

ACBO Fall Conference

Chancellor's Office Update

College Finance and Facilities
Planning Division
October 24, 2018



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Student Centered Funding Formula

The California Community College System, which serves 2.2 million students annually, has a mission that includes reducing equity gaps, providing educational access and opportunity, and strengthening the state's economy. The system has continued to face challenges in pursuing this mission: too few students reach their educational goals, and others take far too long to do so; access and achievement gaps exist for low-income and students of color; older and working adults are often left behind.

The objective of the new funding formula is to mitigate these challenges that the system has long struggled to address institutionally. A new funding formula that focuses on rewarding equity and success, in addition to but not fully focused on enrollment, is vital in guiding California Community Colleges in realizing their mission.

The Student Centered Funding Formula is one of several connected efforts aimed at reaching the goals articulated in the *Vision for Success*. [Learn more here from our talking points document.](#)

Resources

- 2018-19 Student Centered Funding Formula Simulations (excel)
- Statutory Language: Student Centered Funding Formula Language - AB 1809 (pdf)
- Non-Technical Student Centered Funding Formula FAQs (pdf, updated August 17, 2018)
- Technical Student Centered Funding Formula FAQs (pdf, updated August 17, 2018)
- Overview of the Student Centered Funding Formula (posted August 27, 2018)
 - PDF Format
 - PowerPoint Format
- Hold Harmless Provisions (pdf posted August 17, 2018)

Webinar Series

Update on Implementation plus the Nuts and Bolts

September 13, 2018 - 10:30 a.m. - 12:00 p.m.

Presentation

PDF Format

PowerPoint Format

Video

SCFF Website

<http://extranet.cccco.edu/Divisions/FinanceFacilities/StudentCenteredFundingFormula.aspx>





California
Community
Colleges



INSTITUTIONAL EFFECTIVENESS
PARTNERSHIP INITIATIVE

IEPI Website

<http://iepi.cccco.edu/professional-development>



California
Community
Colleges

Student Centered Funding Formula Webinar Series

Thank you to all of you who participated in the first two Student Centered Funding Formula (SCFF) webinars in this four-part series. This email contains links and updates related to the ongoing SCFF discussion.

Want more? Join the SCFF conversation on the new [Vision Resource Center](#), or attend one of our upcoming conference presentations (listed below).

Webinar #1

Update on Implementation Plus the Nuts and Bolts

[Click here for webinar #1 recording.](#)

Webinar #2

Deep Dive into Data

[Click here for webinar #2 recording](#), and [click here to view the slides](#).

Webinar #3

Information on Local Goals

November 5, 2018

[Click here to register.](#)

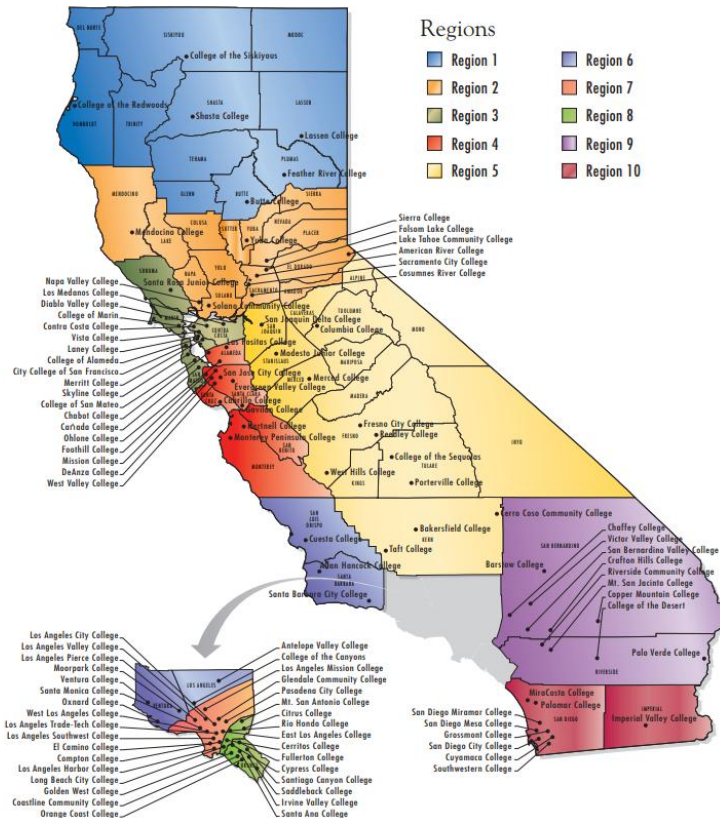
Webinar #4

Student Equity and Achievement Program

December 2018

More info to come...

