

The Strong Workforce Program Incentive Funding Model

1 In June 2016, the California Legislature made a significant investment in California’s community
2 colleges by allocating \$200 million in annual funding for career and technical education (CTE)
3 under the Strong Workforce Program (SWP). The funding was written into the budget through
4 Assembly Bill 1602 as part of an effort to expand and improve CTE programs in California, with
5 a focus on regional collaboration and preparing more students for high-demand, high-wage
6 jobs.

7 The Strong Workforce Program provides categorical funding that is divided between college
8 consortia in eight economic regions, which receive 40% of the funds, and community college
9 districts, which are allocated 60% of the funds. Eighty-three percent of the Strong Workforce
10 Program funding is based on the proportion of full-time equivalent students (FTES) in CTE
11 programs, regional unemployment rates, and regional job openings. In addition, the legislation
12 stipulates that 17% of the Strong Workforce Program funding should be distributed using an
13 incentive funding model that aligns with the progress, completion, and employment measures
14 established under the Workforce Innovation and Opportunity Act (WIOA).

15 During the first quarter of 2017, the California Community Colleges Chancellor's Office
16 convened the 17% Committee, comprised of practitioners, employers, and other experts, to
17 provide recommendations on the incentive funding model. Using research from other states
18 that have implemented incentive funding models and extensive data modeling using data from
19 California community colleges,¹ the group evaluated options in the context of the core values
20 associated with the Strong Workforce Program, including:

- 21 • Improve student outcomes, focused on completion, employment, and earnings
- 22 • Students leave community college with the skills employers need
- 23 • Alignment of programs and curriculum with regional labor market demand
- 24 • Shifts in overall college investments
- 25 • Long-term investments
- 26 • Calculated risks to drive innovation
- 27 • Deliberate, thoughtful actions
- 28 • Continuous improvement
- 29 • Rewards over punishments
- 30 • Collaboration over competition
- 31 • Maximum flexibility and local decision-making

¹ See: <http://doingwhatmatters.cccco.edu/StrongWorkforce/17PercentCommittee.aspx>

How the Strong Workforce Program Incentive Funding Will Work

Strong Workforce Program incentive funding will be based on points—with funding attached—for each CTE student who attains the Strong Workforce Program metrics. This model will encourage local and regional workforce development strategies that tangibly improve students' lives, in addition to rewarding enrollments in CTE programs.

- **Funding for every student with a positive outcome.** Colleges and regions will receive incentive funding for every CTE student who makes progress toward completion, earns a certificate or degree, transfers to a four-year institution, secures employment, or attains positive earnings outcomes. Colleges and regions will receive incentive funding at a higher rate for economically disadvantaged students who attain the Strong Workforce Program metrics.
- **Measuring results for all CTE programs.** Local outcomes will be tracked for all CTE students within college districts, regardless of specific program, to incentivize strong overall CTE portfolios. Regional outcomes will be tracked for all CTE students at every college in the region to encourage collaboration across institutions. Metrics will be automatically populated using information from state data systems.
- **Transparency and accountability.** Annual progress will be made visible to practitioners on the LaunchBoard Strong Workforce Program tab, and colleges and regions will update their plans each year to ensure that investments help students attain the Strong Workforce Program outcomes. Colleges and regions will also use labor market information and set nonbinding projections for program-level outcomes as part of the planning process.
- **Highlighting promising practices.** Each year, the Chancellor's Office will issue the Rising Stars awards to highlight programs that are generating economic mobility for their students. Colleges will receive support from the Chancellor's Office to communicate their outcomes and effective practices to students, colleges, employers, and the community at large.
- **Promoting longer-term investments.** Funding allocations will be held constant for four years to provide the stability needed to implement multi-year plans.

