PLANNING & BUDGETING COMMITTEE
May 18, 2017
1:00 -2:30 P.M.
Library 202

Facilitator: Rory K. Natividad   Notes: Linda M. Olsen

STATEMENT OF PURPOSE

The Planning and Budgeting Committee serves as the consultation committee for campus-wide planning and budgeting. The PBC assures that planning and budgeting are integrated and evaluated while driven by the mission and strategic initiatives set forth in the Strategic Plan. The PBC makes recommendations to the President on all planning and budgeting issues and reports committee activities to campus constituencies.

Strategic Initiative – C – Collaboration

Advance an effective process of collaboration and collegial consultation conducted with integrity and respect to inform and strengthen decision-making.

Members

- ☐ Amy Grant - Academic Affairs
- ☐ Ken Key - ECCFT
- ☐ David Mussaw – ECCE
- ☐ Prince Obah – ASO, Student Rep.
- ☐ Rory K. Natividad - Chair (non-voting)
- ☐ Cheryl Shenefield - Administrative Services
- ☐ Jackie Sims - Management/Supervisors
- ☐ Dean Starkey – Campus Police
- ☐ Josh Troesh - Academic Senate
- ☐ Greg Toya - Student & Community Adv.

Alternate Members / Support

- ☐ Babs Atane – Support
- ☐ Janice Ely – Support
- ☐ Irene Graff – Support
- ☐ Jo Ann Higdon – Support
- ☐ Kristie Daniel-DiGregorio – Support
- ☐ Art Leible – Support
- ☐ Ruben Lopez - Alt. Police
- ☐ Jeanie Nishime – Support
- ☐ Barbara Perez – Support
- ☐ Rebecca Russell - Alt., Ac. Affairs
- ☐ Vacant – Alt. SCA
- ☐ Jean Shankweiler – Support
- ☐ Michael Trevis – Alt. Adm.
- ☐ Vacant – Alt. Ac. Sen
- ☐ Steve. Waterhouse- Alt.Mgmt/Sup
- ☐ Alt. ASO, Student
- ☐ Luukia Smith – Alt. ECCE
- ☐ Carolee Jessop-Vakil – Alt. ECCFT

AGENDA

1.	Draft Minutes Approval – April 6, 2017	R. Natividad	1:00 P.M.
2.	Draft Minutes Approval – April 20, 2017	R. Natividad	1:05 P.M.
3.	May Revise developments	J. Higdon	1:20 P.M.
4.	2017-18 Budget assumption (General Fund)	J. Higdon	1:30 P.M.
5.	Five-Year Budget Assumption May 2017	J. Higdon	1:40 P.M.
6.	SCC CC Financial Dartboard 2017-18	J. Higdon	1:50 P.M.
7.	CalPERS/CalSTRS rate updates	J. Higdon	2:00 P.M.

Next meeting –June 1, 2017

Committee Funds and Financial Terms Glossary

General Unrestricted	Fund 11
General Restricted	Fund 12
Compton Center Related Activities	Fund 14
Special Programs Compton Center Partnership	Fund 15
Student Financial Aid	Fund 74
Workers Comp.	Fund 61
Capital Outlay Projects	Fund 41
General Obligation Bond	Fund 42
Property & Liability Self-Insurance	Fund 62
Dental Self-Insurance	Fund 63
Post-Employment Benefits Irrevocable Trust	Fund 69
Bookstore	Fund 51

WSCH = Weekly Student Contact Hours
BOGFW = Board of Governors Fee Waiver
FTES = Full Time Equivalent Students
FTEF = Full Time Equivalent Faculty
COLA = Cost of Living Adjustment
OPEB = Other Post-Employment Benefits
FON = Faculty Obligation Number

* A complete list is available in the annual final budget book.

Planning and Budgeting Committee
2016-17 Goals

PBC Goals 2016-17 for discussion:

1. Develop an action plan utilizing the college wide evaluation of planning and budgeting process. The evaluation was conducted last year.
2. Review and approve the Comprehensive Master Plan to ensure that they are:
   a. Supportive of the Mission and Strategic Plan,
   b. Integrated with other college planning and budgeting,
   c. Implementable, and
   d. Achievable.
3. Evaluate the Strategic Plan including Institutional Effectiveness Outcomes and Strategic Initiative Objectives.
4. Review and improve upon the yearly activity calendar.
5. Provide a professional development opportunity for faculty and classified.
6. Seek evidence of constituent group PBC communications in an effort to improve the understanding of committee efforts throughout the campus.

