

Student Centered Funding Formula

SEC 1. Add Education Code Section 84750.4

84750.4 (a) (1) The board of governors, in accordance with this section, and in consultation with institutional representatives of the California Community Colleges and statewide faculty and staff organizations, so as to ensure their participation in the development and review of policy proposals, shall develop criteria and standards for the purpose of making the annual budget request for the California Community Colleges to the Governor and the Legislature, and for the purpose of allocating the state general apportionment revenues.

(2) It is the intent of the Legislature in enacting this section to adopt a formula for general purpose apportionments that encourages access for underrepresented students, provides additional funding in recognition of the need to provide additional support for low-income students, rewards colleges' progress on improving student success metrics, and improves overall equity and predictability so that districts may more readily plan and implement instruction and programs.

(2) It is the intent of the Legislature to determine the amounts appropriated for purposes of this section through the annual Budget Act. Nothing in this section shall be construed as limiting the authority of either the Governor to propose, or the Legislature to approve, appropriations for the California Community Colleges programs or purposes.

(b) Commencing with the 2018-19 fiscal year and each fiscal year thereafter, the California Community Colleges Chancellor's Office shall annually calculate a base grant, a supplemental grant, and a student success incentive grant for each community college district in the state pursuant to this section.

(c) For purposes of computing the base grant, the supplemental grant, and the student success incentive grant, the following rates apply:

(1) The marginal funding rate for credit revenue per full-time equivalent students (FTES) shall be no less than five thousand three hundred and twenty dollars (\$5,320) multiplied by the 2018-19 fiscal year cost-of-living adjustment, and adjusted for change in the cost-of-living in subsequent annual budget acts.

(2) The marginal funding rate for noncredit revenue per FTES shall be no less than three thousand three hundred and twenty three dollars (\$3,323) multiplied by the 2018-19 fiscal year cost-of-living adjustment, and adjusted for change in the cost-of-living in subsequent annual budget acts.

(3) The marginal funding rate for career development and college preparation per FTES shall be no less than five thousand three hundred and twenty dollar (\$5,320) multiplied by the 2018-19 fiscal year cost-of-living adjustment, and adjusted for change in the cost-of-living in subsequent annual budget acts.

(d) (1) The base grant shall be computed for each community college district as follows:

(A) Each community college district shall receive a basic allocation based on the number of college and comprehensive centers in the community college districts pursuant to the formula used by the Board of Governors as of 2015-16 fiscal year.

(B) Each community college shall receive an allocation based on credit base revenues associated with funded FTES at the rate pursuant to paragraph (1) of subdivision (c) as adjusted pursuant to clause (i), plus the noncredit revenues associated with funded FTES at the rate pursuant to paragraph (2) of subdivision (c) as adjusted pursuant to clause (i), plus career development and college preparation noncredit base revenues associated with the funded FTES at the rate pursuant to paragraph (3) of subdivision (c) as adjusted pursuant to clause (i).

(i) The rates to compute the base grant shall equal 45.2 percent of the rates specified in paragraphs (1) to (3), inclusive, of subdivision (c), except for rates applied to FTES generated by students who meet the requirements of subdivision (a) of Section 84810.5 and special admit students pursuant to Sections 76002, 76003 and 76004 of the Education Code.

(ii) Notwithstanding the rates in paragraphs (1) to (3), inclusive, of subdivision (c), for districts that had higher rates used to calculate their 2017-18 general purpose apportionments, the 2017-18 rate amounts associated with credit, noncredit, and Career Development and College Preparation FTES as adjusted pursuant to clause (i) shall be used to calculate their base grants. These rates shall also be multiplied by the 2018-19 fiscal year cost-of-living adjustment, and adjusted for changes in the cost-of-living in subsequent annual budget acts.

(2) Changes in FTES shall result in adjustments for credit, noncredit, and career development and college preparation revenues based on the respective marginal funding rates pursuant to paragraphs (1) to (3) of subdivision (c) as adjusted pursuant to clause (i) or clause (ii) of subparagraph (B) of this paragraph.

(A) Increases in FTES shall result in an increase in its respective revenue in the year of the increase at the associated marginal funding rates pursuant to paragraphs (1) to (3) of subdivision (c) as adjusted pursuant to clause (i) or clause (ii) of subparagraph (B) of this paragraph.

(B) Decreases in FTES shall result in revenue reduction beginning in the year following the initial year of decrease at the associated marginal funding rates pursuant to paragraphs (1) to (3) of subdivision (c) as adjusted pursuant to clause (i) or clause (ii) of subparagraph (B) of this paragraph.

(C) Community college districts shall be entitled to the restoration of any reductions in apportionment revenue due to decreases in FTES during the three years following the initial year of decrease in FTES if there is a subsequent increase in FTES.

(3) (A) The chancellor shall allocate any funding appropriated in the budget act for enrollment growth to support:

(i) The stated percentage of enrollment growth in the budget act and consistent with the growth formula used by the board of governors in the 2015-16 fiscal year.

(ii) The amount of uncapped growth attributable to increases in the amount of a districts supplemental grants.

