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Linking CCC Funding With State Policy Objectives

LEGISLATIVE ANALYST'S OFFICE

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Two Fundamental Questions to Be Addressed

☑ What Are the State's Policy Objectives for California Community Colleges (CCC)?

- ***Many Objectives, But no Clear Priorities.*** Education Code Section 66010.4(a) lists two primary missions, three "essential and important functions," and other "authorized" and "permitted" functions. Elsewhere, some specific programs (such as nursing) are promoted, and various state expectations about such issues as student services and quality of instruction are expressed.
- ***Both Statewide and Local Elements.*** Education Code describes community colleges as "postsecondary schools" which are "part of the public system of this state," and expresses Legislature's intent that CCC and the other higher education segments "undertake intersegmental collaboration and coordination." At the same time, local districts (through their governing boards) are empowered to adopt policies and programs that align with local needs so long as they do not conflict with state law or the larger mission of the community college system.

☑ Where Are Funding Allocation Decisions Made?

- ***State Appropriates Funding.*** The Legislature and Governor determine the total funding that the CCC system will receive in each year's budget act. The budget act also specifies how some funding shall be used.
- ***Chancellor's Office Distributes Funding to Districts.*** The state Chancellor's office allocates funding to the 72 districts. Allocations are influenced by a combination of statutory and regulatory guidelines.
- ***Districts Direct Funding to Various Activities.*** Districts determine the number and type of courses to offer, the provision of various student services, facilities improvements and maintenance efforts, and numerous other operational costs. Locally elected boards of trustees formally approve many of these decisions.

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CCC Statutory "Missions and Function"

Primary Mission—Education Code Section 66010.4(a)(1)
"Offer academic and vocational instruction at the lower-division level."

In Addition to Primary Mission—Education Code Section 66010.4(a)(2)	
"Essential and important functions."	• Provide remedial education for those in need of it. • Provide instruction in English as a Second Language. • Provide adult noncredit education in areas defined as being in the state's interest.
"Authorized function" to the extent it does not reduce CCC's ability to fulfill its "primary missions."	• Provide community services courses and programs.
"A primary mission."	• Provide education, training, and services that help to continuously improve California's workforce.
"Permitted activity to the extent that state funding is provided."	• Conduct research on student learning and retention.

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Options for Promoting State Objectives Through CCC Finance

☑ Annually Appropriate Funding Consistent With State Objectives

- The amount of funding appropriated for CCC should be consistent with the cost of meeting state objectives.
- The statutory requirement that CCC receive about 11 percent of Proposition 98 funding does not have an obvious link to CCC's funding needs.
- Fees play an important role in CCC funding and demand management. Since the Legislature sets fee levels, a clear, rational, and predictable fee policy should be adopted.

☑ Align Degree of Local Discretion With State Objectives

- If the state wishes for local community colleges to have greater discretion in directing funding (within state-prescribed parameters), it could ease some funding restrictions such as categorical appropriations or full-time faculty requirements.
- If the state wishes to have more control over the outcomes in local districts, it may wish to narrow the range of activities eligible for state funding. This was done in a small way with Chapter 786 of 2003 (SB 338, Scott), which placed new restrictions on concurrent enrollment eligible for apportionment funding.

☑ Clarify State Priorities and Offer Incentives for Higher-Priority Courses

- The overall mission of the community colleges historically is quite broad, in part reflecting differing needs of different regions of the state. At the same time, resource limitations make it difficult to fully fund all the courses and educational services that students might seek in an open enrollment environment.
- While permitting districts flexibility in local course offerings and other allocation choices, the state could create fiscal incentives to encourage serving the state's highest priorities.
- For example, a higher per-student funding rate could be provided for higher-priority courses, and a lower rate for lower-priority courses.

Options for Promoting State Objectives Through CCC Finance *(Continued)*

- As an alternative, differential funding could provide higher rates for higher-*cost* courses, thus eliminating existing disincentives to provide such courses.
- Districts should be accountable for using resources in a way that achieves specified outcomes.

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How "Differentiated" Should CCC Funding Be?

☑ In response to a request from the Assembly Higher Education Committee, we released a report that assessed differential funding as a means for allocating state support for higher education. We found that:

- ***California's existing funding system makes few distinctions among enrollment categories.*** For CCC, there are only two: credit and non-credit.
- ***Some new categories could be added***. For example, California could provide different rates for different education levels, more- and less-expensive programs, or higher- and lower-priority programs. At the same time, the state could consider eliminating some of the differential categories between segments. (For example, lower-division students at all three segments could be funded at the same rate.)
- ***Differential funding mechanisms range from simple to complex***. Most states employ at least some differential categories.

☑ Increased differentiation of funding offers several distinct advantages:

- ***It can increase transparency.*** Budgets more clearly show how funding is allocated, what is being purchased, and at what price.
- ***It can strengthen accountability.*** By linking funding to specific types of educational services, differential funding can make it easier to hold segments accountable for the use of their budgeted resources.
- ***It can ensure comparable funding for comparable services.*** By providing the same level of funding for similar services (for example, remedial education or graduate laboratory classes), differential funding helps to ensure comparable treatment of students—even at different campuses or different segments.

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How "Differentiated" Should CCC Funding Be? *(Continued)*

☑ Increased differentiation of funding also can have disavantages:

- ***It can limit local flexibility***. As with categorical funding, compartmentalizing enrollment funding into various categories limits campuses' ability to expand or reduce course offerings in certain areas.
- ***It can create administrative burdens.*** With more enrollment categories comes an increase in various administrative tasks, such as cost accounting, enrollment tracking, reporting, and other activities by the segments, control agencies, and others.

☑ Legislature should consider differential funding for CCC in context of overall higher education funding system.

- Because of the interdependence of the higher education segments in fulfilling the state's Master Plan, legislative consideration of differential funding should take into account all three segments.
- Differential funding for CCC would likely require the elimination of the existing Program Based Funding formula.
- The question is not whether to employ differential funding (for it is already being implemented, to some extent), but rather how many and what types of funding categories to adopt.