

**California Community Colleges
Advisory Workgroup on Fiscal Affairs
March 27, 2015 Conference Call Notes**

❖ **Actions Taken**

The workgroup voted to approve the March 6, 2015 meeting notes. Jeff DeFranco, Peter Hardash, and Chris Yatooma abstained from the vote since they were not in attendance at the March 6th meeting. The notes will be posted to the Chancellor's Office website under the "Workgroup on Fiscal Affairs" section of the Finance and Facilities Division homepage.

❖ **Growth Formula**

The Chancellor's Office staff is still working on updated simulations on the growth formula requested by the group during the March 6th meeting. The group requested simulations that included poverty and educational attainment (in addition to adult population and unemployment) in the factors used to calculate need. It was requested that the new simulations be sent out within the next week (by April 3rd) so that members who are not attending the April 10th meeting will have some time to review the simulations and provide input to Bonnie to bring forward at the meeting. Sharlene, Peter and Ann-Marie have already indicated that they will not be able to attend the April 10th meeting and would like to see the simulations before the meeting.

The Chancellor's Office has shared the growth formula methodology discussed by the workgroup at the March 6th meeting with legislative staffers at the capitol over the last few weeks. Staffers seem generally satisfied with the methodology and are willing to have us move forward.

There was some discussion about the fact that the formula still only considers district boundaries rather than looking at the population the district actually serves. Another concern was that the formula does not include a facilities factor. The group was reminded that any significant changes to the formula are best left for discussion in the fall when the workgroup looks at the growth model in preparation for year two. The language in the trailer bill specifically states: *Beginning in the 2016-17 fiscal year the chancellor shall adjust upward the need determination based on each community college's effectiveness in serving residents of neighborhoods, within or outside of the community college district's boundaries that exhibit the highest level of need.*

❖ **\$125M Base Allocation Funding**

The group continued the discussion on the \$125 million proposed in the 2015-16 budget for increased operating costs. Chancellor Harris made comments at Consultation Council and the NorCal CEOs that the SB361 funding levels are too low for the small/rural colleges. He has expressed plans to include an extra bump for the small/rural districts from this \$125 million. The group reviewed the options presented at the March 6th meeting; option 2 included a bump for the rural districts by doubling their rural add-on calculation. This would take approximately \$6 million out of the \$125 million; the remaining dollars would then be

allocated by increasing the districts' basic allocations and FTES rates by the same percentage.

Some members voiced support for this approach stating that the small districts do not benefit from economies of scale since there are certain overhead costs that all districts have to pay for regardless of size. It was also stated that the cost to double the rural add-on for small districts is a very small portion of the \$125 million and would make a huge difference for the small districts.

Others stated that by providing such a large increase for the small districts, the result would be dis-equalization for some districts. Concern was voiced that there was a lot of effort put into establishing the rates in SB361 and this type of adjustment could create a political divide among the districts because the formula favors only certain districts.

Members agreed that giving an extra bump to the small/rural districts might be warranted, however, doubling the rural add-on may be a larger increase than necessary or equitable to other districts. Instead it was suggested that the rural add-on be increased by a 25 or 50 percent add-on. The group requested that Mario prepare another simulation that is a hybrid between option 1 and option 2 discussed at the March 6th meeting. This hybrid would increase the rural add-on (but not double it) and then distribute the remaining dollars by increasing the basic allocations and FTES rates to all districts. The simulations will be discussed at the April 10th meeting.

It was also asked whether the budget language could state specifically that this funding is to be used for PERS and STRS liabilities first and then can be used for other purposes. DOF has been clear that they do not want to include any language in the budget calling out funding being provided to districts for PERS and STRS. Additionally, there has been a big push that funding beyond regular apportionment funding to districts be flexible to allow local discretion in how the funding is used by districts depending upon their own local situation.

❖ **Next Steps**

The Chancellor's Office will provide updated growth model simulations that include poverty and educational attainment as factors used to calculate district need. These will be distributed as soon as possible, prior to the April 10th meeting.

The Chancellor's Office will provide an updated simulation for the \$125 million base allocation funding which will be a hybrid between option 1 and option 2 discussed at the March 6th meeting.

The allocation model for the \$125 million will be discussed with additional stakeholders to get input and buy-in on the methodology. This meeting will likely take place on April 15th or 16th since members will be in town for Consultation Council.

During the ACBO spring conference, representatives of the workgroup, the Chancellor's Office and the League will provide an update on the growth model and the allocation model for the \$125 million. Bonnie will work with Jeff DeFranco, Spring ACBO Conference Chair to have a session included in the program for a presentation.

❖ **Upcoming Meetings**

- April 10th, 9am-3pm, Lunch provided by ACBO
- May 1st, 9am-3pm, Lunch provided by the Chancellor's Office
- June 4th, 9am-3pm, Lunch provided by CCLC

❖ **Attendees participating in the March 27, 2015 Conference Call Meeting:**

- Bonnie Ann Dowd – San Diego CCD
- Ann-Marie Gabel – Long Beach CCD
- Sharlene Coleal – Santa Clarita CCD
- Theresa Matista – Los Rios CCD
- Doug Roberts – Sonoma CCD
- Vinh Nguyen – Los Angeles CCD
- Fred Williams – ACBO President (non-voting member)
- Chris Yatooma – Sierra Joint CCD
- Jeff DeFranco – Lake Tahoe CCD
- Tom Burke – Kern CCD
- Peter Hardash – Rancho Santiago CCD
- Ryan McElhinney – 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