

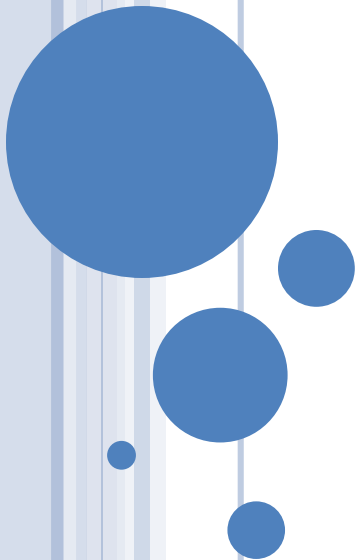
# **ACCCA's ADMINISTRATION 101**

**JULY 22, 2019**

## **COMMUNITY COLLEGE BUDGET AND FINANCE DEVELOPMENT AND ADMINISTRATION**

**Presenter:**

**Dr. Bonnie Ann Dowd,  
Executive Vice Chancellor/CBO,  
San Diego Community College District**



# AGENDA OVERVIEW

## *THEORY, BASICS AND PRACTICES OF COMMUNITY COLLEGE BUDGETING AND FINANCE*

**9:30 a.m. – 11:00 a.m.**

- Introductions, review of days agenda and SLOs
- Assessment of Knowledge
- Conceptual framework of CA community college finance
- Budget & financial terminology and fund structure basics as defined in the Budget and Accounting Manual (the BAM!)
- Overview of the State Budget Process
- GFU Budget development at district and college level

**11:00 a.m. – 11:15 a.m.**

- Session Break

# AGENDA OVERVIEW

## **11:15 a.m. – 12:30 p.m.**

- Overview of how CA community colleges are funded
- GFU Apportionment Funding under “New” Student Centered Funding Formula (SCFF)
- Review of Schedule C & E Apportionment Report
- Case Study Review and Discussion

## **12:30 – 2:00 p.m. – Lunch and 1:30 p.m. Class Photo**

## **2:00 p.m. – 3:30 p.m.**

- CA community colleges fiscal reporting requirements
- SCFF Oversight and Workgroups
- CCCCO and Other Resources
- Why District & College CBOs are critical to operations & student success
- Review of SLOs and Assessment of Knowledge

## **3:30 p.m. – 3:45 p.m.**

- Session Break

# STUDENT LEARNING OUTCOMES (SLOs)

- Acquire a better understanding of:
  - Fund accounting and the BAM basics
  - Basic budget terminology and structure
  - CA state budget development process
  - District/College budget development process
  - SCFF funding formula
- Acquire a working knowledge of:
  - FTES calculations and district reporting requirements
  - Basics of Exhibits C&E of Apportionment Reports
  - Budget development processes at the district and college level
- The role of your District/College's CBO and their crazy world...They really do care...



# CCC BUDGET AND FINANCE KNOWLEDGE

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SELF-ASSESSMENT (Pre) ACTIVITY

# ALAKAZAM!

*The magic of California community college budget and finance administration and operations...*





# INTRODUCTION TO FUND ACCOUNTING

7

Agenda items:

- **Conceptual Framework**
- **Terminology, Definitions and Fund Structure**
- **The BAM**

# FUND ACCOUNTING DEFINED

- A fund is defined as a:

*“...fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equity or fund balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions and/or limitations.”* (GASB Codification Section 1300, NCGA-1)



# CONCEPTUAL FRAMEWORK OF COMMUNITY COLLEGE FINANCE

- Accounting system must make it possible (per the Budget and Accounting Manual for CCC's i.e., the "BAM):
  - To present fairly and with full disclosure the financial position and results of operations of the funds of a community college district in conformity with generally accepted accounting principles (GAAP – generally accepted accounting principles); and,
  - To determine and demonstrate compliance with finance-related legal and contractual provisions
- The responsibilities of the different parties accountable for fiscal oversight of colleges/districts are established in Title 5.
- Because of the varied sources of revenue, some with restrictions and some without restrictions, governmental accounting systems should be organized and operated on a fund basis.

