

# Aligning State Community College Finance Policy to Support Evidence- Based Practices

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September 29, 2022

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This project is a partnership between CCRC and the consulting firm HCM Strategists and is funded by Lumina Foundation, the Bill & Melinda Gates Foundation, and Ascendium Education Group.



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# Why Study Community College Finance?

	Community colleges are affordable, accessible, and enroll large numbers of historically underserved students
	Positioned as engines of economic mobility, too often community colleges have low success rates
	Among the contributors to low success rates is inadequate, inequitable, and ineffective distribution and deployment of funding
	Funding models are complex, difficult to track, deeply entrenched, and produce conflicting incentives
	As rigorous evidence on reforms and their equity implications has grown, there is an opportunity for policymakers to refine funding models to align with the evidence base and reflect investments required to drive equitable attainment

# Agenda

- Define and make the case for institution-centered state policy
- Compare community college revenue streams in three states
- Discuss the extent to which revenue streams align with and support evidence-based practices at community colleges
- Engage audience in conversation about how to better align state funding policy with institutional practices to increase attainment and reduce disparities in outcomes by race and income



# **Paving the Way to Equitable, Adequate, and Effective Community College Funding**

Research Project Overview

# Institution-Centered State Policy

- State policy-making informed by deeper understandings of **institutional policy, practice, and the resource requirements and costs of implementing evidence-based success initiatives** in service of reducing disparities in persistence and attainment by race and income.

# Project Goals

- Identify and cost out institutional practices that drive student success
- Highlight institutional practices that reduce disparities in outcomes by race and income
- Determine how state postsecondary finance policies can better deliver adequate and equitable funding models
- Build the field's capacity to work toward funding models that more adequately and equitably support community colleges



# State Policy Analysis

*Examines current community college funding regimes, maps revenue streams and policies, and identifies opportunities for reform*

- Review of state policy and finance documents
- Engage with policymakers, policy organizations, and institutional leaders
- Participate in regular member checks
- Map funding policies and revenue streams, and identify opportunities for reform





# Institutional Analysis

*Examines participating colleges' student success initiatives—how they operate, who they serve, and their resource requirements*

- Conduct interviews with a range of institutional stakeholders to learn more about institutional context, policy, and practice
- Identify the resource requirements of select success initiatives as part of a cost analysis
- Explore how local and state economic and political priorities affect the development and implementation of success initiatives



# **State Community College Funding Policy**

# State Context in Postsecondary Finance Policy Analysis

<b>State</b>	<ul style="list-style-type: none"><li>• <i>Size, location, demographics, economy, policy, politics</i></li></ul>
<b>Postsecondary Sector</b>	<ul style="list-style-type: none"><li>• <i>Governance structure, sectors, size, segmentation</i></li></ul>
<b>Community College Sector</b>	<ul style="list-style-type: none"><li>• <i>Variation in size, location, amount/sources of revenue</i></li></ul>
<b>Funding</b>	<ul style="list-style-type: none"><li>• <i>Amount, sources, allocation methods, constraints, predictability, variability/equity within/across sectors</i></li></ul>
<b>Affordability</b>	<ul style="list-style-type: none"><li>• <i>Tuition, financial aid</i></li></ul>

# State Postsec Fiscal Policy Analysis: Status of the Field

## Typically Focused on Subset(s) of State Funding:

- Size of state appropriations as compared to four-year sector
- Student-centered funding and effects on outcomes and equity
- Distribution of dollars relative to student demographics
- Local funding inequities

*\*\* Encouraging but very early movement toward calculating adequacy in a couple of states \*\**

## Still Missing:

- Full analysis of the **policies that dictate the flow** of each revenue stream
- **Complete map of the funding environment**
- Analysis of **cumulative effect** of multiple layers of policy and revenue streams on cc incentives and actions.
- **Path forward for comprehensive finance reform that can support community college efforts** to increase attainment and reduce equity gaps

