

# **Governing Boards and California Community College Finance Overview**

## **Effective Student Trusteeship Workshop August 17, 2019**

**Dr. Bonnie Ann Dowd  
Executive Vice Chancellor  
San Diego Community College District**

# How can the student trustee contribute?

- ▶ Students typically serve a single academic year, how can you make a difference?
  - Understand your role and help others understand.
  - Provide a clear difference between what is the purview of student government versus the BOT when it comes to funding campus projects or programs.
  - Understand what is possible and within the control of the board.
  - Understand the history and the process – here we go!

# California Master Plan – 1960

University of California (UC)

Select from top 12.5% of the high school graduating class



California State University (CSU)

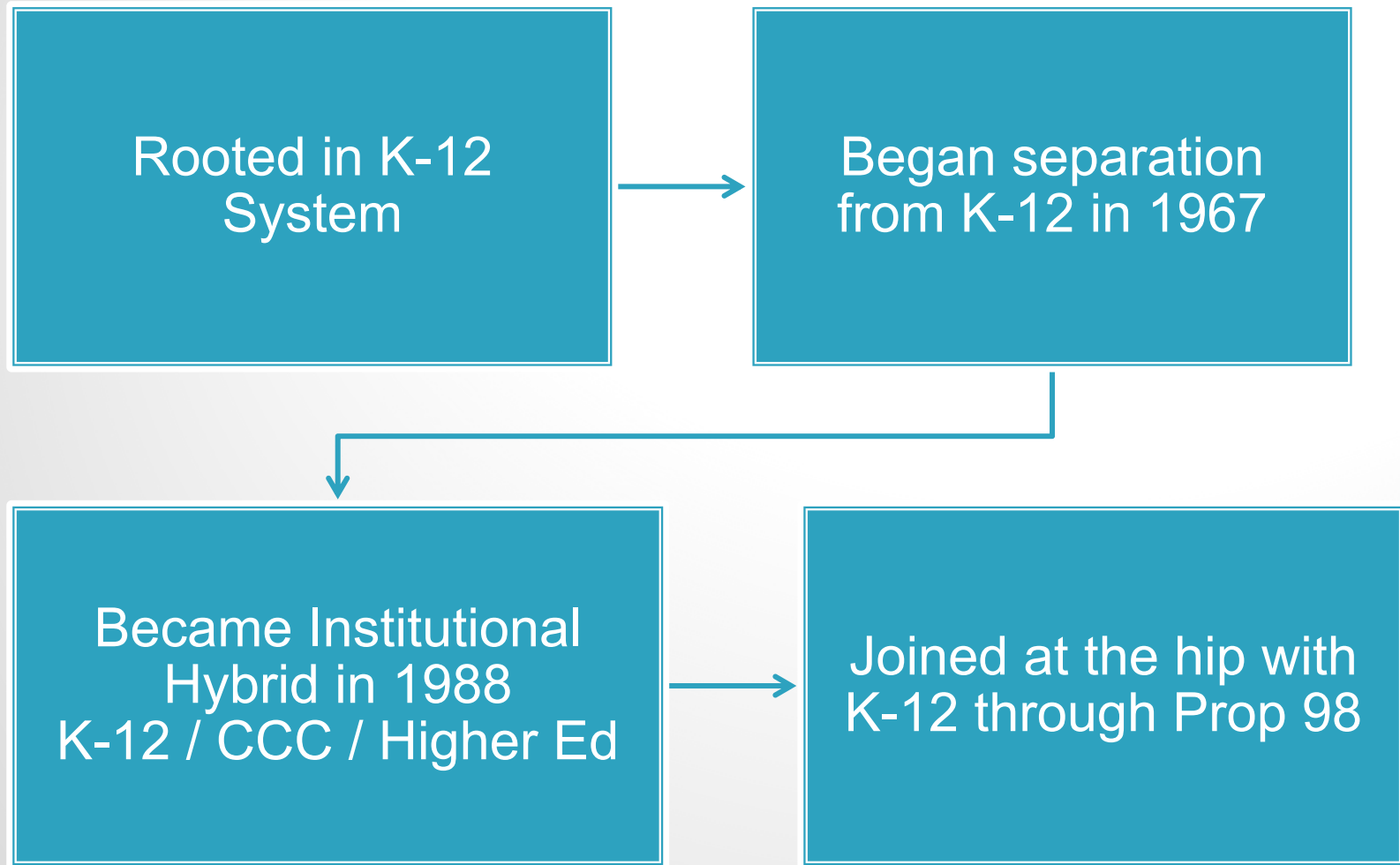
Select from top 33.33% of the high school graduating class



California Community Colleges (CCC)

