

# Funding California Community Colleges in FY 2018-19 and Beyond

ACBO Spring Conference  
May 22, 2018

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# Overview

- ▶ Advisory Workgroup on Fiscal Affairs
- ▶ CEO Workgroup
- ▶ Chancellor's Office Perspective
- ▶ League Perspective

# Advisory Workgroup on Fiscal Affairs

- ▶ Comprised of 12 CBOs representing various types, sizes and geographic locations
- ▶ Last summer, began discussing need for new funding formula
- ▶ Received input regarding national context of funding model reforms
- ▶ Analyzed funding models from Florida, Ohio, Tennessee, and Washington
- ▶ Submitted “*Funding Model Proposal*” to Chancellor Oakley in December 2017

# Advisory Workgroup on Fiscal Affairs - Funding Model Proposal

- ▶ Vision Statement
  - ▶ Stable and Sustainable
  - ▶ Provides incentive funding for serving disproportionately impacted populations
  - ▶ Responsive to local and regional communities served
- ▶ Model Elements
  - ▶ Performance Outcomes tied to Strategic Vision
  - ▶ Base Funding
  - ▶ Enrollment

# Advisory Workgroup on Fiscal Affairs - Funding Model Proposal

## ▶ Performance Outcomes

- ▶ Transfer
- ▶ Completion of Degree/Certificate
- ▶ CTE Employment and Wage Gains
- ▶ Equity Gap Incentives
- ▶ Number and Size of Colleges/Districts and/or Centers and Location
- ▶ Facilities Factor

## ▶ Enrollment

- ▶ FTES and Headcount

# Advisory Workgroup on Fiscal Affairs - Funding Model Proposal

- ▶ Implementation Elements - the funding model should:
  - ▶ Reflect a variation in costs (i.e. size, centers) for Base Funding
  - ▶ Recognize higher costs of CTE courses
  - ▶ Recognize increases in operating costs related to technology and security
  - ▶ Be based upon a 3-year rolling average
  - ▶ Incorporate some categorical programs
  - ▶ Provide stability based upon a multi-year step down model
  - ▶ Be evaluated periodically and modified as needed
  - ▶ Initial hold harmless
  - ▶ Measure improvement over time against itself

# Governor's January Proposal New Funding Formula

- ▶ Model Elements
  - ▶ Base Grant - 50%
  - ▶ Supplemental Grant - 25%
    - ▶ # of California Promise recipients
    - ▶ # of Pell Grants awarded
  - ▶ Student Success Incentive Grant - 25%
    - ▶ # of Degrees/Certificates awarded
    - ▶ # of Degrees/Certificates awarded within 3 years
    - ▶ # of ADT Degrees awarded
- ▶ Other Provisions
  - ▶ Hold Harmless in 2017-18 without COLA
  - ▶ Summer Shift goes away

# Advisory Workgroup on Fiscal Affairs Recommendations to January proposal

- ▶ COLA on Hold Harmless amounts
- ▶ Carve out CDCP and Non-Credit FTES
- ▶ Use 2-yr average of FTES in 1<sup>st</sup> year and 3-yr average thereafter
- ▶ Carve out Instructional Service Agreement (ISA) FTES
- ▶ Add in Transfer Prepared
- ▶ Add in CTE credits
- ▶ Limit the revenue growth in the 1<sup>st</sup> year and allocate those savings across all districts so that every district gets a minimum of COLA in 2018-19
- ▶ Don't use wage gains as a factor



# Access, Equity, and Success for All

## Access

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

## Equity

Adequately 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.

# Building Capacity

## Proposed Implementation Timeline

### 2 Year Program Transition

- ▶ No districts would receive less funding than prior fiscal year, plus COLA.
- ▶ Metrics analysis period to mitigate unintended negative effects on colleges and the communities they serve.
- ▶ Districts allotted time to implement Guided Pathways, AB 705, etc.

### 5 Year Program Transition Step Down

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

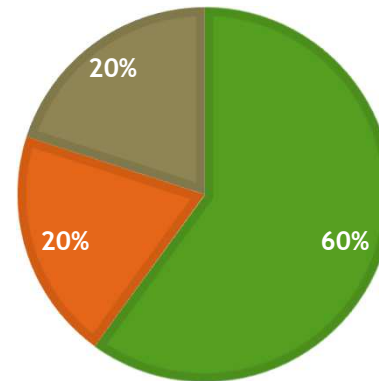
# Call to Action

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*.

