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# California Community Colleges: Major Budget Trends

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L E G I S L A T I V E   A N A L Y S T ' S   O F F I C E

Presented to:  
Assembly Select Committee on the Master Plan for  
Higher Education in California  
Hon. Marc Berman, Chair





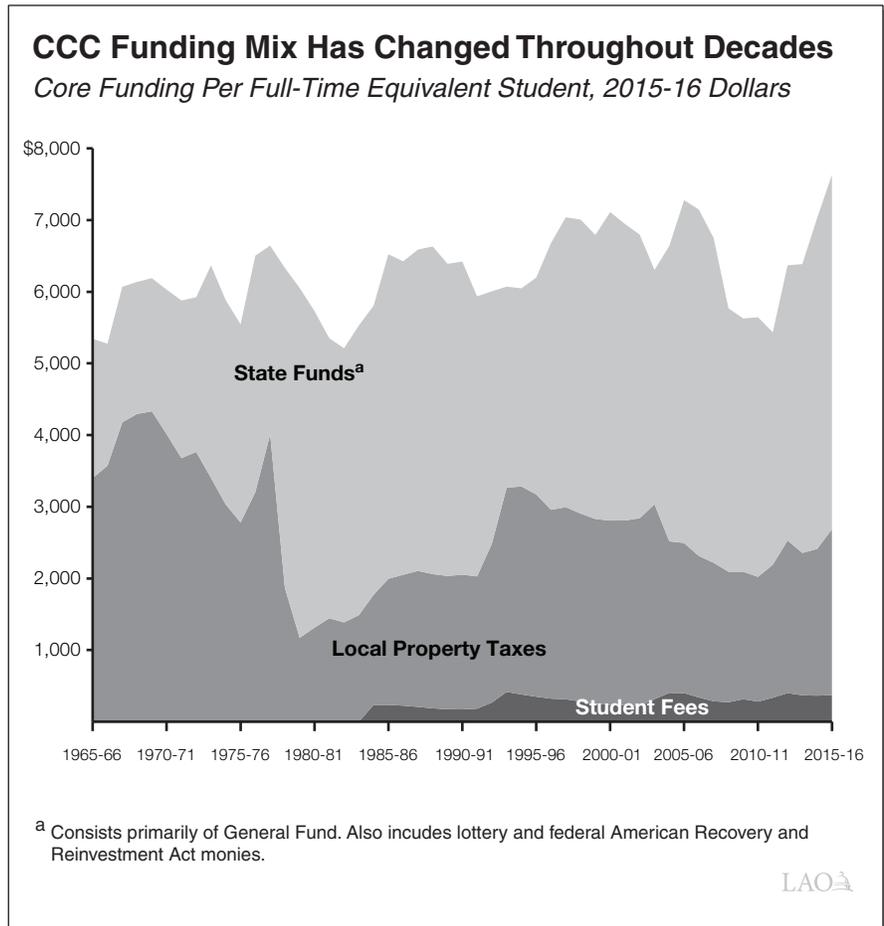
## Major Funding Developments

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- Initial Heavy Reliance on Property Tax Revenue.*** In the 1960s, community colleges were primarily funded through local property tax revenue.
- Growing Reliance on State Funds.*** In 1978, California voters approve Proposition 13, which limits local property taxes. In the years following its passage, California Community College (CCC) funding shifts considerably from local to state sources.
- Funding Ebbs and Flows With Economy.*** Community college funding is cyclical, with funding generally increasing during economic recoveries and decreasing during recessions.
- Enrollment Fee Created in Response to Economic Downturn.*** In response to a recession, the state introduces an enrollment fee in 1984.
- Most Recent Recession Leads to Decrease in Funding.*** The 2008 recession results in a reduction in funding to the community colleges.
- Two Tax Measures Respond to Drop in Funding.*** Proposition 30 (2012) increases sales and personal income taxes in part to augment K-12 and CCC funding. Proposition 55 (2016) extends the personal income tax increases through 2030.
- Minimum Funding Guarantee Linked to Changes in Economy.*** Proposition 98 (1988) established a set of formulas for determining a minimum funding guarantee for K-12 education and CCC. These formulas are linked with personal income and state revenue, such that the minimum guarantee changes as these factors change. Proposition 98 continues to govern CCC funding today.



# Funding Trends





## Major Changes in Budget Practices

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- Initial Heavy Emphasis on Unrestricted Funding.*** Historically, community colleges have received virtually all of their funding as apportionments (general-purpose monies).
- Growing Emphasis on Restricted Funding.*** Increased state control of CCC funding gradually resulted in more categorical programs. By 2015-16, the state was funding nearly 30 categorical programs, accounting for 25 percent of CCC's core budget.
- Per-Student Apportionment Funding Rates Equalized Among Districts.*** For various reasons, apportionment funding per student had historically varied among community college districts. In the mid-2000s, the Legislature provided funding over a multiyear period to equalize credit apportionment funding across districts. (Noncredit apportionment funding already had been equalized across districts.)
- Recent Emphasis on Performance-Based Funding.*** The 2018-19 budget package creates a new credit apportionment funding formula that ties a portion of funding (10 percent growing to 20 percent) to student outcomes. (The bulk of remaining credit apportionment funding continues to be tied to enrollment. Noncredit apportionment funding also continues to be based entirely on enrollment.)
- Recent Consolidation of Some Student Support Programs.*** The 2018-19 budget package also consolidates three support programs into a block grant (the Student Equity and Achievement Program).



## Major Budget Issues Facing Legislature Today

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- Setting Overall State Reserve.*** The main strategy the state has for minimizing drops in CCC funding during recessions is to have a sizeable state reserve. What level of reserves should the Legislature aim for in the coming years?
- Weighing Trade-Offs of Apportionments vs. Categorical Programs.*** Providing funding in the form of apportionments helps all districts deal with pension and other employment costs and offers flexibility in meeting local priorities. On the other hand, restricted funding helps the Legislature target funds for specific statewide concerns, such as improving career technical education and basic skills instruction. How should the Legislature balance these objectives?
- Monitoring and Modifying Apportionment Funding Formula.*** Over the next few years, the Legislature will have an important role in monitoring the effects of the new funding formula. Is the new funding formula creating better incentives for colleges? Going forward, how much funding should be linked to enrollment vs. student outcomes? Should adult noncredit instruction be funded based in part on student outcomes?
- Considering Opportunities to Provide Colleges More Flexibility.*** Should the Legislature consolidate additional categorical programs to give colleges more flexibility in how they go about meeting certain performance expectations?
- Funding Nontraditional Instruction.*** Should the Legislature do more to promote nontraditional forms of instruction and emerging educational best practices, such as competency-based instruction?