Admit any student capable of benefiting from instruction

# CCC Funding Historical Context



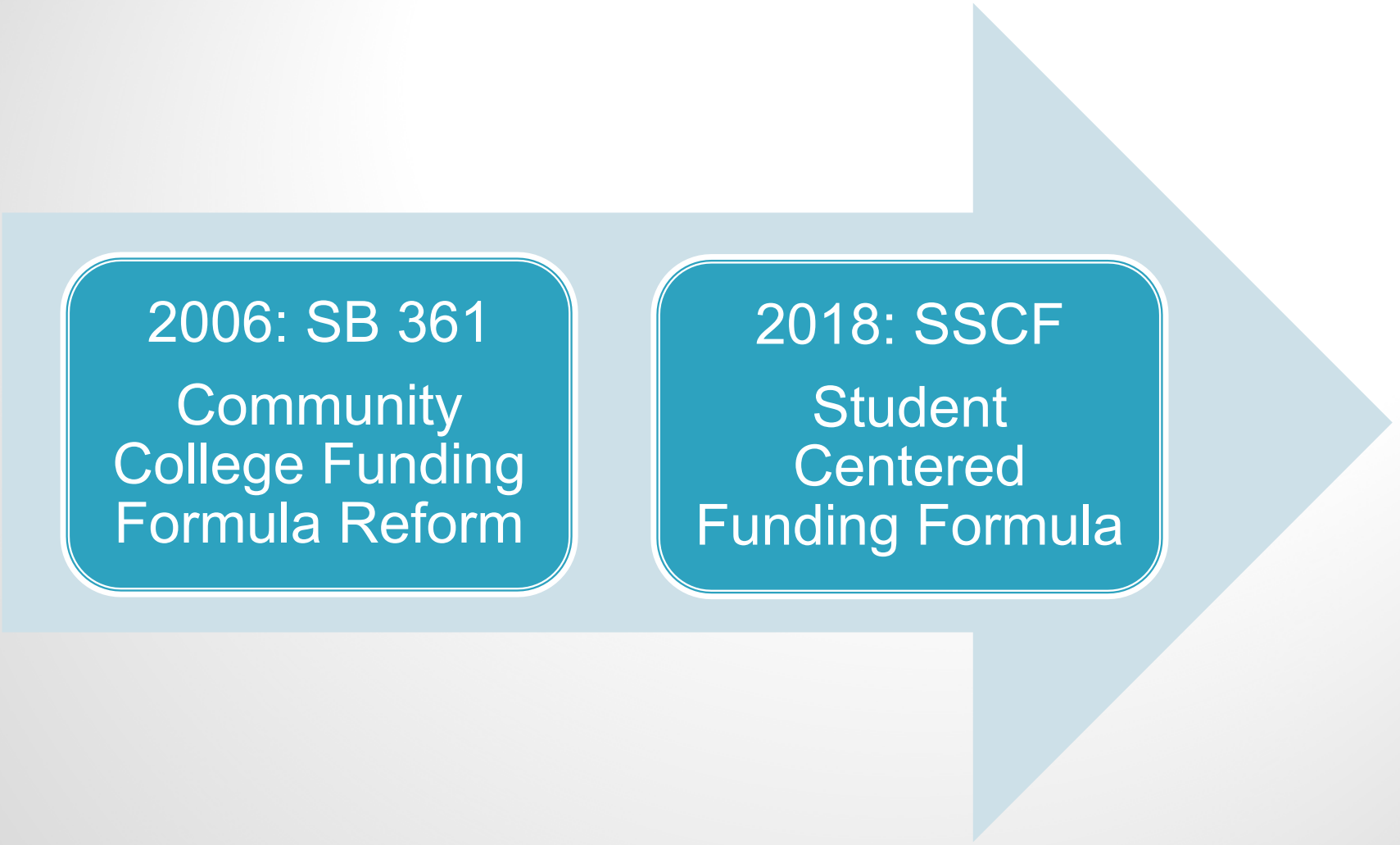
# Key Legislation

1978: Prop 13  
“Peoples Initiative  
to Limit Property  
Taxation”

1988: Prop 98  
“The Classroom  
Instructional  
Improvement and  
Accountability Act”

1988: AB 1725  
“The Community  
College Reform  
Act”

# Key Legislation



2006: SB 361  
Community  
College Funding  
Formula Reform

2018: SSCF  
Student  
Centered  
Funding Formula

# Prop 13 – Amendment to the State Constitution

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Limits the tax rate for real estate to not more than 1% of property value. Rate cannot increase more than 2% a year.

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Drew its impetus from *Serrano v Priest* that a property tax based finance system for public schools was unconstitutional.

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Enabled Californians with fixed incomes to continue to afford the homes they lived in for many years.

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Property tax is no longer a local tax.

