California Community Colleges
Advisory Workgroup on Fiscal Affairs
March 18, 2016 Meeting Notes

❖ Actions Taken

The workgroup voted to approve the November 6, 2016 meeting notes with one minor change. 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.

❖ State Budget Update- Dan Troy

Dan provided an overview of what is happening in the budget process. The major budget hearings which will cover community college issues will take place on April 5th in the Assembly and April 7th in the Senate. Dan stated that we have had some overview budget hearings on higher education and Proposition 98, as well as a few issue specific legislative hearings covering topics such as the "promise" programs. Discussions around the free college "promise" programs have gained some traction in the legislature. Members like the idea, but there is not agreement on how to pay the $400 million cost of eliminating resident student fees. Effectively, California already has a promise program with its low-fee structure and BOG Fee Waiver program. The CCCCO and the CCLC are sponsoring legislation that would seek modifications to the Cal Grant programs, as matters related to students' costs of living, rather than fees, represent the greater obstacle for most of our students. Currently, only 6% of Cal Grant funding goes to Community College students.

The Assembly hearing covering the proposed $200 million for the Strong Workforce Program is scheduled for Tuesday, March 29th. Dan stated that he is hearing requests from the field that the funding for this program go directly to colleges rather than the regional structure proposed in the Governor's budget. He reminded the group that the Workforce Task Force recommendations backed a regional approach and that the Department of Finance (DOF) is set on this structure. Dan said that the DOF is likely willing to allow at least a portion of the funds to be distributed to the districts based on FTES in year one and the remaining funds would go out to the regions based on other criteria. The discussion will be on the dollar split, how much should go to the regions and how much to go to the districts based on FTES. Members of the group stated that it would be beneficial to know the decision on the split made before the May Revision so that the conversations after the release of the May Revision can focus on other aspects of the program.

During the upcoming hearings, the CCCCO will stress the great need for discretionary funding for the districts. Dan said that members are already noticing the amount of work and responsibility being placed on the colleges and on the Chancellor's Office due to the number of new initiatives that have been introduced in recent years, members understand the need for discretionary funding. The DOF is trying to build a cushion in the budget in case revenues are not as good in May (or in subsequent years) as they looked in January. This is part of the logic behind the $289 million proposed for deferred maintenance. We will look to the May revenues to determine whether there is enough room in the budget to add some discretionary funding for the colleges or whether we will need to reduce funding in another area, such as deferred maintenance in order to fund this priority. More funding for full-time faculty hiring is another priority the CCCCO is advocating for in the final budget.

The Workgroup also discussed the proposed funding for prior year mandate reimbursement. The Governor's budget includes $76 million for unpaid mandated claims, which would be allocated based on FTES as it has been in the past few years. The LAO has put forth a proposal which seeks to pay down the outstanding mandate claims more quickly, rather than providing mandate funding to all districts regardless of outstanding claims. For community colleges the LAO proposes to provide no mandate funding until there are a greater number of districts with unpaid claims. Currently, there are only 11 CCC districts with outstanding mandate claims. Some workgroup members stated that the data from the Controller's Office on the amount outstanding is incorrect and seems to have about a year lag.

Bonnie urged the group to think about budget priorities in advance of our next meeting for discussion in case there turns out to be more funding available at May Revision.

- **Growth Formula, Part 2- Mario Rodriguez**

Mario reviewed the growth formula spreadsheet for 2016-17 with the group, which includes estimated growth allocations for each district. The numbers still need to be revised to include the updated P1 and Recal data. The formula is slightly different than 2015-16 as it now includes a year 2 calculation which is intended to adjust districts up or down from the previous year's growth allocation based on a college's "effectiveness in serving residents of neighborhoods, within or outside of the community college district's boundaries that exhibit the highest levels of need in the state." The factor used to make this adjustment is the percent of total Pell Grant students that a district serves compared to the percent of total students (headcount) the district serves. If a district has a greater percentage of Pell Grant students than their percentage of total students, then they are serving more needy students and will be eligible for a greater allocation of growth funding. The formula still includes a check-in to adjust each district's growth allocation up or down depending on whether or not they actually grew in the previous year. The purpose of this is to ensure that the growth funding is allocated based on need but also considers measurable evidence of a district's ability to grow.

Minimum: In year one, there was a minimum of 1% for all districts, but in keeping with statute (Ed Code 84750.5), going forward, the minimum calculation will be modified, as follows:

1. If a district has been fully restored to its highest level of general purpose funding previously earned, it will have a minimum growth allocation of ½ a percent or ¼ of the statewide growth allocation.
2. If a district has not yet been fully restored, it is eligible for a minimum of 1 percent or ½ percent of the statewide growth allocation.

The Chancellor's Office still needs to update these projections to reflect P1 and Recal data and review this formula (including the adjustment up or down for year 2) with the Department of Finance and the Legislature before releasing the projections to the field.

