



SCFF

The Student Centered Funding Formula

**OVERSIGHT COMMITTEE'S
RECOMMENDATIONS ON
PRIORITY AREA TWO**

JUNE
2021

Recommendations on Funding for Noncredit Courses and
Courses Taught Through Instructional Service Agreements,
and Adjustments to District Allocations in a Recession

*Prepared for the California State Legislature, the
Department of Finance, and the Governor's Office*

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¹ Valerie Johnson stepped down from the Oversight Committee on August 1, 2020, after transferring to a four-year university.

Executive Summary

California's 12-member Student Centered Funding Formula (SCFF)² Oversight Committee ("the Oversight Committee") was established by state budget legislation in 2018 and charged with evaluating and reviewing the implementation of the SCFF and providing recommendations to the California State Legislature and the Department of Finance. With four members selected by the Senate Committee on Rules, four members selected by the Speaker of the Assembly, and four members selected by the Governor, the committee is composed of a college student;³ community college classified staff, faculty, and administrators; and higher education researchers and advocates for disadvantaged communities. Members of the committee bring diverse perspectives to its work based on their extensive expertise and experience in the California Community Colleges (CCC) system.

The Oversight Committee's recommendations to the Legislature and the Department of Finance focus on two priority areas, each consisting of multiple components. After submission in December 2019 of its recommendations on each of the three components of Priority Area One,⁴ the Oversight Committee began at the start of 2020 to discuss the issues for Priority Area Two. The components of Priority Area Two that the Oversight Committee was charged with considering are (1) whether noncredit instruction and instructional service agreements should be incorporated as part of the Base and Supplemental Allocations of the SCFF, and (2) how district allocations could be adjusted if a recession were to occur. The Oversight Committee's recommendations on these components are detailed in the sections that follow.

2 The SCFF was signed into law by Governor Jerry Brown on June 27, 2018, as part of the higher education trailer bill to the 2018 Budget Act (Assembly Bill [AB] 1809). This bill's passage triggered implementation of the formula in the 2018–19 school year. The funding formula was intended to improve outcomes for community college students by tying a portion of funding to student equity and success rather than relying on a funding system focused primarily on enrollment. Specifically, the new formula moved away from funding based solely on enrollment to a formula that also includes funding based on outcomes and the number of low-income students served by each college district. The SCFF is also tied to the California Community Colleges system's Vision for Success.

3 Valerie Johnson, the student member on the Oversight Committee, stepped down from the Oversight Committee on August 1, 2020, after transferring to a four-year university. A replacement for Johnson was not made.

4 The Priority Area One Report can be accessed at https://drive.google.com/file/d/1AvqSzI_zaGD3p7-ZWNjfoqAlmWTt15qE/view.

Recommendation on Noncredit Instruction

On February 19, 2021, the Oversight Committee voted to recommend that the Governor's Office and the Legislature continue funding noncredit instruction using the current methodology⁵ and not make any changes to the SCFF for noncredit courses.

Recommendation on Instructional Service Agreements (ISAs)

On November 20, 2020, the Oversight Committee came to consensus on the following recommendations for the Governor's Office and the Legislature:

- Change the funding rate for full-time-equivalent student (FTES) enrollment in credit courses taught through ISAs to be the same rate as is used for Special Admit⁶ students in credit courses.⁷ The current funding rate for Credit Special Admit students is \$5,622 per FTES, except in any district with a higher funding rate for Special Admit students based on Education Code 84750.4.⁸
- The funding rate per FTES for credit courses taught through ISAs should be increased only if additional, ongoing funding is available — before funding for enrollment growth but after the cost-of-living adjustment (COLA) is funded.
- After the rate is increased, students enrolled only in credit courses taught through ISAs should no longer be included in the counts for funding through the Supplemental or Success Allocations.
- The CCC Chancellor's Office should use the submission of the CCFS-320 reports to collect data on courses taught through ISAs, and the CCC should collect demographic data on the students enrolled in these courses and should share the results.

5 The "current methodology" here refers to the methodology indicated in Education Code 84750.5. This Education Code reference and all of the references and data that follow are accurate as of the report's release in June 2021: "(3) Noncredit instruction shall be funded at a uniform rate of two thousand six hundred twenty-six dollars (\$2,626) per FTES, as adjusted for the change in the cost of living provided in subsequent annual budget acts. (4) Funding for instruction in career development and college preparation, as authorized pursuant to Section 84760.5, shall be provided as follows: (A) (i) Beginning in the 2006–07 fiscal year, career development and college preparation FTES may be funded at a rate of three thousand ninety-two dollars (\$3,092) per FTES for courses in programs that conform to the requirements of Section 84760.5. This rate shall be adjusted for the change in the cost of living or as otherwise provided in subsequent annual budget acts. (ii) Beginning in the 2015–16 fiscal year, career development and college preparation FTES shall be funded at the same level as the credit rate specified in paragraph (2). This rate shall be adjusted for the change in the cost of living or as otherwise provided in subsequent annual budget acts."

6 A "Special Admit" student is generally a high school student taking a community college course in dual or concurrent enrollment.

7 Ten districts in the state receive higher Special Admit rates than all other districts. The higher rates for these 10 districts were grandfathered in under Education Code 84750.4.

8 §84750.4(d)(C); <https://www.cccco.edu/-/media/CCCCO-Website/College-Finance-and-Facilities/Budget-News/Joint-Analysis-Enacted-Budget-Final-070220.pdf>

Data Collection on Courses Taught Through ISAs

Currently, the Chancellor's Office does not specifically collect data on courses taught through ISAs or on the students enrolled within these courses because districts are not required to indicate whether a given course is taught through an ISA. The Oversight Committee recommends that the Chancellor's Office collect data on courses taught through ISAs in order to better understand how these courses are serving students in the state and to be able to model the impact of any changes in funding on districts in the CCC system. The recommended data collection would include data on the demographics of students served by courses taught through ISAs, the types of courses offered through ISAs, the numbers of students and FTES enrolled in each course, and the outcomes of the students enrolled in these courses. Oversight Committee members also recommend collecting data on the type of ISA (payment per hour of instruction or revenue-sharing agreement) and the type of entity that the contract is with (public or private).

Implementation Plan

The Oversight Committee recommends that the CCC Chancellor's Office request ISA data for the First Principal Apportionment (P_i) reporting period, due on January 15, 2022, or earlier if deemed feasible. In order for the CCC Chancellor's Office to calculate the impact of funding that is based on FTES enrollment in courses taught through ISAs, it will need to require all districts to report on this metric. Since the research done by the Oversight Committee did not include a response from every district, the Oversight Committee had to rely on data from only 66 percent of the CCC districts to extrapolate the potential impact of this recommended change to the funding formula. It is imperative that the CCC Chancellor's Office and the districts know of the impact created from any future change to the SCFF.

Recommendation on Adjustments to District Allocations in a Recession

On June 15, 2020, the Oversight Committee voted to recommend that the Governor's Office and the Legislature prioritize payment deferrals (late payments to college districts) rather than budget reductions in a recession, to the degree possible. The Oversight Committee believes strongly that there should be no reductions in SCFF funding — especially during a recession, when workforce development is essential. California's community colleges play a critical role as engines for economic recovery and growth in the state. In particular, the CCC system provides students of color and marginalized student groups with a critical access point to higher education and economic opportunity.⁹ Reductions in funding for the SCFF would put this critical role at risk and further marginalize communities of color and students from low-income households.