(iii) The amount of uncapped growth attributable to increases in the amount of a districts student success incentive grants.

(B) It is the intent of the Legislature for the Board of Governors to monitor and assess whether the existing growth formula is appropriately addressing differences of geographic locations across the community college districts.

(4) In the 2018-19 fiscal year, each district shall declare whether their summer term FTES for the 2018-19 academic year applies to the current or subsequent fiscal year. Each fiscal year thereafter a district shall not shift its summer term FTES between fiscal years.

(e) Beginning in the 2018-19 fiscal year, a supplemental grant shall be computed for each community college district based on the following:

(1) Compute a rate equal to 25.07 percent of the rate pursuant to paragraph of (1) of subdivision (c) and multiply this rate by the number of students who receive a fee waiver pursuant to Section 76300 of the Education Code.

(2) Compute a rate equal to 40 percent of the rate pursuant to paragraph of (1) of subdivision (c) and multiply this rate by the number of students who are recipients of financial aid under the Federal Pell Grant Program (20 U.S.C. Sec. 1070a).

(3) (A) For the purposes of calculating the supplemental grant, the following shall apply:

(i) The number of students shall be defined as the number of students served by the district.

(ii) In computing the grants pursuant to paragraphs (1) and (2), the Chancellor's Office shall utilize prior year data for students who receive a fee waiver pursuant to Section 76300 of the Education Code and prior year data for students who receive financial aid under the Federal Pell Grant Program.

(5) It is the intent of the Legislature that the annual budget act fully fund increases in supplemental grant revenue computed under this section.

(6) (A) Decreases in the revenue computed pursuant to paragraph (1) of this subdivision shall result in the associated revenue reductions beginning in the year following the initial year of decrease.

(B) Decreases in the revenue computed pursuant to paragraph (2) of this subdivision shall result in the associated revenue reductions beginning in the year following the initial year of decrease.

(f) Beginning in the 2018-19 fiscal year, a student success incentive grant shall be computed for each community college district based on the following:

(1) Compute a rate equal to 104 percent of the rate pursuant to paragraph of (1) of subdivision (c) and multiply this rate by the number of Chancellor's Office approved degrees, certificates, and awards granted by the district in the prior year.

(2) Compute a rate equal to 120.2 percent of the rate pursuant to paragraph of (1) of subdivision (c) and multiply this rate by the number of students who complete a degree certificate, or transfer in three years or less in the prior year, based upon the number of students who complete a degree certificate, or transfer in three years or less in the prior year as defined for purposes of computing the Completion Rate/Student Progress and Attainment Rate applicable to the student success scorecard as of the January 1, 2018.

(3) Compute a rate equal to 18.35 percent of the rate pursuant to paragraph (1) of subdivision (c) and multiply this rate by the number of Associate Degree for Transfer degrees granted by the district pursuant to Article 3 of Chapter 9.2 of Part 40 of Division 5 of Title 3.

(4) It is the intent of the Legislature that the annual budget act fully fund increases in the supplemental grants computed under this section.

(5) (A) Decreases in the revenue computed pursuant to paragraph (1) of this subdivision shall result in the associated revenue reductions beginning in the year following the initial year of decrease.

(B) Decreases in the revenue computed pursuant to paragraph (2) of this subdivision shall result in the associated revenue reductions beginning in the year following the initial year of decrease.

(C) Decreases in the revenue computed pursuant to paragraph (3) of this subdivision shall result in the associated revenue reductions beginning in the year following the initial year of decrease.

(h) To establish a hold harmless protection for community college districts pursuant to the funding allocation established in this section, a minimum funding level for all districts shall be computed as follows:

(1) For the 2018-19 fiscal year, a level of funding to ensure that all community college districts receive at a minimum the total computational revenue the district received in 2017-18, defined as a district's final entitlement for general purpose apportionment based on FTES and the number of colleges and centers the district operates.

(2) Beginning with the 2019-20 fiscal year and each year thereafter, the level of funding shall be determined by multiplying the districts new FTES by the associated credit, noncredit, and career development and college preparation rates received by the district in the 2017-18 fiscal year. The level of funding shall be adjusted to include a basic allocation based on the number of colleges and comprehensive centers in the community college district consistent with the basic allocation rates used in the 2017-18 fiscal year.

(3) (A) From the 2019-20 fiscal year to the 2023-24 fiscal year, for San Francisco Community College District and Compton Community College District, the rates pursuant to paragraph (2) of this subdivision shall be multiplied each year by a cost-of-living adjustment. The level of funding for San Francisco Community College District and Compton Community College District shall be adjusted to include basic allocation based on the number of college and comprehensive centers in the community college district consistent with the basic allocation rates used in the 2017-18 fiscal year multiplied by the 2018-19 fiscal year cost-of-living adjustment, and adjusted for changes in the cost-of-living in subsequent annual budget acts.

(B) For purposes of computing the FTES attributable to this paragraph and subparagraph (C) of paragraph (2) of subdivision (d), for five fiscal years beginning in the 2017-18 fiscal year, the San Francisco Community College District shall be entitled to restoration of any reduction in apportionment revenue due to decreases in FTES, up to the level of attendance of FTES funded in the 2012-13 fiscal year, if there is a subsequent increase in FTES.