- **Institutional Effectiveness Fiscal Indicators- Theresa Tena**

The Institutional Effectiveness Program Initiative (IEPI) is about one year in; it is working on a much accelerated timeline to have an accountability framework in place quickly. Formulas have been developed recently for other initiatives such as the student equity program, adult education, and the growth formula. The IEPI was able to look at the data included in these formulas and use some of the same data points in the accountability framework.

The only goal required in statute is a district goal for fund balance; the others are recommended but not required. There was some discussion around the appropriate number of goals that districts should be required to identify. Members stated that the chief benefit of having required goals or indicators is the discussion that happens at the district level during the goal setting. For example, if an OPEB liability indicator were required, districts are more likely to have thoughtful discussions about their OPEB liabilities and options for addressing them then if there was no indicator or goal in place.

Some stated that we are putting a burden on colleges by requiring them to meet aspirational goals in addition to all the other requirements (e.g. reporting requirements, matching requirements) and constraints (e.g. 50% law, FON, bargaining) on them already. Others stated that from a state perspective, we are looking for things that could cause a college to fail.

The group discussed some possibilities for an OPEB indicator. Options discussed included documenting the amount of the OPEB liability, the percent funded or unfunded, or plans to address the liability. Mario reminded the group that as we decide on an indicator we should ask, "If we look at the data over a 5 year period, would it tell us a story about how the district is doing?" Some members proposed that districts report (1) their total OPEB liability and (2) the amount cash set aside for this purpose. The group settled on turning these two data points into a percentage and proposed the following language:

> Our proposal is to use the percentage of the OPEB liability that the district's set aside funds represents, which includes both funds in a trust and outside of a trust and designated for this liability. This is a good indicator because it accounts for funds in both an irrevocable trust and in a designated reserve. Over time, this indicator will show

each district's progress in funding their liabilities. Discussion of this indicator at the colleges will assist colleges in developing and adhering to their funding plans.

❖ **Regulation Workgroup Proposal- Bonnie Ann Dowd**

The group reviewed the proposal put forth by the Workgroup on CCC Regulations titled: *The 50% Law and The Faculty Obligation Number: A Proposal*. The Workgroup was convened at the request of Chancellor Harris who identified the nine members and asked each of them to participate. Bonnie and David Morse, State Academic Senate President, were asked by Chancellor Harris to co-chair the group. The workgroup includes representatives from key faculty groups as well as administrators. VC Troy participated as a resource on behalf of Chancellor Harris. The group met regularly over fall and winter and proposal includes recommended changes to the 50% Law and the FON. The proposal was presented to Consultation Council on March 17th and is being shared with other groups as they gather for statewide meetings.

Some members identified concerns with the proposal. Bonnie stated that literally everything has been discussed during the meetings of the workgroup with a lot of give and take to arrive at a final proposal that the entire workgroup could agree to. The proposal links together changes to the 50% Law and the FON, with agreement by the entire workgroup being that they must be addressed in conjunction with each other. Bonnie also stated that one of the most significant aspects of this workgroup is that a level of trust has been established to arrive at this proposal. The proposal is likely to provide more flexibility for districts with regard to the 50% Law and emphasizes the intent of AB 1725, which was to increase the number of full-time faculty at each district. The regulations workgroup will continue to meet in order to redefine the percentage to be used going forward as compared to 50% and also in order to develop the sliding scale formula to be used to address the full-time faculty goal. Bonnie anticipates meetings will be held through the summer and will likely return to Consultation Council in the fall.

❖ **Next Steps**

The Chancellor's Office will present the growth simulations to the Department of Finance and the legislature. Once they are ok with the methodology, the spreadsheet will go out to the field. The field receives the growth simulations at two points in the fiscal year: first at P1 and then again at P2 when the data is more accurate.

❖ **Upcoming Meetings**

- Friday, April 8, 2016 Lunch to be provided by the CCLC
- Thursday, May 5, 2016 Lunch to be provided by ACBO
- Thursday, June 2, 2016 Lunch to be provided by the Chancellor's Office
- July (No Meeting)

❖ **Attendees at the March 18, 2016 Meeting:**

- Bonnie Ann Dowd – San Diego CCD
- Ann-Marie Gabel – Long Beach CCD
- Theresa Matista – Los Rios CCD
- Doug Roberts – Sonoma CCD
- Jeanette Gordon – Los Angeles CCD
- Teresa Scott - Yosemite CCD
- Sue Rearic – Grossmont-Cuyamaca CCD
- Kathy Blackwood – San Mateo CCD
- Andy Suleski – Butte-Glenn CCD
- Jeff DeFranco – Lake Tahoe CCD
- Sharlene Coleal – Santa Clarita CCD
- Lizette Navarrete – CCLC
- Dan Troy – CCC Chancellor’s Office
- Diane Brady – CCC Chancellor’s Office
- Mario Rodriguez– CCC Chancellor’s Office
- Natalie Wagner – CCC Chancellor’s Office