

**California Community Colleges
Advisory Workgroup on Fiscal Affairs
June 2, 2014 Meeting Notes**

❖ **Actions Taken**

- Members voted to accept the May 9th meeting notes with a few minor changes proposed by Ann-Marie. The notes will be revised and posted to the Chancellor's Office website under the "Workgroup on Fiscal Affairs" section of the Finance and Facilities Division homepage.
- Change in Membership: Yulian Ligioso from Solano CCD is no longer able to participate in the workgroup due to other commitments at his district. Solano CCD is being replaced by Sierra Joint CCD, another northern single college district. Chris Yatooma is the CBO at Sierra CCD and will be serving on the workgroup as of the June 23rd meeting. The ACBO Board has also recommended that the President of ACBO serve as a non-voting ex-officio member of the workgroup. The current president of ACBO is Fred Williams of North Orange County CCD. Bonnie will make changes to the workgroup's "Ground Rules" to reflect these changes.

❖ **State Budget Update**

Dan Troy, Chancellor's Office

Governors May Revision- Governor Brown released the May revision on May 13th and indicates there is some additional money in the current year but does not believe this will continue through the budget year. The administration used some of the increased revenue in 2013-14 to pay down deferrals, freeing up some money in the budget year for other priorities. The May Revision provides \$50m for EWD, and \$6m for technology infrastructure. It also reduces the total amount for deferred maintenance and instructional equipment, and shifts all of the funds to deferred maintenance. Members expressed concern around the increased rate costs for STRS and matching requirements for SSSP and deferred maintenance and emphasized that they will be difficult to cover given the low COLA in the proposed budget year and loss of purchasing power due to no COLA in recent years, which has resulted in limited unrestricted funds in district budgets.

Student Equity Funds- The expectation from the capitol is that all funding provided for student equity must be spent in 2014-15. Colleges are looking to the Chancellor's Office for guidance on how funds may be spent. Members also expressed concern that there is no CBO participating in the discussions around the funding formula for student equity dollars. It was suggested that the workgroup invite Linda Michalowski and Debra Sheldon to attend the June 23rd workgroup meeting to ensure that the growth formula does not conflict with requirements in the use of student equity funds.

Budget Subcommittees- The Assembly and Senate budget subcommittees are proposing to increase the Governor's revenue projections (approximately \$250M for community colleges), using the

higher LAO revenue projections. The subcommittees also added flexibility to the deferred maintenance and instructional equipment dollars, giving districts discretion in how to use them. The budget subcommittees call for additional spending on EOPS, DSPS, CalWORKS, deferred maintenance and instructional equipment, full time faculty hiring, increased COLA, and other categorical increases. They also provide funding for prior year mandate claims, the hope is that this funding would help districts in covering the STRS proposed rate increase for 2014-15. The legislature is also proposing a revised multi-year STRS proposal that involves a slightly smaller increase in the employer's contribution rate in year one so districts have time to plan for this increased cost.

Next Steps- The assembly and senate budget committees will form a conference committee in early June which will work to hash out the differences between both houses, and come up with a budget to be submitted to the governor by the June 15 deadline. Overall this is a good budget compared to recent years; however, difficult because so much of it is restricted funds. Major concern expressed by workgroup members is the fact that COLA is so low and doesn't cover the lost purchasing power of the last five years.

Chancellor's Office Budget Workshops- We will have information about the budget workshops soon, the dates will likely be July 28th for the northern workshop and July 30th for the southern workshop. The locations are still being finalized. The plan is to present the proposed growth formula language developed by the workgroup during the budget workshops, prior to that it will need to be approved by Chancellor Harris and also scheduled for discussion at an upcoming Consultation Council meeting.

❖ **Reviewing Sample Data on the Factors**

Using a laptop and projector, the workgroup reviewed data and calculations discussed for the different elements in the growth formula. After reviewing each of the factors, the workgroup reviewed simulations of different weighting options for the 5 factors proposed for the formula to see overall growth factor results for each district.

Unemployment Rate

Calculation: $\frac{1}{4}$ (District Unemployment Rate-State Unemployment Rate) + .25

Data Source: ESRI

The statewide unemployment rate according to ESRI is 9.3%, 8.5% was used in the formula originally by mistake. This calculation was revised in excel to correct the error.

Unfunded FTES

Calculation: 1/3 of the districts three year average unfunded FTES, min 1% unfunded per year, max 10% unfunded in any year

The workgroup reviewed this data and discussed whether to use a minimum of 1% unfunded per year or 2% per year or 2% minimum average over the three years. Ultimately they decided to use the calculation as originally proposed.

Participation Rate

Calculation: State Rate/district rate -1

This calculation is the same as the one that was used to calculate participation rate in the old growth formula prior to SB361.

The workgroup reviewed two measures of participation rate; the first looked at the percentage of individuals living in the district attending a community college. The second measure captured all students (both those that live in district boundaries and those that do not) as a percentage of the total adult population living in district boundaries.

The workgroup discussed the tradeoffs between these two measures. If the in-district participation rate is used it was decided that students who attend a college outside of the district where they reside would not be counted in the data. However, some stated that we want the growth formula to identify local need so that colleges are able to serve the students in their area, and do not want to encourage bringing in students from other districts. Some stated that students may attend a college outside their district because a certain program is not available at their local campus. Ultimately members agreed that the in-district measure of participation rate is probably the most appropriate. There was agreement that the purpose of the growth formula is to identify need and to steer growth dollars to areas with the most unmet need so that growth in those areas are stimulated. It was reiterated that none of these factors are going to be perfect; this should be considered as we are discussing the calculations and the weighting. The group must keep in mind the importance of being able to defend the calculation and using data that is accessible and constantly updated.