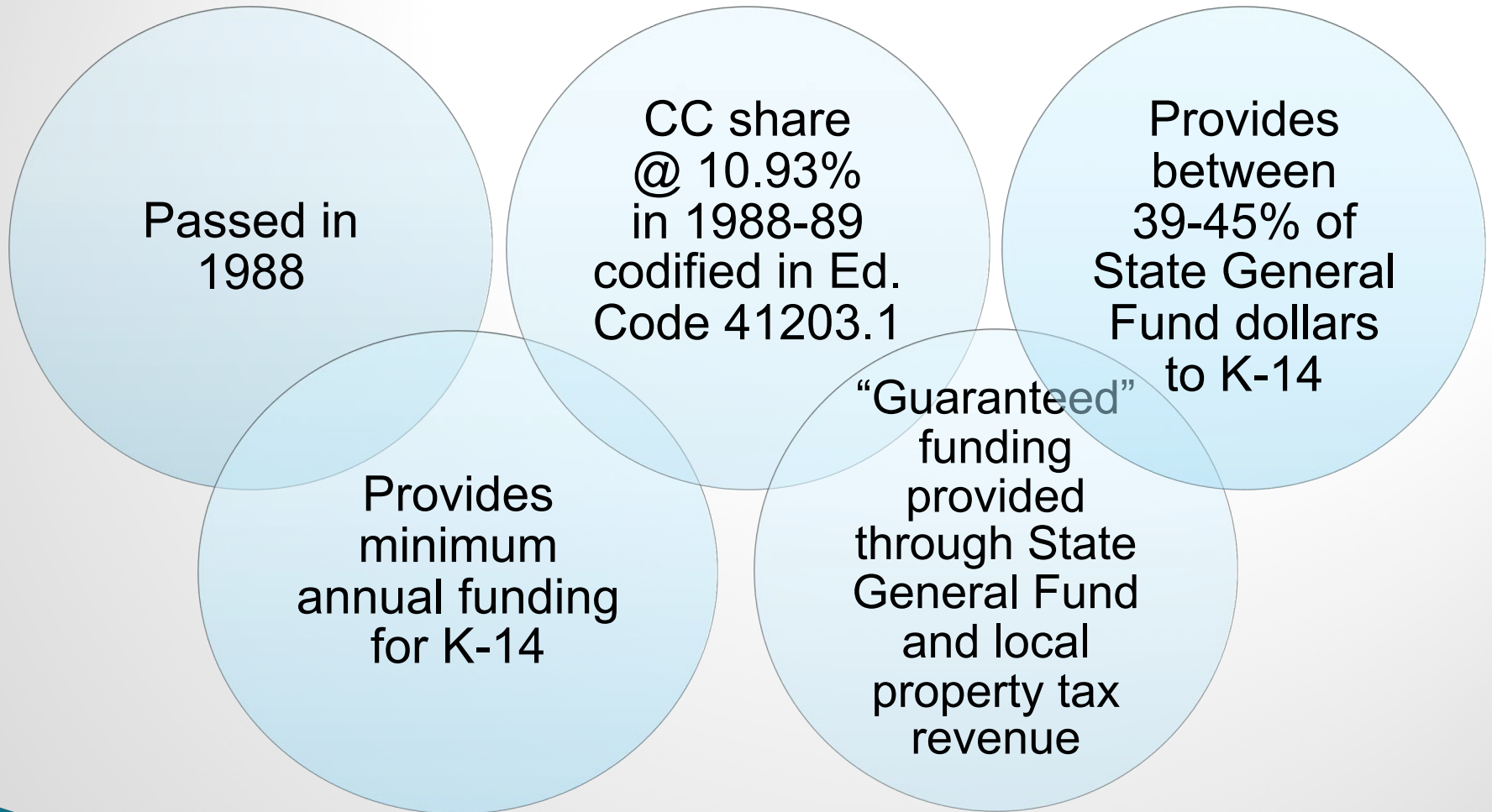
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Substantially removed the ability of local school boards to raise taxes.

