



March 17, 2018

Senator Holly Mitchell, Chair  
Senate Budget Committee  
State Capitol Room 5019

Assemblymember Phil Ting, Chair  
Assembly Budget Committee  
State Capitol, Room 6026

**RE: Proposed 2018-19 California Community College Budget (6870-101-0001)**

Dear Senator Mitchell and Assemblymember Ting:

On behalf of the Community College League of California (the League), we write to share our appreciation for your demonstrated support of our public community colleges. We also take this opportunity to offer recommendations as they relate to the 2018-19 Budget Proposal’s impacts on community college districts. We are grateful for a budget that is poised to recognize and support the comprehensive mission and indispensable role of California’s community colleges.

The League would like to offer the following considerations on specific proposals within the Governor’s January Budget:

*Transition to a New Funding Formula - \$175 Million*

The League believes it is the right time for thoughtful evaluation of the community college funding 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. Consistent with recommendations included in a joint report by the CEO Funding Formula Workgroup and the Chancellor’s Fiscal Affairs Workgroup, the League recommends the following concepts for the Legislature to consider in a new funding formula framework:

**Maintain California’s Commitment to Accessible Quality Education**

California’s longstanding history of access to educational opportunities for individuals of all backgrounds from across all regions of the state should be protected. The current funding formula is based on the annual number of full-time equivalent students (FTES). However, this approach fails to provide stable year-to-year funding, especially for small or rural community colleges that experience frequent enrollment swings. The League urges the Legislature to adopt an apportionment model based on the higher of: (1) the current year FTES, or (2) a three-year average based on the total funded FTES of the most recent three years. This approach supports access and promotes long-range planning.

**Thoughtful and Phased-In**

An effective funding formula requires ongoing research and simulations. Consistent, data-informed analysis offers policymakers and practitioners a means to better understand the consequences of the metrics and permits the necessary adjustments. We urge the Legislature to adopt a framework that includes no less than two years of program transition and a sequential multi-year phase-in commencing with no greater than five percent outcome-based. This would allow districts to plan and make data-informed adjustments that enhance student success, preserves momentum for the implementation of Guided Pathways, and enables further research of the chosen metrics in a new formula.

### **Accurate Socioeconomic Definition and Integration with Success Metrics**

Persistent attainment gaps cannot be measured in a vacuum. We advocate for a funding formula with two primary categories in order to achieve an integrated and comprehensive focus on the enrollment and success of economically disadvantaged students. By advancing a framework integrating both the enrollment and the success of underrepresented groups, a new formula can ensure equity and inclusion are at the forefront of district planning. Further, we urge the legislature to consider the Carl D. Perkins Career and Technical Education Act definition for economically disadvantaged students as it more accurately defines need by considering factors such as the College Promise Grant, Pell Grant, displaced worker, and CalWORKs.

### Categorical Programs

Categorical programs have also been an important consideration of the Workgroups. Within California community colleges, there are 27 categorical programs with 10 designed to serve low-income students. Acknowledging elements of the Legislative Analyst Office's analysis, the League supports a recommendation by the CEO Funding Formula Workgroup to move toward a simplified and restricted program that supports accountability and local control. Specifically, the Workgroup recommends integrating Student Success and Support Services, Basic Skills, and Student Equity into a restricted categorical known as the Student Equity and Success program. This approach maintains a commitment to serving disadvantaged populations with equity-minded, student-centered supports. More importantly, a restricted categorical enables reporting alignment and maximizes services to students.

### California Community College Online Education Opportunities

We support the Governor's proposal to explore innovative approaches for a redesigned public online ecosystem for California Community Colleges. With the goal of serving more Californians with accessible quality online instruction, we recommend design principles that:

- Support working learners by establishing a vehicle for system innovation;
- Advance Credit for Prior Learning and Competency based Education;
- Ensure integration and transfer of learning milestones within the system such as translation of competencies to credits across the entire system;
- Integrate the existing online ecosystem, including the Online Education Initiative and ongoing efforts of system colleges;
- Align with existing system frameworks such as Doing What Matters -Strong Workforce, and Guided Pathways;
- Apply regulatory relief, and design and delivery innovation to all colleges simultaneously, where and whenever possible;
- Efficiently leverages existing system infrastructure investments;
- Allow for consistent input and feedback from system colleges throughout the design and implementation process and/or includes the colleges in the design process throughout;
- Adopt a prototyping model wherein significant design changes (including further regulatory and system changes/modifications) are anticipated throughout implementation based on ongoing assessment; and
- Leverage the accreditation and regional business partnerships with existing colleges.