SCFF Regional Workshops



Learning Objectives

- Gain a better understanding of the SCFF.
- Provide an interactive experience with the SCFF calculator.
- Allow participants to connect one-on-one with our technical experts.

Vision Resource Center



Fiscal Standards and Accountability Unit Update



Upcoming Due Dates

November 1

- P/T Faculty Health Benefits & Office Hours Final Reimbursement Claims for 2017-18
- Attendance CCFS-320 “Recal Report” for revisions to Annual Report

November 15

- 311 Q for 2018-19 Q1

November 30

- Part-Time Faculty Compensation Certification
- Full-Time Faculty Obligation Report (Fall 2018 FON Compliance vs Actual)
- Auxiliary Audit Reports
- Changes to Master Agreements/Bylaw

AB 19 – California College Promise

- Revenue
 - Restricted General Fund (12)
 - 8620 - Other General Categorical Programs
- Treat as direct assistance
- Identify student enrollment fee expenditures
- Chancellor's Office Financial Aid unit will use MIS data to track the amount of enrollment fees paid with AB19 funds

<http://extranet.cccco.edu/Divisions/StudentServices/FinancialAid/FinancialAidPrograms/ab19.aspx>

2017-18 Annual Financial Audit Reports

- Acceptance/Follow-Up Letters
- Corrective Action Plan
 - Repeat findings
 - Prior year findings not fully implemented

Contracted District Audit Manual (CDAM) Changes for 2018-19

- **Deletions**

- Section 428 – Student Equity
- Section 429 – Student Success & Support Program Funds
The Student Equity and Student Success & Support programs have been replaced by the Student Equity Achievement Program.
- Section 440 – Intersession Extension Program
The Education Code that created this program was repealed.

- **Revisions**

- Section 424, 425, 427

FY 18-19 CDAM – Revisions/Updates

Section 424 – State General Apportionment Funding System

Background and criteria sections now reflect the newly enacted Student Centered Funding Formula (SCFF).

NO specific audit procedures for supplemental or student success allocations are added this year.

Apprenticeship programs that don't claim RSI are now eligible to claim FTES for apportionment purposes.

FY 18-19 CDAM – Revisions/Updates

Section 425 – Residency

The audit procedures have been updated to reflect recent legislation related to the residency determination for students cross enrolled through the online course exchange of the Online Education Initiative Consortium.

The residency determination of the student's home college is accepted if the teaching college possesses a signed consortium reciprocity agreement.

FY 18-19 CDAM – Revisions/Updates

Section 427 – Dual Enrollment

Recent legislation now allows :

- CCAP agreements with charter schools
- Closed courses for eligible high school students in person or using an online platform

In addition, the CCAP annual report must include the total number of FTES generated by online CCAP participants.

Fall 2019 Advance Faculty Obligation Number (FON)

Fall 2018 Base FON

Adjustment for Projected FTES *

+ Adjustment for new Full-Time Faculty Hiring Funds

Fall 2019 Advance FON

***FTES estimate assumes FULL RESTORATION & FULL GROWTH**

FTES Adjustment

$$=(\text{Fall 2018 Base FON}) \times (\text{Percentage Change in FTES})$$

Percentage Change in FTES =

$$\frac{\text{Projected 2018-19 Credit FTES}^* - \text{2017-18 P2 Credit FTES}}{\text{2017-18 P2 Credit FTES}}$$

***FTES estimate assumes FULL RESTORATION & FULL GROWTH**

Full-Time Faculty Hiring Funds Adjustment

= (\$ Allocation) / (Statewide Average Replacement Cost)