# Seeing the Big Picture: Mapping Community College Funding Regimes

Revenue Streams, Related Policies, and Incentives

# Mapping Funding Regimes Provides Full Picture and Points to Policy Reform Levers

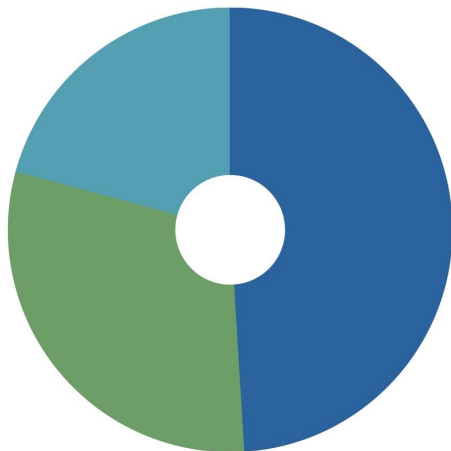
## Funding Regimes Consist of Three Elements:

- **Revenue Streams.** Where does \$ come from? What proportion of total \$ is from each source?
- **Revenue Policies.** What policies dictate how each revenue source is calculated, distributed, and used?
- **Related Incentives.** Given size, source, and policy parameters, how does each revenue source individually and when taken as a whole incentivize community colleges?

# Major Revenue Streams

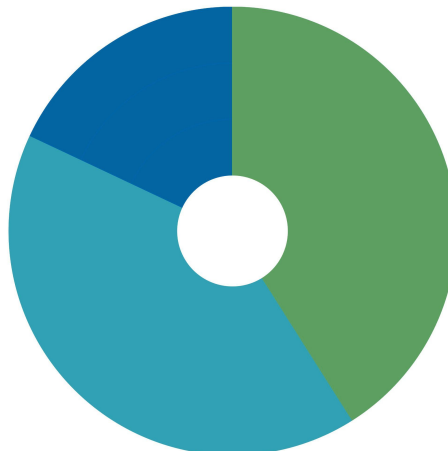
# Major Revenue Streams: State, Local, and Tuition

Texas



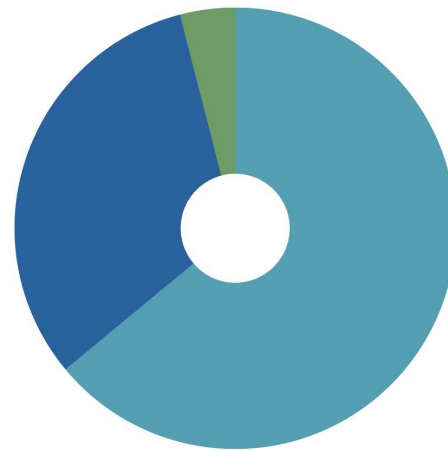
■ State 20% ■ Local 49% ■ Tuition 30%

Ohio



■ State 41% ■ Local 18% ■ Tuition 41%

California



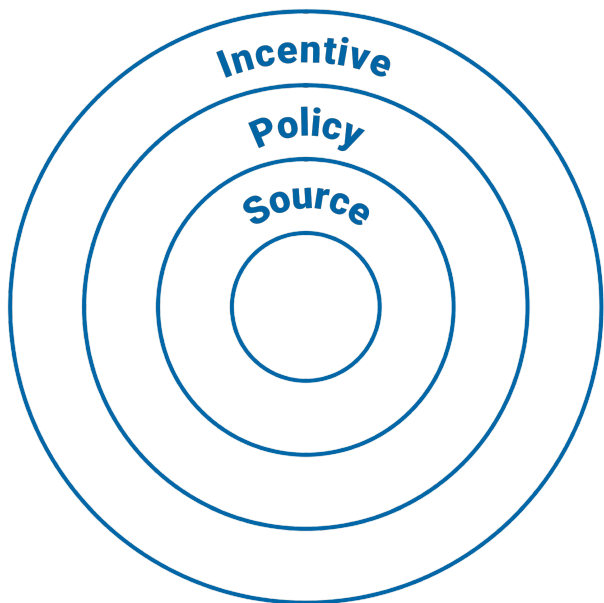
■ State 64% ■ Local 32% ■ Tuition 4%

- State revenue proportion highest in California; lowest in Texas
- Local revenue nearly 50% of funding in Texas; less than 20% in Ohio
- Ohio most reliant on tuition and fees
- California community colleges generate very little tuition