### Support A Financial Aid Streamlining System

Complicated, outdated, manual financial aid processes create barriers to student enrollment and retention. Financial aid offices can simplify their entire student aid processing lifecycle by implementing software that streamlines the workflow. This effort would allow financial aid staff and advisors - a primary source of information for students to understand how to pay for college -to focus on providing

students with supports like counseling and training workshops. As the Legislature considers several proposals that increase the scope and importance of financial aid administration, we urge that you invest \$5 million in ongoing resources for financial aid software that enables a focus on advising rather than financial aid paper processing. We respectfully request that you consider an investment consistent with the attached *Financial Aid Streamlining for Student Success* proposal.

#### *Bond and Capital Outlay Projects*

In 2016, California voters approved a facilities bond providing a \$2 billion infrastructure investment in California's community colleges. For the 2018-19 budget, the Governor proposed funding for only five new capital outlay projects; dismissing voter support for Prop 51. Our public community colleges require \$42 billion over the next 10 years with \$29.9 billion in unmet capital facility needs identified in the current Capital Outlay Plan. In recognition of this critical need, the Board of Governors approved 18 new projects as part of its 2018-19 Capital Outlay Spending Plan. Failure to fund these capital projects represents a missed opportunity to create jobs and to cultivate a skilled and educated workforce in communities throughout the state. We urge you to include funding for all projects approved by the Board of Governors in the 2018-19 budget. The community college capital outlay program has been very successful. Altering the program's proven process will be disruptive and confusing to colleges and counterproductive to the state as vital projects are unnecessarily delayed. Further, we urge the Legislature to increase the 2018-19 sale of Proposition 51 bonds to meet the backlog of projects across the state.

#### *Cal Grants that Equitably Serve Community College Students and Open Educational Resources*

Despite comprising two-thirds of the California higher education population, community college students receive only six percent of Cal Grant resources. Hundreds of thousands of otherwise eligible applicants currently go unserved, and most have family incomes below the federal poverty line. We respectfully request that you consider augmentations to the Cal Grant B award and an increase to the number of annually authorized Competitive Cal Grants. These investments will reach more low-income students and most importantly, increase persistence and completion.

We also urge the legislature to address students' growing textbook costs by supporting community college open educational resources (OER) expansion and availability. Today, textbooks comprise an estimated 40% of the total cost of attendance at community colleges. This continues to be one of the most pressing affordability issues college students face. Community colleges seek the establishment of a program to implement OER systemwide, coordinate state-level activities which OER availability, and to support local OER implementation.

#### *Buy Down STRS and PERS Liabilities*

Community colleges continue to be the state's best economic development strategy while supporting California's most underserved populations. However, colleges remain concerned about their capacity to maintain educational quality as costs rise. Increases to PERS/STRS contribution rates, energy costs, and health insurance rates contribute to ongoing cost pressures and are estimated to be as high as \$800 million annually by 2021. General operating funds help stabilize and prepare colleges for drops in revenues so that educational services are not impacted during inevitable downturns in the economy.

Further, the League joins the many community college stakeholders in commending the Governor for supporting the 10.93 percent community college share of the Proposition 98 split in the 2018-19 proposal. Adherence to the statutory split allows both community colleges and K-12 to appropriately plan for the coming year while also removing competition for resources between the two segments.

The League is very grateful for the amount of time that both you and your staff dedicate to listening to the local perspectives we present, and we look forward to further collaboration as the budget discussions unfold. Thank you for considering our position and please do not hesitate to contact us if you have any questions.

