



# President's Report to the Board of Trustees



August 7, 2014

1. The issues of underfunded public pensions in California has been a major issue with CalPERS and CalSTRS both having unfunded liabilities in the range of \$70 billion. (CalPERS is the California Public Employees Retirement System and CalSTRS is the California State Teachers Retirement System.) These are national issues as well as reported in *The Funding of State and Local Pensions: 2013-2017* ([attached](#)). The study reviewed a sample of 150 plans and found that the ratio of assets to liabilities stayed steady at 72% in 2013 after a steady decline in funded ratios during the last decade. (See the chart to the left below.) The Annual Required Contribution (ARC) increased to 17.6% of payrolls (chart to the right, note the dramatic increase), while the returns in 2009 percent of ARC paid increased to about 83%, down from 98% in 2001.

FIGURE 1. STATE AND LOCAL PENSION FUNDED RATIOS, FY 2001-2013

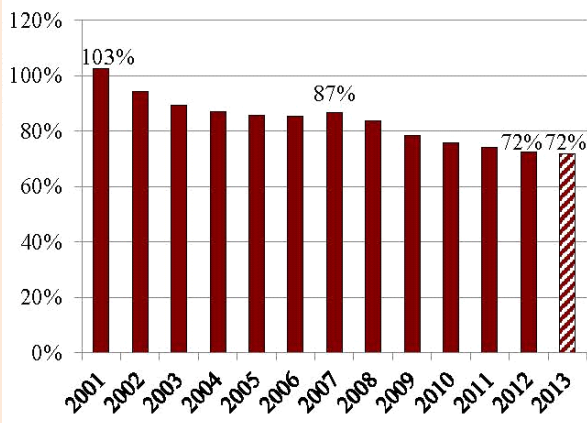
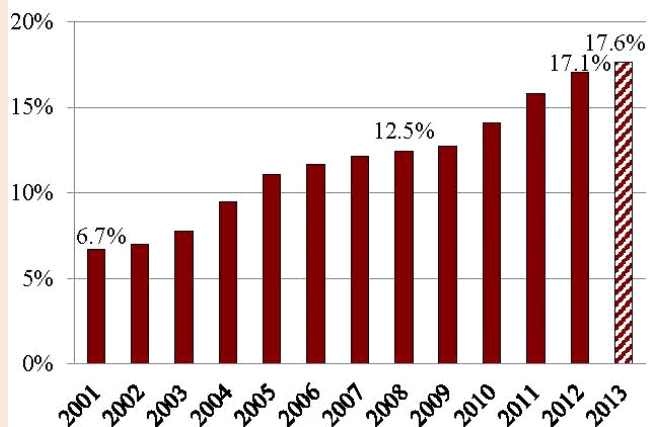


FIGURE 4. ANNUAL REQUIRED CONTRIBUTION AS A PERCENT OF PAYROLL, FY 2001-2013



2. New Title 5 regulations going into effect Fall 2014 require students to be assessed for Math and English, go through orientation, and have an initial education plan in order to have priority registration, that is, to have an early appointment to register for classes. As you know, an early registration appointment is key to getting the classes a student needs. Those not meeting these three requirements registered during open enrollment—the lowest priority. This period began July 31<sup>st</sup>, and you can see from the [attached Enrollment Report \(7/31/14\)](#) that enrollment lagged considerably from last Fall 2013. By August 5<sup>th</sup> enrollment began to pick up as these “delayed” students began to register. See the [attached Enrollment Report \(8/5/14\)](#). The [attached Registration Traffic Report](#) shows the daily number of students enrolling from the beginning of registration on July 15<sup>th</sup>. As you can see from the [attached Open Class List](#) there are still 9,817 open seats overall with 5,456 not requiring prerequisites.

3. Governor Jerry Brown's January proposal to revamp the community college growth formula was simplified in the May Revision and postponed to 2015-16, and the final 2014-15 State Budget reflects the May Revision concepts. What follows are the provisions in the trailer bill (Senate Bill 860 which enacted [Education Code 84750.5e](#)) that specify the requirements that are to be incorporated into the formula. In general, the new growth formula "...shall support the primary missions of the segment, and shall be based on each community's need for access to the community colleges, as determined by local demographics."
  - 1) The Chancellor's Office is to consider multiple factors in determining need, but the primary factors must be:
    - The number of people under 25 years of age, and then between ages 25 and 64, with no college degree within a district's boundaries (alternative age ranges could be used depending on the availability of data)
    - The number of people within a district's boundaries who are unemployed, have limited English skills, are in poverty, or exhibit other signs of being disadvantaged
  - 2) Although the formula is to be effective starting in 2015-16, the trailer bill calls for the Chancellor's Office to adjust upward, starting in 2016-17, the need determination based on each district's effectiveness in serving residents of neighborhoods, within or outside of the district's boundaries, that exhibit the highest levels of need in the state.
  - 3) Each district's proportionate share of the statewide need for access is calculated based on the results of Steps 1, and then adjusted for Step 2.
  - 4) The difference between each district's proportionate share of the statewide need for access and its current proportionate share of statewide enrollment is then calculated.
  - 5) The apportionment growth increases for the year are then calculated as follows:
    - Until a district reaches its previously high watermark for apportionment funding (2008-09 for most districts), the district will receive the lesser of a 1% increase or half of the statewide growth allocation on a proportionate basis.
    - After a district reaches its previously high watermark, the district will receive the lesser of a 0.5% increase or one-fourth of the statewide growth allocation on a proportionate basis regardless of its need.
    - The balance of the apportionment growth funding will be allocated so that each district grows by a proportionate share of the calculation from Step 4, up to a maximum of a 5% to 10% (as determined by the Chancellor's Office) increase from the previous year.

The intent of this revised formula is that growth funding be used to increase course sections and full-time equivalent students (FTES) within the primary mission of the segment (credit courses and the noncredit courses such as basic skills, English as a second language, etc.). The Chancellor's Office is to provide an annual report to the Legislature, starting October 15, 2015, on the course sections and FTES added at each district that received apportionment growth funding in the prior year, separated by those within and not within the primary mission of the segment. Work on the formula has already begun through the Advisory Workgroup on Fiscal Affairs.