SANTA ANA COLLEGE

SAC Planning and Budget Committee
Mar. 6, 2018
1:30p.m. - 3:00p.m.
SAC Foundation Board Room, S-215

*THE PLANNING AND BUDGET COMMITTEE is the participatory governance committee responsible for recommending budget priorities, procedures, and processes to the College Council. The Planning and Budget Committee also functions as a community liaison for fiscal affairs with the college community.*

*Santa Ana College Participatory Governance Structure Handbook (May 27, 2015)*

Agenda

| | |
|---|---|
| 1. Welcome and Introductions | |
| 2. Public Comments | |
| 3. Approval of Minutes:<br>• Dec. 5, 2017 | ACTION |
| 4. Budget Update<br>• SSC Community College Update – State Budget Trailer Bill Language Released<br>• SSC Community College Update – California Online Community College Trailer Bill<br>• SSC Community College Update – Preparing for the Next Storm<br>• SSC Community College Financial Projection Dartboard 2018-2019 Governor's Proposed State Budget<br>• Governor's 2018-2019 Budget Proposal – Student-Centered Funding Formula<br>• DOF Simulation of "Student-Centered Funding Formula"<br>• RSCCD Unrestricted General Fund<br>• RSCCD Tentative Budget Calendar FY 18/19<br>• RSCCD Adopted Budget Calendar FY 18/19 | INFORMATION |
| 5. Enrollment Update | INFORMATION |
| 6. Student Update | INFORMATION |
| 7. SACTAC | INFORMATION |
| 8. Accreditation | INFORMATION |
| 9. Old Business | INFORMATION |
| 10. New Business<br>• Committee Goals<br>https://www.sac.edu/AdminServices/budget/Documents/Goals/P%20and%20B%20APPRVD%20committee%20goals%20for%20FY%2016%2017.pdf | ACTION |
| 11. Future Agenda Items<br>• Pathways | |
| Next Meeting – April 3, 2018 (cancel? – Spring Break) *June 5, 2018<br>May 1, 2018 *if needed | |

*Santa Ana College Mission Statement: Santa Ana College inspires, transforms, and empowers a diverse community of learners.*

SAC PLANNING & BUDGET MEETING
MINUTES – DEC 5, 2017
1:30P.M. – 3:00P.M.

*Santa Ana College Mission Statement: Santa Ana College inspires, transforms, and empowers a diverse community of learners.*

| Administrators | Academic Senate | | CLASSIFIED | GUESTS | |
|---|---|---|---|---|---|
| Mike Collins, co-chair | Ed Fosmire, co-chair | Gabe Shweiri | Omelina Garcia(a) | Esmeralda Abejar | |
| Jim Kennedy | Ray Hicks | Brian Sos(a) | Jimmy Nguyen(a) | Archana Bhandari | |
| Carol Comeau(a) | Elliott Jones | Monica Zarske(a) | | | |
| Frances Gusman(a) | Roy Shahbazian | George Wright(a) | | | |
| Madeline Grant | John Zarske | William Nguyen | **Student Rep.** | | |
| Brian Kehlenbach | John Steffens(a) | | Pierre Tran(a) | | |
| | | | | | |

| 1. WELCOME | | Meeting called to order 1:30p.m.<br>Meeting adjourned – 2:55p.m. |
|---|---|---|
| | | |
| **2. PUBLIC COMMENTS** | **DISCUSSION/COMMENTS** | **ACTIONS/ FOLLOW UPS** |
| | None | |
| **3. MINUTES** | **DISCUSSION/COMMENTS** | **ACTIONS/ FOLLOW UPS** |
| | The Nov. 7, 2017 minutes were provided for approval. | ACTION<br>Motion was moved by Madeline Grant to approve the Nov. 7, 2017 Planning & Budget Committee minutes.<br>2nd – Gabe Shweiri.<br>The minutes were unanimously approved. |
| **4. BUDGET UPDATE** | **DISCUSSION/ COMMENTS** | **ACTIONS/ FOLLOW UPS** |
| | Dr. Collins reported on the following:<br><br>State:<br>• Year-to-date State's revenue continue to exceed budget projections by about $673M according to the Department of Finance.<br><br>District:<br>• External financial audits for District and Foundation went to the Board for approval. All audits were clean with no material issues. Thanks went out to the entire Accounting team for getting through the audit process.<br>• The District went to market and sold the second series B bond funds for the continued construction on campus, which was worth about $70M, in cash. These are normally sold in intervals to fund projects. | |

