

**California Community Colleges
Advisory Workgroup on Fiscal Affairs
September 27, 2013 Meeting Minutes**

The Advisory Workgroup on Fiscal Affairs (Fiscal Workgroup) was convened at the request of Chancellor Brice Harris to provide advice and counsel on community college finance and business operations. The workgroup will function as a partnership between the Chancellor's Office, the Board of the Association of Chief Business Officials (ACBO), and the Community College League of California (CCLC). The workgroup had its initial meeting on September 27, 2013.

❖ **Background**

In May 2004, the CCLC convened a workgroup of California community college Chief Business Officials (CBOs) to make recommendations on changes to the community college funding formula, at the request of the boards of the California Community College Trustees (CCCT) and Chief Executive Officers of the California Community Colleges (CEOCCC). The representative group of CBOs from a diverse array of districts met over several months and in September 2004 produced the *Report of the Workgroup on Community College Funding*. The Chancellor's Office used this report as a basis to make recommendations to the Board of Governors in March 2005 to replace the "program-based funding" formula with a new comprehensive funding model that would address deficiencies in the funding system that existed at that time. This led to the passage of SB 361 (Scott) on September 29, 2006, which made substantial changes to the funding for community colleges statewide.

Since the SB 361 funding formula was implemented in 2006-07, there have been significant changes in the California Community College (CCC) system and the broader state economy as a whole. These new challenges resulted in the determination that a similar workgroup of CBOs could be beneficial in providing guidance on emerging fiscal issues. Thus, in 2011, CCLC again convened a workgroup to explore options to deal with the severe funding reductions the CCC system faced. That workgroup has now been formalized as the Advisory Workgroup on Fiscal Affairs.

❖ **Overview**

The new fiscal workgroup includes 13 CBOs and fiscal officers representing diverse types of districts. The current President of the ACBO Board, Dr. Bonnie Ann Dowd, is the Chair of the workgroup, and Ann-Marie Gabel was chosen as Vice Chair.

The group will focus not only on addressing problems, but will also seek possible improvements that could be made to fiscal processes. Good communication will be emphasized, both within the CBO community and with other groups such as CEOs. A website will be developed to announce the workgroup's formation and purpose, and to distinguish it from the existing Fiscal Standards committee.

❖ Summary of Current Fiscal Matters- Possible Areas of Discussion for the Workgroup

Vice Chancellor Dan Troy provided a state budget outlook and summary of current fiscal matters. While the passage of Proposition 30 was a positive development, the system is still lacking fiscal stability and predictability due to a number of factors. Dan provided some initial thoughts on issues that could be discussed by the work group. These issues include:

- Deficits/Fiscal Uncertainty –
 - Uncertain revenues – CCC exposure to deficit risk has grown rapidly. Budgeted GF has shrunk from about 2/3rds to 1/3rd of the apportionment in just a few years. Property taxes, fees, RDA, EPA (including \$100 per FTES provision) are major issues that we would seek to have addressed by state policy makers – we can't change the mix of revenues or ensure adequate and timely backfill without a statutory change or action in the annual Budget.
 - Structural – We are generally not funded in our base for some statutory/regulatory provisions, such as stability restoration and basic allocation increases (new colleges or centers). Over time, this creates structural deficits that compound.
- Growth/Access – Expired growth regulations – We are currently using growth funds to repay the workload reductions, but we will need to revisit the discussion of how to establish growth caps. The process should be fair and should utilize accessible data.
- Site-based allocations – New state-approved centers/colleges eat into the base apportionment and can create deficits for other districts. This was a greater problem pre-Prop 30, when there were no new funds for access to absorb costs, but are we comfortable with the current process? Should we alter the regs during the relatively good times, now, before funding cuts return at some point? Can a fairer process be constructed?
- Basic Aid/locally funded or “community supported” districts – Growth in BA districts – Two years ago, we had three BA districts. Today we have 6. I'm not sure there is anything we can or *should do* about this, but does it create any need for discussion? Discussion around the \$100 per FTES issue?

❖ Other Possible Topics of Discussion

Participants identified other issues within the CCC system that may warrant further discussion by the workgroup on fiscal affairs. The issues mentioned are summarized below.

