Recommendations of the 17% Committee: Strong Workforce Program Incentive Funding Formula

In June 2016, the California Legislature made a significant investment in California's community colleges by allocating $200 million in additional funds annually to bolster programs for students in career technical education. As a part of the new legislation, the law set forth a requirement that 17%, or $34 million, of the Strong Workforce Program (SWP) funding incentivize student completion and employment outcomes, using measures that are aligned with the federal Workforce Investment and Opportunity Act (WIOA). The California Community Colleges Chancellor's Office (CCCCO) established the 17% Committee to assist with the design of the funding formula.

The 17% Committee is comprised of knowledgeable leaders from across the community college system, plus experts in data and employer needs. The Committee's role was to review research on incentive models and provide recommendations to the Chancellor's Office on how the incentive funds within the Strong Workforce Program can advance the goals articulated by the Board of Governors Task Force on Workforce, Job Creation and a Strong Economy. The 17% Committee met four times in the 2017. This document summarizes these meetings and the recommendations made by the committee.

Meeting One: Conceptual Frameworks for Incentive Funding

In the first meeting, the committee reviewed a white paper that offered three conceptual models for incentivizing changes in institutions, and information on how these models could be applied to further the goals of the Strong Workforce Program. Working in small groups, the committee members identified a number of priority features for SWP incentive funding. Next, the committee members developed a list of questions for interviews with leaders from other states that have a broad range of experiences with the design and implementation of incentive funding models.

In addition, the group identified several key considerations for implementation of the new incentive funding model:

- The model must address the diversity of local contexts while remaining simple.
- The funding model must take into account the needs of harder-to-serve populations, so that equity gaps are not exacerbated.
- The funding model should incentivize investments in student support services to address equity outcomes and to ensure that more students make it through longer-term programs.
- The funding model should help to break down silos between CTE and non-CTE programs.
- The model should work in tandem with other funding (such as Perkins, Equity, and the growth formula) that take into account similar outcomes.

- The incentive funding model should align with other funding and institutional requirements, including overall SWP requirements, other CCCCO-based funding sources, and external requirements such as accreditation.
- The metric on course enrollments should be phased out of the incentive funding measures because it is very similar to FTES (which drives a third of SWP funding) and the apportionment model.
- The system must set reasonable minimum thresholds for outcomes to incentivize meaningful improvement efforts.
- The timeframe should support strategic planning by allowing colleges to develop and address long-term goals, implement significant changes, and evaluate outcomes. Similarly, funds should be allowed to accrue over a period of time to ensure sufficient dollars for investments.
- It is important for colleges to see how other institutions are performing and to benchmark their relative standing against other institutions.
- In addition to the state wage file, employment outcomes also need to be tracked through the CTE Outcomes Survey.
- The Chancellor's Office needs to take into account data reliability and develop specific strategies for addressing current data problems. Changes due to data clean-up efforts (such as reporting locally-issued certificates) should not be counted as improved outcomes.

Meeting Two: Key Considerations for a Strong Workforce Program Incentive Funding Structure

In the second meeting, the committee reviewed a white paper that addressed the committee's questions based on conversations with Chancellor's Office staff, interviews with representatives from six states that have implemented incentive funding systems (Indiana, Louisiana, Ohio, Tennessee, Texas, and Washington), and an interview with Dr. Kevin Dougherty, Professor of Higher Education and Education Policy at Teachers College at Columbia University, who has done extensive research on outcomes-based funding.

At the meeting, the group made a number of recommendations regarding the funding formula, including:

- Ensure the funding remains relatively stable from year to year, particularly in an environment of budget uncertainty. Funding amounts should be reset infrequently to help smooth over periods that are shaped by recessions, allow time to establish new programs, and encourage investments in strategies that take time to implement. Therefore, both the 83% and the 17% should only be reset every four years.
- Transfer, employment, and earnings measures should be phased in (based on outcomes in years two through five), so that colleges have time to focus efforts on improving post-college outcomes before they are held accountable for them.