| | | |
|---|---|---|
| | SAC:<br>• SAC has allocated the funds for the 17/18 RARs to all divisions.<br>• FY 18/19 RARs are due in by December 18, 2017. There will also be a special institution-wide RAR that outlines the needs related to our Guided Pathways initiative.<br>• SAC Foundation will be updating our Master Agreement with the District, along with developing a District-wide foundation accounting manual. These were two areas noted by the auditors for improvement.<br>• Basic Skills/Equity/SSSP Integrated plan was approved by the Board, which drives the budget development. | |
| **5. ENROLLMENT UPDATE** | **DISCUSSION/ COMMENTS** | **ACTIONS/ FOLLOW UPS** |
| | Jim Kennedy reported that credit enrollment increased 1.9% from Fall 2016 bringing it to 5,882 FTES for Fall 2017 and non-credit enrollment increased 4.5% from Fall 2016 bringing it to 1,370 FTES for Fall 2017. We are anticipating a large amount of FTES at the end of the year due to the academies for the credit enrollments. A final number will be available after the end of the year. Everything is looking on target. With Summer borrowing we will have a full restoration. Spring is trending pretty equal to 2016. Currently, there are over 500 FTES enrolled for intersession. | |
| **6. STUDENT UPDATE** | **DISCUSSION/ COMMENTS** | **ACTIONS/ FOLLOW UPS** |
| | No student representative present. | |
| **7. SACTAC** | **DISCUSSION/ COMMENTS** | **ACTIONS/ FOLLOW UPS** |
| | Dr. Collins reported that at the previous SACTAC meetings, Director of IT, Archana Bhandari presented information related to computer replacement planning for 2018. Last year $1.1M was spent on technology upgrades in FY 16/17. We anticipate allocation of $400,000 to $500,000 per year, if not more, to keep up with our computer inventory. Archana Bhandari presented Computer Replacement Planning slides (attached).<br><br>Dr. Collins stated that $600,000 has been set aside in Fund 13 (one-time funds), to cover computer replacements for 2017/2018. Also stated, that it is the intention of this committee to fund about $400,000 - $500,000 a year for computer replacements. | |
| **8. ACCREDITATION** | **DISCUSSION/ COMMENTS** | **ACTIONS/ FOLLOW UPS** |
| | College Council is continuing to work on developing vision statements to accompany the new College Mission Statement. | |
| **9. OLD BUSINESS** | **DISCUSSION/ COMMENTS** | **ACTIONS/ FOLLOW UPS** |
| | • None | |
| **10. NEW BUSINESS** | **DISCUSSION/ COMMENTS** | **ACTIONS/ FOLLOW UPS** |
| | • Technology Upgrade for FY 17/18 – Archana Bhandari | |
| **11. FUTURE AGENDA ITEMS** | | |
| | None | |

Submitted by Maria Cardona
Next Meeting – February 6, 2017

THE COMMUNITY COLLEGE UPDATE



Volume 38 For Publication Date: February 09, 2018 No. 3

## State Budget Trailer Bill Language Released

After the constitutional deadline to release the Governor's State Budget proposal, the next major step in the process is the release of the State Budget trailer bill language. This language provides the details of the proposals laid out by Governor Jerry Brown on January 10, 2018. The release of these details allows the field and policymakers a more in-depth look at Governor Brown's plans for the California Community Colleges.

For the past several years, the Department of Finance has made this language available online, and it can be accessed here by opening the "Education" tab.

Three significant proposals are made for the California Community Colleges: the Community College Student-Focused Apportionments Formula, the California Online Community College, and Aligning California Community College Financial Aid. Additionally, Governor Brown has proposed to bring K-12 career technical education under the umbrella of the California Community College Strong Workforce Program. Over the next few weeks we will provide initial summaries of the most-significant trailer bill language.

**Student-Focused Apportionments Formula**

The intent is to propose a Student-Focused Apportionments Formula that "encourages access for underrepresented students, provides additional funding in recognition of the need to provide additional support for low-income students, rewards colleges' progress on improving student success metrics, and improves overall equity and predictability so that districts may more readily plan and implement instruction and programs."

The formula is comprised of a base grant, supplemental grant, and a Student Success Incentive Grant (SSIG).

The base grant would be calculated as follows:

1. A basic allocation for the number of colleges and comprehensive centers in the district using the 2015-16 funding formula
2. $5,320 per credit full-time equivalent student (FTES) and career development and college preparation (CDCP) noncredit FTES; the per-FTES amount is to be increased by the cost-of-living adjustment (COLA) for 2018-19 and in future-year State Budgets
3. $3,323 per other noncredit FTES, also increased by the COLA each year
4. The amounts for #2 and #3 above are multiplied by 45.2%, excluding the amounts for FTES generated by correctional facility inmates or special admit students

Changes in FTES each year would be funded at the marginal rates calculated above, and there would still be a one-year delay before reducing revenues related to declining enrollment. Also, the provision to restore FTES within three years would still be in place.

The Board of Governors (BOG) would be charged with monitoring and assessing whether the existing growth formula is appropriately addressing differences of geographic locations across the community college districts.

It should be noted that the proposed language includes a requirement starting in 2018-19 for each district to declare to which fiscal year its summer term FTES applies, and thereafter it could not be changed. This is a significant reduction in the flexibility that community colleges currently have in managing their finances.

