

# Access, Equity & Success for All

*A Funding Formula for  
California Community Colleges*

**Recommendations  
CEO Funding Formula Workgroup**

April 16, 2018

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For updates and background materials, visit:

**[www.ccleague.org/fundingformula](http://www.ccleague.org/fundingformula)**

# An Equity- Minded Funding Formula

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The **California Community College system is the largest public system of higher education in the nation - serving 2.2 million students** - with a vision for success that includes reducing equity gaps, strengthening the state's economy, and providing quality educational access and opportunity. A significant change to the funding formula involving billions of state resources **warrants a comprehensive, data-informed analysis and review** to enhance the system's open-access mission and institutional excellence. Consistent, evidence-based analysis offers policymakers and practitioners a means to better understand the consequences of funding metrics and the overall efficacy of the new formula. It also permits the necessary adjustments and updates to the funding mechanism that legislative and higher education oversight entities throughout the US currently seek. Such analysis and review is especially important in a large state with so much variation in its districts, regions, communities, economies, and student populations. **Support for such a consequential funding formula change is not feasible without an ongoing examination of potential impacts (intended and unintended) to the system of higher education that serves California's most underserved and vulnerable populations.**

An effective California community college apportionment funding model will meet the following **principles**:

- Recognize the necessity of building institutional capacity to improve student outcomes by increasing community college base funding appreciably prior to implementation of a new funding formula;
- Provide two years of program transition funding at a new, higher base level with COLA while the formula metrics are analyzed and refined to ensure their efficacy in advancing student access, equity, and success;
- Establish a funding formula oversight council to conduct an annual analysis and review of the funding formula and make recommendations to the Board of Governors by March of each year for adjustments that advance equity-minded student success through improved fiscal stewardship;
- Enhance funding predictability with a three-year average for enrollment and by assigning Summer FTE to the fiscal year in which instruction was held;
- Integrate the enrollment and academic progress of economically disadvantaged populations with a formula that balances access, equity, and success for all students;
- Adequately define equity metrics to most accurately represent all economically disadvantaged students (e.g. low-income, CalWORKs, students with disabilities, foster youth, AB 540) and to identify their respective needs for Guided Pathways;
- Progressively phase out transition funding to fully implement access, equity, and success metrics by 2025, and
- Recognize that the diversity of our geographic regions, economies and demographics across the state presents unique challenges and opportunities to community colleges.

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 April.

After intensive review of the Governor's proposal and examination of the experiences of other state systems with similar performance funding approaches, the Workgroup has concluded that this initial proposal needs significant refinement to meet its intended goal of promoting greater access and success for all Californians needing college and career training to improve their lives and those of their families and to meet the state's changing workforce needs.

The Workgroup agrees that changes are needed, but as proposed, the initial framework does not reflect the community college values of equity-minded success, nor does it offer metrics that align with our goals of advancing Guided Pathways for students or provide a mechanism to mitigate unintended negative consequences that would limit education access to Californians.

*“A significant change to the funding formula involving billions of state resources warrants a comprehensive, data-informed analysis and review to enhance the system’s open-access mission and institutional excellence.”*

# Recommendations

Through adoption of a new funding formula, policymakers have an opportunity not only to encourage a greater focus on success, but also to prioritize equity and inclusion. **Properly structured and adequately funded, a new funding model has the potential to move to a more accountable and stable system, ensuring that students have access to affordable, high-quality community colleges.** With sufficient analysis and data-informed review, a planful model also can mitigate the unintended negative consequences experienced in failed formulas in other states.

## **Build Capacity for Access, Equity, and Success for All**

Community colleges are a pragmatic and optimistic investment in California's future. The California Community Colleges serve as an open door to a better life for generations of low-income and working-class families, furnish the workforce for critical sectors of our economy, strengthen the civic capacity of our citizenry, and advance 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. This necessitates a meaningful infusion of community college base funding in the first two years of implementation.

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Over the last decade, pension liabilities, healthcare, 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 finds that a failure to enhance institutional capacity has been one of the greatest detriments to successful outcome-based funding formula implementation.** California has the opportunity, as the nation's largest system of higher education, and responsibility to heed the data and experiences of our national colleagues. Data-informed organizational learning and redesign, sustainable institutional quality, and enhanced student services for improved outcomes require sufficient resources in the form of an appreciable increase in base funding.