EL CAMINO COLLEGE
Planning & Budgeting Committee
Minutes
Date: April 20, 2017

MEMBERS PRESENT

☒ William Garcia– Student & Comm Adv.	☒ Rory K. Natividad – Chair (non-voting)
☒ Amy Grant – Academic Affairs	☒ Cheryl Shenefield–Administrative Services
☒ Ken Key - ECCFT	☒ Jackie Sims -Management/Supervisors
☒ Araceli Rodriguez – ASO, Student Rep.	☐ Dean Starkey – Campus Police
☒ David Mussaw – ECCE	☒ Josh Troesh - Academic Senate

Other Attendees: Members:
Support: B. Atane, I. Graff, A. Leible, J. Nishime, R. Russell, J. Shankweiler
Guest: G. Toya

The meeting was called to order at 1:04 p.m.

An ASO update by A. Rodriguez was added to the agenda.

<u>Approval of the April 30, 2017 Minutes</u>

1. The minutes of April 6 were tabled until the next meeting. L. Olsen was out on vacation.

<u>Making Decisions Document</u> – J. Nishime

1. A few minor corrections and changes were made to the document. College Council will sign the new signature form and the revised document will be disseminated to all the consultation committees.
2. It was noted people need to remember to refer to this document so they understand the committee structure and how decisions are made.

<u>Student Success Scorecard</u> – I. Graff (handout)

1. The PBC reviewed and discussed the latest results from the Student Success Scorecard. The report on the Student Success Scorecard was released in late March and serves as our standard accountability report. The most recent information listed is for 2015-2016 which covers demographics of age, gender and ethnicity. Some of the areas of the report were brought to the attention of the committee: Student Counseling Ratio 501:1, and Percentage of First-Generation 41.9%. The responses for the area of First-Generation should be noted as insufficient. The results for this were based on a very small percentage of student responses. This question will be monitored in the future and once the majority of students start answering this question, the results will be viewed as a more realistic percentage.
2. It was noted the scorecard has now been expanded from two to four pages. The items listed along the top portion of the page have been broken out into different demographic categories. The student population is divided into categories of overall, college prepared and unprepared for college. The 2015-2016 percentage of unprepared students for college was listed as 71%. Unprepared for college was defined as a student's lowest course attempted in Math and/or English was at a remedial level. College prepared was defined as a student's lowest course attempted in Math and/or English was college level.

3. Completion rates were clarified as referring to all of the community college goals; degree, certificate, transfer, and becoming college transfer prepared. The term persistence was noted as referring to enrollment for fall, spring, fall. This is different from the Federal rate which is fall to fall. If a student is enrolled consecutively for three semesters they would be measured as a success under the area of persistence. It was noted El Camino College has a high reputation for persistence.
4. It was pointed out pages 3 and 4 show new categories this year. Achievement to the transfer level – English and Math lists the percent of the cohort that began in basic skills courses and completed everything through the transfer level. It was noted there is good information in this area which will be good for planning.

Enrollment Update/320 P2 Apportionment - J. Shankweiler (handouts)

1. It was reported for El Camino College the P1 apportionment on enrollment is done in January. It is noted this makes getting numbers for winter difficult and numbers for spring is a projection. For summer 2016 the P1 FTES were reported at 610.95, fall 2016 was 8,516.18, winter 2017 was 830.79 and the projection for spring was listed at 7,908.17. For P2 FTES there is some refinement. Summer 2016 shows an increase of 1.28 (612.23), fall 2016 increased by 51.86 (8,568.04), winter 2017 decreased by 17.12 (813.67) and spring 2017 decreased by 8.78 (7,899.39). The reason these figures change is sometimes the positive attendance reports are not submitted in a timely manner. The result is we have increased the FTES by 27.24. Our base is 19,486 and we are only at 17,893.33 which means we will still be in stabilization. Compton was noted as being up overall in FTES by 18.53 (5,120.59).
2. The final numbers that we get paid on come out in July and there is still an opportunity to revise things in November. It was noted we need to keep in mind when Compton separates from us and becomes their own college, we will need to be aware we will be losing funds 14 and 15. These are the funds we receive money from for having the Compton Center. Once they are not a center anymore, we will have to replace these funds. It was noted we will need to achieve 20,000 FTES by 2020 in order to replace this money (estimated $4-$5 million).
3. For Compton to cover their support costs once they separate from us, there will be special legislative action to fund them.
4. It was mentioned that quite a few students are registered for classes both at Compton and El Camino. It was asked what the repercussions in our enrollment would be in case those students leave El Camino for Compton. It was noted this would be a situation that should be reviewed.
5. Another handout was reviewed which showed apportionment comparison from what is in the Enrollment Management Plan in comparison to the P2 FTES. For 2016-2017 the Enrollment Management Plan showed a total of 17,679 FTES whereas the P2 shows a higher number of 17,890 FTES. This speaks to our summer doing well.

