

District Budget Advisory Committee



DBAC
SPECIAL MEETING
FALL 2011

Discussion



❑ Origins of DBAC

- ▶ Membership
- ▶ Role of the Committee
- ▶ Role of Unions
- ▶ Committee Engagement
- ▶ What kinds of issues will we discuss?
 - Budgetary Strategy and Discussion
 - (What we will do)
 - Bargaining
 - (What we will not do)
 - What shape and form can advice from the Committee take?

❑ Budget 101

- ▶ Overview of the Apportionment Process
- ▶ Meeting Schedule

Origins of DBAC



□ February 2009

- ▶ Dr. Currie proposed the development of a District Budget Advisory Committee.
- ▶ Goals/Purpose:
- ▶ **What the committee is:**
 - Serve as a collective thinking group composed of all constituencies.
 - Create a better understanding of the budget from a district-wide, state-wide, and nation-wide perspective
 - Provide linkage from the district to the campus level for budget planning.
- ▶ **What the Committee is not:**
 - A forum for negotiations
 - A place to advocate

Origins of DBAC



□ February 2009 (cont.)

▶ Membership was proposed as follows:

- 6 representatives selected by each campus Planning and Budget Committees consisting of 1 faculty and 1 classified member
- 3 college presidents
- 3 vice presidents of administrative services
- 5* employee representative groups (CFE, CFCE, CCA, CDMA, ACE)
- 3 students
- 1 vice chancellor of administrative services
- 1 chancellor

*ACE not reflected in 2009 documents

Origins of DBAC



- ❑ February 2009 (cont.)
 - ▶ Initial Meetings
 - ▶ March 2009 discussion summary
 - Members supported the deeply rooted core value of autonomy for each college and the ability to expend funds according to campus priorities.
 - Discussion followed on how the group, as a fiscal advisory body, could exchange best practices regarding fiscal planning and solicit input to help the district help the colleges.
 - ▶ May 2009 Discussion summary
 - Suggestion for a retreat to evaluate goals, purpose etc.
 - Suggestion for Budget 101

What is the Role of the Committee?



- ❑ Budget Discussion; i.e. what DBAC can do
 - ▶ To fulfill its role as an advisory body on budgetary issues DBAC may:
 - Discuss budgetary issues and the related impact on District operations.
 - Even those that touch upon compensation of bargaining unit members.
 - So long as we do not cross the line into "negotiating" or bypassing the union by dealing directly with unit members.

What is the Role of the Committee?



❑ Bargaining, or what not to do at DBAC

- ▶ "An employer may not communicate directly with employees to undermine or derogate the representative's exclusive authority to represent unit members."
- ▶ To avoid bypassing or undermining the Union, the Committee will not:
 - Seek modifications of a Collective Bargaining Agreement
 - Advocate the relative merits of a particular topic in order to either:
 - 1) *to create a new policy of general application, or*
 - 2) *to obtain a waiver or modification of existing policies applicable to those employees.*

What is the Role of the Union(s)?



- ▶ Under the Educational Employment Relations Act (EERA) of 1976, which established collective bargaining in California's public schools (K-12) and community colleges, the Union serves as the exclusive representative of its members
 - There exist mandatory subjects of bargaining
 - These are issues that center on wages, hours and other terms and conditions of employment.

What kinds of issues will we be discussing?



❑ Key Revenue and Expense drivers...for example

▶ Revenue

- Enrollment Issues
- State Budget Trends

▶ Expense

- Health Benefits
- Pension contributions
- Step/Column Cost

How to advise?



❑ Do not:

- ▶ Make specific recommendations on mandatory subjects of bargaining.
- ▶ Advocate for a particular course of action or direction on an item that belongs at the bargaining table.

❑ DBAC May however:

- ▶ Make a general recommendation along these lines:
- ▶ "the District and the employee representatives should consider possible changes to ____."

