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General

1. What is the Student Centered Funding Formula (SCFF)?

The SCFF adopted in the 2018-19 state budget is a new way to allocate funding to community college districts. The funding formula supports access through enrollment-based funding, student equity by targeting funds to districts serving low-income students, and student success by providing districts with additional resources for student’s successful outcomes. The SCFF was established in the 2018-19 budget bill and details can be found in Assembly Bill 1809 and as summarized by the Governor in his annual budget. Modifications were made to the SCFF in the 2019-20 budget and can be found in Ed Code Section 84750.4.

2. What is the purpose of changing the funding formula? How will the new funding formula help students?

The California Community College System has a diverse student body and 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 helping students reach their educational goals in an efficient and equitable manner and older and working adults are often left behind. The objective of the new funding formula is to mitigate these challenges through a system that focuses on rewarding equity and success in addition to access. The new funding formula will help students by prioritizing their success and specifically by targeting access and success for disadvantaged students.

3. How is the new funding formula aligned with the *Vision for Success*?

The *Vision for Success* includes the goal of closing achievement gaps for historically underrepresented students, which the SCFF addresses by not only providing additional funding for districts to enroll low-income students but also ensuring those students succeed. Language in the new funding formula calls on districts to set performance goals that align with the system-wide goals established in the *Vision for Success* ensuring that the colleges are aligning local goals with the equity and success metrics outlined in the *Vision for Success*.

4. What is the timeline for implementing the SCFF?

The SCFF has a phased in approach which contains a minimum revenue (hold harmless) guarantee for districts from 2018-29 through 2021-22; districts will receive at least the 2017-18 total computational revenues (TCR), adjusted by COLA each year, through 2021-22. The 2020 Budget Act extends the formula’s existing hold harmless (minimum revenue) provision by two additional years through 2023-24. In years without base reductions, Districts will receive at least the 2017-18 TCR, adjusted by COLA each year.

Formula Design

5. How is SCFF different from the prior funding formula?

The prior funding formula was based predominantly on enrollment while the new funding formula has a three-pronged focus: access, equity, and success. The new funding formula still supports access through enrollment-based funding, but also supports equity and success through additional allocations.

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

There are three components. First, the base allocation, which focuses on overall access is determined by overall district enrollments and district size. Second, the supplemental allocation focuses on supporting equity with funding determined by the number of low-income students in a district. Third, the student success allocation focuses on supporting achievement of educational goals with funding determined by the number of outcomes for various measures of educational progress, transfer, completion and wage earning.

7. How is per student funding determined for each of the parts of the funding formula?

Each component in the funding formula has an associated dollar rate. In 2018-19 the dollar rates for each component were set in statute. The 2019-20 budget recalculated funding rates in the base, supplemental, and student success allocations so that in 2019-20, 70 percent of SCFF funds would be allocated for the base allocation, 20 percent for the supplemental allocation, and 10 percent for the student success allocation. Beginning in 2020-21, those funding rates would simply be adjusted by cost of living, and the distribution of funds across the three allocations would be determined by changes in the underlying factors (increases or decreases of student counts or outcomes).

8. Which students are included in the base allocation?

The base allocation is the enrollment-based component (similar to the prior funding formula) and continues to take into account the number of colleges and centers in a district as well as a district's size. While the base allocation includes credit students, Inmates in Correctional Facilities and Special Admit students, the new funding rates only affect credit students; noncredit Students, Career Development and College Preparation (CDCP) Students, Credit Special Admit students, and Credit Inmates in Correctional Facilities students are funded at rates set in the prior funding formula and adjusted for cost of living in each year. Funding for noncredit students and CDCP students occurs before the revenue is divided into the base, supplemental and student success allocation streams.

9. Which students are counted for the supplemental allocation?

The supplemental allocation includes the per district unduplicated headcounts of students receiving a Pell Grant, a California College Promise Grant and/or an AB540 waiver for the payment of nonresident tuition. The majority of AB540 students are undocumented students who have attended high school in California but are ineligible for a Pell Grant because of their immigration status.

10. Which outcomes are counted for the student success allocation?

The student success allocation includes the per district number of various student progress and outcome metrics achieved. Not all outcome metrics are weighted equally, and outcome metrics achieved by low-income students result in additional funding. The metrics are: associate's degrees for transfer, associate's degrees, bachelor's degrees, certificates of 16 units or more, completion of transfer-level math and English within the first academic year, transfer to a four-year institution, completion of nine or more CTE units and attaining the regional living wage within one year of leaving community college. The 2019-20 budget bill made several changes to the calculations of outcomes in the student success allocation. From 2019-20 and beyond the allocation will:

1. Count only the highest of all awards (i.e., associate degree for transfer, associate degree, baccalaureate degree, and credit certificate) a student earned in the same year. Further, it counts an award only if the student was enrolled in the district in the year the award was granted.
2. Amend the definition of a transfer student. A student who transferred to a four-year university would be included in the district's count only if the student completed 12 or more units in the district in the year prior to transfer.
3. Calculate the student success allocation based on three-year averages of each of the measures in the allocation.