THIS FINAL ITEM PENDING APPROVAL FROM THE LEGISLATURE

63 **Detail on Strong Workforce Program Incentive Funding**

64 **Metrics**

65

66 The Strong Workforce Program legislation requires that metrics be aligned with WIOA,
67 including:

68 • **Skills-gains**

69 ○ the number of students who attained 12 credit units in CTE

70 ○ the number of students who attained 48 noncredit CTE instructional contact
71 hours

72 • **Completion:** the number of students who earned a CTE certificate or degree

73 • **Employment**

74 ○ the number of CTE students who were employed in the second fiscal quarter
75 after exiting the community college system

76 ○ the number of CTE students who were employed in the fourth fiscal quarter
77 after exiting the community college system

78 • **Earnings:** the median earnings in the second fiscal quarter among CTE students who
79 exited the community college system

80 In addition, the following measures were included to address priorities in the Strong Workforce
81 Program legislation and the California community college system:

82 • **Transfer:** the number of CTE students who transferred to a four-year institution

83 • **Employment:** the rate at which CTE students report they were employed in a job closely
84 related to their field of study

85 • **Earnings**

86 ○ the number of CTE students who exited the community college system and
87 improved their earnings

88 ○ the number of CTE students who earned a certificate or degree, or were
89 identified as skills-builder students, who attained the regional living wage

90

91 **Assigning Points**

92

93 Colleges and regions will be evaluated using a points model, as follows:

94 • **Most metrics:** For almost all metrics, one point is awarded for each student who attains
95 the measure. For example, if 100 students transferred to a four-year institution, 100
96 points will be awarded. If 450 students were employed in the second fiscal quarter after
97 exit, an additional 450 points will be awarded.

98 • **Progress metrics:** For the metrics on attaining 12 credit CTE units or 48 noncredit CTE
99 instructional contact hours, only a half point will be awarded per student, and points will
100 only be awarded to students who attain the threshold for the first time. For example, if
101 200 students attain 12 credit units, 100 points will be awarded. If 50 students attain 48
102 contact hours, an additional 25 points will be awarded.

103 • **Completion metrics:** In recognition that longer-term awards yield stronger economic
104 outcomes over time, various types of certificates and degrees will be assigned points as
105 follows:

106 ○ Local credit certificate under 18 units, Chancellor’s Office approved credit
107 certificate under 18 units, or noncredit certificate of 48-288 hours: 1 point

108 ○ Credit certificate of 18-30 units or noncredit certificate of over 288 hours: 2
109 points

110 ○ Credit certificate of over 30 units or a degree: 3 points

111 • **Median Second Quarter Earnings:** One point is awarded for each dollar earned, and
112 then the number is divided by ten to make the figure more proportional to the numbers
113 found in other measures. For example, if the median earnings in the second quarter is
114 \$5,000, 500 points will be awarded. This metric is not based on student counts.

115 • **Employment in Field of Study:** Because this information comes from students who
116 respond to a survey a year after leaving college, the rate who report being employed in
117 their field of study is applied to the number of students who were sent the survey. For
118 example, if 1,000 students were included in the survey sample, and survey results found
119 that 75% of students report working in a job closely related to their field of study, then
120 750 points will be awarded.

121

122 **Economically Disadvantaged Students**

123 To further incentivize colleges to close equity gaps, more points are awarded for students who
124 are designated as being economically disadvantaged, per the definition used for the Carl D.
125 Perkins Career and Technical Education Act of 2006:

- 126 • Awarded a Board of Governors Waiver
- 127 • Awarded a Pell Grant
- 128 • Identified as a CalWORKS participant
- 129 • Identified as a participant in the Workforce Investment Act program
- 130 • Reported as economically disadvantaged

131

132 For most metrics, students who are flagged as being economically disadvantaged will receive
133 points worth 1.5 times what non-economically disadvantaged students receive. For example,
134 economically disadvantaged students who increase their earnings will receive 1.50 points,
135 compared to 1 point for students who are not economically disadvantaged. For the progress
136 metrics, which are allocated a smaller share of points than other metrics, economically
137 disadvantaged students will receive .75 points for attaining 12 credit units, compared to .50
138 points for non-economically disadvantaged students. For the metrics on course enrollments
139 (which include duplicated headcounts), second quarter earnings (which uses a dollar value),
140 and job closely related to field of study (which is based on a sample of students), economic
141 disadvantage weighting will not be applied because these measures are based on calculations
142 that are not easily aligned to the economic status of students.

143 **Calculating Distributions**

144 To determine 17% performance incentive distributions, the following methodology will be
145 applied:

- 146 • **Local Share:** Points for all CTE programs at all community colleges are totaled. This
147 statewide figure is divided by the amount of funding available for the 17% local share to
148 create a value per point. Then the value per point is multiplied by the number of points
149 that each college received to determine its distribution. For multi-college districts, the
150 distributions for all colleges within the district are added together to create the district
151 distribution.

