DOCUMENT RESUME

ED 473 287 JC 030 136

AUTHOR	Fulks, Janet
TITLE	Performance Funding in California: Performance on Demand--Payment Unavailable. Law, Politics and Economics of Higher Education.
PUB DATE	2001-08-00
NOTE	31p.; Course Paper presented to Nova Southeastern University (Florida) for Ph.D.
PUB TYPE	Dissertations/Theses - Practicum Papers (043)
EDRS PRICE	EDRS Price MF01/PC02 Plus Postage.
DESCRIPTORS	*Accountability; *Budgets; *College Outcomes Assessment; Community Colleges; *Financial Support; Institutional Evaluation; Outcome Based Education; Outcomes of Education; *Performance; Program Effectiveness; Program Validation; School Effectiveness; Two Year Colleges
IDENTIFIERS	*California Community Colleges

ABSTRACT

No one could have anticipated the devastating results of the political, legal, and economic events occurring in California after the year 2000 and producing stiff competition for education dollars. Community colleges were among the hardest hit by state budget deficits, with over $100 million cut from an already conservative budget. Since expectations and outcomes are not reduced or eliminated from the formula when funding is reduced, community colleges are further challenged. The author asserts that performance-based funding is a trend with both positive and negative impacts. California's community colleges have been funded at almost $2000 beneath the national average per full-time-equivalent (FTE) student for the last five fiscal years. The chancellor's office allocates $3,554 per FTE student, compared with a national average of $6,025 in 1995. Adjusted for inflation, FTE student funding in 1995 was actually 6% less than in 1975. Partnership for Excellence was developed in conjunction with legislators and the CCC Chancellor's Office in an attempt to make up the funding shortfall. In 2001, the state chancellor was asked to make the initial performance outcomes more rigorous. However, the promised yearly augmentation for Partnership for Excellence still has not occurred, resulting in an inability to make long-term future plans to address the outcomes. Notes in particular the effects on the Kern County Community College District and Bakersfield College. Contains 22 references. (Author/NB)

PERFORMANCE FUNDING IN CALIFORNIA:

PERFORMANCE ON DEMAND – PAYMENT UNAVAILABLE

Law, Politics and Economics

of Higher Education

Janet Fulks

Bakersfield College

A course paper presented to the Programs for Higher Education

in partial fulfillment of the requirements for the

degree of Doctor of Education

Nova Southeastern University

August 2001

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Definition of Terms

Base funding or base allocation. The base funding or allocation that a district or college receives represents the monetary level required to maintain the on-going services. This is usually determined as a dollar figure per full time equivalent student. Reduction of the base funding would necessarily mean the reduction of service ability or mandate major organizational changes.

Educational outcomes. Outcomes that measure and define the desired performance, product or effect of an educational program or institution are referred to as educational outcomes and represent a means of internal assessment and a standard for external evaluation.

Partnership for Excellence. The California Community Colleges initiated a performance based funding established upon quantitative educational outcomes and enacted into law in 1998 called the Partnership for Excellence.

Performance-based funding. Performance based funding is the political trend to provide or justify funding contingent upon the successful achievement of goals or outcomes. Educators, legislators or a cooperative effort of both educational and political policy makers may determine the outcomes. "Essentially, it seeks to address qualitative as well as quantitative dimensions of the results generated through the activities or functions of a budget" (Gillet-Karam, Goonen, Mulder, & Rosenblum, 2001, p. 65).

Request for Proposal (RFP) Process. This is a process often used for distributing grant funding, where proposals defining the objectives and means of achieving specific outcomes are developed and submitted for competitive evaluation and awarding of funding.

PERFORMANCE FUNDING IN CALIFORNIA:
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1. Introduction and Background

1.1 Description of State Issue

The January 5 issue of the Chronicle of Higher Education addressed the potential debates predicted to occur during legislative sessions in 2001 regarding Higher Education. General issues of concern, which surrounded these critical issues, included the slowing economy, failure of the "dot.coms" and competing healthcare costs, which make up more than a quarter of most state budgets. Publicly funded institutions jockeyed for platforms and hedged their bets in an attempt to gain the ear and support of the legislators in the midst of a politically volatile year (impacted by a perplexing presidential election) and an economic roller coaster ride bumping over tech stock failures and evidence of an economy that was losing momentum. California's specific educational economic projection was a strong one in January 2001, anticipating a 10 billion-dollar surplus and it was expected that the **reasonable** budget increases requested by public colleges would face little resistance. California Community Colleges expected the base allocations to remain stable and were hopeful that the performance-based funding legislation which had begun in 1998, called Partnership for Excellence, would be fully funded for the 2001-2002 academic year.

However, no one could anticipate the devastating results of a political, legal and economic milieu that developed in California producing stiff competition for education dollars.

