

2018 – 19 Funding Formula Frequently Asked Questions

AS OF MAY 22, 2018

This document is a guide to the 2018 – 19 Funding Formula, in the form of a frequently asked questions list. The guide is split into five sections: A. Introductory (p.1), B. Base Allocation (p.2), C. Supplemental Allocation (p.5), D. Student Success Incentive Allocation (p.7), E. General (p.9).

A. Introductory

A1. What is the purpose of changing the funding formula?

The California Community College System, which serves 2.2 million students annually, has a mission that includes reducing equity gaps, providing educational access and opportunity, and strengthening the state's economy. The system has continued to face challenges in pursuing this mission: too few students reach their educational goals, and others take far too long to do so; access and achievement gaps exist for low-income and students of color; older and working adults are often left behind.

The objective of the new funding formula is to mitigate these challenges that the system has long struggled to address institutionally. A new funding formula that focuses on rewarding equity and success, in addition to but not fully focused on enrollment, is vital in guiding California Community Colleges in realizing their mission.

A2. How is the new formula different from the current formula?

The new funding formula has a three-pronged focus: Access, Equity, and Success.

Being based only in enrollment data, the current formula funds Access alone. The new formula still supports Access through enrollment-based funding, but also supports Equity and Success through additional allocations.

A3. What are the components of the new funding formula?

There are three major components. First, the Base Allocation comprises 60% of total systemwide funding and focuses on overall Access. It is determined by overall district enrollments and district size. Second, the Supplemental Allocation comprises 20% of total systemwide funding and focuses on supporting Equity. It is determined by the number of low income and low-income adult students in a district. Third, the Student Success Incentive Allocation comprises 20% of total systemwide funding and focuses on supporting Success. It is determined by the number of outcomes for various measures of student success in transfer, completion and wage earning.

A4. How were the allocation percentages of the new funding formula determined?

While the original proposal for the new funding formula allocated 50% to base funding and 50% to new factors, increasing the base funding component of the new formula from 50% to 60% improved funding for most districts. Thus, the 60%, 20%, 20% allocation was established.

B. Base Allocation

B1. What is the Base Allocation?

The Base Allocation is the enrollment-based component that is similar to the current funding formula. The Base Allocation is the sum of the Basic Allocation funding (derived from the number of colleges and centers in a district as well as its size), and the funding for Credit, Non-Credit, CDCP, Incarcerated and Special Admit enrollment FTES. Across all districts, this sum comprises 60% of the total systemwide revenue.

B2. Under the new formula, is current year FTES or a multiple year average FTES used to determine funding?

Under the new formula the basis of FTES funding is a 3-year average for Credit, Non-Credit, and CDCP FTES. For future projections, Projected Growth FTES is added in.

B3. How is the 3-year average calculated?

For 2018 – 19, the FTES that receives funding is the average of 2016-17 Actual FTES, 2017-18 P1 Actual FTES, and 2018-19 Projected Funded FTES (minus 2018-19 Projected Growth FTES).

B4. In this calculation, did you include Stability and Restoration FTES?

Yes, for the 2018-19 Projected FTES, Stability and Restoration were included.

B5. How is Projected Growth calculated?

For 2018-19 Projections, 2017-18 Growth FTES numbers were used as 2018-19 Growth FTES Projections.

B6. How are Projected Restoration and Stability Calculated?

The Governor's funding formula projects 2018-19 restoration and stability for each district. On the May 15, 2018 document posted on the CCCC website (*Source Data for DOF Simulation of Administration's May Revision Funding Formula*), the tab titled "2018/19FTESAssumptions" shows these assumptions, which the Department of Finance created.

B7. Why does the system use a 3-year average for Base Credit, Non-Credit, and CDCP FTES?

The three-year average FTES is used instead of the most recent year's FTES in order to financially protect districts from large enrollment swings and unexpected economic downturns. It is also used in order to increase district stability and predictability in planning, program implementation, and budgeting.

B8. What is the data source for the Base Allocation?

The data source for Credit, Non-Credit and CDCP data is Public CCC Office Apportionment data. The data source for Special Admit and Incarcerated numbers is the Data Mart.

B9. Are all types of students' FTES funded at the same rate?