The Oversight Committee believes that state leaders should resort to budget reductions for community colleges only after all other options have been exhausted. At the same time, the Oversight Committee recognizes that extensive payment deferrals can create cash flow problems for many college districts and that deferrals cannot address large, long-term state budget shortfalls. Therefore, the Oversight Committee voted on July 16, 2020, to recommend that if adjustments to district allocations must be made in a recession, proportional reductions should be made to SCFF allocations for college districts. In other words, the Oversight

9 https://www.ppic.org/wp-content/uploads/r_0917orr.pdf

Committee: (1) supports the use of payment deferrals to college districts as a short-term approach to avoid budget reductions, (2) encourages state leaders to continue to advocate for increased support from the federal government to address education budget shortfalls, (3) encourages state leaders to provide increased support through state block grants, and (4) only if reductions are still necessary after those steps, then recommends proportional reductions to district allocations.

Implementation Plan

The Oversight Committee recommends that the Governor's Office and the Legislature take a phased approach to budget shortfalls, beginning with payment deferrals for SCFF funding and moving to a uniform proportional reduction to community college district allocations only when all other options have been exhausted. Workload reductions constitute a critical element that must be considered when implementing reductions in funding. CCC districts will not be able to serve the same number of students if cuts are made to prerecession funding amounts. As the state deficit is reduced, the Legislature and the Governor's Office should prioritize restoration of previous SCFF funding to districts. Reductions to CCC district allocations should be reduced proportionately until funding for districts is restored. Once funding has been restored, the state should begin to pay down the deferrals to districts as quickly as possible.

Fully Funding the SCFF

The Oversight Committee believes in emphasizing once again the need to fully fund the SCFF. College and district leaders and a variety of stakeholders have expressed concern about the overall level of funding for the CCC system as compared to K-12 education and other public higher education systems in California. California's community colleges receive the least amount of funding on a per student basis than any other public education segment (i.e., K-12, University of California, or California State University).¹⁰ Furthermore, Oversight Committee members have heard from college and district leaders that, although the colleges have begun to implement new programs to support improved student outcomes (per the goal of the SCFF), the current funding from the state is not adequate for supporting sustained implementation of these new programs. This challenge will be exacerbated by additional reductions in allocations to community college districts from the decrease in enrollment that districts are experiencing as a result of COVID-19, and it will threaten college and district leaders' ability to provide students with the education they deserve and need. Moreover, COVID-19 has already had a disproportionate economic impact on vulnerable students. Institutions will need to continue to do more to ensure that these students have access to high-quality, rigorous, and supportive learning opportunities. Fully funding California's community colleges is a way to support workforce development¹¹ and is a key driver for economic recovery in the state. The Oversight Committee recommends that funding for community colleges remain at or above the current level and not be adjusted downward for a decrease in enrollment until such time as the per student funding equals or exceeds that of the state's K-12 districts. In doing so, the Legislature and Department of Finance could fund the recommended changes to the SCFF for ISAs and first-generation students without diminishing the funding rates for all of California's community colleges while still addressing the importance of these components to the state's system.

10 <http://www.ebudget.ca.gov/2019-20/pdf/BudgetSummary/K-12Education.pdf>; <https://www.cccco.edu/-/media/CCCCO-Website/Files/Consultation-Council/2019/cc-agenda-09-19-19.pdf?la=en&hash=908079772F441BFD02FBF9E7C2DF45873016B884>

11 For example, see <https://www.nber.org/papers/w21137.pdf>.

Overview

California's 12-member Student Centered Funding Formula (SCFF)¹² Oversight Committee ("the Oversight Committee") was established by state budget legislation in 2018 and charged with evaluating and reviewing the implementation of the SCFF and providing recommendations to the California State Legislature and the Department of Finance. With four members selected by the Senate Committee on Rules, four members selected by the Speaker of the Assembly, and four members selected by the Governor, the committee is composed of a college student;¹³ community college classified staff, faculty, and administrators; and higher education researchers and advocates for disadvantaged communities. Members of the committee bring diverse perspectives to its work based on their extensive expertise and experience in the California Community Colleges (CCC) system.

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In order to be able to make informed recommendations regarding noncredit instruction and instructional service agreements, the Oversight Committee began its focus on Priority Area Two by gaining an understanding of how the SCFF is constructed and calculated. Once the committee had an understanding of how the SCFF functions, it invited several community college and district leaders to provide an overview of how instructional service agreements and noncredit instruction are handled in the various community college districts. Throughout this process, the Oversight Committee learned that both noncredit instruction and instructional service agreements play a vital role in accomplishing the mission of CCC; however, both components are applied quite differently from district to district.

12 The SCFF was signed into law by Governor Jerry Brown on June 27, 2018, as part of the higher education trailer bill to the 2018 Budget Act (Assembly Bill [AB] 1809). This bill's passage triggered implementation of the formula in the 2018–19 school year. The funding formula was intended to improve outcomes for community college students by tying a portion of funding to student equity and success rather than relying on a funding system focused primarily on enrollment. Specifically, the new formula moved away from funding based solely on enrollment to a formula that also includes funding based on outcomes and the number of low-income students served by each college district. The SCFF is also tied to the California Community Colleges system's Vision for Success.

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14 The Priority Area One Report can be accessed at https://drive.google.com/file/d/1AvqSzI_zaGD3p7-ZWNjfoqAlmWTt15qE/view.

Guiding Principles

The Oversight Committee used the CCC Chancellor's Office's "Principles for Reform for the SCFF"¹⁵ and the Oversight Committee's own definition of equity (Appendix A) to guide discussion and consideration of the committee's recommendations. The principles include a commitment to make changes to policies, practices, attitudes, and cultural messages that align with the following:

- **Equity:** Providing additional support to student groups that face barriers to success
- **Resource stability, predictability, flexibility:** Ensuring that resources provided to community college districts are "stable, predictable, and flexible"
- **Student success:** Encouraging progress toward the CCC system's Vision for Success¹⁶

In evaluating potential options for adjusting district allocations during recessions, the Oversight Committee also took into account the following factors:

- **Legislative intent in the mechanics of the formula:** The SCFF stipulates that 70 percent of the state's funding to community college districts is based on enrollment (Base Allocation), 20 percent is based on the number of students from low-income households in each college district (Supplemental Allocation), and 10 percent is based on student performance measures (Success Allocation).¹⁷ For adjustments to these allocations in a recession, several of the options considered by the committee would change the proportion of funding allocated across each of the three components of the formula.
- **Uniformity:** The Oversight Committee's deliberations also considered the uniformity of budget reductions across community college districts. Specifically, the committee looked at the range in the size of potential reductions across different college districts.
- **Complexity/transparency:** The Oversight Committee also considered the level of complexity of the various options for adjustments to district allocations in a recession. Specifically, the committee considered potential challenges for districts in calculating their funding for the future year for planning purposes and whether the calculations would be transparent, or easily understandable, to a range of stakeholders.
- **Disproportionate impact:** The Oversight Committee recognized that underserved and marginalized communities are disproportionately affected in a recession. Consequently, the committee's deliberations included lengthy discussions about the impact of funding reductions on marginalized student groups and which options could minimize the impact on these students.

15 https://rpgroup.org/Portals/0/Documents/Conferences/StudentSuccess/2018SSSCMaterials/SSSC18_Presentation_Materials/OpenFormat/StudentCenteredFundingFormula.pdf

16 <https://www.cccco.edu/About-Us/Vision-for-Success>

17 The SCFF initially had a three-year phase-in: a 70/20/10 split for 2018–19, a 65/20/15 split for 2019–20, and a 60/20/20 split for 2020–21 and beyond. The Governor's Budget maintains the 70/20/10 split for 2020–21, per Senate Bill (S.B.) 116, codified as Education Code (EC) Section 84750.4(a)(4).