> "…thrust into the center of a ***crisis*** such as this state has never seen before. A deregulation law gone awry left the state vulnerable to sky-high electricity prices and frustrating shortages. When a retail rate freeze drained the utilities of cash and destroyed their credit worthiness, the governor declared an emergency and put the state in the position to buy power for its residents. But that simply turned the spigot on the state's general fund, draining a $6 billion

> surplus in five months….But in this case the Legislature could not act alone. Wall Street was looking over its shoulder, and the utilities' creditors were standing by, ready to pull the plug at the first sign of weakness. The Federal Energy Regulatory Commission had control over much of the problem and veto power over some of the solutions. Court cases threatened to throw the entire process into chaos." (Weintraub, 2001, p. 62)

Education was the loser when the legislative budget dust settled seven months later with gubernatorial vetoes that targeted enhancing the depleted state reserves at the expense of higher education. As described in John Hill's Sacramento Bee article "among the hardest hit were community colleges" where over $100,000,000 was cut from an already conservative budget. This critical policy-level decision at the state legislature abandoned prior financial commitments to support community college funding in favor of other pressing issues. Unfortunately, performance-based funding billed as an "option" above and beyond base funding represented an easy elimination from the state budgets when economic conditions are tight prior to the vetoes. The state level critical problem, however, is that the expectations and outcomes are not concurrently reduced or eliminated from the formula when funding is not forthcoming. In contrast the investment for change has disappeared but the expectations are now actually law and performance reporting on each outcome is an annual obligation. The local issue of critical concern is the whether the performance standards are actually being addressed by the institution in a manner that will guarantee fulfillment of the agreement.

1.2 Historical context and setting

Historically performance-funding was born out of a growing concern by the public and legislators to hold institutions accountable for tangible educational outcomes.

> "By linking at least part of the state funding for public higher education to achieved, rather than promised, results in the policy areas states deem important, performance funding departs form the traditional funding methods of higher education which focus on inputs such as enrollment levels." (Serban and Burke, 1998, p. 157)

Seventy-five percent of the states had adopted some form of performance **reporting** by the late 1990's. Outcomes ranged from quality of education, to mandated efficiency, and quantity of graduates. By 2000, **performance funding** was instituted in over 37 states. The chair of the Senate Education committee claimed that higher education will "start seeing a legislative insistence on the link between money and performance, or output (Rupert, 2001). Institutions saw this as an intrusion into their autonomy. "Like all crusades, it inspired both fervent champions and fevered critics (Burke & Modarresi, 1999, p.16). "

Some of these performance-based funding programs, Colorado for example, failed and were discontinued. Others struggled and evolved into very different programs compared to their initial implementation. According to Burke & Modarresi (2000) stable and successful programs displayed the following characteristics:

1. Collaborative efforts among all stakeholders to determine outcome measures.
2. An emphasis on quality rather than efficiency.
3. Adequate planning and implementation time.
4. Reasonable numbers of performance criteria.
5. Realistic assessment of the knowledge and skills of graduates.
6. On going monitoring of institutional improvement involving benchmarking but minimizing inter-campus competition.
7. Discretionary funding that represents 3-6% of the institutional budget.
8. Additional funding beyond the base funding, rather than reallocated funds.
9. Guaranteed budget stability and continuity with long-term future prospects.
10. Controlled costs of implementation and reporting.

Defining and measuring success in higher education is difficult. Performance measures tend to be quantitative or anecdotal and often do not actually address the heart of political concerns and priorities. Even total fulfillment of the stated measures may not produce the changes desired by the political policy makers. From the institutional perspective, legislated mandates can diminish or damage institutional diversity (a key mission common to all higher education), and represent a severe challenge to institutional autonomy. Institutions have complained that implementation and reporting costs have consumed a majority of the allotted funding that should be invested in improving performance. Competition among campuses may create a situation where those needing to improve the most are continuously outperformed, thereby receiving fewer dollars restricting their ability to improve.

Performance based funding is a trend with both positive and negative impacts. Many performance-based funding models have been adapted across the United States, in Canada, Europe and Australia. Economic competition at global levels has thrust education into the political arena as a crucial element in successful future economic growth, thus identifying it as a key political factor (or pawn) in the struggle for political success and economic stability. Performance-based funding is seen by legislators as a means to motivate higher education to respond to these rapidly changing economic needs (Rupert, 2001). Conflicting economic factors, vying political interests and resultant legal mandates have inexorably woven education, politics and economics into a relationship often dominated by power and requiring, yet lacking, great wisdom.

2. Analysis

2.1 Goals of the State Organization Relevant to the Decision

2.1.1 Mission and Goals of the California Community Colleges

Across the nation Higher Education is experiencing increased costs with decreased allocations. In spite of strong economic growth experienced in the late 1990's, funding for higher education amounted to a continuously less significant portion of the total California budget. In the Chronicle of Higher Education McPherson states that "Even in good times, colleges have been getting a shrinking share of the budget in many states, because spending on higher education is often viewed as "more discretionary" than commitments to prisons, health care, elementary and secondary education and social welfare" (p. B24). Chronically deficient financial support has been determinative in the ability of community colleges to carry out their mission and to embrace reconstructive changes required for the twenty-first century goals and specifically demanded by the legislature. Historically the Community College mission has been directed towards academic (transfer readiness), vocational (workforce and technical skills development) and remedial education. Political and economic pressure have expanded the California Community College Mission to include advancement of California's economic growth and global competitiveness, remedial instruction, ESL, adult noncredit instruction, support services and Community Services. (CCCCO, November 2000). Fulfillment of this extensive mission with increasingly reduced funding necessitated that many institutions follow the same general direction as businesses, which downsized in the 1990's. Cost saving measures have generated a California Community College System that has operated at the lowest cost system of higher education in the country, receiving less per student, yet maintaining teaching loads 25%

higher than the national average and class sizes averaging a full 10 students above the national class size (Academic Senate, 1998).

