

**California Community Colleges
Advisory Workgroup on Fiscal Affairs
April 16, 2014 Meeting Notes**

❖ **Actions Taken**

- The workgroup approved the revised February 6th meeting notes, minor changes were made to the March 6th meeting notes, which were approved by the workgroup as well. Both documents will be posted on the Chancellor's Office website under the "Workgroup on Fiscal Affairs" section of the Finance and Facilities Division homepage.
- An additional Meeting was scheduled to take place June 2, 2014 at the Chancellor's Office, Room 4000-01 from 9:30 am -5:00 pm

❖ **State Budget Update**

Dan Troy, Chancellor's Office

- State revenue numbers are looking good, 2% ahead of estimates for 13-14. The state will likely have an influx of one-time money, which can be used for items such as deferred maintenance, and to free up ongoing funds for other priorities.
- Legislature looking to fund something related to CTE- The system office has encouraged the legislature to not come up with new programs, but instead work within the existing programs and structure that the Chancellor's Office has established.
- Some inequities related to how Full-time Faculty Obligation numbers (FON) were first established for districts are being discussed by Consultation Council. The League is developing a proposal for council consideration, which is likely to require some additional funding.
- Enhanced COLA/ super COLA- The idea to put more funding than the proposed .86% toward a COLA is not dead, however, this does not seem to be a high priority for the Administration or the Legislature. The system office continues to remind them of the lost purchasing power and increasing fixed costs that impact the districts, especially those who are not able to access any new growth funding.
- The legislature is not likely to fund growth at 3 percent, they will probably settle around 2.0-2.5 percent.
- The Department of Finance seems less intent on requiring the new growth formula to be implemented in 14-15, appears to be more willing to push back a year to 2015-16. However, this is still a short timeline so the workgroup needs to continue to focus on completing by June 2014 so the new growth formula can be communicated to the field and districts have an opportunity to plan their enrollment management efforts to be eligible for 2015-16 growth.
- Deferred maintenance and instructional equipment- The LAO has been looking at the 50/50 split, questioning whether this is the best way to divide the funds. They released a report suggesting more spending on deferred maintenance than instructional equipment. The reason for this is likely that districts don't have the same supporting documentation for instructional

equipment needs that they do for deferred maintenance, which is tied to the 5 year capital plans. Should more go to deferred maintenance? Or vice versa? Should there be more flexibility so that districts have more discretion at the local level?

- Required Match- The match is a concern, especially for smaller districts and those that aren't growing, the system may need to consider waiving the match for 2014-15 or reduce the match for both deferred maintenance and instructional equipment.
- SSSP Match- VC Michalowski has proposed a "tier-down" of the SSSP local match. Under this proposal there would be a 3:1 match on the first \$100 million in funding for SSSP, a 2:1 match on the next \$100 million, and a 1:1 match on any funding beyond that amount. Also they are looking to expand the list of items that can be included in the types of expenses eligible for the match. Some voiced concerns that their district will still not be able to meet the match under the tiered proposal. Some also stated that it would be complicated to calculate and report. Dan said the system office would need, documentation from districts showing who really cannot meet the match, as the CCCCCO doesn't want to leave dollars on the table because of match issues.

Theresa Tena, CCLC

Theresa Tena from the Community College League of California (CCLC) distributed a handout which summarized the CCLC's position on components of the governor's budget and highlighted priorities for new funding available after the May revision. These priorities include:

- Increase the enhanced non-credit rate for CDCP classes to match the full credit rate
- Provide funding to convert 400 part-time faculty to full-time positions
- Provide funding to incentivize more experimental and innovative CTE programs
- Provide additional funding for EOPS and DSPS
- Fund an increase in the number and award level of Competitive Cal Grant B awards

❖ **New Access/Growth Formula**

Discussion Led by Alice VanOmmeren and Ryan Fuller- Chancellor's Office TRIS Division

Alice and Ryan produced handouts displaying data tables for the workgroup to review. Data sources were ESRI and the census.

Adult Population Factor

Two tables were provided on the adult population factor. One table displayed the number of adults by age group within each district; the other table showed the annual percent change in the number of adults in each age group within the district.

Regarding the adult population data, the workgroup requested that the age groups be broken out as follows: 18-29, 30-49, and 50 and over. It was also requested that each of the age groups be totaled at the bottom and that a footnote be added to the table stating the source and year of the data.

NOTE: *After the meeting Alice and Ryan reviewed the data and determined that it is not possible to use the age groups requested by the workgroup. ESRI breaks down the age groups as follows: 0-14, 15-19, 20-29, 30-49, and 50+.

