

**California Community Colleges
Advisory Workgroup on Fiscal Affairs
June 2, 2016 Meeting Notes**

❖ **Actions Taken**

The workgroup voted to approve the May 5, 2016 meeting notes. The notes will be updated accordingly and posted to the Chancellor's Office website under the "Advisory Workgroup on Fiscal Affairs" section of the Finance and Facilities Division homepage.

Members of the workgroup added Proposition 39 as a discussion item to today's agenda.

❖ **Chancellor's Office Update- Mario Rodriguez**

Mario informed the group that both the Senate and the Assembly closed out their budgets last week. Both rejected some of the governor's proposals and used the funding for their own priorities. The Senate package consists mainly of categorical program restoration. The Assembly budget includes funding for veterans resource centers, promise programs, and full-time faculty. The main priority of the Chancellor's Office at this point is to protect the funding proposed for general operating expenses, the Strong Workforce Program, and the Basic Skills Program. Funding for full-time faculty hiring is also a system wide priority. Members stated that it would be best if funding for full-time faculty was not tied to prescriptive budget language, as this could interfere with collective bargaining since each district operates differently.

Members asked for some clarification on the \$200 million proposed for the Strong Workforce Program, specifically whether faculty hired with this funding could be counted as instructional for purposes of the 50 percent law. It was stated they cannot be counted as instructional when reporting for the 50 percent law because this is restricted funding. Members asked whether these faculty would be included in districts Faculty obligation number (FON) calculation. They would be included in the FON since the FON looks at all faculty as district employees. Members also asked whether the FTES generated in new CTE courses funded by the Strong Workforce Program could be used to claim apportionment. A few scenarios were discussed which would allow or disallow a district from claiming apportionment for these FTES. Mario stated that the Chancellor's Office will put out some guidance to provide further clarity on this funding so direction to districts is clear. The intent is that colleges will have more FTES due to this funding; the intent is not to prevent colleges from claiming the FTES.

Members inquired about the funding formula for the Strong Workforce Program. The formula being proposed includes three factors: Job openings, CTE FTES and unemployed adults. There was some pushback from members about using these factors, some stated that they may not have a lot of unemployment or job openings because unemployment does not identify people that are underemployed, and may be working at jobs that are not livable wages (minimum wage) and still need CTE to get them into a higher skilled job. It

was also stated that rural areas may have fewer job openings because there are less industries in the area. Members voiced that there are areas that have a high number of job openings but that the people who would fill these openings cannot afford to live there, so the unemployment rate is not as high. If the intent of this funding is to make an impact on the workforce, the funding allocation model should look at factors outside of the community's current workforce.

Members asked about proposition 30 and how it will impact the colleges if it is not extended. Mario stated that it will not be a dollar for dollar impact to the colleges. State estimates assume that proposition 30 will not be extended, therefore if it is extended, the system will be even better off than expected in the current estimates. Mario reminded the workgroup that the change that will really impact the system is the next recession, likely to occur within the next few years based on historical economic trends.

❖ **Deferred Maintenance and Instructional Equipment spend down options**

The Chancellor's Office has been hearing from districts that they are having trouble spending the deferred maintenance funding within two years. The state has provided a lot of funding for this purpose in the last few years; maintenance projects usually take time to get through the bid process and should be done thoughtfully, not just to spend the available funding quickly to avoid losing the funding. The language allows two additional years after the year the funding is received to spend it; we have only been using one additional year (two years total). Mario is open to allowing two additional years (three years total) to ensure this funding is used wisely. Members agreed that having an additional year to spend these funds would benefit the colleges. There is a great need in the system with regard to deferred maintenance projects; we want to make sure colleges are able to get the most benefit out of these funds. The Chancellor's Office will do some research and update the field when the funding goes out and if the time to spend the funds is extended by one year.

❖ **Full-time Faculty funding**

The Chancellor's Office worked with the Department of Finance (DOF) regarding the \$62.3 million provided in the 2015-16 budget and whether this funding should be allocated to the community supported districts. There were a few discussions on this topic and it was ultimately decided that this funding should be allocated to all districts in order to increase the number of full-time faculty at all districts. Staff at the Chancellor's Office will have to track this funding separately for community supported and non-community supported districts.

