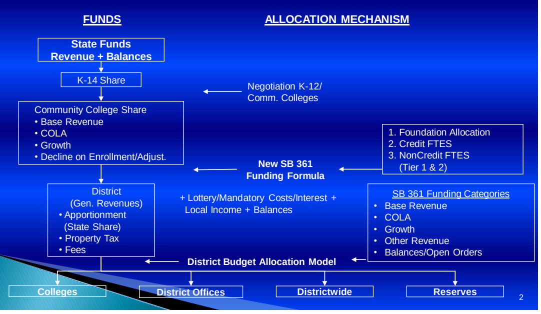
Los Angeles Community College District
Budget Allocation Model

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 recognize 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 enrollment and 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 limit 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

SB 361 – CCC Funding Formula

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:

	Base	Growth Rate
-- Credit	$4,564.83	$4,564.83
-- Noncredit	$2,744.96	$2,744.96
-- Enhanced Noncredit	$3,232.07	$3,232.07

SB 361 - CCC Funding Formula

SB 361 Funding Allocation Model

For Fiscal Year 2011-12 — **SAMPLE**

MODEL	**Foundation**	+	**Credit Funding** (Rate * FTES) $4,564.83 * 13,238.78 FTES	+	**Non Credit Funding** (Rate * FTES) $2,744.96* 603.74 FTES	+	**Encd N/C Funding** (Rate * FTES) $3,232.07* 1,082.82 FTES	=	**Base revenue**
CITY COLLEGE	$3,875,136	+	$60,432,780	+	$1,657,242	+	$3,499,750	=	$69,464,908

FOUNDATION
Multi-College District

LARGE	Greater than 20,000 FTES	$4.2 million
MEDIUM	Greater than 10,000 FTES	$3.8 million
SMALL	Less than 10,000 FTES	$3.3 million

SB 361 – CCC Funding Formula

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

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

SB 361 – CCC Funding Formula

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

SB 361 – CCC Funding Formula

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

SB 361 – CCC Funding Formula

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 extend 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:

FTES >= 20,000	$4,428,727	large college
10,000 <= FTES < 20,000	$3,875,136	medium college
FTES < 10,000	$3,321,545	small college

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.

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.

PARAMETERS USED TO DETERMINE COLLEGE REVENUE (Continued)

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 years of decline if there is a subsequent increase in FTES.

PARAMETERS USED TO DETERMINE COLLEGE REVENUE (Continued)

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 - Revenue shall be distributed to colleges based on the proportion of a college's prior year FTES over 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.

PARAMETERS FOR ALLOCATIONS (continued)

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 so 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.

PARAMETERS FOR ALLOCATIONS (continued)

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 according to the state allocation formula as indicated in Revenue Parameter #5.

PARAMETERS FOR ALLOCATIONS (continued)

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 equal to 5% of Unrestricted General Fund revenue is attained. Open orders for ITV, District Office and District-wide shall be funded up to the available balances from these locations. Any uncommitted balances in ITV, District-wide accounts 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 on a three-year payback schedule beginning one year after incurring the deficit. Although colleges may request a review by the Allocation Grant Task Force; however, colleges with 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 validated by a team appointed 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 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

PHASE I - *Increase the College Basic Allocation to include minimum administrative staffing and maintenance and operations (M&O) costs*

BASIS FOR ALLOCATION	TIMELINE AND TASKS
A. Each college shall receive an annual base allocation to fully fund the following: 1. *Minimum Administrative Staffing:* a. *(1) President,* b. *(3) Vice Presidents,* c. *(1) Institutional Research Dean,* d. *(1) Facilities Manager,* e. *Deans* i. *(4) Deans => small colleges (FTES<10,000),* ii. *(8) Deans => medium colleges (FTES >= 10,000 and < 20,000),* iii. *(12) Deans => large colleges (FTES>= 20,000);* 2. *Maintenance and Operations costs based on average cost per gross square footage* *After allocating the minimum base allocation in items 1 and 2 above, all remaining revenue (except non-resident tuition, dedicated revenue, and apprenticeship revenue) shall be distributed to colleges based on their proportion of the District's funded FTES.* ***B. Transition Funding**: The Committee recommends that the District set aside necessary funds from the District's reserve (or new revenue) in order to mitigate the adverse effect on any college that experiences a reduction in its allocation as a result of the implementation of this change. The reduction will be implemented as follows:* 1. *No reduction in the first year (2012-13) to any college* 2. *One-third of the allocation reduction in the second year* 3. *Two- thirds of the allocation reduction in the third year* 4. *The full allocation reduction in the fourth year* ***C. The Committee also committed to addressing the remaining allocation issues in PHASE II for implementation in 2013-14 fiscal year*** ***D. There will be an annual assessment of the allocation model***	**August 2010– Feb 2011 -** --ECDBC reviewed "Analysis of Small Colleges and Resources Allocation Mechanism" by Larry Serot. --ECDBC revised ECDBC and DBC Charges (adopted June 2011). **March 2011– January 2012** -- ECDBC reviewed other multi-campus districts' budget allocation models and developed recommendations. **January 2012 – March 2012** -- DBC and colleges reviewed and approved **PHASE I** recommendation - *to increase college basic allocations* **April 2012 – May 2012** -- *Board Notice and Adoption of PHASE I Allocation Changes* **effective July 1 (FY2012-13)**

