

**California Community Colleges
Advisory Workgroup on Fiscal Affairs
March 6, 2014 Meeting Notes**

❖ **Actions Taken**

- February 6, 2014 meeting notes discussed, changes were suggested. The notes will be updated accordingly.
- Additional Meeting scheduled to take place April 16, 2014 at the Chancellor's Office Room 4000-01 from 9:30 am -5:00 pm

❖ **Meeting Notes**

February 6th Meeting Notes- The workgroup discussed the February 6th meeting notes draft and accepted some changes made to the document. The notes will be revised as suggested before being reviewed again and then posted to the website.

Purpose of Meeting Notes- There was some discussion around the workgroup meeting notes and the purpose of the notes. It was stated that the purpose of the notes is to keep the field informed of topics being discussed by the workgroup, however, the notes should not contain details or recommendations that have not been reported to Chancellor Harris, since the workgroup is advisory to him. Therefore, discussions are confidential until such time as minutes are approved and posted to the System website.

❖ **State Budget Update-- Dan Troy, Chancellor's Office**

- The Budget subcommittee hearings for California Community Colleges will take place on April 2nd in the Assembly and April 24th in the Senate.
- There is likely to be additional one-time funding available at May revision, if some of this one-time funding were to be allocated to deferred maintenance, it would free up some ongoing funding that could be used for other district/college needs.
- Matching Requirements- The Chancellor's Office is looking at revising the match requirements contained in title 5 regulations for the Student Success and Support Program as well as Scheduled Maintenance and Instructional Equipment. Districts have voiced concerns regarding their ability to meet current match requirements, given the small amount of COLA being proposed for 2014-15, lack of lost purchasing power due to limited or no COLA over the last five years, and the limited ability of some districts to grow quickly given the major workload reductions of the last five years. As proposed, the funding for student equity plans will have no match requirements.

- Participants mentioned that having flexibility and/or the ability to carryover some funding during the initial SSSP year into the next fiscal year would allow districts much needed time to plan and begin to grow back. It was mentioned that districts all have different needs and it is important to ensure that funding received from the state is used effectively to achieve the maximum benefit for the students and colleges.
- During discussions with the Department of Finance, they have indicated that they are open to allowing the Chancellor's Office to define the specific factors that make up the growth formula. The DOF's primary concern is the resizing of districts to address "unmet needs" in the state. They are concerned that now that there are growth funds available and districts have the opportunity to grow back to the level they were at 5-6 years ago, that there may be a tendency to add access without addressing unmet needs. The DOF wants to find a way to measure where districts should be (unmet need), based on the current district demographics, since the state has changed over the 5-6 years that district/college budgets had been reduced.

❖ **New Access/Growth Formula**

The bulk of the March 6th meeting was spent continuing the discussion of the revised growth formula proposed in the Governor's Trailer Bill.

Discussion Led by Chancellor's Office TRIS Division

Alice VanOmmeren and Ryan Fuller, from the Chancellor's Office Technology, Research and Information Systems (TRIS) division provided two samples of data that was obtained from sources outside the Chancellor's Office and then aggregated to the district level. Alice and Ryan obtained the data from the US census (through ESRI) and the EDD Labor Market Information Systems Division.

US census data is collected and displayed by census tracts; so, data from all census tracts located in a district is summed to get the district value. The LMID collects and reports data by county; so, for the districts that span more than one county, the data is aggregated to the district level based on square mile percentage overlap of counties located within a district.

There were some comments from workgroup members that aggregating census tract or county data to the district level is not a perfect description of what is actually occurring in the district. Additionally, members highlighted that when multiple districts are located within a single county (as is the case with LA County); each of the districts will have the same data outcomes, despite the fact that the population in their district boundaries may differ greatly. Members discussed the importance of accurate data, but also pointed out that both the data and the formula should be as simple as possible as they must be defensible to the legislature, Department of Finance, and other stakeholders or decision makers. It was also pointed out by workgroup members that the actual number (e.g. unemployment rate or adult population) is not as important as the change in that number from year to year, since the formula will be looking specifically at the change in the

unemployment rate or the change in adult population in a district. After discussing other possible data sources, and options for gathering data, there was some consensus among the workgroup that aggregating census tract and county data to the district level is likely the best option to pursue. The TRIS division will continue to work with available data and provide samples for review and input from the workgroup.

