

**California Community Colleges
Advisory Workgroup on Fiscal Affairs
May 9, 2014 Meeting Notes**

❖ **Actions Taken**

- The workgroup approved the revised April 16th meeting notes, with a few minor changes. The notes will be revised and posted to 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 23, 2014 at the Chancellor's Office, Room 4000-01 from 9:30 am -5:00 pm

❖ **New Access/Growth Formula- Discussion Led by Alice VanOmmeren and Ryan Fuller- Chancellor's Office TRIS Division**

Facilities Factor

The group continued its discussion in regard to a facilities factor.

Unemployment Factor

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

Alice Van Ommeran and Ryan Fuller from the Chancellor's Office distributed unemployment data in advance of the May 9th meeting for workgroup members to review. The data included EDD, and ESRI unemployment rates and also a blended rate calculated by averaging the two. The workgroup discussed both data sources and also the option of using a blended rate.

Members suggested not using the average of the two unemployment rates, and to instead, select one consistent data source to use. A suggestion was made to use three years of data to smooth out the volatility that can occur from year to year. Some members voiced concerns with using three years of data, stating that it would create an excessive time lag. It was concluded that while the data from EDD is more timely it is only broken down to the county level, and thus would not show any difference between districts that are located in the same county, even though the unemployment from district to district could vary greatly. ESRI data was identified by the workgroup as the best source for the growth formula. While it may not always be the most recent source of data available (it is updated annually), ESRI data can be aggregated to the district level, making it the best data source for comparing unemployment from district to district, and how districts fare in comparison to the state.

Alice and Ryan will create a document describing the ESRI data source including providing information as to when the data is updated/available for the next meeting.

Adult Population Factor

During previous discussions of the adult population factor, the workgroup decided to break up the age groups as follows: 18-29, 30-49, and 50+. Ryan and Alice stated that the data they are using is broken down into the following categories 0-14, 15-19, 20-29, 30-49, and 50+. These age groups can be combined (added together), but cannot be disaggregated to create different age groups. Thus, there is no way to obtain data on the age groups previously requested by the workgroup. Members discussed the different options for the age groups and decided to not include 0-14 as these individuals would not reach college age for some time. The members decided to use the age categories as defined in the data source.

The workgroup agreed that the weighting should be revisited since the age groups have been modified. It was discussed that the workgroup should consider not only the weights appropriate for today but also consider how demographics a few years down the road are likely to paint a different picture. The workgroup came up with three options for weighting the age groups which are displayed in the table below:

Age Group	Option 1	Option 2	Option3
15-19	20%	25%	20%
20-29	50%	50%	50%
30-49	20%	20%	25%
50+	10%	5%	5%

Members agreed that the weighting should both align with the priorities of the state and with the community college student populations. Weight percentages should not be locked into statute so they can be modified down the road if needed.

Ryan will run simulations of all three options above and the group will decide which one is appropriate to use during the June 2 meeting when the simulations are reviewed.

Educational Attainment Factor

Alice and Ryan provided data on the percentage of adults over 25 in the district lacking a high school diploma. The group noted a wide variance among districts. While, statewide, 19.1% of adults do not have a high school diploma, the percentage varies from 4.7% in Santa Monica to 41.9% in Compton.

The workgroup discussed using the following calculation for the educational attainment factor: (District percent without HS-State percent without HS)/10, minimum is .1, maximum is 2

Note: *We ran this calculation in excel using the data we received from Alice and Ryan prior to the April 16th meeting and will have it available to members at the June 2nd meeting.

Participation Rate Factor

Calculated as: Adult population in the district/unduplicated headcount

Workgroup members asked whether data on the participation rate in each district and the statewide average were available. It was stated that participation rate and adults without a high school diploma go hand in hand and perhaps we should not include both in the formula. However, many thought it is important to start with both before making the decision to eliminate one, as they are measuring two different data elements.