<u>The supplemental grant would include</u>:

1. 25.07% of the per-FTES credit rate above multiplied by the number of students receiving a College Promise Grant (formerly the BOG fee waiver) in the prior year
2. 40% of the per-FTES credit rate by the number of students receiving Pell Grants in the prior year

<u>SSIG would be calculated as follows</u>:

1. 104% of the per-FTES credit rate times the number of Chancellor's Office-approved degrees, certificates, and awards granted by the district in the prior year
2. 120.2% of the per-FTES credit rate times the number of students who complete a degree certificate, or transfer in three years or less in the prior year, as defined for purposes of computing the Completion Rate/Student Progress and Attainment Rate applicable to the student success scorecard
3. 18.35% of the per-FTES credit rate times the number of Associate Degree for Transfer degrees granted by the district

The supplemental grant and SSIG funds would fluctuate each year as the number of qualifying students fluctuates; however, just as with the base grant, any reductions in funding would be delayed to the year after the decline in students.

In order to receive supplemental and SSIG funds, a district shall align its master plan with the goals included in the strategic vision plan adopted by the BOG in 2017, including benchmarks and actions for measuring progress towards meeting the systemwide goals, and align its budget with the revised master plans by a date determined by the Chancellor's Office.

A hold harmless provision is included in the proposal, which would, for the 2018-19 fiscal year, provide a level of funding at least at the total computational revenue the district received in 2017-18, defined as a district's final entitlement for general purpose apportionment based on FTES and the number of colleges and centers the district operates.

The hold harmless provision, beginning in 2019-20, would provide a level of funding determined by multiplying the district's new FTES by the associated credit, noncredit, and CDCP rates received by the district in the 2017-18 fiscal year. The level of funding shall be adjusted to include a basic allocation based on the number of colleges and comprehensive centers in the community college district consistent with the basic allocation rates used in the 2017-18 fiscal year.

*—Michelle McKay Underwood, Kyle Hyland, and Sheila G. Vickers*

posted 02/07/2018

THE COMMUNITY COLLEGE UPDATE



Volume 38 For Publication Date: February 09, 2018 No. 3

# California Online Community College Trailer Bill

As expected, Governor Jerry Brown is proposing to create a new fully online community college district under the California Community College Chancellor's Office. The new California Online Community College (COCC) would create and coordinate online courses and programs targeted toward working adults with a high school diploma but lacking a college degree or certificate.

The COCC is intended to provide high school degree holders without a college degree or certificate with short-term credentials and certifications with labor market value, and sub-associate degree credentials. The COCC will enroll students by the last quarter of 2019, and by the sixth year of implementation there would be at least 16 program pathways.

Initially, the COCC would focus on providing vocational training, career advancement opportunities, and credentialing for careers in child development, the service sector, advanced manufacturing, health care and in-home supportive services, among other areas. Like brick and mortar colleges, the COCC would be funded on the new Student Focused Funding Formula.

The system Board of Governors would be the Governing Board of the COCC until an independent Board is established by July 1, 2025. The COCC would be required to apply for accreditation by July 1, 2021.

The 2018-19 State Budget proposal allocates $120 million for the COCC, $100 million is one-time to support start-up costs, and $20 million is ongoing to support ongoing operating expenses.

One-time start-up costs of $100 million would be provided to be used over seven years:

- $25 million for design, development, and capital improvements for scalable technology
- $20 million for a research and development unit
- $23 million for set up of core functions
- $16 million for scaling efforts
- $11 million for operations development
- $5 million for implementation of business plan and establishing accreditation

The Governor also proposes ongoing operations costs of $20 million:

- $3 million for ongoing technology related costs
- $5 million for program pathways
- $11 million for salaries and benefits, facilities, office equipment, supplies, travel, collaboration tools, and incidentals
- $1 million for other professional services

The Senate Budget Committee is holding an informational hearing on the proposal today, February 8, 2018, and the Senate Subcommittee on Education will discuss the topic on April 12, 2018. The

Assembly Budget Subcommittee on Education Finance will hear the California Community College budget proposal on March 6, 2018.

The COCC trailer bill language is available here.

*—Michelle McKay Underwood*

posted 02/08/2018

The COMMUNITY COLLEGE UPDATE



Volume 38 For Publication Date: February 09, 2018 No. 3

# Preparing for the Next Storm

In light of the constant warning districts are receiving regarding future economic trends, we have received quite a number of questions about planning for a wide range of financial options. While there is no single "silver bullet" plan that fits all districts, the elements of successful plans do have some common threads.

**Estimating Revenues and Expenses**

All financial plans start with estimates of future revenues, expenses, and reserves. Each major source of revenues can be subjected to a sensitivity analysis to determine how much a change in that particular revenue source would affect the overall revenue projection. If federal funds go down by 10%, for example, the impact on most districts is much less than if state general apportionment revenues go down by 10%. The same can be done for expenditures. A 10% increase in Unemployment Insurance rates is far different than a 10% increase in the cost of health benefits, for example.

