

# Overview of Proposed Changes to CCC Funding Formula

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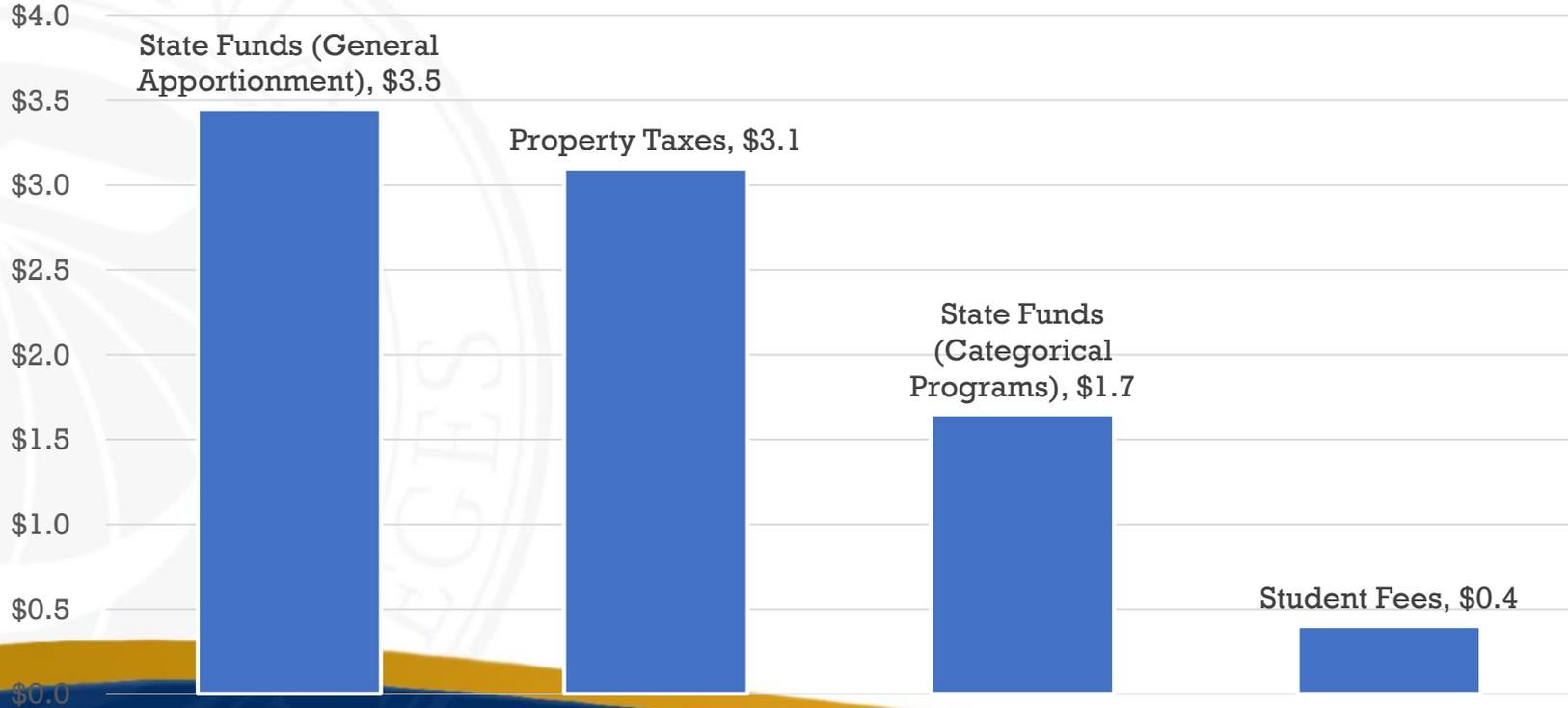
# Current Practice

- The general apportionment is funded through a combination of state funds, local property taxes, and enrollment fees.
- Districts receive a total amount of funds based on:
  - Full-time equivalent students (FTES) enrolled, with rates for credit, noncredit, and career development and college preparation (CDCP) noncredit courses.
  - Number of colleges and approved centers.
  - Some other district characteristics (e.g., whether district is rural).
- In addition, the state allocates General Fund through categorical programs.



# Current Practice

Distribution of General Apportionment Funds, 2017-18  
(Dollars in Billions)



# Problem Statement

- While the system has made significant strides in improving student success, serious challenges remain.
  - Most students who enter a community college never complete a degree or certificate or transfer.
  - Students who do reach an educational goal take a long time to do so.
  - Achievement gaps persist (across student groups and across regions).
- The current formula rewards a primary outcome—FTES—which can create perverse incentives, especially when economic and demographic trends make enrollment growth difficult to achieve.



# Theory of Action

- Funding formulas can encourage progress on state goals through several mechanisms. They can:
  - Create financial incentives for institutions to make progress.
  - Make institutions more aware of state goals.
  - Make institutions more aware of their own performance.
  - Result in institutional capacity to make change.

Dougherty, K. J., Jones, S. M., Lahr, H., Pheatt, L., Natow, R. S., & Reddy, V. (2016). *Performance funding for higher education*. JHU Press.

