Los Angeles Community College District
Budget Allocation Model

May 19, 2008
RELATIONSHIP OF STATE BUDGET TO DISTRICT BUDGET

Funds

State Funds
Revenue + Balances

K-14 Share

Community College Share
- Base Revenue
- COLA
- Growth
- Decline on Enrollment/Adjust.

Allocation Mechanism

Negotiation K-12/Comm. Colleges

New SB 361 Funding Formula

District (Gen. Revenues)
- Apportionment (State Share)
- Property Tax
- Fees

+ Lottery/Mandatory Costs/Interest +
Local Income + Balances

District Budget Allocation Model

1. Foundation Allocation
2. Credit FTES
3. NonCredit FTES (Tier 1 & 2)

SB 361 Funding Categories
- Base Revenue
- COLA
- Growth
- Other Revenue
- Balances/Open Orders

Colleges

District Offices

Districtwide

Reserves
Funding Principles

1. Budget Allocation model must be understandable, fair and predictable.
2. All revenue earned by colleges shall be distributed to colleges less assessments as noted in Principle # 3 below.
3. 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).
4. Budget Allocation Model must address the economy-of-scale issues for small and large colleges. Adequate and sufficient to sustain operations
5. Budget Allocation Model should lead colleges to maximize revenues through enrollment and management and provide incentives for colleges to improve student access and excellence.
6. Balances are retained by colleges and district office locations
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 receive 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.
Calculation of College Budget Allocation

Basic Allocation (foundation),
+ if small college, add $500,000 supplemental funding to basic allocation
+ Credit FTES at state funded rate,
+ Noncredit FTES at state funded rate,
+ Enhanced Noncredit FTES at state funded rate
+ Other revenues

= Total College Revenue
- Assessments based on cost $/FTES for contingency reserve, district-wide and district offices services
+ and - other funding adjustments (sheriff contract, deficit payments, etc.)
+ Prior year open orders and balance

= College Budget Allocation
## SB 361 IMPLEMENTATION
### PROPOSED BUDGET ALLOCATION CHANGES
#### Unrestricted General Fund

<table>
<thead>
<tr>
<th></th>
<th>2006-2007 FINAL BUDGET</th>
<th>OLD LACCD BUDGET ALLOCATION MODEL</th>
<th>IMPLEMENTATION OF SB 361 (PROPOSED CHANGES)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>COLA= 5.0%  Res 2.64%  No Basic/ Skills Supp</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base</td>
<td>404,775,512</td>
<td>PBF</td>
<td>NEW FUNDING FORMULA</td>
</tr>
<tr>
<td>Base Restoration</td>
<td>10,314,721</td>
<td>PBF</td>
<td>NEW FUNDING FORMULA</td>
</tr>
<tr>
<td>COLA</td>
<td>23,852,725</td>
<td>PBF</td>
<td>NEW FUNDING FORMULA</td>
</tr>
<tr>
<td>Growth</td>
<td>10,431,182</td>
<td>PBF</td>
<td>NEW FUNDING FORMULA</td>
</tr>
<tr>
<td>Lottery</td>
<td>15,144,085</td>
<td>ACTUAL FTES</td>
<td>ACTUAL FTES</td>
</tr>
<tr>
<td>Non-Resident</td>
<td>3,700,000</td>
<td>PROJECTED COLLECTIONS</td>
<td>PROJECTED COLLECTIONS</td>
</tr>
<tr>
<td>Apprenticeship</td>
<td>160,030</td>
<td>APPRENTICESHIP HOURS</td>
<td>APPRENTICESHIP HOURS</td>
</tr>
<tr>
<td>Equalization</td>
<td>5,500,000</td>
<td>NOT YET DETERMINED</td>
<td>HOLD HARMLESS ON COLL. FUNDING BASE</td>
</tr>
<tr>
<td>Part-Time Faculty Comp</td>
<td>4,627,138</td>
<td>ACTUAL FTES</td>
<td>ACTUAL FTES</td>
</tr>
<tr>
<td>One-Time General Purpose Block Grant</td>
<td>1,690,560</td>
<td>50% ON FTES/50% WITHHELD</td>
<td>50% ON FTES/50% WITHHELD (SB 361 VFL)</td>
</tr>
<tr>
<td>One-Time Gen Purpose (Titr Bil/Restrict)</td>
<td>6,508,242</td>
<td></td>
<td>ACTUAL FTES</td>
</tr>
<tr>
<td>Other State</td>
<td></td>
<td></td>
<td>PT OFFICE HOURS</td>
</tr>
<tr>
<td>Part-Time Office Hours Reimbursable</td>
<td>2,575,657</td>
<td></td>
<td>APPLIES TO CONTING RESERVE</td>
</tr>
<tr>
<td>State Mandated Costs/Other</td>
<td>450,000</td>
<td></td>
<td>APPLIES TO CONTING RESERVE</td>
</tr>
<tr>
<td>Local</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>1,600,000</td>
<td>APPLIES TO CONTING RESERVE</td>
<td></td>
</tr>
<tr>
<td>Dedicated Revenue</td>
<td>3,858,056</td>
<td>COLLEGE PROJECTION</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL INCOME</strong></td>
<td><strong>580,379,792</strong></td>
<td><strong>BASIC SKILLS FTES</strong></td>
<td><strong>BASIC SKILLS FTES</strong></td>
</tr>
<tr>
<td>Basic Skills</td>
<td>3,307,723</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fund Balances</strong></td>
<td></td>
<td>FROM COLLEGE BALANCE</td>
<td>FROM COLLEGE BALANCE</td>
</tr>
<tr>
<td>Open Orders</td>
<td>7,322,485</td>
<td>RETAINED BY COLLEGES</td>
<td>RETAINED BY COLLEGES</td>
</tr>
<tr>
<td>Balance</td>
<td>32,145,184</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Fund Balance</td>
<td>39,667,073</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL PROJ FUNDS AVAILABLE</strong></td>
<td><strong>543,353,388</strong></td>
<td><strong>BASIC SKILLS FTES</strong></td>
<td><strong>BASIC SKILLS FTES</strong></td>
</tr>
</tbody>
</table>
## Base Revenue Calculation
For Fiscal Year 2007-08