# CONCEPTUAL FRAMEWORK OF COMMUNITY COLLEGE FINANCE

- A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations (GASB – i.e., Governmental Accounting Standards Board).
- Fund accounting is a system where resources are allocated to and accounted for in individual funds based upon the purpose or use of funds as determined by the donors or source of those resources.

# WHY FUND ACCOUNTING?

- Primary purpose of fund accounting is to segregate financial information. Resources are allocated to and accounted for in individual funds based upon the purpose or use of funds as determined by the donors/source of the funds (i.e., resources).
- Accounting for financial transactions related to specific activities or objectives are recorded within separate funds.
- For external reporting purposes, there are three broad fund types: Governmental; Proprietary; Fiduciary.
- Total revenue and total expenditure budget amounts in the same fund/project grant must be equal i.e., a budget must balance as compared to a “for-profit entity”, which ideally has revenue in excess of expenses i.e., “operating at a profit”.

# BASIC BUDGET TERMINOLOGY

<u>Encumbrance</u>	<u>Expended/ Received</u>	<u>Unencumbered- Disencumbered</u>
Identified by a purchase order (PO)	Identified by an invoice (voucher) (AP)	Identified by a purchase order (PO)
Funds (money) can't be used for anything else (it is set aside)	Funds (money) will be a decrease because it has been spent	Funds (money) released to be spent (frees unused amount)

# BUDGET VERSUS FINANCIAL REPORTING

## BUDGETS

- A forecast of what is expected to occur with regard to revenue and expenses.
- Must have an approved budget before any money can be spent.
- Represents a spending plan (the authority to spend).
  - Unrestricted funds
  - Restricted funds
  - Designated funds

## FINANCIALS

- A reporting of the revenues actually received and expenditures incurred.
- Actual spending as the transactions are processed.
- Examples of records to support spending:
  - Purchase orders
  - Expenditure transfers
  - Requisitions
  - Time sheets

# BUDGET BALANCES AND BALANCED BUDGETS

- Ending Fund Balance:
  - Beginning Fund Balance (previous year)
  - Plus: Excess of Revenue over Expenses and Encumbrances OR
  - Less: Deficit if Expenses and Encumbrances are greater than Revenue
  - Results: Ending Fund Balance (current year, which then becomes next year's BFB)

# BUDGET AND ACCOUNTING MANUAL (THE “BAM”)

- The BAM, which has the authority of regulation in accordance with Title 5 Section 59011 of the California Code of Regulations, is distributed as part of the Board of Governors’ responsibility to define, establish and maintain the budgeting and accounting structure and procedures for the California Community Colleges.
- This responsibility is defined in California Education Code (EC) Section 70901.
- Each community college district is required to follow this manual [BAM] in accordance with Education Code Section 84030.

# TYPES OF FUNDS AS DEFINED IN THE BAM

- General Funds (10) Restricted (e.g., categorical, grants) and Unrestricted
- Debt Service Funds (20)
- Special Revenue Funds (30) e.g., Child Development Fund
- Capital Projects Funds (40) e.g., Propositions approved by local taxpayers
- Enterprise Funds (50) e.g., Bookstore
- Internal Service Funds (60) e.g., Liability and Property Insurance
- Trust Funds (70) e.g., Financial Aid



# REVENUE AND EXPENDITURE CLASSIFICATION AS DEFINED IN THE BAM

- Systematic classification to describe transactions.
- There can be no consistency and comparability in the recording of transactions without precise descriptions for each transaction.
- Revenue classification is primarily by *source* and *purpose*. e.g., 8612 State General Apportionment.
- Expenditure classification is by *account*, which is the type of expense (e.g., 1100 Instructional Salaries) and *product*, which is the type of program (e.g., 190500, chemistry program of instruction) and *department*, (e.g., 14672 Chemistry Department at City College).