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\*Dougherty, K. J.; Jones, S.M; Lahr, H.; Natow, R.S.; Pheatt, L.; and Reddy, V. (2016) Performance Funding for Higher Education. Baltimore: Johns Hopkins University Press.

# Recommendations

## Formula Framework

Central to the recommendations is the recognition that persistent attainment gaps cannot be measured in a vacuum. To achieve an integrated and comprehensive focus on the enrollment and success of economically disadvantaged and underrepresented students, this proposal advocates for a funding formula with an equity-minded approach to promoting opportunities for all students:

### *Access, Equity & Success for All.*

#### Access

A key principle of the Workgroups has been the protection of educational access for individuals across all regions of California. The current 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 an overreliance on growth. Under the proposed Access portion of the formula, districts would continue to receive a Basic Allocation, base FTES revenue, and FTES growth funding adjusted by the annual COLA. In addition, FTES restoration would be provided in the same manner as in the SB 361 funding formula. The Workgroup also recommends an automatic backfill for community colleges to address fluctuations to local property tax estimates subsequent to the enactment of the Budget Act.

Beginning in the first year of implementation, and to accommodate varying degrees of growth and decline, FTES apportionment would be allocated based on a three-year average of total funded FTES for the district's most recent three years. Removal of some limits on growth is also recommended. The use of a three-year average rather than a single-year calculation to determine FTES caps and stabilization status insulates districts against wide enrollment swings and economic downturns. A three-year average recognizes that volatile economic conditions lie outside the sphere of influence of our colleges and their student bodies. More importantly, a three-year average offers stability for purposes of planning, implementing new programs, and the continuation of sustainable and highly effective programs. Only with the implementation of a three-year average can the need for a stability factor be eliminated. In the first year of implementation, the Workgroup recommend FTES from summer courses be assigned to the fiscal year in which the final day of instruction for the course had been held. In addition, the basic allocation for the number of colleges and centers at each district should be increased to adequately support the requisite operating costs associated with serving more students and increasing its service-level to the community.

# Recommendations

## Equity

No other sector of public higher education in the state is open access and therefore serves students with the greatest challenges and needs. Governor Brown and legislative leadership recognize that many economically disadvantaged students have been underserved by our education systems and as a result, often compel greater resources to be supported adequately. To ensure that all of California's community college low-income students are accounted for and served, the Workgroup recommends using the Carl D. Perkins Career and Technical Education Act definition of economically disadvantaged which considers factors extant in funding initiatives including the College Promise Grant, Pell Grant, CalWORKs, foster youth, and WIOA. Employing this criteria aligns with our sector's mission and the value of inclusivity as highlighted in the *Vision of Success* which states that serving underserved groups in underserved areas "...is a moral imperative that matches our California ideals of social justice and equity."\*\*

*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.*

## Success for All

Outcome metrics that fail to prioritize equity forestall an opportunity to better serve underrepresented and economically disadvantaged students. Designing incentives to achieve equitable outcomes for focus populations means integrating socioeconomic and success metrics. By advancing a framework integrating both enrollment and success of underrepresented groups, a new formula can ensure equity and inclusion are at the forefront of district planning. **Socioeconomic and success measures should not be treated separately but rather collectively with equity and success integrated and interdependent.** 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 and earnings. The *Equity & Success for All* component considers progress, completion, transfer, and earnings; and it prioritizes outcomes of underrepresented and economically disadvantaged students. Moreover, economically disadvantaged students are more accurately defined by using the Perkins definition.

### Access

A funding formula that supports access but shifts away from an over-reliance on growth.

### Equity

Define equity to accurately represent all economically disadvantaged students  
(e.g. low income, CalWORKs, students with disabilities, foster youth, AB 540)

### Success for All

Districts are recognized for the successful outcomes of economically disadvantaged students.

\*\* Vision for Success: Strengthening the California Community Colleges to Meet California's Needs, p. 13.

