



# California Community Colleges Budgeting under the new Funding Formula

ACBO Institute Project Team 1 - April 2018



# Introduction - Uncertainty!



# Introduction

The Governor is proposing a model for a new funding formula for community colleges to move away from an enrollment base and use a hybrid approach to include an element of performance of enrollment based on Full Time Equivalent Students (FTES) as 50% with a non-enrollment portion of the funding broken out into 25% supplemental grants for low-income students and 25% based on student success using degrees and certificates as a basis.

Themes are uncertainty, engagement and collaboration across entire campus community and changes in how we do things (funding discussions, tracking success and equity).

# Agenda

- This presentation seeks to demonstrate the challenges associated with budgeting based on the new funding formula
- Five areas were chosen for our research:
  - *Decreased funding*
  - *Disparity between single and multi-college districts*
  - *Audit preparation*
  - *Short-term challenges*
  - *Long-term challenges*
- Each topic has been allocated into three segments:
  - *Challenges*
  - *Strategies to deal with the challenge*
  - *Resources required to address the challenge*

## Decreased funding – Challenges

### Budgeting under New Proposed Funding Formula

Decreased funding will leave many of colleges with the challenging task of making ends meet when there simply isn't enough cash to go around.

- *Fixed costs that is going up each year*
- *Smaller Districts have limited reserves to draw upon*
- *Flat or declining enrollment, less students, less funding*

# Decreased funding – Strategies

## Budgeting under New Proposed Funding Formula

- Boost Financial aid students
- Enrollment Strategies
- Finding other local sources of funding
- Categorical Funds to offset GF where possible
- Budget cuts, a modified hiring freeze, no pay raises
- Bring efficiency to adjunct budget
- Centralize shared services

# Decreased funding – Resources

## Budgeting under New Proposed Funding Formula

- Increase in cost related to staffing required to bring other sources of local revenues
- Invest in becoming a data-informed institution and to centralizing shared services
- Increased collaboration and communication with high school and community



# Disparities between colleges in a multi-campus environment – Challenges

- Multi-college districts manage their own funding allocation model to support their colleges.
- There will be no limit on growth; however, the more enrollment statewide, the less funding the District gets.
- For smaller districts, it is difficult to operate or augment the reduction in the state funding
- If the current “base allocation” by college is going away.
  - Small size college “subsidy” will go away?
- Will the non-credit count the same as credit FTES?
- Budgeting planning for future years is quite challenging



## Disparities between colleges in a multi-campus environment – Strategies

- Learn more about how the new simulation analysis provided by the state.
- Define the current enrollment impacts at each college and district
- Improve communication among the district shared governance
- Develop what-if-scenario to explore options for resource allocation to increase efficiency
- Classrooms productivity and develop proactive strategies to support students efforts to reach their academic goals

## Disparities between colleges in a multi-campus environment – Resources

- Potential push back from small college “subsidy” in multi-college district
- Impacts to the district financial stability over the upcoming years – not meeting requirements
- Community outreach by the college/district marketing and foundation divisions for student promotional access
- More communication with the State Chancellor Office
- Review district and colleges support services strategic plans, goals, recommendation, directions

# Audit Preparation under the new Funding Formula - Challenges

- Maintaining adherence to 50% Law in times of lower revenue and increasing expenses (STRS/PERS, Salaries/Benefits)
- Breakout of apportionment by college for multi-college districts if new funding formula provides funding by district as opposed to individual campus
- Difficulty tying out apportionment reports to revenues received
- Learning curve to apply changes after decades of using old formula for both districts and audit firms
- Newly added workload measures e.g. certificates, enrollment numbers for low-income student

# Audit Preparation under the new Funding Formula - Strategies

- More coordination between districts and CCCCO to obtain backup, understand calculations and timing of payments
- Campus-District coordination to agree on breakdown of funding by campus if funds distributed only at the district level
- Cross-functional teams to include district and campus administration to undertake future year planning after hold-harmless phase expires
- Cross-functional teams to include district and campus administration as well as Finance and HR to maintain adherence to 50% Law in times of lower revenue and increasing expenses (STRS/PERS, Salaries/Benefits)
- Budget workshops and CCCCO training to assist districts in understanding nuances of the new formula and its application

# Audit Preparation under the new Funding Formula - Resources

- CCCCCO to offer workshops for budgeting, widespread statewide knowledge share on timing, calculation of apportionment and meeting of targets
- Improved cooperation between districts and CCCCCO to understand calculations and timing of payments
- Campus-District coordination to agree on breakdown of funding by campus if funds distributed only at the district level
- Develop cross functional teams
- Work with Board and audit committee to develop a complete understanding of the key components of the new funding formula

## Short-Term – Challenges

### Budgeting under New Proposed Funding Formula

- Precise formula information not readily available and implementation is too soon
- Limited amount of time to provide feedback and to participate in formula development process
- New formula presents a major change and only provides a single hold-harmless year
- Many workload measures rely on MIS Data
- Loss of “Summer FTES Shift” flexibility

# Short-Term – Strategies

## Budgeting under New Proposed Funding Formula

- Participate in all available training and workshops
- Verify accuracy of relevant MIS data submissions
- Determine growth/decline trends in relevant workload measures
- Expand participation in budget development processes
- Determine impact of losing summer FTES reporting flexibility
- Keep district and campus community updated



# Short-Term – Resources

## Budgeting under New Proposed Funding Formula

- Additional travel costs to participate in needed training
- More coordination needed between districts and CCCCO
- More coordination between cross-functional teams (Research, Academic Affairs, Student Services, and Finance Functions)

# Long-Term – Challenges

## Budgeting under New Proposed Funding Formula

- Need to track and focus on multiple funding variables
- Need to forecast available funding based on less predictable factors
- Need to measure internal efficiencies related to student completion and/or equity variables
- Need to engage more stakeholders on and off campus
- Need to communicate differently with external compliance agencies

## Long-Term – Strategies

### Budgeting under New Proposed Funding Formula

- Become more knowledgeable about student completion and equity variables
- Develop new forecasting tools to increase predictability
- Become more engaged with stakeholders on and off campus
- Develop new ways to measure efficiencies related to completion and equity variables
- Learn to communicate differently with external compliance agencies

## Long-Term – Resources

### Budgeting under New Proposed Funding Formula

- Increase in cost related to staffing required to track and measure new variables
- Increase in cost related to staffing dedicated to achieve new funding measurements
- Decrease in revenue from failure to meet multiple funding measurements
- Decrease in revenue from failure to persuade voters using new measurements to approve bond financing

# Conclusion

Districts would prefer adequate lead time to allow them to adjust to and prepare for a new funding formula, rapidity and lack of time to transition is a big cause for concern – timeline “impossible”.

Communication between the CCCCCO, districts and campuses will be key to ensure that concerns are addressed and questions answered, providing a transparent and streamlined process which meets the needs of the districts to continue to provide a satisfactory level of service to the community.