No, all students are not funded at the same rates. CDCP Students, Special Admit Credit students, and Incarcerated Credit students are fully funded at \$5,547 per FTES. Non-Credit students, including Incarcerated, are funded at \$3,347 per FTES. Base Credit students are funded at \$3,024 FTES.

B10. How were the funding rates set for Base Credit, Non-Credit, CDCP, Incarcerated and Special Admit FTES?

The funding rates for Non-Credit, CDCP, Incarcerated, and Special Admit students were set by growing their current base rates by the 2018-19 COLA of 2.71%. The Base Credit funding rate was set at 55% of the new fully-funded credit rate with the COLA addition, based on the total leftover funds available and total systemwide Credit FTES.

B11. Systemwide, are these rates the same for all districts?

Yes, except for the 10 districts with higher FTES rates from SB361.

B12. Will Non-Credit and CDCP rates increase in future years?

Yes, they will increase by COLA, and where applicable, any base increases identified in the annual budget.

B13. Is it possible for a district's Basic Allocation to shrink in 2018-19 or any future years with the new formula?

No, a district's Basic Allocation cannot shrink year-to-year assuming there is no decrease in district size.

B14. Are Special Admit and Incarcerated FTES being double counted when funded for the Base Credit FTES?

No, FTES for these groups are not double counted in the funding calculations.

B15. Is COLA being applied to the Basic Allocation?

Yes, in 2018-19 the Basic Allocation will grow by the 2.71% 2018-19 COLA Rate.

B16. Is COLA being applied to the Base Allocation as a whole?

Yes. In addition to the Basic Allocation COLA, Non-Credit, CDCP, Special Admit, and Incarcerated FTES rates will increase by the full 2.71% COLA. Base Credit FTES will be funded with remaining funds leftover for the 60% Base Allocation.

B17. Can the 3-year average change a district's status for its Basic Allocation?

No, a district's funding will not decrease for the basic allocation based on the 3-year average. The Chancellor's Office believes the Governor's intent is to leave the administration of the basic allocation unchanged from current practice.

B18. Why are Incarcerated and Special Admit FTES paid at the fully funded amount?

Incarcerated and Special Admit students are special FTES populations (Prison Inmates and High School Students, predominantly) that the state encourages districts to continue to serve. Thus, the new formula retains the current funding formula rates for these groups of students.

B19. Are Incarcerated and Special Admit populations excluded from the Supplement and Success Allocations?

No, they would be included in both metrics, although the number of students from these special populations would likely be small.

B20. Are Incarcerated and Special Admit FTES pulled out of the overall 3-year FTES average?

In calculating the 3-year average, Incarcerated and Special Admit FTES are included. However, the current year FTES numbers for these groups are then removed from the final 3-year Credit FTES average when determining funding. In other words, they are not double counted for the current year. These groups' FTES are then counted and funded separately.

B21. How will summer enrollments be counted?

Beginning in the 2018-19 fiscal year, FTES from 2019 summer term that crosses over fiscal years will be counted as FTES in the 2019-20 fiscal year. For future years, FTES associated with a summer term that crosses over fiscal years will be counted towards the following fiscal year. Districts may not shift their summer term FTES between fiscal years, per the proposed Trailer Bill.

B22. Will there be simulations for future years, especially to determine the impact of summer shift?

Yes

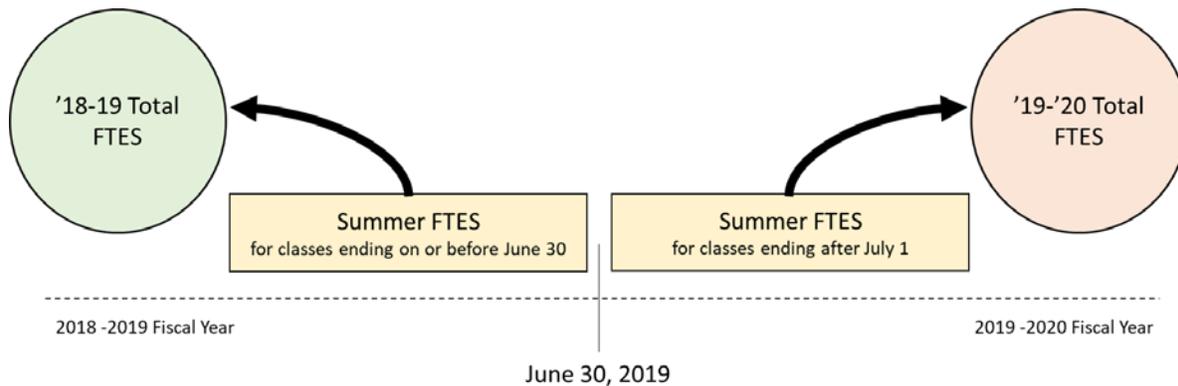
B23. What if your summer sessions start and end prior to June 30?