# Recommendations

## Need-Based Growth

Since 2015, the funding formula has allocated growth with greater focus on serving student and community need. SB 860 directed the development of a revised growth formula and specified that the formula include the following need factors:

- The number of people within a district's boundaries who do not have a college degree.
- The number of people who are unemployed, have limited English skills, who are in poverty, or who exhibit other signs of being disadvantaged, as determined by the district's factors of educational attainment, unemployment, and households below poverty.

The model allocates 49.9% of the growth funding based on access and 50.1% based on need (only those districts that have need that is greater than their current access qualify for a portion of these funds).

These two amounts are summed to determine the total amount of growth funding for which each district would qualify.

The Workgroup highlights this key component of the community college funding model to illustrate that focus and dedication to unmet need currently exists within the *Access* component of the formula. In light of the existing need-focused provisions, drastic reductions to *Access* portion of the funding formula would circumvent this focus. By integrating equity into the *Access* portion of the formula, colleges ensure they don't close the door on the thousands of underserved California.

## Additional Funding Formula Reforms

### Categorical Structure

Categorical programs have also been an important consideration of the Workgroups. 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 Workgroups recommend a simplified and restricted program that supports accountability and local control. Specifically, the Workgroups recommend the integration of Student Success and Support Services, Basic Skills, and Student Equity into a restricted categorical known as the *Student Equity and Success Program*. Key to this integration is the continued commitment to serving disadvantaged populations with equity-minded, student-centered services and supports. The restricted categorical structure enables the alignment of reporting metrics and maximizes services to students.

*“Designing incentives to achieve equitable outcomes for focus populations means integrating socioeconomic and success metrics.”*



# Using Metrics That Matter for Access, Equity & Success for All

The Workgroups addressed the metrics portion of the funding formula with the goals of keeping it simple, meaningful, equity-focused, and tied to student progress on an educational pathway. After considering an extensive list of possible data, five metrics are proposed:

## **equity, progress, completion, transfer, and earnings.**

The formula would build off the 17% incentive funding employed by the Strong Workforce Program (SWP), with improvements based on experiences from the implementation of SWP, and some of the key performance indicators (KPIs) within the Guided Pathways framework. The formula uses data that are already collected and includes both credit and noncredit students. Points are assigned based on a student's progression towards Equity & Success for All metrics. **Districts track the same metrics for all students and are recognized for the successful outcomes of economically disadvantaged students within those criteria.**

Specifically, the **Equity & Success for All** portion of funding incorporates the following:

**Equity** – The funding formula provides the opportunity to improve the outcomes of economically disadvantaged students. The metrics to be analyzed would recognize districts for the successful outcomes of economically disadvantaged students.

**Measuring All Transfers** – Since the California State University (CSU) and University of California (UC) lack capacity for all CC transfer-ready students and a final Associate Degree for Transfer (ADT) agreement does not exist with UC or private not-for-profit institutions, the revised definition includes unduplicated transfer-prepared students and those that transfer to any accredited four-year public and/or private institution. 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 our colleges 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 to any accredited four-year university in addition to points for Associate Degrees for Transfer (ADTs).

**Capturing Momentum Points & Completion** – Integrating student success measures can change institutional behavior in ways that benefit all students, especially the most vulnerable populations who may require higher levels of academic and financial supports. With the implementation of Guided Pathways, it is important to reward colleges for improving student progress and persistence. The metrics for progress recognize critical student advancement prior to achieving completion outcomes.

**Economic Mobility** – Evidence demonstrates a positive correlation between educational attainment and wage increases, and that students can earn wage increases even during poor economic times. In data modeling for the 17% Committee, small and rural colleges fared better when earnings outcomes were included. Incorporating wage gains captures the diversity of the job market and skill-building.

# Implementation

To ensure effective implementation of this proposal, the Funding Formula Workgroup is recommending a tiered implementation process beginning in fiscal year 2018-19, followed by a phased five-year Program Transition to fully implement access, equity, and success metrics by 2025. A thoughtful 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. This allows districts to plan and make data-informed adjustments that enhance student success.

During the two-year program transition period, districts would be allotted time to implement important reforms designed to increase retention and completion. These programs include Guided Pathways, Assembly Bill 705, and the integration of reporting requirements for certain categorical programs. During this period, no districts would receive less funding than they did during the prior fiscal year. Further, during the Program Transition the oversight council must finalize the metrics, run simulations and complete analysis of the metrics and formula impacts.