Workgroup's Discussion of the Factors, Growth Formula

- How to measure educational attainment? The workgroup discussed the appropriate measure to consider with regard to educational attainment within a district. Some suggested using the percentage of individuals in a district without a high school diploma, while others suggested using the percentage of individuals without an AA degree or higher.
- Data on adult population- How should adult population age groups be weighted? Who should the colleges be serving? It is important to be realistic about who the target audience is. While it is important for colleges to serve community needs, there is still a shortage of resources as the colleges try to rebuild from the cuts of the past several years, it is important to prioritize needs and focus resources on the community colleges missions of transfer, CTE, and basic skills.
- Basic Skills Need- How to identify/measure underserved populations? There was discussion around the most effective way to identify underserved populations or unmet need in the state. Some participants recommended the use of high school graduation rates; others proposed looking at the number or percentage of adults without a high school diploma, or AA/AS degree. Looking at the year over year change in these values could also be a method of identifying underserved populations. It was also suggested that low participation rates could be used to identify underserved populations.
- Best Measure of Unemployment- The workgroup reviewed the unemployment factor in the growth formula recommendation put forth by the workgroup in 2004. This factor was calculated as one-fourth of the district's primary county's unemployment rate over full employment (5%), not to exceed 2%. There was general consensus among workgroup members that using the district's weighted county unemployment rate would be more accurate than just the primary county unemployment rate. Additionally, the workgroup discussed using the state unemployment rate as the base instead of "full employment". There was also discussion around including a floor of .25% so that all districts would get something for this factor. To keep the outcomes produced by this factor within a reasonable range, the workgroup agreed that a cap of 2% may be the best option.

A conundrum concerning unemployment is that it is inverse to state funding availability; meaning, when the unemployment rate is high (more need for education/training) there is less state funding available resulting in budget cuts to education.

- Over-cap/Unfunded FTES- The 2004 workgroup's growth formula recommendation included a factor that considered districts' over-cap FTES. It was calculated as one-third of a district's three year over-cap between 102% and 110%. The workgroup discussed this factor and whether or not it is a good indicator of districts' unmet need. There was general consensus that districts that are consistently serving students that they are not funded for (up to a certain point) should receive additional growth funding for doing so. The workgroup decided, however, that this factor should look at three-year unfunded (not over-cap) FTES. The reason for using unfunded FTES rather than over-cap FTES is that districts that are able to grow may have the opportunity to earn funding for over-cap FTES if other districts are not able to grow enough, leaving growth dollars on the table for other districts. Unfunded FTES is a more accurate measure of the number of FTES that districts served above what they were funded for. The workgroup recommended this factor be calculated as one-third of a district's three-year average unfunded FTES, with a ceiling of 110% and a floor of either 101% or 102% (actual percentage to be determined).
- Facility Factor- The prior growth formula included a facility factor, so that districts received additional funding for a new building. Workgroup members discussed the reasons for and against including a facility factor in the growth formula. It was stated that we do not want districts to receive additional funding for buildings if there is not an actual need for the building. Another concern was that new centers and colleges are considered in the base allocation, and if they are also calculated in the growth formula it could result in additional funding in the base, as well as additional growth funding, which could be an inequitable distribution of funds. However, the workgroup determined that there would be further discussion regarding how to address the facility issue at the next meeting.

General Concepts to Keep in Mind as we Move Forward

- The growth formula should focus on the three broad areas of transfer, Career Technical Education, and basic skills. The proposal put forth by the Department of Finance is very detailed, but generally, the proposal looks to assess the need for access in each of these areas.
- It is important that we also link the growth formula back to the Department of Finance's goal of providing access for underserved communities.
- There is a time constraint on creating a new growth formula now that the Governor has proposed a growth formula in the budget trailer bill; however, it is important to not let this pressure reduce the thoughtfulness of the formula. The Chancellor's Office, as well as the Legislative Analyst's office, has communicated concerns to the Governor and the Department of Finance regarding the short time frame of this proposal, if it is to be implemented in 2014-15, as the current language states.

- It is important to consider redundancy of variables (e.g. English learners, adults without a high school diploma) to ensure that there is no overlap in the data and certain populations or characteristics are not double counted.
- Data for all districts needs to be from one source and be verifiable; the growth formula should not rely on district data. As the formula comes together, it is important to be careful with the way the factors are quantified and the rates that are produced as an outcome of the formula. The formula should work in a way so that the outcomes produced are realistic.

❖ **Topics for Discussion on April 16, 2014**

- Facilities Factor-Should it be included in the growth formula? If so, how to calculate?
- Appropriate weighting of the factors in the growth formula

❖ **Upcoming Meetings**

- Wednesday April 16, 2014 9:30-5
- Friday, May 9, 2014 9:30-5

❖ **Attendees at the March 6th Meeting:**

- Dr. Bonnie Ann Dowd, ACBO Board President and Fiscal Workgroup Chair, San Diego CCD
- Ann-Marie Gabel, Fiscal Workgroup Vice Chair, Long Beach CCD
- Kathy Blackwood, San Mateo County CCD
- Sharlene Coleal, Santa Clarita CCD
- Yulian Ligioso, Solano CCD
- Vinh Nguyen, Los Angeles CCD
- Sue Rearic, Grossmont-Cuyamaca CCD
- Doug Roberts, Sonoma CCD
- Teresa Scott, Yosemite CCD
- Peter Hardash, Rancho Santiago CCD
- Jon Sharpe, Los Rios CCD
- Tom Burke, Kern CCD
- Theresa Tena, CCLC
- Dan Troy, CCC Chancellor's Office
- Diane Brady, CCC Chancellor's Office
- Natalie Wagner, CCC Chancellor's Office
- Alice VanOmmeren, CCC Chancellor's Office, TRIS Division
- Ryan Fuller, CCC Chancellor's Office, TRIS Division