- Explore how the regional portion of the funding could be differentiated from the local funding to advance values such as employer engagement and cross-college collaboration. For example, weights could be higher for high-demand, high-wage jobs in the regional portion, and outcomes could be based on regional totals rather than just those colleges that are participating in the specific regional activities.
- Because programs are frequently cut during recessions, look for ways to ensure that colleges are not penalized if the absolute number of students who attained each metric goes down.
- To advance the goal of continuous improvement rather than competition between colleges, focus on improvements in metrics. While any performance-based model with a fixed funding amount is competitive by nature, this may help keep the program closer to its values.
- Consider whether each college could be given a set sum under the 17% the funds, which would be released if they improve a certain number of metrics by a set amount, with undistributed funds going to technical assistance.
- Evaluate colleges based on all of their CTE programs, not based on individual TOP codes or sectors, or the entire college. However, colleges should still include program-level or sector-level labor market information in their plans to ensure that they are addressing the goal of investing in programs that lead to high-demand, high-wage jobs.
- Any system of weighting particular students should be simple and based on reliable data. Focusing on students in financial need is the top priority.

Furthermore, the following issues were highlighted relative to implementation:

- Colleges should be given an opportunity to revise their plans once they know what the funding formula will be. It is likely that the model being considered will cause colleges to redirect what they are planning to invest in. For example, many colleges elected to focus narrowly on a few programs, but if they are evaluated on the outcomes of all CTE programs, they might want to support more broad-based investments.
- The Chancellor’s Office should be aware that evaluating outcomes for all CTE programs will make it harder to directly evaluate the impact of individual investments, as the results may be washed out by outcomes in other programs. It is likely that this model will drive colleges away from improving individual programs and toward sector-based improvement strategies.
- Colleges may perceive their investments in CTE as fragile, given that CTE programs often get cut in economic downturns due to their higher cost and lower efficiency. The large share of SWP funding that is based on the proportion of CTE FTES may help with this, but the Chancellor’s Office should be aware that the relative weight of the overall apportionment model may dilute the impact of the SWP funding and still result in reductions in CTE programs in tough funding years.

Meeting Three: Incentive Funding Model and Metric Options

In the third meeting, the committee members reviewed a white paper that provided several models for calculating the incentive formula, including possible metric definitions.

- Incentive model*:* The committee reviewed the results of a funding allocation analysis using a points-based model and two different improvement models, for seven sample colleges and all seven regions. The group determined that the points-based model was the most advantageous because it provided the greatest funding stability.
- Interim measures*:* The committee reviewed possible interim measures and determined that the metrics should be aligned with WIOA, both to conform with the legislation and because Perkins metrics are slated to be aligned with WIOA. Furthermore, the committee felt the WIOA measures offered the most accurate option for capturing outcomes for noncredit programs.

  The group also discussed the relative weight of the interim measures and recommended that they should receive a half-point, rather than the full point accorded to other metrics. The committee emphasized that earning an award or securing a job provides students with more tangible benefits than an interim progress measure, which should be reflected in the model.
- Weighting for disadvantaged students*:* The committee determined that it would be best to use the "economically disadvantaged" definition associated with Perkins funding. This definition creates the greatest continuity across funding sources and ensures that a broad range of disadvantaged students—beyond just those who receive financial aid—will be counted. The same weight will be applied across all metrics that disadvantaged students meet.

  While the committee reaffirmed the critical need to address equity gaps in the incentive formula, many raised the concern that weighting economically disadvantaged students too heavily might inadvertently lead colleges to push low-income students into low-unit awards. While these certificates may help students get a financial floor under their feet, the committee believes it is important that all students are given opportunities to pursue high-unit certificates, associate degrees, and four-year degrees that are generally associated with higher long-term earnings.
- Weighting based on labor market value*:* The committee also discussed the possibility of assigning weights to programs that are linked with high-demand, high-wage jobs, but ultimately decided not to pursue this option in the next round of funding. The analysis required to determine the impact of this additional weighting would be extensive and nuanced, and the group believed that many of the existing measures—such as securing employment in one's field of study and earnings gains—would serve the same purpose. However, the group recommended that this question be re-assessed in the future, to ensure that the metrics included in the model are sufficient.
- Metric definitions*:* The committee devoted considerable discussion time to understanding how the metrics were calculated. They recommended that a subcommittee convene to work with WestEd to review the definitions in depth. This subgroup confirmed that the methodology applied in the first round of data modeling was appropriate but suggested that the two metrics that yielded much higher values than the others—course enrollments and second quarter earnings—be divided by a number such as ten to create figures that are at a similar scale to the numbers produced by other metrics.

