-over-year funding increases from 2017-18 to 2018-19 when they were expecting 12%, 16%, 20% or even more just 12 months ago. Such districts find themselves in a quandary: do they advocate for the historic increases in funding they were told to expect when many of their colleagues only received COLA of 2.71% and face a large funding reduction in the out years? Those facing the cuts are also in a quandary: how do they advocate for more stability in their funding without alienating colleagues who are benefiting under the SCFF? **We must find a way forward that can unify our system in its advocacy that continues to motivate change in our system to meet the Vision for Success goals, especially in increased success and equity outcomes for our students.**

Principles moving forward

The first principle we should advocate for is to have a total funding level floor, or base level funding, for all districts that has reasonable downside risk. Currently, districts are being held stable to the 2017-18 funding level plus annual COLAs. However, some districts face a potential large reduction in funding after 2021-22, where the floor is based on applying 2017-18 rates and basic allocation to the district's new FTES levels and mixture of colleges and comprehensive centers. Should COLAs come in at 3% for 2020-21 and 21-22, the four year COLAs of 2.71%, 3.26%, 3% and 3% add up to a cumulative 12.52% increase in funding. No district should face this large (or larger) of a potential cut in funding in a single year.

The second principle we should advocate for is to stop the re-benching of the metrics in the formula. Every time we re-bench and change the formula, we cause another year of uncertainty and probable unintended consequences. We need to let the SCFF play out for a couple of years in order to make our data sources and methods understood and reliable while mitigating the downside risk in funding for all districts.

The third principle we should advocate for is that no district should be able to grow its funding under the SCFF at the expense of other districts.

The final principle we should advocate for is a new method for stability in funding. Shifting of summer enrollment should stop. A better method of providing stability in funding should be devised.

A proposal

Our funding could be devised as follows:

- Continue the SCFF as it currently stands (perhaps with one change, to carve out Instructional Service Agreement (ISA) FTES from the 70/20/10 funding split and fund them at the full FTES level).
- Make 2020-21 the final year for allowing shifting of summer enrollment. In 2021-22, annual FTES is calculated based on Fall 2021, Spring 2022 and Summer 2022 total FTES (if a course starts after July 1, the FTES it generates counts in the following year). The 2020-21 funding floor will be 2019-20 TCR plus funded COLA.
- Beginning in 2021-22, all districts start at the 2020-21 TCR funding level with 2021-22 COLA, but can only earn additional new funding in the formula (compare to the old formula's growth funding) through improved performance on the 30% portion of the SCFF or growth in enrollment on the 70% portion of the SCFF. Basically, we should receive funded COLAs because the cost of doing business rises every year *and* an additional percentage of incentive funding for growth in performance on all aspects of the SCFF.
- Beginning in 2022-23 and in all subsequent years, districts should be limited to a maximum 2% lower funding than the prior year annually. This 2% limit in decreased funding provides stability in a district not performing as well under the SCFF. Districts receiving up to 2% lower funding compared to prior year will have the following 2 fiscal years to earn that back through improved performance under the SCFF, similar to the SB361 approach to stability funding.
- In all years going forward any 1-time deficit factor will be applied equally to all districts.
- Districts performing well under the SCFF are allowed to grow their total on-going funding up to funded COLA or 5% annually, whichever is higher and if total funding is available through the state budget. Should additional funding be available based on overall funding to the system and overall SCFF performance, districts performing better than a 5% improvement year-over-year should earn the extra funding above the 5% limit as one-time funding at the February recalculation.

This proposal allows for the potential for districts to decline over time, just like the old formula did, but it is a controlled decline, which allows time for managing declines and for planning to recover. It also allows for up to 5% annual growth in year-over-year TCR funding, which is strong growth in funding potential when compared to historical growth opportunities for districts.