We encourage planning for a range of estimates and scenarios. What if revenues come in 3% higher or lower than projected, does that cause a significant change in the district's fiscal position? Are sufficient reserves available to ride out the storm for at least the first year? If not, what is the plan and how sure are we that our plan can be executed? Solid reserves buy us planning time to protect programs, employees, and students.

**Plan to Address Areas That Make a Difference**

There is no such thing as a good plan that does not have one or more backup plans. What if we suddenly have to reduce expenditures significantly; how would we do it? We have often argued that salaries, benefits, and class size, which dictate nearly 90% of district costs, must be the primary source of any significant budget cuts. Going after 5,000 other small costs to improve efficiency is worthwhile, but the big differences are made by addressing high-dollar areas. We use class sizes as a measure of how many people the district employs.

In California, resources are scarce and must be allocated carefully. Every district will need to assess its priorities and make decisions accordingly. If you decide, for example, to maintain a high-cost benefits plan level, you are also deciding that salaries and class sizes are a lower priority and will not be protected. Whether it is obvious or not, these tradeoffs are found in every budget.

| Expense Category | | | |
|---|---|---|---|
| **Level** | **Salaries** | **Benefits** | **Class Sizes** |

| | | | |
|---|---|---|---|
| High | | X | |
| Moderate | X | | |
| Low | | | X |

In our example above, maintaining high-cost benefits means something else will have to give; in this case we illustrate class sizes going up a bit so the number of people can be reduced and the dollars shifted to maintaining benefits. Make tradeoffs that meet your highest priority needs and make sense to you.

**Assessing Plan Risk**

There is some degree of risk in every plan; make sure you identify what actions you will take to mitigate that risk. In the example above, if our current collective bargaining agreement specifies a maximum class size of 40 students in standard lecture classes, and our current class sizes are 36, we can increase class sizes if we need to do so. But what if our contract limit is 30? Now our plan is riskier because we must negotiate before we can reduce staffing. That could take some time and the result is uncertain, so our plan becomes more risky.

So if our reserves are at a low level and we need to take immediate action, we will be in crisis quickly. But if we have a large enough reserve to carry us through the current year, now we have some planning time to achieve a more graceful degradation of services. Good reserves buy us time to develop better options—the message? Hang on to your reserves during uncertain times. Low reserves make any plan more risky.

**Plan Now**

The key to successful planning is to start early, involve key stakeholders and community leaders, and really take the time to educate and communicate. Starting late, leaving people out, or not providing enough information guarantees a lack of support.

In districts that plan ahead, no one wants to go to higher class sizes, or lower salaries or benefits, but everyone knows what the costs and benefits of doing so would be. We think planning ahead helps everyone, especially the board, to articulate priorities and facilitate necessary actions long before they may be needed.

In the end, California's system for funding schools and community colleges remains volatile. There will soon be another downturn whether we are ready or not. The lessons of the Great Recession remind us that a focus on priorities, planning, the big items in the budget, and reserves are likely to lead us to solutions. The districts committed to best practices will patch the roof before, not during, the next storm.

***—Ron Bennett; John Gray; and Matt Phillips, CPA***

posted 01/26/2018

## SSC Community College Financial Projection Dartboard
## 2018-19 Governor's Proposed State Budget

This version of SSC's Financial Projection Dartboard is based on the 2018-19 Governor's Proposed State Budget. We have updated the cost-of-living adjustment (COLA), consumer price index (CPI), and ten-year T-bill planning factors to reflect the latest economic forecasts. We rely on various state agencies and outside sources in developing these factors, but we assume responsibility for them with the understanding that they are, at best, general guidelines.

| Factor | | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|---|---|---|---|---|---|---|
| Statutory COLA for Apportionments | | 1.56% | 2.51% | 2.41% | 2.80% | 3.17% |
| Base Apportionment Increase | | $183.6 million | $175 million[1] | TBD | TBD | TBD |
| **Growth Funding** | | **1% ($57.8 million)** | **1% ($60 million)** | **TBD** | **TBD** | **TBD** |
| State Categorical Programs | COLA | 1.56%[2] | 2.51%[2] | 2.41%[2] | 2.80%[2] | 3.17%[2] |
| | Funding | $380.7 million | $614.9[3] million | Ongoing unless otherwise stated | Ongoing unless otherwise stated | Ongoing unless otherwise stated |
| California CPI | | 3.18% | 3.22% | 3.04% | 2.94% | 2.99% |
| Interest: Ten-Year Treasuries | | 2.52% | 2.90% | 3.05% | 3.20% | 3.10% |
| California Lottery[4] | $146 | $146 | $146 | $146 | $146 | $146 |
| | $48 | $48 | $48 | $48 | $48 | $48 |
| CalPERS Employer Rate | | 15.531% | 17.7% | 20.0% | 22.7% | 23.7% |
| CalSTRS Employer Rate | | 14.43% | 16.28% | 18.13% | 19.10% | 19.10% |

