Los Angeles Community College District

Budget Allocation Model

May 19, 2008

The Los Angeles Community Colleges

RELATIONSHIP OF STATE BUDGET TO DISTRICT BUDGET

FUNDS

ALLOCATION MECHANISM

State Funds
Revenue + Balances

K-14 Share

Negotiation K-12/
Comm. Colleges

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

New SB 361
Funding Formula

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

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

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

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

District Budget Allocation Model

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. <u>Assessments shall be based on $/FTES for credit, non-credit, and enhanced non-credit FTES (including all resident and nonresident FTES).</u>
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

The Los Angeles Community Colleges

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

	2006-2007 FINAL BUDGET (COLA@5.92% Gr@2.44% No BasicSkills Supp)	OLD LACCD BUDGET ALLOCATION MODEL	IMPLEMENTATION OF SB 361 (PROPOSED CHANGES)
Base	404,775,812	PBF	NEW FUNDING FORMULA
Base Restoration	10,314,721	PBF	NEW FUNDING FORMULA
COLA	23,952,728	PBF	NEW FUNDING FORMULA
Growth	10,431,182	PBF	NEW FUNDING FORMULA
Lottery	15,144,066	*ACTUAL FTES*	*ACTUAL FTES*
Non-Resident	8,700,000	*PROJECTED COLLECTIONS*	*PROJECTED COLLECTIONS*
Apprenticeship	160,030	*APPRENTICESHIP HOURS*	*APPRENTICESHIP HOURS*
Equalization	5,500,000	NOT YET DETERMINED	HOLD HARMLESS ON COLL FNDING BASE
Part-time Faculty Compensation	4,427,138	*ACTUAL FTES*	*ACTUAL FTES*
One-Time General Purpose Block Grant	1,890,960	*50% ON FTES/50% WITHHELD*	*50% ON FTES/50% WITHHELD (SB 361 WPL)*
One-Time Gen Purpose (Trlr Bill/Restric)	6,589,242	*ACTUAL FTES*	*ACTUAL FTES*
Other State			
Part-Time Office Hours Reimbursemt	2,575,657	*PT OFFICE HOURS*	*PT OFFICE HOURS*
State Mandated Costs/Other	450,000	*APPLIES TO CONTING RESERVE*	*APPLIES TO CONTING RESERVE*
Local			
Interest	1,600,000	*APPLIES TO CONTING RESERVE*	*APPLIES TO CONTING RESERVE*
Dedicated Revenue	3,659,056	*COLLEGE PROJECTION*	*COLLEGE PROJECTION*
TOTAL INCOME	500,379,792		
Basic Skills	3,307,723	*BASIC SKILLS FTES*	*BASIC SKILLS FTES*
Fund Balances			
Open Orders	7,522,489	*FROM COLLEGE BALANCE*	*FROM COLLEGE BALANCE*
Balance	32,145,384	*RETAINED BY COLLEGES*	*RETAINED BY COLLEGES*
Total Fund Balance	39,667,873		
TOTAL PROJ FUNDS AVAILABLE	543,355,388		

College Sample – City College

Base Revenue Calculation

For Fiscal Year 2007-08

SAMPLE

MODEL	Foundation	+	Credit Funding (Rate * FTES) $4,367 * 13,417.39 FTES	+	Non Credit Funding (Rate * FTES) $2,626* 1,329.24 FTES	+	Encd N/C Funding (Rate * FTES) $3,092* 421.63 FTES	=	Base revenue
City College	$3,707,200	+	$58,593,742	+	$3,490,584	+	$1,303,680	=	$67,095,206

FOUNDATION			
Multi-College 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	$	3,707,200
	($3mil + $500K)*(1+COLA)		