ASO Update – A. Rodriguez

1. It was reported that yesterday at the finance meeting they passed the idea of having solar-powered umbrellas. The cost is $25,000 for 11 umbrellas which would be disseminated across the campus. They come with USB ports and plugs. These umbrellas are solar-powered and would be a great alternative resource as charging stations for the students.

Planning Summit – I. Graff

1. I. Graff announced that the Planning Summit will be held tomorrow. The theme this year is, “We Just Approved our Comprehensive Master Plan, Now What?” A five-year plan will begin to be mapped out.

<u>Adjournment</u> – R. Natividad

1. W. Garcia was thanked for his valuable contribution to the PBC. Today is his last meeting and the committee wished him well in his new endeavors. The committee welcomed Greg Toya to the PBC as the new representative for Student and Community Advancement. A. Sala was also recognized and thanked for her valuable contributions also. She will be leaving the committee as her area has been reorganized. She now reports to the President and not SCA. The meeting adjourned at 1:45 p.m. The next meeting will be held on **May 4, 2017** in Library 202.

RKN/lmo

EL CAMINO COLLEGE
Planning & Budgeting Committee
Minutes
Date: April 6, 2017

MEMBERS PRESENT

☒ William Garcia– Student & Comm Adv.
☒ Amy Grant – Academic Affairs
☒ Ken Key - ECCFT
☒ Araceli Rodriguez – ASO, Student Rep.
☒ David Mussaw – ECCE
☒ Rory K. Natividad – Chair (non-voting)
☒ Cheryl Shenefield–Administrative Services
☒ Jackie Sims -Management/Supervisors
☐ Dean Starkey – Campus Police
☒ Josh Troesh - Academic Senate

Other Attendees: Members:
Support: B. Atane, A. Leible, R. Russell
Guest: G. Toya

The meeting was called to order at 1:02 p.m.

An ASO update by A. Rodriguez was added to the agenda.

<u>Approval of the March 16, 2017 Minutes</u>

1. Page 2, #4, **correct** the second sentence to read as follows: ITS made it a priority to investigate a CRM constituency relation system.
2. Page 2, #1, last sentence after Greg Toya, **delete:** has shown interest, **replace with:** will be.
3. The minutes were approved with the noted corrections and will be posted to the portal.

<u>Information Technology Update</u> – A. Leible (handout)

1. A freeze had been put on changing the content of the portal a couple of weeks ago. There have been problems with getting the team sites to work. It was decided the best thing to do at this point is to unfreeze the portal for the rest of the semester to allow faculty access to their sites. ITS will look at changing the content sometime over the summer break instead. The students will also need to be informed that their log-in will change. They will have to use the elcamino.edu in addition to their name on the log-in for the portal. This will be changed for them so it will be their one log in for everything on the portal.
2. The password tool which had been turned off for the conversion of data is now going to be turned back on. This means six months from that date; passwords will automatically expire and will require a new password. Notifications on when (April 19 at 4 a.m.) and how to reset the passwords will be sent out repeatedly leading up to the date of April 19. Because of security reasons, from this point moving forward, all passwords will expire every six months.
3. The contracts for the Wi-Fi are signed. Dell will be onsite in the next two weeks to do their final walk through and look at actually positioning the access points and configuration of the controllers and networks. There will be three layers: 1) staff and faculty, 2) students and 3) ECC Guest.
4. ACI is our current payment gateway which is how El Camino transacts our e-commerce business between the banks and the school. They only have internet based payment gateway capability which is difficult and inefficient on androids and iPhones; not a true mobile app. ACI indicated they would not be developing a mobile app in the future. This coupled with reliability issues will lead us to explore other options for payment gateways that offer more integrated and true mobile payment APIs, services, and security.

5. Archiving of documents in Admissions and Records continues to proceed. The Human Resource office is almost completed. The Finance and Business office along with the Purchasing office will be looked at for next year.
6. The Technology Committee has noted there are two items which need to be addressed. The first is the idea of a paperless college to include approval workflows and eSignatures. The second is a master calendar system. Two separate teams will be developed for these projects.