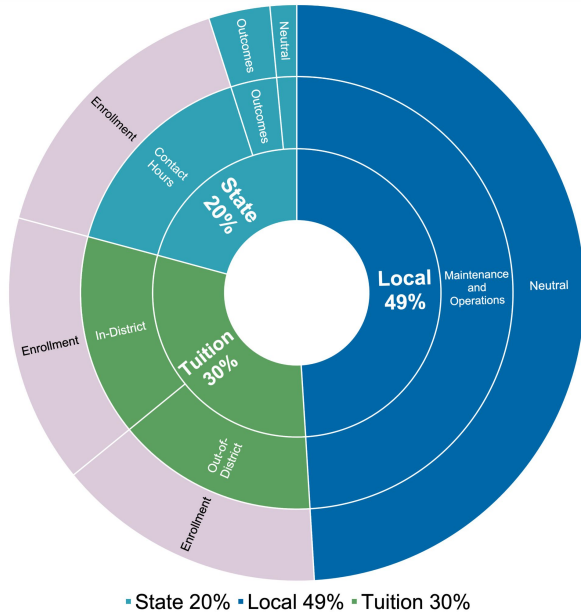
# Revenue Stream Policies and Incentives

# Revenue Stream Policies and Incentives Map



1. **Source:** Indicates proportion of revenue “pie” from each of three major revenue sources—state, local, tuition
2. **Policy:** Indicates how resources from each revenue stream must be deployed and spent according to law or regulation
3. **Incentive:** Indicates whether and how policy creates incentive for community colleges

# Revenue Stream Policies and Incentives: Texas Community Colleges

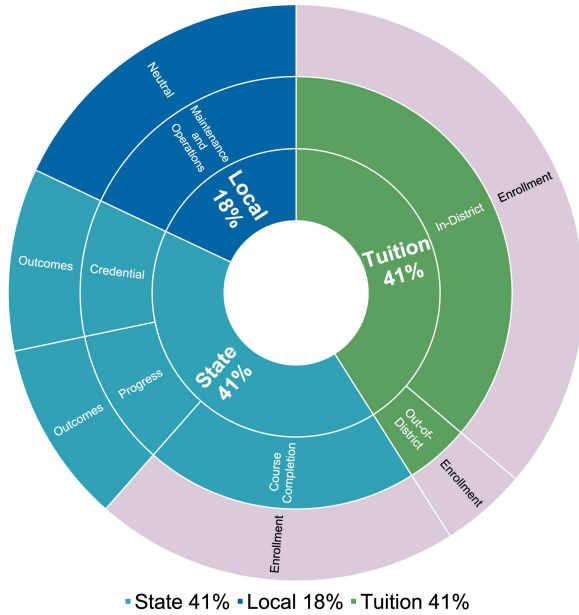


- 1. Nearly half total revenue from local taxes**
  - Extreme variation by college: 2%-57%
- 2. Substantial reliance on tuition**
  - Out of district 56%-250% more than in district
  - Out of district 5%-93% of total enrollment
- 3. State revenue about 20%**
  - Contact Hours: 82%
  - Core Operations: 4%
  - Student Outcomes: 12%

## Result:

- **40%** incentivizes **enrollment**
- **3%** incentivizes **outcomes**
- Variation in local revenue and OOD tuition creates substantial revenue inequity

