

**California Community Colleges
Advisory Workgroup on Fiscal Affairs
April 10, 2015 Meeting Notes**

❖ **Actions Taken**

The workgroup voted to approve the March 27, 2015 conference call notes with one change. The notes will be updated accordingly and posted to the Chancellor's Office website under the "Workgroup on Fiscal Affairs" section of the Finance and Facilities Division homepage.

❖ **Intro Discussion**

Prior to the June 4th meeting, Bonnie will work with Dan and Ann-Marie to schedule monthly meetings for the rest of the year. The intent is to schedule a monthly meeting with the expectation that the Workgroup will actually only need to meet every other month except during budget development months when monthly meetings might be necessary. However, it is easier to cancel a meeting rather than add a meeting.

Members asked whether there was any more work to be done on the Institutional Effectiveness initiative. Mario and Bonnie stated that the group has finished their work for now which was to make a recommendation to Chancellor Harris on what the fiscal indicators should be; however, more work will be necessary going forward as previously discussed. Members stated in regards to the minimum fund balance for each district they are recommending 5 percent, however, in reality it should be well above 5 percent at each district. The 5 percent minimum fund balance recommendation will continue to be discussed and reviewed by the Workgroup in the upcoming year.

❖ **Growth Formula**

The workgroup reviewed the growth formula simulations which included poverty and educational attainment (in addition to unemployment) in the factors used to calculate "unmet" need as defined in statute. The methodology is the same as the formula discussed during the group's March 6th meeting.

There was some discussion around whether unfunded FTES should be included in the portion of the formula that looks at whether districts grew or not in the previous fiscal years. Some stated that this is a change from the way things are done currently, and districts may have made different decisions as they were building their schedules if they knew that having unfunded FTES would help them in the growth calculation. Others stated that the entire formula is a change, and it would be difficult to justify not including unfunded FTES in the formula since it is a more true measure of a district's ability to grow and respond to need as identified by a district's community demand. Ultimately, the group decided to include funded and unfunded FTES in the counts of districts workload increase to show districts true change in FTES. Under the model, all districts will still be eligible for a minimum of 1%. Any unclaimed growth will be available for other districts that grow above their initial growth cap allocation.

The group also discussed the weighting of the three need factors. Initially the weights were as follows: educational attainment 50%, unemployment 30%, and poverty 20%. After some discussion the group decided to maintain educational attainment at 50%, and weight unemployment and poverty at 25% each. The rationale behind the weights was that half is based on education and half is based on factors that address poverty situations.

Lastly, the group discussed timing. Districts need to know their growth rate early enough to plan for the upcoming year; however, earlier data is not as accurate and could change as a result of many factors. The group asked that the Chancellors office provide an initial simulation after P1 using the "Recal" information for the prior year, which districts could then use for planning purposes. Then, at P2, a revised growth rate with updated budget numbers could be finalized and released at the summer state budget workshop. Members asked if it would be possible for the Chancellor's Office to provide the "simulated recal" report that was provided to districts annually in the past with a distribution date early enough for districts to amend their annual reports if needed. Diane will work with apportionment staff to determine whether this is possible.

❖ **Allocation Methods for the \$125M Base Allocation Funding**

During the conference call on March 27th the group requested some additional simulations on allocation methods for the \$125M base allocation funding. The group reviewed four options. Option 1 would increase basic allocations and FTES rates by the same percentage. Option 2 would double the rural add on and distribute remaining dollars by increasing basic allocations and FTES rates by the same percentage. Option 3 would increase the rural add on by 50% and allocate the remaining dollars by increasing basic allocations and FTES rates by the same percentage. Option 4 would double the rural add-on and increase centers by 25% and then allocate the remaining dollars by increasing basic allocations and FTES rates by the same percentage.

The group discussed the options and ultimately decided to go with option 2. Chancellor Harris has expressed support for an allocation model that would double the rural add on, stating that the funding levels are too low for the small/rural colleges. Since the workgroup is advisory to the Chancellor, members agreed to support this approach. Members suggested that in year two we could revisit this formula to see if we are creating other inequities in the SB 361 equalization efforts particularly with regard to centers, small, medium and large college basic allocations. The workgroup will continue to review and discuss in the year going forward.

It was noted that the simulations presented include the basic aid districts. After some discussion, the group agreed that basic aid/community supported districts should not be included in this allocation since this funding will be going out as part of the regular apportionment and they are not apportionment based funding districts. The Chancellor's Office will revise the model to exclude basic aid/community supported districts.

❖ **Next Steps**

Growth Formula: The Chancellor's Office will continue working with legislative staff, Department of Finance, and the LAO to obtain their concurrence with the recommended changes to the initial version of the growth formula. Once they are okay with the formula, 2015-16 growth simulations will

be released to the districts. The formula will be presented and discussed at the ACBO Spring 2015 Conference.

\$125M Base Allocation Funding: The Chancellor's Office is holding a special stakeholder meeting after Consultation Council on Thursday April 16th to review the proposed allocation and ensure that stakeholders have an opportunity to provide input related to the allocation method to be used for the \$125 million increase in base funding proposed in the Governor's 2015-16 budget.

❖ **Upcoming Meetings**

May 1st, **[CANCELED]** 9am-3pm

June 4th, 9am-3pm, Lunch provided by the Chancellor's Office (Thursday meeting)

❖ **Attendees at the April 10, 2015 Meeting:**

- Bonnie Ann Dowd – San Diego CCD
- Theresa Matista – Los Rios CCD
- Kathy Blackwood – San Mateo CCD
- Doug Roberts – Sonoma CCD
- Jeff DeFranco – Lake Tahoe CCD
- Chris Yatooma – Sierra Joint CCD
- Tom Burke – Kern CCD
- Vinh Nguyen – Los Angeles CCD
- Ryan McElhinney – CCLC
- Diane Brady – CCC Chancellor's Office
- Mario Rodriguez – CCC Chancellor's Office
- Natalie Wagner – CCC Chancellor's Office