Enrollment Update – R. Natividad/D. Mussaw (handout)

1. It was reported spring 2017 is looking okay so far, especially with the fact that we had a winter intersession this year. El Camino College – for spring 2016 (32 days after census) we had 7,882 projected FTES. This spring 2017 (at the same time) we have a projected FTES of 7,897. It was noted we have been on a three-year downward trend for spring enrollment. With the addition of the winter intersession, it was viewed the enrollment numbers were not adversely affected for the spring semester.
2. For the Compton Center – the spring 2016 (32 days after census) projected FTES were 2,195. This spring 2017 (at the same time) we have a projected FTES of 2,220. They are above where they were last year, but it was noted they have the addition now of the Cosmetology Program.

Making Decisions Document - R. Natividad

1. A first look was given to the committee of the Making Decisions Document. This is a document that the PBC should review annually. The Cabinet and College Counsel just did a general review and some updates. The committee representatives were asked to review the document and take it back to their constituent groups for their review and input. This document needs to stay updated with the direction and the vision of the college.
2. The various changes were noted. One item noted was a change on page 14 of the document under the area of committee work. The term Student Equity is no longer in existence because of the combining of Student Equity and Student Success.
3. On page 18 under Annual Planning, there is now an identification of the College Plan. Previously it was the Area Plan.
4. On page 20 the PBC document, (update) Annual Planning and Budgeting Calendar which now contains the College Plan – May 15. The timeline is aggressive but we are hoping to be able to fund or identify items for funding while we are still developing the tentative budget.
5. It was noted the Facilities Steering Committee provides updates on current projects on the campus. It was noted a construction zone will be set up by the cross-road area of our pool and the south area of PE-S this upcoming fall. This will be to make way for the forthcoming Pool and Classroom Complex. The Administration building will start to see some fencing going up around it. Human Resources will be the last department to vacate the building. Updates will be forthcoming on the construction process. A new traffic pattern will be set up for the campus.

Adjournment – R. Natividad

1. The meeting adjourned at 1:37 p.m. The next meeting will be held on **April 20, 2017** in Library 202.

RKN/lmo

Five - Year Budget Assumption Projection Details - ECC Dart Board -Unrestricted General Fund Subject to Frequent Change(Working Draft)

	A	B	C	D	E	F	G
1	Factor changes each year:	Notes	2016-17	2017-18	2018-19	2019-20	2020-21
2	Data as a % unless otherwise stated.						
3	**REVENUE CHANGES:**						
4	Funded COLA	1	0.00%	1.56%	2.40%	2.53%	2.66%
5	Restoration Funding	2	2.00%	1.36%	-	-	-
6	Apportionment Deficit						
7	Estimated Funded FTES	3	19,486	19,510	19,705	20,000	20,200
	APPROPRIATION CHANGES:						
8	PERS Employer Rate	4	13.888%	15.531%	18.1%	20.8%	23.8%
9	STRS Employer Rate	5	12.58%	14.43%	16.28%	18.13%	19.10%
10	Election Expense	6	$ -	$ -	$497,000	$ -	$745,000
11	Health Insurance Rate Increase	7	0%	0%	0%	0%	0%
12	Utilities	8	4.00%	4%	4%	4%	4%
13	Insurance - Workers Compensation	7	$84,752	$90,261	$96,128	$102,376	$?
14	Insurance - Liability	7	$22,500	$23,062	$23,639	$24,836	$?
15	Increased EOPS match from Unresricted GF	9	$64,000	$ 73,000	$ 67,000	$ -	$ -
16	Additional funds needed for Enrollment Management	10	$125,000	$55,000	$ 460,000	$255,000	$260,000
17	Faculty Salary Increase	11	$1,558,277	$2,979,148	$3,181,364	$1,590,676	
18	Unrepresented Emp.Salary Increase	12	$322,900	$746,150	$ 915,317	$457,658	
19	Classified Empl. Salary Increase	13	$ -	$ -	$ -	$ -	

Notes:

1. Based on 2017-18 Governor's budget per School Services estimates or local estimates
2. Other costs of growth not yet available
3. Projected FTES values based on Academic Affairs 5 Year FTES Projection2016-17 Stabilization
4. PERS - Estimates from SSC Based on CalPERS Proposed Employer Contribution Rate for 2016-17
5. STRS Estimates from SSC based on the 2016-17 (Per SSC Dartboard)
6. 2 Board seats in November 2017 Est.Cost. $750,000 Estimated for 3 Board seats in Nov.2019
7. Awaiting rate estimate
8. Awaiting information from Energy Consortium
9. Increased EOPS Match from Unrestricted General fund

10 Enrollment Management Plan Estimates based on Additonal Sections 2017-18 (11)2018-19 (92) 2019-20 (51) 2020-21 (52)

11. Estimate based on 5% increase, plus cost associated with Step 30 advancement

13. Awaiting completion of Negotiations

Dates Scheduled for Review:

Updated 05-17-2017

The Community College Update

Volume 37 For Publication Date: May 05, 2017 No. 9

2017-18 Statutory COLA Estimated to Be 1.56%

With the release of the latest economic data from the United States Department of Commerce (USDOC), it is estimated that the statutory cost-of-living adjustment (COLA) for 2017-18 will be 1.56%. The January Governor's Budget estimate of the statutory COLA for 2017-18 was a modest 1.48%.

