Los Angeles Community College District
Budget Allocation Model

Relationship of State Budget to District Budget

District Budget Allocation Model

- Using SB 361 funding formula to distribute state general revenue to colleges
- Each college receives a basic allocation based on college size and funding for credit FTES, noncredit FTES, enhanced noncredit FTES with state funded rates
- Small colleges received supplemental basic allocation of $500,000 to its basic allocation in 2006-07 year, adjusted by COLA in future years
- Colleges are assessed for contingency reserve (at 3.5%), district-wide and district office services based on $/FTES
- Balances are retained by colleges and district office.
Funding Principles

- All revenue is recognized as being earned and retained by colleges
- Simple, fair, and predictable
- Provide incentives for colleges to improve student access and excellence
- Budget Allocation Model should lead colleges to maximize revenues through improved student management
- Adequate and sufficient to sustain operations. Budget Allocation Model must address the economy-of-scale issues for small and large colleges.
- Colleges pay for district-wide and district office functions and services, and assessments must link to services provided, not ability to pay. Colleges are assessed for necessary district-wide, contingency reserve, and District Office functions and services, costs that are recognized as appropriate. Assessments shall be based on $/FTES for credit, non-credit and enhanced non-credit FTES including all resident and nonresident FTES.
- Funding limits should be set for district office operations
- Balances are retained by colleges and district office locations

SB 361 – CCC Funding Formula

Effective October 1, 2006, new state funding formula includes the following categories:

- Basic (Foundation) Allocation
- Credit FTES
- Non-Credit FTES
  - Tier 1 – ESL, Remediation and Basic Skills, Vocational and Occupational education
  - Tier 2 – all other Non-Credit Courses

District’s Allocation equals:

Basic Allocation (foundation),
plus Credit FTES at equalized rate,
plus Noncredit FTES at equalized rate,
plus Enhanced Noncredit FTES at equalized rate
SB 361 – CCC Funding Formula

FTES Funding Rates for 2011–12:

<table>
<thead>
<tr>
<th></th>
<th>Base Funding (Rate)</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit</td>
<td>$4,564.83</td>
<td>$4,564.83</td>
</tr>
<tr>
<td>Noncredit</td>
<td>$2,744.96</td>
<td>$2,744.96</td>
</tr>
<tr>
<td>Enhanced Noncredit</td>
<td>$3,232.07</td>
<td>$3,232.07</td>
</tr>
</tbody>
</table>

SB 361 Funding Allocation Model

- **CITY COLLEGE**
  - Single District: FTES>20,000 $5,000,000
  - 10,000<=FTES<20,000 $4,000,000
  - FTES<10,000 $3,000,000
- Multi-College District:
  - FTES>=20,000 $4,000,000
  - 10,000<=FTES<20,000 $3,500,000
  - FTES<10,000 $3,000,000
- Approved Centers:
  - FTES>=1,000 $1,000,000
  - 750<=FTES<750 $750,000
  - 500<=FTES<750 $500,000
  - 250<=FTES<500 $250,000
  - FTES<250 $125,000

Basic Allocation Revenue is a dollar amount based on the number and size of colleges and centers for each district for 2006-07 (future year – adjusted with COLA):

- Single District:
  - FTES=10,000 $5,000,000
  - 10,000<FTES<20,000 $4,000,000
  - FTES<10,000 $3,000,000
- Multi-College District:
  - FTES>=20,000 $4,000,000
  - 10,000<FTES<20,000 $3,500,000
  - FTES<10,000 $3,000,000
- Approved Centers:
  - FTES>=1,000 $1,000,000
  - 750<FTES<750 $750,000
  - 500<FTES<750 $500,000
  - 250<FTES<500 $250,000
  - FTES<250 $125,000
Apportionment Revenue:

The District's annual state apportionment revenue is based on its prior year general apportionment revenues with the following adjustments:

1. Any deficit applied to total computational revenue
2. Prior year stability and restoration
3. Specified inflation adjustments (COLA)
4. Growth
5. And other purposes authorized by the law

Rules for Enrollment Decline & Restoration:

1. Decrease in FTES shall result in revenue reductions beginning in the year following the initial year of decrease in FTES. No loss of revenue in the initial year of decline.
2. If all FTES are restored in the following year, no revenue shall be reduced.
3. District shall be entitled to the restoration of any reduction apportionment revenue due to decrease in FTES during the three years following the initial year of decrease in FTES

What happens if the state does not have enough funding?