<table>
<thead>
<tr>
<th>MODEL</th>
<th>Foundation (Rate * FTES)</th>
<th>Credit Funding (Rate * FTES)</th>
<th>Non Credit Funding (Rate * FTES)</th>
<th>Encd NG Funding (Rate * FTES)</th>
<th>Base revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Colleges</td>
<td>$3,707,200</td>
<td>$58,593,742</td>
<td>$3,490,564</td>
<td>$1,303,680</td>
<td>$67,095,205</td>
</tr>
</tbody>
</table>

### FOUNDATION

**Multi-Colleges District**

- **LARGE**: Greater than 20,000 FTES  
  $4,236,800
- **MEDIUM**: Greater than 10,000 FTES  
  $3,707,200
- **SMALL**: Less than 10,000 FTES  
  ($3mil + $500k*(1+COLA)  
  $3,707,200
### 2007-08 FINAL BUDGET

<table>
<thead>
<tr>
<th>Activity</th>
<th>TOTAL REVENUES</th>
<th>ADJUSTED REVENUES</th>
<th>V/A FY</th>
<th>C/T Acct</th>
<th>REVISIONS</th>
<th>BASED ON</th>
<th>REVISIONS</th>
<th>PG Auth</th>
<th>BV</th>
<th>DEP ALLOC w/o ERL</th>
<th>Balance</th>
<th>REDUCE</th>
<th>DEPgages</th>
<th>FY06/07</th>
<th>Budget For 2007/08</th>
<th>BUDGET ALLOCATOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core</td>
<td>2,692,284</td>
<td>(16,195,910)</td>
<td>81,029,642</td>
<td>0</td>
<td>0</td>
<td>(1,528,850)</td>
<td>0</td>
<td>(268,884)</td>
<td>0</td>
<td>2,059,056</td>
<td>4,054,659</td>
<td>337,929</td>
<td>61,472,036</td>
<td>100,223,970</td>
<td></td>
<td></td>
</tr>
<tr>
<td>East</td>
<td>18,438,890</td>
<td>(11,903,863)</td>
<td>81,422,814</td>
<td>0</td>
<td>0</td>
<td>(2,328,614)</td>
<td>0</td>
<td>(436,413)</td>
<td>0</td>
<td>15,078,982</td>
<td>28,851,859</td>
<td>0</td>
<td>152,000</td>
<td>19,104,762</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harbor</td>
<td>10,227,823</td>
<td>(11,169,802)</td>
<td>81,479,146</td>
<td>0</td>
<td>0</td>
<td>(7,119,510)</td>
<td>0</td>
<td>(66,084)</td>
<td>0</td>
<td>13,330,131</td>
<td>12,858,432</td>
<td>0</td>
<td>121,000</td>
<td>22,260,822</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vision</td>
<td>20,411,700</td>
<td>(5,852,928)</td>
<td>81,422,814</td>
<td>0</td>
<td>0</td>
<td>(1,551,729)</td>
<td>0</td>
<td>(142,729)</td>
<td>0</td>
<td>18,367,204</td>
<td>20,715,733</td>
<td>0</td>
<td>311,000</td>
<td>30,579,484</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dance</td>
<td>72,187,246</td>
<td>(40,814,616)</td>
<td>19,172,692</td>
<td>0</td>
<td>0</td>
<td>(1,554,715)</td>
<td>0</td>
<td>(98,929)</td>
<td>0</td>
<td>70,773,032</td>
<td>7,183,453</td>
<td>201,658</td>
<td>418,259</td>
<td>53,219,684</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sportswm</td>
<td>24,775,718</td>
<td>(22,250,052)</td>
<td>4,424,556</td>
<td>0</td>
<td>0</td>
<td>(1,526,920)</td>
<td>0</td>
<td>(75,071)</td>
<td>0</td>
<td>3,200,124</td>
<td>21,421,965</td>
<td>0</td>
<td>118,000</td>
<td>22,442,833</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deluxe-Tec</td>
<td>25,397,976</td>
<td>(19,052,948)</td>
<td>16,468,128</td>
<td>0</td>
<td>0</td>
<td>(1,542,515)</td>
<td>0</td>
<td>(23,129)</td>
<td>0</td>
<td>13,924,489</td>
<td>26,397,504</td>
<td>0</td>
<td>201,000</td>
<td>51,652,490</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valley</td>
<td>16,641,601</td>
<td>(13,119,415)</td>
<td>3,229,186</td>
<td>0</td>
<td>0</td>
<td>(1,501,522)</td>
<td>0</td>
<td>(171,428)</td>
<td>0</td>
<td>3,229,654</td>
<td>15,842,924</td>
<td>0</td>
<td>300,000</td>
