

Minutes

District Committee on Budget & Finance

January 23, 2018

2 p.m.

ITS Conference Room

Attendees:

Kathy Blackwood, Eloisa Briones (absent), Tony Burrola (absent), Mary Concha Thia, Judy Hutchinson, Barbara Lamson, Vincent, Li, Steven Lehigh (absent), Mark Helsel (absent), Michelle Marquez (absent), Ludmila Prisecar, Jan Roecks, Bernata Slater (absent), Michelle Tam, Diana Tedone, Linda Whitten (absent), Bob Zhao (absent)

Guest/s:

Agenda topics

Budget Workshop Update

Blackwood

Kathy distributed and discussed a summary of the ACBO and ACCCA Budget workshop in Sacramento. The workshop provides an overview of the Governor's budget for 2018-19 to community college business officials from panelists representing the Department of Finance (DOF), the Legislative Analyst's Office (LAO) and State Chancellor's Office.

Two major issues were discussed that concern community colleges statewide:

- Establishment of an Online College, also referred to as the 115th College in the State. It will be managed by the State Chancellor's Office and will have an independent Board. Additionally, it will be accredited. (Note: It usually takes four years to be accredited.)
The intent is for the Online College to serve approximately 2.5 million people who are in need of stackable certificates and work related training that are not currently provided by the colleges. This college would have \$100 million one-time funding to start, with an additional \$20 million ongoing. State Chancellor Oakley announced that it should be up and running by Fall 2019. The plan is to partner with local employers and build upon the Strong Workforce methodology.
- Proposal for a new funding formula for community colleges. The plan is for 50% of the funding to constitute the base unrestricted apportionment including growth and COLA which would be "very similar to current funding." It appears to be based on FTES. However, it is not clear how the non-credit or CDCP FTES fit in. Nor is it clear how colleges in stability or restoration would be handled.

Kathy mentioned that she is a participating member of a workgroup on fiscal affairs. The group was charged with working on a new funding formula. Part of the process was to survey out-of-state colleges to study what they have done in revising their funding formulas. So far, the fiscal affairs workgroup have heard five presentations that included data on outcomes. In late November, the group was told to come up with recommendations and actual proposal by the end of December.

The workgroup proposal included three funding recommendations such as (1) performance outcomes that were tied to the strategic vision goals which appears to be similar to the Governor's proposal which includes transfer, completion of degrees and certificates, CTE employment and wage gains and equity gap incentives; (2) base funding which includes size of the college, district and centers, location (whether rural or urban), and a facilities factor. This recommendation does not appear on the Governor's proposal; (3) enrollment based on FTES and headcount. (Note: During the last downturn, our Colleges at SMCCCD, FTES dropped

and headcount remained the same. This meant we decreased in FTES yet were serving the same number of students.)

The Governor's proposal addresses three areas:

- (1) 25% Outcomes based. Degrees, certificates and awards as well as ADT degrees. It did not include equity. There was an incentive to complete in three years. The emphasis seemed to be for those who would move through the system quickly.
- (2) 25% to number of students receiving PELL and BOG students targeting low income students. To this, Kathy added it was not clear on how colleges within the same county would provide metrics on income since the information provided is on a countywide basis.
- (3) 50% based strictly on enrollment and base.

The workgroup hopes to be get the simulations prepared by the Department of Finance so they could give feedback to the Chancellor. The DOF came up with \$175 million ongoing necessary to fund the new formula. Regarding the hold harmless clause, Judy was unsure whether it applies to 2017-18 or 2018-19.

Kathy said the fiscal affairs workgroup will meet in February and March and would be looking at the State version and making recommendations was soon as the review is completed. The recommendations on the funding formula would be presented to the Chancellor's Office. Simultaneously, there is a Chief Executive Officers (CEO) group from the college districts that will be discussing the funding formula. The timing of when feedback between the two groups doesn't appear to be in synch. The communication between the two groups would be critical to meet the schedule and have everything finalized before the May Revise.