Summer classes that end prior to June 30th will be included in that current fiscal year. Classes ending after June 30th will be included in the following year.

B24. Is there no option to move Summer 2019 back to 2018-19?

Please see the response to Question B23.

B25. How would you report your summer 2019 FTES in a diagram?



B26. If there is a deficit factor, do we get it funded the next year?

Calculation of a deficit under the new formula will remain unchanged from current practice in the existing formula.

c. Supplemental Allocation

C1. How is the Supplemental Allocation calculated?

The supplemental allocation is calculated by distributing the 20% of total systemwide revenue to districts based on their unduplicated headcounts of Pell, AB540, and Promise Grant 25 years and older+ students. All groups were funded at a rate of \$1,526 per student in 2018-19 projections.

C2. How would a student in my district be funded for the Supplemental Allocation? Please provide an example.

If a student in your district is either a Pell Grant, AB540 student, he or she will be funded at the rate of \$1,526. Likewise, a student who is eligible for Promise Grant and age 25 or older will also be funded \$1,526. If the Pell/AB540 student is also eligible for the Promise Grant program and is age 25 or older, the student will be funded an additional \$1,526, with a total funding of \$3,052.

C3. How were the rates determined?

The total Supplemental Allocation funds available (20% of Total System Revenue) was divided by the total number of Pell, AB540 and Promise Grant 25+ students in the system, to establish dollars funded per student. The groups were weighted equally in order to signify identical levels of importance.

C4. What is the data source for the Supplemental Allocation?

The data source for Pell and Promise Grant 25+ students is the Data Mart. The data source for the AB540 students is the Chancellor's Office 320 Attendance Reports.

C5. What is the rationale behind choosing Pell, AB540, and Promise Grant 25+ students as measures of equity?

These groups represent the disadvantaged populations whom the California Community College System strives to empower.

C6. What year's students are used for a given year's funding?

The prior year's headcount data will be used to establish funding for the current year. For example, for '18-'19 projections, Projected '17-'18 Unduplicated Headcounts were used.

C7. How are projected headcounts calculated?

For each district, '16-'17 Actual Headcounts were grown by a projected rate equal to the previous 5-year average year-over-year percent change.

C8. Why are headcounts used instead of FTES?

Unduplicated headcounts are used instead of FTES because some of the data is only available on a headcount basis (e.g., AB540). Headcounts are also preferred because, although some of these students may generate low individual FTE, each individual still requires specialized services like counseling. Using headcounts in the funding calculation ensures such services can stay funded.

C9. Why aren't first generation students funded as part of the Supplemental Allocation?

At this time, the data on first generation students is not reliable for the system and using this data would create an unfair distribution of funds. As the data quality improves in future years, the Chancellor's Office will consider adding first generation students to the formula.

C10. Why aren't non-credit students funded as part of the Supplemental Allocation?

This is because they are funded at their full rate in the Base Allocation.

C11. Are students that are both Pell/AB540 and Promise Grant 25+ double counted?

Yes, a student who is both Pell/AB540 and Promise Grant 25+ would be counted twice. The population of such students, however, is very small.

D. Student Success Incentive Allocation (hereafter “Success Allocation”)

D1. How is the Success Allocation calculated?

The Success Allocation is calculated by distributing the remaining 20% of the total systemwide revenue to districts based on their performance in various outcome metrics. Some metrics were weighted more than others. A single student outcome with a greater weight will generate more funding. Outcome metrics for Pell students received additional funding.

D2. What are the metrics and what are their weights?

The metrics are: Associates Degrees, Associates Degrees for Transfer, Certificates +18 Units, 9+ CTE Units Completion, Transfer, Transfer Level Math and English Completion within one year, and Regional Living Wage Attainment.

Each metric’s weight will be provided in the table below.