# SDCCD SAMPLE BUDGET STRING

## Budget Structure (19 digit)

1110 - 31010 - 659030 - 6406  
Fund - Department - Product - Account  
(Top Code)

Sample Budget String represents:

GFU - Miramar College's - Equipment Repair - Equipment  
President's Office Replacement

### Fund:

11 – GFU (General Fund Unrestricted)  
12 – GFR (General Fund Restricted)  
33 - Child Development  
42/44 – Propositions S & N

### Department:

1 - City College  
2 - Mesa  
College  
3 - Miramar  
College  
4 - Continuing  
Ed.  
7 - District wide

### Product:

Numbers align with  
State Top Codes

### Starts with:

0 to 5 - Instructional  
6 - Non Instructional  
7 – Military & Const.

### Account:

1000 – Instructional Salaries  
2000 - Non-Instructional  
Salaries  
3000 – Benefits  
4000 – Supplies & Materials  
5000 – Other Operating  
Expenses & Services  
6000 – Capital Outlay

# SDCCD ACCOUNT CODES (EXAMPLES)

## 1000 Instructional Salaries

- 1101 – Academic Contract Classroom
- 1201 – Academic Contract Administrator
- 1301 – Academic Adjunct Classroom
- 1401- Academic Adjunct Non-Classroom

## 2000 Non Instructional Salaries

- 2101 – Classified Contract Non-Classroom
- 2201 – Classified Contract Classroom
- 2301 – Classified Hourly Non-Classroom
- 2401 – Classified Hourly Classroom

## 3000 Employee Benefits

- 3050 – Mandated Benefits Instruction
- 3060 – H & W Benefits Instruction
- 3080 – Mandated Benefits Non-Instruction
- 3090 - H & W Benefits Non-Instruction

## 4000 Supplies and Materials

- 4001 – Supply Prior Year Encumbrances
- 4002 – Supplies Operating
- 4003 – Supplies Instructional
- 4009 – Supplies - Printing by Vendor

## 5000 Other Operating Expenses & Services

- 5006 – Employee Tuition Reimbursement
- 5155 – Contracts for Services
- 5352 – Employee Travel and Conference
- 5402 – Advertising Expense
- 5810 – Electricity

## 6000 Capital Outlay

- 6203 – Building Minor Improvement/Alterations
- 6301 – Library Books
- 6402 – Equipment - New
- 6410 – Equipment Computer Hardware

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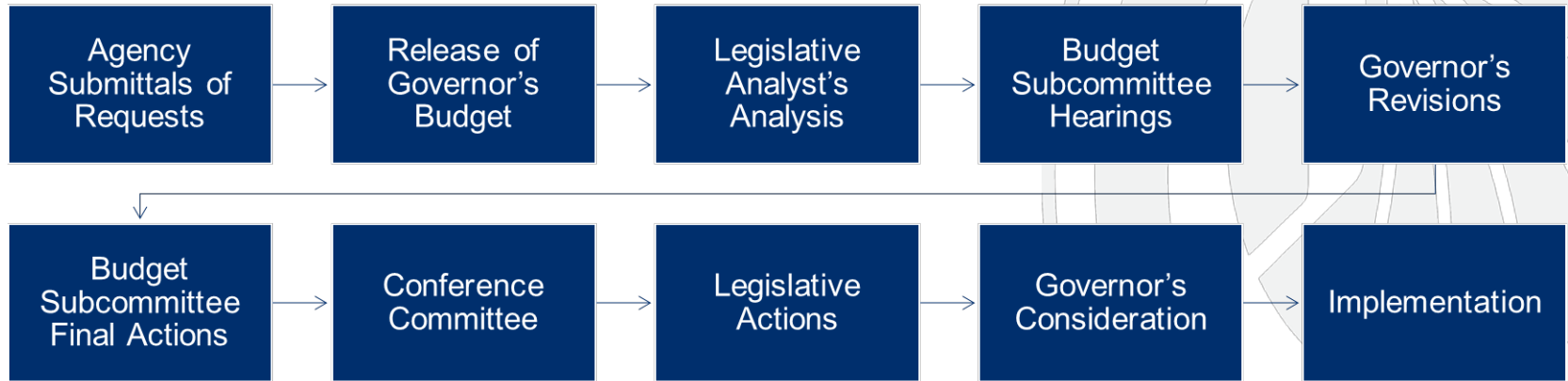
**STATE BUDGET PROCESS**