2006 - New Funding Model

Proposed SB 361



❑ New Community College Funding Model

- ▶ (Senate Bill 361)
- ▶ Replaced Program Based Funding (AB 1725, 1988)
- ▶ Followed numerous statewide efforts to improve general apportionment and enrollment growth funds.
- ▶ Work culminated in the Report of the Workgroup on Community College Finance
- ▶ Became effective October 1, 2006
- ▶ Equalization rolled into the new funding formula

2006-New Funding Model Proposed – SB 361

- ❑ Comprehensive Reform to Apportionment Allocation Formulas.
- ❑ Replaces Program Based Funding.
- ❑ Allocations based on the following:
 - ▶ FTES
 - ▶ Number and Size of Colleges and Centers



Base Apportionment



- ❑ The State determined revenue a typical district receives through the apportionment mechanism accounts for **more than 90%** of its Unrestricted General Fund Revenue.
- ❑ This revenue formula is controlled by the legislature and is currently authorized through Senate Bill 361 (SB 361).
- ❑ There are two major components to this model:
 - ▶ A Basic Allocation based on the number of approved sites:
 - Colleges
 - Centers
 - ▶ The number of Full-Time Equivalent Students (FTES) times a revenue per student allocation
 - Credit
 - Non-Credit
 - Enhanced Non-Credit

A few notes on how it works...



- ❑ Each year the Base Apportionment is the amount of funding the district received in the prior year, based on...
 - ▶ Credit FTES times the per student Credit FTES allocation, plus
 - ▶ Non-Credit FTES times the per student Non-Credit allocation.
 - ▶ Enhanced Non-Credit times the per student Enhanced Non-Credit allocation.
 - Note: The Base Allocation may change as well based on threshold enrollment numbers
 - ▶ It represents an Incremental Funding Model.

Adjustments to the Apportionment COLA



- ❑ Each year the legislature stipulates what the adjustment to community college per FTES funding will be as authorized by the COLA (Cost of Living Adjustment). Remember.....
 - ▶ This COLA authorizes an increase to the apportionment formula which comes in to a district as unrestricted revenue to pay for increased inflationary costs of salaries, benefits, utilities etc.
 - ▶ The amount of the COLA is a political decision, not a formula fixed in law. The statute will specify what the COLA should be for the previous year, but how much is allocated for COLA funding is a political decision in the end.

Further Adjustments to Prior Year Base Apportionment - Growth

- ❑ Until recently, SB 361 calculated a maximum growth rate (unconstrained growth) for each district based primarily on the following:
 - ▶ change in adult population, and
 - ▶ change in high school graduation rates within the college boundaries.
- ❑ Then, through a political process, the legislature decides how much growth will be allocated to the entire community college system.
 - ▶ This is not based on the actual growth entitlements for each district,
 - ▶ It is based on how much money the State has to fund new growth.

The District Growth Allocation



- ❑ SB 361 stipulates that each district will be entitled to a pool of money for growth which is calculated by:
 - ▶ The district growth rate X the per student revenue for credit FTES (about \$4,565 per FTES x ____ credit FTES), plus...
 - ▶ The district growth rate X the per student revenue for non-credit FTES (about \$2,745 x ____ non credit FTES), plus...
 - ▶ The district growth rate X the per student revenue for Enhanced non-credit FTES (about \$ 3,232 x ____ Enhanced non-credit FTES).

The Growth Pool of Money



- ❑ Once this growth pool of money is set each year, several events can happen
 - ▶ One Pool
 - The District can grow in either credit or non credit FTES, all of which pull from the same pool of growth dollars. Growth which is funded will become part of the next year's Base Apportionment, or...
 - ▶ If target not achieved:
 - The District returns all unused growth dollars back to the state, or...
 - ▶ Constraints
 - The State does not have enough growth money to fund all districts so the growth money is "Constrained", that is, every district who grew takes a proportionate reduction in the funds available.

Risks in the Apportionment Process



❑ Zero Sum Game

- ▶ If the aggregate growth in the CC system exceed the dollars available, everyone will be proportionately reduced for the growth they were anticipating.
- ▶ *Conversely, growth dollars left “un-earned” are circulated back into the system*
 - *(but, we will not know this outcome for certain until 6 months AFTER the fiscal year closes!)*

❑ Property Tax Risk

- ▶ If the State estimate of property taxes for the Community College System is too high, then there will be a “Deficit Factor” applied to all districts reducing the expected apportionment *(but, we will not know that for certain until 6 months AFTER the fiscal year closes!)*.