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# Prop 98





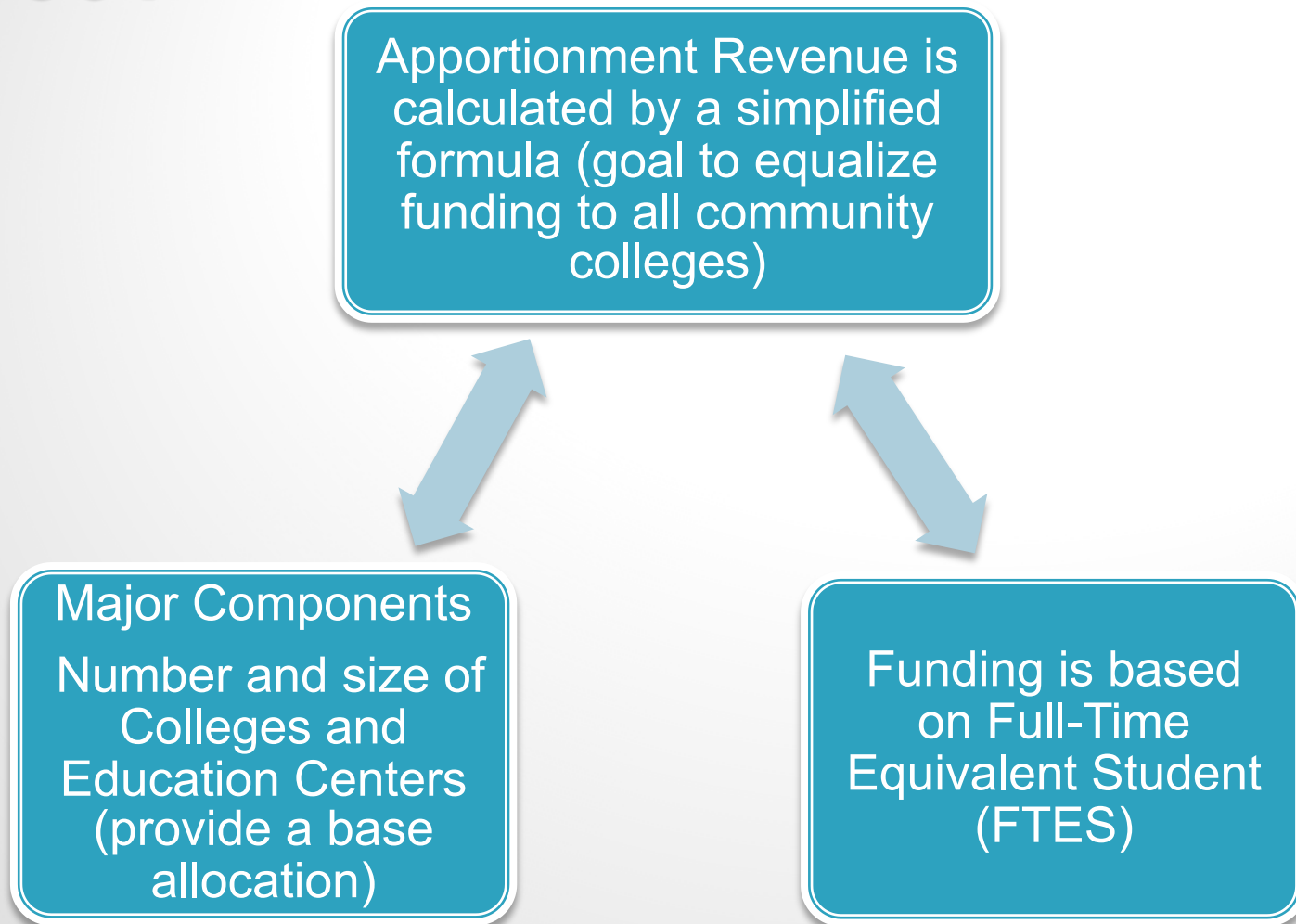
# AB 1725 (highlights)

- ▶ California's Assembly Bill 1725 (AB 1725) legislation signed in 1988 by Governor George Deukmejian.
- ▶ Eliminated the K-14 education model to two separate systems of education - K-12 and the California Community Colleges system.
- ▶ AB 1725's emphasized the role of California community colleges as postsecondary institutions committed to transferring students, offering remedial courses, and providing vocational training.
- ▶ Shifted power from the legislature back to the local boards, and addressed a number of concerns related to hiring of faculty and other personnel including the elimination of teacher credentialing and changed from average daily attendance (ADA) funding to FTES funding.

# AB 1725 (highlights continued)

- ▶ Stipulated the role affirmative action would play in hiring practices, highlighting the goal that the workforce reflect the proportionality of the state's adult population.
- ▶ Provided for “participatory governance” referred to by many as “shared governance” by ensuring constituency representation on committees and establishing primacy of the Academic Senate with regard to academic and professional matters (10+1 A&P).
- ▶ Established a goal of 75:25 where 75% of instruction would be taught by full-time instructors and 25% by part-time instructors.
- ▶ Instituted "program-based funding" to change the way the community colleges would be funded with an emphasis placed on local control.

# SB 361



# SCFF-Student Centered Funding Formula (as enacted July 1, 2018)

- ▶ The new formula calculates apportionments generally using three allocations:
  - *Base Allocation*—Current factors (primarily credit FTES).
  - *Supplemental Allocation*—Counts of low-income students.
  - *Student Success Allocation*—Counts of outcomes related to the *Vision for Success*, with “premiums” for outcomes of low-income students.
- ▶ Noncredit FTES (and some other FTES) are currently outside of the SCFF and are funded at current rates.
- ▶ The rates were calculated to provide a three-year transition.

# SCFF-Student Centered Funding Formula (as enacted July 1, 2018)

Student Success Allocation - Measures	All Students	Promise Grant Premium	Pell Grant Premium
Associate degrees for transfer granted	4	4	6
Associate degrees granted (excluding ADTs)	3	3	4.5
Baccalaureate degree granted	3	3	4.5
Credit certificates (16 units or more) granted	2	2	3
Completion of transfer-level mathematics and English courses within first academic year of enrollment	2	2	3
Successful transfer to four-year university	1.5	1.5	2.25
Completion of nine or more CTE units	1	1	1
Attainment of regional living wage	1	1	1.5

# SCFF-Student Centered Funding Formula

## (as enacted July 1, 2018)

	2018-19	2019-20 <sup>1/</sup>	2020-21 <sup>1/</sup>
Base Allocation			
Dollars per Credit FTES	\$3,727	\$3,387	\$3,046
Basic Allocation	<i>See Note</i>	<i>See Note</i>	<i>See Note</i>
Supplemental Allocation— Dollars per Point	\$919	\$919	\$919
Student Success Allocation— Dollars per Point	\$111	\$167	\$222

<sup>1/</sup> These totals will also be adjusted by the changes in the cost-of-living in those years.

