
SENATE COMMITTEE ON EDUCATION

Senator Carol Liu, Chair
2015 - 2016 Regular

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Subject: Community Colleges: funding: San Francisco Community College District

SUMMARY

This bill requires the Board of Governors (BOG) of the California Community Colleges (CCC) to provide the San Francisco Community College District (SFCCD) with a revenue adjustment for restoration of apportionment revenue for the three fiscal years subsequent to the last fiscal year that the district received stabilization funding due to its jeopardized accreditation status.

BACKGROUND

Existing law requires the BOG to develop criteria and standards, in accordance with specified statewide minimum requirements, for the purposes of making the annual budget request for the CCC to the Governor and the Legislature and allocating state general apportionment revenues. These include, among other things, a requirement that the calculations of each district's revenue level for each fiscal year be based on specified criteria with revenue adjustments being made for increases or decreases in full-time equivalent students (FTES) for specified purposes.

Existing law provides a year of stabilization funding, during which the district receives at least the same funding for enrollment as the previous year (even if enrollment declines) or higher funding (up to an allowable cap) if enrollment increases. This is because a district usually does not know that its FTES count has declined until it begins its enrollment counts, which occur at the same time the state is disbursing funds and after the district has hired faculty and determined its class schedules. If enrollment declines beyond just one year, the district's revenues are reduced by the decrease in its FTES. However, those reductions are restored if enrollments increase during the subsequent three years, providing a district with a buffer against fluctuating enrollments. (Education Code § 84750.5, et seq.)

Existing law requires the BOG of the CCC to provide the SFCCD with specified revenues if the district is in jeopardy of losing its accreditation and if the Chancellor's Office has exercised its fiscal oversight authority to take specified actions, including the appointment of a special trustee. Existing law required that for the 2014-15 fiscal year, the district receive funding equal to the amount it received in the 2013-14 fiscal year, with the amount of funding for the district being reduced by five percent and 10 percent, in 2015-16 and 2016-17, respectively. In order to receive the third year of funding, the district must meet specified requirements relative to fiscal management and controls. In addition, the Chancellor of the district is required to submit specified information on

accreditation status, total and projected enrollment, course section offerings, and specified budget, revenue and expenditure information to the Legislature, Governor, Legislative Analyst's office and the Department of Finance beginning in April 2015, with updates in October 2015, April 2016, October 2016, and April 2017, as specified. (EC § 84750.6)

ANALYSIS

This bill:

- 1) Requires that the Board of Governors (BOG) provide the San Francisco Community College District (SFCCD) with a revenue adjustment for restoration of apportionment revenue for the 2017-18, 2018-19, and 2019-20 fiscal years.
- 2) Requires that the adjustment provided be pursuant to specified Education Code provisions which entitle a district to restoration of any reductions in apportionment revenue due to decreases in full-time equivalent students (FTES) during the three years following the initial year of decrease in FTES if there is a subsequent increase in FTES.
- 3) "Notwithstanding" any other law in the application of this provision.

STAFF COMMENTS

- 1) ***Need for the bill.*** In 2013, in response to challenges around accreditation and fiscal management, the Legislature and Governor provided "stabilization" funding to the SFCCD. According to the author, while the normal restoration process allows for stabilization for one year, the three year stabilization funding provided was necessary to address the unprecedented drops in enrollment faced by the college as it attempted to respond to the challenges it faced. Despite the three years of additional stabilization funding the district has not been able to generate the student enrollment necessary to maintain financial stability. According to author, while community colleges throughout the state have experienced an average enrollment decline of about 8 percent, SFCCD has experienced an enrollment drop of almost 30 percent, directly attributable to its accreditation challenges. This bill is intended to provide an opportunity for the City College of San Francisco to receive funding in excess of its growth cap for any actual FTES growth it may realize in the three years after stabilization funding was provided in anticipation that its full accreditation status will be restored and its actual enrollment will grow.
- 2) ***San Francisco City College of (SFCCD) History.*** In July 2012, the Accrediting Commission for Community and Junior Colleges (ACCJC) identified numerous deficiencies at SFCCD and moved the district to the most severe level of sanction-"Show Cause." The ACCJC identified numerous deficiencies covering a range of district operations. The most substantive findings focused on failures in the areas of fiscal planning, fiscal integrity, governance and administration, as well as failure to completely address eight recommendations from a 2006 ACCJC evaluation team.

In addition, a review of the district's fiscal condition by Fiscal Crisis and Management Assistance Team (FCMAT) in 2012 found severe problems in multiple areas including, fiscal health, multiyear financial projection, staffing and operational costs, enrollment management, administrative structure and barriers to fiscal solvency. In a subsequent evaluation focused on internal systems in 2013, FCMAT found that the district lacked effective controls to ensure confidentiality of financial and personnel data, there were inadequate mechanisms for tracking vacation and sick leave benefits, deferred maintenance needs were inadequately managed leaving much of the campus in disrepair, and policies around enrollment and fee collection were insufficient.

In June 2013, the Accrediting Commission for Community and Junior Colleges (ACCJC) notified the College that its accreditation would be terminated as of July 31, 2014, as the ACCJC had concluded that the San Francisco Community College District (SFCCD) had failed to correct the deficiencies noted in the 2012 show cause action letter. In July 2013, the Board of Governors took action to appoint a special trustee with full management powers over the district.

- 3) ***Current status of SFCCD.*** In June 2014 the ACCJC adopted a new policy that created a "restoration" status under which an institution could submit a request to restore its accredited status within a two year period.

