

**California Community Colleges  
Advisory Workgroup on Fiscal Affairs  
April 8, 2016 Meeting Notes**

❖ **Actions Taken**

The workgroup voted to approve the March 18, 2016 meeting notes with one minor change. The notes will be updated accordingly and posted to the Chancellor's Office website under the "Advisory Workgroup on Fiscal Affairs" section of the Finance and Facilities Division homepage. The group also reviewed the updated membership list and approved the updated version; the list will be posted to the website as well.

Members of the workgroup added two items to today's agenda. The two items added were the change in the Civic Center Act and the Institutional Effectiveness Partnership Initiative (IEPI) additional indicator. The workgroup discussed the OPEB indicator during the March 18<sup>th</sup> meeting; however, it was requested that the discussion continue today in order to clarify some points from that previous discussion.

❖ **Chancellor's Office Update- Mario Rodriguez**

Staffing Changes

The Chancellor's Office is switching to Fi\$cal, a new accounting system that will replace Calstars. Mario informed the group that he hired an accounting officer, April Lován-Martinez, who will oversee the accounting unit at the Chancellor's Office. The accounting unit monitors the office budget and interacts with the State Controller's Office to ensure that correct payments are made to districts. In addition to filling the accounting officer position, Mario promoted Elias Regalado to the Director of Fiscal Standards and Accountability. This is one of the new positions for the Chancellors Office that was approved in the 2015-16 Budget Act. In this administrator role, Elias will oversee fiscal standards, fiscal accountability, and attendance accounting. The administrator positions for the facilities unit and the apportionment unit are vacant currently; Mario stated he is working to fill both of these positions shortly.

Budget Update

The major hearings in the Assembly and the Senate occurred on April 5<sup>th</sup> and April 7<sup>th</sup> respectively. There has not been a lot of pushback from members regarding the Governor's proposals for community colleges. Mario stated that generally, members either (1) really like a proposal, (2) really dislike a proposal, or (3) use a proposal as a way to start discussions around some tangential issues they want to talk about that are somewhat related. Many members have used this third approach when discussing proposals for

community colleges. We have seen this with the basic skills and strong workforce program proposals, as well as the discussions around college “promise” programs.

Mario stated that there could be more funding at May Revision and the Chancellor’s Office has communicated to the Department of Finance that our top priorities for additional funding are an increase in general operating dollars for the colleges and increased funding for full-time faculty hiring. It’s possible that there will be some changes to the Governor’s basic skills proposal and the workforce proposal at the May Revision as well, the Chancellor’s Office will be distributing a document soon, which summarizes all the decisions made around the workforce proposal.

The revised P1 data will be out soon, which includes a correction to the basic skills adjustment. In the next few weeks, the Chancellor’s Office will be distributing the updated P1 FON, as well as the districts projected growth allocations for 2016-17.

The Chancellor’s Office will be distributing a survey to the workgroup related to the impact of the change in minimum wage which will go into effect as a result of the passage of SB 3. Members stated this change will have a large impact on their districts, not just for the employees currently earning minimum wage, but also for the hourly employees who earn above minimum wage and permanent classified employees close to minimum wage who may expect to see their hourly rate increased as well.

The Chancellor’s Office over-allocated growth funding between the 14-15 Recal and the revised Recal. Mario reported receiving input from districts saying that they made planning decisions between the two estimates, and they would have made different decisions if they had received the correct information initially. As a result of this error, the Chancellor’s Office is allowing districts impacted by the revised Recal to do a one-time revision of their 2014-15 final 320 report. Elias will work directly with the districts affected. Going forward, the Chancellor’s Office is working to have more continuity in the data between the apportionment unit and the attendance accounting unit so the data on the exhibit C ties back to the data on the 320 report and the deadlines are better aligned.

❖ **Institutional Effectiveness Partnership Initiative (Fiscal Indicators)**

Members wanted to expand on the IEPI discussion from March 18<sup>th</sup>, stating that as the IEPI indicators were being developed, the IEPI fiscal indicators were based on criteria included in the ACCJC, FCMAT, and state Chancellor’s Office fiscal documents, in addition to using data from the new formulas for growth, the student equity program, and adult education.

The workgroup members also discussed the IEPI language drafted during the last meeting. The language was modified as follows:

*Report the percentage of the OPEB liability the district has set aside whether in an irrevocable trust, revocable trust and/or in a Board designated fund to specifically address this liability.*

The Workgroup on Fiscal Affairs sees this percentage as a good indicator because it accounts for funds in both an irrevocable or revocable trust or maintained in a district's designated reserve fund. Over time, this indicator will demonstrate each district's progress in funding its liability. Discussion of this indicator at the colleges/districts will also assist in developing and adhering to a funding plan to address the OPEB liability given its reporting visibility.

❖ **Budget Priorities if there is additional funding available at May Revision**

The workgroup discussed the budget priorities for the system if more funding is available in May Revision than the amounts estimated in the Governor's January budget. Members identified funding for a base allocation as being the top priority. Districts need discretionary funding since the COLA is less than half a percent and growth funding is not attainable by all 72 districts. If there is not additional funding available above the Governor's January estimates at the May Revision, it may be necessary to reduce the amount proposed for deferred maintenance and instructional equipment in order to make room to fund other priorities. Members also identified part-time faculty office hours and health benefits as being high priorities. Regarding the increased funding to hire full-time faculty, it was stated that the FON for community supported districts should not increase if they are not receiving the increased funding.

