

**California Community Colleges
Advisory Workgroup on Fiscal Affairs
December 5, 2013 Meeting Minutes**

Action Taken

The workgroup voted to accept the meeting minutes from the September 27, 2013 meeting with four changes. The accepted document will be posted to the Advisory Workgroup on Fiscal Affairs section on the Chancellor's Office website. The workgroup also voted to change the May meeting date from May 8, 2014 to May 9, 2014.

State Budget Update -- Dan Troy, Chancellors Office

- January Budget will provide the Governor's take on revenue estimates
- "California's Fiscal Outlook" report released by the LAO (November 2013) shows that state revenues are up: report predicts that Proposition 98 will receive bulk of the benefit of increased revenues.
- LAO sees potential for "one-time" as well as "ongoing" revenues to be available to the CCC system.
 - **One-Time.** \$5 billion in one-time funding potentially available for Proposition 98.
 - **Ongoing.** Programmatic increases - LAO estimates an additional \$7 billion available in in on-going Proposition 98 funding.
- The LAO report is a revenue projection, *not* an expenditure plan
- K14 funding is faring very well compared to other spending priorities in the budget which did not receive increases in 2013-14 and are still working to rebuild from major cuts. There may be a desire to manipulate the guarantee, or find ways to direct additional revenues to other areas of the state budget.
- Revenue increases owe much to Proposition 30, which will begin to phase out in 2017. Districts should budget cautiously.
- The January budget proposal will include the Governor's estimate on revenues, and the Administration has been more cautious on revenue forecasts than the LAO.

Budget Update -- Theresa Tena, Community College League of California (CCLC)

- Deferrals (for both K-12 and CCC) -- The director of finance has stated recently that the Governor's first priority is to pay down debt; it is likely that additional revenues, over what is expected, will be used for this purpose.
- K-12 Local Control Funding Formula (LCFF) is an immediate need; some may argue that a larger than normal portion of Prop 98 dollars be directed to K12 to be used for LCFF.
- LAO report states that even with the positive revenue projections it is not likely that the LCFF will be fully funded by 2020-21.

- We need to continue to advocate for the statutory split of 10.93 percent of Proposition 98 funding. In 2012-13, the CCC system received 10.54 percent.

Access/growth/new funding

In the 2004 *Report of the Workgroup on Community College Funding*, the workgroup made a recommendation for a formula that could be used to calculate growth rates; however, the recommended formula was never fully implemented. The 2004 report recommended that district growth rates be calculated as a sum of the following factors:

- A. Adult population change
 - B. High school graduation change
 - C. One quarter of the districts primary county's unemployment rate over full employment, not to exceed 2%
 - D. One third of the districts three year overcap (between 102% and 110%)
 - E. One third of 100% of the change in the new state supportable facilities being brought online.*
- *This additional factor should be added only if the sum of items A through D is less than or equal to 10%. IF the sum of A through D is greater than 10%, do not apply E, instead use the fully calculated rate of A through D.*

Workgroup participants discussed the recommendations made in 2004, as well as other factors that could be added or changed to ensure that the growth rate calculation is reasonable and reflective of local and state priorities. Participants also talked about possible data sources that could be used to recognize the changes that have happened in the system since 2004. There was significant discussion about a facility factor and whether its inclusion could lead districts to overbuild; examples of some potential new factors to that could be considered are educational attainment, underserved populations and retraining needs due to workforce changes.

The process for devising a formula to distribute growth funding needs to be transparent and consistent. The formula also needs to be based on data that is sound and accessible. The workgroup supported a list of guiding principles that should be considered when developing a new growth rate formula, including the following:

- Mission consistent (access and student success) - Number 1
- Easily accessible data
- Transparent
- Recognize CCCs are one big system with different local systems/challenges (one state system and separate local boards)
- Fair and equitable
- Consistent
- Predictable and reliable
- Mindful of other environmental/political trends
- Integrity (no opportunities for loopholes, consider unintended consequences)

- Continually thinking of the good for all
- Recognizes local autonomy
- Simple

There was some additional discussion about some districts potentially having difficulty in growing in the current year, and the concern that districts might be tempted to grow back “bad” FTES in order to meet growth targets. There was agreement that it takes time to steer the districts/colleges back into the mode of expanding student access after several years of state funding reductions that resulted in reductions to course session offerings and other related services on our campuses throughout the state.

Two other subjects discussed were restoration and the impact of new centers in regard to state apportionment funding allocations.

The group did not discuss all items included in the December 5th Agenda. Items not covered will be continued for discussion in future meetings.

Topics for Discussion on February 5th

- Funding for new approved centers
- Access/growth/new funding - discuss components that should be included in the formula and identify possible data points and sources.
- Communication strategies to keep the field informed of the workgroup discussions and recommendations

Next Steps for February 5th Meeting

Work with the Chancellor’s Office MIS unit to determine whether they have current accurate data on the possible elements to be included in a growth formula. If not currently housed, is data available elsewhere?

Members who would like to propose a topic for discussion will bring a brief summary of a topic they would like to discuss on the February 6th meeting agenda. The summary should be brief. The purpose of this is to enable other members to have some background on a topic in advance of a meeting. .

Upcoming Scheduled Meetings

- Thursday, February 6, 2014 (During this meeting, the workgroup will set meeting schedule for the remainder of 2014)
- Thursday, May 9, 2014

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.

❖ **Attendees at the December 5th 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
- Yulian Ligioso, Solano CCD
- Vinh Nguyen, Los Angeles CCD
- Sue Rearic, Grossmont-Cuyamaca CCD
- Doug Roberts, Sonoma CCD
- Teresa Scott, Yosemite 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; and Peter Hardash, Rancho Santiago CCD