11. What was the process for constructing this new funding formula?

The Chancellor's Advisory Workgroup on Fiscal Affairs began exploring alternative funding strategies and hearing presentations in the Spring of 2017 and provided the Chancellor with an initial set of recommendations regarding a new funding system in December 2017. In January 2018, the Governor proposed the Student Centered Funding Formula, which shared some common elements with the recommendations of the Fiscal Affairs Workgroup. After the budget was released, the Chancellor asked both the Fiscal Affairs Workgroup and a Workgroup from the CEO Council of the Community College League of California, to evaluate the Governor's proposal. Both groups met and discussed the SCFF and provided feedback to the Chancellor's office staff. In addition, the Campaign for College Opportunity convened statewide experts through "Invest in Success" meetings to discuss whether the new funding formula was consistent with the equity goals outlined in the *Vision for Success*. The SCFF was also discussed at the Community College Consultation Council, and the Chancellor's Office solicited feedback from colleges through an online survey. All of this input informed the Chancellor's Office recommendation on the SCFF, which was delivered to the Department of Finance in early May 2018. The recommendations of the Chancellor's Office, and the stakeholder groups that were consulted, are reflected in the SCFF contained in the budget. In addition, the Chancellor's Office provided a set of recommended changes to the SCFF to the Governor and the Legislature for the 2019-20 year. These changes were informed by discussions the Chancellor's Office had with the Advisory Workgroup on Fiscal Affairs, the Consultation Council, ACBO, the SCFF CEO Taskforce, and other stakeholders throughout the system who provided feedback during budget workshops and through direct contact with the Chancellor's Office. Many of the recommendations from the Chancellor's Office were included in the modifications to the SCFF through the 2019-20 budget bill.

12. How does SCFF change categorical program funding?

Through the 2018-19 budget process three categorical programs, the Basic Skills Initiative, Student Success and Support Program, and Student Equity Program, were consolidated into one Block Grant program called the Student Equity and Achievement Program. However, while this change happened simultaneously with the implementation of the SCFF, the total funding for the categorical programs and method of distribution remained unchanged and unaffected by the structure of the SCFF. As a condition of receiving funds through this new program colleges must maintain student equity plans, provide student matriculation services, adopt multiple measures placement policies, and provide all eligible students with an education plan.

13. Did everything change with SCFF, such as summer shift, stability, restoration provisions?

Not everything changed with the new funding formula. While the original January 2018 proposal for the SCFF called for the elimination of summer shift, the enacted law did not make any changes to how districts count summer enrollment. Restoration of FTES workload remains a component of the SCFF.

14. How does this funding formula compare with other states and more general outcomes based funding formulas?

The SCFF is not like a traditional outcomes-based funding approach because it prioritizes both success and equity. Not all outcomes-based funding approaches have stipulations for funding based on the number of low-income students enrolled and their successful outcomes. The SCFF also differs from other outcomes-based funding models because it also includes progression outcomes, such as completion of transfer-level English and math in the first academic year, and because it includes workforce outcomes, such as attainment of a regional living wage. These components reflect the California Community Colleges' dual role of helping students transfer and of preparing them for the workforce. However, the design of the SCFF took into account what is known about outcomes-based funding formulas in other states and was crafted in such a way as to try to avoid or mitigate some of the unintended consequences those programs have experienced.

Implementation Process

15. How will district funding levels be affected?

For 2018-19, all districts will receive additional financial resources. Under SCFF districts that financially benefit beyond their 2017-18 allocation plus a cost of living adjustment will receive those higher amounts while districts that do not, will receive their 2017-18 allocation increased by a cost-of-living adjustment. This minimum revenue (hold harmless) provision of SCFF was extended in the 2019 and 2020 Budget Acts: districts will receive at least the 2017-18 total computational revenues (TCR), adjusted by COLA each year, through 2023-24.

16. Will there be more funding or does the new funding formula just divide up the same dollars in a different way?

The California Community Colleges received additional funding in the 2018-19 budget for the implementation of the SCFF. The 2019 budget included \$337 million in ongoing funding for the California Community Colleges including for the SCFF. The 2019-20 budget specifies that the Chancellor's Office will set rates for the components of the SCFF in 2020 and that those rates will then be adjusted by cost of living in each subsequent year.

17. Is there a minimum revenue (hold harmless) and if so for how many years?

The SCFF includes a minimum revenue provision that was extended in the 2019 and 2020 Budget Acts. Through 2023-24 districts will receive at least the 2017-18 total computational revenues (TCR), adjusted by cost of living.

18. Will each district receive 70 percent of its funding from the base allocation, 20 percent from the supplemental allocation, and 10 percent from the student success allocation in each budget year?

It is not necessarily true that an individual district will receive its funding in the 70-20-10 proportion. While the system wide budget was divided in this manner for 2017-18 and 2019-20, the composition of individual districts' funding allocations differs based on each one's own unique conditions and composition. As noted above, in 2020 rates for each component in the funding formula were set in statute; beginning in 2020-21, those funding rates would simply be adjusted by cost of living, and the distribution of funds across the three allocations would be determined by changes in the underlying factors (increases or decreases of student counts or outcomes).