- The temporary nature of Proposition 30 revenues. Is there a role for the Workgroup for communicating this to the field and/or helping CBOs to make this clear to local stakeholders? Revenues will begin to expire in 2016-17; districts need to have a plan in place to deal with this when the time comes.
- Accreditation -- ACCJC is evaluating districts on financial matters. Districts are being downgraded for things such as declining enrollments, declining cash, not addressing shortage in health benefits funds, and other matters. Is there a role for the workgroup in addressing this issue?
- Performance standards -- Governor's office is interested in performance measures. Setting performance goals is one thing, tying funding to these goals is another, and would likely negatively impact CCCs. Will they pursue performance-based funding for CCCs? Should we get ahead of the issue? Financial aid proposals to deal with performance?
- Local Control Funding Formula (LCFF) -- the state is signaling a new way of funding. What does it mean for Community Colleges? Does change in K12 funding system signal coming attempts to alter

CCC funding? What about other proposals for UC/CSU (e.g., funding cap outlay through support budget)? Are we next?

- Categorical funding -- there are some issues with categorical funding that were created as a result of the categorical funding cuts over the last 5 years that will need to be addressed.
- Communication with the field -- The workgroup discussed communication with the field and how to keep districts updated on matters discussed. It was stated that it is important to have transparency, but at the right time. Issues that have been fully discussed or “hashed out” will enable the work group to present a united voice. The workgroup should work to reach consensus (to the extent possible) to make it easier to defend proposals put forward and explain reasoning behind certain recommendations. The CCC Chancellors office website was identified as an appropriate channel through which to communicate with the field. Updates and copies of meeting minutes could be posted to the website to enable the districts and individuals in the field to stay informed.
- Faculty Obligation Number (FON)—There was some discussion of the FON and the likely action that will be taken by the Board of Governors in November. While some workgroup members expressed their preference for the FON to remain frozen, this is not an issue that is within the purview of the workgroup to address.
- 50% law- Members of the workgroup suggested revisiting the 50% law, are there modifications that would make it more effective for districts today? Looking at categorical funding, more dollars are being allocated to the student success and support program which makes it harder to meet the 50% law, this is perhaps another aspect that could be explored.

❖ **Schedule of Upcoming Meetings**

The workgroup discussed possible dates for future meetings and agreed on the following:

- Thursday, December 5, 2013
- Thursday, February 6, 2014
- Thursday, May 8, 2014

All three meetings are scheduled for 9:30 am to 2:00 pm and will take place at the Chancellor’s Office in Sacramento unless otherwise stated.

Agenda items will be solicited from workgroup members before developing agendas for upcoming meetings. When proposing a topic for discussion, members are asked to submit the topic and a brief narrative (2-3 sentences) describing what aspects should be discussed. This would enable all members to be prepared and informed so that discussions are as productive as possible.

❖ **Topics to be discussed at Next Meeting- December 5th**

The workgroup identified three topics as being the top priority for discussion during the next meeting (December 5th). The primary topics of conversation at the next meeting will be:

1. Access/ growth, new funding, restoration dollars -- define the rules with access/growth funds. How are growth rates determined? Determine process for the next round of workload reductions. Review the current apportionment model (put in place prior to workload reductions that occurred since the passage of SB 361). This model was intended to “equalize” districts so that no districts would be negatively impacted as a result of SB 361.

2. Approved Centers -- funding formula for new centers during growth years and deficit years: the system should devise a thoughtful plan. This issue was discussed by the previous CCLC funding workgroup; however, no changes were made to the current language.
3. Communication Strategies to keep the field informed of the workgroup discussions and recommendations

❖ **Next Steps for December 5th meeting:**

- Members of the workgroup are asked to review reports done by the previous CCLC fiscal workgroup prior to the passage of SB 361 (sent via email to workgroup members on 9/27).
- Read expired growth regulation- Diane will work on getting Fusion data from Susan Yeager

❖ **Attendees at the September 27 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
- Jeff DeFranco, Lake Tahoe CCD
- Peter Hardash, Rancho Santiago CCD
- Vinh Nguyen, Los Angeles CCD
- Sue Rearic, Grossmont-Cuyamaca CCD
- Doug Roberts, Sonoma CCD
- Jon Sharpe, Los Rios CCD
- Theresa Tena, CCLC
- Ryan McElhinney, CCLC
- Dan Troy, CCC Chancellor's Office
- Diane Brady, CCC Chancellor's Office
- Natalie Wagner, CCC Chancellor's Office

Participating by teleconference: Tom Burke, Kern CCD

Unable to Attend: Yulian Ligioso, Solano CCD and Teresa Scott, Yosemite CCD