- To fund Base Revenues:
  If the state general apportionments, local property tax revenues, student enrollment fees and other local tax revenues allocated to community college districts are less than the amounts computed for all district, the state Chancellor shall apportion the state funding to districts by applying deficit factor (ratio) to total computational revenue for each district.

- To fund all districts’ growth caps:
  If the state growth revenues are less than all districts’ computed enrollment growth caps, the districts’ growth revenue shall be funded to the extent funds are available to fully fund all FTES up to cap.
District Budget Allocation Model

Revenue and Allocation Assumptions  
Complete Budget Allocation Model

PARAMETERS USED TO DETERMINE COLLEGE REVENUE

1. 2011-12 Base Revenue
   a. Base revenue shall be calculated using the SB 361 marginal funding rates. Each college shall receive an annual basic allocation based on the following basic allocation base rate:
      
      \[
      \begin{align*}
      \text{FTES} &> 20,000 & \text{large college} & \$4,428,727 \\
      10,000 \leq \text{FTES} < 20,000 & \text{medium college} & \$3,875,136 \\
      \text{FTES} < 10,000 & \text{small college} & \$3,321,545
      \end{align*}
      \]

      In addition, to provide a minimum funding for administration and maintenance and operation costs for colleges, the district shall set aside funds from Contingency Reserve to supplement each small college’s basic allocation by $553,591 to increase its basic allocation to $3,875,136. In subsequent years, these basic allocations shall be adjusted by COLA.

   b. Credit Base Revenue shall be equal to the funded base credit FTES multiplied by the base rate of $4,564.83 in the 2011-12 fiscal year; in subsequent years the base rate shall be the prior year rate plus inflation.

   c. Non-credit Base Revenue shall be equal to the funded base non-credit FTES multiplied by the base rate of $2,744.96 in the 2011-12 fiscal year; in subsequent years the base rate shall be the prior year rate plus inflation.

   d. The career development and college preparation (CDCP) non-credit base revenue shall be equal to the funded base CDCP non-credit FTES multiplied by the base rate of $3,232.07 in the 2011-12 fiscal year; in subsequent years the base rate shall be the prior year rate plus inflation.

   e. The base revenues for each college shall be the sum of the annual basic annual allocation, credit base revenue, non-credit base revenue, and CDCP non-credit base revenue.

   f. The base revenues and funded FTES for each college were reduced to be commensurate with the reduction in general apportionment revenue.

PARAMETERS USED TO DETERMINE COLLEGE REVENUE
(Continued)

1. Base Revenue (continued)

   c. Non-credit Base Revenue shall be equal to the funded base non-credit FTES multiplied by the base rate of $2,744.96 in the 2011-12 fiscal year; in subsequent years the base rate shall be the prior year rate plus inflation.

   d. The career development and college preparation (CDCP) non-credit base revenue shall be equal to the funded base CDCP non-credit FTES multiplied by the base rate of $3,232.07 in the 2011-12 fiscal year; in subsequent years the base rate shall be the prior year rate plus inflation.

   e. The base revenues for each college shall be the sum of the annual basic annual allocation, credit base revenue, non-credit base revenue, and CDCP non-credit base revenue.

   f. The base revenues and funded FTES for each college were reduced to be commensurate with the reduction in general apportionment revenue.
2. COLA (cost of living adjustment) shall be distributed to colleges as specified in the State Apportionment notice.

3. Funded Growth Revenue for each college shall be calculated using the following method:
   a. Determine the funded growth rate for each of the workload measures (Credit FTES, Non-Credit FTES, and Career Development and College Preparation Noncredit FTE);
   b. Identify and fund the lowest percentage growth equally among the colleges not to exceed a college's actual growth percentage;
   c. Identify and fund the next lowest percentage growth equally among the colleges not to exceed a college's actual growth percentage;
   d. Repeat step c until the total funded growth revenue is distributed.