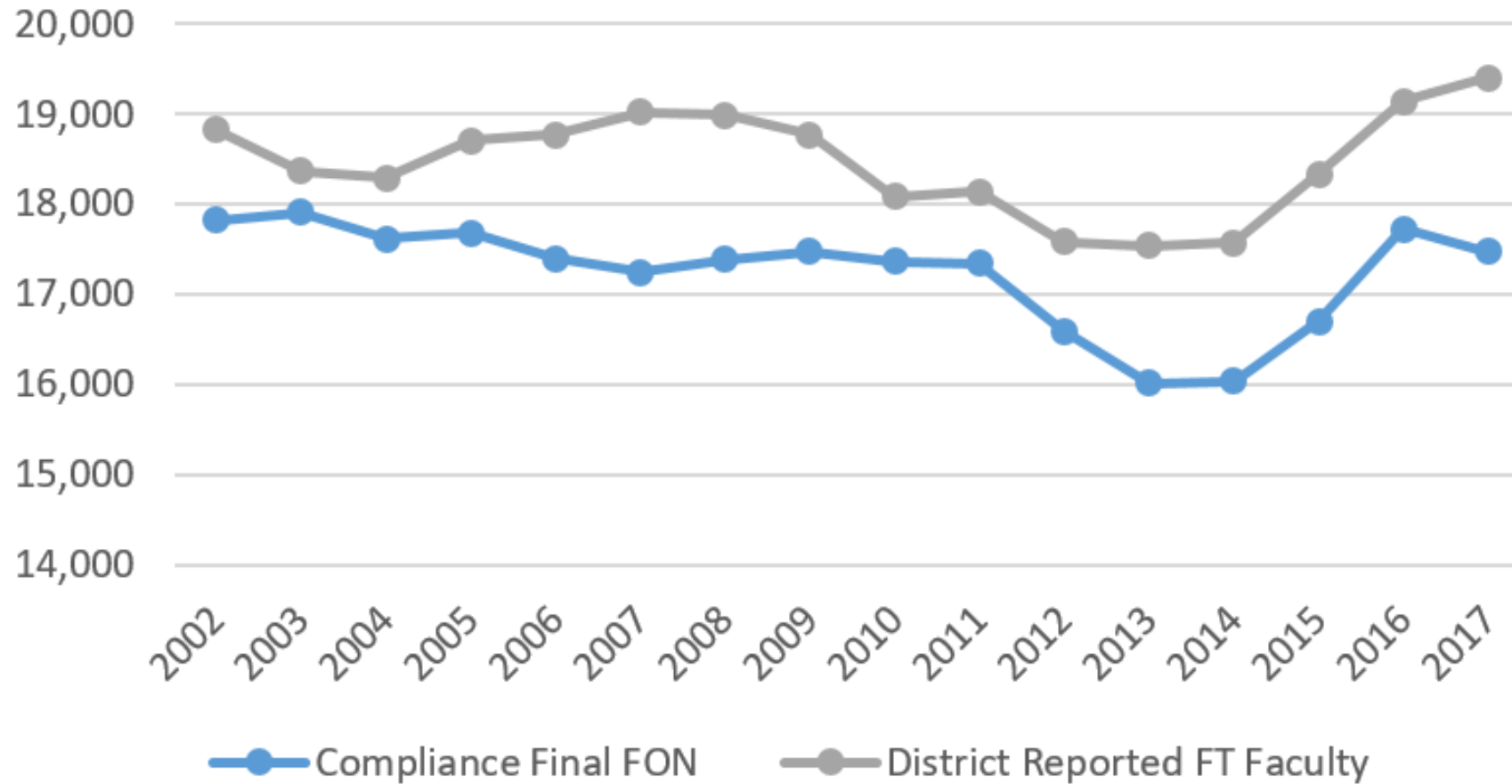
Statewide Average Replacement Cost =
Faculty salary & benefits – [(P/T rate) x (F/T teaching load)]

