



Recent Budget History and the Problem of Funding Formulas That Create System “Winners” and “Losers”

The Student-Centered Funding Formula (SCFF) was implemented in 2019 to address critical flaws in the Full-Time Equivalent Student (FTES) allocation model, which accounted for the majority of revenue for the California Community Colleges (CCC). The FTES calculation relied on a “butts in seats” approach that incentivized problematic pedagogical practices, ultimately producing higher attrition rates and widening equity gaps in achievement. Additionally, enrollment declines in the K-12 pipeline to higher education throughout the 2010s created further barriers to reaching enrollment targets. The SCFF was intended to address these challenges, which had led to funding crises, particularly in rural and Northern California districts that had limited opportunities to increase enrollment and therefore struggled to secure adequate funding.

The SCFF was rapidly proposed, approved, and signed into law via the state budget process in 2018, leaving many elements of the formula undefined and unresolved. This rushed implementation threw the system into even greater chaos, as the original language effectively divided the state's districts into two categories: “winners,” who benefited from lower enrollments and lower costs of living, and “losers,” whose budgets suffered significant impacts due to higher enrollments and populations in high-cost-of-living areas. The two sides began competing for political influence to preserve funding for their students. The Legislature formed an Oversight Committee to hash out the details. After two years of meeting, the committee failed to resolve any of the model’s problems. The COVID-19 pandemic exacerbated these problems through significant system-wide attrition as colleges transitioned to online instruction. The state continued extending “Hold Harmless” – initially a transitional support program – which has now become embedded in the CCC funding model as a last resort for districts where the SCFF model does not work. This essentially creates a funding ghetto that few districts can escape once enrolled.



The current plan allows these districts to remain on a modified Hold Harmless system, in which they receive FTES-based funding (with an updated, recalculated base) but become ineligible for cost-of-living adjustments (COLAs). In today’s inflationary economy, excluding COLA is equivalent to imposing significant budget cuts—making the program anything but “harmless.” Withholding COLA from Hold Harmless districts is particularly problematic because COLA funding is actually part of the larger state allocation. Each district’s potential COLA is funded to the system, then withheld in November, when final enrollment numbers from the previous year are certified, and the district is deemed to have failed to meet the metrics required to exit Hold Harmless. This creates a punitive measure for making the model “look bad,” as it is easier to scapegoat districts than address the portions of the model that disadvantage colleges in urban and high-cost-of-living areas.

When community colleges face immediate budget cuts due to withheld COLA, they typically respond with hiring freezes primarily affecting classified positions and layoffs of part-time faculty, which reduce class availability and counseling access for students. This creates a continuous cycle that prevents these districts from meeting SCFF targets needed to exit Hold Harmless status.

The California Community Colleges Chancellor’s Office (CCCCO) and the Legislative Analyst’s Office (LAO) justify this system by arguing that Hold Harmless districts already receive more per student on average than SCFF districts. They conducted an analysis comparing the average revenue per FTES across three categories of CCC funding: (1) Districts funded by the SCFF; (2) Districts on Stability (previously SCFF-funded districts that failed to meet targets, with funding held steady from the previous year plus available COLA); and (3) Districts on Hold Harmless.

We identified two critical methodological flaws in their calculations. First, they used a weighted measure to create a “level playing field” for smaller districts. However, the districts that experienced an immediate funding increase under the SCFF, without enrolling additional students, were rural, indicating that the



model already favors them. Additional weighting in per-FTES spending analysis is therefore unnecessary and further skews results in favor of districts that already benefit from the current system.

Second, and more problematically, they included Basic Aid districts (funded by local property tax revenues that meet or exceed state-determined funding levels) in their calculations. Basic Aid districts are not motivated to meet SCFF metrics because they receive local funding and their per-FTES expenditure is determined by their community, not the state. Both of these facts should exclude them from any SCFF calculations, as their inclusion distorts the true picture of how state funding is distributed among districts that rely on state allocations.

When we requested that the LAO run calculations excluding the Basic Aid districts, their averages aligned more closely with our findings: the state spends the most on students in stability districts, whereas Hold Harmless and SCFF districts receive less. Notably, no one recommends that stability districts lose their COLA, even though they also fail to meet SCFF metrics.

Eight out of 12 districts on Hold Harmless in 2024-25 showed double-digit growth over three years.

- Siskiyou Joint Community College District: 38% (turn into table with year 1 actuals, year 3 actuals, and % change)
- Chabot-Las Positas Community College District: 21%
- Sonoma County Junior College District: 18%
- CCSF
- Ohlone Community College District: 15%
- Cabrillo Community College District: 13%
- North Orange County Community College District: 12%
- Palomar Community College District: 10%



- Foothill-De Anza Community College District: 7%
- Santa Monica Community College District: 5%
- Peralta Community College District: 3%
- Coast Community College District: 1%

The data demonstrates that these colleges are not “failing”—the funding model is failing them.