Base Allocation Study

Proposed Minimum Base Funding

LACCD Budget Allocation Model

Revised M&O Cost based on FY 2010-11

Revised November 29, 2011

	City	East	Harbor	Mission	Pierce	S-west(2)	Trade-Tech	Valley	West	Total
Assumption (1)										
President	210,092	210,092	210,092	210,092	210,092	210,092	210,092	210,092	210,092	1,890,831
Academic Affairs VP	160,407	160,407	160,407	160,407	160,407	160,407	160,407	160,407	160,407	1,443,660
Student Services VP	160,407	160,407	160,407	160,407	160,407	160,407	160,407	160,407	160,407	1,443,660
Administrative Services VP	160,407	160,407	160,407	160,407	160,407	160,407	160,407	160,407	160,407	1,443,660
Facilities Manager	122,838	122,838	122,838	122,838	122,838	122,838	122,838	122,838	122,838	1,105,546
Institutional Research Dean	139,762	139,762	139,762	139,762	139,762	139,762	139,762	139,762	139,762	1,257,861
Total Funding for Presidents and VPs	$953,913	$953,913	$953,913	$953,913	$953,913	$953,913	$953,913	$953,913	$953,913	$8,585,217
Estimated Benefits for Presidents/VPs/FM (7)	269,357	269,357	269,357	269,357	269,357	269,357	269,357	269,357	269,357	2,424,216
Deans										
Current Number of Deans funded from 10100(3)	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- (per # of FTES)	7	13	4	4	8	3	7	7	4	57
Proposed Number of Deans- (per # of FTEF)	8	11	4	4	9	3	7	8	4	57
Proposed Number of Deans(4)	8	12	4	4	8	4	8	8	4	60
Average Dean Salary(5)	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	$1,118,099	$ 559,049	8,385,739
Estimated Benefits for Deans(6)	245,534	368,302	122,767	122,767	245,534	122,767	245,534	245,534	122,767	1,841,508
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

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.

Current number of Deans is based on result of college survey

Proposed Number of Deans is 4 for small colleges (FTES < 10,000 - H,M,S,W), 8 for medium (FTES < 20,000 - C,P,T,V) and 12 for large (FTES > 20,000 - E).

Average Dean Salary is $11,646.86 (15th step)

Benefits are esti[illegible] based on current rates - 43.10% for classified (Administrative Services VP and Facilities Manager) and 21.96% for certificated (Presidents, other VPs and Deans)

Phase II – Planning Timeline

Following is the proposed planning timeline for the Executive Committee of the District Budget Committee to study the remaining allocation agenda for allocation changes that identify college needs (including M&O), provide funding for colleges to deliver equitable access for students, and ensure that colleges are provided with sufficient funding to maintain quality instruction and student services.

	Planning Timeline	Implementation date
1. Growth Formula – *(Study the population density and participation rate in each college service area and other factors and develop a growth funding formula that uses a differential growth rate based on these factors, as well as on the need for a college to grow to achieve greater economies of scale).*	Feb. – June 2012	2013-14 Academic year
2. Review the current use of balance policy – *(Set a limited percentage of future college balances allowed to be carried forward. Under the current policy, colleges retain their balances. The policy also allows colleges to use $2 million or up to 25% of their balances, whichever is lesser, and more beyond that with the Chancellor's approval).*	April 2012	2013-14 Academic year
3. Assessments – *(Review funding assessment methodology for the District Office, District-wide Centralized Services, and the Contingency Reserve).*	April –June 2012	2013-14Academic year
4. Productivity and Efficiency – *(The operating costs of colleges should reflect efficiency and improvement in productivity by management of non-instructional staffing through a well thought-out and conservative staffing plan).*	May-July 2012	2013-14Academic year
5. College Debts and Operating Deficits –*(Operating deficits may be treated as a loan in the first year, but deficits should not be accumulated)*	June-August 2012	2013-14 Academic year
Report and Recommendations to DBC and Colleges for inputs and comments	**August 2012**	
Final Report and Recommendations to Chancellor	**Sept.-October 2012**	
Board Review and Adoption	**December 2012**	**January 2013**

Q & A