Noncredit Instruction

Oversight Committee Charge

The Oversight Committee's charge was to review and make a recommendation to the Legislature and the Department of Finance by June 30, 2021, as to "whether [noncredit instruction] should be incorporated as part of the Base and Supplemental Allocations of the SCFF."¹⁸ The committee was also charged with including an implementation plan in this recommendation report.

Recommendation

- On February 19, 2021, the Oversight Committee voted to recommend that the Governor's Office and the Legislature continue funding noncredit instruction using the current methodology¹⁹ and not make any changes to the SCFF for noncredit courses.

Rationale for the Oversight Committee's Recommendation

- The Oversight Committee made its recommendation after research presentations by WestEd staff and after a compelling informational presentation by leaders from colleges and college districts with some of the highest noncredit enrollment in the CCC system. The committee wanted to understand the potential impact on students of making changes to funding for noncredit courses and was committed to creating

¹⁸ The Committee's charge, as outlined in Education Code 84750.41, is to consider whether noncredit instruction should be incorporated into the SCFF. However, noncredit instruction is currently included in the Base Allocation of the SCFF.

¹⁹ The "current methodology" here refers to the methodology indicated in Education Code 84750.5: "(3) Noncredit instruction shall be funded at a uniform rate of two thousand six hundred twenty-six dollars (\$2,626) per FTES, as adjusted for the change in the cost of living provided in subsequent annual budget acts. (4) Funding for instruction in career development and college preparation, as authorized pursuant to Section 84760.5, shall be provided as follows: (A) (i) Beginning in the 2006–07 fiscal year, career development and college preparation FTES may be funded at a rate of three thousand ninety-two dollars (\$3,092) per FTES for courses in programs that conform to the requirements of Section 84760.5. This rate shall be adjusted for the change in the cost of living or as otherwise provided in subsequent annual budget acts. (ii) Beginning in the 2015–16 fiscal year, career development and college preparation FTES shall be funded at the same level as the credit rate specified in paragraph (2). This rate shall be adjusted for the change in the cost of living or as otherwise provided in subsequent annual budget acts."

an inclusive process for input from those in the system who would be most impacted by adjustments to funding for noncredit courses. Representatives from Mt. San Antonio College, San Diego College of Continuing Education, North Orange Continuing Education, and the City College of San Francisco recommended maintaining current funding levels for noncredit courses. Committee members were also reluctant to make additional changes to the SCFF, which can be disruptive to district budgets.

Background Research and Input

The SCFF currently excludes points generated by full-time-equivalent student (FTES) enrollment in noncredit courses from the components of the formula that determine Student Success and Supplemental Allocations; the formula uses student enrollment as the sole basis for determining funds for noncredit courses.²⁰ Noncredit courses were excluded from the Student Success and Supplemental Allocations components because students enrolled in noncredit courses do not qualify for and/or are not able to receive financial aid and because the current metrics for the Student Success Allocation do not apply.

Background on Funding Rates for Noncredit Instruction

In fiscal year (FY) 2006, the state funded all noncredit instruction in the CCC system at just under half the rate for credit instruction (about \$2,000 per FTES²¹).²² Effective in FY 2007, Senate Bill (SB) 361 created a special category of noncredit instruction — Career Development and College Preparation (CDCP) — and raised the state funding rate for this category to 71 percent of the credit rate, compared to 60 percent for regular noncredit instruction.²³ Effective in FY 2015, SB 860 increased the state's funding rate for CDCP noncredit courses to 100 percent of the rate for credit instruction at the time. The higher rate is intended to encourage colleges to expand their CDCP offerings and, in particular, to improve support for noncredit vocational programs, which sometimes have high equipment and facility costs.²⁴ Noncredit instruction funding rates were not changed with the implementation of the SCFF. CDCP and regular noncredit courses are still funded at the same rates as they were in the past.²⁵

20 Funding is also provided based on attendance only for high school students who are concurrently enrolled in community college coursework, incarcerated students, and students enrolled in noncredit instruction through instructional service agreements.

21 FTES is defined as follows: "FTES is determined by hours of attendance, and 525 hours of attendance is considered one FTES. The 525-hour value is based on the assumptions that a full-time student attends 15 hours of classes in a week, there are 17.5 weeks in a semester, and there are two semesters in an academic year, so $15 \times 17.5 \times 2 = 525$ hours = 1 FTES." Source: California Community Colleges Chancellor's Office Management Information System, [Data Mart Glossary of Terms](#).

22 Legislative Analyst's Office (LAO). (2017). *California Community Colleges: Effects of increases in noncredit course funding rates*. <https://lao.ca.gov/reports/2017/3635/CCC-Noncredit-Course-033017.pdf>

23 Ibid.

24 Ibid.

25 https://rpgroup.org/Portals/0/Documents/Conferences/StudentSuccess/2018SSSCMaterials/SSSC18_Presentation_Materials/OpenFormat/StudentCenteredFundingFormula.pdf

Number of Students Served by Noncredit Courses

The Oversight Committee also took into consideration the number of students enrolled in noncredit courses, as the number has implications for the magnitude of the impact that any changes to funding for noncredit courses would have on the system overall. Across the CCC system, enrollment in noncredit courses has typically represented a minimal proportion of the total FTES enrollment, with subtle variations across colleges and over time. In the 2003–04 school year, FTES enrollment in noncredit courses made up 7.6 percent of all FTES enrollment.

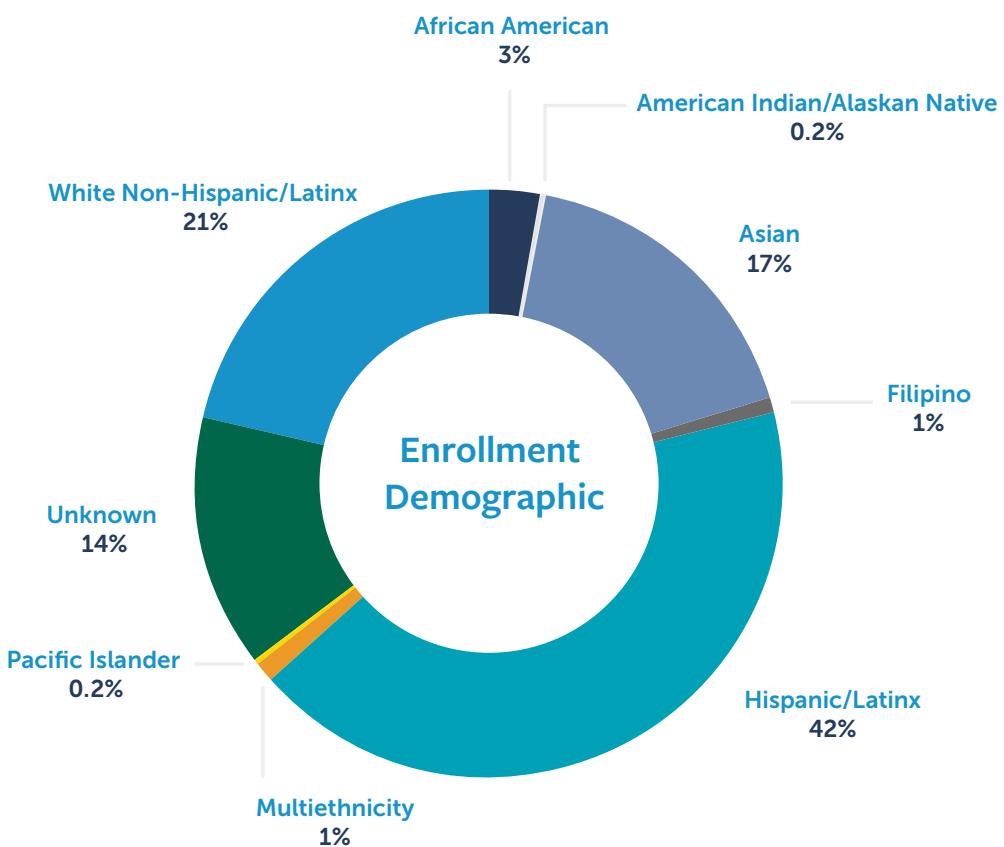
This proportion has declined to about 5 percent of total FTES enrollment in each of the last three school years.²⁶ Historically, the CCC system’s mission included noncredit course offerings for lifelong learning. During the mid-2000s, the state limited the types of noncredit courses that community colleges were allowed to offer, which eliminated most noncredit lifelong learning offerings and contributed to the decline in noncredit FTES numbers.