2017-18 Statewide Average Replacement Cost = \$77,063

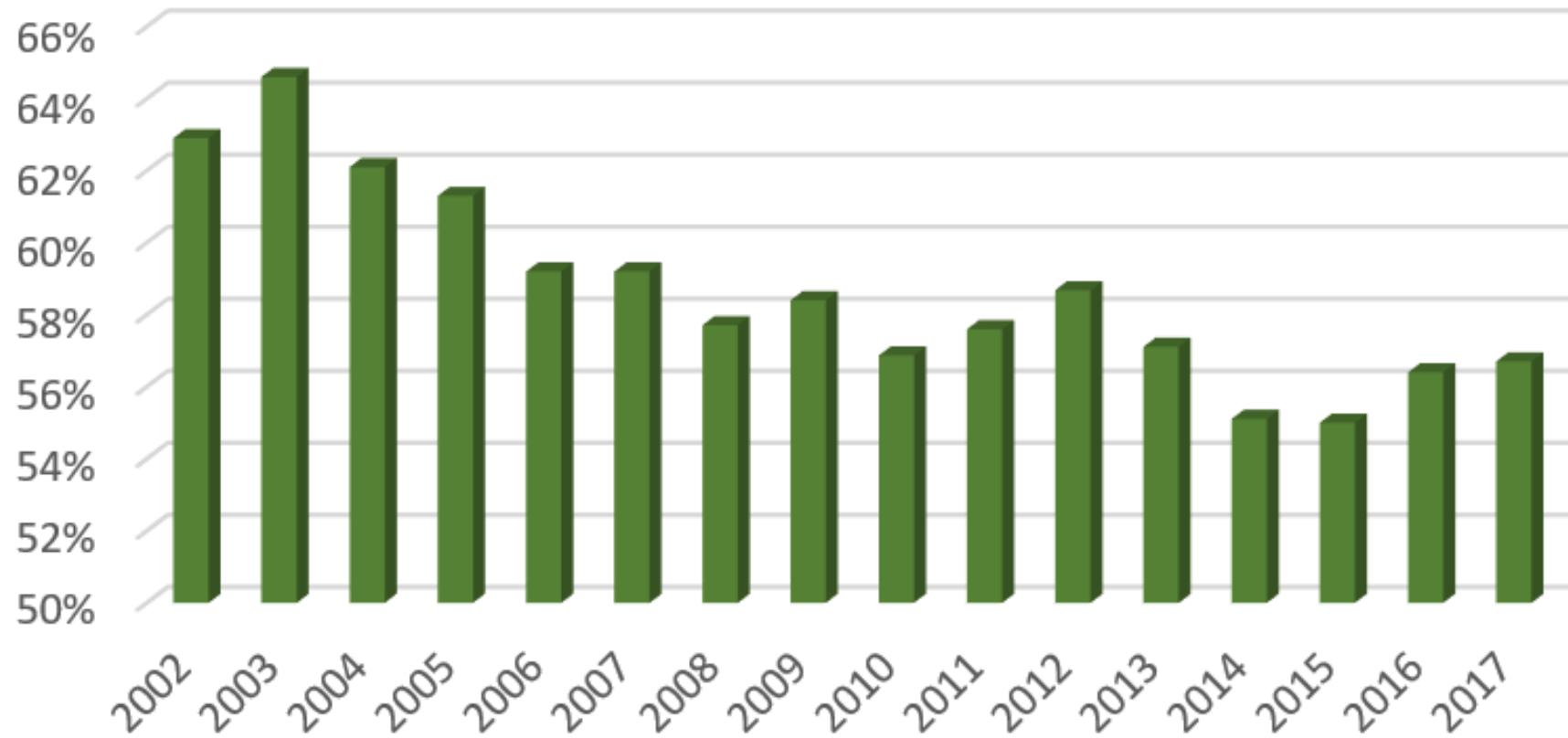
FON Penalty Timeline

- Fall 2018 Compliance report due Friday, November 30, 2018
- Notification Memo sent no later than April 2019
- Invoice from Chancellor's Office issued in May 2019
- Equal Employment Opportunity Fund