D3. What is the rationale behind choosing these specific metrics and weights?

The process for selecting the success metrics, in addition to the supplemental metrics, took place over several months with involved input and consideration from several community college stakeholder groups.

D4. Which year’s data is used in calculations?

Similar to the Supplemental Allocation, the prior year’s data is used in calculating funding.

D5. Can you tell me about the data used and how projections were calculated?

All data information is contained in the table on the following page, which presents the metrics used, along with their weight values, definitions, data sources, availability date, and projection method. Outcome data for individual metrics is gathered both for all students, and also specifically for Pell students.

D6. Can you provide an example of how this works?

Yes. Please use the table on the following page for reference.

We will look at a singular outcome and how it is funded. If, in a prior year, one Pell recipient student from your district graduated with an Associate’s Degree, this outcome would receive \$4,608 in funding, broken down as follows. Weights can be thought of as points. Based on the entire number of outcomes and points systemwide and the total funds available in the Success Allocation, all outcomes are funded \$876 per point. Pell student outcomes are funded an additional \$660 per point. The outcome “Associate’s Degree” is weighted 3 points. Therefore, the above outcome is funded $(3 \text{ points} \times \$876/\text{point}) + (3 \text{ points} \times \$660/\text{point})$, which is \$4,608, from the Success Allocation. The same student is funded additionally from the other two Allocations.

Metric	Weight	Definition	Data Source	Date Available	Projection Method
Associate's Degree	3	Associate degree awards per academic year	Public CCC MIS Datamart	October	District 5-year average year to year growth
Associate's Degree for Transfer	4	Associate Degree for Transfer awards per academic year	Public CCC MIS Datamart	October	District 5-year average year to year growth
Certificates 18+ Units	2	Certificates requiring 18 or more units awards per academic year	Public CCC MIS Datamart	October	District 5-year average year to year growth
9+ CTE Units Completion	1	Students completing 9 or more CTE units per academic year	Chancellor's Office; CTE LaunchBoard (for growth calculation)	August	Statewide 5-year average year to year growth
Transfer	1.5	Students who transfer per academic year	Public CCC MIS Datamart; public CSU data on CCC transfers; public UC data on CCC transfers	November	District 5-year average year to year growth
Transfer Level Math & English Completion	2	Students who complete transfer-level math and English courses in their first year per academic year	Chancellor's Office	August	Statewide 5-year average year to year growth
Regional Living Wage Attainment	1	Students who attain a regional living wage within one year per academic year	Chancellor's Office; CTE LaunchBoard (for growth calculation)	August	Statewide 5-year average year to year growth

Table 1: Student Success Incentive Allocation

E. General Questions

E1. Will my district receive 60% of its funding from the Base, 20% from the Supplement Allocation, and 20% from the Success Allocation?

It is not necessarily true that an individual district will receive its funding in the 60% 20% 20% proportion. While the systemwide budget is being divided in this manner, the composition of individual districts' funding allocations will differ based on each one's own unique conditions and composition.

E2. How many years will my district be held harmless if its funding is reduced because of the new formula?

Districts will be held harmless to their 2017-18 Total Revenue for two years: 2018-19 and 2019-20.

In 2018-19, districts will be held harmless to their '17-18 revenues, and will receive one-time discretionary resources up to the '18-'19 COLA rate of 2.71% of the prior year's funding.

In 2019-20, districts will be held harmless to their '17-'18 revenues only.

In 2020-21 and years thereafter, districts will be held harmless to their '17-'18 per FTES rate multiplied by the district's new FTES.

E3. Will my district be held harmless beyond 2 years if its enrollment or outcomes drop after the formula is adopted?

Refer to E2 above. Districts will not be fully held harmless beyond two years; however, they will be held harmless to their '17-'18 FTES rate multiplied by their current year's FTES.

E4. If a district is to get more via their '17 – '18 Fiscal Year apportionment versus the new formula, will COLA be applied to the '17 – '18 amount?

Yes. Besides Basic Aid districts, all districts will receive a minimum '18 – '19 Total Revenue of '17-'18 Revenue plus COLA.

E5. Will the state still use the P-2 reported amount for the next year's funding?

Yes, this will be used, along with prior year data for the metrics that are not yet available at that time.

E6. Will the systemwide budget increase as outcomes improve?