152 For example, if a total of 38,760,000 points are earned across the state, this number will
153 be divided by the \$19,380,000 annual 17% local share to create a value of \$0.50/point. If
154 a college earns 200,000 points, it will receive a distribution of \$100,000. If one college in
155 a multi-college district earns 100,000 points and the other gets 125,000 points, then the
156 district will receive a distribution of \$112,500.

157 **Regional Share:** Points for all CTE programs are totaled at the regional level and added
158 together to create a statewide total. This statewide figure is divided by the amount of
159 funding available for the 17% regional share to create a value per point. Then the value
160 per point is multiplied by the number of points that each region received to determine
161 its distribution.

162 For example, if a total of 25,840,000 points are earned across the state, this number will
163 be divided by the \$12,920,000 annual 17% regional share to create a value of
164 \$0.50/point. If a region earns 1,000,000 points, it will receive a distribution of \$500,000.

165 *Note: the dollar value per point will vary each year, and will be different for local shares*
166 *and for regional shares, based on how many students are attaining the outcomes in each*
167 *context.*

168 Within the four-year cycle, assuming this approach is approved by the legislature, distribution
169 totals may be altered to reflect changes in the state's funding of the Strong Workforce Program
170 as part of the annual Budget Act. Any changes will be implemented proportionally based on the
171 amounts set for the four-year cycle.

172 **Reports and Data Tools**

173 Colleges and regions do not need to track and report data on student outcomes for the Strong
174 Workforce Program, above and beyond reporting that is already part of the MIS upload
175 process. The LaunchBoard Strong Workforce Program tab will provide annual information on
176 student attainment of each metric, counts of points, and relative share of points, to help
177 colleges and regions gauge their progress and make adjustments to their plans each year. While
178 the SWP incentive funds will be based on outcomes in all CTE programs, the Strong Workforce
179 Program tab will allow users to view outcomes at a more granular level, including by sector,
180 sub-discipline (TOP4) or field (TOP6). Colleges and regions can use this dashboard to set
181 aspirational goals for program-level outcomes as part of the planning process. Disaggregated
182 data by gender, race, age, and economically disadvantaged status will also be available to help
183 colleges evaluate equity gaps.

184 **Timeframes**

185 The legislation requires that regions use a four-year planning cycle. To align the incentive
186 funding with this timeframe, the 17% Committee has recommended that outcomes for both
187 the local and regional shares be tracked over three years. This will require approval from the
188 legislature, particularly as it will involve shifts in due dates for plans that were stipulated in the
189 legislation.

190 Provided that the four-year timeframe is approved by the legislature, the process would entail
191 the following steps. In December of the fourth year of each cycle, colleges and regions would
192 be notified of their revised Strong Workforce Program allocations for both the 83% formula
193 (based on CTE full-time equivalent students, regional unemployment, and regional job
194 openings) and the 17% performance incentive formula (based on student attainment, as
195 represented in the LaunchBoard Strong Workforce Program tab). Regional plans would be due
196 on March 31 (rather than January 31) and college plans would be due June 1, with the new
197 funding levels going into effect in the subsequent academic year. Colleges and regions would
198 need to spend their funds within the four-year period.

199 This timeframe aligns with effective practices that have been identified in incentive funding
200 models in other states, including:

- 201 • allowing for longer-term, more comprehensive strategies, such as developing and
202 retooling programs in response to labor market demand
- 203 • encouraging risk-taking by providing predictable funding levels for a period of time
- 204 • minimizing the impact of economic factors that can create abrupt shifts in enrollment
205 patterns and job opportunities
- 206 • strengthening evidence-based decision making by ensuring that there is a time window
207 for planning once data on student outcomes are available

208 Furthermore, the four-year cycle is the only model that allows sufficient time for transfer,
209 employment, and earnings outcomes to be evaluated for the funding period. Shorter cycles
210 would require that local and regional funding be based on how services were delivered prior to
211 colleges' implementation of their plans.

212 **Phase-In Period**

213 **Round One**

214 In 2016-17, the first year of Strong Workforce Program funding, no SWP incentive funding
215 model was in place. The 17% was allocated using the CTE FTES, regional unemployment, and
216 job openings.

