Resource Allocation Model Taskforce

Meeting Minutes

March 10, 2017 – EVC, VPA-115

Members Present: Eric Narveson (Academic Senate – EVC), Steven Graham (Academic Senate – EVC), Guillermo Castilla (Academic Senate – SJCC), Fabio Gonzalez (Academic Senate – DS), Doug Smith (Administrator), Andrea Alexander (Administrator), Jorge Escobar (Administrator), Yesenia Ramirez (CSEA), Dan Hawkins (CSEA), Lauren McKee (MSCC)

Members Absent: Jesus Covarrubias (Academic Senate-SJCC), Barbara Hanfling (AFT 6157), Keiko Kimura (MSCC), Peter Fitzsimmons (MSCC),

Alternates Present: Chris Frazier (Academic Senate), Mark Newton (AFT 6157), Paul Fong (AFT 6157), Eugenio Canoy (MSCC)

Also Present: Roy Stutzman (Consultant), Debbie Budd (Guest), Jonathan Camacho (Guest), Marilyn Morikang (Guest), Carol Anderson (Recorder)

1) <u>Call to Order:</u> 1:09 p.m.

2) <u>Approval of Meeting Agenda</u>: It was suggested that Item #8 – Differences between revenue model vs. cost based model be moved to follow Item #9 – FTES to $$DS. Mr. Fitzsimmons is not in attendance to discuss the differences between revenue and cost based models, however Mr. Stutzman is prepared to discuss the differences.

M/S/P; Ayes- 14, Opposed-0, Abstentions-0, Absent-5, a Motion to approve the amended agenda was made by Chris Frazier; Seconded by Eric Narveson. The amended agenda was approved.

3) <u>Approval of 02/24/17 Meeting Minutes</u>: The updated 02/24/17 minutes were submitted.

M/S/P; Ayes- 14, Opposed-0, Abstentions-0, Absent-5, a Motion to approve the updated minutes was made by Eric Narveson; Seconded by Yesenia Ramirez. The updated minutes were approved.

4) <u>Approval of 03/03/17 Meeting Minutes:</u>

a. The following corrections were recommended for the 03/03/17 minutes:

1. Jonathan Camacho should be listed as present.
2. It was recommended that the original list of variables, from the March 3rd meeting, be attached to the minutes.

M/S/P; Ayes- 11, Opposed-0, Abstentions-2, Absent-5, a Motion to approve the amended minutes was made by Eric Narveson; Seconded by Eugenio Canoy. The amended minutes were approved.

5) <u>Simulation #7:</u>

a. The concept of taking $10M out of the revenue and using that $10M to do an allocation based on the measurable variables was discussed at the last meeting. As long as the variables can be defined and measured in a quantitative way, they can be utilized in a model like this. A portion of the allocation could be based on program performance.
b. The measured variable piece in this simulation is not based on FTES and not split 50/50, you are trying to develop some means to allocate it based on other measures.
c. The $10M is not additional dollars, it's coming from the revenue. The more you assign on the top portion of this model the less you will have to allocate later.

d. Mr. Stutzman states that there is other revenue (mandated costs, EPA, lottery, etc…) that he proposes be allocated through the model, based on the three-year FTES average, which is based on actual numbers from the past three years.
e. Mr. Stutzman is proposing that the money is allocated to the colleges and they are then assessed for their share of cost. This simulation is allocating revenue, not cost. Colleges are being given resources allocated to the campus to and in a way that meets local needs.
    i. Mr. Gonzalez questioned why the District is treated as an expense and believes that the District and the colleges should be treated as an organization and the District as an entity needs to be accountable and should have to justify their costs.
        (1) Mr. Stutzman replied that the District has to justify their costs either through Cabinet or District Budget Committee. Program Review is the opportunity to review District Services and that the District Program Review has measures that are easy to define.
    ii. Mr. Frazier feels that the District is very willing to hire consultants instead of doing the work internally. He feels that the colleges are paying the District for services that they are not providing and believes that services should be paid for as they are provided. Mr. Frazier also states that the colleges are given a budget before they know what they will need from the District. Mr. Frazier believes that the DS/DW budget should be tied directly to student success. At the college level, Program Review is overseen by student success. How is the District's Program Review linked to student success and functioning of the college? Per Mr. Frazier, the main thing the Senates are fighting for is the functioning of the colleges and should be the highest value in the college budget.
        (1) Per Mr. Stutzman, it is difficult to tie District Services to student success.
    iii. Ms. McKee feels that part of the issue is that there is some discord. Does the District look at the campuses as a customer? We need to clearly identify what the District responsibilities are vs. the colleges responsibilities. Ms. McKee feels there is no clarity on these issues which causes frustration.
        (1) Mr. Smith would like Mr. Fitzsimmons to revisit the discussion of responsibilities at the March 30th meeting.
f. Mr. Stutzman continued to review Simulation #7 and pointed out that because the top portion of the simulation is not based on FTES but rather is split evenly, the colleges per FTES allocations for the property tax revenue are pretty close in the end. SJCC comes out slightly higher even though they have less FTES. It's an attempt to be fair. The state apportionment process allocates the same dollars per FTES for each district. College generated revenue are next in the simulation and the simulation assumes that the colleges keep all of their locally generated revenues. The bottom line is $38.4M for SJCC and $39.4M for EVC. If you split more money on the top, the bottom number is closer together. These numbers get further apart if you use targets vs. the three year average. Simulation #7 is a 70% FTES model of fund 10, the state funding formula is 100% driven by FTES. A performance based model is more volatile than an FTES model, which is more reliable. The District is not going to use reserves to fund current costs.
    i. Mr. Gonzalez is requesting a simulation that shows the District as an expense and Mr. Frazier would like to see a simulation showing the allocations based on services, on how well goals are achieved.
        (1) Mr. Stutzman agrees to provide a simulation with District costs taken off the top and a simulation pushed down to a place where student success is the primary driver of District Services at the March 30th meeting.
    ii. Mr. Gonzalez asked if we are going to continue to look at simulations to fit our needs or use them as a teaching moment? He feels that simulation #7 is not driving the list of variables created a few weeks ago.
        (1) Mr. Stutzman replied that he is trying to give the group a framework to move forward.
    iii. Mr. Gonzalez questioned how you can keep the doors open with a base allocation of $10M? He feels that is not enough if you are taking into account salaries, benefits,etc… for full-time employees. He did a study of the budget and feels the base allocation should be $20M.
        (1) By doing this you would then reduce the per FTES allocation, this would benefit SJCC, If this were to happen you are really talking about a 50/50 split and all variables need to be taken off the table. There is no incentive for each college – the college that continues