Sincerely,



Larry Galizio, Ph.D.  
President/CEO  
Community College League of California  
(916) 245-5032  
galizio@ccleague.org



Lizette Navarette  
Vice President  
Community College League of California  
(916) 245-5040  
lizette@ccleague.org

cc:

Members, Senate Budget Subcommittee #1  
Members, Assembly Budget Subcommittee #2  
Hon. Kevin McCarty, Assembly Budget Subcommittee No. 2 Chair  
Hon. Jay Obernolte, Assembly Budget Committee Vice Chair  
Lark Park, Deputy Legislative Secretary, Office of the Governor  
Chris Ferguson, Department of Finance  
Maritza Urquiza, Department of Finance  
Kimberly Rodriguez, Education Policy Director, Office of the Senate President pro Tem  
Monica Henestroza, Principal Consultant, Office of the Assembly Speaker  
Anita Lee, Consultant, Senate Budget and Fiscal Review Committee  
Mark Martin, Senior Consultant, Assembly Budget Committee  
Katie Sperla, Assembly Republican Consultant  
Cheryl Black, Senate Republican Consultant  
Edgar Cabral, Legislative Analyst's Office  
Christian Osmena, Vice Chancellor, California Community Colleges  
California Community College Trustees  
Chief Executive Officers of California Community Colleges



**Draft Recommendations**  
**Funding Formula Workgroups**

March 12, 2018

# An Effective Funding Model Will Meet the Following Principles

- Ensure access to quality education statewide
- Support enhanced access and success for underrepresented and economically disadvantaged students
- Reward progress on success and equity metrics
- Support timely completion
- Moderate the effects of the formula on districts during a recession
- Provide sufficient predictability and stability to support college/district operational costs and sound financial planning
- Recognize regional diversity
- Phased-in for a smooth transition

# Context

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Board of Governors seeks alignment with the aspirational goals in the *Vision for Success*.

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- In late January, Chancellor Oakley requested the CEO Board task a small group of CEOs to make recommendations for a new formula.
- He also requested the standing Workgroup on Fiscal Affairs to review the recommendations and share additional considerations.

# Summary of Governor's Proposed Formula

## Base

Contingent on FTES enrollment comprising 50% of the formula

## Supplemental Grant

Based on the number of low-income students districts enroll:

- 1) Enrollment of students who receive a College Promise Grant fee waiver; and
- 2) Enrollment of students receiving a Pell Grant.

Supplemental Grants comprise 25% of total.

## Success Grant

- 1) Number of degrees and certificates granted;
- 2) Number of students that complete a degree/certificate in three years or less;
- 3) Associate Degree for Transfer granted by the college.

Student Success Incentive Grants comprise 25% of total.



**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.**

# Recommendations



# Data-Informed and Equity Focused

- Establish a process for an annual review and analysis of the funding formula.
- Annual reports to the Board of Governors by March of each year.
- Set a plan in place for an equity focused funding model while enabling necessary adjustments to meet key principles.

# Two Focus Areas: Equitable Success & Access

## Equitable Success

Achieving equitable outcomes for focus populations means integrating socioeconomic and success metrics.

### Framework:

- Considers progress, completion, transfer, employment, and earnings
- Recognizes successful outcomes of economically disadvantaged students within those metrics
- Economically disadvantaged students more accurately defined using Perkins definition

## Access

A funding formula that supports access but shifts away from an overreliance on growth.

### Framework:

- COLA and the higher of: (1) the current year FTES, or (2) a three-year average based on the total funded FTES of the most recent three years
- FTES from summer courses assigned to the fiscal year in which the final day of instruction was held

# 25%

## Equitable Success

Metrics are based on Strong Workforce Program (SWP) 17% incentive funding research and Guided Pathways key performance indicators (KPIs).

Districts are recognized for the successful outcomes of economically disadvantaged students.

