

## Fiscal Resources Committee

Via Zoom Video Conference Call

1:32 p.m. – 2:30 p.m.

### Meeting Minutes for July 6, 2022

**FRC Members Present:** Iris Ingram, Morrie Barembaum, Steven Deeley, Noemi Guzman, Jim Isbell, William Nguyen, Adam O’Connor, Craig Rutan, Vanessa Urbina, and Jose Vargas

**FRC Members Absent:** Safa Hamid, Yara Hernandez, Bart Hoffman, Enrique Perez, and Veronica Munoz,

**Alternates/Guests Present:** Jason Bui, Melba Castro, Elvia Garcia, Vaniethia Hubbard, Gina Huegli, Kelvin Leeds, Annebelle Nery, Thao Nguyen, Mark Reynoso, Arleen Satele, Kennethia Vega and Barbie Yniguez

1. Welcome: Ingram called the meeting to order at 1:32 p.m. via zoom.
2. State/District Budget Update
  - 2021-22 Second Principal Apportionment and 2020-21 Recalculation Memo/posted June 27, 2022
  - 2021-22 Second Principal Apportionment Exhibit “C”-Statewide posted June 27, 2022
  - 2021-22 Second Principal Apportionment Exhibit “C”-RSCCD posted June 27, 2022
  - 2020-21 Recalculation Apportionment Exhibit “C”-Statewide posted June 27, 2022
  - 2020-21 Recalculation Apportionment Exhibit “C”-RSCCD posted June 27, 2022
  - Final State Budget 2022-23 report link: <http://www.ebudget.ca.gov>
  - SSC – Details on Governor Newsom’s \$750 Million Discretionary Block Grant Emerge
  - SSC – Appropriations Committees Take Action on Nearly 1,000 Bills at Deadline
  - SSC – Dartboard for 2022-23
  - SSC – LAO Raises Spector of State Fiscal Cliff
  - SSC – Major Differences in the Legislative Version of the State Budget
  - SSC – Legislature Begins Second House Policy Committee Hearings
  - SSC – Student Housing Significantly Increased in the Legislative Version of the 2022-23 State Budget
  - SSC – Top Legislative Issues-June 10, 2022
  - SSC – Ask SSC... Normal Cost of Doing Business versus Extraordinary Costs
  - SSC – Legislature Passes Budget; Work to Continue on State Spending Plan
  - SSC – 2022 Condition of Education Report Released
  - SSC – Top Legislative Issues-June 24, 2022
  - SSC – Finance Bulletin Updates Inflation and Revenue for June
  - DOF – Finance Bulletin-June 2022

Ingram referenced the above documents as information and commented on a few articles of interest including Final State Budget, LAO Raises Spector of State Fiscal Cliff, and Student Housing Significantly Increased in the Legislative Version of the 2022-23 State Budget. The State Legislature passed the budget and the Governor signed the budget on Thursday, June 30. However, best estimates for RSCCD will be used until junior bills (trailer language) and allocations are released. RSCCD is one of 75 colleges to receive \$500,000 grant to conduct planning for student housing – this is not for construction. RSCCD is still held to the 2017-18 level of enrollment and receives hold harmless (explained as overdraft protection that provides more funds than earned through enrollment). While protected by Hold Harmless, RSCCD is not eligible for projected COLA after 2024-25; which is projected at more than 2%. Any future costs/increases will be absorbed internally. Districts are paid either the Student Centered Funding Formula (SCFF) rate or hold harmless rate, whichever is higher. Enrollment is moving in the right direction and it is anticipated that RSCCD will be out of Hold Harmless in a few years. Discussion ensued.

3. Approval of Committee Co-Chair – **Action Item**

It was explained the Co-Chair position has term limits and rotates between the two colleges. A motion by Craig Rutan was seconded by Adam O'Connor to approve the appointment of Jim Isbell as Co-Chair of FRC. As a result of this action Jim Isbell replaces current Co-Chair Craig Rutan. The motion passed unanimously.