Unemployment Factor

Alice and Ryan provided two unemployment rates for each district using two different data sources: Economic Social Research Institute (ESRI) and EDD LMID data. The workgroup discussed the tradeoffs of using either data source. EDD data is at the county level, therefore, when multiple districts fall into a single county (as is the case with LA County) all districts in the county have the same unemployment rate in the formula, when in reality, they may vary greatly in terms of unemployment in the district. ESRI data is broken down by census tract, and then aggregated up to the district level, making it easier to look at the unemployment in a particular district; however, the problem with ESRI data is that it is not as current as the data provided by the EDD, and is based on estimates between census years.

The workgroup needs to determine whether it would be best to go with the more granular data (ESRI) or the more current data (EDD).

Workgroup's Discussion of the Factors, Growth Formula

Unemployment Factor

Calculation: $.25 * (\text{State rate} - \text{district rate}) + .25\%$, with a maximum of 2%

Need to make a decision on whether we want to use ESRI data or EDD data. The workgroup also discussed averaging the two rates and using that figure in the calculation.

NOTE: *Diane will get the ESRI and EDD data from Ryan and Alice, and compute the blended rate, then use these rates in the calculation so that the workgroup can review all three on May 9th and compare.

Adult Population Factor

Workgroup members pointed out that the average age in the non-credit and CDCP programs is different (older) than the average age in regular credit courses. If we weight the older age groups less, are we going to cause unintended consequences for non-credit, CDCP? Adult Education is another issue, where does it fit in? Adult education has its own funding formula that was recently developed. We want to ensure that we are not double counting students in both formulas.

May 9th agenda- Want to tease out the non-credit issue; can Ryan and Alice provide data demographics on non-credit students? Also May 9th, have Debra attend the meeting to discuss adult education/funding formula.

Regarding the percentage of adults without a HS diploma compared to the statewide average (A (i) in the formula). Should it be a percentage or the number? Or the change in the number? The problem with looking at the change is that these are estimates for most years except the census years. Workgroup needs to review this with Alice and Ryan to see what would be the most accurate way to measure this?

Unfunded FTES Factor

Unfunded FTES demonstrates demand and underserved areas, which is part of what DOF is interested in being identified.

Including this as a factor creates the incentive for districts to serve these students year after year.

Calculation: One-third of a district's 3-year average unfunded FTES

Options: At least 1% min per year or 2% min 3 year average

*Diane will run 1% per year and 2% 3 year average before the May 9th meeting. Workgroup can review both and decide the most appropriate way to measure.

Facilities Factor

The workgroup spent time discussing whether or not a facilities factor should be included in the growth formula. Arguments were offered both for and against inclusion. This topic will be further discussed at the May 9th meeting.

Some of the arguments made for the inclusion of a facilities factor were that certain districts/colleges may fall on the wrong side (compared to state average) for all other factors, there should be a factor included to allow districts/colleges to access growth dollars if they have enough demand to create a need for a new center. Another example was given of a college building a facility to offer more courses for a high demand program (such as nursing). Having another facility would allow them to run multiple cohorts at the same time, to better meet the demand for these courses. The other factors in the growth formula may not identify this type of need, leaving colleges unable to expand high demand programs.

Some of the arguments made against the inclusion of a facilities factor were that districts/colleges receive funding for facilities as part of their base allocation, so if we also include it as a component of the growth formula, we could be double counting. Also, this growth formula needs to be transparent and easy to explain; including a facilities factor could complicate the formula and make it more difficult to explain. Another point made was that we want to ensure that the formula does not incentivize or reward districts for overbuilding using local funds.

❖ **Tentative Timeline for New Growth Formula**

May 9th – Workgroup to review initial simulations and finalize factors and begin discussion of appropriate weighting of each factor in the growth formula.

June 2nd – Workgroup to engage in a second review of simulations based upon May 9th discussions, finalize factors and weighting of the factors in the formula, and prepare the final Growth Formula recommendation report for Chancellor Harris.

July/August – Growth Formula to be reported at Consultation Council and begin initial information role out to the field at the State Chancellor’s Office north and south summer 2014-15 budget workshops so they can begin to think about impacts for their 2015-16 enrollment planning.

September – First Reading of the new Growth Formula by the Board of Governors

October – Roll out and dialogue with the field about the new Growth Formula during a General or Concurrent (TBD) session at the fall 2014 conference

❖ **Upcoming Meetings**

- Friday, May 9, 2014 9:30-5
- Monday, June 2, 2014 9:30-5

❖ **Attendees at the April 16th Meeting:**

- Bonnie Ann Dowd, ACBO Board President and Fiscal Workgroup Chair, San Diego CCD
- Ann-Marie Gabel, Fiscal Workgroup Vice Chair, Long Beach CCD
- Peter Hardash, Rancho Santiago CCD
- Jon Sharpe, Los Rios CCD
- Kathy Blackwood, San Mateo County CCD
- Jeff DeFranco, Lake Tahoe CCD
- Doug Roberts, Sonoma CCD
- Sue Rearic, Grossmont- Cuyamaca 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

Participating by teleconference: Sharlene Coleal, Santa Clarita CCD; Tom Burke, Kern CCD