- Measure All Transfers
- Employment and Economic Mobility
- Capture Momentum Points

# 75%

## Access

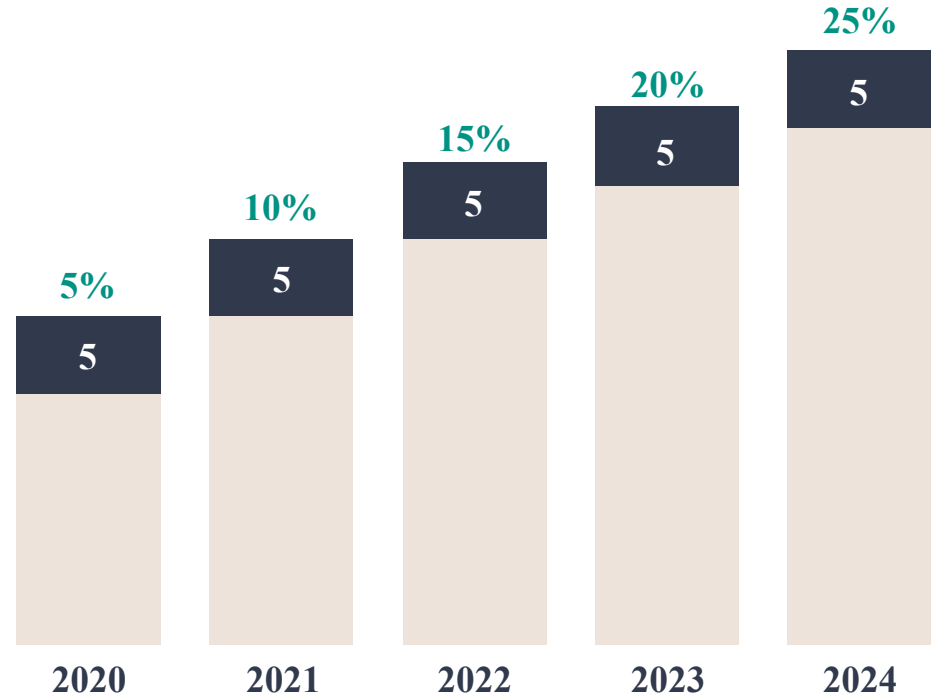
- Continue to provide basic allocation, base FTES revenue and growth adjusted by the annual COLA
- The higher of: (1) the current year FTES, or (2) a three-year average FTES
- A three-year average supports planning for new, and continuation of, highly effective programs

# Thoughtful & Phased-In

Implemented in year three as outlined unless the Board of Governors proposes new measures after extensive research and simulations.

## Transition:

- Equitable Success metrics would increase by 5% each year until full implementation.
- At full implementation, over \$2 billion would be dedicated to Equitable Success metrics.



# Categorical Program Structure

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## The Student Equity & Success Program

- Workgroups recommend integration of Student Success and Support Services, Basic Skills, and Student Equity
- Create a restricted categorical known as the Student Equity & Success program
- Continued commitment to equity-minded, student-centered services and supports
- Enables alignment of reporting metrics and maximizes services to students



# Implementation Timeline

## 2 Year Program Transition

- No districts would receive less funding than prior fiscal year.
- Districts allotted time to implement Guided Pathways, AB 705

## 5 Year Equitable Success Formula Phase-In

- Equitable Success metrics would increase by 5% each year until full implementation.
- Access funding based on higher of: (1) the current year FTES, or (2) a three-year FTES average.

# Thank you!

For progress on the recommendations, visit:

**[www.ccleague.org/fundingformula](http://www.ccleague.org/fundingformula)**

**CALIFORNIA COMMUNITY COLLEGES:**  
**FINANCIAL AID STREAMLINING FOR STUDENT SUCCESS**

**REQUEST:**

Allocate resources for the adoption of a statewide financial aid processing system that allows financial aid offices to focus on financial aid access, literacy and advising rather than paper processing.

**BACKGROUND:**

Financial aid counselors are a primary source of information that many students rely upon to understand financial aid and how to pay for college. However, little attention has been placed on student's access to financial aid counselors and the structure of the financial aid offices that serve students.

Over the last three years, California has invested in several new financial aid awards focused on affordability, increasing access to full-time enrollment, and providing resources for non-tuition costs. The landscape of financial aid is changing rapidly at community colleges. For example, as part of Assembly Bill 19 (Statutes of 2017), colleges must ensure all students complete the FAFSA in order to qualify for grant resources. While this presents an important opportunity to provide financial aid to more students, the new statute will undoubtedly add pressure to financial aid offices. Unfortunately, support and efficiencies for financial aid offices has often been overlooked, missing the fact that the current financial aid process delays enrollment for low-income students. A paper-based financial aid process consumes financial aid professionals' time and frustrates their efforts to help students afford and succeed in college. The outdated process stifles college access and does not support larger effort to increase access to financial aid. While verification can play an important role in protecting the integrity of student aid programs, nearly all students currently flagged for verification are low-income, and they often lack the support needed to navigate the additional scrutiny. Of those able to get through the process, many see no change to aid eligibility.

