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Community College Apportionment Funding Formula

L E G I S L A T I V E A N A L Y S T ' S O F F I C E

Presented to:
Assembly Budget Subcommittee No. 2 on Education Finance
Hon. Kevin McCarty, Chair





Background on Apportionment Funding



Current Apportionment Formula Allocates Funding to Community College Districts Based on Student Enrollment

- Comprises almost three-fourths of Proposition 98 funding for the California Community Colleges (CCC).
- Primarily based on rates per full-time equivalent (FTE) student. In 2017-18, districts received \$5,151 per credit and enhanced noncredit FTE student and \$3,050 per regular noncredit FTE student.
- Districts can claim the higher of their current-year or prior-year enrollment levels—effectively a one-year hold harmless provision.



Colleges Must Spend Half of Apportionment Funding on Instruction

- At least 50 percent of their general operating budget must be spent on salaries and benefits of faculty and instructional aides engaged in direct instruction. Districts that fall below the 50 percent mark can be subject to financial penalties.



Remaining CCC Funding Provided Through Restricted Categorical Programs

- Each program has its own allocation formula and associated restrictions and spending requirements.
- Several notable programs are targeted for students that historically have had less success at the community colleges.



Background on Recent Student Support Efforts



Several Recent Initiatives Undertaken to Improve Student Outcomes

- Over the past seven years, the state has undertaken several new initiatives to improve student outcomes. For example, the state has adopted policies to require assessment, orientation, and education planning for incoming students; improve the transfer pipeline from CCC to the CSU system; and improve outcomes for students who are not prepared for college-level math or English.
- Some initiatives have been ongoing. For example, the state has provided additional ongoing funding for:
 - The Student Success and Support Program, including student equity plans and an institutional effectiveness initiative.
 - Basic Skills Initiative.
 - Living costs for full-time low-income students.
 - Various other programs, including intersegmental college success partnerships, veteran resource centers, and the Umoja Program.
- Other initiatives have been funded on a one-time basis. For example, the state has provided one-time funding for:
 - Basic Skills and Student Outcomes Transformation grants.
 - Guided Pathways.
 - Innovation Awards.
 - Various other activities, including accelerating online education efforts, improving technology infrastructure, course alignment and common course numbering, and student support services such as mental health and food services.



Creates New Apportionment Formula Based on Three Components

Components of Proposed Funding Formula

Base Grant (\$3.2 Billion)

- \$2,405 per credit and enhanced noncredit full-time equivalent (FTE) student.
- \$1,502 per regular noncredit FTE student.
- Allocation determined by the number of colleges and state-approved centers in the district.

Supplemental Grant (\$1.6 Billion)

- \$1,334 for each financially needy student receiving an enrollment fee waiver.
- \$2,128 for each first-time freshmen who receives a Pell Grant.

Student Success Incentive Grant (\$1.6 Billion)

- \$5,533 for each Chancellor's Office-approved degree, certificate, and award granted.
- \$6,395 for each student who completed a degree or certificate and/or transferred to a four-year institution within three years.
- \$976 for each associate degree for transfer awarded.



Includes Hold Harmless Provisions

- In 2018-19, districts would receive no less than they received in 2017-18. Beginning 2019-20, districts would receive no less than their FTE enrollment multiplied by their 2017-18 rate.
- Separate hold harmless provisions for each element of the supplemental and performance grants.



Includes Planning Requirements

- District must align the goals in their educational master plans with the systemwide goals set forth in the *Vision for Success* adopted by the Board of Governors. They also must align their budgets to their revised master plans.



Requires Low-Performing Districts to Receive Technical Assistance

- The Chancellor's Office could require a district that does not meet its goals to use up to 3 percent of its apportionment funding for technical assistance and training.



Requires Chancellor's Office to Monitor Implementation and Report on Progress in Meeting *Vision for Success* Goals

- The Chancellor's Office must develop a process for monitoring implementation of the funding formula, including developing minimum standards for types of certificates and awards that count towards the performance grant.



Tasks Chancellor's Office With Developing Proposal to Consolidate Categorical Programs

- The administration expects the Chancellor's Office to consult with stakeholders to develop a proposal to consolidate existing categorical programs. The administration's intent is to consider the proposal as part of the May Revision.

**Current Enrollment-Based Funding Approach Has Drawbacks**

- No incentives for colleges to ensure students meet their educational goals and finish with a certificate or degree in a timely manner. Current formula also discourages districts from adopting innovative approaches that help students if such changes result in fewer units taken.

**Performance-Based Funding Would Tie More Funding to Legislature's Goals for System**

- Performance components of the formula are very similar to the Legislature's goals for improving the system. Allocating some funding based on performance could help expedite progress toward these goals and further strengthen districts' fiscal incentives to focus on these goals.

**Nationwide Research Finds Performance-Based Formulas Can Change Institutional Behavior**

- Switching from enrollment-based to performance-based funding formulas has been found to correlate with colleges adopting basic skills reforms, improving course articulation and transfer, increasing the number of academic advisors, providing additional support for students at risk of dropping out, and increasing availability of tutoring and supplemental instruction.
- Despite encouraging these types of institutional changes, studies to date have not found improvements in student performance after adopting performance-based funding formulas.

**Proposed Formula Has Several Key Incentive Problems**

- Although the formula creates an incentive to enroll low-income students, it does not create incentives for colleges to help these students reach their educational goals.
- By providing the same amount of outcome-based funding for any degree or certificate, the proposal could discourage colleges from offering more expensive programs, such as some career technical education (CTE) programs.
- A formula based on performance could create incentives for faculty to inflate grades to ensure student completion.

**Hold Harmless Provisions May Dampen Effect of Shifting to Performance-Based Formula**

- Although the proposed hold harmless provisions create greater stability for districts, districts funded based upon those provisions would have little financial incentive to improve student outcomes.

**Supplemental Funding and Many Categorical Programs Serve Same Purposes**

- Both the supplemental grants and the student support categorical programs are intended to acknowledge the higher costs involved in serving low-income students. Some key differences, however, exist. The Governor's proposed supplemental grants have no restrictions or reporting requirements, while existing categorical programs typically have many restrictions and reporting rules.



Recommendations



Allocate Some Funding Based on Enrollment

- Governor's proposal to allocate about half of apportionment funding based on enrollment seems reasonable.



Allocate Some Funding Based on Performance

- Base at least 20 percent of funding on student outcomes.
- Provide higher levels of funding for the outcomes of low-income students and expensive programs the Legislature considers a high priority (such as some CTE programs).



Consider Supplemental Grants and Categorical Programs Together

- Collapse these fund streams into one larger pot of funding intended to benefit these students.
- Attach few strings to supplemental pot of funding, but require districts to document clearly in their annual budgets how they intend to serve students.



Monitor Implementation to Determine if Negative Outcomes Emerge

- Recommend Chancellor's Office monitor the approval of new program awards (to ensure minimum standards are met), grade-related data (to monitor for grade inflation), and changes in the types of degree and certificates awarded (to ensure districts do not shift to cheaper and lower-value certificates as a way to maximize funding).