(i) For purposes of this section the following terms have the following meanings:

(1) Career development and college preparation means courses in programs that conform to the requirements of Section 84760.5 of the Education Code.

(j) The board of governors shall develop the criteria and standards within the statewide minimum requirements established pursuant to this section.

(k) (1) The chancellor may make adjustments to the general purposes apportionments funding formula pursuant to this section as he or she determines necessary to accomplish the objectives of this section.

(2) The chancellor shall annually notify and receive concurrence from the Department of Finance in consultation with the Legislative Analyst's Office prior to any adjustments and prior to apportioning these funds to community college districts.

(3) The Director of Finance shall notify the Joint Legislative Budget Committee of his or her intent to concur with these adjustments.

(l) Except as specifically provided in statute, regulations of the board of governors for determining and allocating the state general apportionment to the community college districts shall not require community college district governing boards to expend the allocated revenues in specified categories of operation.

(m) Except as otherwise provided by statute, current categorical programs providing direct services to students, including extended opportunity programs and services, and disabled students programs and services, shall continue to be funded separately through the annual Budget Act, and shall not be assumed under the budget formula otherwise specified by this section.

(n) (1) It is the intent of the Legislature to allow for changes to the criteria and standards developed pursuant to subdivisions (a) to (c), inclusive, in order to recognize increased operating costs and to improve instruction.

(o) Notwithstanding, Subchapter 1 (commencing with Section 51025) of Chapter 2 of Division 6 of Title 5 of the California Code of Regulations and section 84751, the Chancellor of the California Community Colleges shall allocate the ongoing funds first appropriated to paragraph (1) of subdivision (e) of provision (2) of item 6870-101-0001 of the Section 2.00 of the Budget Act of 2015 to all districts, including districts that have offsetting local revenues that exceed the funding calculated pursuant to the district's budget formula, on a per FTES basis by modifying each districts budget formula pursuant to this section. Any revisions to the budget formula made for the purposes of this subdivision shall be made and reported consistent with the requirements of subdivision (m) of this section.

(p) (1) As a condition of receiving a supplemental grant pursuant to paragraph (e) and a student success incentive grant pursuant to paragraph (f), each district shall align their masterplan with the goals included in the strategic vision plan adopted by the Board of Governors in 2017 including benchmarks and actions for measuring progress towards meeting the systemwide goals, and align their budgets with the revised masterplans, by a date determined by the Chancellor's Office.

(2) If a district is identified as needing further assistance to make progress towards achieving specified goals, the California Community College's Chancellor's Office may direct a district to use up to 3 percent of the district's apportionments allocation on technical assistance and professional development to support efforts to meet the district's efforts towards their goals.

(3) (A) The Community Colleges Chancellor's Office shall develop processes to monitor the implementation of the funding formula, including monitoring of the approval of new awards, certificates, and degree programs.

(B) The Chancellor's Office shall also develop minimum standards for the approval of certificates and awards that would count towards the funding formula pursuant to this section.

(4) (A) Notwithstanding Section 10231.5 of the Government Code, on or before October 15, 2019, and each year thereafter, the chancellor shall report to the Legislature on the course sections and FTES added at each community college that received apportionment growth funding in the prior fiscal year, including the number of course sections and if any course sections and FTES were added that are within the primary missions of the segment and those that are not within the primary missions of the segment.

(B) For purposes of this section, "primary missions of the segment" means credit courses and those noncredit courses specified in paragraphs (2) to (6), inclusive, of subdivision (a) of Section 84757.

(3) By July 1, 2022, the Chancellor's Office shall report to the Legislature and the Department of Finance a description on how districts are making progress on advancing the goals outlined in the system's strategic vision plan and provide an qualitative overview of any technical assistance or other actions taken by the Chancellor's Office to support districts in improving student success for underserved populations.

SEC.2. Amend Education Code Section 84750.5

84750.5.

(a) The board of governors, in accordance with the statewide requirements contained in paragraphs (1) to (9), inclusive, of subdivision (d), and in consultation with institutional representatives of the California Community Colleges and statewide faculty and staff organizations, so as to ensure their participation in the development and review of policy proposals, shall develop criteria and standards for the purpose of making the annual budget request for the California Community Colleges to the Governor and the Legislature, and for the purpose of allocating the state general apportionment revenues.

(b) In developing the criteria and standards, the board of governors shall use and strongly consider the recommendations and work product of the "System Office Recommendations Based on the Report of the Work Group on Community College Finance" that was adopted by the board at its meeting of March 7, 2005. The board of governors shall complete the development of these criteria and standards, accompanied by the necessary procedures, processes, and formulas for using its criteria and standards, by March 1, 2007, and shall submit on or before that date a report on these items to the Legislature and the Governor.

(c) (1) It is the intent of the Legislature in enacting this section to improve the equity and predictability of general apportionment and growth funding for community college districts in order that the districts may more readily plan and implement instruction and related programs,