# Where we are today - May Revise

■ Base ■ Supplemental ■ Student Success



## ► Model Elements

- Base Allocation - 60%
- Supplemental Allocation - 20%
- Student Success Incentive Allocation - 20%

## ► Other Initiatives

- Summer Shift goes away Summer 2019
- Hold Harmless extended to 2018-19 and 2019-20 with COLA in 2018-19 only
- Annual External Audit step required to be added to CDAM
- Equity Bump = \$660 per student receiving a Pell Grant in the 7 Student Success Incentive metrics

# Where we are today - May Revise

▶ <b>Statewide Dollars</b>	<b>\$7,068,037,103</b>
▶ Base Allocation - 60%	\$4.2 billion
▶ Supplemental Allocation - 20%	\$1.4 billion
▶ Student Success Incentive Allocation - 20%	\$1.4 billion

# May Revision Funding Formula

60% Base	20% Supplement (Equity)	20% Success
<ul style="list-style-type: none"> <li>Measures FTES enrollment based on a <u>three-year average</u>.</li> <li>Consistently counts summer session enrollments in the fiscal year that follows the summer term.</li> <li>Provides a rural allocation consistent with the current formula.</li> </ul>	<ul style="list-style-type: none"> <li>Pell Grant headcount enrollment</li> <li>Headcount enrollment of students 25 years and older who receive a College Promise Grant fee waiver (formerly known as the BOG Fee Waiver)</li> <li>AB 540 students per the California Dream Grant application</li> </ul>	<p>Progress</p> <ul style="list-style-type: none"> <li>Transfer-level mathematics and English within first year</li> </ul> <p>Outcomes</p> <ul style="list-style-type: none"> <li>AA/AS degree</li> <li>Transfer to <u>ANY</u> accredited 4-year institution</li> <li>ADT</li> <li>Credit certificates 18 units or greater</li> <li>9 (CTE) units</li> </ul> <p>Wages</p> <ul style="list-style-type: none"> <li>Regional living wage after one year</li> </ul>

## Where we are today - May Revise

- ▶ Base Allocation - 60%
  - ▶ Credit FTES funded at \$3,103
    - ▶ Carve out:
      - ▶ CDCP - \$5,457
      - ▶ Non-credit - \$3,347
      - ▶ Special Admit FTES - \$5,457
      - ▶ Fund at existing rates
  - ▶ 3-year rolling average of FTES
    - ▶ Current year, Prior year, and prior prior year
  - ▶ Basic Allocations remain the same

## Where we are today - May Revise

- ▶ Supplemental Allocation - 20%
  - ▶ # of students receiving Pell grant
    - ▶ \$1,526 per point
  - ▶ # of students receiving California Promise Waiver that are 25 years old or older
    - ▶ \$1,526 per point
  - ▶ # of students granted exemption from nonresident tuition
    - ▶ \$1,526 per point



## Where we are today - May Revise

### ➤ Success Metrics - All Students (\$876 per point)

Metric	Point Value
# AA/AS or BA/BS Degrees awarded	3
# ADT Degrees awarded	4
# Credit Certificates (18 units or more)	2
# Completers of 9 CTE units	1
# of Transfers to 4-yr institution	1.5
# of Completers of transfer level math and English in first year	2
# of students attaining a living wage within 1 year of completion	1

## Where we are today - May Revise

### ➤ Success Metrics - Pell Students (\$660 per point)

Metric	Point Value
# AA/AS or BA/BS Degrees awarded	3
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# Sample Spreadsheet