Outcome-focused metrics would be implemented in year three (see Appendix A for preliminary *Equity and Success for All* metrics to be analyzed for implementation during the Program). Final metrics will be widely vetted and approved by the Board of Governors. The percentage allocated based on the *Equity & Success for All* 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 *Equity & Success for All* category.

## 2-Year Program Transition

- No districts would receive less funding than prior fiscal year.
- Increased base level adjusted by the annual COLA
- Metrics analysis period to mitigate unintended negative effects on colleges and the communities they serve.
- Districts allotted time to build capacity, implement Guided Pathways, AB 705, etc.

## 5-Year Program Transition Step Down

- Implementation begins in Year 3.
- Access funded based on a three-year FTES average.
- Equity & Success for All metrics would increase by 5% each year until full implementation.
- Equity defined to accurately capture all students served.

# Timeline

<b>Year 1:</b> <b>2018-19</b>	<b>Transition Funding</b> <ul style="list-style-type: none"> <li>Districts receive 2017-18 with COLA</li> <li>One-time funds to recognize district performance under Equity &amp; Success for All metrics</li> </ul>		
<b>Year 2:</b> <b>2019-20</b>	<b>Transition Funding</b> <ul style="list-style-type: none"> <li>Districts receive 2018-19 funding level with COLA</li> <li>One-time funds to recognize district performance under Equity &amp; Success for All metrics</li> <li>Summer FTE assigned to the fiscal year in which the final day of instruction was held</li> <li>Report on analysis of funding formula metrics due to the Board of Governors</li> </ul>		
<b>Implementation of Equity &amp; Success for All Metrics</b>			
Year	Access Metrics	Equity & Success for All Metrics	Estimated Equity & Success Dollar Amount
2020-21	Access: 95% 3-year average	Equity & Success for All: 5%	\$419 Million
2021-22	Access: 90% 3-year average	Equity & Success for All: 10%	\$838 Million
2022-23	Access: 85% 3-year average	Equity & Success for All: 15%	\$1.3 Billion
2023-24	Access: 80% 3-year average	Equity & Success for All: 20%	\$1.7 Billion
2024-25	Access: 75% 3-year average	Equity & Success for All: 25%	\$2.1 Billion
<b>Full Implementation</b>	<b>75%</b>	<b>25%</b>	<b>\$2 Billion</b>

# Evaluation of Effectiveness and Impacts of the Funding Formula

## Regulations

A comprehensive review of the new Equity-Focused Funding Formula necessitates an analysis about its interaction with existing regulations, especially the Faculty Obligation Number (FON) and 50 percent law. The oversight committee should analyze the interactions of the new formula with these regulations during the Program Transition Period and provide feedback about these impacts to the Board of Governors in its first two annual reports.

## Post Implementation Evaluation & Analysis

The funding formula oversight council should also examine the following:

- Final adjustments of Equity & Success for All metrics
- Impact on noncredit programs (non-CDCP)
- Evaluation of a census date for enrollment in noncredit programs
- Impact of FTE averaging on districts with growing enrollments
- Reporting alignment within other categorical programs not identified in this recommendation
- Programs addressing the needs of older students (25 years and older)
- Effects of regional access to transfer pathways to CSU and UC
- District basic allocations to better reflect fixed operating costs associated with serving students

During the Program Transition period, we recommend the Chancellor's Office evaluate the Basic Allocation for a college and center at a district. We urge data-informed consideration of the thresholds and dollar amounts in the Basic Allocation. By funding more threshold levels, (compared with the current range of 10,000 FTES for the three existing step levels), State investment encourages a focus on quality (student equity and success) rather than on quantity (enrollment growth). Moreover, updated market research and analysis supports increasing the Basic Allocation amounts to better align with the fixed costs associated with operating sites and centers.

## 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 Workgroup recommendations are to:

- protect education access for economically disadvantaged and underrepresented students
- reward districts' intentional efforts to advance student success and completion
- provide sustainable and predictable funding to support achievement of these outcomes
- promote fiscal stability, sound financial planning,
- support and maintain efficient college/district operations, and
- support the comprehensive mission and indispensable role of California's community colleges.