The problem for California Community Colleges is that they have been funded at approximately $2000 per full time equivalent student below the national average for the last 5 fiscal years. The California Community College Chancellor's office, which administers the largest higher education system in the world, lagged far behind the rest of the nation allocating only $3,554 per full time student compared to the national average of $6,025 in 1995. (CCCCO, March 2000) Chancellor Tom Nussbaum in his 1997 "State of the California Community Colleges Address" explained,

> "in terms of **budgets**, the community colleges operating budget increased from $1.138 billion in 1975, to 3.385 billion in 1995, about a 197% increase. The funding per full-time student in 1995 was about $3,500; and this number adjusted for inflation, actually represented 6% less per student than was available in 1975. The budget for corrections increased from $195 million in 1975, to $3.211 billion in 1995, a staggering 1,438% increase. By 1995, the cost per inmate had climbed to $23,500. Finally, the budget for welfare increased from $1.171 billion in 1975 to $12.518 billion in 1995, a similarly staggering 894% increase."

As the State Chancellor lobbied for adequate funding which he defined as approaching the national average allocation per full time equivalent student, governmental forces demanded accountability. In an attempt to increase funding and satisfy political pressures performance based-funding or accountability funding became the only obvious solution to the budget problems. This "pay for performance" is an operative change from the states satisfying the colleges' needs to the colleges satisfying the states' needs (CCLC, 1999).

In an attempt to make up the significant shortfall per student the state chancellor's office and a representative committee proposed a performance-based funding project, *Partnership for Excellence*, which was developed in conjunction with the legislators. The California foray into performance-based funding as documented in Education Code Section 84754 (b)(1) defined rigorous and challenging goals, to be accomplished by 2005, exceeding those expected to occur from mere enrollment increases. The following goals were chosen to represent high-priority policy objectives of the state and were revised in 2000-01 with increased rigor, as the numbers suggest, including:

1) An increase in transfers from 55,149 to 78,582 and transfer prepared students.
2) An increase in degrees and certificates from 110,500 to 118,276.
3) An increase in successful course completion from 68.1% to 70.6%.
4) An increase in workforce development through increased apprenticeship programs, contract education, and fee-based job training including an increase from 1,279,716 to 1,463,665 completed vocational courses.
5) An increased success in basic skills courses completion one level above their enrollment from 108,566 to 150,754 (California State Chancellor's Office, 2001 and Board of Governors, 2000).

The basis of this agreement from the legislative side was a commitment to fully fund enrollment expansion and cost-of-living adjustments plus $100 million annually with additional funds each year to accomplish the prescribed goals. The state chancellor was to allocate these funds system-wide on a per FTES basis (American Association of Community Colleges, 1999). Accountability for the funding and allocation for performance measure compliance was not anticipated until the 2001-2002 academic year. The extent of accountability each individual district or campus would have to assume was ambiguous. Statewide seminars and informational sessions occurred but individual institutions felt unrealistically safe as a small component of the largest higher education system in the world, only one of 72 districts or 102 campuses. Funding was system-wide and accomplishment of the goals was optimistically considered a system-wide responsibility, leading to lack of personal ownership and institutional investment.

The Partnership funding is allocated with the following conditions stipulated by the Board of Governors:

1) Districts must use the funds in ways to achieve system goals.
2) Use of the funds must be determined using appropriate participatory governance consistent with Title 5.
3) The local Boards must make expenditures public.

Concern about the implementation of these stipulations was addressed in a statewide survey conducted December 1999 by the California Academic Senate (Appendix A). Concern over non-compliance with appropriate Title 5 participatory governance in decision-making and expenditures that did not reflect legislative intent were significant.

2.1.2 Goals of the Kern Community College District and Bakersfield College

Each district was instructed to develop an allocation plan for Partnership dollars. Lack of adequate information concerning the Partnership for Excellence funding and outcome measures deeply impacted the allocation of these funds in the Kern Community College District for the first 3 years. The first year a hierarchical administration used the funding without addressing system goals or soliciting participatory governance input, using funds to "backfill" portions of the budget and enhance the reserve funds. The second year the chancellor used the Partnership funds to settle labor negotiations. As statewide understanding of the funding and its requirements to guarantee future allocations became widely understood through the efforts of the California State Academic Senate, our district began serious discussions with regards to the allocation process. The arrival of a new chancellor and increased collegiality throughout the district resulted in a serious approach to the performance standards. Critical policy-level decisions were made with regard to "investing" the allocation in new approaches that would specifically target and improve outcomes.