The reality is that as a community supported District, we are unaffected by the change as long as our revenue stays above the limit. Kathy stated that as more districts become community supported, the State would need to review how this will affect those districts.

There is a vague proposal about some type of categorical consolidation into a block grant. Because moving categoricals to the unrestricted general fund would severely impact the fifty percent law, Kathy said they are not proposing that categorical programs be unrestricted but rather that the State give us outcomes to be reached. It is not yet clear which categoricals will be included.

There is another proposal is for Scheduled Maintenance and Instructional Equipment. Should this remain in the budget proposal, our share would be about \$2 million. Depending on what happens until the May Revise, we may or may not get that.

Discussions, questions and concerns continued regarding the creation of an Online College. From an academic perspective, Diana and Vincent expressed concern. Community colleges have already been offering online classes for a few years. It would be interesting to find out how it would function differently than what we already offer. Kathy said the State believes the flexibility and fluidity of the class schedules fills the void since the colleges are tied to a semester or quarter which could be limiting attendance for some of these students.

Regarding our District budget, Kathy is closely working with Bernata on the workbook. The assumptions are being reviewed. The first period (P1) report to the State was completed showing enrollment is down at all three Colleges. Our situation is no different than surrounding districts like Foothill De Anza and others. However, City College of San Francisco announced that their spring enrollment is up 4,000 students and they hope to get back to previous years serving 80,000 students. In the fall, they had instituted free tuition and assistance towards textbook purchases for residents. Our property taxes were up last time Kathy checked the roll tracker and it seems reasonable to assume that we will reach 7.5% by the end of June.

	Update on Promise Program	Blackwood
--	----------------------------------	------------------

The Board retreat is scheduled for February 3rd. The agenda has not yet been finalized. Kathy has asked to include looking at budget priorities as there are many items that require funding and hopes to get direction on funding priorities. The biggest item would be our local Promise Program.

Kathy prepared a summary handout on its fifth version of what she hopes will be presented at the Board retreat. There is a chart on page 2 that shows \$2,225 would be the average cost to fund a student per year who would be eligible for the Promise Program. The cost includes enrollment fee waiver, textbooks and supplies, other fees for health, student representative and materials fees, transportation, and food.

Based on last year's numbers, we had approximately 1,500 students which would total \$3.3 million. To fund this program, Kathy is hoping to allocate \$400K from Enterprise revenues to the Colleges. Also, the Foundation has conservatively committed \$300K above their usual fundraising. The above sources of \$700K leaves \$2.6 million left to fund. Kathy expects our property taxes to be roughly around \$10 million. \$8 million goes directly to compensation and the other \$2 million for use to fund new programs. It may be that the Board priorities would not fully fund \$2.6 million which means funding for 1,500 students may not occur next year but perhaps a year later.

AB19 California Promise Program was passed in 2017-18 but not funded. In the 2018-19, \$46 million was proposed and not be restricted in its use, only that it be used for the Promise Program as prescribed. There was concern expressed with one of the requirements which is participation in the Federal Loan Program. If this is required and some especially smaller colleges don't have it now, they may not get the Promise money.

Should we receive AB19 funding, Kathy proposes that this would be given directly to the Colleges and be used to run the program.

All three Colleges agreed to the basics of Kathy's presentation on the District Promise Program. Kathy is hoping that the application of the Promise application could be simplified and capture the needed information.

	Other Issues	Blackwood/All
--	---------------------	----------------------

Another program that came up in the fall was a concern from a group of faculty. The group addressed the Board on a proposal to address equity and cultural sensitivity. This proposal would include developing curriculum for requiring students to take a course on equity. There would also be courses designed for faculty and staff to improve understanding of cultural sensitivity. The cost is still unknown as Kathy is still waiting on details of the proposal.

There have been other discussions with the Board regarding housing and transportation. Although a preliminary sample survey was recently conducted, a much more comprehensive survey is being developed to seek feedback from students about their transportation needs.

	Next Meeting	Committee
--	---------------------	------------------

Next meeting **Tuesday, February 20th at 2pm**. CSM Bldg 10, 4th floor, City View.