**AND THE**

20

**California Community College  
Chancellor's Office**

# State Budget Process



# State Premises Behind Why An Outcomes Based Funding Model Was Needed

- While the system has made significant strides in improving student success, serious challenges remain.
  - Most students who enter a community college never complete a degree or certificate or transfer.
  - Students who do reach an educational goal take a long time to do so.
  - Achievement gaps persist (across student groups and across regions).
- Discussions about a new funding formula began a couple of years ago, given concerns among system stakeholders that enrollment—the traditional driver of funding—has been stagnant in many districts.

# CCCCO's Principles for Reform

- In reforming funding for community college districts, CCCCCO aimed to do the following:
  - Encourage progress toward the *Vision for Success* adopted by the Board of Governors.
  - Provide groups of students that have faced barriers to success with additional support to meet our goals.
  - Make resources most useful to community college districts by making them stable, predictable, and flexible.
- They want community college finance to further the activities the Chancellor's Office is undertaking through the Guided Pathways framework.



# **OVERVIEW OF THE STUDENT CENTERED FUNDING FORMULA**

**As originally enacted as of July 1, 2018  
(for FY 2018-19)**



# Student Centered Funding Formula

- The new formula calculates apportionments generally using three allocations:
  - *Base Allocation*—Current factors (primarily credit FTES).
  - *Supplemental Allocation*—Counts of low-income students.
  - *Student Success Allocation*—Counts of outcomes related to the *Vision for Success*, with “premiums” for outcomes of low-income students.
- Noncredit FTES (and some other FTES) are currently outside of the SCFF and are funded at current rates.
- The rates were calculated to provide a three-year transition.

# Student Centered Funding Formula

Student Success Allocation— Measures	All Students	Promise Grant Premium	Pell Grant Premium
Associate degrees for transfer granted	4	4	6
Associate degrees granted (excluding ADTs)	3	3	4.5
Baccalaureate degree granted	3	3	4.5
Credit certificates (16 units or more) granted	2	2	3
Completion of transfer-level mathematics and English courses within first academic year of enrollment	2	2	3
Successful transfer to four-year university	1.5	1.5	2.25
Completion of nine or more CTE units	1	1	1.5
Attainment of regional living wage	1	1	1.5

# Student Centered Funding Formula

	2018-19	2019-20 <sup>1/</sup>	2020-21 <sup>1/</sup>
Base Allocation			
Dollars per Credit FTES	\$3,727	\$3,387	\$3,046
Basic Allocation	<i>See Note</i>	<i>See Note</i>	<i>See Note</i>
Supplemental Allocation—Dollars per Point	\$919	\$919	\$919
Student Success Allocation—Dollars per Point	\$111	\$167	\$222

<sup>1/</sup> These totals will also be adjusted by the changes in the cost-of-living in those years.

Note: These amounts will be calculated based on the numbers of colleges and comprehensive centers consistent with the current formula.

# Student Centered Funding Formula (as enacted)

- In 2018-19, 2019-20, and 2020-21, a district would receive the greater of the formula total or the amount the district received in 2017-18, adjusted by the changes in the cost-of-living for each year.
- The formula includes a “stability” (Hold Harmless) provision that delays any decreases in revenues by one year.
- Further, the bill would require the following of districts:
  - *Goals*—Adoption, by January 1, 2019, of goals that are aligned with the Vision for Success.
  - *Comprehensive Plans*—Alignment of comprehensive plans with those goals and alignment of annual budgets with the comprehensive plans.
  - *Capacity*—If directed by the chancellor (with approval by the Board of Governors), use of funds for technical assistance or professional development.

# More Information

To receive responses to questions or to provide comments on implementation, please email [SCFF@cccco.edu](mailto:SCFF@cccco.edu).