A Partnership for Excellence committee was created and district and campus specific performance levels were discussed. On the Bakersfield College campus, an RFP (request for proposal) process was developed. This process solicited proposals for grants from individuals that specifically addressed the five performance outcome areas and treated the money as restricted for those purposes. After the initial implementation of this process began, labor negotiations and system-wide fiscal problems, including attempts to comply with the 50% law, resulted in use of the Partnership funding to support on-going needs rather than the requests made through the committee process which specifically addressed performance goals. It was argued that the inability to pay faculty salaries at the state average level and the fines imposed by the 50% law unavoidably reduced the ability to reach the Partnership for Excellence goals.

2.2 Interplay of Goals and Forces at the State Level

2.2.1 Educational and Political Forces

After only two years of funding, a California State Chancellor's task force (CCCCO, 2000) evaluated the future effects of this funding and concluded:

> "that base reallocation toward high-achieving districts would exacerbate low achievement by reducing relative resources for districts facing the greatest performance challenges; on the other hand, reallocation toward low-achieving districts would create undesirable incentives and punish strong performers. Instead, the Task Force recommended a framework that would cause a higher level of external intervention in the allocative decisions of low-achieving districts while not reducing the total level of resources available for investment in improvements."

When compared with the Burke & Modarresi (2000) stable and successful characteristics several factors stand out as requiring special attention. The California model provided adequate planning and implementation time, concentrated on an achievable number of performance criteria, established a stable, long-term discretionary funding above the base allocation, and fell within the desirable percentage of the institutional budget. Benefits of this funding included integration of political and educational leadership, incentives for performance, civic accountability, and positive image building.

However, disadvantages of this funding methodology included micromanagement of education by politicians, objectives and performance measures defined by external forces and measuring only quantitative outcomes. Concerns about potential losses to poor and urban institutions were raised as it became evident that performance funding tended to favor traditional campuses while harming innovative campuses. Any funding, when made dependent upon outcomes, tends to more fully fund schools with limited access or higher socioeconomic populations because their success rate and lack of remedial education is higher. Critics have claimed that purely quantitative measures do not reflect true quality educational outcomes. Concerns have been raised that institutional standards will be lowered in order to produce larger numbers of passes, degree and graduates garnering more Partnership funding. Justifiably so, increased numbers of graduates do not automatically translate into assurances of quality education, skills and competency.

Imbedded in this new funding source were unplanned implementation and reporting costs. The reporting system alone for statewide accountability has necessitated large technology investments, elaborate tracking methods and time consuming management. Ultimately this funding methodology has created an entirely new support department on campuses requiring the employment of personnel dedicated to institutional research for mandated data. It has been asserted that this funding has spawned the development of a system that may collapse under its own complexity (Academic Senate, 1998).

2.2.2 Legal Forces

Education code 84754 requires the California Community College Chancellor's Office to report progress concerning the system performance for the Partnership for Excellence by April 15 of each year. Statutory reporting leaves little doubt that the quantitative measures will be an issue determining the credibility of California's Community Colleges. (See Appendix B – Summary of Statewide Outcomes Performance). The April 2001 System Performance on Partnership for Excellence Goals included a review of the system performance historically going back to 1998. "The purpose of this review was to determine if a contingent funding mechanism should be triggered that would link allocation of the funds to individual districts to the achievement of and progress toward *Partnership for Excellence* goals by those individual districts (*Education Code* Section 84754 (d)(1))' " (California Community College Chancellor's Office, Research and Planning Unit, 2001 p. i).

2.2.3 Economic Forces

The relative success of individual institutions can be seen in the system performance report that publicizes the numerical data. However to date, there are no formal methods of accountability levied. Individual performance levels vary widely, even within districts (California Community College Chancellor's Office, Research and Planning Unit, 2001 p. i). The economic impact of direct linkage between institutions and goals cannot be estimated because the extent and monetary values of that connection has not been proposed. Partnership funds represent varying amounts for institutions depending upon the number of full time students.

The fact that annual Partnership for Excellence augmentation was an additional funding package above the base funding, resulted in its early removal from the state budget. The subsequent action of the governor to veto on-going funds integral to the base funding resulted in a statewide community college budget that did not even keep pace with the Cost of Living Adjustment (COLA) for the upcoming year.

2.2.4 Goals-Impact of Emerging Decision on the Organization's Goals

"Based upon the System's progress in meeting the *Partnership* goals, the Board of Governors determined in March of 2001 that the contingent funding did *not* need to be triggered." (California Community College Chancellor's Office, Research and Planning Unit, 2001 p. i). This critical policy level decision temporarily prevented the linkage of funding and outcomes to individual districts. This does not guarantee that the direct accountability for individual institutions will not occur in the future. Apparently progress towards the goals will remain at a system-wide surveillance unless it begins to fall behind the necessary growth and projected trends. While this protects the individual institutions, it is difficult to see the anticipated positive influences of incentive and accountability.

