Date of Hearing: April 23, 2013

ASSEMBLY COMMITTEE ON HIGHER EDUCATION
Das Williams, Chair
AB 1199 (Fong) – As Amended: April 16, 2013

SUBJECT: Community colleges: funding.

SUMMARY: Requires the Board of Governors (BOG) of the California Community Colleges (CCC) to adopt a stabilization formula for CCC districts under accreditation sanction with decreased student enrollments. Specifically, this bill:

1) Requires the CCC BOG to adopt a stabilization formula for calculating a qualifying CCC district's revenue level for a qualifying fiscal year that provides for revenue adjustments if all of the following conditions are met:

   a) The district or campus of the district is subject to a probation or a "show cause" accreditation sanction;

   b) The district has identified a new funding source sufficient for the full payment of any fund liability in equal installments over the next two years; and,

   c) The district develops an improvement plan certified by the CCC Chancellor that complies with all of the following:

      i) Includes a six-month accreditation compliance report from the district's board of trustees that is signed by the district chancellor and passed by the district's board of trustees and,

      ii) The accreditation compliance report details the progress the district has made prior to the date of the report and includes a timetable for the completion of a full and satisfactory accreditation response.

2) Requires the stabilization formula adopted pursuant to (1) above to provide the following adjustments in district revenues for a qualifying district experiencing decreases in full-time equivalent students (FTES):

   a) Decreases in FTES shall result in revenue reductions beginning in the year following the initial year in which the district qualifies for this stabilization funding at the district's marginal funding per FTES and,

   b) Revenue reductions in the second and third years after the district qualifies for this stabilization funding shall include payments by the district of equal installments in each of these years that covers the difference between the stabilization funding the district would have received pursuant to existing law and what the district did receive pursuant to (2)(a) above.

3) Declares this an urgency statute.

EXISTING LAW:

1) 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, 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 FTES for specified purposes. (Education Code § 84750.5 et seq.)

2) Requires revenue reductions as a result of decreased FTES to begin in the year following the initial year of decrease at the district's marginal funding per FTES, and authorizes restoration of those funds if FTES increases in the subsequent three years. [EC § 84750.5 (d)(6)(B) and (C)]

FISCAL EFFECT: Unknown

COMMENTS: Need for this bill. According to the author, "Colleges receiving severe accreditation sanction often suffer immediate reduction of their enrollment. This leads to a potential funding loss, putting pressure on the college's ability to make adjustments and recover its full accreditation. For example, the City College of San Francisco (CCSF) is experiencing the direct effects of severe sanctions. CCSF has seen their enrollment drop dramatically with the threat of losing their accreditation. This action compounds the already declining enrollment due to a lack of classes offered as a direct result of state budget cuts from previous years. This bill will provide a stabilization formula over a three-year period in order to keep courses open for students and ensure a high quality education by retaining faculty."

Stabilization funding. Existing law provides a year of "stabilization" funding, during which the district receives the same funding as the previous year. This is because a district usually does not know that its FTES has declined until it begins its enrollment counts, which occur at the same time the state is dispersing funds and after the district has hired faculty and determined its class schedules. If enrollment declines beyond one year, the district's revenues are reduced by the decrease in FTES. However, those reductions are restored if enrollments increase during the subsequent three years, providing a district's with a buffer against fluctuating enrollments.

What would this bill do? This bill would require the BOG to adopt a formula for qualifying districts that would provide an additional year of stabilization funding for districts under severe accreditation sanction and require those districts to use new funding sources to repay the funding over the subsequent two years. Eligible districts must meet the following criteria:

1) Be on probation or "show cause" accreditation status;

2) Identified a new funding source sufficient for the full payment of any fund liability in equal installments over the next two years; and

3) Issued an accreditation compliance report, detailing the progress the district has made prior to the date of the report and includes a timetable for the completion of a full and satisfactory accreditation response, certified by the CCC Chancellor.

Accreditation. Accreditation is a voluntary system of self-regulation developed to evaluate overall educational quality and institutional effectiveness. CCCs are accredited by the Accrediting Commission of Community and Junior Colleges (ACCJC), which is part of the Western Association of Colleges and Universities. Accreditation is required to receive state appropriations and to be eligible for federal and state financial aid programs. There are three levels of sanction: Warning, Probation, and Show Cause. Follow up reports and accreditation visits are required to retain full accreditation.

Over the years, many colleges have faced accreditation sanctions, including Show Cause. With the exception of one—Compton College in 2004—all have retained accreditation. In fact, College of the Redwoods and Cuesta College sufficiently addressed their identified deficiencies and were removed from Show Cause in January. Of the 112 CCCs, six are on Probation status and two are on Show Cause status—CCSF and College of the Sequoias.

CCSF. Last July, ACCJC identified numerous deficiencies at CCSF and moved the district directly to the most severe level of sanction—"Show Cause." ACCJC identified numerous deficiencies covering a range of district operations. The most substantive findings focus 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. The CCSF Board of Trustees has taken numerous actions and approved plans to address the identified deficiencies; however, it has been a contentious process with much opposition from local stakeholders. Even with an urgency clause, this measure is unlikely to go into effect before June 15, 2013, when ACCJC decides CCSF's accreditation status.

Issues to consider.

1) Legislation is unnecessary. Districts do not need state authority to use local funds for the purposes of this bill. Last November, San Francisco approved a parcel tax to raise $16 million per year for CCSF. While local stakeholders asked the board to use these funds to buffer the college’s wage reductions and layoffs, the CCSF Board of Trustees elected to use most of the funds to increase its reserve—one of the deficiencies noted by ACCJC.

2) Local authority. Should locally elected boards be required to spend local revenues to repay stabilization funding when they may choose to use the funds to address other issues, such as accreditation deficiencies? Perhaps this bill should allow a district to request the stabilization formula authorized under these provisions rather than mandating it?

3) Recourse for failure to repay? It is conceivable that a district under Show Cause could lose accreditation and cease to operate. How would the state recoup the funding?

4) Technical issues.

    a) Qualifying districts must identify a new funding source sufficient to address any "fund liability." Fund liability is not defined, nor does the bill specify whom the district is repaying.

    b) Qualifying districts must submit an accreditation compliance report that is certified by the CCC Chancellor. It is unclear if this is the report required by ACCJC.

REGISTERED SUPPORT / OPPOSITION:

Support

California Federation of Teachers
California Teachers Association
Faculty Association of California Community Colleges
Service Employees International Union, California

Opposition

None on file.

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