

Equity Alert

Making It Count: California's Duty To Fund Community Colleges

Introduction

California's community colleges are gateways to opportunity, helping students achieve upward mobility and fueling the state's economy. With open access, they welcome every learner—but historically, they've been funded at levels far below public and private universities.¹ This underfunding forces colleges to do more with less, making it harder to support students through completion.² California's community colleges are underfunded, and yet, the return on investment is high: for every dollar spent, taxpayers will see \$1.60 in return over the course of students' working lives, and the average annual rate of return for taxpayers is 3.1%.³

In 2018, California adopted the Student Centered Funding Formula (SCFF) aiming to align resources with student needs and success—not just enrollment. The formula's goal is to advance equity by directing funds to colleges serving low-income and historically marginalized students. Yet implementation has been slow, and conversations have quieted. This equity alert renews attention to SCFF and its role in creating a fairer, more equitable funding system.



Did You Know?

Community college district leaders, educators, students, and advocates can utilize the [SCFF Dashboard](#) to visually track and compare the previous funding formula to SCFF. The dashboard allows users to analyze trends in SCFF supplemental and student success counts, funding protections, and race and ethnicity data. Additionally, the SCFF Resource Estimator serves as a valuable planning tool for districts.

Why Does Money Matter In Higher Education?

The way the state allocates resources to colleges and universities directly impacts their ability to implement best practices that accelerate student success.

Research shows that when colleges invest more per student, students are more likely to stay enrolled, finish their programs, and graduate in less time.^{4,5}

Promising higher education funding models promote completion and advance equity by focusing on two key strategies:

- ▶ **Funding based on student needs.** Rather than providing the same amount of funding per student across all institutions, student-focused funding formulas allocate more resources to colleges that serve more underserved students (e.g., students of color and low-income students). This approach helps to close gaps in access and completion by directing resources where they are most needed.
- ▶ **Incentivizing student success.** Funding models reward institutions for improving outcomes such as persistence, program completion, and graduation rates.

In 2018, then-Governor Jerry Brown and the California Legislature approved major reforms to the funding model for California's community colleges through the introduction of the SCFF.⁶

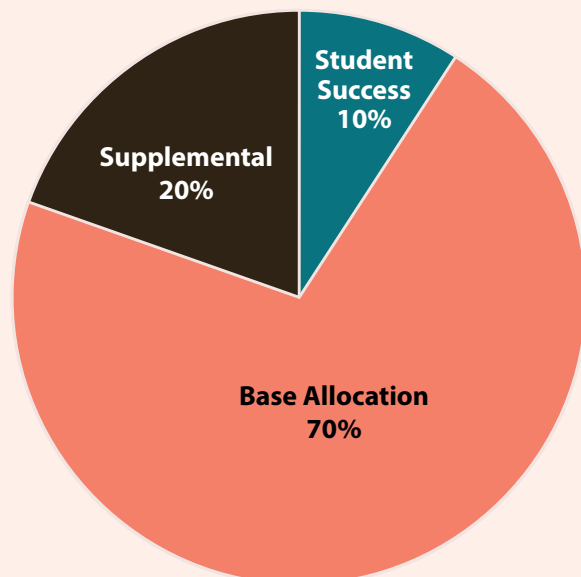
SCFF allocates funds based on three components (see image to the right):

- ▶ Base allocation [linked to enrollment](#) set at 70%
- ▶ Supplemental allocation [linked to low-income student counts](#) at 20%
- ▶ Student success allocation [linked to specified student outcomes](#) at 10% of the total systemwide apportionment

The SCFF is an improvement over the state's previous funding formula because it prioritizes funding for colleges serving students who face systemic barriers, including low-income learners, emphasizing factors beyond enrollment numbers. The formula provides incentives for colleges to enroll low-income students through the supplemental allocation. The SCFF also incentivizes colleges to enhance student success outcomes, directly linking improvements to increased funding. Essentially, community colleges are rewarded for meeting success outcomes that are based on the number of students who achieve milestones such as earning a degree or credential or transferring to a four-year university.

The SCFF is designed to ensure that colleges not only enroll these students but also support them in achieving their educational goals.

Student Centered Funding Formula



Source: California Community Colleges Chancellor's Office. (2024). 2024 Annual Budget Workshop Part I.



What Has Happened Since SCFF Was Established?