# Advisory Workgroup on Fiscal Affairs

- The Advisory Workgroup on Fiscal Affairs, which consists of college chief business officials, advises the Chancellor.
- Last year, the Chancellor tasked the group with developing a new funding formula.
- The workgroup transmitted recommendations to the Chancellor in December 2017, with a vision statement that expressed intent for a formula that:
  - Remains stable and sustainable.
  - Supports the goals articulated in the Vision for Success.
  - Encourages progress for targeted populations.
  - Responds to the needs of communities.



# Governor's Budget *(Proposal Only)*

- The Governor proposes, for consideration as part of budget process, a new formula using counts of the following:
  - *Base Grant*—FTEs. (50%)
  - *Supplemental Grant*—(1) Students who receive a College Promise Grant and (2) students who receive a Pell grant. (25%)
  - *Student Success Incentive Grant*—(1) Degrees and certificates awarded, (2) students who complete a degree or certificate in three years or less, and (3) Associate Degrees for Transfer awarded. (25%)
- In 2018-19, a district would receive the greater of the formula total or the amount the district received in 2017-18. Beginning in 2019-20, a district would receive at least FTEs multiplied by the per-FTEs rate used in 2017-18.

# Governor's Budget *(Proposal Only)*

Category	Variable	2018-19 Rate (Est.) <sup>1/</sup>
Base Grant	Credit FTES	\$2,465
Base Grant	Noncredit FTES	\$1,540
Base Grant	CDCP Noncredit FTES	\$2,465
Supplemental	College Promise Grant Recipients	\$1,367
Supplemental	Pell Grant Recipients	\$2,181
Student Success	Degrees and Certificates Awarded	\$5,672
Student Success	Degrees and Certificates Completed in Three Years or Less	\$6,555
Student Success	Associate Degrees for Transfer Awarded	\$1,001

<sup>1/</sup> Estimated based on Department of Finance trailer bill and assumption of 2.51-percent cost-of-living adjustment. Trailer bill is at [http://www.dof.ca.gov/Budget/Trailer\\_Bill\\_Language/documents/CommunityCollegeStudent-FocusedApportionmentsFormula.pdf](http://www.dof.ca.gov/Budget/Trailer_Bill_Language/documents/CommunityCollegeStudent-FocusedApportionmentsFormula.pdf).



# Governor's Budget (*Proposal Only*)

- **Further:**
  - *Future Changes*—Board of Governors could amend the formula with approval from the Department of Finance.
  - *Alignment with Vision*—Districts would be required to align educational master plans with the Vision for Success.
  - *Capacity*—Chancellor could direct some districts to use up to 3 percent of funds for technical assistance.
- Also, the Chancellor's Office would consult with stakeholders and develop a proposal to consolidate categorical programs for consideration in the May Revision.

# Workgroups' Review of Proposal

- The Chancellor also asked the president of the League's CEO board to convene a workgroup to consider proposal.
- For consideration:
  - What student characteristics suggest the need for additional resources?
  - What outcomes are most appropriate to measure progress toward the system's goals?
  - What is the appropriate balance between goals of access, equity, and outcomes?
  - What is the appropriate balance between stability and risk?
  - What would a transition look like?
    - What period of time is appropriate?
    - What additional capacity is necessary?

# Workgroups' Review of Proposal

- The CEO workgroup and the Advisory Workgroup on Fiscal Affairs have released draft recommendations:
  - In 2017-18 and 2018-19, fund two-year transition with districts receiving no less than 2017-18 funding levels.
  - Beginning in 2020-21, implement new formula over five years, with increasing percentage (ultimately 25%) based on broader outcomes, with additional funds for outcomes of disadvantaged students.
  - Create new Student Equity and Success Program by integrating Student Success and Support Program, Student Equity program, and Basic Skills program.
  - Build in reviews by the Chancellor's Office.

# Other Consultation

- These issues were presented at the Consultation Council meeting last week.
- The Chancellor's Office has sought other feedback through other mechanisms:
  - *Equity-Focused Meetings*—With the Campaign for College Opportunity, the office is holding three meetings with stakeholders focused on how a new formula could be designed to address equity goals. (March 21 in Oakland, March 26 in Sacramento, and March 27 in Los Angeles.)
  - *Surveys*—The office has distributed two surveys (one on funding formula and one on consolidation of categorical programs).

# Next Steps

- The Chancellor's Office will make recommendations for changes for inclusion in the Governor's May Revision.
- The proposal will be considered by legislative committees in coming weeks:
  - Assembly budget subcommittee meets at the beginning of April.
  - Senate budget subcommittee meets April 19.
- Department of Finance releases May Revision by May 14.
- Legislature must pass a budget by June 15.

# Next Steps

- If enacted, Chancellor's Office would begin to implement the new formula. Activities—short-term and long-term—include:
  - Possible policy changes for consideration by the Board of Governors.
  - Changes in apportionment systems.
  - Capacity-building at colleges.
  - Ongoing Chancellor's Office review.
  - Updates to the Governor and the Legislature.