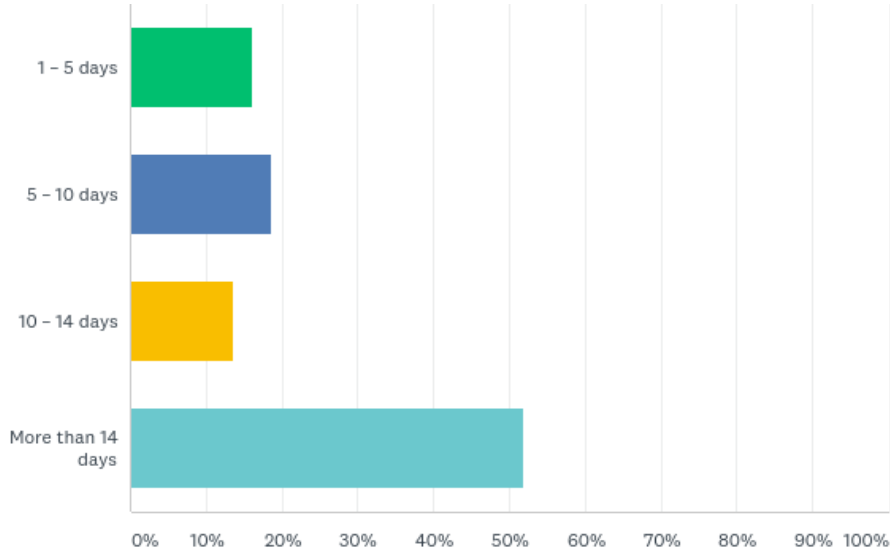
A report by The Institute for College Access & Success (TICAS), *On the Sidelines of Simplification: Stories of Navigating the FAFSA Verification Process*, surveyed more than 600 financial aid administrators who responded with concerns about the current state of verification:

- Eighty percent agree that the verification process is hard for students and families to navigate, and 71% say verification places unnecessary burdens on low-income students.
- The majority (56%) agree that the verification process can prevent eligible students from getting the aid they need.
- More than half (54%) say that verification at least sometimes prevents students from being able to enroll on time.
- Over half (56%) say verification takes up more than 25% of their offices' time.

**NEED:**

Financial aid processing and verification can delay or derail students' access to needed aid, undermine enrollment and academic success, and divert staff time and administrative resources from helping students and families in other important ways.

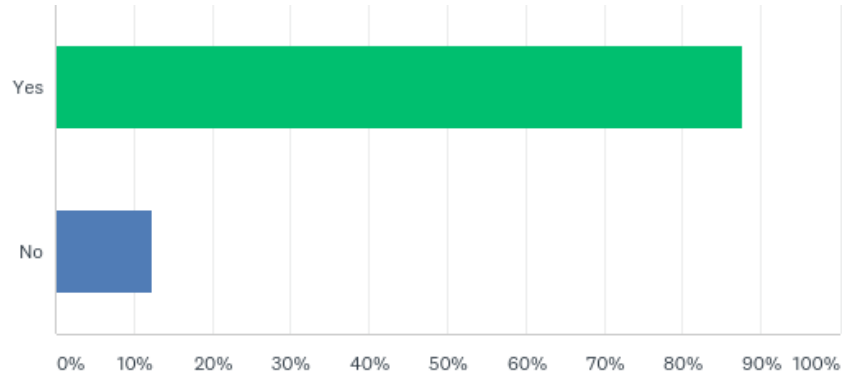
In a fall 2017 original survey, this League examined the role financial aid offices play in helping community college students understand and make use of financial aid. Specifically, the League analyzed current financial aid processing times (the length of time from a student’s application to the time of notification of eligibility for aid). Of the 81 colleges that responded, 52% reported that their financial aid processing time is more than 14 days (two weeks). Lengthy processing times impacts a student’s college experience. Many colleges reported having long lines, up to three-hours, and processing times as lengthy as six weeks during peak periods. The majority of counselors interviewed reported that under current staffing levels and processing requirements, counselors do not have the time or resources to meet the needs of every student who needs their advice.