Since SCFF was established, discussions on implementation have been minimal. The main reason is that the SCFF has been under a “hold harmless” provision. Hold harmless acts as a protection and safety net to ensure districts did not lose funding under the new funding formula.

Hold harmless was originally intended to only last a few years ([through 2024-25](#)) to help phase in the SCFF, but it was later extended through the [2022-23 budget modification](#). Under hold harmless, districts received funding equal to their 2017-18 levels, with an annual Cost of Living Adjustment (COLA). As a result, some districts delayed or avoided full implementation of SCFF, while others moved forward with implementing the new formula.

What’s On The Horizon For SCFF?

The 2025-26 academic year is the first year California will see the funding formula distributing dollars as it was intended. This is an important year for everyone interested in fair and equitable funding, given that the hold harmless provision is no longer in effect.⁷ As of 2023-24, there were 11 districts remaining on hold harmless that received \$90 million in apportionment funding above their SCFF amount.⁸

As hold harmless concludes, community college district funding will be based on their SCFF-calculated amount: the base grant allocation, supplemental grant allocation, and student success grant allocation. The intent is to encourage districts to expand enrollment and improve student outcomes, resulting in increased funding.

Going forward, state policymakers should develop a clear plan to evaluate the impact of the SCFF.

Policy Recommendation: The Legislature should convene an oversight hearing and require a comprehensive evaluation of SCFF’s impact

The State Higher Education Executive Officers Association (SHEEO) underscores the importance of regular evaluations in its [report on funding formulas](#), recommending that periodic reviews be a standard practice. In the next two years, a review of SCFF should, at minimum answer two critical questions:

- ▶ Does SCFF provide sufficient resources for colleges to meet student success goals?
- ▶ Does it allocate funds in ways that reduce inequities in outcomes for low-income learners, students of color, and other underserved groups?

Without clear answers, California risks perpetuating funding gaps that undermine its commitment to educational opportunity.

Getting California community college funding right is critical, because funding directly impacts student persistence, certificate and degree attainment, and overall success. We must ensure that every Black, Latinx, Native American, Pacific Islander, and multilingual learner—particularly those experiencing poverty—has access to a community college that is adequately funded, committed to supporting completion, and provides them with the resources students need to thrive.

Endnotes

- 1 Desrochers, D. M., & Hurlburt, S. (2016). Trends in College Spending: 2003-2013. Where Does the Money Come From? Where Does It Go? What Does It Buy?. Delta Cost Project at American Institutes for Research.
- 2 Baker, B., & Levin, J. (2017). Estimating the real cost of community college. The Century Foundation. <https://tcf.org/content/report/estimating-real-cost-community-college/#easy-footnote-bottom-10-22636>
- 3 California Community Colleges Chancellor's Office. (2021). Key Facts. <https://www.cccco.edu/about-us/key-facts>
- 4 Chakrabarti, R., Gorton, N., & Lovenheim, M. F. (2018). The effect of state funding for postsecondary education on long-run student outcomes. In IZA World Labor Conference, Institute of Labor Economics, Berlin. https://economics.yale.edu/sites/default/files/lr_effects_of_state_appropriations_-_9-2018.pdf
- 5 Cummings, K., Laderman, S., Lee, J., Tandberg, D., & Weeden, D. (2021). Investigating the Impacts of State Higher Education Appropriations and Financial Aid. State Higher Education Executive Officers. <https://files.eric.ed.gov/fulltext/ED614983.pdf>
- 6 California voters passed Proposition 98, which established an annual minimum funding guarantee for public K-12 schools and community colleges. The SCFF is part of this funding framework, incorporating ongoing Proposition 98 resources, such as the cost-of-living adjustment (COLA), to support community colleges. Each district's total share of funding by allocation stream differs. A district's total share of funding will vary from year to year due to the counts for each of the metrics and the paid rate for the metrics. Community college districts receive about 70 percent of their total Proposition 98 funding through the SCFF.
- 7 Note that other funding protections remain in place. While the [COVID-19 Emergency Conditions](#) has been discontinued, there will likely be other emergency protections that arise. For instance, protections are available for districts in certain emergency conditions such as fires and other natural disasters.
- 8 Legislative Analyst's Office. (2025, March). The 2025-26 budget: California Community Colleges. <https://www.lao.ca.gov/Publications/Report/5005>