# Revenue Stream Policies and Incentives: Ohio Community Colleges



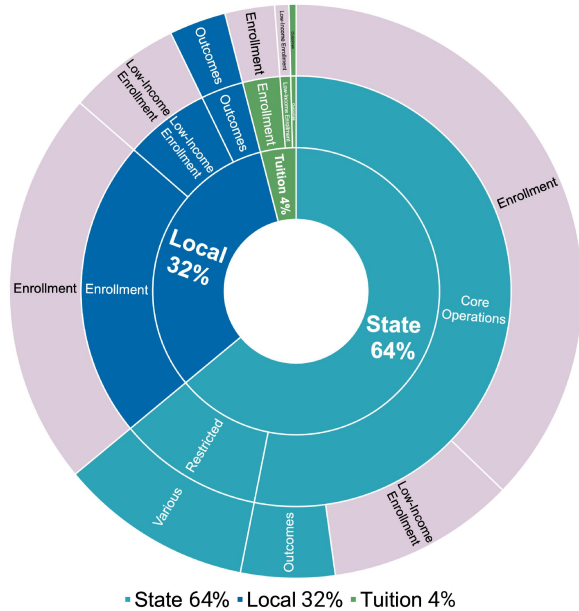
- 50% of State Revenue flows through SCFF**
  - 50% course completion (enrollment)
  - 25% Success Points (progression)
  - 25% Credential completion
- High Tuition State: 41% Total Revenue**
  - Little incentive to enroll OOD students
- Local Revenue 18%**
  - Only 6 of 23 receive local dollars

## Result:

- **62%** incentivizes **enrollment**
- **21%** incentivizes **outcomes**
- Local revenue, OOD tuition play relatively minor role

*Student Centered Funding Formulas (SCFF) provide resources for colleges that increase student outcomes.*

# Revenue Stream Policies and Incentives: California Community Colleges



**NOTE:** CA calculates total revenue for each cc via Prop 98. Then it subtracts revenue generated via local \$ and tuition. The remainder provided via state appropriations. **All** revenue regardless of source flows per state policy as follows:

**1. 83% of total system revenue flows through SCFF:**

- 70% FTE
- 20% low-income student enrollment (core opps)
- 10% outcomes

**\*includes 100% of local and tuition/fee revenue**  
**\*50% restricted to instructional costs**

**2. 17% of state dollars are restricted: not subject to SCFF**

**Result:**

- **59% restricted** in some way
- **75%** incentivizes **enrollment**
- **8%** incentivizes **outcomes**

# Revenue Stream Policies & Incentives: Key Takeaways

## Similarities

- Enrollment incentives dominant:
  - 40% (TX)
  - 62% (OH)
  - 75% (CA)
- Outcomes incentives modest:
  - 3% (TX)
  - 21% (OH)
  - 8% (CA)
- Local dollar policies do not incentivize equity

## Differences

- Local revenue major driver of inequity in TX; lesser degree in OH
- CA neutralizes inequitable local taxes via its allocation formula
- OH and TX cc's control use of tuition and local revenue; in CA, state controls use of both

## General Takeaways

- CC funding regimes not aligned to support evidence-based practices
- Variation, complexity of revenue streams send inconsistent messages to community colleges
- Size, proportion of local revenue streams does not necessarily predict impact on community college incentives

# Preliminary Insights from the Institutional Analysis

Considerations for Institution-Centered State Policy

# Push to increase enrollment-driven revenue post-pandemic

- Building new and/or **expanding partnerships with K-12 (dual enrollment) and industry (workforce training)**
- In equity-focused student success formula environments, **emphasis on recruiting and retaining historically underserved populations and non-traditional students**
- Removing barriers to access through **affordability and basic needs programs**





# Strong commitment to evidence-based success initiatives and equity

- Pathways, developmental education, and a range of student services reforms are institutionalized but **retaining staff is proving challenging**
- **Grant funding** critical to start up but makes sustainability precarious
- Many initiative **costs are unfunded and in-kind** and are not reflected in budgets
- Worrying signs that **historically underserved students are not faring** well post-pandemic



# Potential stabilizing role of state and federal funding

- **Federal relief insulated colleges** from financial peril of pandemic-related enrollment declines
- Home price increases (during the pandemic) have provided *some* colleges room to modestly increase revenue generated from **local taxes** but concerns linger about deteriorating economic conditions
- High-profile state policy conversations about adequacy (e.g., Texas) have led to policy recommendations that include **more base funding for financially vulnerable institutions**



**Q&A**

# Discussion Questions

- What effects are you seeing the variation in funding streams having on institutional policy and practice and progress on equity?
- What opportunities do you see for changes to state funding models that will help stabilize institutions' financial conditions and support improvement efforts?
- What policy prescriptions should accompany changes to funding models to drive more equitable attainment?



# Thanks!

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