



Budget Advisory Committee

Minutes

January 22, 2018
Meeting

Approved

ATTENDANCE (A = absent):

X	Chris Carter	X	Ann-Marie Gabel	X	Cindy Baker
A	Sara Blasetti	X	Ryan Carroll	X	Sem Chao
X	Rose DelGaudio	X	Lee Douglas	X	Janet Falcon
A	Thomas Hamilton	A	James Henchey	X	Kim McGinnis
A	Anthony Moguel, Jr.	A	Nash Nyra	A	Claudia Nguyen
A	Jorge Ochoa	X	Ali Raisdanai	X	Seth Ramchandran
A	Javier Salcedo	X	Kathy Scott	X	John Thompson
X	Heather Van Volkinburg				

NOTE TAKER: Erin Murphy

Welcome (Chris)

- Chris welcomed everyone to the meeting and introductions were made.

Approval of Minutes (Chris)

- The minutes of the October 30, 2017, meeting were approved with one correction to change “BOF” to “BOG” on page 2.

FTES Summary 2017-18 P-1 (John)

(Refer to “FTES Analysis” handout)

- John reviewed the FTES Summary 2017-18 P-1, with the following highlights:
 - The State requires LBCC to submit the report three times a year and uses it to calculate funding. P-1 was submitted to the Chancellor’s Office on January 15, 2018, to be followed by the P-2 and year-end annual reports.
 - The “FTES Analysis” handout included prior years for context, and John explained that Summer FTES can be applied either to the prior year or the current year at each district’s discretion to meet FTES targets.
 - In regard to prior years, FTES were lower in FY2015-16 than in FY2014-15, so LBCC went into stabilization. For FY2016-17, LBCC included an additional 300 FTES Summer 2017 to achieve base level FTES and earn growth revenue. Therefore, fewer Summer 2017 FTES are applied to FY2017-18. With the current target of 19,572 FTES for FY2017-18, LBCC would enter stabilization again.
 - John noted that the handout included actual FTES for Summer and Fall 2017, with projections for Spring and Summer 2018, to bring the revised estimate of total FTES for FY2017-18 to 19,620. This would still require entering stabilization because the amount is 1,455 FTES fewer than the 21,075 FTES reported in FY2016-17.
 - Ryan asked about FTES for Winter 2018. Ann-Marie said that estimated FTES for Winter 2018 were 809, which is an increase from the 671 FTES in Winter 2017. She added that LBCC changed Summer 2018 registration to include two five-week sessions, which should give students the opportunity to take more classes and also allow overlap of six- and eight-week classes. This change to the college’s scheduling for Summer 2018 should increase our FTES as compared to Summer 2017.

- Chris asked about stabilization. Ann-Marie said that the FY2017-18 budget includes \$7.7 million for stabilization. She mentioned that given the new funding formula in the Governor's proposed FY2018-19 budget, there is uncertainty about how restoration will work after entering stabilization in FY2017-18. The proposed budget states that districts are guaranteed to receive the same amount of funding in FY2018-19, although the "Hold Harmless" language excludes the COLA in the Governor's proposed FY2018-19 budget. She said that one option might be to dismiss stabilization and restoration based on prior years and instead start fresh in FY2018-19, which would benefit LBCC.
- Kathy recommended proceeding as though we have a year to achieve restoration, using data to enhance scheduling and incorporating best practices in order to create additional access for students, which is especially important when a district is in stabilization. She said that additional efforts such as phone banking are especially important.
- John asked about what it would mean to start fresh. Ann-Marie said that currently FTES are driving revenue, and LBCC would be held harmless at the revenue level. LBCC would not be penalized in FY2018-19, as we would under the current funding model. It would afford LBCC another year of funding to achieve FTES targets, and if targets are not achieved, LBCC would earn stabilization funding in FY2019-20.
- Lee clarified that the "Hold Harmless" provision in the Governor's proposed budget is currently for one year and asked if LBCC would have instead two years to achieve FTES targets. Ann-Marie said that LBCC is going to receive the same amount of funding in FY2017-18 as for FY2016-17 since we are not meeting our FTES target. LBCC would receive the same amount in FY2018-19, regardless of whether we were able to achieve restoration. In the current model, we would lose funding in FY2018-19 if we didn't achieve the FTES target. The Governor's proposed budget, however, indicates that LBCC would receive the same funding as FY2016-17 and FY2017-18. Rose asked who makes the determination, and Ann-Marie responded that it is the California Department of Finance. Ann-Marie added that the Chief Business Officers' (CBO) work group will be reviewing the mechanics of the proposed new funding formula. Ann-Marie said that she is Vice Chair of the CBO work group, which has discussed advocating to return to a three-year restoration period, as 51 districts are currently in restoration or stabilization, particularly districts in northern California which are struggling with FTES.
- Ryan further clarified FTES and stabilization data.
- Seth observed that the new funding formula allocates only 50% based on FTES, with other sources accounting for the additional 50% of funding.
- Ann-Marie added that the CCCCO supports the Governor's proposed budget. However, the legislature may decide to amend the proposal.
- John commented that drafting the FY2018-19 budget in accordance with the changes outlined in the Governor's proposed budget by the start of the new fiscal year on July 1, 2018, will be challenging. He also noted that Governor Brown is in his last year in office, which may be contributing to an accelerated timeline. Ann-Marie responded that while there are advantages to having more time to develop thoughtful metrics, there are also benefits to implementing the changes more quickly.
- Rose asked when the proposed budget will be presented to the legislature. Ann-Marie replied that the trailer bill language will occur in late February, following which it will move through various committees (for example, Budget and Education), before being presented to the State Assembly and Senate. She added that the Governor's office did run some simulations before incorporating the new funding formula in the proposed budget. The CBO work group requested to see simulations at their next meeting on February 9, and they hope to share simulations with their districts by the end of March, knowing that tentative budgets need to be