❖ **Change in the Civic Center Act**

The regulations regarding the Civic Center Act recently changed. Previously, under this act, community college districts could grant the use of school facilities for commercial use (e.g. recreational, artistic, or other uses) and could charge a fee "not less than fair rental value". Under the new language, community college districts are only authorized to charge a fee "equal to fair rental value". The regulations define fair rental value as the cost. Therefore; the change only allows districts to cover their actual cost and prohibits them from bringing in additional revenue, even if the facility was being used for an event that could potentially generate considerable revenue for the district such as a concert. We need to look into getting the regulations changed back to the old language as this change has an unintentional consequence that no one noticed during the vetting phase of the change.

## ❖ Regulation Workgroup Proposal Options for Possible Data

The Workgroup on CCC Regulations is requesting data from the Chancellor's Office which will be used as they continue their work on the 50 percent law and FON proposal. The next step for the workgroup is to redefine the percentage to be used for the 50% Law and to develop the sliding scale formula to be used to address the full-time faculty goal. They need data to inform these discussions. The Fiscal Affairs Workgroup has been identified by the CCCCCO as a good resource to assist in identifying available data to be provided to the Workgroup on CC Regulations.

Some members stated that they are not in agreement with the recommendations of the proposal as it stands currently, and therefore do not want to spend time discussing the data elements. Others said that whether or not they agree with the recommendations, this is an opportunity to provide input because the Workgroup on CCC Regulations will move forward with the discussions whether or not they have input on the data from the Workgroup on Fiscal Affairs. Having data is necessary in order to guide discussions and determine how the 50 percent law and the FON could be modified to work for the system. The CCCCCO must provide the data as the resource to the Workgroup on CCC Regulations, which was created by Chancellor Harris to address the 50% Law and FON.

### 50 Percent Law

Regarding the 50 percent law, the proposal seeks to add to the list of expenses that are identified as instructional costs. The purpose of collecting the data is to see where districts are with the 50 percent law and where they would be if these additional expenses were included as instructional costs. Members stated that some of the items on the list can already be included under the current statute; therefore, as we review the data we need to also look at whether districts are already including these costs in their 50 percent law calculation.

### FON

The Workgroup on CC Regulations proposal also recommends that the FON be re-benched using fall 2015 data, and that the new number include non-credit faculty who are currently excluded from the FON. The Chancellor's Office will collect data on districts number of full-time faculty teaching non-credit, which is currently excluded from the FON. Some members cautioned that if we add in non-credit, it will raise districts FON without providing funding to hire. A question arose on whether we would be including all non-credit faculty or just non-credit faculty teaching enhanced non-credit courses. It is assumed that it would only be those non-credit faculty teaching enhanced non-credit courses, but that decision hasn't been made yet.

Some members stated that the FON is a flawed mechanism that isn't designed to get districts to 75/25 percent goal for full to part-time faculty. The numbers were set at a point in time (1988), which resulted in districts having very different requirements. Members

expressed concern about re-benching the numbers as of 2015 because it will still be inequitable given that the numbers were flawed in 1988 and the districts numbers are still based on that data. It was stated that we should make changes to fix the FON rather than make changes to the existing calculation, if the calculation stays the same, we will not see any improvement. Some ideas mentioned were to look at districts TCR compared to their number of full-time faculty, or calculate districts number of FTES per full-time faculty.

### ❖ **Next Steps**

The Chancellor's Office will be sending out two surveys to the workgroup members. One will focus on the impact of the change in California's minimum wage on districts; the other survey will collect data that the Chancellor's Office needs to inform the discussions on the 50 percent law/FON proposal.

The Chancellor's Office is finalizing the P1 growth simulations. These will be reviewed during the meeting on May 5<sup>th</sup>, following that meeting, the Chancellor's Office will present the growth simulations to the Department of Finance and the legislature. Once they are okay with the methodology, the spreadsheet will be distributed to the field.

### ❖ **Upcoming Meetings**

- Thursday, May 5, 2016 Lunch to be provided by ACBO
- Thursday, June 2, 2016 Lunch to be provided by the Chancellor's Office
- July (No Meeting)

### ❖ **Attendees at the March 18, 2016 Meeting:**

- Bonnie Ann Dowd – San Diego CCD
- Ann-Marie Gabel – Long Beach CCD
- Theresa Matista – Los Rios CCD
- Jeanette Gordon – Los Angeles CCD
- Sue Rearic – Grossmont/Cuyamaca CCD
- Kathy Blackwood – San Mateo CCD
- Andy Suleski – Butte-Glen CCD
- Jeff DeFranco – Lake Tahoe CCD
- Sharlene Coleal – Santa Clarita CCD
- Doug Roberts – Sonoma CCD (Phone)
- Mario Rodriguez – CCC Chancellor's Office
- Natalie Wagner – CCC Chancellor's Office