# Call To Action

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**A significant and historical funding formula change to the nation's largest system of higher education serving California's most underserved and vulnerable populations, must include five essential elements:**

- ✓ An appreciable base increase prior to implementation of a new funding formula recognizing the necessity to build institutional capacity to improve student outcomes;
- ✓ Two years of program transition funding at a new, higher base level with the statutory COLA while the formula's metrics are analyzed and refined to ensure their efficacy in advancing student access, equity, and success;
- ✓ A three-year average for enrollment to enhance predictability and to mitigate volatility;
- ✓ A five-year progressive increase to full *Equity & Success* funding to allow for a complete cycle of Guided Pathways indicators to be measured; and
- ✓ An oversight council to conduct annual reviews and make recommendations to the Board of Governors to safeguard the long-term integrity of the formula in advancing equity-minded success for *all*.

# ADDENDUM:

## Equity & Success for All Metrics for Analysis During Transition Period

METRICS	DESCRIPTION	ASSIGNED VALUE (Points)	ECONOMICALLY DISADVANTAGED (Points)
<b>Equity</b>  students served who are designated as economically disadvantaged	# of Perkins students, including Pell, foster youth, and AB 540.	3	4.5
<b>Progress</b>  students who take more units are more likely to complete	# of students who complete 15 or more academic credits in one year	0.5	0.75
	# of students who attain 48 CDCP contact hours in one year	0.5	0.75
	# of student who persist from term one to term two (Fall to Spring or Spring to Fall)	0.5	0.75
<b>Completion*</b>  longer term awards yield stronger economic outcomes over time  *Highest award student completes per year	# of students who earn a credit certificate or degree	<ul style="list-style-type: none"> <li>• Certificate 12-18 units = 0.5</li> <li>• Certificate 18 to &lt;30 units = 1</li> <li>• Certificate 30+ units = 2</li> <li>• Associate Degree = 3</li> <li>• ADT = 3</li> <li>• Bachelor Degree = 6</li> <li>• CDCP certificate &lt;288 hours = 1</li> <li>• CDCP certificate 288 hours or more = 2</li> </ul>	<ul style="list-style-type: none"> <li>• Certificate 12-18 units = 0.75</li> <li>• Certificate 18 to &lt;30 units = 1.5</li> <li>• Certificate 30+ units = 3</li> <li>• Associate Degree = 4.5</li> <li>• ADT = 4.5</li> <li>• Bachelor Degree = 9</li> <li>• CDCP certificate &lt;288 hours = 1.5</li> <li>• CDCP certificate 288 hours or more = 3</li> </ul>
<b>Transfer</b>  faster time to transfer supports economic mobility	# of unduplicated transfer prepared and students who transfer to any accredited four-year institution, including ADTs	3	4.5
<b>Earnings</b>  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 attained the regional living wage within one year	2	3

# Access, Equity & Success for All

## Community College Funding Formula Principles

*The CEO Funding Formula Workgroup was tasked by Chancellor Oakley with providing recommendations in response to the Governor's January funding formula proposal. The Workgroup urges consideration of the following principles in the development of a new funding formula:*

- Recognize the necessity of building institutional capacity to improve student outcomes by increasing community college base funding appreciably prior to implementation of a new funding formula;
- Provide two years of program transition funding at a new, higher base level with COLA while the formula metrics are analyzed and refined to ensure their efficacy in advancing student access, equity, and success;
- Establish a funding formula oversight council to conduct an annual analysis and review of the funding formula and make recommendations to the Board of Governors by March of each year for adjustments that advance equity-minded student success through improved fiscal stewardship;
- Enhance funding predictability with a three-year average for enrollment and by assigning Summer FTE to the fiscal year in which instruction was held;
- Integrate the enrollment and academic progress of economically disadvantaged populations with a formula that balances access, equity, and success for all students;
- Adequately define equity metrics to most accurately represent all economically disadvantaged students (e.g. low-income, CalWORKs, students with disabilities, foster youth, AB 540) and to identify their respective needs for Guided Pathways;
- Progressively phase out transition funding to fully implement access, equity, and success metrics by 2025, and
- Recognize that the diversity of our geographic regions, economies and demographics across the state presents unique challenges and opportunities to community colleges.

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