The systemwide budget may increase as success outcomes improve. Many factors impact changes in the systemwide budget beyond the Chancellor's office.

E7. How can I find the source for the data used to determine my funding?

Answers to this are in the table above, but we are also working on a Data Dictionary to guide districts.

E8. Can someone at my district verify the data and run the reports used for the new funding formula?

Most data elements can be verified locally using the 320, Data Mart, MIS and Clearinghouse data. Living wage data is not available at this time.

E9. Will districts with differential rates for FTES funding continue to be funded at their higher rates?

Yes, their fully funded and non-credit differential rates will increase from their previous rates by the '18-'19 COLA rate of 2.71%. Their differential credit FTES rates will change proportionate to the systemwide change, explained in Question B10 above.

E10. How does the new formula impact basic aid districts?

The calculation of Basic Aid districts' funding will change according to the new formula; these districts will not receive COLA funds beyond being held harmless. The total dollar values of these districts' funding will not increase unless they experience FTES growth or positive performance on success and equity metrics.

E11. How will stabilization be defined in future years?

Stabilization has been replaced by using a three-year rolling average for FTES funding. Stabilization will not be available in future years.

E12. What happens with restoration?

Because stabilization is no longer available, restoration is also no longer available.

E13. How will the Chancellor's Office monitor the implementation of the new funding formula in future years, including modifying metrics and their weights?

The trailer bill requires the Chancellor's office to develop a plan to monitor the effects of the new funding formula.

E14. How will the new funding formula affect my district's master planning process?

The proposed Trailer Bill stipulates that districts shall align their master plans and budgets with the systemwide goals of the new funding formula. Local performance goals are also to be aligned with the systemwide goals, and are encouraged to be numerated, measurable via current data, and planned according to a specific timeline. Please refer to the proposed Trailer Bill for details.

E15. How will external auditing requirements change with the new funding formula?

Instructions in the audit report required by Section 84040 will include directives to ensure that districts are not annually granting multiple degrees and certificates to the same student to generate additional revenue via the new funding formula. For more details, please refer to the proposed Trailer Bill

E16. What is going to happen to the FON calculation, given the new apportionment given to the Base Allocation?

FON is calculated based on Credit FTES, not funding, so there will be no change in the calculation of FON on account of the new funding formula.

E17. The estimates were upon P1. If there were a significant increase in P2 FTES, would an update be done at a later date?

Yes.

E18. Why would we use the deferred maintenance and instructional support to fund the new formula?

The Chancellor's Office funding formula proposal included using these funds. However, the Governor's May Revision does not include them so they are no longer being considered.

E19. If there was only \$ 175 million in the Governor's proposal for the funding formula how did we end up with over \$ 456 million in the new formula? Were funds taken from another area? Do the new numbers include lumping in the COLA; Growth and one-time funds into the pot?

The Chancellor's Office proposal included \$476 million in new on-going funds (COLA \$161M; Growth \$60M; Hold Harmless \$175M; Physical Plant \$80M). The Governor's May Revision spends less on the new Formula or \$340 million in new on-going funds (COLA \$173M, Growth \$60M; Hold Harmless \$107M) and then uses a combination of one-time and on-going funds totaling \$116M (total includes Basic Aid District's Hold Harmless) to provide hold harmless and a COLA to certain districts in 2018/19.

E20. Did the Governor accept all of the Chancellor's Recommendations on Funding? If not, where are the differences?

The Governor accepted some but not all of the Chancellor's recommendations. Please refer to the Memorandum dated May 11, 2018 from Christian Osmeña, Vice Chancellor for College Finance and Facilities Planning.

E21. As colleges earn more and more points in future years, will colleges get less and less?

Metrics, weights, and the overall distribution of the systemwide revenue may change in the future depending upon on success and equity measures improve over time. This also depends on the available resources of the state.

E22. How will the Financial Aid Technology Improvements and Open Educational Resources funds be distributed?

Program staff is working on these allocations so it is unclear at this time how these funds will be distributed.

E23. Is it possible to have a spreadsheet detailing my individual district's projected changes under the new funding formula, similar to the systemwide simulation?

We hope to make this available in the future.

E24. Will the Chancellor's Office be conducting a budget workshop this year?

Yes, the Budget Conference will be held during the last week of July.