Los Angeles Community Colleges

2007-08 FINAL BUDGET

	TOTAL REVENUES	Assessment Based on FTES	ADJUSTED REVENUES	Adj For Basic Alloc	One-Time GPSA Cost	Restricted Basic Skills	Budget Fix Sheriff's Cost	DW at Colleges	98 Deficit Payback (2)	ITV Redistrib	BUD ALLOC w/o BAL	Balances *	Restore Bal ITV,DO,DW	Budget For Open Orders	BUDGET ALLOCATION
City	76,325,554	(15,299,912)	61,025,642		0	0	(1,572,922)	0	(301,259)	151,591	59,303,056	1,908,004	304,549	337,169	61,472,676
East	105,868,940	(21,197,846)	84,671,094		0	0	(1,898,752)	33,540	0	140,913	82,976,794	13,475,981	422,988	3,509,843	100,239,978
Harbor	38,297,822	(7,110,658)	31,187,164		0	0	(1,286,441)	0	(893,859)	50,975	28,955,479	0	152,303	0	29,106,782
Mission	30,401,906	(5,727,966)	24,673,940		0	0	(1,212,514)	63,498	(503,937)	40,484	23,228,419	0	121,343	0	23,350,622
Pierce	73,797,245	(14,624,616)	59,172,630		0	0	(1,554,199)	0	0	98,225	57,716,705	7,150,563	204,558	413,829	65,579,453
Southwest	29,279,218	(5,220,652)	24,043,596		0	0	(1,505,959)	0	(255,095)	39,971	22,375,937	0	110,003	0	22,442,603
Trade-Tech	59,539,276	(11,842,913)	48,696,363		0	0	(1,420,229)	728,287	0	60,579	45,664,813	0	241,638	150,351	48,477,602
Valley	65,451,401	(13,129,125)	52,322,276		0	0	(1,467,229)	129,493	(834,375)	58,448	51,414,224	0	255,226	0	51,663,450
West	37,529,791	(8,742,669)	30,787,122		0	0	(1,439,067)	24,426	(340,972)	49,853	29,081,462	1,044,422	149,797	47,227	30,322,908
ITV	2,544,759	(659,200)	2,585,550		0	0	0	0	0	(699,119)	1,285,431	60,374	(60,874)	55,465	1,450,898
COLLEGES TOTAL	521,125,904	(101,284,637)	418,679,337	0	0	0	(13,455,375)	184,227	(3,036,303)	0	404,362,830	23,539,644	2,009,839	4,481,094	434,152,397
District Office	0	25,770,085	25,773,085				(69,923)			0	25,705,155	709,925	0	394,839	26,810,662
DW Centralized Svs	0	59,373,253	59,373,259					(684,227)		0	53,359,972	791,765	(702,823)	2,780,350	81,238,294
Contingency Reserve	2,350,000	16,013,343	18,363,543	(2,214,364)					3,036,383	0	19,635,342	7,301,601			26,167,743
LA City Sheriff's Cost	0		0				13,522,298			0	13,522,278			537,433	14,059,731
East & Pierce Rev Adj	2,772,228		2,772,228							0	2,772,228				2,772,228
Restricted Prog Deficit	0	0	0							0	0	508,825		274,912	783,737
DW PACE Program	0	105,000	105,000							0	105,000				105,000
College Reserve	0		0							0	0	11,004,548			11,004,548
Undistrib (PoM 86)	(2,214,364)		(2,214,364)	2,214,364						0	0	1,308,015	(1,305,058)		0
TOTAL	523,742,855	0	523,742,563	0	0	0	0	0	0	0	523,742,855	44,562,254	0	8,478,618	577,463,749

[illegible]

*Trade-Tech ending balance = $625,053-$274,912

(1) Includes distribution for Part-Time Office Hours Reimbursement

(2) Deficit Payback breakdown is shown on the Schedule of College Deficit Repayments worksheet, attached.

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:

FTES >= 20,000	$4,000,000	large college
10,000 <= FTES < 20,000	$3,500,000	medium college
FTES < 10,000	$3,000,000	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 $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.

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 $2,626 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 years 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 uncommited 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.