Many colleges reported having long lines, up to three-hours, and processing times as lengthy as six weeks during peak periods. The majority of counselors interviewed reported that under current staffing levels and processing requirements, counselors do not have the time or resources to meet the needs of every student who needs their advice.

Lengthy and complicated verification processes prevent financial aid offices from focusing on the services that students need, such as advising or application support. College were asked about the potential use of staff time if processing times were shorter. Specifically, would colleges deploy staff to provide other financial aid supports? The majority of colleges, 88%, reported that they would in fact deploy staff to provide

students with other supports like counseling and training workshops if an online financial aid processing system were available. Several colleges emphasized their desire to provide greater support to high-risk populations. One responded stated: “We want to vastly improve our ability to provide financial literacy workshops, default prevention, and work with cohort groups on campus who really need personalized attention from the financial aid team.”



Across the state, several colleges have streamlined financial aid processing by purchasing software that transitions offices to a paperless system by allowing online form completion and secure processing of applications. Available systems perform disbursement calculations, verify signatures, and align with compliance rules. Colleges with processing and verification software were able to reduce their financial aid processing time from six-eight weeks to around five days. In addition, these colleges have reported shorter lines during peak periods. The colleges that have purchased automation software recognized that demands on financial aid offices are only increasing, yet staffing levels have remained stagnant. In 2017 alone, two new financial aid programs were developed, bringing the total of federal and state programs to a total of 17.

As the state continues to focus on measures that increase affordability through improved access to student aid, policy leaders should not lose sight of the investments necessary to effectively implement financial aid programs and the importance of maintaining a positive student experience. Based on the League's fall 2017 survey findings, it is our recommendation to invest in software-based processing support for financial aid offices in order to increase California community college students' access to aid.

#### **FINANCIAL AID PROCESSING SYSTEM:**

Financial aid offices can simplify their entire student aid processing lifecycle by implementing software that automates verification, allows online form completion, performs disbursement calculations, enables electronic and mobile device document uploading, and alerts students of key deadlines. A comprehensive financial aid processing system can support the processing of applications beyond the FAFSA, including:

- College Promise Grant (formerly BOGFW) Appeal Waiver
- California Dream Act Application
- Full-Time Student Success Grant

A financial aid processing system can provide colleges with:

- Document Management
- Web Forms
- Dashboard Reporting

#### **PROPOSED BUDGET & IMPLEMENTATION**

Less than a dozen colleges to date have implemented an online financial aid processing system, however 80% of surveyed colleges are interested in a statewide purchase of financial aid processing software.

This proposal is a request for \$15 million in one-time funds and \$5 million in ongoing resources to establish an incentive program for colleges to adopt a statewide financial aid processing system. The investment would cover the implementation and training costs associated with transitioning to an online financial aid processing system. The annual subscription costs to any system would be have to be absorbed by a college or districts, therefore this should be an opt-in program. The program would be implemented through a statewide RFP with the expectation of contracting a cohesive set of services.

#### **BENEFIT TO STUDENTS:**

This proposal is aligned with the following recommendations of the Student Success Task Force

- Recommendation 2: Strengthen Support for Entering Students
- Recommendation 7: Increase Coordination Among Colleges
- Recommendation 8: Align Resources with Student Success Recommendations.

Further, the proposal supports the Guided Pathways framework by creating a college atmosphere that ensures students receive the guidance and support they need to help them stay on plan.

Complicated, outdated, manual financial aid processes create barriers to student enrollment and retention. An online financial aid processing system would accomplish the following:

1. Decrease processing times
2. Reduce lines at financial aid offices
3. Increase student financial aid applications
4. Lower operating cost
5. Redirect financial aid staff to more important services
6. Increase process quality
7. Improve student experience