Compliance FON vs Actual Faculty (FTEF) 2002-2017



Full-Time Faculty Percentage (# FT Faculty/Total # Faculty) 2002-2017



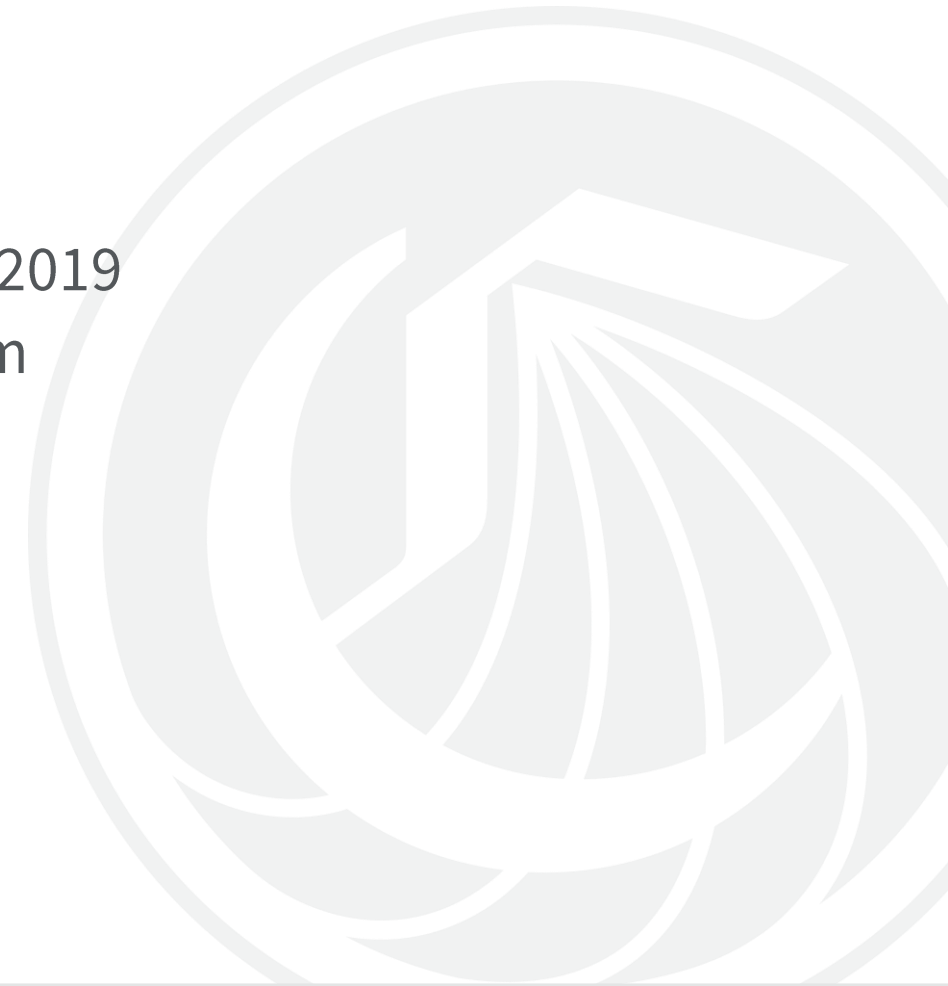
2018-19 Part-Time Office Hours

One-time \$50 million

- No change to claim process
- Office hour claims due to Chancellor's Office June 1, 2019
- Reimbursement limited to no more than 50% of claim
- Remaining funds used for 2019-20 claims

2017-18

- \$12.2 million reimbursement budget authority
- 35 districts submitted claims (as of June 2018)
- \$22 million eligible for reimbursement



Community College Fiscal Challenges

Uncertain funding projections as system adjusts to SCFF

Actual Costs > Funding Increases

- CalSTRS & CalPERS Contributions
- Recruiting, Retaining, & Training Faculty
- Employee Health Care Costs
- Aging Facilities
- Declining Enrollment

Silent Recession, *Why California School Districts are Underwater Despite Increases in Funding*

Krausen, K., Willis, J. (2018)

<https://www.wested.org/resources/silent-recession/>

Why Monitor District Fiscal Health?

Early detection

Targeted, customized technical assistance

Crisis Prevention

Develop proactive statewide support

Inform policy discussions

Drive legal and regulatory change



Principles for Sound Fiscal Management

1. Stewardship
2. Safeguard assets
3. Personnel
4. Auxiliary organizations
5. Accountability
6. Inform Board
7. Reliable information system
8. Internal Control Policies & Procedures
9. Develop & communicate fiscal policy
10. Process to evaluate change
11. Financial planning
12. Capital Outlay budget

Fiscal Health Monitoring Timeline

Chancellor's Office Internal Reports

- November 15
Annual Fiscal Health Summary Report Part I: Financial Indicators
- February 28
Annual Fiscal Health Summary Report Part II: Audit Indicators
- March 15
Second Quarter Fiscal Health Update
- June 15
Third Quarter Fiscal Health Update

Financial Indicators

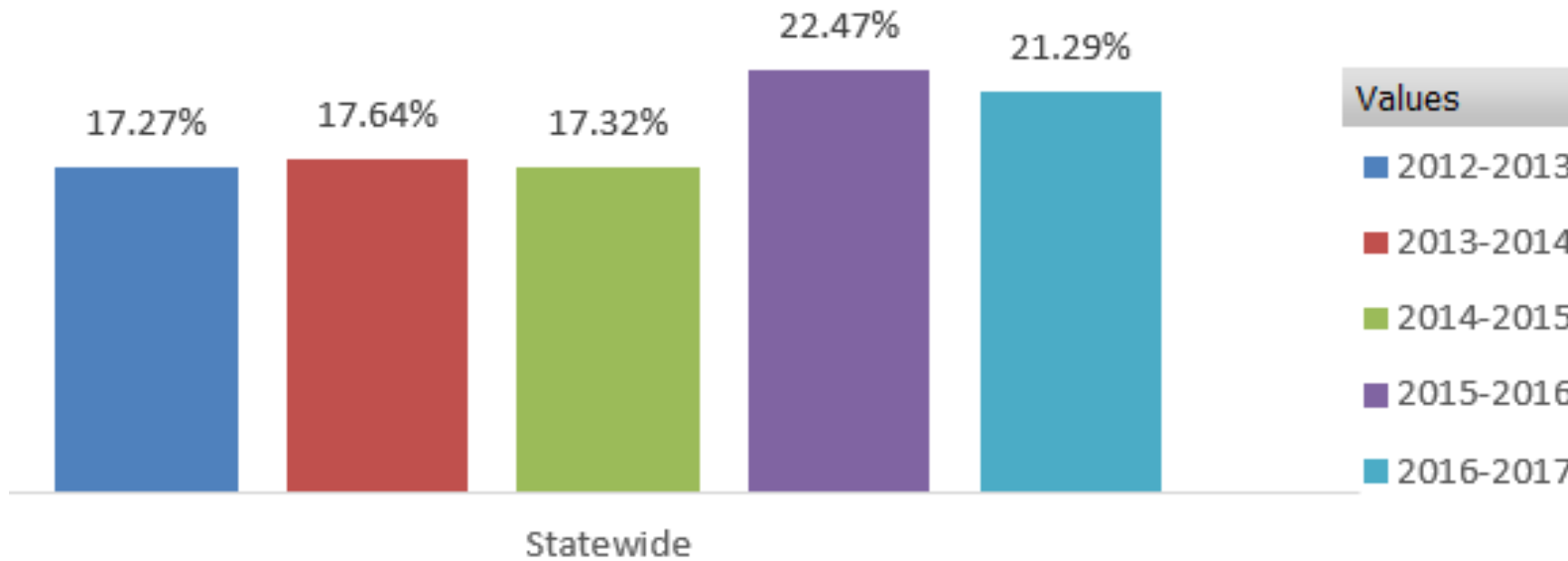
- Unrestricted General Fund Ending Balance
- Deficit Spending
- Cash Balance
- FTES