drafted by May for Board approval in June. Ann-Marie commented that some districts could conceivably get more funding than under the current formula.

Full-time Faculty Obligation (FON) (Ann-Marie)

(Refer to “Fall 2017 FON and Fall 2018 Projection” handout)

- Ann-Marie reviewed Full-time Faculty Obligation (FON) as follows:
 - LBCC is required to maintain a minimum number of full-time faculty based on the number of credit FTES generated by the college at P-2. For the Fall 2017 calculation, LBCC needed 356 FT faculty, but we had only 346.82. Since LBCC was 9.18 short, we must pay a penalty to the state, calculated at \$74,029 each for a total of \$679,586.
 - Ann-Marie provided background on faculty hiring efforts in Fall 2017, reporting that despite trying to hire 33 FT faculty, LBCC was able to hire only 28 FT faculty successfully. There were two additional retirements, in addition to an increased percentage of faculty teaching noncredit courses, which are not counted toward FON. Those three factors—unsuccessful recruitments, retirements, and additional noncredit course loads—resulted in the shortage of nine FT faculty.
 - Moving forward, FT faculty for Fall 2018 is estimated at 329.82—17 fewer FT faculty than Fall 2017. This estimate accounts for anticipated retirements and other known changes in FT faculty assignments.
 - Referring to the Financial Analysis provided by John, Ann-Marie said that there are 19,082.20 credit FTES in the Projected P-2 report for FY2017-18, which assumes that LBCC will meet our credit FTES per our budget. Given 19,082.20 FTES, the FON will be 335, and six additional FT faculty will need to be hired to meet the obligation.
 - Ann-Marie emphasized that if more than the estimated FTES are reported, the amount of funding needed to meet the FON obligation will need to increase commensurately to support hiring additional FT faculty. **She therefore strongly advised not reporting any additional FTES in the P-2 report.** She added that the final report will be submitted in July and also mentioned that it would benefit the district to know about any additional retirements planned before May 15 that are not included in the estimate, in case additional faculty need to be hired. Ann-Marie observed that LBCC has hired 127 FT faculty over the last four years.
 - Sem asked about FT faculty working in interim administrative assignments because the anticipation is that permanent recruitment would not occur until later. Ann-Marie responded that those assignments had been considered in the estimates, as long as there were no additional changes before May 15 (45 days before year-end).
 - Lee asked about accounting for FT faculty who were currently on leave at other institutions.
 - Lee noted that LBCC is increasing efforts around noncredit courses and asked about how those efforts impact the loads for FT faculty. Ann-Marie recommended that FT faculty teach full loads of credit courses, with any noncredit courses designated as overload. Kathy added that in some cases, FT faculty had been assigned noncredit courses to complete their loads.

State Budget Update (Ann-Marie)

(Refer to “Overview of the 2018-19 Governor’s Budget,” “EVP’s Memorandum dated January 19, 2018,” “Community College Update,” and email handouts)

- Ann-Marie presented key items from the Governor’s proposed FY2018-19 budget, noting highlights as follows:

- Overall, it was a very good budget for Community Colleges, with an increase of \$780 million from last year (a 4% increase), comprised of both one-time and ongoing funding.
- The proposed budget includes a 2.51% COLA, but as noted above, LBCC is not guaranteed to receive it. There is 1% provided for growth, but LBCC will be budgeting 0% because we don't expect to grow FTES in FY2018-19.
- Of the total \$274 million allocated for deferred maintenance & instructional equipment, LBCC would receive an estimated \$5 million. Historically this revenue has been split equally between deferred maintenance and instructional equipment. Ann-Marie said that **the BAC will be asked to recommend the allocation percentage for these funds at its next meeting.**
- In regard to College Promise funding, it could be applied to first-time, first-year students taking 12 or more units. Alternatively, it could also be used for Student Support Services activities, per the District's choice. Districts do need to partner with K12, which LBCC is already doing.
- Ann-Marie said that the proposed budget also includes an augmentation of \$32.9 million for Student Success completion grants, whereby two grants would be consolidated into one program and additional funding would be awarded to students via the Financial Aid office.
- LBCC also received working drawings funding for Buildings MM at PCC and the remainder of our design-build funding for Buildings M/N at LAC.
- Ann-Marie then addressed three key changes to the funding formula presented in the Governor's proposed budget:
 1. Consolidation of categorical programs—the Governor's office has asked the CCCCCO for recommendations on consolidating categorical programs and is expecting a proposal from the Department of Finance for the May Revise. Ryan asked for clarification of "categorical programs," and Ann-Marie provided the examples of EOPS, Basic Skills, Strong Workforce, DSPS, and Student Equity. She also noted that consolidating funding for categorical programs would perhaps grant districts additional flexibility at the local level.
 2. The establishment the 115th California community college as an online-only college as its own legal entity and duly elected Board of Trustees, to be accredited by the Western Association of Schools and Colleges (WASC) eventually.
 - Kathy asked if any group was in favor of the online college. Rose said that over 2.3 million adult workers between the ages of 25 and 34 without degrees are being poached by out-of-state online colleges, and the intent of the online community college is to serve that currently underserved population. Ann-Marie added that the impact to each college's enrollments is expected to be negligible, as the students who would potentially enroll in the online college would be spread throughout the state.
 - Rose noted that the infrastructure necessary to run the online college would be significant, as reflected in the proposed budget's allocation.
 - Janet asked if LBCC students could currently earn a degree completely online. Ann-Marie said not yet. Ryan asked if other California community colleges offered degree programs completely online, and Ann-Marie said some did. Seth observed that the Library Technician certificate program is online, although it is not a degree program.
 - Janet asked if the online college would still need to follow the curriculum approval process. Rose speculated that a new process may be developed.

Kathy added that it may mean that other colleges' curriculum is delayed while the online college's curriculum is prioritized.

3. Funding formula: the proposed budget outlines three elements—1. A base grant determined by FTES accounting for 50% of funding. Ann-Marie commented that basic allocation will probably continue in some form (estimated 10%) as part of the 50% since for small rural colleges, basing funding only on FTES is a challenge. 2. Supplemental grant accounting for 25% of funding, as determined by the number of students receiving Pell and California College Promise grants (previously known as BOG fee waivers). Ann-Marie noted that LBCC has a high population of such grant recipients. 3. Student Success Incentive Grant (25%) determined by degrees and certificates granted, with an added bonus for each ADT issued. Ann-Marie said that the Department of Finance used FY2016-17 numbers for these calculations, and that the three elements of the proposed revised funding formula are consistent with the national movement toward success metrics.
 - John asked if we had seen over the years how LBCC compares to other California community colleges in granting degrees. Ann-Marie responded that the Department of Finance analyst said that there is a 15-year trend for community colleges overall of an increased number of degrees/certificates awarded.
 - Kathy observed that the proposed funding formula does not reward community colleges for students who transfer without a degree. Ann-Marie said that there has been discussion about incorporating transfers into the formula.
 - Ann-Marie added that the impact of the federal tax reform is still unknown, but that the Children's Health Insurance Program (CHIP) was extended as of the date of this meeting. She anticipated that the May Revise would incorporate impacts of the federal tax reform.

Other (Chris)

- Ann-Marie announced that Dr. Betty Miller will return as the interim Vice President of Finance, Facilities, and Technology Services, starting February 6, 2018, until September 30 or such time as the position is filled permanently.
- Seth thanked Ann-Marie for her leadership over the years and her many valuable contributions to LBCC. He mentioned that he especially appreciated the Facilities improvements at PCC since he was hired in 2000 and commented that the blueprint through 2041 will guarantee that her legacy at LBCC continues after her departure. Seth acknowledged Ann-Marie's role as Acting Superintendent-President in 2017 and lauded her humility and hard work to ensure that the college remained fiscally responsible. Seth closed by wishing Ann-Marie luck in her new position at South Orange County Community College District. Ann-Marie expressed her gratitude and highlighted the work of the Fiscal Services team.

Meeting adjourned at 4:15 p.m.

Next Meeting: Wednesday, February 14, 2018, at LAC – T-1046 at 3:00 p.m.