[1] For transitioning to the Governor's proposed new funding formula

[2] COLA for Disabled Student Programs and Services (DSPS), Extended Opportunity Programs and Services (EOPS), California Work Opportunity and Responsibility to Kids (CalWORKs), and Child Care Tax Bailout programs

[3] The 2018-19 State Budget includes the following additional programmatic funding sources:

- $275.2 million for deferred maintenance or instructional equipment, with no match requirement (one-time funds)
- $120 million (of which $20 million is ongoing) for the new online community college
- $48.4 million ($17.8 million ongoing) for K-12 and community college apprenticeship programs
- $46.0 million to support the implementation of the California College Promise Program
- $44.9 million in Proposition 51 bond funds for 5 new and 15 continuing facilities projects
- $32.9 million for the Student Success Completion Grant Program (consolidates the Full-Time Student Grant and Completion Grant programs)
- $20.5 million to fund the COLA for the Adult Education Block Grant program
- $20.0 million for the Innovation Awards Program focused on enhancing equity (one-time funds)
- $5.0 million for the Adult Education Block Grant program for a shared data collection and accountability system
- $2.0 million for certified nursing assistant programs

[4] The forecast for Lottery funding per full-time equivalent student (FTES) includes both base (unrestricted) funding and the amount restricted by Proposition 20 for instructional materials. Lottery funding is initially based on prior-year actual annual FTES, and is ultimately based on current-year annual FTES.

*Governor's 2018-19 Budget Proposal*

**Student Centered Funding Formula**

**Summary Chart**

| Formula Framework | Calculation of Grants |
|---|---|
| **50%:**<br>**Base Grants** | 1. Minimum funding level = 2017-18 FY<br>2. Basic allocation based on number of colleges and centers<br>3. Allocation based on credit, CDCP, and non-credit FTES<br>4. Base grants equal to <u>45.2%</u> of credit, CDCP, or non-credit FTES rates<br><br>FTES Calculation:<br>• The higher 2017-18 rate will be used to determine district base grant.<br>• In 2018-19 FY, districts must decide which year (2018-19 or 2019-20) to apply summer FTES.<br>• Summer shift of FTES ends after 2018-19.<br>• Decreases in FTES result in revenue reductions the year after the initial year of enrollment decline<br>• Up to three years of restoration<br><br>Growth:<br>• Percentage allocated in annual budget<br>• Growth formula approved in 2015-16<br>• Growth attributable to supplemental grants<br>• Growth attributable to student success incentive grants |
| **25%:**<br>**Supplemental Grants** | 1. Supplemental grant equal to <u>25.07%</u> of credit rate multiplied by number of California College Promise Grants (formerly BOG Fee Waiver) recipients<br>2. Supplemental grant equal to <u>40%</u> of credit rate multiplied by number of Pell Grant recipients<br><br>Other:<br>• Number of students is defined by number of students served by district<br>• Utilizes prior year data |

| | |
|---|---|
| | • Decreases in number in BOG or Pell result in revenue reductions the year after the initial year of decline |
| **25%:**<br>**Student Success Incentive Grants** | 1. Student Success grant equal to <u>104%</u> of credit rate multiplied by number of Chancellor's Office approved degrees, certificates, and awards granted by the district<br>2. Student Success grant equal to <u>120.2%</u> of credit rate multiplied by number of students who complete a degree, certificate, or transfer in 3 years or less based on Scorecard cohort data<br>3. Student Success grant equal to <u>18.35%</u> of credit rate multiplied by number of ADT degrees granted by the district<br><br>Other:<br>• Utilizes prior year data<br>• Decreases in number of success measures result in revenue reductions the year after the initial year of decline |
| **Hold Harmless** | 1. Minimum 2018-19 = 2017-18 FY<br>2. Beginning in 2019-20 and each year thereafter, funding level determined by multiplying <u>district new FTES</u> by the 2017-18 FTES. |

**Credit Rate = $5,320 multiplied by 2018-19 COLA*
*CDCP Rate = $5,320 multiplied by 2018-19 COLA*
*Noncredit Rate = $3,323 multiplied by 2018-19 COLA*

**From:** Chief Business Officers [mailto:CBO-ALL@LISTSERV.CCCCO.EDU] **On Behalf Of** Osmena, Christian
**Sent:** Tuesday, February 20, 2018 7:59 PM
**To:** CBO-ALL@LISTSERV.CCCCO.EDU
**Subject:** DOF Simulation of "Student-Centered Funding Formula"

Colleagues,

I wanted to make sure you were aware that the Department of Finance posted on its website today a simulation and other documents related to the Governor's proposed "student-centered funding formula":

- *District-Level Simulation:* http://web1a.esd.dof.ca.gov/Documents/bcp/1819/FY1819_ORG6870_BCP2219.pdf.
- *Calculation Summary:* http://web1a.esd.dof.ca.gov/Documents/bcp/1819/FY1819_ORG6870_BCP2218.pdf.
- *Source Data:* http://web1a.esd.dof.ca.gov/Documents/bcp/1819/FY1819_ORG6870_BCP2217.pdf.