Demographics of Students Served by Noncredit Courses

The Oversight Committee also requested information on the population of students served by noncredit courses in order to assess the equity implications of redistributing resources to districts that offer these courses if the funding rate were to be increased. The demographics of students enrolled in noncredit courses largely reflect those of all students across the CCC system. In 2019–20, for example, Hispanic/Latinx and White students made up 42 percent and 21 percent of all noncredit FTES enrollment, respectively (see Figure 1).

26 California Community Colleges Chancellor’s Office Management Information Systems Data Mart

Figure 1: Demographics of Students Enrolled in Noncredit Courses, 2019–20



Source: California Community Colleges Chancellor's Office (CCCO) Management Information Systems (MIS) Data Mart

Noncredit Course Types

The Oversight Committee was also interested in information on the types of courses offered through noncredit instruction. Although noncredit courses represent a small proportion of all courses offered across the system, they provide opportunities for students to receive specialized instruction that credit courses may not provide. Table 1 lists the types of instruction provided through noncredit courses and indicates which categories of noncredit courses are eligible to be offered as CDCP courses with higher funding rates.

Table 1: Types of Instruction Offered through Noncredit Courses

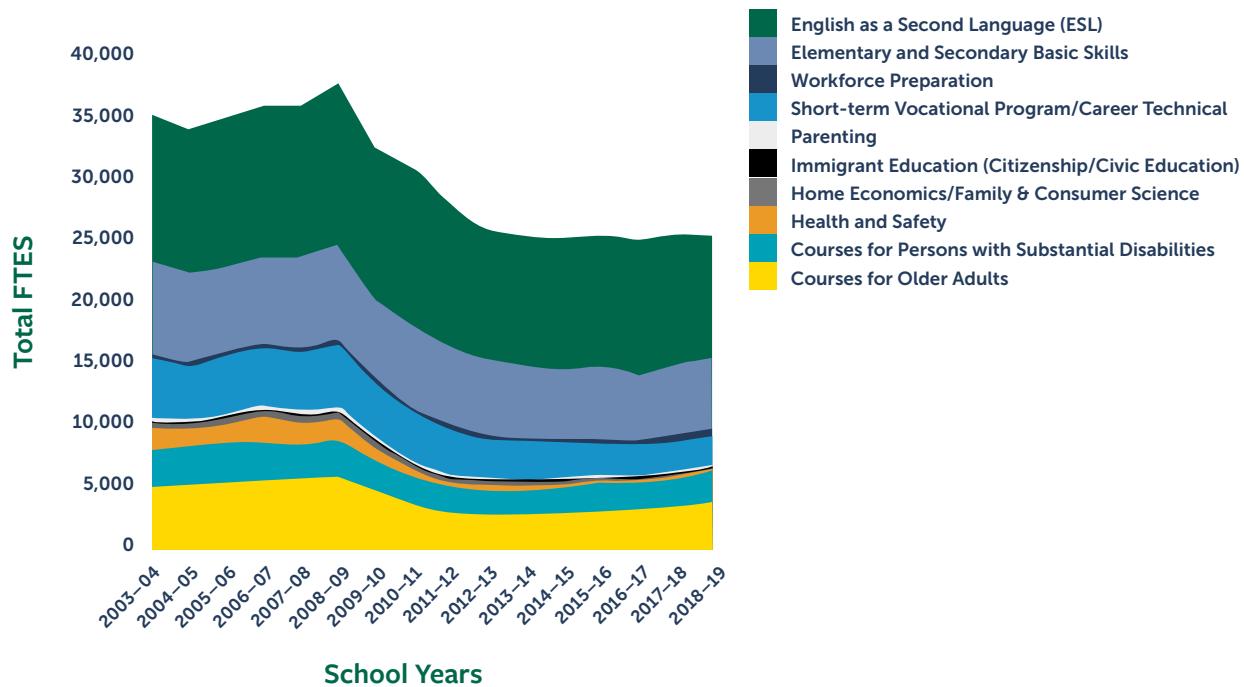
Type of instruction	Brief description	Categories	Student fees?	FY 2019–20 rate per FTES
Enhanced noncredit instruction (CDCP)	Offered in a sequence that leads to a certificate of completion or certificate of competency	Four eligible categories when courses are sequenced to lead to a certificate of completion or certificate of competency:²⁷ 1. English as a Second Language 2. Elementary and Secondary Basic Skills 3. Short-Term Vocational 4. Workforce Preparation	No	\$5,622
Regular noncredit instruction	Other noncredit instruction offered to assist students in reaching their personal, academic, and professional goals	Ten categories, including the four listed above (if they do not qualify as a CDCP course) plus: 5. Parenting Education 6. Immigrant Education 7. Education Programs for Persons with Disabilities 8. Education Programs for Older Adults 9. Home Economics 10. Health and Safety Education	No	\$3,381

Sources: CCCCO MIS Data Mart; [CCCCO Noncredit Curriculum Webpage](#)

²⁷ <https://www.cccco.edu/About-Us/Chancellors-Office/Divisions/Educational-Services-and-Support/What-we-do/Curriculum-and-Instruction-Unit/Curriculum/Noncredit-Curriculum-and-Instructional-Programs>

Using data from the CCCCO MIS Data Mart,²⁸ the WestEd research team examined which noncredit course categories were most common over time. The majority of noncredit FTES enrollment each term is in CDCP courses; the most common noncredit course category tends to be English as a Second Language (ESL). While the noncredit FTES totals have declined since 2009, ESL and Elementary and Secondary Courses have remained the most common types of noncredit courses (see Figure 2).

Figure 2: Noncredit FTES Enrollment Over Time by Course Type



Source: CCCCO MIS Data Mart

Input From a Panel of College and District Leaders

As previously noted, the Oversight Committee convened a panel of experts who attended the committee's January 8, 2021, meeting to speak about noncredit courses in their colleges and districts and to inform the committee's recommendation. Speakers were asked to describe

- the noncredit courses at their colleges, including the types of courses offered and the demographics of the students currently enrolled in noncredit courses;
- any benefits of offering a course as noncredit rather than for credit;
- cost differences to the college between providing noncredit courses and credit courses;
- whether the current level of funding for noncredit courses impacts their ability to offer these courses and, if so, in what ways;

²⁸ The values shown are the average FTES enrollment numbers for fall and spring of a given school year. For example, the average noncredit FTES enrollment for fall 2008 and spring 2009 was about 37,000 noncredit FTES.

- whether noncredit courses help to close equity gaps; and
- any labor market returns or other benefits for students who take noncredit courses at their colleges.