In July 2014, the SFCCD submitted the required documentation and was granted restoration status by the ACCJC in January 2015. Under this new ACCJC policy, the SFCCD must submit a comprehensive evaluation by September 2016 and comply with other requirements as determined by the ACCJC. It is anticipated that all relevant information will be considered by the ACCJC at their January 2017 meeting. While the accredited status of the SFCCD continues during the period of "restoration" status, failure to meet the specified requirements within the two year period would result in the termination of accreditation with no right to request further review or appeal. The SFCCD has noted that while the ACCJC found the district noncompliant with 32 accreditation standards, it also found that the college had demonstrated the ability to fully meet them within the two year restoration period.

The Special Trustee appointed by the Chancellor is expected to remain until at least June 2016. However, the Chancellor has gradually restored duties and responsibilities to the local governing board. On July 1, 2015, the Trustee's authority was reduced to stay and rescind powers over any actions that were not in the best interest of the district, as determined by the Trustee. In December 2015, the Chancellor further reduced the Trustee's authority to that of an advisory role to the board and, consistent with the requirements of SB 860, the Trustee retains responsibility for reviewing and approving the District's budget.

Finally, the SFCCD reports that it has implemented various measures designed and targeted at restoring enrollment and full-time equivalent students. These include a revised Educational Master Plan, targeted marketing, community outreach, and collaborative initiatives with local stakeholders with the goal of retaining and attracting students, and strategic initiatives to improve marketing to targeted groups, among other things.

A follow-up report by Fiscal Crisis and Management Assistance Team (FCMAT) on the progress made by the San Francisco Community College District (SFCCD) in addressing the issues raised in its prior reports is expected by the Chancellor’s Office in early April.

- 4) **Related budget action.** SB 860 (Committee on Budget and Fiscal Review, Chapter 34, Statutes of 2013) provided the San Francisco Community College District with additional funding, for three fiscal years, as the college worked to restore student enrollment and maintain accreditation. Pursuant to the bill’s provisions, for the 2014-15 fiscal year, the district received full-time equivalent students (FTES) funding equal to the amount it received in the 2013-14 fiscal year, with the amount of funding for the district being reduced by five, and 10 percent, in 2015-16 and 2016-17, respectively. In order to receive the third year of funding, the district is required to meet or exceed benchmarks related to fiscal management and controls, as specified. This “stabilization funding” will cease after the 2016-17 fiscal year.

The chart below illustrates the actual FTES experience of the college as well as the annual funded FTES under the stabilization funding authorized by the provisions of SB 860.

Fiscal Year	Funded FTES	Actual FTES
2010-11	37,057	37,056
2011-12	32,632	32,632
2012-13	32,632	32,621
2013-14	32,632	26,264
2014-15	32,632	23,628
2015-16	30,990	21,291

- 5) **Current caps on growth.** Pursuant to trailer bill language adopted as part of the 2014-15 budget, the Chancellor’s Office has developed a new growth formula for allocation of apportionment funding. The formula uses local demographic factors, such as unemployed adults, households below the poverty line, and educational attainment, to determine what colleges have more need for community college education. The formula also considers the college’s’ ability to grow by including their recent growth trends. The outcome of this calculation is a growth rate of between 1 and 4 percent for most colleges which is considered a “cap” on the FTES funding that can be received by the district. Colleges may exceed their cap if they are reallocated growth from other districts’ unused growth cap.
- 6) **Effect of the bill.** This bill would have two distinct impacts. Like other districts, SFCCD would be allowed to realize a restoral of lost FTES if there is an increase in FTES in the three years following a decline. But unlike other districts, SFCCD would be allowed to exceed its calculated growth cap and the real “cap” would be the level of full-time equivalent students (FTES) funding in the 2012-13 fiscal year; the last year before the accreditation issues arose.

Under current law, all districts have the ability to realize a restoral of lost full-time equivalent students (FTES) for a period of three years and, in anticipation of the need for potential restoral, the Chancellor's Office, in collaboration with the Department of Finance and the Legislative Analyst's Office, annually estimates the "base" apportionment for each district based on the prior year's base and adjustments for growth and decline, and uses a three year rolling average of what has been restored in the prior three years to estimate what might be restored in the upcoming year and "sets aside" these funds. Under the bill's provisions the San Francisco Community College District (SFCCD) would be eligible for up to \$50 million in possible restoration funds. According to the Chancellor's Office a "reasonable" amount of funds above the three year rolling average, likely in the millions, would be set aside in anticipation of potential growth in FTES at the SFCCD. This bill would result in a "set aside" of funds that would otherwise be allocated to other state priorities such as additional access to courses and improved support services for all colleges.

- 7) ***Need for clarification.*** According to the author, it is the intent that the SFCCD be provided an opportunity to rebuild and be funded for real FTES growth up to the level realized in the 2012-13 fiscal year and, consistent with current law, be granted this opportunity for three fiscal years. As currently drafted the bill is not clear as to the allowable cap on this growth and could be interpreted to "restart" the three year clock at the beginning of each of the three fiscal years identified in the bill.

Consistent with the author's intent, **staff recommends** the bill be amended to replace subdivision (h) with the following:

(h) Beginning in fiscal year 2017-18, the SFCCD shall be entitled to restoration of any reduction in apportionment revenue due to decreases in FTES for the next three fiscal years, up to the level of attendance of FTES funded in the 2012-13 fiscal year, if there is a subsequent increase in FTES.

SUPPORT

California Federation of Teachers

OPPOSITION

None received.

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