The participation rate calculation resulted in a negative number for districts that have a participation rate that is higher than the statewide participation rate; for these districts, the workgroup discussed implementing a minimum of zero so that districts don't lose growth funding for having a high participation rate compared to the statewide rate.

Adult population

During the May 9th meeting, the workgroup came up with three options for weighting the age groups in the adult population factor. The group reviewed data on the three options which are summarized below:

Age Group	Option 1	Option 2	Option3
15-19	20%	25%	20%
20-29	50%	50%	50%
30-49	20%	20%	25%
50+	10%	5%	5%

There was discussion around the need to meet the governor's priorities, and also consider which age groups attend community colleges. It was also stated that we should think of this as a long term

formula, not just consider which age groups are growing currently. After discussing data for the three options, the workgroup voted that option 1 appears to be the best one to use in the formula; this will be revisited as the workgroup gets closer to finalizing the final growth formula language.

❖ **Options for Weighting the Five Factors in the Growth Funding Model**

The workgroup reviewed some simulations provided by the chancellor's office that showed all the factors weighted in one formula to produce a growth factor for each district. This represented the amount of growth that a district is eligible to receive, however districts have to earn growth. Any growth that is not earned is redistributed to districts that have earned it as is current practice.

There was some discussion around whether we should be weighting the three broad categories (1. Need for educational attainment, 2. Need for workforce development, and 3. Need for access) or the five sub-factors: 1. Adults without a HS diploma, 2. Adult population change, 3. Unemployment rate, 4. Unfunded FTES, and 5. Participation rate. After some discussion, the group decided that all five should be separately weighted and represent the factors to be used in the growth formula since they are all intertwined while measuring different things.

The workgroup discussed how to address the fact that some groups of students, or sources of need, may not be captured in this formula, for instance, a college that serves a lot of returning veterans or a lot of CTE students may not be identified by the formula as having unmet need but could earn growth dollars if given the opportunity. To mitigate this, the group suggested having a minimum of 1% or 100 FTES to ensure that all districts have an opportunity to grow from year to year. This minimum would be an opportunity for districts to address local demand not captured under any of the five factors.

The workgroup reviewed the calculations for each of the factors before looking at possibilities for weighting the factors.

1. HS diploma: $(\text{District minus state w/o HS diploma})/3$; min .10, max 2
2. Adult pop: Change from year to year 0 minimum, age groups weighted using option 1
3. Unemployment: $(\text{District Unemployment} - \text{State Unemployment}) * .60$, min.25, max 2
4. Unfunded FTES: 1/3 of districts 3 year average, min 1%, max 10%
5. Participation rate: $(\text{State Rate}/\text{district rate}) - 1$

Members noticed that number 1, 3, and 5 all compare the district rate to the state rate, for consistency it was suggested that we use the same minimum and maximum for these three factors. To further simplify the formula, it was suggested that the same calculation be used for number 1 and number 3. The group reviewed some simulations using the factor calculations previously stated that weighted each of the factors differently and summed the weighted factors. After reviewing the outcome from the different weighting options, the group discussed ways to simplify the calculation.

Members suggested just summing the values from each of the five factor calculations and found that this produced a more representative growth factor.

First calculate each of the five factors:

1. HS diploma: $(\text{District minus state w/o HS diploma})/2$; min .5, max 2
2. Adult pop: Change from year to year, minimum 0, (weights: 15-19: 20%; 20-29: 50%; 30-49: 20%, 50+: 10%)
3. Unemployment: $(\text{Dist Unemployment} - \text{State Unemployment})/2$; min .5, max 2
4. Unfunded FTES: 1/3 of districts 3 year average, min 1%, max 10%
5. Participation rate: $\text{state participation rate}/\text{district participation rate}$; min .5, max 2

Then sum 1+2+3+4+5 to get each district's growth factor.

This factor represents the amount of growth a district is eligible to receive. Districts are eligible for a minimum of 1% or 100 FTES in growth funding. All growth funding must be earned due to an increase in FTES. Any growth that is not earned is redistributed to districts that earn it.

❖ **Upcoming Meetings**

Monday, June 23, 2014 9:30 a.m. – 4:00 p.m.

During the June 23rd meeting, the workgroup must finalize the growth formula so it may be submitted to Chancellor Harris and will schedule upcoming meetings for the 2014-15 fiscal year

❖ **Topics to be discussed at June 23 Meeting and Future Meetings**

- New Centers and Colleges- funded first out of growth dollars? This language is specified in the budget, Chancellor's Office does not have the authority to modify.
- How to handle years when little growth dollars are received. If the formula shows a need of 4% but there is only 2% in the budget, how is it distributed?
- Need to review language currently in legislation vs. language in regulation. Where the changes should be made?
- How should stabilization and restoration be handled? (this is more likely to be discussed during the July or August meetings)

❖ **Attendees at the June 2nd Meeting:**

- Bonnie Ann Dowd – San Diego CCD
- Ann-Marie Gabel – Long Beach CCD
- Sharlene Coleal – Santa Clarita CCD
- Jon Sharpe – Los Rios CCD
- Kathy Blackwood – San Mateo CCD

- Jeff DeFranco – Lake Tahoe
- Teresa Scott - Yosemite CCD
- Peter Hardash – Rancho Santiago CCD
- Sue Rearic – Grossmont/Cuyamaca CCD
- Tom Burke – Kern CCD
- Vinh Nguyen – Los Angeles CCD
- Fred Willams - ACBO President
- Theresa Tena - CCLC
- Dan Troy - CCCCCO
- Diane Brady - CCCCCO
- Natalie Wagner - CCCCCO
- Alice VanOmmeren - CCC Chancellor's Office, TRIS Division
- Ryan Fuller - CCC Chancellor's Office, TRIS Division

Participating by teleconference: Doug Roberts - Sonoma County CCD