Note: These amounts will be calculated based on the numbers of colleges and comprehensive centers consistent with the current formula.



# SCFF-Student Centered Funding Formula (as enacted July 1, 2018)

- ▶ In 2018-19, 2019-20, and 2020-21, a district would receive the greater of the formula total or the amount the district received in 2017-18, adjusted by the changes in the cost-of-living for each year.
- ▶ The formula includes a “stability” (Hold Harmless) provision that delays any decreases in revenues by one year.
- ▶ Further, the bill would require the following of districts:
  - *Goals*—Adoption, by January 1, 2019, of goals that are aligned with the Vision for Success.
  - *Comprehensive Plans*—Alignment of comprehensive plans with those goals and alignment of annual budgets with the comprehensive plans.
  - *Capacity*—If directed by the chancellor (with approval by the Board of Governors), use of funds for technical assistance or professional development.



# Legislative Oversight Committee on the Student Centered Funding Formula

Governor Appointees	Senate Appointees	Assembly Appointees
Dr. Sonya Christensen – President, Bakersfield College	Dr. Bonnie Ann Dowd – Executive Vice Chancellor Business & Technology Services, San Diego CCD	Dr. Angelica Garcia – Vice President of Student Services, Skyline College
Ann-Marie Gabel – Vice Chancellor, Business Services, South Orange County CCD	Valerie Johnson – President, Crafton Hills College Student Senate	Liz Guillen – Director of Legislative and Community Affairs, Public Advocates, Inc.
Dr. Kindred Murillo – President, Southwestern College	Manuel S. Payan – Grounds/Equipment Operator, San Joaquin Delta College	John McDowell – Adjunct Professor of Labor Studies, Los Angeles Trade Technical College
Dr. Christopher Nellum – Sr. Director for Higher Education, Education Trust-West	Michele Siqueiros – President, Campaign for College Opportunity	Dr. Dianne Van Hook – Chancellor, Santa Clarita CCD, College of the Canyons

# Legislative SCFF Oversight Committee Recommendations' Due Dates

- ▶ Recommendations due January 1, 2020
  - First generation students
  - Financial need considering student's region
  - Academic proficiency
  
- ▶ Recommendations due January 1, 2021
  - Noncredit instruction (request has been made to move to January 1, 2020)
  - Instructional service agreements (request has been made to move to January 1, 2020)
  - Requests has been made to expand upon areas initially assigned to be studied under the SCFF

# What was Proposition 30 and 50...

- ▶ Approved by taxpayers in November 6, 2012 to temporarily fund education and expected to generate \$6-12 billion revenue annually.
  - Temporary increase of sales tax for four years and personal income tax for seven years.
  - Sales tax was approved with a sunset date of December 31, 2016.
  - Personal income tax was approved and originally scheduled to sunset in 2018.
  - Funds cannot be used for administrative costs.
  - Expenditures must be tracked and reported separately (Education Protection Account “EPA”).
  - Proposition 55 approved by taxpayers on November 8, 2016 extended the personal income tax increases on incomes over \$250,00 for 12 more years in order to continue to fund education and healthcare.

# Other funds

- ▶ Student Success funding: money for colleges to support increases in student success.
- ▶ Equity funds: money for colleges to assist with reducing achievement gaps.
- ▶ Grants: contributions from government or private organizations that must be used for specific purposes as defined by the source of funding.
- ▶ Reserves: Funds set aside for future unanticipated expenses, emergencies and other purposes.
- ▶ General Obligation Bond funds: Requires a 55% majority vote of local taxpayers in support of specific capital project expenditures.

# Fund Accounting Defined

▶ A fund is defined as a:

*“...fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equity or fund balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions and/or limitations.”* (GASB Codification Section 1300, NCGA-1)

# Why Fund Accounting?

- ▶ Primary purpose of fund accounting is to segregate financial information. Resources are allocated to and accounted for in individual funds based upon the purpose or use of funds as determined by the donors/source of the funds (i.e., resources).
- ▶ Accounting for financial transactions related to specific activities or objectives are recorded within separate funds.
- ▶ For external reporting purposes, there are three broad fund types: Governmental; Proprietary; Fiduciary.
- ▶ Total revenue and total expenditure budget amounts in the same fund/project grant must be equal i.e., a budget must balance as compared to a “for-profit entity”, which ideally has revenue in excess of expenses i.e., “operating at a profit”.



# **FTES: What is it and Why is it important?**

- ▶ Full time equivalent students
- ▶ Unfunded FTES
- ▶ Enrollment growth
- ▶ Enrollment caps/constrained
- ▶ Enrollment management
  
- ▶ DETERMINES APPORTIONMENT!



