Governor Brown has announced the new funding formula for California Community Colleges in January 2018. While this funding formula is an improvement on the current funding formula, there are many concerns that the new formula is not equitable amongst single college districts in the state. The summary is that the formula does not mathematically address the needs of districts to drive up retention, course success, transfer and completion. These are the very metrics outlined in the Chancellor’s agenda, yet the funding does not mathematically support that. Improvements and tweaks to the formula can be made which would make the formula more in line with that agenda and allow districts to drive success.

Concerns:

- The new formula should be fair to students and the college, a student should have equal opportunity to a great education, no matter if they attend a small or large district, a rural or urban district, or a multi or single college district.
- In the current formula, it is weighted mathematically such that larger districts will benefit financially and quickly pull ahead in terms of funding so that 2-3 years from now, gross inequities in funding will exist. This hurts smaller districts, rural districts, and minority serving districts.
- Underrepresented student groups are disproportionately impacted. While there is 25% provided in the new funding formula for this population, data from reputable research institutions such as Columbia Teachers College shows it takes more than 25% more time to complete these students; therefore, the 25% funding bump isn’t sufficient.
- The loss of the ability to choose to reflect summer FTES between two fiscal years forces districts into making short-term decisions to save money and remain solvent rather than thinking long-term and placing resources where they will drive student success according to the Chancellor’s stated agenda.
  - For summer sessions that span two fiscal years (if they start in June), the summer FTES could be reflected in one fiscal year while the salaries and benefits could be reflected in a different fiscal year – the expense for salaries and benefits will not match FTES which is an accrual accounting and cash flow issue.
- Student Success piece of awarding degrees and certificates
  - Districts will then be able to create certificates that are not worth anything in an effort to drive funding when in actuality, the certificates should be specifically achieved for wage gain or employment advancement only. They must have market value and be industry relevant. Furthermore, a large district with
multiple programs can offer multiple certificates, driving up funding, while a smaller district with fewer programs offers fewer certificates which will result in a funding imbalance.

- New funding formula does not address district specific characteristics and demographics.
- Student earns a degree from the institution where they earned their last 8 credits (college loses statistic if student “finishes” someplace else). This puts the burden of cost on one district when the funding goes to the finishing district which had significantly less costs associated with the education of that student.
- Districts are penalized for not having Pell students.
- Some districts are over 100 miles from a California State University so transfer isn’t a reality for those students if they are financially bound.
- Implementation of the new funding formula will drive up completion numbers that, in turn, drive down enrollment numbers so having a funding formula with too much emphasis on enrollment will do the opposite. So, if we are successful in meeting our transfer and completion targets, enrollment decreases and our funding declines.
- 2018-19 Implementation is too soon. We have the opportunity to create a funding formula that will support our work to improve student success. If implemented too quickly there will be unintended consequences that could be detrimental to the outcomes we seek.
- Community colleges will need to build conservative budgets for 2018-19 given the uncertainty of new formula if effective July 1, 2018. How can we plan ahead and make hiring or spending decisions that would drive the very agenda the formula is intended to drive?
- Many community colleges already have union contracts in place – will COLA be tied to them? COLA must be a factor.
- For districts recognizing growth:
  - Would apply to 50% base for new students
  - Serving Pell and BOG, funding increases for new students
- Enrollment declines are expected statewide, formula should reflect this:
  - Birth rates are declining
  - High school graduation rates declining
  - New student populations aren’t there – potential groups are saturated
  - Students received from high schools are underprepared
- 50% for Base Funding on FTES is only a breakeven – doesn’t increase access for students
- Students taking non-credit classes are not eligible for financial aid – if the college has a majority of non-credit classes, they would be disadvantaged in the Supplemental Grant Pell sub-group
- Disincentives districts to offer skills courses
- Availability of data and who will provide it are issues that need to be worked out. Much data is not available until after the fact so our funding will always trail what is actually happening on our campus if the wrong metrics are utilized.
• Regulations such as FON are currently tied to FTES. The new funding formula changes FTES to only half of the current rate. Will FON be adjusted to align with this? This is a Title 5 issue, not statute.

Recommendations:
• Performance Improvement Funding – not Performance Funding
  o Use Key Performance Indicators (KPI) such as retention, term to term retention, transfer, achievement of math and English sequence, etc...
  o Use multiple measures of KPI
  o Retention
• Districts should be improving their own numbers – not fighting against each other districts
• Use weighted FTES over 3 years
• 25% bump for minority groups is not sufficient and must be increased
• Certificates must have standards to increase wage gain or increase transfer opportunity
• Adult Education needs strategic planning and to be properly funded, or we will not be able to address the very needs the Governor is trying to address
• California State University needs funding for transfer students if we are increase transfer, as the system is enrollment impacted now
• Hold Harmless clause should be for three (3) years and should include COLA so that colleges are truly held harmless
• Serving local students should be recognized
• Need to add facilities to offer programs
  • To produce outcomes, Governor needs to fund the facility projects that were approved by the voters in the State bond
• Because many factors of the new formula would be seemingly reliant on MIS data, which does not receive the same attention and care as an audited 320. Time and effort should be included for cleanup of the data. Additional accountability of reporting accuracy will also be needed.
• Department of Finance and Governor locked in to 3 groups
  o 50% Base Grant – FTES
  o 25% Supplemental Grant – Socio economic status
  o 25% Student Success
  o Recommendation to be open to different percentages within sub-groups