In 2016-17, this funding will be folded into the base and will show in the general apportionment line on the Exhibit C. For non-community supported districts, this line will show their total general fund dollars (including the full-time faculty funding); for community supported districts, this line item will show only the full-time faculty funding since they do not receive any general fund dollars.

❖ **Proposition 39**

When proposition 39 was approved, districts did a lot of lighting projects since these are fast and achieve the greatest savings, now they are moving into projects that take more time to complete. Districts have expressed some difficulty getting projects approved that meet the savings to investment ratio and getting funding out the door. The savings to investment ratio is now 1.05, reduced from 1.1. There is a lead time in getting the projects through the approval process, the projects are becoming more complicated, and therefore they take longer to be approved. As a result, colleges miss their window of opportunity (summer, when there are fewer students around) to get work done on the campus. Facilities task force will be working on this issue. The Chancellor's Office will be communicating to districts that if they have complex projects, they should work on getting these approved first, rather than leaving these for the end of the year. Funding must be spent by June 18th; we don't want colleges to miss out on funding because they are unable to get their projects approved in time. Members asked what will happen if they already have a project in place but have not spent the funds yet. The Chancellor's Office is working through these types of scenarios and will be providing guidance to the field soon.

❖ **Growth Formula- Timing issues in the methodology**

The group continued the discussion from the last meeting regarding the data used for the growth formula calculations, and whether the allocations should be based on P1 and P2 data or recal data from the previous year. Some stated that they prefer that the formula be based on actual data rather than estimates, even if it is a year old. Mario mentioned that the current formula (based on P2 data) includes a calculation that looks at whether districts have restoration available to them and adjusts districts growth allocation down if they have a significant amount of restoration available. This adjustment frees up funding for other districts. In order to include this as part of the model, we need to use the recent data (P2 rather than recal from the previous year). This is a tradeoff; the group needs to decide whether this adjustment is more important or whether using actual data (rather than estimates) is more important.

In addition to the growth model, the group discussed whether it is time to start thinking about how community colleges are funded in general. The growth model is a small piece of the puzzle when it comes to funding the colleges. Some stated that rather than tinkering with the growth formula, it may be more beneficial to look at the entire community college funding model.

❖ **Next Steps**

The workgroup's top priority during the next meeting will be to make a decision on the data to be used for the growth allocation model going forward. In 2016-17, growth allocations will be based on 2015-16 P2 data. The group will decide whether the model should continue to use P2 data going forward or whether it should be based on prior year recal data. If it is

decided that the model should be based on prior year recal data, this change will be made beginning with districts 2017-18 growth allocations.

❖ **Upcoming Meetings**

- Monday, August 8, 2016 *Shared meeting with ACBO* The Workgroup on Fiscal affairs will meet from 9 am to 12 pm; the groups will have lunch together, and ACBO will meet from 1 pm to 4 pm in the same room. Lunch to be provided by ACBO
- Friday, September 16, 2016 10 am to 2 pm, Lunch to be provided by CCLC
- Friday, October 7, 2016 10 am to 2 pm, Lunch to be provided by the Chancellor's Office
- Friday, November 4, 2016 10 am to 2 pm, Lunch to be provided by CCLC
- Friday, December 9, 2016 10 am to 2 pm, Lunch to be provided by ACBO

❖ **Attendees at the June 2, 2016 Meeting:**

- Bonnie Ann Dowd – San Diego CCD
- Theresa Matista – Los Rios CCD
- Doug Roberts – Sonoma County JCD
- Andy Suleski – Butte-Glenn CCD
- Teresa Scott - Yosemite CCD
- Kathy Blackwood – San Mateo County CCD
- Jeanette Gordon, Los Angeles CCD
- Mario Rodriguez– CCC Chancellor's Office
- Natalie Wagner – CCC Chancellor's Office
- Ann-Marie Gabel – Long Beach CCD (Phone)
- Sharlene Coleal – Santa Clarita CCD (Phone)
- Tom Burke – Kern CCD (Phone)
- Lizette Navarette – CCLC (Phone)