

BUDGET DEVELOPMENT MODEL

REVENUES

Revenues are a constantly moving target. In a world where nothing happens without a budget, the ever changing nature of the California state revenue picture makes budgeting **a bit chaotic**. This is further complicated by the **periodic revisions of a College's state revenue budget (e.g. P1, P2, R1, etcetera)** driven in large part by likewise **ever changing enrollment estimates by the State's 72 community college districts** and the **ebbs and flows of property tax revenues across the state**

- Unrestricted general fund, the major operating fund, heavily reliant on State funding...93-95% from State...**the fluid nature of the revenue picture is a big deal.** For purposes of budget projections, one can assume that the **remainder of the revenue budget will be stable, absent compelling information dictating otherwise.***
- Think about the State budget for a college in terms of a bucket. The State, in accordance with the SB 361 funding methodology, decides how much of the bucket will be filled (i.e. the funding line). The **first inflow** will come from **98% of the enrollment fees** realized by the college. The college retains the other 2.0%. The **second will come from property taxes generated within the boundaries of the college district.** Whatever else is needed to reach the funding line is contributed by the State.

- **The “funding line” is, on one level, firm.** For **example**, if a particular college generates more property tax and/or enrollment fee revenue than anticipated at the beginning of the fiscal year, the funding line does not likewise move up. Rather, **the State contribution** to that college’s bucket simply **will be decreased**...dollar for dollar. If a college **generates less revenue in these categories**, however, the **State will add more** to the bucket to **bring the college revenue back up to its initial funding line**. That’s because the **State looks at the bucket on a systemwide basis when it comes to property taxes and enrollment fees**. Thus, a particular **district is protected in such instances by virtue of being a part of a larger system**
- **Doesn’t work exactly in the same way on a systemwide (CCC) basis when the CCC in total suffers a shortfall in property tax and/or enrollment fee revenue.** In such instances, a **deficit factor (i.e. budget cut)** will be applied to the systemwide revenue bucket. The **funding line in the CCC’s bucket will move downward**, and that will in turn **lower the line for all districts**. On the other hand, **if the CCC realizes more property tax and/or enrollment fee revenue** than estimated in the State Budget Act, then the system will be treated like the individual college example above. The **funding line won’t automatically move up for the system or any of the districts**. Rather, **State funds in the bucket will simply be supplanted by the excess revenue** received in the other two categories.

- **New variables can be introduced** in filling the bucket. **Three should be mentioned.** First, community college budgets have been propped up by **Proposition 30, now re-upped as Prop 55. These monies do not move the funding line** for the CCC nor individual districts. **They supplant State revenues that would otherwise have come to the CCC/districts.** Second, **redevelopment monies** are also **supplanting State monies.** The **future of this revenue stream is speculative,** but one can reasonably assume it will decline over time, and it is unclear as to when the decline will begin and the rate at which the decline will occur. Third, the **Student Success Initiative** is now in play, though **just how it will affect community college budgets is, at present, a bit of a mystery.** About all one can do with variables such as this, when introduced into the bucket, is **to gain an understanding of its essential nature and develop contingency plans as necessary...and to communicate their essential nature to college constituencies.**

As regards the establishment of the funding line, **SB 361**, which was passed some 11 years ago, prescribes the methodology to be used. At bottom, it **is essentially driven by enrollments as expressed in FTES terms. So the connection between enrollments and funding must be made explicit and be understood by all.** The **State will establish the CCC funding level,** and the **State Chancellor's Office will translate same into "Funded FTES" for each of the 72 community college districts. Knowing where the college's enrollments are...for the current year, for the budget year, the funded level, etcetera...is an imperative for the chief business officer.** The cbo thus needs to **be directly involved in the setting of enrollment targets, the development of enrollment strategies and the review of**

enrollment reports prior to submission to the State Chancellor's Office. The word "involved" is important, here, as this must be a team effort. It is an imperative that the district's senior officers, especially the chief instructional and student services officers, likewise need to be involved every step of the way.

*This statement is not made to minimize the importance of non-apportionment revenues, as this "assumption" should be noted along with others that are being made in developing and revising the revenue projection.