Others may include, but are not limited to:

- Pension costs
- Pension and OPEB liabilities
- Compensation ratios
- Debt to revenue ratios
- SCFF factors

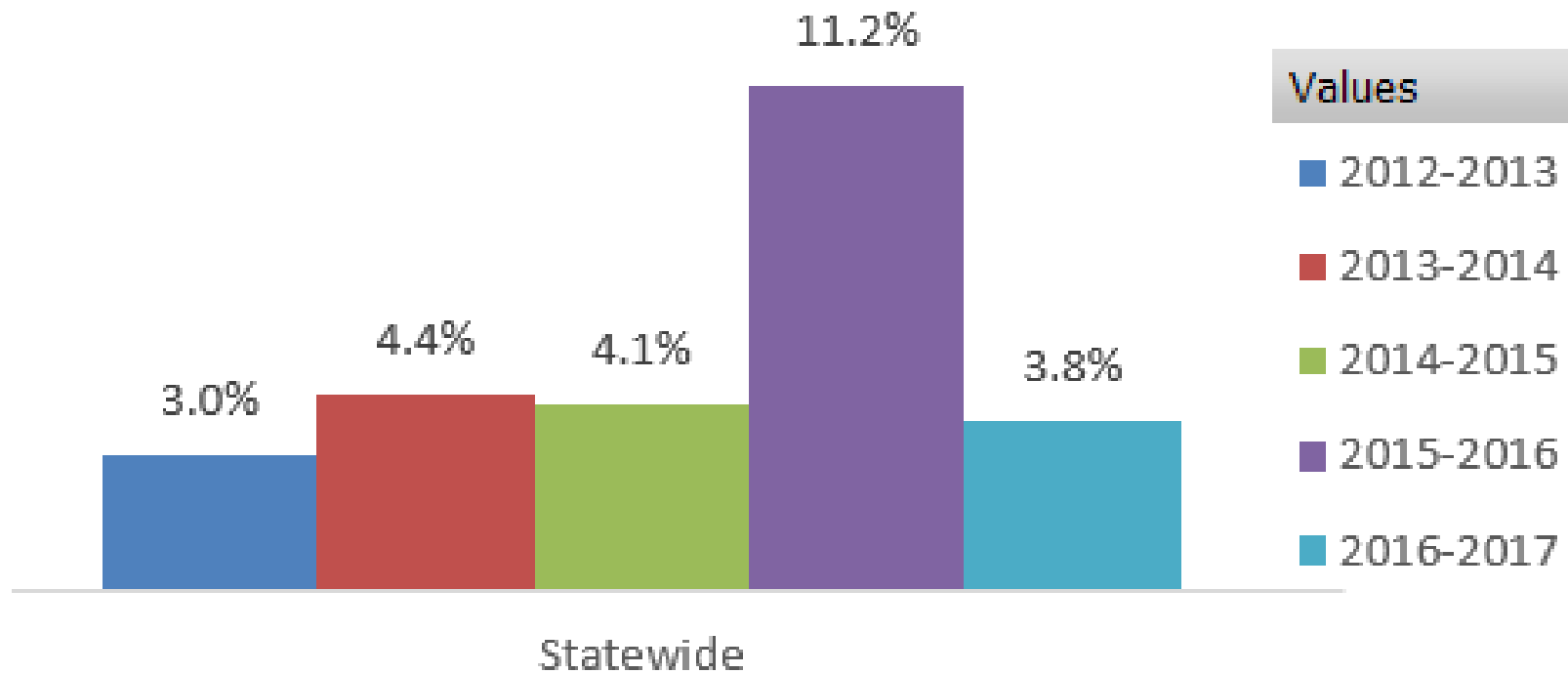


Primary Reserve Ratio Unrestricted GF (Ending Fund Balance/Expenditures)



2016-17 Primary Reserve Ratio ranged from 5.1% - 51.5%

Net Operating Revenue Ratio (Surplus(Deficit)/Total Revenue)