2.2.5 Conditions and Status of Decision

The decision whether individual districts and campuses direct the funding toward specific activities that address the areas of accountability, or continue to use them indiscriminately as part of their general fund is complicated. The California Academic Senate survey revealed that a significant portion of Partnership funds were being indiscriminately added to the general fund. The Academic Senate felt that local level confusion and conflict in the program prevented truly beneficial use of the funding. They concluded, "We believe these issues are systemic in nature, not simply the result of particular individuals or decisions. The original budget language and the implementation at the system level have left ambiguity as to the extent to which local expenditures must reflect the legislative intent.... The Academic Senate continues to call for more fiscal accountability in Partnership, so that expenditures can be tracked and accurately reported. Appropriate collegial consultation and effective participation in the determination of local priorities for student success is essential if this major challenge for the system is to be addressed. Enhancing the outcomes accountability built into Partnership with a corresponding fiscal accountability for Partnership funds is critical to the future success of this program." (California Community College Academic Senate, 2000)

2.3 Interplay of Goals and Forces at the District and Campus Level

2.3.1 Political and Legal Forces at Kern Community College District and Bakersfield College

Political forces at the organizational level include the Bakersfield College Academic Senate, the Faculty Union, Administration and the Board of Trustees. The Faculty feel that the funding should be discussed and used in a restricted manner to target and accomplish goals thereby benefiting the students. The administrators feel that during these economically volatile times they should have freedom to use these funds to supplant general funds if necessary. They assert that all funding to the college is used to serve students and adding partnership funding to general funds naturally serves to advance Partnership outcomes, even without direct connection or intention.

The removal of additional Partnership funds by the state legislature and the gubernatorial veto of COLA for on-going Partnership funding at the state level has removed any need for local discussions for the coming budget year. However, even without the funding, the outcomes must be met by law. This hardship may act to initiate discussions that may not have occurred if the funding had been received. Compliance with the 50% law and local energy bill increases (approximately $1.5 million for the district) have further impacted the ability to direct attention to the Partnership for Excellence outcomes. Survival is the primary goal.

2.3.2 Economic Forces

The Partnership funding totaled $4,698,490 for the 2000-01 Academic year that boasted a total budget of approximately $90 million. This represents a significant portion of the funding in the district. Undoubtedly, loss of this incentive, due to unmet goals or continued elimination from the state budget, would compromise the ability of our campuses to provide services.

2.3.3 Goals –impact of emerging decision on organization's goals

The preferred future for our district and individual campuses would be to educate all stakeholders concerning the goals for which we will be held accountable (funded or not). Processes that ensure the Board of Governor's stipulations of participatory governance to address the goals and strategically plan to meet them should be initiated. Presently these important actions are being addressed infrequently and only by the administration.

Appendix C indicates the district performance on the goals. Improvement has occurred in all but one area, transfer readiness, which may portend future impact on transfer and graduation rates. While our district is making improvement overall, the discussion concerning our comparative accomplishment with the state averages is an important one. The rate of improvement on our campuses compared to the necessary rate of improvement, as a system, has not been discussed. The data shows that for Goal 3 – Successful Course Completion- our district laudably increased the percent of successful course completion of transferable courses by 2.3%, from 65.2% to 67.5% from 1998 to 2000 However, the state average was 68.3% and the goal is 70.8%. Any degree of improvement will help statewide.

A concern lies in the fact that as a regular member of the curriculum committee for the last 3 years no discussion has occurred concerning this goal. The curriculum committee does not actively access new requests with regard to the ratio of transferable courses being approving. No discussions have been initiated or planned concerning methods of guaranteeing quality and rigor while increasing student success.

3. Summary and Conclusions

Performance based funding represents a convergence of political, legal and economic factors in higher education. Fiscal meagerness coupled with high cost expectations evolved into accountability funding that drives education to business-like principles. Rupert reports that the state and federal legislators want higher education to improve their responsiveness to state needs and legislative priorities by strengthening and diversifying the economy through workforce development. They expect higher education to address the need for a more seamless progression from K-12 to college and attend to the remediation of adult learners. They want to see the cost of education go down, while increasing accessibility for all students (Rupert 2001). Yet these demands defy common business principles. Increased demands require increased investment. Base funding as guaranteed by Proposition 98 has produced a chronically under funded base for every community college in California since 1992 (See appendix D). Where too little is parceled out so many times it just becomes, too little.