Today, April 28, 2017, the USDOC released the quarterly value of the Implicit Price Deflator for State and Local Governments for the first quarter of the 2017 calendar year, which provides the last piece needed to calculate the 2017-18 statutory COLA for K-14 education.

During implementation of the Local Control Funding Formula (LCFF), the COLA is less significant of a factor for most K-12 local educational agencies in estimating revenue changes for the upcoming year than it was under revenue limits, or than it will be once the LCFF is fully implemented. Although the COLA will affect the topline numbers used to calculate the LCFF target, it does not directly impact the level of the appropriation for LCFF gap closure—$744 million in the January Budget proposal. Rather than the COLA, it is that appropriation, and its corresponding gap closure percentage, which determines revenue growth for most schools.

For community colleges, the COLA is still provided on the base apportionment and most categorical programs.

—Dave Heckler

posted 04/28/2017

SSC Community College Financial Projection Dartboard
2017-18 Governor's Proposed State Budget

This version of SSC's Financial Projection Dartboard is based on the 2017-18 Governor's Proposed State Budget. We have updated the cost-of-living adjustment (COLA), consumer price index (CPI), and ten-year T- bill planning factors to reflect the latest economic forecasts. We rely on various state agencies and outside sources in developing these factors, but we assume responsibility for them with the understanding that they are, at best, general guidelines.

Factor		2016-17	2017-18	2018-19	2019-20	2020-21
Statutory COLA for Apportionments		0.00%	1.48%	2.40%	2.53%	2.66%
Base Apportionment Increase		$75 million	$23.6 million	Ongoing	Ongoing	Ongoing
Growth/Restoration Funding		**2% ($126.9 million)**	**1.36% ($79.3 million)**	**Ongoing**	**Ongoing**	**Ongoing**
Increased CDCP Rate		Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
State Categorical Programs		$688.2 million	$290.7[1] million	Ongoing (except for one-time funds)		
California CPI		2.37%	2.72%	2.92%	2.60%	2.73%
California Lottery[2]	Base	$144	$144	$144	$144	$144
	Proposition 20	$45	$45	$45	$45	$45
CalPERS Employer Rate		13.888%	15.80%	18.70%	21.60%	24.90%
CalSTRS Employer Rate		12.58%	14.43%	16.28%	18.13%	19.10%
Interest Rate for 10-Year Treasuries		2.20%	2.50%	2.70%	2.90%	2.80%

[1] The 2017-18 Proposed State Budget includes the following additional programmatic funding sources:

- $150 million for the Guided Pathways Program (one-time funds)
- $43.7 million for deferred maintenance or instructional equipment, with no match requirement (one-time funds)
- $52.3 million for Proposition 39 energy efficiency program grants (one-time funds)
- $20 million for an Innovation Awards Program (one-time funds)
- $10 million for the Online Education Initiative
- $6 million for an Integrated Library System
- $5.4 million to provide the 1.48% COLA for Disabled Student Programs and Services, Extended Opportunity Programs and Services, California Work Opportunity and Responsibility to Kids, and Child Care Tax Bailout programs
- $3.1 million for Full-Time Student Success Grant Program

[2] The forecast for Lottery funding per FTES includes both base (unrestricted) funding and the amount restricted by Proposition 20 for instructional materials. Lottery funding is initially based on prior year actual annual FTES, and is ultimately based on current-year annual FTES.

5-Year Budget Assumptions

Estimated Funded FTES

Fiscal Year	Estimated FTES	Estimated Sections
2016-17	19,486	5,051
2017-18	19,510	5,062
2018-19	19,705	5,154
2019-20	20,000	5,262
2020-21	20,200	5,314

Los Angeles County
Office of Education
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Debra Duardo, M.S.W., Ed.D., *Superintendent*

INFORMATIONAL BULLETIN # 4588

Rev: 5/3/2017

May 2, 2017

TO: Business, Payroll, and Personnel Administrators
HRS District Coordinators
Los Angeles County School and Community College Districts
Charter Schools and Other Local Educational Agencies

FROM: Claudette Wiggan-Reid
CalPERS Retirement Systems Coordinator
Division of School Financial Services

SUBJECT: PERS Rate Effective July 2017

The California Public Employees' Retirement System (CalPERS) Board of Administration has approved the school employer pool rate and the Public Employees' Pension Reform Act (PEPRA) employees rate, effective with the first payroll processed with July 2017 accrual dates. CalPERS expects these rates to be in effect for the entire 2017–2018 fiscal year.

