

## 1.20 CCCCCO Fiscal Health and Resiliency Monitoring BOG Agendas 2/18/2021, 3/22/2021

BOG Agenda Item Details

<https://go.boarddocs.com/ca/cccchan/Board.nsf/goto?open&id=C2FLHM56785B#>

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Meeting Feb 18, 2021 - Consultation Council Meeting

Subject Fiscal Health & Resiliency Monitoring Update

“Digest” means an item has been through internal review by the Chancellor’s Office and the review entities. The item now has form and substance and is officially “entered into Consultation.” The Council reviews the item and provides advice to the Chancellor.

### **Contact(s)**

Lizette Navarette, Vice Chancellor of College Finance and Facilities Planning

### **Issue**

The item presents information on the Chancellor’s Office fiscal health and resiliency framework, which includes a status update on district fiscal monitoring, and a tool to assist California Community Colleges with the implementation of the Student Centered Funding Formula.

### **Background**

#### **Fiscal Crisis Intervention Authority**

The authority of the Board of Governors’ to intervene in community college district governance is established in Education Code, and in related sections of title 5 of the California Code of Regulations. At the heart of the legal framework is legislative concern for “efficient and effective use of public funds for the education of community college students.” (Ed. Code § 84040, subd. (a).) It is for this purpose that the Legislature requires community colleges to adopt “sound fiscal management practices” and “fiscal accountability.” (*Ibid.*)

Intervention in a community college district’s governance may arise when an analysis of a district’s financial and budgetary conditions reporting indicates “a high probability that, if trends continue unabated, the district will need an emergency apportionment within three years.” (Cal. Code Regs., tit. 5, § 58310.) The breadth of what the Board of Governors generally considers relevant here is articulated in title 5’s twelve “Principles for Sound Fiscal Management.” (Cal. Code Regs., tit. 5, § 58311.) When a district is not in compliance with the principles expressed in 58311, intervention in a district’s governance may be appropriate. On behalf of the Board of Governors, the standard for the Chancellor to appoint a special trustee to presume district oversight would be when they “determine that a district’s financial plans are inadequate, it has failed to implement the principles of sound fiscal management, it substantially fails to implement its plans, or if a college operated by the district is in imminent jeopardy of losing its accreditation (Code Cal. Regs., tit. 5, § 58312.).

#### **Fiscal Health and Resiliency**

##### **District Monitoring Triggers and Intervention**

Consistent with the Education Code, the Chancellor’s Office has established a process to monitor and evaluate the financial health of community college districts. In monitoring the fiscal condition of community college districts, the Chancellor’s Office primary goals are to prevent the necessity for an emergency appropriation or the appointment of a special trustee as such actions divert limited state

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resources and minimize the democratic ideals of locally independent boards responsive to their communities. The Chancellor's Office utilizes existing data (e.g., budget and financial reports and audit data) and aims to proactively provide support in cases where data suggests risks in a district's viability. Based on the results of ongoing fiscal health monitoring or at the request of a community college district, the Chancellor has the authority to provide technical assistance; authorize a Fiscal Crisis Management Assistance Team (FCMAT) fiscal health risk analysis, review, or audit; or appoint a fiscal monitor or special trustee.

The diagram and list below describe triggers for intervention and the stages of fiscal health intervention.

### Triggers

- Late or Missing Compliance Reports
- Media Attention
- Whistleblower Complaints
- District Requests Accreditation
- Financial Status Analysis

### Interventions

1. **College Finance and Facilities Planning Monitoring:** The College Finance and Facilities Planning (CFFP) division places the District on an internal monitoring list to evaluate the severity of fiscal risks and options for intervention.
2. **Technical Assistance Offered:** CFFP reaches out to the District CEO and CBO to discuss identified fiscal risks and offer technical assistance. The Chancellor's Office utilizes state allocated resources through FCMAT for technical assistance, though Institutional Effectiveness Partnership Initiative (IEPI) is also a key partner.
3. **Fiscal Monitor Assigned:** The Board of Governors and Chancellor appoint a fiscal monitor to regularly report on a District's progress toward resolving an identified set of fiscal risks and deficiencies.
4. **Technical Assistance:** Additional technical assistance is offered to Districts with a Fiscal Monitor. Technical Assistance is tailored to address defined fiscal risks and in most cases is free to the District.
5. **District Required Actions:** Following minimal progress towards addressing fiscal health risks, the Board of Governors may require explicit actions by in a specific timeline. Failure to address Board requested action could trigger District oversight.
6. **Special Trustee or Special Trustee Team:** A Special Trustee is appointed to manage a district that fails to achieve fiscal stability. This action authorizes the chancellor to assume, and delegate to the special trustee, those powers and duties of the board of trustees that the chancellor determines are necessary for the management of the district.

