

**Santa Ana College**  
**FRC BAM Language Proposal**  
May 20, 2021

**Background**

The CCC/ACBO/ACCCA/CCLC Joint Analysis of the Enacted 2020-21 budget released on July 2, 2020 included the following statements:

- “The budget outlook since the initial release of the Governor’s Budget on January 10 has deteriorated precipitously due to the COVID-19 pandemic and the ensuing recession.”
- “In response to the recession, the System rapidly adapted its budget priorities to focus on the fundamental needs of students, faculty, staff, and college administrators. The purpose of the revised priorities is to support colleges through the health crisis while mitigating disruption to instruction, the system’s focus on equity, and momentum toward the Vision for Success.”
- “As campuses remain largely closed and students and staff members continue to perform much of their work remotely, the Chancellor’s Office has issued 24 Executive Orders that suspend sections of Title 5 with a focus on ensuring continuity of education, student access, and reduced bureaucratic barriers that hinder continuity of services during an emergency.”
- “The budget extends the formula’s existing hold harmless (minimum revenue) provision by two years, through 2023-24. Under this provision, districts will earn at least their 2017-18 total computational revenue, adjusted by COLA each year, in years without base reductions.”
- “The Governor and Legislature had the extraordinarily difficult task of developing a budget amid a worsening health crisis whose economic costs are only beginning to be understood. The budget prioritizes public health, maintains K-12 education and community college programs, and strives to protect the most vulnerable Californians.”

In light of the above statements and severe, uncontrollable affect the pandemic continues to have on SAC, at the January 13, 2021 FRC meeting the college proposed that “hold harmless” language be included in the BAM. There was agreement as noted in the minutes of the meeting:

Further review of version 1 (using SB361 production/revenue split remaining the same) and version 2 (SCFF adjust revenues annually-actually following now) of hold harmless were shared and discussion ensued. It was noted the SAC workgroup supports version 1 as does Satele from SCC. O’Connor shared preliminary P-1 numbers with SAC enrollment down by 12.7% and SCC down less than .5% and the potential shift of approximately \$1.6 million from SAC to SCC using version 1. If version 1 is selected, should previous years be trued up for 2018-19, 2019-20 rather than how it was allocated now? Hoffman and Satele agreed and confirmed this is what committee/workgroup discussed for months due to the pandemic, uncontrolled affects and massive swings that could be devastating to the colleges and district. It was suggested this be reviewed annually along with the BAM. Version 1 is safer, more predictable but has potential for bigger cliff in 2024-2025 when hold harmless ends. It is necessary to track production by each college even if there is a switch to version 1 so that each college is aware of how far out they are

upon the conclusion of hold harmless and the potential for swings and dips due to enrollment fluctuations. At this point, it is necessary to get past COVID and plan with the best estimate because it is going to be a big cliff once hold harmless ends if the colleges don't increase enrollment.

Walters will prepare final language with table as examples to be reviewed for action at next meeting.

Furthermore, shortly after the January 13<sup>th</sup> meeting Mark Reynoso and Bart Hoffman received the following email from Thao Nguyen:

Hi Mark,

With both colleges in agreement to go with Version 1 for our HH allocation at today's FRC meeting. The reconciliation are below:

FY 2018/19 – SCC owes SAC 310,535

FY 2019/20 – SAC owes SCC 633,335

So now SAC need to reduce their budget by 322,800 and increase SCC by 322,800.

The 500K split now will be SAC=343,250 (68.65%) SCC=156,750 (31.35%)

So the net of these two amounts from above, we can only put in \$20,450 for SAC in the account below.

Please let me know if you have any questions.

*Thao*

To SAC's surprise, an individual who did not attend the meeting apparently overruled the agreement reached by this participatory governance committee. Consequently, there was continued discussion at the February 17, 2021 FRC meeting that led Adam O'Connor to appoint Arleen Satele and Bart Hoffman as Co-chairs of an FRC BAM Language Workgroup.

### **Proposal**

This proposal is submitted in accordance with the results of an FRC BAM Language Workgroup meeting held on March 26, 2021 at 3:00 p.m. In the meeting it was discussed that while the colleges should be rewarded for their efforts, there needs to be a "cap" on the amount of "hold harmless" revenue shifted from one college to the other such that this shift does not cause irreparable harm to a college.

SAC is proposing a cap of \$600,000 such that during years that RSCCD is in Hold-Harmless, revenue for each campus will be determined as follows:

1. The Percent Split for 2017-2018 (Base Year) is 68.85% for SAC and 31.15% for SCC, herein called the Fixed Percent Split.

2. Each year, Fiscal Services will calculate the Percent Split for the given year using state-guided metrics for SAC and SCC (current year metrics or 3-year average metrics). This percent split is herein called Variable Percent Split.
3. Each year, revenue for each college will be calculated using Total Computational Revenue for current year multiplied with Fixed Percent Split for each college.
4. Each year, revenue for each college will also be calculated using Total Computational Revenue for current year using Variable Percent Split for each college.
5. For the college whose #3-revenue is lower than #4-revenue (improving percentage), its revenue would be #3-revenue plus \$600K, or #4-revenue, whichever is less. For the college whose #3-revenue is higher than #4 revenue (declining percentage), its revenue would be #3-revenue minus \$600K or #4-revenue, whichever is more.

Example 1: TCR for year xxxx is \$100 million. Percent split using current-year metrics is 67.80% for SAC and 32.20% for SCC. Revenue for SAC would be \$68.85 mil based on Fixed Percent Split and \$67.80 mil based on Variable Percent Split. Revenue for SCC would be \$31.15 mil based on Fixed Percent Split and \$32.2 mil based on Variable Percent Split.

SCC's revenue would be \$31.75 mil (\$31.15 mil plus \$600K). SAC's revenue would be \$68.25 mil (\$68.85 mil minus \$600K).

Example 2: TCR for year xxxx is \$100 million. Percent split using current-year metrics is 68.40% for SAC and 31.60% for SCC. Revenue for SAC would be \$68.85 mil based on Fixed Percent Split and \$68.40 mil based on Variable Percent Split. Revenue for SCC would be \$31.15 mil based on Fixed Percent Split and \$31.60 mil based on Variable Percent Split.

SCC's revenue would be \$31.60 mil (gain of \$450K). SAC's revenue would be \$68.40 mil (loss of \$450K).

### **Summary**

This proposal seeks approval by the Fiscal Resources Committee to add a \$600,000 cap to the District's BAM language concerning the shifting of revenue from one college to the other during periods when the District is held harmless. The intent of the proposal is to not decimate a college when enrollment is down, reward a college that has grown, and continue to hold colleges accountable to their enrollment targets.