The new rates are listed as follows:

	New Rate Effective 7/1/17	**2016-17 Rates**
Employer Contribution Rate	**15.531%**	13.888%
PEPRA Member Contribution Rate	**6.50%**	6.00%
Classic Member Contribution Rate *(no change)*	7.00%	7.00%

If you have any questions regarding this bulletin, contact Scott Welker at (562) 922-6468 or via email at Welker_Scott@lacoe.edu or Claudette Wiggan-Reid at (562) 922-6565 or via email at Wiggan_Claudette@lacoe.edu.

Approved:
Sean Lewis, Assistant Director
School Financial Systems and Services

CWR:rh

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The COMMUNITY COLLEGE UPDATE

Volume 37 For Publication Date: April 21, 2017 No. 8

CalPERS Adopts Employer Contribution Rate for 2017-18

The California Public Employees' Retirement System (CalPERS) Board adopted an employer contribution rate of 15.531% for 2017-18, which is almost 2% higher than the current rate of 13.888%.

The 2017-18 contribution rate was based upon the June 30, 2016, annual valuation, which used an investment return assumption of 7.5%. We reported earlier that the CalPERS Board adopted a reduction in the long-term assumed return on investments from 7.5% to 7.375% for 2018-19 and then to 7.0% for 2019-20, which will cause a corresponding increase in the employer contribution rates for those years and beyond. What follows are the revised estimates provided by CalPERS for future employer contribution rates:

CalPERS School Employer Contribution Rates		
Fiscal Year	Previously Released Employer Contribution Rates	Projected Employer Contribution Rate*
2017-18	15.8%	15.531%
2018-19	18.7%	18.1%
2019-20	21.6%	20.8%
2020-21	24.9%	23.8%
2021-22	26.4%	25.2%
2022-23	27.4%	26.1%
2023-24	28.2%	26.8%
2024-25	N/A	27.3%

*Actual for 2017-18

While the new projected rates are slightly lower than those previously released by CalPERS, they are still significant increases that will add to the squeeze on base revenues for schools and community colleges.

The CalPERS Board also adopted the contribution rate for employees subject to the Public Employees' Pension Reform Act of 2013 (PEPRA). Currently members subject to PEPRA are contributing 6% of applicable wages, which will increase to 6.5% for 2017-18 to ensure that those members are paying at least half of the normal cost of the pension benefit (calculated to be 12.91%) as required by PEPRA.

—Sheila G. Vickers

CALSTRS
HOW WILL YOU SPEND YOUR FUTURE?

APR 19 2017
BY:

which will be the first time the board will set the rate. We will not know for certain, however, what the employer rate will be in 2021-22 until the board adopts the June 30, 2020 valuation in the spring of 2021.

2% at 60 Members (No Change): In accordance with the 2014 statutory funding plan, effective July 1, 2016, the Defined Benefit member contribution rate for 2% at 60 members is fixed by law at 10.25 percent of creditable compensation.

2% at 62 Members (Expected Change in July 2018): The Public Employees' Pension Reform Act of 2013 (PEPRA) requires 2% at 62 members (those first hired on or after January 1, 2013) to contribute at least one-half the "normal cost" of their Defined Benefit Program benefits. The normal cost is the rate (as a percentage of creditable compensation) for each year of service necessary to adequately fund the benefit over time.

As a result of the June 30, 2016, actuarial valuation, using an assumed investment return rate of 7.25 percent, the increase in the normal cost **did not** meet the threshold necessary to trigger a change in the current 2% at 62 member contribution rate of 9.205 percent. However, as described in the chart below, in 2018 when the board is presented with the June 30, 2017 actuarial valuation of the Defined Benefit Program, the expected normal cost increase resulting from reducing the investment return assumption to 7.0 percent will likely trigger a 1 percent increase in the 2% at 62 member contribution rate, adjusting to 10.205 percent beginning July 1, 2018. This will be decided in May 2018 when the June 30, 2017 actuarial valuation is adopted by the board.