Chancellor's Office will post updates, including responses to frequently asked questions, at <http://extranet.cccco.edu/Divisions/FinanceFacilities/StudentCenteredFundingFormula.aspx>.

Budget Workshops scheduled for July 22 and July 25. Registration links on our website.

# MAJOR POLICY CHANGES TO SCFF

(SINCE ENACTED JULY 1, 2018)

- FY 2018-19, the budget changes the definition of a transfer student to rely on different data than the Chancellor's Office had used as part of the first principal apportionment.
- Trailer legislation directed the CCCCO to use publicly reported UC data to count transfers to UC campus, CSU data to count CSU transfers, and CCCCO data to count transfers to private and out-of-state institutions.
- Resulting in changes to statewide transfer count in FY2017-18, which is the data that was used for 2018-19 apportionment for P2.

## MAJOR POLICY CHANGES TO SCFF (CONT'D)

- Equity component of Student Success Allocation, which counts the number of Pell Grant and CCPG recipients, P2 calculates those counts multiplying total number of transfers, by 1) the percentage of Pell Grant recipient transfers in the P1 and 2) percentage of CCPG recipient transfers in P1.
- Resulting in reduction in TCR of \$48 million at P2 compared to P1 data.
- P2 assumes districts will receive more in offsetting revenues (i.e., property taxes) that has been collected at time of Budget Act adoption.

# MAJOR POLICY CHANGES TO SCFF (CONT'D)

- FY 2019-20 and beyond.
- Funding rates in the base, supplemental and student success allocations have been recalculated under the Budget Act so 70% allocated for the base allocation, 20% for supplemental, and 10% for student success allocation.
- FY 2020-21 funding rates will be adjusted by COLA, and the distribution of funds across the three allocations would be determined by changes in the underlying factors.



# MAJOR POLICY CHANGES TO SCFF (CONT'D)

- Student Success allocation calculation will:
  - Only count highest of all awards (i.e., associate degree for transfer, associate degree, baccalaureate degree, and credit certificate) earned in the same year. And, only if the student was enrolled in the district in the year the award was granted.
  - Amends definition of a transfer student only if student completed 12 or more units in the district in the year prior to transfer.
  - Calculates the student success allocation based on 3 year averages of each of the measures in the allocation.

## MAJOR POLICY CHANGES TO SCFF (CONT'D)

- Extends the existing minimum revenue provision (Hold Harmless) of SCFF that districts will receive at least 2017-18 TCR adjusted by COLA, each year through 2020-22.
- The Budget charges CCCCCO with determining the funding rates for 2019-20 consistent with these policy adjustments.
- CCCCCO is consulting with the Workgroup on Fiscal Affairs and other advisory bodies regarding methods for use in 2019-20 apportionment funding.

## OTHER ENACTED 2019-20 BUDGET ITEMS

- Expansion of CA College Promise with an additional \$43 million.
- Cal Grant Expansion – number of awards increased by 15,250 for students who meet Cal Grant eligibility requirements but do not qualify for entitlement programs, primarily because of amount of time they have been out of school...generally older adults enrolled in community college.
- Pension Costs Relief for CalSTRS and CalPERS reducing statutory employer contribution rates in 2019-20 and 2020-21. (Temporary Relief)
- Implementation of a new statewide longitudinal data system, the “Cradle-to-Career Data System,” to connect information from education entities, employers, and other state and local agencies.