Ryan and Alice discussed the difficulties that exist in measuring the participation rate. Mainly, it is difficult to determine what the base (or denominator) should be, since many districts serve students who live outside of district boundaries. If the participation rate is calculated by dividing adult population in the district by enrollment, it may not be an accurate representation of actual participation. However, using a district's service area would be problematic as well since service areas likely overlap and are not neatly defined.

The workgroup requested data showing the participation rate using district boundaries (acknowledging that it will not be perfect); Ryan will send this data out prior to the June 2nd meeting for members to review.

*We need a more detailed calculation for the participation rate. (Dist rate-state rate)/? with a minimum and max

Unfunded FTES Factor

The workgroup revisited the discussion on unfunded FTES and reviewed data to look at whether to include a minimum of 1% unfunded or 2% unfunded in the calculation and whether districts should be required to meet the minimum on each of the three years or by averaging the three years. Members seemed confident that using a 1% minimum unfunded FTES but requiring that the district has at least 1 percent unfunded in each of the three years (not an average) would help to identify those districts that have unmet need.

Calculation: One-third of districts 3-year average unfunded FTES. Must have at least 1 percent unfunded in each of the three years, maximum unfunded FTES is 10 percent in each year.

Other Topics Discussed

It was stated that we don't want to set up a formula that allocates growth to districts where it is not needed or used. For this reason, there must be a process for reallocating growth dollars to districts that can earn them; growth is an opportunity to serve individuals in the region and increase enrollment, whether they are served or not is up to the district/college.

The workgroup discussed the importance of recalling previous conversations as they are making decisions. This is critical as some workgroup members were not able to participate during the May meeting. All opinions should still be considered.

❖ **State Budget Update**

Dan Troy, Chancellor's Office

Vice Chancellor Dan Troy provided an update on the budget, stating that May Revision will provide a more complete picture (May Revision was released May 13th).

Revenues likely to be up at May revision, but probably won't see huge increases. It is important to remember that this is a relatively good budget for community colleges already.

Some ideas and interests circulating in the legislature:

- Increased funding for CTE in some form
- Not likely to propose a super COLA
- May go down a little on the amount proposed for growth, possibly to 2.75% or 2.5%- If this number is reduced community colleges will still get its portion of the Prop 98 split
- May rethink the split between deferred maintenance and instructional equipment
- The administration seems to be less intent on implementing the new growth formula in 2014-15, likely to be pushed back a year to 2015-16 implementation
- Funding for full time faculty- not likely that the administration will propose this in the May revision, however, the legislature seems interested
- Talk around increasing the CDCP rate to equal the credit rate; change is not likely to take effect until 2015-16.

The legislature has some spending priorities including DSPS, EOPS, CalWORKS, and CTE; if there is not a surplus of revenue, the legislature would need to shift dollars from other areas to fund these priorities. They are likely to use deferred maintenance funding as a balancer.

Last year, the budget subcommittees assumed LAO's higher revenue estimates, and used this to justify additional spending. There is a possibility that we could see this happen again, however Governor Brown is not likely to approve a budget with spending well over the amount that he proposed.

Workgroup members requested an update on the SSSP match, stating they are concerned that all districts will not be able to use all of the SSSP money available to them because they will not be able to meet the match. Dan stated that Linda Michalowski and her folks are still reviewing this, and are open to revising the match. Dan reiterated that we need data from the districts showing that they are not able to meet the match. The Chancellor's Office has the authority to amend these match requirements, and does not need to make the changes through the Department of Finance or the

legislature. Members stated that it is also important to look at how the match requirements will impact the 50% law. Others proposed that districts should be able to use restricted funds to meet the match.