Partnership for Excellence attempted to augment the persistently inadequate budget representing a new paradigm in budgeting. In A State of Learning: California Higher Education in the 21st Century (1997, July) the independent California Citizens Commission on Higher Education warned of an impending financial crises requiring an urgent and system-wide change in California's Colleges and Universities. A dramatic increase in enrollment will further expose the fundamental flaws in financing of public higher education in the coming decade. The Commission warned that limited access, reduced quality, and raised student charges will characterize the California Higher Education system leading them to advocate improved and stabilized funding tied to increased efficiency and institutional restructuring and methods to monitor accountability. Lorenzo (1998) stated that:

> "The success of academic institutions has historically been judged by the input side of the equation – how many dollars were spent on each student, how many students enrolled, how many full-time faculty employed, how many books in the library. Inputs may reflect potential but they do little to demonstrate actual success. The emphasis needs to shift to the output side-student achievement rather than student enrollment, relevancy of programs as opposed to number, effectiveness as opposed to simple efforts, and so on. In the future, institutional success should come to be judged almost exclusively by outcomes-measures of quality, relevancy, utility, responsiveness, and value- and accordingly the reward systems within the institutions redefined." (p. 343)

In 2001 the State Chancellor was asked to increase the rigor of the initial performance outcomes. However since that time the promised yearly augmentation for Partnership for Excellence funding has not occurred. This lack of stability has resulted in an inability to make long-term future plans to address the outcomes. Coupled with the naivety of educational institutions during the initial years of implementation, achievement of the outcomes may be compromised, inviting further intrusion by politicians. California Community Colleges now find themselves in a position where they have agreed to the performance standards, and will be held to them, partnered with a legislature that has not fulfilled the funding portion of the agreement. To make matters worse, the 2001-2002 Academic budget for California Community Colleges were the hardest hit by the governor's vetoes reducing the statewide budget by 6% (Luna, 2001).

> "'Community colleges are really the workhorse of California in terms of education and yet they have been consistently underfunded,' said Assemblyman Robert Pacheco, R-Walnut, who says he will introduce legislation to restore part of the funding. Overall, community colleges got a funding increase of 3.2 percent in their general fund for 2001-2002, according to the California Legislative Analyst. The University of California system received a 4.8 percent increase and the California State University system a 6.4 percent increase, the state legislative analyst said. Community colleges serve about 2.6 million students in the state, compared to 540,000 at the two university systems Community college advocates say they're taking a hit because the more prestigious University of California and California State University systems are politically secure.." (AP, Sacramento Bee, 2001)

The Partnership for Excellence legislation required planning and communication at the state level between state legislators and the state chancellor's committee. Research suggests that best practices throughout the U.S. were examined and used in the Partnership funding proposal. Agreements were made concerning outcomes, method of allocation and stability of funding. It should be investigated as to whether this legal and contractual agreement has been broken due to the overall reduction of base funding approved by the legislature and manufactured through vetoes. Satisfaction of the legislative goals must be addressed to retain credibility, however if the colleges can reach these rigorous goals without the promised funding, what will the legislators conclude?

Institutions must examine the statewide goals and analyze their own institution's progress. The stipulations of the Board of Governor's in allocating the funds (if funding does occur in coming years) should be followed. The collegial collaboration involved to meet these goals locally would provide a collective resource of great potential.

The scheduled goals must be met by 2005. It is not too early to learn from the present failings and propose a plan that more adequately meets educational needs while satisfying political mandates and legislative priorities. An understanding that is mutually binding will address the accountability issue in the most effective way and facilitate future planning. After all, performance funding should fund performance.

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APPENDIXES

Appendix A

Academic Senate Partnership for Excellence Survey

Partnership for Excellence Turnaround Survey Results

Question	Year	Circle One
1. In your college/district was there collegial consultation (either primarily rely or mutual agreement) with the academic senate on the processes for the implementation of Partnership for Excellence and/or were existing governance agreements regarding institutional planning and budget development honored?	a. 1998 - 99 College Level	Y N
	b. 1998 - 99 District Level*	Y N
	c. 1999 - 00 College Level	Y N
	d. 1999 - 00 District Level*	Y N
2. Did your district/college utilize Partnership for Excellence funds to supplement (rather than supplant) expenditures for student success in the areas of instructional programs and student services?	a. 1998 - 99 College Level	Y N
	b. 1998 - 99 District Level*	Y N
	c. 1999 - 00 College Level	Y N
	d. 1999 - 00 District Level*	Y N
3. Did your college use Partnership for Excellence funds to hire new full-time faculty beyond merely replacing retired FTE or meeting maintenance of effort obligations?	a. 1998 - 99 College Level	Y N
	b. 1998 - 99 District Level*	Y N
4.	c. 1999 - 00 College Level	Y N
	d. 1999 - 00 District Level*	Y N
5. Did your district expend Partnership for Excellence funds in a manner NOT in accordance with the legislative intent that the funds be expended for "program enhancements that will improve student success and make progress toward the system goals," (such as for reducing a deficit, building reserves, paying bonds or certificates of participation, or other activities not related to student success)?	3. a. 1998 - 99 College Level	Y N
	4. b. 1998 - 99 District Level*	Y N
	5. c. 1999 - 00 College Level	Y N
	6.	Y N
	7. d. 1999 - 00 District Level*	

5. If you answered any portion of number 4 "YES," please check those that apply to the use of Partnership funds in your college/district: deficit reduction, pay bonds, certificates of participation, put in general fund, put in reserves, and others.