# General Apportionment

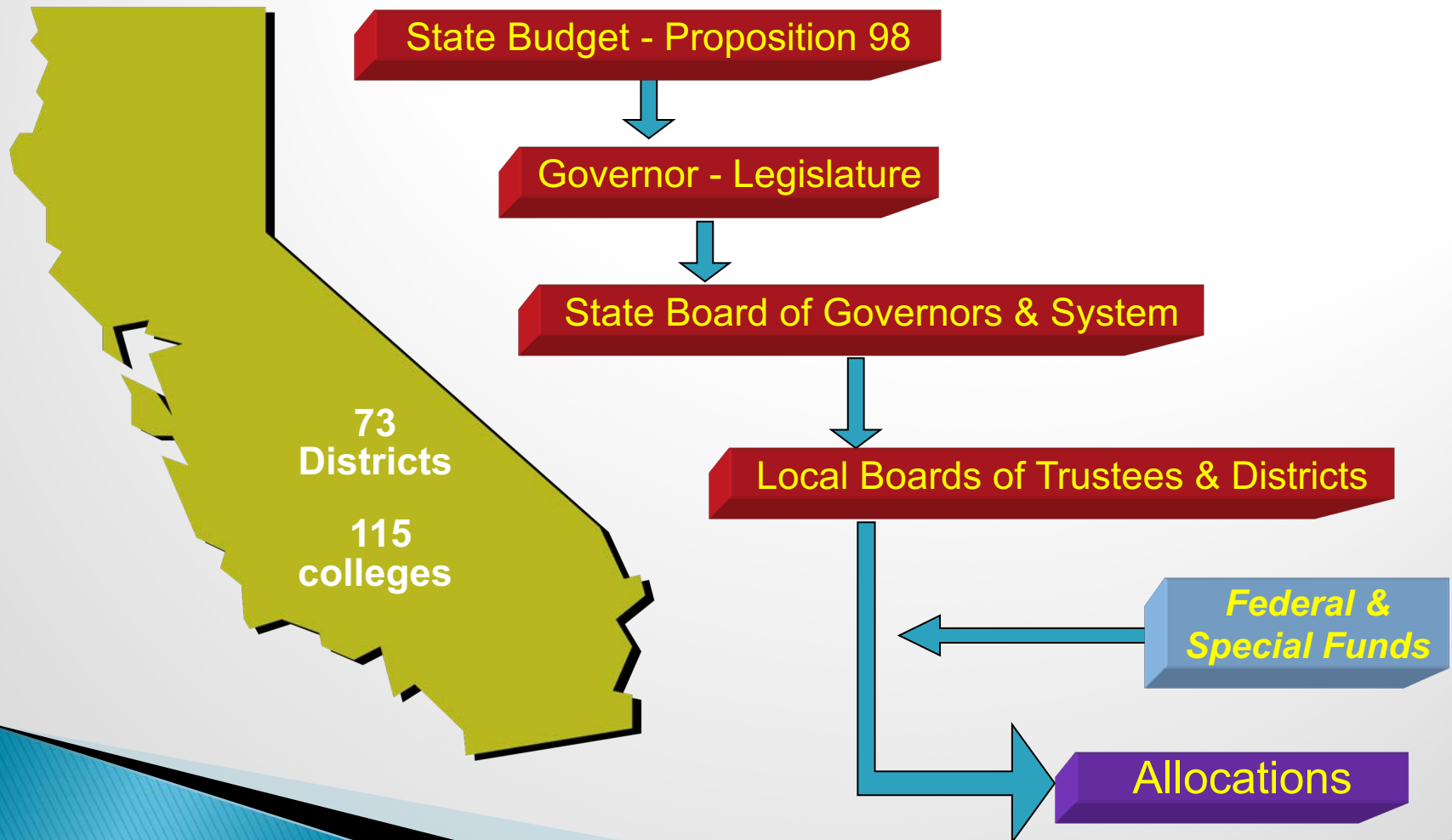
## Student Fees

Education Code 76300 establishes, requires, and limits enrollment fees for resident students