to grow gets nothing and the college that doesn't grow still gets the same amount of funding.

(2) If we were to run a SB361 model, the majority of its funding is FTES based and the block grant based on the size of your institution. Our institutions are in the same band based on size. If we were to run a SB361 it would be purely FTES driven and there wouldn't be any variables. We are trying to be more sophisticated.

iv. Mr. Gonzalez and Mr. Frazier would like to know what the base expenses are for each college to keep the doors open. Need to take into account salaries, utilities, etc…

(1) Mr. Stutzman voiced his concern that costs that have occurred historically are not necessarily costs that should continue. If you roll FT salaries and benefits and have no revenue limitation, that is irresponsible.

v. Mr. Narveson reminded the group of Mr. Fitzsimmons advice to keep it simple.

6) Follow-up discussion to RAM Variables:

a. Mr. Narveson suggested the list of variables (Attachment B) be named to avoid confusion with the original list. It was agreed that the list of variables be called: **RAM Taskforce Variables for the Colleges**.
b. Ms. McKee would like to add Aspire, Enlace, Affirm and Umoja to the list as #17.
c. Per Mr. Stutzman, we are trying to identify quantifiable measures of difference so you have to be able to describe it, measure it and put it into a quantitative way of putting it into an allocation model. If you can't really measure it in a way that can be agreed upon, then it doesn't work. Mr. Narveson clarified that the list of variables is in no particular order of importance.
d. We are trying to determine the colleges shares – how it is spent is at the colleges discretion.
e. It was agreed to remove #9 – Accreditation Status – from the list, but keep it on the books for further discussion in future years.
f. Review of Variables:
   i. Base Allocation is not really a variable, it's part of the revenue model.
      1. Mr. Stutzman has been encouraging a revenue based model with $95M to allocate. Question is how do you allocate that in a rational way to the entities? How much do the colleges have discretion over? That is a decision that should be made at the college level, with oversight by the Chancellor. What is the colleges share and what is a reasonable means to determine the shares? Are there truly legitimate, measurable differences in historical expenditures? A cost based model does not create the accountability to ensure that you don't spend more than you have. Mr. Stutzman is encouraging us to look at the Colleges and the District in the same way.
      2. Mr. Narveson suggests that the number should be a percentage.
g. Mr. Newton suggested to Mr. Smith that Ms. Alexander and Mr. Escobar take the list of variables and attempt to justify, measure and quantify the variables. Mr. Smith is suggesting that they form a subcommittee of two and discuss the variables and report back. This may be a systematic, efficient way to come back and then vet again. Let the work be done outside of the room instead of reviewing based on twenty different perspectives.
   i. Both Ms. Alexander and Mr. Escobar have agreed to work on this as the experts of their respective colleges. They will talk and give their perspectives at the next meeting on March 30th.
   ii. If Ms. Alexander and Mr. Escobar can talk about how these items can be quantifiable. if they can identify which variables are significant with answers to this question, that would be progress. Mr. Stutzman reiterated that it's a matter of refining the list in a way that will allow a more focused discussion. Discussion needs to include how the variables are measured, that would be helpful.
   iii. Mr. Narveson stated that if the colleges have differences, what are those differences and how should those differences impact the allocation model? There are variables that you won't be able to compare.

h. We are leading to a recommendation that the "resident experts" take the current list and reintroduce a more refined list with their best thinking and taking the list to the next level. They will report back to the taskforce and we can continue the discussion then.

7.) Total Cost of Ownership:

a. What is its relevance to the allocation model?
b. Mr. Hawkins would like to see a definition of what Total Cost of Ownership is.
c. Mr. Smith asked Ms. Alexander and Mr. Escobar to give some thought to Total Cost of Ownership and reintroduce it to the committee as to how it might influence our model. Per Ms. Alexander, Total Cost of Ownership was never meant to be a differentiating factor between the two colleges.
d. Mr. Narveson would like Total Cost of Ownership at the top of the next agenda.

8.) Future Agenda:

a. Carry-over "Program Costs and Student Completion" handout discussion (Guillermo Castilla)
b. Carry-over FTES to $$DS (Chris Frazier)

9.) Roy's Check-out:

We are spinning on the list of variables and trying to do something that no one else in the state is doing. He hopes the subcommittee can bring its findings back in a way that this committee can actually discuss it.