The panelists provided extensive information about their colleges' course offerings and student demographics, the impacts of noncredit courses on equity gaps, and the value of participation in noncredit courses in terms of labor market returns. The panelists also spoke about current funding for noncredit courses and provided input on the Oversight Committee's charge. Specifically, panelists recommended that the Oversight Committee vote to maintain 100 percent of funding for noncredit courses in the Base Allocation of the SCFF.²⁹

29 The slide deck presented by the panel is available online: <https://drive.google.com/file/d/1oMF3z02LwlVPUyGEH44VTWKiAGlqr9Dm/view>.

Instructional Service Agreements

Oversight Committee Charge

The Oversight Committee's charge was to review and make a recommendation to the Legislature and the Department of Finance by June 30, 2021, as to whether courses taught through instructional service agreements (ISAs) should be incorporated as part of the Base and Supplemental Allocations of the SCFF. The committee was also charged with including an implementation plan in this recommendation report.

Recommendations

On November 20, 2020, the Oversight Committee came to consensus on the following recommendations for the Governor's Office and the Legislature:

- Change the funding rate for FTES enrollment in credit courses taught through ISAs to be the same rate as is used for Special Admit³⁰ students in credit courses.³¹ The current funding rate for Credit Special Admit students is \$5,622 per FTES, except in any district with a higher funding rate for Special Admit students based on Education Code 84750.4.³²
- The funding rate per FTES for credit courses taught through ISAs should be increased only if additional, ongoing funding is available — before funding for enrollment growth but after the cost-of-living adjustment (COLA) is funded.
- After the rate is increased, students enrolled only in credit courses taught through ISAs should no longer be included in the counts for funding through the Supplemental or Success Allocations.
- The CCC Chancellor's Office should use the submission of the CCFS-320 reports to collect data on courses taught through ISAs, and the CCC should collect demographic data on the students enrolled in these courses and should share the results.

30 A "Special Admit" student is generally a high school student taking a community college course in dual or concurrent enrollment.

31 Ten districts in the state receive higher Special Admit rates than all other districts. The higher rates for these 10 districts were grandfathered in under Education Code 84750.4.

32 §84750.4(d)(C); <https://www.cccco.edu/-/media/CCCCO-Website/College-Finance-and-Facilities/Budget-News/Joint-Analysis-Enacted-Budget-Final-070220.pdf>

Rationale for the Oversight Committee's Recommendations

The Oversight Committee's recommendations are based on several considerations, as described in the following sections.

Rate Increase for Credit Courses Taught Through ISAs

The committee's recommendation to change the FTES funding rate for *credit* courses taught through ISAs came in response to concerns expressed primarily by college and district leaders in districts with higher numbers of students enrolled in courses taught through ISAs. The Special Admit and Noncredit Base Allocation funding rates (including those for FTES enrollment in courses taught through ISAs) remained the same when the CCC Chancellor's Office implemented the SCFF; only the Base Allocation funding rate for FTES enrollment in credit courses taught through ISAs was changed. Accordingly, during Oversight Committee meetings, leaders of California community colleges and districts in which courses are taught through ISAs indicated that their central concern regarding FTES funding rates is related to *credit* courses. Specifically, these college and district leaders argued that before the switch to the SCFF, the funding rate for courses taught through ISAs had been higher and that the change to the SCFF resulted in a reduction in funding for their districts. Prior to the SCFF, credit courses had been funded at \$5,445 per FTES, whereas most are now funded at \$4,009 per FTES, from the Base Allocation only. Students enrolled in credit courses taught through ISAs frequently do not qualify for Supplemental or Success points. The committee's recommendation to increase the funding rate for credit courses taught through ISAs is a response to this reduction in funding and reflects the committee members' belief that the training provided in courses taught through ISAs is critical for the state.

The current funding model for credit courses taught through ISAs is based on the assumption that districts can generate funding from all three allocations (Base, Supplemental, and Success), but college and district leaders argued that such funding is rare for students within ISA courses. More often, points generated by FTES enrollment in these courses qualify for Base Allocation funding only, *not* for Supplemental or Success funding, because many of these students are already employed full-time within their respective fields and are taking classes for continuing education purposes. The number of students in credit courses taught through ISAs that qualify for Supplemental and Success points is unknown because the Chancellor's Office does not currently ask districts to distinguish enrollment in courses taught through ISAs in their apportionment reporting.

Another main discussion area for the Oversight Committee was whether to recommend that the funding rate for FTES enrollment in courses taught through ISAs should be increased for public safety courses only. California Assembly Bill 720 (AB 720) proposed funding ISAs with public safety agencies at the CDCP funding rate. AB 720 is currently being held in suspense in the Appropriations Committee. Although Oversight Committee members recognize the tremendous value to the state of public safety courses taught through ISAs, several committee members noted that other courses taught through ISAs — for example, courses in trades — are also critical to the state's economy and provide pathways for economic mobility for students from low-income households and students of color. Consequently, the committee decided to recommend the higher rate for *all* credit courses taught through ISAs, not only public safety courses.

Data Collection on Courses Taught Through ISAs

Currently, the Chancellor's Office does not specifically collect data on courses taught through ISAs or on the students enrolled within these courses because districts are not required to indicate whether a given course is taught through an ISA. The Oversight Committee recommends that the Chancellor's Office collect data on courses taught through ISAs in order to better understand how these courses are serving students in the state and to be able to model the impact of any changes in funding on districts in the CCC system. The recommended data collection would include data on the demographics of students served by courses taught through ISAs, the types of courses offered through ISAs, the numbers of students and FTES enrollment in each course, and the outcomes of the students enrolled in these courses. Oversight Committee members also recommend collecting data on the type of ISA (payment per hour of instruction or revenue-sharing agreement) and the type of entity that the contract is with (public or private).

Implementation Plan

The Oversight Committee recommends that the CCC Chancellor's Office request ISA data for the First Principal Apportionment (P₁) reporting period, due on January 15, 2022, or earlier if deemed feasible. In order for the CCC Chancellor's Office to calculate the impact of funding that is based on FTES enrollment in courses taught through ISAs, it will need to require all districts to report on this metric. Since the research done by the Oversight Committee did not include a response from every district, the Oversight Committee had to rely on data from only 66 percent of the CCC districts to extrapolate the potential impact of this recommended change to the funding formula. It is imperative that the CCC Chancellor's Office and the districts know of the impact created from any future change to the SCFF.

Background Research

To understand how courses taught through ISAs are offered in the CCC system and to attempt to model the impacts of any changes to funding for courses taught through ISAs, the WestEd research team conducted a survey of college districts to gather information on their course offerings through ISAs and about the students served through these courses. The survey was administered between June 2020 and September 2020. The CCC Chancellor's Office emailed all of its college districts to request their participation in the survey, and the Oversight Committee chair and WestEd staff sent several follow-up emails to request the information from college districts that had not yet responded.

In total, 47 districts responded to the request for information (66 percent response rate). Thirty-two districts responded that they currently offer courses taught through ISAs, and these districts provided the requested information on the FTES enrollment and student demographics for ISA courses in 2018–19 (full year) and 2019–20 (P₁ only). Another 15 districts indicated that they did not offer courses taught through ISAs. For the districts that indicated that they offer ISA courses, ISA course FTES enrollment made up 5.3 percent of all FTES enrollment, on average, in 2018–19. This proportion ranged from 0.1 percent to 29.6 percent and was below 5.3 percent in most districts.

Twenty-five districts did not respond to the request for information on courses taught through ISAs. It was not possible for the WestEd research team to ascertain if any of these districts currently offer courses taught

through ISAs and, if so, whether the quantity of offerings would alter the data summaries presented later in this report.