- 2016-17 Net Operating Revenue ranged from -17% to 23%

Audit Indicators

- Opinions
 - Financial Statement
 - Federal Compliance
 - State Compliance
- Management Letter
- Findings
- Repeat and Unresolved Findings
- Regulatory compliance
- Pension and OPEB liability trends

Fiscal Health Monitoring Follow-Up

Moderate/High Risk = Additional Inquiry

Next steps determined on case-by-case basis:

- Recommended published resources (Vision Resource Center)
- Training
- Site visits
- IEPI Partnership Resource Team (PRT)
- District Recovery Plan
- FCMAT Review
- Special Trustee

Apportionments & Funding Formula Updates



Categorical Allocations

- Strong Workforce Allocations = \$117 million
- Physical Plant & Instructional Equipment - \$10.9 million (total 2018/19 funding is \$28.4 million. Additional information is available on Facilities Planning memorandum, [FP 18-14.](#))

Categorical Allocations

- 2018/19 Full-Time Faculty Hiring Funds - \$50 million
- Mandates Block Grant (November) - \$32.8 million

Full-Time Faculty Hiring Allocation

- 2015-16 Full-Time Faculty Hiring Funds
 - Exhibit C, Total Computational Revenue
- 2018-19 Full-Time Faculty Hiring Funds
 - Exhibit B-2A, Categorical Apportionments
 - Initial allocation based on pro-rata share of Total FTES
 - Annual adjustment for base increase and COLA

Funding Formula Update

- **320 Attendance Report Changes**

With the new formula, we need to make changes to the 320 attendance report. Right now, we collect AB 540 Headcount and Special Admit FTES on the 320 but only at P2 and Annual. We are going to start collecting this information at the P1, as well. We also need to add the collection of Inmates in Correctional Facilities FTES for both credit and non-credit. We hope to have this change before January 2019 so districts can report for P1.

Funding Formula Update

Exhibit C Changes

We are working on a new Exhibit C display to accommodate the new metrics that are part of the new funding formula. The new formula has added 30 new metrics to the formula, so we are trying to fit these metrics on to the existing Exhibit C and we are trying to keep it to two pages. We plan to share a draft of the exhibit with the ACBO board in November/December.

Other Issues

Student Attendance Accounting Manual

The review committee plans to meet in late November to review a draft of the rewritten SAAM. The SAAM has not been updated since 2001. We hope to have a newly updated SAAM by late winter/early spring 2019.

Facilities Planning and Utilization Unit



CCC Facilities Needs

- 5-year Facilities Needs = \$23B
- 10-year Facilities Needs = \$42.5B
- Enrollment Growth Needs = 7M ASF
- Modernization Needs = 29.4M ASF
 - 62% of buildings: over 25 years old
 - 50% of buildings: over 40 years old



Prop 51 - Implementation

- 2017-18 State Budget
 - \$16.9M - 15 new projects
Preliminary Plan Phase only
- 2018-19 State Budget
 - \$40.2M – 15 continuing projects
Working Drawing Phase
 - \$9.6M – 6 new projects
P and W Phases
- 2019-20 Proposed Plan
 - \$503M – 19 continuing projects
Construction and Equip Phases
 - \$48.3M – 39 new projects
P and W Phases
- \$569M of Projects – 28%
- \$1.2B Proposed – 63%

2019-20 Proposed Spending Plan - New

BOG Cat.	Description	Project Funding	# of Projects
A	Health and Safety	\$9,073,000	3
B	Instructional Growth	\$20,163,000	15
C	Instructional Modernization	\$13,144,000	15
D	Complete Campus	\$5,954,000	6
E	Institutional Growth	\$0	0
F	Institutional Modernization	\$0	0
		\$48,334,000	39

Prop 51 - Implementation

Project	2017-18	2018-19	2019-20*	2020-21**	Totals
Cont. Project		\$40,243,000	\$503,131,000	\$654,859,000	\$1,198,233,000
New Project	\$16,894,000	\$9,677,000	\$48,334,000	Under Review	\$74,905,000
Total	\$16,894,000	\$49,920,000	\$551,465,000	\$654,859,000	\$1,273,138,000

*Proposed Spending Plan, Pending BOG Approval.

** Dependent on 2019-20 State Budget

Funding Shelf Life - Traditional Projects

Phase	Encumbrance Period	Liquidation Period	Total Shelf Life
Preliminary Plans	1 year	2 years	3 years
Working Drawings	1 year	2 years	3 years
Construction	3 years*	2 years	5 years
Equipment	3 years	2 years	5 years

*Must secure approval for (1) proceed to bid within the 1st year of funding and (2) bid award within the 3-year encumbrance availability period.