❑ State General Fund Risk

- ▶ If there is a State General Fund tax shortfall there can be arbitrary “mid year cuts” to the apportionment for all districts.

Planning for Growth



□ Generally

- ▶ A district is always better served to have moderate growth
 - In theory some new revenue will be realized.
 - A district does not want to fall below “base”.

□ Growth Entitlements

- ▶ Not related to student demand!
- ▶ Student demand frequently exceeds available growth resources.
- ▶ This creates “unfunded FTES”, that is...
- ▶ No additional funding will be received to pay for those costs of instruction.

More...Planning for Growth



❑ Uncertainty

- ▶ Remember that usually one does not know for certain what the district final growth allocation will be until 6 months after the fiscal year closes

❑ Credit or Non-Credit?

- ▶ Non-Credit FTES paid at approximately 60% of Credit Rate.
- ▶ Given a choice, it is financially prudent to grow on the credit side which helps to fund the balance of the district general fund expenses.

Non-Resident Tuition



☐ Notes to Remember:

- ▶ That non-resident students pay their full cost of education.
- ▶ That the Board of Trustees sets that tuition rate within State guidelines.
- ▶ That non-resident students are not displacing resident students.
- ▶ That all revenue received by non-resident students, except enrollment fees, remains with the district.
- ▶ That the previous discussion of growth caps does not apply to non resident students.
- ▶ Non-Resident revenue is not protected through “Stability”.

General Apportionment Timeline



Task Name	Duration	Start	Finish	Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter										
				May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Apportionment	248 days	Fri 7/15/11	Mon 6/25/12																
Advance (Certify to State Controller)	0 days	Fri 7/15/11	Fri 7/15/11																
PY Final Recalculation	0 days	Wed 2/1/12	Wed 2/1/12																
P-1 (Certify to State Controller)	0 days	Mon 2/20/12	Mon 2/20/12																
P-2 (Certify to State Controller)	0 days	Mon 6/25/12	Mon 6/25/12																
FTES	202 days	Fri 7/15/11	Fri 4/20/12																
PY Annual (Due from District)	0 days	Fri 7/15/11	Fri 7/15/11																
Final PY (Adjust)	0 days	Tue 11/1/11	Tue 11/1/11																
P-1 (Due from District)	0 days	Sun 1/15/12	Sun 1/15/12																
P-2 (Due from District)	0 days	Fri 4/20/12	Fri 4/20/12																
Property Tax	110 days	Tue 11/15/11	Sun 4/15/12																
PY and CY Property Tax reports from County	0 days	Tue 11/15/11	Tue 11/15/11																
Property Tax reports from County	0 days	Sun 4/15/12	Sun 4/15/12																
Student Fees Revenue Report	153 days	Thu 9/15/11	Sun 4/15/12																
PY Student Fees from District	0 days	Thu 9/15/11	Thu 9/15/11																
CY Student Fees	0 days	Sun 1/15/12	Sun 1/15/12																
CY Student Fees	0 days	Sun 4/15/12	Sun 4/15/12																

More Timing Issues



Action Required	On or Before	Title 5 Section
Tentative Budget Adoption	July 01	58305
Newspaper Publication stating Budget is Available	As Appropriate	58301
Public Hearing	September 15	58301
Final Budget Adoption	September 15	58305
Annual CCFS-311 sent to State Chancellor	September 30	58305
Informational Copy of Budget Sent to County (if required)	September 30	58305

Suggested Meeting Schedule



- ❑ The following represents a preliminary meeting schedule. Special events may change this schedule.
 - ▶ November 2011
 - ▶ December 2011
 - ▶ January 2012 (Governors Budget Proposal)
 - ▶ March 2012
 - ▶ May 2012 (May Revise)
 - ▶ June 2012 (Tentative Budget)
 - ▶ August 2012 (Final Budget)