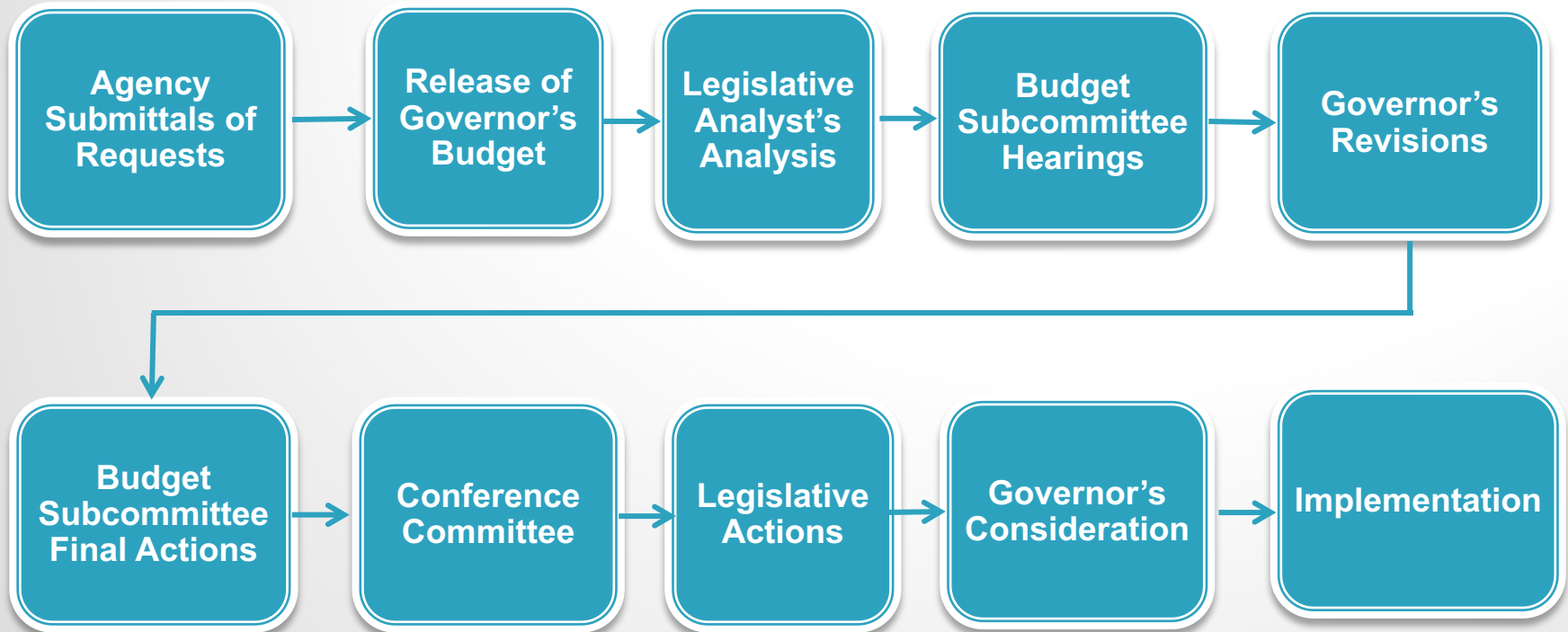
Education Code 76140-4 establishes non-resident options

1. All credit resident students - \$46/unit
2. Low income students waived under Board of Governors' (BOG) fee waiver program, which is now the California College Promise Grant (CCPG)
3. Non-resident enrollment fees are established locally considering: local cost of education, statewide average cost of education, district capital outlay fee

# California Community Colleges State and District Budget Process



# State Budget Development Process



# Developing the Budget

**Reflects core  
institutional  
mission**

**Effectively  
communicates  
to stakeholders**

**Estimate  
Revenues**

**Prepare  
projections of  
expenditures**

**Identify  
Reserve  
Requirements**

**Balance  
Expenditures  
and Revenues**

**Adopt the  
Budget**

**Adjust the  
budget  
throughout the  
year**

**One-time  
versus  
Ongoing**

# Budget Development

Education Code 84362

Requires “there shall be expended each fiscal year for payment of salaries and benefits of classroom instructors by a community college district, 50 percent of the district’s current expense of education.”

**50% Law**

Excludes Counselors and Librarians

50% of Unrestricted General Fund expenditures

# Budget Development

Education Code 87482.5 et seq.  
Each college should reach a goal  
that at least 75% of credit  
instruction hours should be taught  
by full-time faculty.

The Board of Governors annually  
determines the base Full-Time  
Faculty Obligation (FON).

**Full Time  
Faculty Obligation  
(FON) and  
75/25% Goal**

Excludes Overload, Release Time,  
Counselors, Librarians

What is your district/college FON?

# Fiscal Responsibility

- ▶ The budget must be balanced where revenues and expenses are equal.
- ▶ The board cannot plan to spend more than is funded; this is called deficit spending.
- ▶ Ongoing deficit budgeting is different from deficit spending.
- ▶ What are your board policies that determine the budget?
- ▶ What percentage amount of reserves is required?
- ▶ What fees does the board control?



# Areas for Focus

- Enrollment management
  - Declining or softening ?
- State economic cycle impact on college budgets
- Restricted versus Unrestricted
  - SSSP & Student Equity funds and other grants
- One-time versus ongoing
- Reserves
- Health and welfare and other operating expense escalation
- Expenditure control (CalSTRS/PERS, etc.)

# STRS

Fiscal Year	Estimated cost	Cumulative increase	Employer Rate	Employee (Pre-2013 hire date)	Employee (Post-2013 hire date)	State
2013-14	\$ 4,045,000		8.25%	8.00%	8.00%	3.04%
2014-15	\$ 4,608,000	\$ 563,000	8.88%	8.15%	8.15%	3.45%
2015-16	\$ 5,900,000	\$ 1,855,000	10.73%	9.20%	8.56%	3.89%
2016-17	\$ 6,700,000	\$ 2,655,000	12.58%	10.25%	9.205%	6.33%
2017-18	\$ 7,685,000	\$ 3,640,000	14.43%	10.25%	9.205%	6.33%
2018-19	\$ 8,670,000	\$ 4,625,000	16.28%	10.25%	10.205%	9.828%
2019-20	\$ 9,655,000	\$ 5,610,000	18.13%	10.25%	10.205%	9.828%
2020-21	\$ 10,172,000	\$ 6,127,000	19.10%	10.25%	10.205%	9.828%

Note: Plan allows CalSTRS to annually adjust the employer and state rates beginning July1, 2021, and caps any such annual increase at 1% for employers and 0.5% for the state.