*Multi-college Districts

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Appendix B

Statewide Ed Code on Partnership

SEC. 35. Section 84754 is added to the Education Code, to read:

84754. (a) The Partnership for Excellence program is hereby established for the purpose of achieving annual performance goals and improving student learning and success. The Partnership for Excellence program is dependent on a mutual commitment by the State of California and the California Community Colleges to achieve statewide goals that reflect the highest priority for the social and economic success of the state. The state intends to provide funding for the Partnership for Excellence program as an investment to supplement funding for enrollment growth and cost-of-living adjustments to invest in program enhancements that will increase performance toward the community college's system outcome measures. The California Community Colleges, as a result of the state's investment, shall commit to improving and achieving specific outcome measures established by the Board of Governors through the consultation process pursuant to Section 70901.

(b)(1) The Board of Governors shall develop, through the consultation process, specific goals and outcome measures to improve student success and assess district performance that will include, but not necessarily be limited to, the areas of transfer, degrees and certificates, successful course completion, work force development, and basic skills improvement. It is intended that the number of system goals not exceed 10. The goals shall be rigorous and challenging to the system, and exceed what could be expected to occur based on increases in funded enrollment. In developing the goals and outcome measures, the Chancellor of the California Community Colleges shall seek the concurrence of the Director of Finance. the Legislative Analyst, and the California Postsecondary Education Commission (CPEC).

(2) On or before December 1, 1998, the Chancellor of the California Community Colleges shall propose goals and measures for the approval of the Board of Governors of the California Community Colleges. The Department of Finance, Legislative Analyst, and CPEC each shall assess the extent to which the goals and measures under consideration by the board are clear, reasonable, and adequately meet the state's interest in accountability. The board shall consider the comments of these agencies before approving the goals and measures.

(c)(1) The Chancellor of the California Community Colleges shall allocate funding for the Partnership for Excellence, pursuant to appropriations in the annual Budget Act, to those districts electing to participate in the program in the 1998-99, 1999-2000, and 2000-01 fiscal years on a per FTES basis, subject to a district minimum allocation, and districts shall have broad flexibility in expending the funds for program enhancement that will improve student success and make progress toward the system goals. Those programs shall include, but are not necessarily limited to, programs that assist students through remediation, tutoring, and mentoring.

(2) Funds provided under this program to districts shall not be considered program improvement funds within the meaning of Sections 84755 and 87482.6, and shall only be spent to improve student learning and success as determined by the Board of Governors of the California Community Colleges which shall be subject to conditions as the board may determine.

(3) Funds for this program are subject to appropriation in the annual Budget Act.

(d)(1) The Board of Governors of the California Community Colleges also shall develop, through the consultation process pursuant to Section 70901, one or more contingent funding allocation options, as well as criteria that would require the implementation of these options, that shall link allocation of Partnership for Excellence funds to individual districts to the achievement of and progress toward Partnership for Excellence goals by those individual districts. These contingent funding options may be determined necessary to either improve system performance or to reward significant or sustained achievement.

(2) In developing contingent funding allocation options and criteria for implementation thereof, the Chancellor of the California Community Colleges shall seek the concurrence of the Director of Finance, the Legislative Analyst, and CPEC. These agencies shall each assess the extent to which the contingent allocation options and criteria under consideration by the Board of Governors of the California Community Colleges are clear, reasonable, and adequately meet the state's interest in accountability. On or before April 15, 2000, the chancellor shall propose to the board one or more contingent funding allocation methods and criteria. The board shall consider the comments of the three agencies before approving the criteria and contingent funding allocation options.

(3) The Board of Governors of the California Community Colleges shall have the authority, and shall be accountable, to determine that a funding linkage is needed to adequately improve the performance of the system and its districts and colleges. The board is authorized to allocate all or a portion of Partnership for Excellence funds among districts pursuant to a contingent funding allocation method, as described in this section, commencing in the 2001-02 fiscal year or any fiscal year thereafter as determined necessary by the board. In executing its responsibilities set forth in this subdivision, the board shall engage the consultation process pursuant to Section 70901.

(c)(1) Districts shall report data under the Management Information System (MIS) for each of the outcome measures to the Chancellor of the California Community Colleges, who shall compile and analyze this data for a report to the Legislature, the Governor, CPEC, and other interested parties by April 15 of each year. The annual reports shall include data for each district and college with respect both to levels of achievement and relative progress towards the goals that recognizes differences in student populations and student preparedness. The chancellor may provide technical assistance to districts, as he or she best determines.

(2) Acceptance of funds from Partnership for Excellence allocations shall constitute concurrence by the district or college to collect and provide to the Chancellor of the California Community Colleges all information necessary to quantify baseline performance and annually report changes in outcome measures to the chancellor if, in the judgment of the chancellor, current MIS system data are insufficient for the purpose of any of the approved measures.

(3) Beginning with the report due on April 15, 2001, the Board of Governors of the California Community Colleges shall annually assess and report the extent to which achievement of system goals has been satisfactory or less than satisfactory. Based on this assessment and on the criteria adopted as part of the contingent funding allocation plan, the board shall determine, after engaging in the consultation process pursuant to Section 70901, whether or not to implement a contingent funding allocation option described in subdivision (d).

