

A Few Thoughts on California Community Colleges

Association of California Community College Administrators
Sacramento, January 16, 2019

Mike Fine
CEO



FCMAT At A Glance



- Created by the legislature in 1992 to assist K-12 districts with a variety of business and operational topics, primarily fiscal
- Service to CCCs added in 2006 (AB1366 [Ch 360/2005])
- Independent, external agency of the state
- Funded by the state and clients
- Advisory board that includes the Chancellor (or designee) and a member of a CCC board of trustees appointed by the Chancellor

Our Work



- FCMAT
 - Fiscal Crisis – 10%
 - Management Assistance – 70%
 - Fraud, misappropriation of funds, illegal fiscal practices audits – 10%
 - Professional Learning – 10%
- California School Information Services (CSIS)
 - California Longitudinal Pupil Achievement Data System (CALPADS)
 - Projection-Pro
 - Standardized Account Code Structure (SACS) System Replacement

Our Partners



- County superintendents
- California Department of Education
- State Board of Education
- California Community College Chancellor's Office
- Department of Finance
- Governor's Office
- Legislature
- Statewide professional organizations

One Budget Item - STRS Relief



- \$3B non-Proposition 98 contribution to STRS on behalf of Ed employers
 - \$700M (\$350M attributable to each year) for 2019-20 and 2020-21 to reduce the statutory STRS rate increase by approximately 1% each year.
 - 1.8% increase from 2018-19 to 2019-20, to 18.1%, will be reduced to approximately 0.8% increase or 17.1%
 - 0.97% increase from 2019-20 to 2020-21, to 19.1%, will be reduced 1% to 18.1%
 - \$2.3B to reduce the long-term STRS rate by an estimated .5% beginning in 2021-22

One Budget Item - STRS Relief



- Larger impact for K-12 than for CCC because of the 50% provision and the lower percentage of STRS creditable salaries in the colleges

Fiscal Outlook



- Six-year Proposition 98 growth has been significant
 - Allowed us to avoid hard conversations about budgets
- Entering a new period of slower recurring revenue growth
 - Influenced by job growth, increasing wages, contained inflation
- Moving closer every day to recessionary conditions
 - Mild recession is estimated to have a \$10B impact on state revenue in the first year

Fiscal Outlook



- What do we do now to prepare?
 - Planning becomes essential — multiyear projections (MYP)
 - Use the new Student Centered Funding Formula (SCFF)
 - Develop and implement your goals and plans in support of student success
 - Maximize revenue
 - Focus on the return generated from the dollars spent, as there will be fewer relative dollars to spend
 - Improved budgeting practices, stronger internal controls
 - Use your networks — Chancellor's Office, colleagues, FCMAT

Fiscal Health Risk Analysis



- FCMAT has a long-standing tool called the Fiscal Health Risk Analysis (FHRA)
 - Distinct, but similar, versions for K-12 and CCC
 - Recently revised with updated questions and weighted scoring
 - Results in a 0-100% score, lower the better
- Designed to identify the district's level of risk of potential insolvency

Determining Risk



- FRHA includes 130 yes/no questions across 18 areas to assess fiscal risk.
- Each question, and each of the 18 areas, is weighted based on high, medium and low risk.
- The vast majority of questions are based on existing data from public documents.
 - The vast majority can be answered using your integrated financial / HR systems.
- Assessment can be performed by us or through a self-assessment process.

Areas of Risk



Annual Independent Audit Report	Facilities
Budget Development & Adoption	Fund Balance & Reserve for Economic Uncertainty
Budget Monitoring & Updates	General Fund – Current Year
Cash Management	Information Systems & Data Management
Collective Bargaining Agreements	Internal Controls & Fraud Prevention
Intrafund & Interfund Transfers	Leadership & Stability
Deficit Spending	Multiyear Projections
Employee Benefits	Non-Voter-Approved Debt & Risk Management
Enrollment & Attendance	Position Control

A Look at Two Risk Areas



- We have a saying in FCMAT...
 - Bad decisions in good times come back to bite us in bad times.
- To guard against those bites, we focus a lot of time on two of the highest risk areas assessed through the analysis
 - Reserve for Economic Uncertainty
 - Multiyear Projections (MYP)

Fund Balance and Reserve for Economic Uncertainty



- Does the district have at least a 5% reserve for economic uncertainty in the current year?
- Did the district's adopted budgets for the two subsequent years include at least a 5% reserve for economic uncertainty?
- Does the district have at least a 5% reserve for economic uncertainty in its budget projections for the two subsequent years?
- If the district's budget projections for the two subsequent years do not include at least a 5% reserve for economic uncertainty, does the district's multiyear fiscal plan include a board-approved plan to restore at least a 5% reserve for economic uncertainty?

Fund Balance and Reserve for Economic Uncertainty



- Is the district's projected unrestricted general fund budget stable or increasing in the two subsequent fiscal years?
- If the district has unfunded or contingent liabilities or one-time costs, does the unrestricted general fund balance include any dedicated reserves above the recommended minimum 5% reserve level?

Multiyear Projections



- Has the district developed multiyear projections that include detailed assumptions aligned with industry standards, including CCCC and ACCJC?
- Did the district use the SCFF with multiyear considerations to help calculate its multiyear projections?
- Does the district use its most current multiyear projection when making financial decisions?

Student Centered Funding Formula



- Similar in principle to the K-12 Local Control Funding Formula (LCFF) implemented in 2012-13
- New distribution system
 - SCFF does not change Proposition 98, the size of the K-14 funding pie, or the CCC 11% share
- Complex (more so than LCFF)
- Dynamic (not boring!)

Student Centered Funding Formula



- Success of K-12 LCFF has been due in large part to
 - Uniform tool that all use, collaborative effort, saves time and effort
 - Multiyear planning — MYP

Student Centered Funding Formula



- Success of K-12 LCFF has been due in large part to
 - Common definitions, calculations improve overall understanding
 - Comprehensive and cohesive approach to planning
 - K-12 — Local Control and Accountability Plan (LCAP)
 - Successful LCAPs require organizational silos to be broken down
 - Not any one division's work product — all aspects of the organization must be involved to have a successful LCAP, and by extension to have a successful implementation of the SCFF
 - Meaningful data
 - Multiyear financial projections

Meaningful Data



- LCFF included a shift from an accountability system built around *inputs* to one built around *outcomes*
 - A new lens focused on return on investment
- Data is a key
 - Starts with local data — school/college — and then moves to state
 - Idea of statewide data sharing will be new to you
 - Critical to identifying overall progress toward accomplishing the goal of SCFF by measuring quality improvements

Measuring Quality Improvements



- Collecting qualitative data and information has some disadvantages
 - Time-consuming, not easy to generalize, is dependent on researcher's skills
- Qualitative analysis has some limitations
 - Harder to analyze, data collected is not inherently objective, can be open to multiple interpretations
- Must use meaningful indicators, otherwise it is just lipstick

Thank You!