ISA Course Types

Most ISA courses were taken for credit. The FTES total reported from courses offered through ISAs in 2018–19 was 21,713.32, about 1.8 percent of the statewide FTES total in all courses offered. Of that total, 16,682.96 FTES (77 percent) were in courses taught through ISAs for credit (see Table 2). Based on districts' reports, 23 percent of ISA FTES in 2018–19 were enrolled in noncredit or in CDCP ISA courses. However, nearly all of the FTES enrollment in noncredit ISA courses in 2018–19 was in a single type of ISA course at Sonoma County Junior College District. Most (75 percent) of the FTES totals in CDCP ISAs were from either English as a Second Language (ESL) or continuing education courses.

Table 2: ISA Course Types (Among 32 Responding Districts)

ISA course type	FTES enrollment, 2018–19 ³³
Credit	16,682.96
Noncredit	2,644.34
Enhanced Noncredit (CDCP)	2,386.02
Total	21,713.32

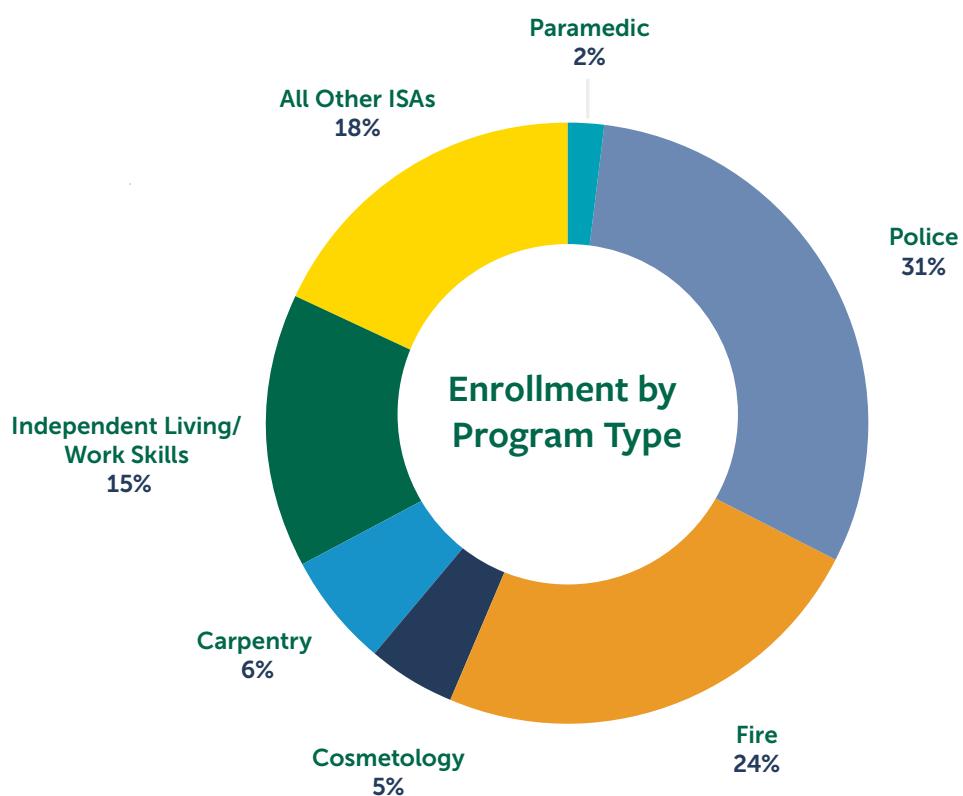
Source: Data submitted by CCC districts

ISA Program Types

Data reported from districts indicate that over 50 percent of all FTES enrollment from courses taught through ISAs was for courses in fire or police training programs (see Figure 3). Other workforce offerings, such as paramedic training, cosmetology certification, and trades courses, were offered less frequently.

³³ Because not all districts responded to the information collection survey on courses taught through ISAs, there might have been a higher value of FTES enrollment offered through the system in this year.

Figure 3: ISA Course FTES Enrollment by Program Type (Among 32 Responding Districts), 2018–19



Source: Data submitted by CCC districts

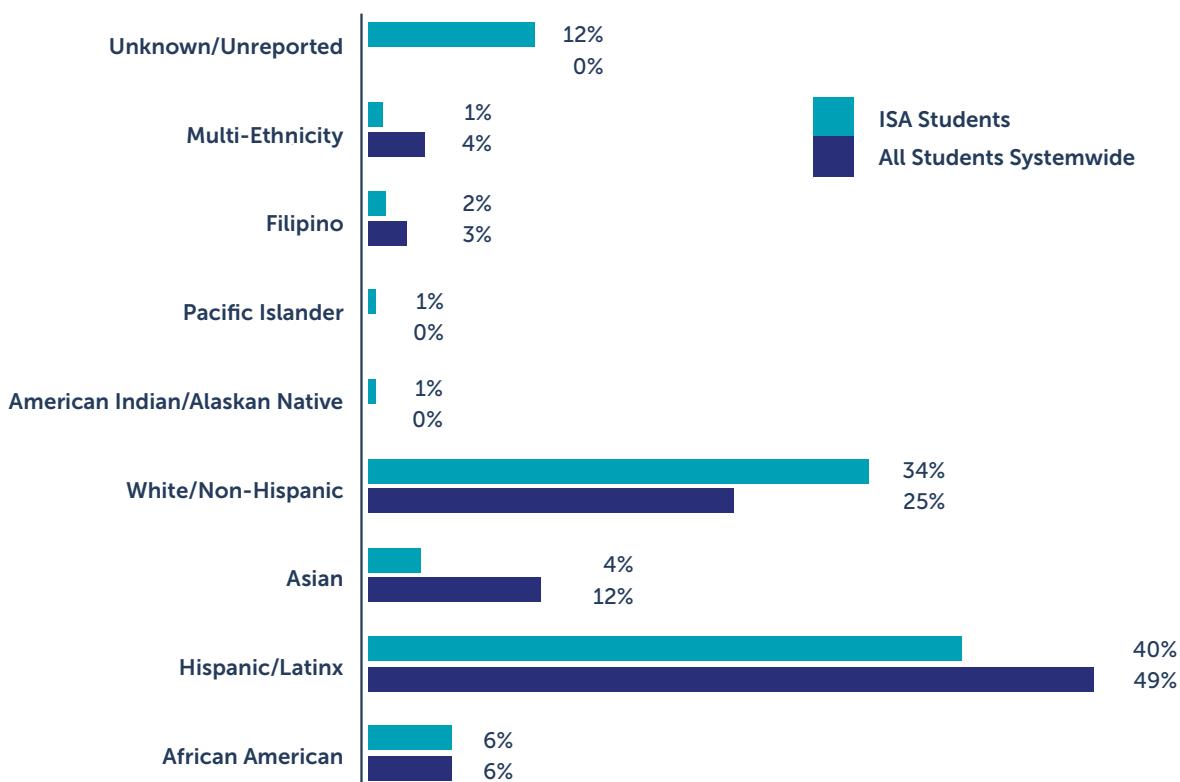
Demographics of Students Served by Courses Taught Through ISAs

The Oversight Committee also asked for information on the population of students served by courses taught through ISAs in order to assess the equity implications of redistributing resources to districts offering these courses if the funding rate were to be increased. Data collection on demographics of students enrolled in ISA courses was not consistent across institutions. Of the 32 districts reporting their student demographics in 2019–20 (P1 only), only 19 were able to report the numbers of economically disadvantaged students within ISA courses. These 19 districts reported that 11.1 percent of enrolled students were economically disadvantaged (4,386 total), far fewer than the statewide average for CCC students.