Theresa Tena, CCLC

- The growth funding is likely to go down to 2.5%
- Regarding the \$100 million proposed for student equity, the consultants/ legislature seem comfortable with the concept, may want to put a legislative stamp on it, add some language around accountability
- Increasing the CDCP rate is something that has been discussed in the past; there are many benefits from a policy perspective. If the state does not have enough resources in 2014-15, they are likely to hold off until 2015-16.
- Adult Education- The League has been in contract with K-12 people regarding Adult Education and the AB86 planning process that is happening now to prepare for funding in 2015-16. K-12 is very intent on maintaining their own stream of funding, rather than having Adult Ed joint funding (for K12 and CCCs) that goes through the Chancellor's Office. We need to keep this in mind even though Adult Ed is not in the budget this year.

❖ Talk with Debra Jones and Greg Schulz – AB86 Funding Formula

Debra Jones of the Chancellor's office and Greg Schulz from the North Orange County CCD School of Continuing Education worked on the funding formula for the \$25 million received in 2013-14 for adult education planning grants. They established a workgroup that created a formula to allocate the \$25 million among regional consortia across the state. The workgroup is now working on a funding formula to be used when additional funding is received for adult education (the plan is for this to occur in 2015-16 and beyond).

While they were coming up with a planning allocation model, the AB 86 workgroup focused on the principles of transparency, inclusion, and equity.

The \$25 million in planning dollars for adult education was allocated to regional consortia (community college district areas) based on a formula. First, the allocation was divided into three buckets:

1. Population Amount: A portion of the funding went out to districts based on the population in the district; districts with larger populations received more funding.
2. Formula Amount: Based on a funding formula (similar to the formula this workgroup is working on for growth funding) that considered different factors such as literacy, poverty, HS attainment, unemployment, adults with disabilities, English language fluency, and citizenship.
3. Base amount: A base amount was allocated to each regional consortia. This was an equal amount for each regional consortium.

4. Rural Amount: In addition to the three primary buckets used in the overall allocation, there was a small allocation added for rural districts. This extra amount of funding went to regional consortia with a service area of larger than 1000 square miles.

As they are planning, the AB86 workgroup is tasked with creating a dual delivery system for Adult Education with both CDE and CCCs involved. Currently, CDE and CCCs are handling their funding separately for Adult Ed.

As they are coming up with the funding formula for the Adult Ed program dollars to be received starting in 2015-16, the AB86 workgroup need to do the following:

- Take an inventory of what is in place
- Take an inventory of what the need is
- Create a plan to serve the need

Members questioned whether there is a CBO on the AB86 workgroup. It was stated that there is not currently a CBO on the AB86 workgroup, yet, but that inclusion of a CBOs is a priority.

❖ **Options for Weighting of the Factors in the Growth Funding Model**

Following the discussion with Debra and Greg, the group returned to the discussion on the growth model. Members discussed possibilities for weighting the different factors in the model, and came up with three options. The workgroup will review simulations of all three options to see if there is a big difference between the three and which would be most appropriate in identifying districts with the most unmet need.

Factor	Option 1	Option 2	Option 3
Change in percent without a HS diploma (District percent without HS-State percent without HS)/10 min.10, max 2	20%	Average together first 33.33%	25%
Adult population change (Group is considering 3 weighting options)	20%		15%
Unemployment Factor .25* (District rate- state rate) + .25% Min .25% max 2%	20%	33.33%	30%
Unfunded FTES 1/3 (Districts 3 year avg unfunded FTES) min 1% per year, max 10% per year	20%	Average together first 33.33%	10%
Participation rate (State Rate/district rate) - 1	20%		20%
Total	100%	100%	100%

❖ **Upcoming Meetings**

- Monday, June 2, 2014 9:30-5
- June 23, 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
- Teresa Scott, Yosemite CCD
- Yulian Ligioso, Solano CCD
- Vinh Nguyen, Los Angeles CCD
- Kathy Blackwood, San Mateo County CCD
- Jeff DeFranco, Lake Tahoe CCD
- Doug Roberts, Sonoma CCD
- Theresa Tena, CCLC
- Ryan McElhinney, CCLC
- Lizette Navarette, CCLC
- Dan Troy, 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: Tom Burke, Kern CCD