State of California (0.5 Percent Annual Increase): Under the 2014 statutory funding plan, the state contribution rate can increase or decrease beginning July 1, 2017, to eliminate the state's share of the unfunded liability by 2046. The state rate cannot be increased by more than 0.5 percent each year. Based on the results of the actuarial valuation, the board adopted a 0.5 percent increase for the state, increasing the state contribution rate to 9.328 percent of payroll beginning July 1, 2017. It is expected that the state contribution rate will continue to increase annually by up to 0.5 percent of payroll for at least the next decade. This contribution rate includes 2.5 percent of payroll that the state contributes to the Supplemental Benefit Maintenance Account, an inflation-protection program for retirees.

Expected Contribution Rates					
Fiscal Year Begin:	July 1, 2017	July 1, 2018	July 1, 2019	July 1, 2020	July 1, 2021
Employers:	14.43%	16.28%	18.13%	19.10%	*<19.1%
2% at 60 Members:	10.25%	10.25%	10.25%	10.25%	10.25%
2% at 62 Members:	9.205%	*10.205%	*10.205%	*10.205%	*10.205%
State:	9.328%	*9.828%	*10.328%	*10.828%	*11.328%
* Estimated based on June 30, 2016, valuation using 7% investment return.					

As stewards of a retirement system that will continue to operate long into the future, CalSTRS

The COMMUNITY COLLEGE UPDATE

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May Revise Update: One-Time Deferred Maintenance and Instructional Equipment Funds

The Governor's May Revision, released on May 11, 2017, included an additional $92.1 million in one-time funds for deferred maintenance and instructional equipment, in addition to the $43.7 million that was part of the January Budget Proposal, for a total of $135.8 million. However, for 2017-18, these funds come with a catch: Most of the funds ($125 million) are not scheduled to be disbursed until May 2019. The Governor's intent of holding onto the funds is to ensure that Proposition 98 is not over appropriated as a result of lower-than-expected revenues in the 2017-18 fiscal year.

As a result of the lack of receipt in the 2017-18 fiscal year, and some uncertainty around receipt during the 2018-19 fiscal year, School Services of California, Inc., is recommending that community colleges exclude this revenue from their upcoming budget, as well as their multiyear projection.

—SSC Staff

posted 05/12/2017

Higdon, Jo Ann

From: Higdon, Jo Ann
Sent: Thursday, May 11, 2017 10:27 AM
To: Ely, Janice; Atane, Babatunde
Subject: FW: 2017-18 May Revision Update

From: Chief Business Officers [mailto:CBO-ALL@LISTSERV.CCCCO.EDU] **On Behalf Of** Rodriguez, Mario
Sent: Thursday, May 11, 2017 10:10 AM
To: CBO-ALL@LISTSERV.CCCCO.EDU
Subject: 2017-18 May Revision Update

Colleagues,

The Governor recently released his May Revision. Below are a few highlights for community colleges.

Proposition 98

- The 2015-16 funded guarantee is $69.1 billion, of which community colleges receive 10.97%. This is an increase of $0.4 billion above the Governor's Budget, which is consistent with the estimate at the 2016-17 Budget Act.
- The 2016-17 funded guarantee is $71.4 billion, of which community colleges receive 10.93%. This is consistent with the Governor's Budget and is a decrease of $0.5 billion below the 2016-17 Budget Act.
- The 2017-18 funded guarantee is $74.6 billion, of which community colleges receive 10.90%. This is an increase of $1.1 billion above the Governor's Budget and is an increase of $2.7 billion above the 2016-17 Budget Act.
- While the May Revision does not provide community colleges the statutorily required 10.93% of the funded guarantee in 2017-18, it does provide us with an additional $23.1 million in additional "settle-up" funding beyond what would be expected if the 10.93% were applied equally across all three years applicable fiscal years. "Settle-up" funding is essentially a correction of an underpayment in a prior years. In short, the Governor has continued to support our segment and we appreciate the improvements made at the May Revision.
- The May Revision also proposes some technical, yet material, changes to the funded guarantee in an effort to mitigate concerns raised when the Governor's Budget reduced the 2015-16 level of funding from $69.1 billion to $68.7 billion, which is proposed to remain at $69.1 billion in the May Revision. As a part of this package of changes, the deferred maintenance and instructional equipment funding discussed below will act as a contingency in 2017-18, and will not be allocated until P2 in 2018-19. There will likely be plenty of discussion on this issue over the next few weeks.