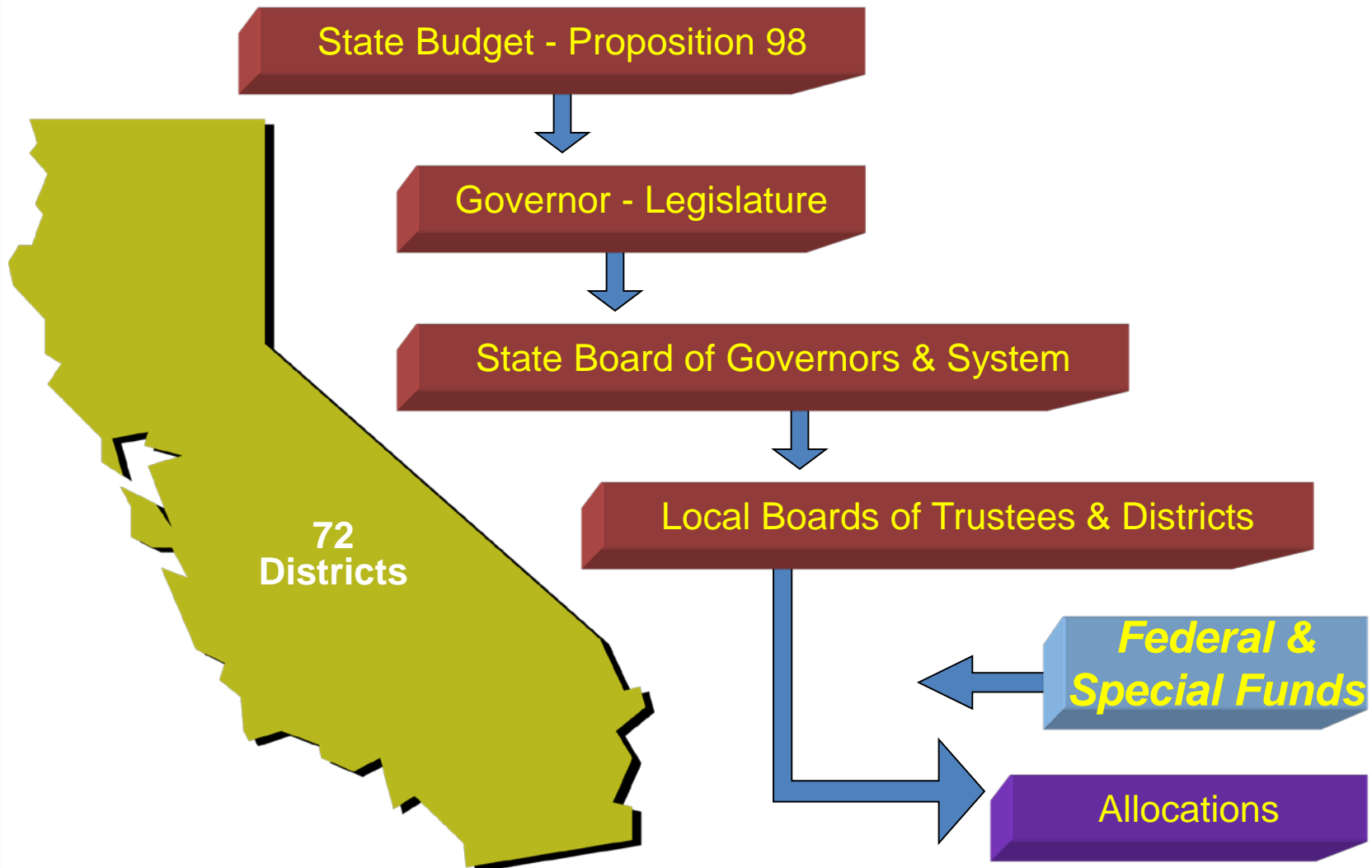


# A DISTRICT BUDGET DEVELOPMENT (EXAMPLE)

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SDCCD District and College Budget  
Development Process

# CALIFORNIA COMMUNITY COLLEGES STATE AND DISTRICT BUDGET PROCESS



# ANNUAL STATE BUDGET PROCESS

- January 10th: Governor releases budget proposal
- Jan-May: Legislative hearings are held
- End of Jan: LAO releases their budget analysis
- May 15: Governor is required to release the May Revise (January proposal revised)
- June 15: Constitutional deadline for Legislature to send a state budget to the Governor
- September 15: Adopted Budget sent to the Governor

# 2018-19 SCFF FUNDING MODEL

- Apportionment-Based Funding consisting of: Basic Allocation (size of district/college and number of education centers); FTES funding (credit, CDCP and non-credit); Growth funding; and, COLA.
- Apportionment Revenue Reporting:
  - P1 – First Principal Apportionment (Feb.)
  - P2 – Second Principal Apportionment (June/July)
  - Recal – Recalculation Principal Apportionment (Feb.)
- State funding per FTES effective 2018-19 (rates are adjusted if there is an annual COLA adjustment in the State Budget).  
Following rates will be adjusted in 2019-20 by 3.26% COLA:
  - Credit \$ 5,457
  - CDCP Non-Credit \$ 5,457
  - Non-Credit \$ 3,347
- Fiscal year is July 1 through June 30th.