Within reported student demographics for 2019–20 (P1 only), White (Non-Hispanic/Latinx) students made up 34 percent of the ISA course population, in comparison to 25 percent of the statewide CCC student population.³⁴ Hispanic/Latinx students comprised 49 percent of all CCC students but only 40 percent of all students enrolled in courses taught through ISAs in the districts that responded to the survey (see Figure 4).

³⁴ CCCCO MIS Data Mart

Figure 4: Demographics of Students Enrolled in ISA Courses (Among 32 Responding Districts) Compared to Demographics Across all FTES in the CCC System, 2019–20



Sources: Data on courses offered through ISAs submitted by CCC districts; systemwide data acquired through CCCCO MIS Data Mart

Funding for Courses Taught Through ISAs

Although the Oversight Committee’s charge was to determine “whether [courses taught through ISAs] should be incorporated as part of the Base and Supplemental Allocations of the funding formula,” funding for FTES enrollment in courses taught through ISAs is already incorporated into the SCFF, and these FTES “are funded just like any other noncredit, CDCP, or credit FTES.” The Chancellor’s Office “[doesn’t] make a distinction anywhere in the SCFF calculations regarding whether FTES are from ISAs or not.”³⁵ Accordingly, credit-earning FTES associated with ISAs can currently generate funding through the Supplemental and Success Allocations, and some do. Table 3 outlines the different types of courses offered through ISAs, their prevalence in the CCC system, and how they are currently funded (i.e., under which portions of the SCFF they are eligible for funding).

³⁵ Personal communication, Chancellor’s Office, October 6, 2020

Table 3: Overview of ISA Courses and Funding

Course type offered through ISA	FTES from ISA courses as percentage of total FTES	Number of districts that reported offering this course type	2019–20 final rates	How currently funded within the SCFF
Credit	77%	28 (21 exclusively)	\$4,009	Base, Supplemental, Success
Incarcerated/Credit Special Admit/CDCP	11%	4 (1 exclusively)	\$5,622	Base only
Noncredit	12%	5 (1 exclusively)	\$3,381	Base only

Sources: Data submitted by CCC districts; [CCC Joint Analysis of Enacted 2020–21 Budget](#)

Input From Panels of College and District Leaders

To supplement data collected through the surveys and to provide a clearer understanding of funding for ISA courses and the costs and benefits of ISAs to institutions and their students, WestEd invited two panels of community college and district leaders to give presentations to the Oversight Committee on their experiences with funding for ISA courses. The panel members included representatives from Palo Verde Community College District (CCD), Allan Hancock Joint CCD, Sonoma County Junior College District, Santa Clarita CCD, Los Rios CCD, and the South Bay Regional Public Safety Training Consortium (“The Academy”). The panels highlighted the complexity of funding for courses offered through ISAs, which varies substantially from district to district and from course to course. For example, the majority of ISA courses provide public safety training in collaboration with local agencies. The students enrolled in these courses are full-time employees at their respective agencies, meaning that their salaries are too high for them to qualify for financial aid. Therefore, students in these courses do not generate funding through the Supplemental Allocation for their college district. Furthermore, these students are also unlikely to be eligible for Success Allocation funds, as they may not receive a degree or certificate upon completion of their training. Consequently, several panelists presented data on the ISA course funding losses that had occurred in their districts after implementation of the SCFF. Some panelists further asserted that current funding under the SCFF could jeopardize their ability to provide courses offered through ISAs. However, other college and district leaders suggested that their college districts had already adapted to the new funding rates and had not reduced their ISA course offerings.

Estimated Cost of Funding the Committee’s Recommendation

Based on the data received from the community college districts, the Oversight Committee’s recommendation to increase the funding rate for courses taught through ISAs for credit could require an estimated increase of over \$26.9 million in district funding.³⁶ This amount is only an approximation, for multiple reasons. First, not all districts responded to the survey on courses taught through ISAs, and there might be a higher FTES enrollment in ISA courses offered through the CCC system annually. Second, this estimate is based on a previous year’s totals and cannot reflect any changes that might occur to course offerings by the time funding is implemented. Finally, this estimate is based on current funding rates and cannot reflect any rate changes that might occur by the time funding is implemented.

The Chancellor’s Office shared that the estimated total cost for recent requested upgrades to its data system is between \$1.2 and \$1.5 million, including ongoing expenses associated with the change. They estimated the cost at the college level was approximately \$100,000–\$250,000.³⁷

³⁶ This value is generated by multiplying the number of FTES from courses taught through ISAs for credit (16,682.96) by the recommended increase in funding rate (\$5,622 – \$4,009 = \$1,613) and rounding to the nearest dollar. To generate the estimate, the 2019–20 funding rates were rounded to the nearest dollar as well.

³⁷ Personal communication, April 12, 2021

Adjustments to District Allocations in a Recession

By mid-March 2020, California was fighting to contain the spread of COVID-19 through shelter-in-place orders and the closure of schools, colleges, and universities across the state. The economic impact of COVID-19 quickly became apparent to members of the Oversight Committee, who voted unanimously on April 2, 2020, to address the issue of how to adjust district allocations in a recession as their first item of business. Furthermore, on the advice of legislative staff, the Oversight Committee determined that rather than waiting until the June 30, 2021, deadline for submission of the full Priority Area Two report, the committee would submit its recommendation on how to adjust district allocations during a recession by July 31, 2020. In doing so, the Oversight Committee members hoped to provide critical input to state leaders on how to approach adjustments to district allocations as state leaders respond to current budget shortfalls and to inform their responses to future recessions in California.

Decisions about how to reduce funding to college districts are always difficult. However, the Oversight Committee's recommendation on how to adjust district allocations in a recession was made even more difficult by already constrained district budgets, the rapidly unfolding impact of COVID-19 on the economy and on public health, and evolving budget proposals from the Governor's Office and the Legislature. Committee members based their recommendation on research and on public comment from students, faculty, administrators, and system leaders, and they were guided by their commitment to student success and to increasing equity in the CCC system. This section includes the Oversight Committee's charge, recommendation, and implementation plan as submitted in its July 31, 2020, report.³⁸

Oversight Committee Charge

The Oversight Committee's charge was to review and make a recommendation to the Legislature and the Department of Finance on or before June 30, 2021, on how district allocations could be adjusted if a recession were to occur and to include an implementation plan.

When the committee began discussing this topic in January 2020, California was not in a recession. Just seven months later, California faced a \$54.3 billion projected deficit due to the COVID-19 recession. The Governor and the Legislature reached a deal to preserve funding for community colleges in the 2020–21 budget by relying on deferrals to address the budget shortfall.³⁹ Yet the committee's charge, which was created by statute before

38 The rationale and details can be found in the report, which is available online: <https://drive.google.com/file/d/1oT9QkJEJgwyfW1F5d5VwuXSPWvVRfHBF/view>.

39 <https://www.gov.ca.gov/2020/06/29/governor-newsom-signs-2020-budget-act/>

the current recession, remains to make a recommendation regarding how to adjust district allocations in a recession. In deliberating on its recommendation, the Oversight Committee considered both the current recession (including its similarity and differences to past recessions) and any future recessions.

Recommendation

On June 15, 2020, the Oversight Committee voted to recommend that the Governor’s Office and the Legislature prioritize payment deferrals (late payments to college districts) rather than budget reductions in a recession, to the degree possible. The Oversight Committee believes strongly that there should be no reductions in SCFF funding — especially during a recession, when workforce development is essential. California’s community colleges play a critical role as engines for economic recovery and growth in the state. In particular, the CCC system provides students of color and marginalized student groups with a critical access point to higher education and economic opportunity.⁴⁰ Reductions in funding for the SCFF would put this critical role at risk and further marginalize communities of color and students from low-income households.