Apportionments

- An additional $160 million of base increase for a total of $183.6 million, which is provided in recognition of pending cost increases in areas such as pension rates, employee benefits, and utilities. This brings the total provided for a base increase to $552.3 million over the three year period.
- A reduction of $21.5 million of growth for a total of $57.8 million to reduce growth from 1.34% to 1%. Growth funds will continue to be allocated by the revised growth formula that gives consideration to high-need students and high-need communities.
- An increase of $3.5 million for a total of $97 million to reflect a COLA that increased from 1.48% to ~~1.54%~~.
  1.56%

- The Administration also proposes budget bill language that authorizes the Chancellor's Office to apply unused growth funds to cover an apportionment deficit. While this does not remove all uncertainty from the apportionment process, it will help in years we are not growing to our funded cap and have an apportionment deficit. The Governor's Budget proposal to remove the authority of the Chancellor's Office to allocate unused apportionment funding due to higher that estimated student fee and property tax revenues remains in the May Revision. While we have concerned with the Governor's Budget proposal, we appreciate the consideration provided at the May Revision, and overall we are better positioned to stabilize apportionment deficits.

<u>Staffing</u>

- The May Revision alters the initial plan to provide two additional vice chancellor positions, and instead provides the following:
    - 1 administrator in the Institutional Effectiveness Division to implement the Guided Pathways grant.
    - 2 information technology specialists and 2 research specialists in the Technology, Research, and Information Systems Division to better support the systems increasing demands for more timely data and research.
    - 1 attorney in the Office of the General Counsel to provide additional legal services given the complexities of our current legal climate.
- In addition, the May Revision provides funding for a vacant Executive Vice Chancellor position that would support the Chancellor's focus toward providing greater technical assistance and supporting a more coordinated approach to the programs and services administered by the Chancellor's Office.

<u>Facilities</u>

- A decrease of $5.8 million of Proposition 39 for a total of $46.5 million to fund energy efficiency projects. 2017-18 is scheduled to be the final year of the program under current law, however, there are attempts to continue the program that will play out over the next year.
- An additional $92.1 million of deferred maintenance and instructional equipment funding for a total of $135.8 million. As discussed above, these funds are not proposed to be allocated until the P2 in 2018-19 and will act as a contingency against future reductions in Proposition 98.
- While the May Revision did not provide any additional Proposition 51 capital outlay projects, an April 1 Finance Letter provided an additional four projects, listed below
    - Allan Hancock Joint Community College District, Allan Hancock College: Fine Arts Complex
    - Coast Community College District, Orange Coast College, Language Arts & Social Sciences Building
    - Long Beach Community College District, Long Beach City College: Liberal Arts Campus Multi-Disciplinary Facility Replacement
    - Santa Monica Community College District, Santa Monica College: Math/Science Addition

<u>Guided Pathways</u>

- The Administration also amends the Guided Pathways grant trailer bill language to do the following: (1) clarify the Guided Pathways four pillar framework, (2) clarify the funds will be primarily used for release time, professional development, and technology solutions, (3) ensures the Chancellor's Office has sufficient authority to require a grant application with programmatic criteria and both qualitative and quantitative indicators, and (4) requires the Chancellor's Office to report annually on the status of implementing the grant.

<u>Support Services</u>

- An additional $1.9 million for a total increase of $5 million for the Full-time Student Success Grant that provides grants to CalGrant B and C students taking 12 or more units per term. Further, the Administration proposes increasing the grant amounts from $300 to $350 per term.

While I have only covered the adjustments made at the May Revision, the $20 million for Innovation Awards, $10 million for the Online Education Initiative's learning management system, and $6 million for the integrated library service are all still included in the budget package.

Overall, this is shaping up to be a great budget for community colleges. During the next four week each house of the Legislature will pass their own budget and the differences will be worked out during Conference Committee. Some of the top issues we can expect to hear about are: promise programs, student financial aid, additional facilities projects, veteran resource centers, part-time faculty programs, supporting the transition of Compton College, and mental health services.

The budget process will move expeditiously over the next few weeks, and while I will continue to update everyone on this progress, feel free to reach out to me at the contact information provided below if you have any questions.

Regards,
Mario Rodriguez
VC Finance and Facilities
CCC Chancellor's Office
(916) 218-2759
mrodriguez@cccco.edu

2017-2018 Tentative Budget Assumptions
Unrestricted General Fund
June 19, 2017
Board of Trustees

The following significant assumptions were used in preparing the 2017-18 Unrestricted General Fund Tentative Budget:

1. Projected State General Apportionment is based on State funding of 19,510 FTES for fiscal year 2017-18.

2. 1.56 percent COLA has been applied to State Revenues for 2017-18.

3. Increases in the STRS and PERS employer contributions rates to 14.43% and 15.531% respectively have been applied to staff benefits.

4. Full-time salary appropriations are based on current staffing plans.

5. Adjunct faculty salary appropriations include additional staffing to achieve enrollment management goals.

6. A minimum 5% reserve will be maintained.