19. How will the new funding formula affect the distribution of funding from a district to colleges in a multi-college district?

The SCFF establishes the level of funding each district will receive but does not contain provisions regarding the distribution of funds from the district level to the college level as authority for those decisions are retained at the district. However, the Chancellor's Office will recommend that districts continue to divide funds equitably among their colleges.

20. What happens in the years when state funding for the system is cut (recessions)? Will all districts be reduced proportionately? Is there a mechanism in this funding formula to account for this?

Districts will be proportionately reduced should the community college system experience funding cuts. This type of reduction is no different under the SCFF than it was under the prior funding formula.

21. The community college system is facing soaring pension costs and overall enrollment decline, while simultaneously being asked to increase services and support for students. How does the SCFF help?

The SCFF was created to help address declining enrollment by providing a mechanism for districts to receive funding increases despite enrollment declines. By partly funding districts based on the successful outcomes of their current students, the SCFF allows districts to influence their future funding levels by investing in the services and supports that are targeted at helping students achieve their goals. The SCFF provides additional funding for districts that enroll and achieve successful outcomes for low-income students enabling colleges to increase services, such as financial aid counseling, that are especially needed by these student populations.

Accountability and Reporting Process

22. What is the role of the Chancellor's Office?

The Chancellor's Office will provide guidance and support to districts as they shift to the SCFF and as they seek to align their goals to the *Vision for Success*. The Chancellor's Office held several budget workshops in 2019 and will continue to provide professional development assistance to districts. In addition, the Chancellor's Office maintains a SCFF community group on the *Vision Resource Center* which provides updates on the formula and allows stakeholders to ask questions. The Chancellor's Office also has an SCFF inbox where staff will directly respond to questions. In 2019 the Fiscal Crisis Management Resource Center (FCMAT) created an SCFF calculator tool on its website. This tool, allowed stakeholders to simulate student outcome and enrollment scenarios and determine the likely funding consequences, however in Spring 2020 this tool was discontinued and the Chancellor's Office is currently in the process of developing a replacement tool or dashboard to assist in district planning. The Chancellor's Office has also posted a document with SCFF component definitions and calculation methodologies on its website.

23. Will the Chancellor's Office be sending out simulations for the funding formula for future years and if so when will this occur?

The Chancellor's Office shares data on the funding formula with districts four times in the year: Advance Apportionment (July), First Principal Apportionment (P1 February), Second Principal Apportionment (P2 June), and Recalculation Apportionment (R1 February of subsequent fiscal year) These reports contain data on enrollment, revenues and SCFF metrics.

24. What data and accountability reporting will districts be asked to produce to receive funding under the new funding formula?

The SCFF will be based on current data reported by districts and will not require districts to collect or report data on additional metrics. In addition, the SCFF was designed to be consistent with the Metrics Simplification Work Group's recommendations. The law does specify that by January 1, 2019 districts are required to adopt goals for their district that are aligned with the *Vision for Success*, specify a timeline for achieving those goals, and submit a report to the Chancellor's Office summarizing the districts actions to achieve these goals.

25. Will the supplemental and student success factors be audited?

Yes. The SCFF will be subject to annual audit procedures.

26. What if it doesn't work? Will there be an opportunity to refine the funding formula?

The Chancellor's Office will assess and monitor the effectiveness of the new funding formula as will the newly created oversight committee (see below). While the law does not stipulate a process for how metrics could be changed, the Chancellor's Office takes the view that the funding formula will be evaluated for effectiveness and that alterations may be needed in the future. However, we are cautious about drawing conclusions about the effectiveness of the funding formula prematurely. Research from the field supports giving funding models time before coming to conclusions about the effects. Several of the outcome components included in the funding formula, such as degree completion, will require several years of full funding formula implementation before we can ascertain their effects.

27. How will the effects of the new funding formula be monitored? Will there be any opportunity to modify metrics and their weights in the coming years?

The Chancellor's Office is developing a plan to monitor the effects of the new funding formula. One of the components the Chancellor's Office will be keeping a careful eye on is the extent to which new certificates are created by districts to improve funding through the student success allocation. While the Chancellor's Office is supportive of the creation of new certificates we want to ensure that any additional certificates have real market value for students and that students are not being encouraged to pursue shorter term certificates instead of longer term degrees.

In addition, the Legislature has established the Community College Student Success Funding Formula Oversight Committee to evaluate and review the implementation of the SCFF. The Oversight Committee was charged with evaluating and reviewing the implementation of the SCFF and providing recommendations to the California State Legislature and the Department of Finance on two priority areas, each consisting of multiple components. The components of Priority Area One, which the Oversight Committee was charged with considering, are: (1) the inclusion of first-generation students in the Supplemental Allocation of the SCFF; (2) the definition of a low-income student and whether to adjust the point system to better reflect low-income students in regions of the state with a high cost of living; and (3) the inclusion of students' incoming level of academic proficiency in the Supplemental Allocation of the SCFF. The Oversight Committee issued its report with recommendations to the Legislature on the Priority Area One issues in December of 2019. In 2020 the group will be reconvening to discuss issues in the Priority Area Two.