  *(Again, to be clear, these documents were produced by the Department of Finance and do not represent a work product of the Chancellor's Office.)*

As you're aware, the Chancellor's Office has expressed support for the framework presented in the Governor's Budget, recognizing that there likely are important improvements that could be made. (The Department of Finance has expressed its openness to those discussions.) Following the budget's release, Chancellor Oakley requested that the Advisory Workgroup on Fiscal Affairs consider the implications of the proposal, determine a methodology to produce simulations, and make recommendations to improve the implementation of the formula. The chancellor also requested that the president of the CEO Board convene a working group to consider the Governor's proposals, both on the funding formula and the consolidation of categorical programs, and make recommendations on implementation. Informed by the feedback from these groups and others interested in the proposals, the Chancellor's Office intends to make recommendations to the Department of Finance and the Legislature prior to the May Revision.

As these conversations continue, please feel free to reach out with your perspectives.

Best,

Christian

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT**
**UNRESTRICTED GENERAL FUND**
**2018-19 Tentative Budget Assumptions**
**February 15, 2018**

I. State Revenue

A. Budgeting will continue to utilize the District's Budget Allocation Model (BAM) based on SB 361 for Tentative Budget as there are still many unknowns with the new state performance based funding formula.

B. FTES Workload Measure Assumptions:

| Year | | Base | Actual | | Funded | | Actual Growth |
|---|---|---|---|---|---|---|---|
| 2013/14 | | 28,185.04 | 28,688.93 | | 28,688.93 | | 1.79% |
| 2014/15 | | 28,688.93 | 28,908.08 | | 28,908.08 | | 0.76% |
| 2015/16 | | 28,908.08 | 28,901.64 | | 28,901.64 | | -0.02% |
| 2016/17 | P3 | 28,901.64 | 27,517.31 | a | 28,901.64 | a | -4.79% |
| 2017/18 | P1 | 28,901.64 | 29,007.65 | b | 29,007.65 | b | -0- |

a - based on submitted P3, District went into Stabilization in FY 2016-17
b - based on submitted P1, the district estimates borrowing 836.39 FTES from summer 2018
The district went into stabilization in 2016/17 and is in restoration in 2017/18.
To maintain the 2015/16 funding level the district borrowed from summer 2018 for reporting purposes.
A decision will need to be made by fiscal year end whether we have enough summer 2018 FTES to borrow to fully restore, or there will be a permanent additional reduction in ongoing revenue.

The governor's proposed budget includes 1% systemwide growth funding, 2.51% COLA, and no base allocation increase. Instead the budget includes a new Student-Focused Funding Formula, the details of which are not fully know at this time.

| | |
|---|---|
| Projected COLA of 2.51% | $4,000,000 |
| Projected Growth/Access | $0 |
| Projected Base Allocation Increase | $0 |
| Continued Projected Deficit (est. 0.708%) | $0 |
| Apportionment Base Incr (Decr) for 2017/18 | $4,000,000 |
| 2018/19 Potential Growth at 0.5% based on 1% system | 29,046 |

C. Education Protection Account (EPA) funding estimated at $21,022,922 based on 2017/18 Advance. These are not additional funds. The EPA is only a portion of general purpose funds that offsets what would otherwise be state aid in the apportionments. We intend to charge a portion of faculty salaries to this funding source in compliance with EPA requirements.

D. Unrestricted lottery is projected at $146 per FTES ($4,339,229). Restricted lottery at $48 per FTES ($1,426,596). (2017/18 P1 of resident & nonresident factored FTES, 29,720.75 x 146 = $4,339,229 unrestricted lottery; 29,720.75 x 48 = $1,426,596.) Slight increase.

E. Estimated reimbursement for part-time faculty compensation is estimated at $599,306 (2017/18 Advance). Unchanged.

F. Categorical programs will continue to be budgeted separately; self-supporting, matching revenues and expenditures. COLA is being proposed on certain categorical programs. Without COLA, other categorical reductions would be required to remain in balance if settlements were reached with bargaining groups. The colleges will need to budget for any program match requirements using unrestricted funds.

G. BOG fee waivers 2% administration funding estimated at 2017/18 Advance of $307,714. Unchanged.

H. Mandates Block Grant estimated at a total budget of $795,000. Unchanged. No additional one-time allocation proposed.

II. Other Revenue

I. Non-Resident Tuition budgeted at $3,200,000. $275,000 increase. (SAC $2,400,000, SCC $800,000)

J. Interest earnings estimated at $725,000. Increase based on anticipated interest rate increases.

K. Other miscellaneous income (includes fines, fees, rents, etc.) is estimated at approximately $350,000. Unchanged.

L. Apprenticeship revenue estimated at $2,757,300. Unchanged.
(Corresponding expenses related to this allocation must be budgeted for additional apprenticeship course offerings)

M Scheduled Maintenance/Instructional Equipment allocation $6.8 million (no match required).