217 **Round Two**

218 The 83% allocation will remain the same for round two funding. The legislation stipulates that
219 the 17% performance incentive must go into effect in the second year of funding. However,
220 post-college outcomes cannot be calculated until 18 months after the end of each academic
221 year, because the Chancellors' Office needs to determine whether each student has exited the
222 community college system and secure data on four-year institution enrollment, employment,

223 and earnings. Therefore, performance for the first year of the Strong Workforce Program can
224 only be calculated for measures that are captured within the colleges:

- 225 • Number of course enrollments in all CTE programs (this number will be multiplied by
226 0.025, so that it yields roughly 50% of the incentive)
- 227 • The number of students who earn a CTE certificate or degree (points will be awarded
228 based on the type of certificate or degree, with economically disadvantaged students
229 receiving a 50% increase in the point value)

230 Course enrollments, which are similar to CTE FTES, and completions, which have previously
231 been the focus of improvement efforts, will be used in the second round, to ease the transition
232 from an apportionment-based model to a student outcomes-based model.

233 Because colleges are not required to report completion data until September, the incentive
234 funding calculation will be based on data available in Chancellor's Office Management
235 Information System on October 1, 2017. The performance incentive portion of round two
236 funding will be announced in December 2017.

237 **Round Three**

238 If a four-year cycle for resetting allocations is approved by the legislature, by the third round of
239 funding, the SWP incentive funding model would be fully phased in, with points calculated on
240 progress and completion metrics in 2017-18, 2018-19, and 2019-20, and the transfer,
241 employment, and earnings metrics in 2017-18 and 2018-19 (data for the final year will not be
242 available in time for the funding recalculation). Round three funding would be announced in
243 December 2020, will go into effect July 1, 2021, and would cover the years 2021-22, 2022-23,
244 2023-24, and 2024-15.

245 **Recognition and Dissemination of Effective Practices**

246 In order to highlight colleges that are meeting California's goals for economic mobility within
247 each Strong Workforce Program funding cycle, the Chancellor's Office will recognize colleges
248 each year with the Rising Star awards. Colleges programs will be highlighted if students increase
249 earnings by 50% or more, if 60% or more of students attain a living wage, or if 90% of students
250 are in jobs that are closely related to their program of study. Recipients of the Rising Star
251 Awards will receive support from the Chancellor's Office to spread the word on how they are
252 impacting students' economic mobility for students, colleges, employers, and their
253 communities.

254 **Projected Impact of the SWP Incentive Funding**

255 Data models were created to evaluate the impact of the 17% performance incentive formula on
256 all colleges and regions in the state, using three years of data. For both the Round Two and

257 Round Three funding, there was no discernable trend in distributions based on college size,
258 location, size of CTE portfolio, or student population, compared to funding in the first, non-
259 incentive funding year, other than strong student outcomes. In all cases, colleges and regions
260 received some portion of the incentive funds, with amounts varying based on their relative
261 ability to support students in attaining the Strong Workforce Program metrics.

262 Under the Round Two model, which based only half of the funding on student outcomes, there
263 were shifts in funding distribution based on performance, but at levels that allowed for
264 reasonable funding stability. For example, the college with the lowest percentage of prior
265 funding received 84% of Round One funds (a change of \$254,710) and the college with the
266 greatest funding increase had 168% of Round One funds (a change of \$583,915). About half of
267 colleges had the same or greater funding compared to Round One. Regions had percentages
268 between 95-106% of Round One funds (a shift of between \$443,280 and \$395,160).

269 Round Three bases all funding on student outcomes. More colleges had positive funding
270 outcomes when transfer, employment, and earnings outcomes were included, compared to
271 Round Two, which only gave credit for earning a certificate or degree. Again, about half
272 receiving the same or more funding than in Round One, but more colleges were closer to their
273 Round One allocation. The college with the smallest amount of funding received 85% of Round
274 One funds (a change of \$239,322) and the college with the greatest funding increase had 376%
275 of Round One funds (a change of \$359,775). Regions had 96-104% of Round One funds (a
276 change of \$278,300 to \$270,845).

277 **Evolution of the Strong Workforce Program Incentive Funding Model**

278 To ensure that there are no unintended consequences of the funding model over time,
279 particularly given shifts in employment markets, the incentive funding model will be examined
280 periodically. The Chancellor's Office will remain in dialog with practitioners and experts to
281 ensure that the funding formula continues to support the goals of the Strong Workforce
282 Program.