<td>16,432,924</td>
<td></td>
<td></td>
</tr>
<tr>
<td>West</td>
<td>57,129,791</td>
<td>(9,174,909)</td>
<td>8,172,692</td>
<td>0</td>
<td>0</td>
<td>(1,483,075)</td>
<td>9,642</td>
<td>(3,097,572)</td>
<td>0</td>
<td>2,509,412</td>
<td>2,509,412</td>
<td>0</td>
<td>180,000</td>
<td>1,960,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL**: 511,525,904 (161,208,907) 489,924,977 0 0 (3,565,777) 60,237 (3,053,607) 0 0 201,127,820 23,398,514 2,330,939 4,683,194 434,132,207 224,106,632 29,090,020 301,000 380,000 170,000 224,106,632 29,090,020 301,000 380,000 170,000

---

20. **Article 1**: Includes data updates from the Final Cuts Action Summary.

21. **Article 2**: Final draft includes the impacts of College Goals, and a separate text where relevant information is provided.
PARAMETERS USED TO DETERMINE COLLEGE REVENUE

1. Base Revenue
   a. Base revenue shall be calculated using the SB 361 marginal funding rates. Each college shall receive an annual basic allocation beginning 2006-07 based on the following basic allocation base rate:

   \[
   \begin{align*}
   &\text{FTES }\geq 20,000 & \text{large college} \\
   &10,000 \leq \text{FTES} < 20,000 & \text{medium college} \\
   &\text{FTES }< 10,000 & \text{small college}
   \end{align*}
   \]

   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 $500,000 to increase its basic allocation to $3,500,000. In subsequent years, these basic allocations shall be adjusted by COLA. If the contingency reserve is below a 3.5 percent, additional college assessments to colleges will be required to replenish the reserve. The supplemental for basic allocation shall be reviewed after three years.

   b. Credit Base Revenue shall be equal to the funded base credit FTES multiplied by the base rate of $4,367 in the 2007-08 fiscal year; in subsequent years the base rate shall be the prior year rate plus inflation.
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 $2,626 in the 2007-08 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 $3,092 in the 2007-08 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.
PARAMETERS USED TO DETERMINE COLLEGE REVENUE
(Continued)

2. Guarantee base funding for 2006-07 year only - 2006-07 current college base funding shall be at least equal to the amount of base revenue received under the old district's budget allocation model, excluding any revenue adjustments resulted from the college enrollment decline below its base. The guarantee base funding does not include any revenue reductions resulted from enrollment decline below a college base. Revenue adjustments for enrollment decline below base shall be applied based on revenue parameter #5 below.

3. COLA (cost of living adjustment) shall be distributed to colleges as specified in the State Apportionment notice.

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

5. 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.
PARAMETERS USED TO DETERMINE COLLEGE REVENUE
(Continued)

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

7. 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.

8. 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.

9. Interest and Other Federal, State, and Local Income Not Directly Generated By College

10. 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 3.5% 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.