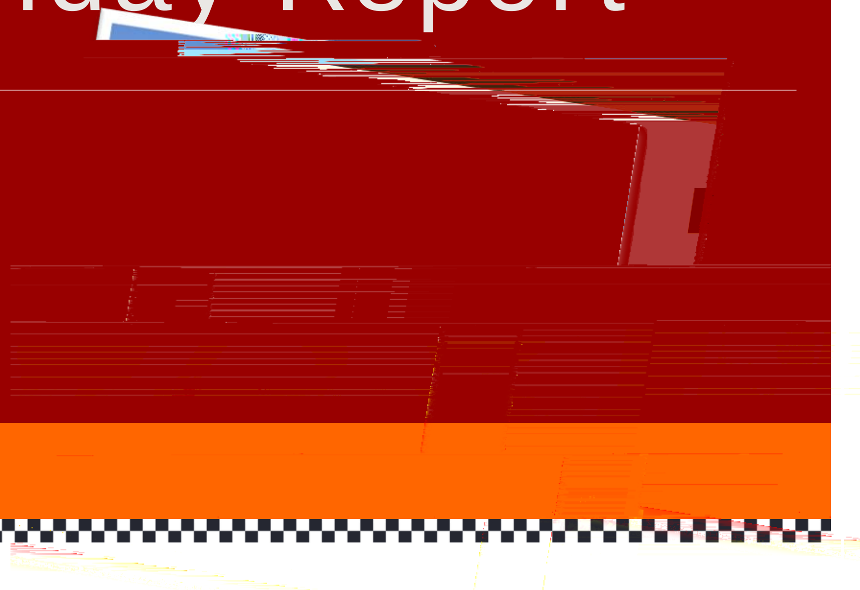
First Monday Report



Focus on the Budget: How did Prop 30 Affect Pierce College?

Issue 16, May 6, 2013

May 8 BHCI Film Festival - "First Break" documentary on mental illness
11:15 AM to 1:15 PM
The Great Hall

May 9 BHCI Film Festival - "First Break" documentary on mental illness
4:00 PM to 6:00 PM
The Great Hall

May 13 Chancellor Search Focus Group/ Town Hall
1:00 PM to 2:00 PM
Cinema 3200 Bus Ed Bldg

May 23 Philosopher's Cabaret
5:00 PM
The Great Hall

Prop 30 and Pierce College

As you have seen during this academic year, the majority of the First Monday Reports have been focused on accreditation leading up to and through our March visit. While we await the outcome of that visit, there are some other issues of interest to the entire College community that deserve our attention. Since we are nearing the completion of a budget for Fiscal Year 2014 (FY 2014), the first of the issues I would like to discuss is how the passage of Proposition 30 in November 2012 affected13(n o349 p)6

Eric Garcetti Speaks at Pierce in "Day of Politics 2" Series

continued from page 2

able to fund all of the request from the FY 2013 resource prioritization list. Among the major items funded through this process was $400,000 for supplies college-wide, restoration of funding for tutors and cadets, the hiring of two custodians and two employees Admissions and Records; and the restoration of reassigned time for some positions that had been reduced or eliminated, including the art gallery and the Work Environment Committee Chair. The fiscal year was half over once we realized these additional funds would be available; therefore, positions on the FY 2013 RAC list were funded for six months rather than a full year. Since positions are ongoing, as we prepare the FY 2014 budget, we must calculate the cost of any permanent positions for the full fiscal year.

In addition to the Proposition 30 funds, in December 2012 the District Budget Committee (DBC) recommended that the Contingency Reserve, which the Board of Trustees funded at 7.5% of the district-wide budget, be reduced to 5% and that the remaining 2.5%, or $9.9 million, that was set aside for FY 2013 be distributed to the nine colleges. The Chancellor accepted this DBC recommendation and brought forward a proposal to the Board at its March 20 meeting. Only the Board has the authority to expend funds in the Contingency Reserve. The proposal, approved by the Board, resulted in an additional $1.4 million in one-time funds being added to our FY 2013 budget.

These dollars are considered one-time funds because they will not become a part of our ongoing allocation of resources from the district. The most prudent thing to do with one-time funds is to spend them on one-time purchases rather than ongoing costs such as salary and benefits.

3URSRVDOV IRU WKH H[SHQGLWXUH RI WKHVH IXQGV ZHUH DOVR U Committee. They were used to fund the one-time expenses from the FY 2013 RAC list, including equipment purchasers. With the addition of Proposition 30 funds and the infusion of cash from the Contingency Reserve, TY 2013 turned out to be significantly brighter than the $49.2 million budget we initially planned.

New District-wide Allocation Model

During the 2006 round of accreditation visits at the Seaside Colleges (Harbor, Southwest, and West), the District received a recommendation to revise the methodology used to allocate funds to all colleges in order to address the perennial deficits seen as the small and some medium-sized colleges. During the following years, a small number of small adjustments to the allocation methodology occurred, but none of them completely addressed the issue of ongoing deficits. Finally, in early 2011, the DBC tasked the Executive Committee of the District Budget Committee (ECDBC) with bringing forward a recommendation for a new allocation model.