The Oversight Committee believes that state leaders should resort to budget reductions for community colleges only after all other options have been exhausted. At the same time, the Oversight Committee recognizes that extensive payment deferrals can create cash flow problems for many college districts and that deferrals cannot address large, long-term state budget shortfalls. Therefore, the Oversight Committee voted on July 16, 2020, to recommend that if adjustments to district allocations must be made in a recession, proportional reductions should be made to SCFF allocations for college districts. In other words, the Oversight Committee: (1) supports the use of payment deferrals to college districts as a short-term approach to avoid budget reductions, (2) encourages state leaders to continue to advocate for increased support from the federal government to address education budget shortfalls, (3) encourages state leaders to provide increased support through state block grants, and (4) only if reductions are still necessary after those steps, then recommends proportional reductions to district allocations.

Implementation Plan

The Oversight Committee recommends that the Governor’s Office and the Legislature take a phased approach to budget shortfalls, beginning with payment deferrals for SCFF funding and moving to a uniform proportional reduction to community college district allocations only when all other options have been exhausted. Workload reductions constitute a critical element that must be considered when implementing reductions in funding. CCC districts will not be able to serve the same number of students if cuts are made to prerecession funding amounts. As the state deficit is reduced, the Legislature and the Governor’s Office should prioritize restoration of previous SCFF funding to districts. Reductions to CCC district allocations should be reduced proportionately until funding for districts is restored. Once funding has been restored, the state should begin to pay down the deferrals to districts as quickly as possible.

The Oversight Committee also recognizes that the full extent of the impact of COVID-19 is still unknown, as the virus and the impact of shelter-in-place orders on the economy continue to grow. Policymakers, education leaders, advocates, students, and practitioners will learn more about its impact with each passing month as the context in California and beyond continues to change. Although the committee believed that providing its

40 https://www.ppic.org/wp-content/uploads/r_0917orr.pdf

recommendation to the Legislature and the Department of Finance early was important, based on the request from legislative staff, committee members hope to engage in continued dialogue with state leaders, students, and college staff on this issue as the full impact of COVID-19 on public health, the economy, and student learning is revealed. Continued communication with stakeholders from across the CCC system will be critical for ensuring an effective response to this unprecedented crisis.

The Work Ahead

The Oversight Committee members believe that the CCC system can serve as a critical engine of economic recovery from the COVID-19 recession and any future recessions.⁴¹ For the system to fulfill this function, the state must ensure that funding continues to support student access to CCC courses and workforce training. However, the committee also believes that students need more than just access to learning opportunities. Students attend community colleges because they want to gain the skills and knowledge necessary to be successful in the workforce and to pursue a four-year degree. Public investment in community colleges is an important lever for supporting long-term, sustainable economic recovery and growth in the state. Moreover, California's community colleges play a critical role in advancing equity in the state, supporting educational attainment and career advancement for first-generation students, students from low-income households, and students of color. However, the CCC system continues to be underfunded.

The Oversight Committee believes in emphasizing once again the need to fully fund the SCFF. College and district leaders and a variety of stakeholders have expressed concern about the overall level of funding for the CCC system as compared to K-12 education and other public higher education systems in California. California's community colleges receive the least amount of funding on a per student basis than any other public education segment (i.e., K-12, University of California, or California State University).⁴² Furthermore, Oversight Committee members have heard from college and district leaders that, although the colleges have begun to implement new programs to support improved student outcomes (per the goal of the SCFF), the current funding from the state is not adequate for supporting sustained implementation of these new programs. This challenge will be exacerbated by additional reductions in allocations to community college districts from the decrease in enrollment that districts are experiencing as a result of COVID-19, and it will threaten college and district leaders' ability to provide students with the education they deserve and need. Moreover, COVID-19 has already had a disproportionate economic impact on vulnerable students. Institutions will need to continue to do more to ensure that these students have access to high-quality, rigorous, and supportive learning opportunities. Fully funding California's community colleges is a way to support workforce development⁴³ and is a key driver for economic recovery in the state. The Oversight Committee recommends that funding for community colleges remain at or above the current level and not be adjusted downward for a decrease in enrollment until such time as the per student funding equals or exceeds that of the state's K-12 districts. In doing so, the Legislature and Department of Finance could fund the recommended changes to the SCFF for ISAs and first-generation students without diminishing the funding rates for all of California's community colleges while still addressing the importance of these components to the state's system.

41 <https://www.nber.org/papers/w21137.pdf>; <https://ccrc.tc.columbia.edu/media/k2/attachments/economic-dvpt-role-community-colleges-brief.pdf>

42 <http://www.ebudget.ca.gov/2019-20/pdf/BudgetSummary/K-12Education.pdf>; <https://www.cccco.edu/-/media/CCCCO-Website/Files/Consultation-Council/2019/cc-agenda-09-19-19.pdf?la=en&hash=908079772F441BFD02FBF9E7C2DF45873016B884>

43 For example, see <https://www.nber.org/papers/w21137.pdf>.

Appendix A: The Oversight Committee's Definition of Equity

As the Student Centered Funding Formula (SCFF) Oversight Committee worked through the priority areas outlined in the statute that created the committee, a set of “Principles for Reform for the SCFF”⁴⁴ helped guide the committee’s research and its deliberation on recommendations and implementation plans. In addressing these principles, the Oversight Committee clarified and deepened its understanding of equity and came to define equity⁴⁵ as follows:

- Equity is a process of ensuring that all students are provided with the resources and opportunities required to reach equivalent outcomes, to meet rigorous academic expectations, and to succeed in an ever-changing and fast-paced society.⁴⁶
- Equity is about ending systemic discrimination against individuals based upon their identity or background, particularly for students who have been underserved.⁴⁷
- Racial equity is the condition that would be achieved if one’s racial identity were no longer predictive of student success in a statistical sense.⁴⁸ Achieving racial equity would require work to address root causes that reinforce or fail to eliminate differential outcomes by race/ethnicity.
- Equity is not about “equal.” Equity means closing gaps in opportunity for the purpose of closing gaps in outcomes. Equity requires listening to what students tell us they need.
- Resource equity is the allocation and use of resources — people, time, and money — to create student experiences that enable all students to reach empowering, rigorous learning outcomes, no matter their race, ethnicity, socioeconomic status, disability, sexual orientation or gender identity/expression, or income.

44 The principles are: (1) encourage progress toward the Vision for Success; (2) provide additional support to student groups that face barriers to success; and (3) ensure that resources provided to community college districts are stable, predictable, and flexible. https://rpgroup.org/Portals/0/Documents/Conferences/StudentSuccess/2018SSSCMaterials/SSSC18_Presentation_Materials/OpenFormat/StudentCenteredFundingFormula.pdf

45 The Oversight Committee’s definition of equity is derived primarily from three sources: (1) *Strategic Diversity Leadership* by Damon Williams (2013), (2) the Center for Assessment and Policy Development, and (3) *What Is Resource Equity?* by ERS (October 2018), as well as from the meeting discussions of Subcommittees One and Two of the Oversight Committee.

46 <https://www.erstrategies.org/cms/files/4039-what-is-resource-equity-oct-2018.pdf>

47 Williams, D. A. (2013). *Strategic diversity leadership: Activating change and transformation in higher education*. Stylus Publishing.

48 Center for Assessment and Policy Development

The Oversight Committee's definition of equity for students will require a commitment of the CCC system to make changes to policies, practices, attitudes, and cultural messages. The work of the Oversight Committee is guided by this commitment to equity, and the recommendations outlined in this report have been discussed and evaluated in light of this commitment.

SCFF

The Student Centered Funding Formula