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT**
**UNRESTRICTED GENERAL FUND**
**2018-19 Tentative Budget Assumptions**
**February 15, 2018**

III. Appropriations and Expenditures

A. As the District's budget model is a revenue allocation model, revenues flow through the model to the colleges as earned. The colleges have the responsibility, within their earned revenue, to budget for ALL necessary expenditures including but not limited to all full time and part time employees, utilities, instructional services agreements, multi-year maintenance and other contracts, supplies, equipment and other operating costs.

B. The state is estimating a Cost of Living Allowance (COLA) of 2.51%. Any collectively bargained increased costs will be added to the budget. The estimated cost of a 1% salary increase is $1.5 million.

C. Step and column movement is budgeted at an additional cost of approximately $1.26 million including benefits. (FARSCCD approximate cost $601,000, CSEA approximate cost $405,000, Management/Other approximate cost $254,000)

D. Health and Welfare benefit premium cost increase as of 1/1/19 is estimated at 2.5% for an additional cost of approximately $402,000 for active employees and an additional cost of $178,000 for retirees, for a combined increase of $580,000.
State Unemployment Insurance local experience charges are estimated at $250,000 (2017/18 budgeted amount). Unchanged.
CalPERS employer contribution rate will increase in 2018/19 from 15.531% to 17.70% for an increase of $818,632.
(Note: The cost of each 1% increase in the PERS rate is approximately $350,000.)
CalSTRS employer contribution rate will increase in 2018/19 from 14.43% to 16.28% for an increase of $1,220,221.
(Note: The cost of each 1% increase in the STRS rate is approximately $700,000.)

E. The full-time faculty obligation (FON) for Fall 2018 is estimated at 371. The District is currently recruiting to replace 13 faculty vacancies. The District expects to meet its obligation. SAC is recruiting for 10 vacancies. SCC is recruiting for 1 vacancies. The current cost for a new position is budgeted at Class VI, Step 12 at approximately $136,969. Penalties for not meeting the obligation amount to approximately $71,000 per FTE not filled.

F. The current rate per Lecture Hour Equivalent (LHE) effective 7/1/17 for hourly faculty is $1,275. Unchanged

G. Retiree Health Benefit Fund (OPEB/GASB 45 Obligation) - The District will continue to contribute 3.63% of total salaries to fund the total actuarially determined Annual Required Contribution (ARC). The annual required contribution (ARC) for 2016/17 is $11,722,578.

H. Capital Outlay Fund - In addition to the state allocation for Scheduled Maintenance/Instructional Equipment, the District will continue to budget $1.5 million for capital outlay needs.

I. Utilities cost increases of 2.5%, estimated at $100,000.

J. Information Technology licensing contract escalation cost of 7%, estimated at $125,000.

K. Property and Liability Insurance transfer estimated at $1,970,000. Unchanged.

L. Other additional DS/Institutional Cost expenses totaling $551,143:
P/T Intermediate Clerk 19hrs/12 months - Human Resources - ongoing
District Administrator Institutional Equity, Compliance and Title IX - Human Resources - ongoing
3 New Senior District Safety Officer (armed) - District Safety - ongoing

M. Child Development Fund - The District will continue to budget $250,000 as an interfund transfer from the unrestricted general fund as a contingency plan. ($140,000 was transferred in 2014/15 and 2015/16, 2016/17, and expected in 2017/18)

N. Estimated annual cost of Santiago Canyon College ADA Settlement expenses of $2 million from one-time funds.

O. According to Chancellor's Cabinet budget reduction plan, round 2 ongoing reductions of $3 million are incorporated in the tentative budget.

# Rancho Santiago Community College District
## Unrestricted General Fund Summary
### 2018-19 Tentative Budget Assumptions Analysis
### February 15, 2018

| * | New Revenues | | Ongoing Only | One-Time |
|---|---|---|---|---|
| A | New Performance Based Funding Formula | | ? | |
| B | COLA 2.51% | | $4,000,000 | |
| B | Growth (Borrow from summer) | 1 | $0 | |
| B | Base Allocation | | $0 | |
| B | Deficit Factor est. at 0.708% | | $0 | |
| D | Unrestricted Lottery | | $216,414 | |
| H | Mandates Block Grant (one-time) | | $0 | |
| I | Non-Resident Tuition | | $275,000 | |
| J | Interest Earnings | | $60,000 | |
| L | Apprenticeship - SCC | | $0 | |
| EGHK | Misc Income | | $0 | |
| | **Total** | | $4,551,414 | $0 |
| | **New Expenditures** | | | |
| B | COLA 2.51% | | $4,000,000 | |
| C | Step/Column | | $1,260,000 | |
| D | Health and Welfare/Benefits Increase | | $580,000 | |
| D | CalPERS Increase | | $818,632 | |
| D | CalSTRS Increase | | $1,220,221 | |
| E | Full Time Faculty Obligation Hires | | $0 | |
| E/F | Hourly Faculty Budgets (Convert to Full Time) | | $0 | |
| G | Increased Cost of Retiree Health Benefit ARC | | $0 | |
| H | Capital Outlay/Scheduled Maintenance Match | | $0 | |
| I | Utilities Increase | | $100,000 | |
| J | ITS Licensing/Contract Escalation Cost | | $125,000 | |
| K | Property, Liability and All Risks Insurance | | $0 | |
| L | Other Additional DS/Institutional Costs | | $551,143 | |
| N | SCC ADA Settlement Costs | | $0 | $2,000,000 |
| O | Ongoing Budget Reductions | | ($3,000,000) | |
| | **Total** | | $5,654,996 | $2,000,000 |
| | 2018-19 Budget Year Surplus (Deficit) | | ($1,103,582) | |
| | 2017/18 Structural Deficit | | ($1,346,566) | |
| | 2017/18 Additional cost of CSEA settlement | | ($191,807) | |
| | 2017/18 Additional cost of remaining CB settlements | | ? | |
| | 2017/18 Savings in H/W Benefits (3.5% to 2.5%) | | $60,636 | |
| | Total Net Surplus (Deficit) | | ($2,581,319) | ($2,000,000) |