4. Colleges experiencing an enrollment FTES decline (to be determined when the First Principal Apportionment Recalculation becomes available) shall receive stability funding in the initial year of decrease in FTES in an amount equal to the revenue loss associated with the FTES reduction in that year. A college shall be entitled to a proportional restoration of any reduction in state base general revenue during the three years following the initial year of decline if there is a subsequent increase in FTES.

5. Non-Resident Tuition Revenue shall be distributed to colleges based on projected tuition earnings and adjusted for actual.

6. Local Revenue and Other Federal and State Revenue (Dedicated Revenue) Revenue that is directly generated by colleges shall be distributed to colleges based on college projections and adjusted for actual.

7. Lottery Revenue shall be distributed to colleges based on the proportion of a college’s prior year FTES to the total District FTES and adjusted for actual;

8. Interest, other federal, state, and local income that are not directly generated by colleges shall be utilized to fund the District’s reserves.

1. A college total budget shall be the sum of the adjusted base revenues (net of assessments for district-wide services, District Office function, and contingency reserve plus other revenue, minus budget for Sheriff’s contract, college deficit payments, and plus balances).

2. The District shall maintain a district Contingency Reserve of 5% of total unrestricted general fund revenue at the district-wide level, and 1% of college revenue base allocation at the college level. Such a reserve shall be established to ensure the district’s financial stability, to meet emergency situations or budget adjustments due to any revenue projection shortfalls during the fiscal year, and that the district shall not be placed on the state “watch lists.” Use of the reserve must be approved by the Board prior to any expenditure. Any Contingency Reserve balance will remain in reserve until a total reserve is equal to 5% of Unrestricted General Fund revenue is attained.
3. Each college shall be assessed for District-wide Centralized Services and District Office functions costs (assessment) based on the differentiated credit, noncredit, and enhanced non-credit (College Development and College Preparation) rates per FTES (including resident and nonresident FTES).

Additional funding received by the district after final budget, not directly attributable to an individual college shall be distributed through the new allocation model as delineated in the Revenue Parameters above.

4. In the event that actual revenues are less than the amounts projected and allocated to colleges for the fiscal year, the college budgets will be recalculated and adjusted accordingly.

5. If a college experiences enrollment decline below its funded base FTES, its budget shall be reduced by its amount of advanced growth funds. In addition, its state general revenue base will be adjusted in accordance with the state allocation formula as indicated in Revenue Parameter #5.

6. Each college and the district office shall retain its prior year ending balances including open orders. Any Contingency Reserve balance will remain in reserve until a total reserve is attained. Open orders for ITV, District Office and District-wide shall be funded up to the available balances from these locations. The uncommitted balances in ITV, District office assessments shall be redistributed to colleges.

7. The college president is the authority for college matters within the parameters of law and Board operating policy. The college president shall be responsible for the successful operation and performance of the college.

8. College deficits are cumulative loans to be paid back. The accumulated loans will be repaid over a three-year schedule beginning one year after incurring the deficit. Although colleges may request a review by the Allocation Grant Task Force, any deficits are required to have a program and budget reviewed by the Allocation Grant Task Force for special financial relief. The mechanism for this relief is a grant application process to be administered by the Chancellor. The grant could be a single or multiple-year allocation.

9. Prior to Budget Preparation, the Presidents will make a recommendation on District-wide and District Office allocations to the Executive Committee of the District Budget Committee.

10. Prior to Budget Preparation, the Presidents will meet to forecast FTES and set goals to maximize revenues to be generated by the colleges.

11. Each operating location shall prepare a quarterly report to include annual projected expenditures and identify steps necessary to maintain a balanced budget.

12. The budget allocation will be recalculated using this mechanism at Final Budget, First Principal Apportionment (February), and at year-end.