4. 2022-23 Proposed Adopted Budget Assumptions – **Action Item**

O'Connor screen shared and reviewed the proposed adopted budget assumptions for 2022-23. He highlighted changes including the following:

- Funded 2021-22 FTES at P2 reported a decline of approximately 2% whereas noncredit and CDCP FTES increased. Total overall credit FTES is down about 6% but could change at P3/final with some additional FTES. Funded FTES is based on 3-year average which equates to 26,849.
- With base budget increases, new rates for FTES, supplemental, and student success metrics, have been added for a total of \$12 million. However, RSCCD was \$14.8 million into Hold Harmless (HH) and that leaves approximately \$2.7 or \$2.8 million in HH after receiving the computation of the \$12 million. In the short term this doesn't provide new money, but helps RSCCD get closer to being out of HH sooner and onto earning additional revenue through the model once we have grown FTES and grown the other metrics. It is still good news, while not additional dollars to the budget as HH is still larger amount.
- Apprenticeship revenue received large increase of \$1.3 million to SCC's apprenticeship program. If SCC can identify the offsetting expenses related to the program which are probably at 80%, then funds can be redistributed for adopted budget. O'Connor asked that SCC send a confirming email of the accurate percentage of expenses so that it could be updated.
- Other revenue is under item M for scheduled maintenance and equipment allocation, though large, is less than originally projected. The allocation is estimated at \$20 million.
- The only change to the expenditures is the approval by POE of three more new positions in P&C. That has been added to the assumptions.
- The recap page was reviewed and discussed.

In concluding his review, O'Connor noted a budget year deficit of \$1.2 million added to the structural deficit of \$2.3 million to now be \$3.5 million in total. He also reviewed right sizing and SRP savings of \$9.5 million as of June 30, 2022 that will cover the deficit using these funds. There is an expectation of additional right sizing and SRP savings through 2023 at \$5.5 million, a negative FON Penalty and one-time full-time faculty allocation for a total savings at 2023 year end of just over \$10 million.

Discussion ensued that focused on P3 increase of FTES for Santa Ana College. O'Connor also addressed inquiry regarding "additional" deficit factor and explained the deficit factor amount increased as a result of the SCFF increase of \$12 million. O'Connor commented that at P2 the deficit factor for 2021-22 came in at zero and therefore \$6 million will be flowing back to the colleges at year end closing. An inquiry was made about categorical programs receiving COLA and it was explained such programs are identified in the [CCC Joint Analysis](#) document (specifically table 7) as well as posted on the FRC webpage as additional handouts. Questions were asked and addressed.

It was moved by Steven Deeley and seconded by Noemi Guzman to approve the 2022-23 Proposed Adopted Budget Assumptions as presented. The motion passed unanimously.

5. Discussion of SCFF and Review of BAM – How the Model Flows to the Colleges

Vice Chancellor Ingram introduced T. Nguyen to review the SCFF and BAM to demonstrate how the model flows to the colleges with the hope that representatives would take back the information learned to their constituency.

T. Nguyen screen-shared (page 52 of meeting materials) and reviewed the SCFF and BAM to demonstrate how the model flows to the colleges. She walked through the simulations for the district as a whole and

the breakdowns for SAC and SCC. These simulations are used at close out of the fiscal year to determine the split for the colleges.

She explained the SCFF formula has three components: Base, which includes the basic allocation, Supplemental and Student Success allocations. The traditional credit is based on the 3-year average FTES. The number is calculated with the funding rate to get the dollar amount for each location. The special admit credit, noncredit and noncredit CDCP use the current year FTES and not the 3-year average. That split puts SAC at 67.91% and SCC at 32.09%. But because the dollar amount on each of the FTES metric varies, the dollar split differs with SAC at 66.84% and SCC at 33.16%.

Discussion ensued with a focus on SAC designated as a large college. O'Connor explained that 2021-22 is the 4<sup>th</sup> year that SAC has been under the 20,000 FTES (large college requirement) and he confirmed with the State that a hold harmless within a hold harmless is implemented for the large college designation for three years. However, at P1 SAC was identified as medium college and at P2 a large college. He is waiting for a reply from the State as to whether P2 is correct. Regardless, the budget reflects a medium college designation for 2022-23. If SAC earns FTES to bring it back to a large college designation, they will get the funding back through the model. Dr. Nery confirmed that colleagues within the system experienced that same changes between P1 and P2 and requested that O'Connor inform her of the State's reply to his inquiry. T. Nguyen then reviewed the supplemental allocation splits based on headcounts between the colleges and in the dollar amounts (which are equal) with SAC at 74% and SCC at 26%.

T. Nguyen continued the review of the Student Success Allocations which include all students, Pell Grant Recipients Bonus and California Promise Grant Recipients Bonus. These numbers were already shared in previous meetings with only one change to the Achieved Regional Living Wage at 7,078.33. In consultation with the Research Department the previous split remains the same for the three year average in this section. The calculated numbers are SAC at 71.78% and SCC at 28.22% however, the dollar amount differs for each variant with SAC at 67.38% and SCC at 32.72%. The overall total computational revenue (TCR) between the two colleges for all three components is SAC at 67.76% and SCC at 32.24%. The TCR or HH amount is \$187,702,418 while earned calculations are at \$176,431,790 so the split of the HH amount is \$4,926,695 for SAC and \$2,343,933 for SCC.