South Orange County CCD Apportionment Calculation Under Proposed New Funding Formula for 2018-19					
Calculation of Base Allocation					
	A	B	C= A*B	D	E=C*D
	Per FTES Amount	% Applicable	Payment Per FTES	FTES Funded	Amount Paid
Basic Allocation	\$ -	0%	\$ -	-	\$ 8,746,586.00
Credit	\$ 3,103	100.00%	\$ 3,103.00	23,165.24	\$ 71,881,750.06
Non-Credit	\$ 3,347	100.00%	\$ 3,347.00	2,088.62	\$ 6,990,611.14
CDCP	\$ 5,457	100.00%	\$ 5,457.00	493.48	\$ 2,692,902.17
Special Admit	\$ 5,600	100.00%	\$ 5,600.00	599.20	\$ 3,355,520.00
			<b>Total Funding From Base Allocation:</b>		<b>\$ 93,667,369.37</b>
Calculation of Supplemental Allocation					
	A	B	C= A*B	D	E=C*D
	Point Amount	Total Counts	Total Points	Rate per Point	Amount Paid
Cal. Promise Grant (BOG) (25 or older)	1	6,397	6,397	\$ 1,526.00	\$ 9,761,822.00
AB540	1	1,405	1,405	\$ 1,526.00	\$ 2,144,030.00
Pell	1	6,071	6,071	\$ 1,526.00	\$ 9,264,346.00
			<b>Total Funding From Supplemental Allocation:</b>		<b>\$ 21,170,198.00</b>
Calculation of Student Success Incentive Allocation					
	A	B	C= A*B	D	E=C*D
	Point Amount	Total Counts	Total Points	Rate per Point	Amount Paid
Associate Degree	3.0	2,010	6,030	\$ 876.00	\$ 5,282,280.00
Associate Degree for Transfer	4.0	1,082	4,328	\$ 876.00	\$ 3,791,328.00
Credit Certificates (18 or more units)	2.0	3,538	7,076	\$ 876.00	\$ 6,198,576.00
Completion of 9 CTE units	1.0	4,491	4,491	\$ 876.00	\$ 3,934,116.00
Transfer to 4-year institution	1.5	2,882	4,323	\$ 876.00	\$ 3,786,948.00
Completion of transfer level math and English	2.0	738	1,476	\$ 876.00	\$ 1,292,976.00
Attainment of regional living wage	1.0	3,545	3,545	\$ 876.00	\$ 3,105,420.00
Total					\$ 27,391,644.00
<b>Equity Bump</b>					
Associate Degree	3.0	738	2,214	\$ 660.00	\$ 1,461,240.00
Associate Degree for Transfer	4.0	371	1,484	\$ 660.00	\$ 979,440.00
Credit Certificates (18 or more units)	2.0	1,184	2,368	\$ 660.00	\$ 1,562,880.00
Completion of 9 CTE units	1.0	1,188	1,188	\$ 660.00	\$ 784,080.00
Transfer to 4-year institution	1.5	893	1,340	\$ 660.00	\$ 884,070.00
Completion of transfer level math and English	2.0	157	314	\$ 660.00	\$ 207,240.00
Attainment of regional living wage	1.0	392	392	\$ 660.00	\$ 258,720.00
Total					\$ 6,137,670.00
			<b>Total Funding From Student Success Incentive Allocation:</b>		<b>\$ 33,529,314.00</b>
			<b>Total Computational Revenue Under New Formula:</b>		<b>\$ 148,366,881.37</b>

# CEO Alignment with May Revision Formula

## CEO Recommendations

- **Guaranteed second year COLA**
- **Phase-In**
- **Stability/Predictability**
- **Oversight Council**

- Higher Base
- Two-Year Hold Harmless
- 3-Year Average COLA
- Count All Transfer
- AB 540
- Exclude Noncredit
- Lower Tech Assist %

## May Revision

- COLA (one-year)
- No Phase-In
- Confirmed Metrics
- Percentages

- **Summer Shift**

# Funding Formula Position

The League believes it is the right time to move to a new formula. 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.

- The need for a modification to the funding formula is exacerbated by the fact that of the 72 community college districts, 32 are declining in enrollment and 18 have not recovered past enrollment declines.
- Many districts are expecting significant budget cuts in 2018-19 due to declining enrollments.

# Funding Formula Position

We strongly believe that an essential component of an effective funding formula is building the institutional capacity of the 72 districts which requires a substantial infusion of base funding for colleges.

- We appreciate the improvements in the May Revision.
- Encouraged to report that the Administration indicated it is proposing a strong investment in base funding, and will propose maintaining summer shift flexibility for districts, and include additional stability provisions that will protect colleges from revenue declines in future years.
- Roughly \$400 million in ongoing resources are at stake.

# Actions Taken & Possible Scenarios

	Senate	Assembly	Conference
<b>Action</b>	<ul style="list-style-type: none"> <li>Failed and \$175M and \$104M divided among Legislative priorities</li> </ul>		
<b>Possible Actions</b>		<ul style="list-style-type: none"> <li>Formula with some equity reforms and some faculty metrics is passed or</li> <li>Fail and \$175M and \$104M divided among Legislative priorities</li> </ul>	<ul style="list-style-type: none"> <li>Preliminary plan with adjustments is set in place to evaluate formula over a longer period of time (1-2 years) or</li> <li>Failed and \$175M and \$104M divided among Legislative priorities</li> </ul>



# Questions?