Meeting Four: Strong Workforce Program Incentive Funding Model Analysis

At the final meeting of the 17% Committee, the group reviewed the fourth white paper, which provided an extensive analysis of two possible funding models, plus several options for creating additional weights to incentivize colleges and regions to close equity gaps. The analysis applied the funding parameters to four years of data for each California community college and all seven of the Doing What Matters regions based on data currently displayed in the LaunchBoard Strong Workforce Program tab. In addition, the committee reviewed a document that detailed all elements of the new funding formula, an explanatory PowerPoint presentation, and an infographic, which were edited based on comments from the committee members.

- Timeframe for funding*:* In order to address the committee's recommendations that funding remain as stable as possible, and that post-college options be phased in, the draft proposal set funding for the years 2017-18 through 2020-21 based on course enrollments and certificate/degree completion in 2016-17. However, some members of the committee expressed concern that the colleges did not have Strong Workforce Program activities in place in time to affect outcomes in the first year of funding. In addition, the group wrestled with the fact that by not including post-college metrics in the funding formula until 2021-22 (when data would be available for students who benefited from Strong Workforce Program investments that started in 2016-17), the model gives a greater share of funding to colleges with large CTE portfolios for the next four years.

  The committee spent the bulk of the meeting on this issue and tested other possible timeframes, including resetting the funding in two years or in three years, as well as allocating funding based on post-college outcomes from before 2016-17. In the end, the group determined that it was preferable to use the phased-in, four-year model. They noted that, in essence, the funding beginning in 2017-18 would reflect college practices before the Strong Workforce Program, and would be an interim step between an enrollments-based formula and the full outcomes-focused formula. The recalculation of funding after four years would redistribute funds in accordance with the values of the Strong Workforce Program, once colleges and regions had the opportunity to create and refine programs to address labor market demand.

- Discouraging colleges from creating low-value short-term certificates*:* While some low-unit certificates hold significant labor market value, the committee expressed concern that the funding formula would inadvertently incentivize colleges to create numerous short-term certificates and encourage low-income students to enroll in these options over longer-term pathways as a way to maximize points. Therefore, the committee recommended that differential weighting be given to certificates under 18 units (or 49-288 contact hours), certificates between 18-30 units (or more than 288 contact hours), and high-unit certificates and degrees. They also urged that communications about the model emphasize that more points will be gained by directing students into programs that lead to strong labor market outcomes.

- Updates to the data model*:* Given the committee's decision to amend the weights for low-mid- and high-unit certificates in the funding formula, the data modeling conducted for the fourth meeting did not fully match the committee's final recommendation for the incentive funding formula. Therefore, the committee requested that the data model be rerun and examined by the Chancellor's Office to ensure it still meets all of the design recommendations before funding is distributed in December. Furthermore, the committee stressed that the model should be re-examined periodically to ensure that it is incentivizing the values of the Strong Workforce Program.

Conclusion

The 17% Committee played a significant role in ensuring that lessons learned from other states regarding outcomes-based funding were adapted to the specific context and concerns of California community colleges, and the goals articulated by the Board of Governors Task Force on Workforce, Job Creation and a Strong Economy. The committee's recommendations helped to shape issues ranging from the timing and stability of funding, to the metrics and weights that will focus investments on the priorities of the Strong Workforce Program, to the language used to describe the model to the field. The committee recommends that this deep level of practitioner engagement be continued throughout the roll-out of the funding model and during its evolution over time.