(4) On the basis of the reports specified in this subdivision and other pertinent information, the Legislative Analyst and CPEC shall also annually provide the Legislature their respective assessments of progress toward system goals, and shall recommend necessary changes to the program, including goals and outcome measures. The Legislative Analyst and the CPEC shall recommend ways of improving incentives for districts to contribute toward achievement of system goals.

(1) This section shall remain in effect only until January 1, 2005, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2005, deletes or extends that date.

http://www.cccco.edu/divisions/tris/rp/pfe.htm

Appendix C

Statewide Progress Report on Partnership Goals

Statewide Progress Report

Statewide Progress Report on Partnership Goals

This section provides, in graphic form, a summary of the progress that has been achieved to date in each of the *Partnership* goal areas. The statewide summary of progress is included here. Displays for each district may be found in an accompanying document titled, "District Performance on Partnership for Excellence Goals." Each display reflects the systemwide status through 1999-00 as well as the relationship of that status to the base year and the 2005-06 goal. A statement describing each goal accompanies its graphic display. The displays are based on data contained in this report and are provided in this format so that the current status of performance on each of the goals can be easily viewed. This format was suggested jointly by agencies having oversight authority for the *Partnership* including the Legislative Analyst's Office, the Department of Finance, and the California Postsecondary Education Commission.

Starting with each goal's base year through 1999-00, the system achieved progress toward the 2005-06 *Partnership* goal levels for four of the five goals. The progress occurred on the goals of transfer, degrees and certificates, workforce development, and basic skills improvement.

The rate of successful course completions is the only goal for which the system showed a decrease from its 1995-96 base year level. Even though the system as a whole progressed in the subgoals for the rate of transferable course completions (from 68.3 percent to 68.7 percent), and for the rate of vocational successful course completions (from 77.2 percent to 78.7 percent), the basic skills course completion rate decreased from 60.3 percent to 58.2 percent. As a result, the overall successful course completion rate decreased from 68.1 percent to 67.9 percent.

Although the system demonstrated increases in transfers to the UC and CSU segments, the system had a decrease in the subgoal for the number of students who became transfer prepared. Compared to the subgoal's base year level (1997-98) of 106,951, in 1999-00 the number of students who completed 56 transferable units within a six-year period with a minimum GPA of 2.0 decreased to 96,501.

http://www.cccco.edu/divisions/tris/RP/pfe_rpts.htm

Appendix D

Proposition 98 Funding History

Call It the Story of Broken Promises — The Story of Proposition 98 Is One of Good Intentions Gone Very Bad.

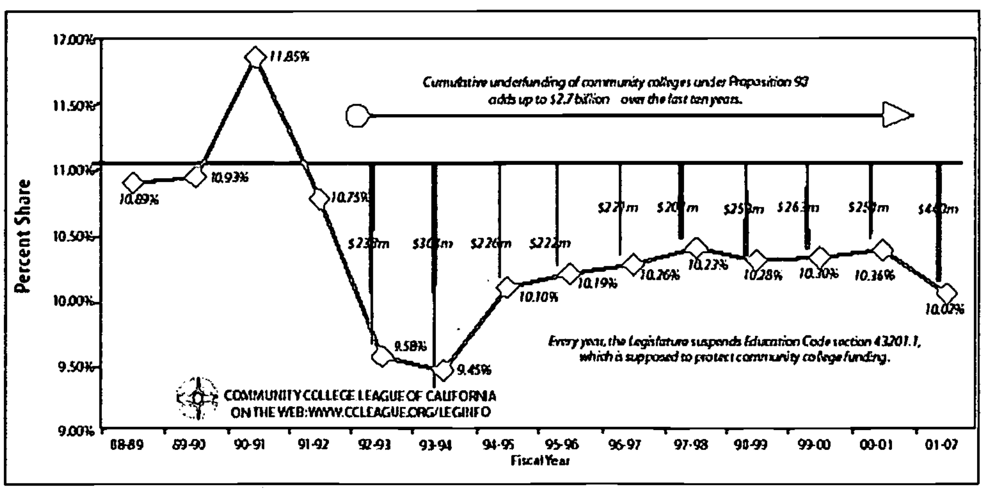
Proposition 98, the "Classroom Instructional Accountability and Improvement Act of 1988," was meant to guarantee a minimum level of funding for the state's K-12 schools and community colleges.

It is a complicated piece of legislation based on changes in enrollment, per capita personal income and projections of state tax revenues – everything the average voter has a hard time understanding.

The bottom line, as far as California's 108 community colleges are concerned, is a lot easier to understand: Proposition 98 has not worked out as intended.

Defining the Problem

The latest data reveals a startling piece of information: Proposition 98, the measure that was supposed to bring sorely needed financial aid to California community colleges, has under-funded them by a whopping $2.7 billion over the last 10 years! Except for the 1990-91 fiscal year, community colleges have suffered funding shortages ranging between $201 to $440 million in any one year during the last 10 years.



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