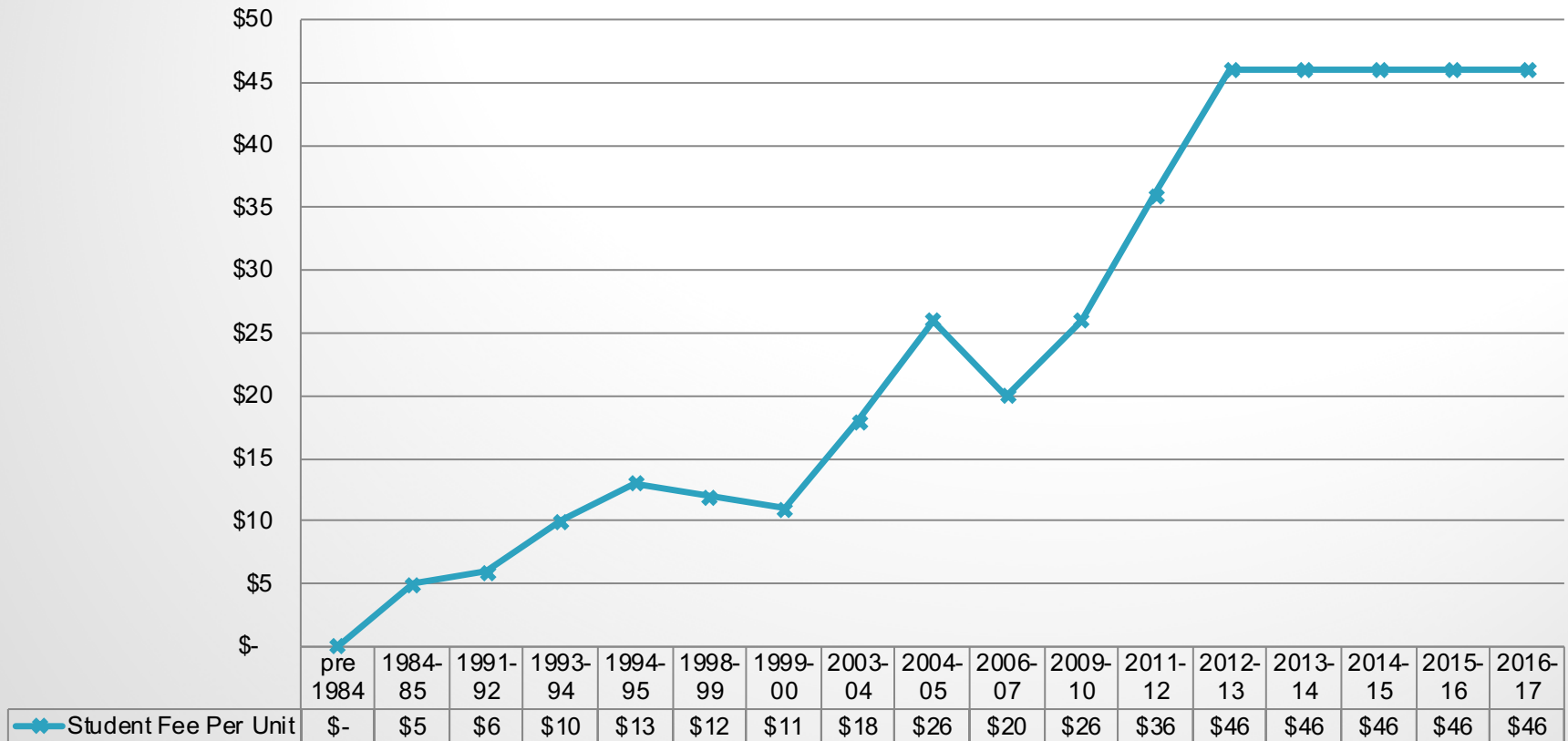
# PERS

Fiscal Year	Estimated cost	Cumulative increase	Rate
2013-14	\$ 3,155,000		11.700%
2014-15	\$ 3,359,000	\$ 204,000	11.700%
2015-16	\$ 3,600,000	\$ 445,000	11.850%
2016-17	\$ 4,700,000	\$ 1,545,000	13.888%
2017-18	\$ 5,246,000	\$ 2,091,000	15.5%
2018-19	\$ 5,788,000	\$ 2,633,000	17.1%
2019-20	\$ 6,296,000	\$ 3,141,000	18.6%
2020-21	\$ 6,702,000	\$ 3,547,000	19.80%

**California provides affordable and accessible public education opportunities. A final reminder of student fees that reflect this commitment.**

# Student Fee Per Unit

Student Fee Per Unit



Note: 2017-2020 Student Fee Per Unit = \$46

**THANK YOU  
NOW IT'S YOUR TURN:**



# 5 Minute Table Discussions

- ▶ What idea from the presentation did you find most useful? Why?
- ▶ What question do you have about anything that was part of the presentation? (To be addressed during the final Q&A session.)

## 5 Minute Timer



# End





# Q & A



# Evaluations

Please complete your evaluation and place it in the “evaluation basket” at the exit.



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