Changes to Budget Allocation for 2012–13

- Executive Committee of the District Budget Committee
- Review of the Budget Allocation
- Purpose of the Review
- Timeline of Implementation
**Table: LACCD Budget Allocation Model**

<table>
<thead>
<tr>
<th>City</th>
<th>East</th>
<th>Harbor</th>
<th>Mission</th>
<th>Pierce</th>
<th>S-west</th>
<th>Trade-Tech</th>
<th>Valley</th>
<th>West</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>210,092</td>
<td>210,092</td>
<td>210,092</td>
<td>210,092</td>
<td>210,092</td>
<td>210,092</td>
<td>210,092</td>
<td>210,092</td>
<td>1,890,831</td>
</tr>
<tr>
<td>Facilities Manager</td>
<td>122,838</td>
<td>122,838</td>
<td>122,838</td>
<td>122,838</td>
<td>122,838</td>
<td>122,838</td>
<td>122,838</td>
<td>122,838</td>
<td>1,105,546</td>
</tr>
<tr>
<td>Institutional Research Dean</td>
<td>139,762</td>
<td>139,762</td>
<td>139,762</td>
<td>139,762</td>
<td>139,762</td>
<td>139,762</td>
<td>139,762</td>
<td>139,762</td>
<td>1,257,861</td>
</tr>
</tbody>
</table>

**Total Funding for Presidents and VPs** $8,585,217

**Estimated Benefits for Presidents/VPs/FM** $2,424,216

**Total Number of Deans funded from 10100**

| Deans | 5.0 | 12.5 | 5.0 | 4.0 | 9.0 | 5.0 | 8.0 | 6.0 | 2.5 | 57.0 |

**FTE Faculty (teaching)**

| 318 | 418 | 174 | 158 | 342 | 111 | 260 | 315 | 170 | 2,266 |

**FTES (Student)**

| 13,621 | 24,755 | 7,388 | 7,008 | 15,489 | 5,610 | 12,793 | 13,328 | 7,541 | 107,532 |

**Number of Faculty per Dean**

| 64 | 33 | 35 | 39 | 38 | 22 | 32 | 53 | 68 | 40 |

**Number of FTES per Dean**

| 2,724 | 1,980 | 1,478 | 1,752 | 1,721 | 1,122 | 1,599 | 2,221 | 3,016 | 1,887 |

**Proposed Number of Deans**

| 8 | 12 | 4 | 4 | 8 | 4 | 8 | 8 | 4 | 57 |

**Average Dean Salary**

| 139,762 | 139,762 | 139,762 | 139,762 | 139,762 | 139,762 | 139,762 | 139,762 | 139,762 | 139,762 |

**Total Funding for Deans Position**

| 1,118,099 | 1,677,148 | 559,049 | 559,049 | 1,118,099 | 559,049 | 1,118,099 | 559,049 | 1,118,099 | 1,118,099 |

**Estimated Benefits for Deans**

| 245,534 | 368,302 | 122,767 | 122,767 | 245,534 | 122,767 | 245,534 | 245,534 | 245,534 | 122,767 |

**M&O Costs by Square Footage (2010-11)**

| Gross Square Footage | 949,910 | 986,563 | 530,319 | 447,851 | 834,695 | 527,433 | 920,875 | 739,584 | 514,641 | 6,451,871 |

| Average Cost per sq.ft. | $8.36 | $8.36 | $8.36 | $8.36 | $8.36 | $8.36 | $8.36 | $8.36 | $8.36 | $8.36 |

**Total funding for M&O Costs**

| $7,943,637 | $8,250,148 | $4,434,801 | $3,745,161 | $6,980,150 | $4,410,667 | $7,700,832 | $6,184,783 | $4,303,693 | $53,953,872 |

**Total Proposed Minimum Base Funding**

| $10,530,541 | 11,518,868 | $6,339,888 | $5,650,248 | $9,567,053 | $6,315,754 | $10,287,735 | $8,771,686 | $6,208,780 | $75,190,552 |

---

**Note:**
- Source: Salary (10th step) for Presidents ($17,507.69), VPs and Facilities Manager ($13,367.22)
- Southwest has a position of Executive VP, which combines the responsibilities of VPs of Academic Affair and Student Services.
- Estimated benefits are based on current state and federal benefit rates and are not updated.
- Total number of students was based on FTE enrollment records. Other assumptions may be used to determine the total enrollment.
- Average Dean Salary is $11,646.86.
- Benefits are estimated based on current rates - 43.10% for classified (Administrative Services VP and Facilities Manager) and 21.96% for certificated (Presidents, other VPs and Deans).
Q & A