Proposition 39 Update

- \$185M Program
- 968 total projects
- Chancellor's Office close-out deadline is June 28, 2019
- Final Citizen's Oversight Board report due Fall 2019

Proposition 39 – Close-out Information

Total Projects Approved	Total Prop 39 Funds Encumbered	Total Projects Not Closed-Out	Funding Encumbered for Projects Not Closed-Out	Prop 39 Funds Available from Project Savings
968	\$184,904,000	413	\$102,694,289	\$2,843,546

As of October 23, 2018

Proposition 39 Team Contact Information

Investor Owned Utility

Contact your account
manager/representative

Chancellor's Office

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hnguyen@cccco.edu
(916) 327-5363

Newcomb, Anderson, McCormick (NAM)

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Budget Update



2019-20 Budget and Legislative Request

Description	Action
1. Adjustment to Funding Rates Specified for the Student Centered Funding Formula	<p>Additional appropriations consistent with available Proposition 98 resources, with related changes in statutes to adjust funding rates.</p> <p>(Costs of 5-percent adjustment estimated at \$345 million Proposition 98 General Fund.)</p> <p>\$250,000 Proposition 98 General Fund in 2019-20 and 2020-21 (\$500,000 total) for support of oversight committee.</p> <p>\$250,000 Proposition 98 General Fund in 2019-20, 2020-21, and 2021-22 (\$750,000 total) for evaluation.</p>

2019-20 Budget and Legislative Request

Description	Action
2. Comprehensive Support for All Students	
Reforms to the Cal Grant Program Focused on Community College Students	Changes in statutes to reform Cal Grant program. (Costs of reforms estimated at \$1.5 billion—to be funded from General Fund.)
Augmentations for the Student Equity and Achievement Program	Augmentation of \$23 million (representing 5-percent increase). Changes in statutes authorizing establishment of allocation methodology. One position to support the program.
Further Outreach to Support Colleges in Making the “College Promise” Real for Students	An additional \$5 million one-time and statutes to establish the program. Two positions for state leadership.

2019-20 Budget and Legislative Request

Description	Action
3. Improved Quality through Support for Education Professionals	
Ongoing Funding for College-Wide Professional Development	An additional \$25 million ongoing and statutes to establish the program. One position for state leadership.
Ongoing Funding to Support Faculty	An additional \$50 million ongoing and statutes around faculty programs. One position for state leadership.
Pilot Program to Improve Faculty Diversity	An additional \$15 million one-time. One position for state leadership.

2019-20 Budget and Legislative Request

Description	Action
4. Expanded Access to Work-Based Learning within Guided Pathways	\$20 million one-time and statutes to establish the program. One position for state leadership.
5. Statewide Leadership for Educational Equity	
Data Use for Educational Improvement	Changes in statutes and expected General Fund costs.
Greater Capacity for Chancellor's Office Leadership of Statewide Change	Augmentation of \$2 million for state operations budget. Changes in statutes around various local assistance programs.
Better Library Services through Statewide Approach	\$4 million annually for five years beginning in 2019-20 (\$20 million total) with related language.

Advisory Workgroup on Fiscal Affairs

- The Chancellor asked the Advisory Workgroup on Fiscal Affairs to lend expertise on the following:
 - The adoption of regulations that clarify the provisions of the related statutes.
 - The development of new reports, including apportionment reports, that reflect the formula and associated processes to collect data from districts.
 - The production of tools that would help business officials and other local leaders forecast revenues under the formula, including new multi-year planning tools.
- The Chancellor also asked for appointment of members who serve in other roles.

Oversight Committee

- Budget legislation would create an oversight committee consisting of 12 members appointed by the Senate Rules Committee, the Assembly Speaker, and the Governor.
- The committee would make recommendations:
 - By January 1, 2020, on use of measures (as part of the supplemental allocation) related to a student's status as a first-generation college student, a student's financial need given regional considerations, and a student's academic proficiency.
 - By June 30, 2021, on funding for noncredit courses and instructional service agreements, as well as methods by which allocations could be adjusted in a recession.

Other Concerns

- We have heard concerns that a district would not receive points in the student success allocation for the following:
 - A student who has completed a transfer-level mathematics course in the district and a transfer-level English course in another district (or vice versa).
 - A student who has taken some CTE units (less than nine) in the district and some CTE units (less than nine) in another district—even if those units total nine units or more.
 - A “special admit” student (generally a high school student in dual or concurrent enrollment) who has achieved outcomes included in the new formula (e.g., completion of nine CTE units or completion of transfer-level mathematics and English within one year).

Other Concerns

- We have also heard concerns that the formula might encourage districts to create new certificates or pathways that have limited value for the student, because formula allocates points in the student success allocation based on the total number of outcomes across the categories, with multiple outcomes achieved by the same student counted each time.

Questions