**Note: Budget Stabilization Fund Balance at 6/30/2018 is estimated at $15 million.**

1 *Based on the FTES reported on the 320 submitted at P1, to maintain the 2015/16 funding level the district borrowed from summer 2018 for reporting purposes. A decision will need to be made by fiscal year end whether we have enough summer 2018 FTES to borrow to fully restore, or there will be a permanent reduction in ongoing revenue.*

* *Reference to budget assumption number*

# RSCCD Tentative Budget Calendar

**Fiscal Year 2018 – 2019**

**February 21, 2018**

| | |
| --- | --- |
| January 10, 2018 | Governor's 2018-2019 Proposed Budget Released |
| February 21, 2018 | Fiscal Resource Committee (FRC) Develops Budget Assumptions And Recommends to District Council |
| March 5, 2018 | District Council Reviews and Recommends Budget Assumptions to Chancellor |
| March 6, 2018 | Sites begin work on budget development worksheets for Tentative Budget: SAC/CEC; SCC/OEC; District Services |
| March 26, 2018 | Board Approves Budget Assumptions |
| April 18, 2018 | Budget Deadline for Budget Centers to submit Budget Change Forms to Business Operation & Fiscal Services |
| May 15, 2018 | Governor's May Revise |
| May 23, 2018 | FRC Recommends Tentative Budget to District Council |
| June 4, 2018 | District Council Reviews and Recommends Budget to Chancellor |
| June 5,6,7, 2018 | Budget on Display for Public Review |
| June 11, 2018 | Board of Trustees Approves Tentative Budget |

# RSCCD Adopted Budget Calendar

**Fiscal Year 2018 – 2019**
**February 21, 2018**

| | |
|---|---|
| July 1, 2018 | Governor Signs State Budget |
| July 3, 2018 (Tuesday) | Fiscal Resource Committee (FRC) Develops Budget Assumptions and Recommends to District Council |
| July 9, 2018 | District Council Reviews and Recommends Budget Assumptions to Chancellor |
| July 10, 2018 | Sites begin work on budget development worksheets for Budget: SAC/CEC; SCC/OEC; District Services |
| July 16, 2018 | Board Approves Updated Budget Assumptions |
| August 2, 2018 | Budget Deadline for Budget Centers to Submit Budget Change Forms to Business Operation & Fiscal Services |
| August 13, 2018 | Board Approval of Public Hearing Inspection Notice |
| August 15, 2018 | Proposed Budget to FRC for Recommendation to District Council |
| August 20, 2018 | District Council Reviews and Recommends Budget to Chancellor |
| September 5,6,7, 2018 | Budget on Display for Public Review |
| September 10, 2018 | Board of Trustees Adopts the Budget |
| September 10, 2018– June 30, 2019 | Board of Trustees Approves Ongoing Budget Changes for 2018-2019 Budget |

Other Budget Transfers following State Revisions to Apportionment:

- P-1: February
- Prior Year Recalculation: Dec/Jan
- P-2: June

SANTA ANA COLLEGE

# Santa Ana College
## Planning and Budget Committee
## 16/17 SAC Planning and Budget Committee Goals

**SAC PLANNING & BUDGET COMMITTEE GOALS:** The committee shall establish goals that are measureable and achievable; review, adjust, modify, or otherwise change, on an annual basis, the goals of the committee; establish criteria for determining the effectiveness of achieving the stated goals.

**BASIC AND ONGOING GOALS:**

- Clarify, communicate and train the planning and budgeting process within the committee, divisions and across the campus.
- End the fiscal year with a positive balance and a contingency reserve.
- Perform an annual institution-wide evaluation of the effectiveness of the Resource Allocation Process and analyze the results to enable for continuous improvement.
- Implement a more robust total cost of ownership program and utilize it as a budgeting tool for technology upgrades and physical facilities.

*Approved 2/7/2017*