Over a period of about a year, the ECDBC examined other multi-college district allocation models, including those used in the Los Rios Community College District, and the Ventura Community College District. The models at these districts were largely expenditure-based rather than being revenue driven, and it was decided that this approach would not be a gool-sed rather

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awarded to each college. According to the State methodology, community colleges receive a foundation grant from $3.0 to $4.5 million depending upon their size, which is determined by the ion grant has two parts: a basic allocation for administration totaling about $25 million district-wide, and about $55 million to address maintenance and operations costs.

The New Foundation Grant

The first part of the foundation grant is an allocation for basic administrative services at all colleges. It has two parts. The first is an assumption that all colleges must have a president, three vice presidents, a dean of research, and a facilities director. These costs are funded at the top salary for each of these positions to ensure that colleges are not disadvantaged if they happen to have more experienced individuals in the positions. If the employees in these roles are not at the top of the salary scale, the college is still funded as if they were. The second portion of the administrative allocation is for deans. For this portion of the model, it is assumed a college assumes the state-wide definition based on FTES. According to that definition, Pierce College is a medium-sized college with FTES between 10,000 19,999. Only East Los Angeles, with FTES

The New Foundation Grant

continued from page 4

deliberations to have more or fewer positions in any of these areas, that decision still rests with the college.

7KH PDLQWHQDQFH DQG RSHUDWLRQV SRUWLRQ RI WKH IRXQGDW number of square feet under roof. With bond construction, this number changes annually. The mechanism to update the number occurs annually in October when it is updated in a state-wide database called Fusion. Since the fiscal year begins in July and Fusion is updated in the following October, the number used for current fiscal year is the one that was reported in the preceding fiscal year. For example, in FY 2013 our October 2011 Fusion data was used (October 2011) being part of the FY 2012 fiscal year). Our new library will be reported in our Fusion database in October 2013, and with the new allocation model we will be credited with those additional square feet in FY 2015. This number is then multiplied by an average cost per square foot, which in the new model was based on actual expenditures at all nine colleges during fiscal year 2011. Just as the actual number of square feet under roof is updated annually, the expenditure per square foot number is also planned to be updated on a regular basis. It should be noted that the formula only considers square feet under roof; there is nothing in the formula that considers total acreage of a campus.

In the first year of the new allocation formula, the district-wide total of the foundation grants based on these formulas is approximately $80 million. Approximately $25 million for the basic administrative portion and $55 million for the maintenance and operations costs are the FY 2013 numbers. The allocation model awards remaining funds to the colleges based on FTES. Regardless of how any multi-college district chooses to distribute its revenue, the total number of dollars received are finite. The only way to increase revenue to some of the LACCD colleges requires other colleges to forfeit funds.

In the prior resource distribution formula, the foundation grants awarded district-wide to the colleges totaled approximately $33 million. Since it was determined that the foundation grants to the colleges would now total $80 million, the only source of that revenue was to reimburse the colleges at a lower rate for the FTES portion of the allocation model. Naturally, colleges with higher FTES were disadvantaged in a model with fewer dollars distributed on that basis. With this new allocation model, East Los Angeles, Pierce College, and Valley College all forfeit funding that each college received under the former funding formula. The remaining six colleges receive additional resources in varying amounts from $100,000 to $1.1 million. When the new formula was approved, it included a recommendation that the impact of this change be evaluated in the third year of implementation. We need to ensure by making this change that we have not simply flipped the District colleges with deficits from one group of colleges to another. This evaluation of the new allocation model should take place during FY 2015.

continued on page 6

New Allocation Model Explained

continued from page 4

New Allocation Model:
Phase One and Phase Two

The new allocation model had a number of components to it. Not only was the ECDBC to consider the basic allocation of funds to each of the colleges, it was also asked to bring forward proposals on the distribution of growth funds, to determine if and how colleges with deficits would be required to pay back their "loan" of additional funds, and to develop a policy for how college balances should be allowed to accrue. Faced with these significant topics, the ECDBC recommended breaking the tasks up in two phases. Phase One includes the new allocation model and a policy regarding college balances. Phase Two includes the distribution of growth dollars and the deficit repayment policy. In spring 2012, ECDBC brought forward to DBC the proposal for the new allocation model. The recommendation was accepted and approved by DBC at its March 6, 2012 meeting. This allowed the Chancellor to accept the recommendation and forward it to the Board of Trustees for action in time for the model to be implemented for FY 2013. Phase Two has been under discussion at ECDBC since last spring.

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NEW ALLOCATION MODEL

PHASE ONE:

New allocation model
Policy regarding college balances

PHASE TWO:

Distribution of growth dollars
Deficit repayment policy

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Although agreement on the plan for distributing growth funds was not accepted unanimously, a recommendation was brought forward to DBC for a "first reading" a the March 26, 2013 meeting. I was not in attendance at the April 24 DBC meeting; however, it is my understanding that the new growth formula recommended by ECDBC was approved by DBC. It will be forwarded to the Chancellor for further action this month. Additionally, the DBC began its discussion at the April meeting on the deficit college repayment proposal. It was referred back to ECDBC for further review and discussion. In a future First Monday Report, I will explain the college balance policy, the new growth formula met-3(s1.04 Tf1B(nce)ogy(h og

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have resolved themselves through an improved economy not only in California and the nation, but globally. The Governor released his FY 2014 budget in January as required in statute. This begins the political process of lobbying for and against those early state-wide budget proposals.