### Fiscal Forward Framework

With the goal of moving beyond critical stage engagement towards destigmatizing fiscal health monitoring and proactive approaches to support districts at every stage, the CFFP division has refined its fiscal health and resiliency portfolio. The new portfolio, Fiscal Forward, recognizes the important

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intersection of fiscal health, governance, and accreditation. The cornerstone of the re-designed strategy is prevention through early engagement and technical assistance.

1. *Financial Health*. The evaluation of fiscal health should not be limited to times of crisis. Through new tools for recently appointed chief executive officers and chief business officers, access to fiscal analysis, and technical assistance, financial health monitoring has been redesigned to be an early intervention and prevention strategy.
2. *Governance*. Boards of Trustees are the financial stewards of a district. While short-term fiscal issues might be attributed to non-governance reasons, the same cannot be said of long-term fiscal issues. Board members have the ultimate responsibility for district solvency. Three conceptualizations of effective board performance include: “(a) effectiveness is careful execution of certain processes according to a set of principles; (b) effectiveness is meeting a specific outcome; and, (c) effectiveness is following a set of process principles and achieving a specific outcome” (Kezar, 2006, p. 971).
3. *Accreditation*. The purpose of accreditation tasks the accrediting agencies to monitor, assess, and evaluate the standards and quality of the education at a college. The accreditation process includes a review of leadership and fiscal management. Our role in accreditation is to support districts in the years to major accreditation benchmarks.

### Student Centered Funding Formula Supports

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#### District Resources and Tools

A key component of fiscal resiliency is providing tools to support district resources planning. This has been a key goal of the CFFP Division. Such efforts include supporting the implementation of the Student Centered Funding Formula (SCFF). The SCFF was adopted in the 2018-19 state budget as a new way to allocate funding to community college districts. The SCFF provides funding that supports access through enrollment-based funding, student equity by targeting funds to districts serving low-income students, and student success by providing districts with additional resources for student’s successful outcomes.

The SCFF Dashboard provides preliminary analytics and visualizations about the California Community Colleges funding formula. The data dashboard visually tracks, analyzes and displays trends, metrics and key data points.

- The SCFF Dashboard is interactive.
- The dashboard will not remain static – updates will be made every apportionment period.
- The SCFF Dashboard is housed on the College Finance and Facilities Planning webpage. It is linked to the SCFF webpage where additional details, FAQs, data definitions, and methodology are available.

#### Project Phases:

1. Present an analysis and comparison of SB 361, the prior funding formula, and SCFF.
2. Provide analysis option to view trends in the SCFF Supplement and Success Grants, and Minimum Revenue (also known as hold harmless).
3. District planning tool layout

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Phase 1 of the SCFF Dashboard compares the SCFF with the prior funding formula, known as SB 361. Specifically, it compares district revenues through the SCFF over three fiscal years (2018-19 through 2020-21) with the projected revenues that districts would have received if SB 361 had continued.

### **District Fiscal Health and Resiliency Monitoring**

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The Chancellor's Office is working actively with several districts to support improvements to their fiscal health and resiliency. Supports for these districts include technical assistance, audits of internal operations and opportunities for improvements, professional development, and regular check-ins to assess further needs. The Chancellor's Office is supporting and monitoring the following districts:

- **Peralta Community College District Status Update**
- Palomar Community College District
- Lassen Community College District
- City College of San Francisco

Following sufficient progress as assessed by fiscal health risk analyses, audits, or fiscal reports, regular monitoring is discontinued and supports are provided to other districts with acute needs.

### **Feedback/Questions for Council**

---This item is presented as a resource overview for the members of the Consultation Council.

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BOG Agenda Item Details **Mar 22, 2021 - Board of Governors Meeting**

<https://go.boarddocs.com/ca/cccchan/Board.nsf/goto?open&id=C53MV25A035F#>

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### **Recommended By**

Lizette Navarette, Vice Chancellor of College Finance and Facilities Planning

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### **Attachments**

None.

Navigate There