Discussion ensued about the earning calculation and the 70/30 split as identified in the BAM. O'Connor explained that nothing is exactly at 70/30 split but rather on how it is earned. The 70/30 split is referenced in the BAM as a rough estimate of what has been historically, but everything in the BAM for the unrestricted general fund is based on how the money is actually earned at each college. Dr. Nery disagreed and noted she would continue to review the BAM as SAC is the only college in growth mode currently and believes the P3 will demonstrate that fact with significant growth. She expressed concern, that SCC has received more than 2% of the tilt over the last 2-3 years; though SAC was in decline, SCC picked up the 2%, whereas if the P3 is right, SAC should be at 5-6% growth, while SCC will be at decline of -2% to -7%. T. Nguyen noted the data will be updated once the P3 data is submitted.

Dr. Nery noted that a Student Information System (SIS) workgroup is running parallel and that P3 is expected to run on July 8. G. Huegli confirmed that all data had to be submitted prior to the run on July 11 so that she could download data and process 320 for submission on Friday, July 15. It was confirmed that definite numbers should be known by the end of next week or so.

T. Nguyen continued review of the simulated process for the tentative budget and the adopted budget. She explained how 2020-21 P2 data is used to develop the tentative budget for 2021-22 which provided a split of 67.80% for SAC and 32.20% for SCC. But then lottery and state mandate funds, are solely based on FTES, while full-time faculty allocation has remained the same. This changes the overall percentage with SAC at 67.77% and SCC at 32.23%. This is also based on how the funds are received.

For the adopted budget simulations for 2021-22 the 2020-21 annual report data is used for the calculations. The split between the colleges is 67.63% for SAC and 32.14% for SCC. With the other funds, the split

changes to 67.83% for SAC and 32.17% for SCC. At this time of the meeting O'Connor received notice from the State that confirms 2021-22 is the last year that SAC will receive the large college designation.

Then a review of third and fourth simulations with SAC at less than 20,000 FTES and at more than 20,000 FTES were discussed and percentages identified. Further explanation of the percentages and dollar amounts were provided. Discussion continued at length with a focus on BAM language, examples of revenue splits and how it is earned and distributed. It was confirmed that a 70/30 split is not a guarantee. Based on the 3-year average, SAC has experienced two years of decline and one year of growth and therefore the outcome is not as large. There is evidence that SCC shifted funds to SAC in the past due to recalculations and this is the model that has worked for years. Dr. Nery noted for the record that she did not agree, she believes the P3 will change the numbers and she will continue to re-read the BAM for clarification. O'Connor concluded the split is determined by how it is actually earned and P1 and P2 are points in time and change the numbers as does P3 and recalc and when that happens the earnings change. The drilled down data that is used for the simulations was requested for review and will be shared accordingly. The Supplemental and Student Success Data is produced by the Research Department.

6. Standing Report from District Council - Craig Rutan  
Craig Rutan provided a brief report on the actions of District Council that met twice since the last FRC. At the regular meeting on June 6, District Council approved the tentative budget assumptions, revised mission statement, a change in the reporting structure for public affairs, with college PIOs (Public Information Officers) reporting directly to the District's Communications' Officer instead of the college Presidents. Also approved change to BP 6015 Food and Meeting Refreshments; and approved a massive revision to the AR 3720 Information Resources Acceptable Use. There was an emergency District Council meeting on June 21 which approved a reorganization in Educational Services related to LAOCRC (regional consortium split into two) and eliminating the LA positions. In conclusion District Council approved two reorganizations for classified positions in P&C using existing funding in that department budget.
7. Informational Handouts
  - District-wide expenditure report link: <https://intranet.rscsd.edu>
  - Vacant Funded Position List as of June 21, 2022
  - Measure "Q" Project Cost Summary as of May 31, 2022
  - Monthly Cash Flow Summary as of May 31, 2022
  - [SAC Planning and Budget Committee Agendas and Minutes](#)
  - [SCC Budget Committee Agendas and Minutes](#)
  - Districtwide Enrollment Management Workgroup Minutes

Information handouts above were referenced for further review.

8. Approval of FRC Minutes – May 19, 2022  
A motion by W. Nguyen was seconded by Isbell to approve the minutes of the May 19, 2022 meeting as presented. There were no questions, comments or corrections and the motion passed with one abstention by Vargas.
9. Other  
**Next FRC Committee Meeting:**  
The next FRC meeting is scheduled for Wednesday, August 17, 2022, 1:30-3:00 p.m.

It was moved by Barembaum and seconded by Isbell to adjourn the meeting at 2:30 p.m. The motion passed unanimously.