# CRITICAL FISCAL RELATED ISSUES TO AVOID/MINIMIZE

- Budget deficits do not necessarily result in financial (actuals) deficits
- Consistent year after year financial (actuals) deficits must be avoided
- Cash is “king” and critical to the overall fiscal health of a district
- Long-term obligations e.g., Unfunded Other Post-Employment Health Benefits (OPEB) and CalSTRS/CalPERS employer contribution costs must be addressed
- Productivity ratios and enrollment issues



# FTES & APPORTIONMENT REVENUE

- Consider class size and efficiency when analyzing enrollment/FTES.
- 15 units equates to 1 FTES, which can be a result of 1 student taking five 3 unit classes or 5 students each taking one 3 unit class.
- State Chancellor's office funding for FTES is based upon an efficiency/productivity ratio of 525 based upon two 17.5 weeks of a semester with 15 units full-time each semester.
  - $\text{Efficiency} = \text{WSCH}/\text{FTEF}$
  - Larger class size produce more FTES per faculty member
  - Lower class size yield lower productivity ratios

# SDCCD DISTRICT BUDGET DEVELOPMENT PROCESS

- Establish FTES targets based upon prior year's funded FTES adjusted for subsequent year's FTES cap projected by the state.
- Estimate 3 year FTES average, which represents 70% of state apportionment funding.
- Assess prior years data to estimate impact on Supplemental data outcomes (financial aid related awards) Allocation, which represents 20% of state apportionment funding.
- Assess prior years performance outcomes data to estimate impact on Success Allocation, which represents 10% of state apportionment funding.

# SDCCD DISTRICT BUDGET DEVELOPMENT PROCESS (CONT'D)

- GFU Districtwide Revenue and Expense Budget Allocation Model includes items such as:
  - Project revenue based upon established FTES target
  - Identify reserves and set-asides (e.g., vacant positions, CBA commitments)
  - Campus allocations (based upon Campus Allocation Model)
  - District Office expenses
  - Districtwide Support Allocation expenses
- Compare Revenue and Expense
- If Revenue is less than expenses identify if sufficient beginning fund balance to cover the shortfall; if not, reduce expenses.

# SDCCD's COLLEGES BUDGET ALLOCATION PROCESS

- FTES targets by year assigned to each of our 3 colleges and Continuing Education.
- FTES allocation is converted to FTEF and campuses funded based upon productivity factors of 31 for credit and non-credit in the fall and spring, lower in summer (in accordance with Resource Allocation Formula – the “RAF”).
- Classroom FTEF (contract, adjunct and overload, reassigned time per CBA) to arrive at each institutions FTEF budget allocation.
- Contract salary and benefits (filled and vacant positions) allocation.
- Discretionary allocation based upon FTES and other adjustments to arrive at college and CE budget allocation - continuous and as appropriate, one-time.

# STATE APPORTIONMENT & OTHER STATE REVENUE GENERAL FUND UNRESTRICTED

## SDCCD Campus Budget Model

**Campus Earned FTES in Prior Year**

Includes:  
 Credit & Non-credit Resident FTES  
 Credit & Non-Credit Non-Resident FTES

**Contract Staff**

- Includes all Contract Staff:
  - Academic Faculty
  - Non-academic Staff
  - Administrators
- Full cost funded by position for all salaries and benefits.

**Collective Bargaining and Other Contract Obligations**

- All CBA financial obligations are funded such as:
  - Pro-rata
  - Department Chairs
  - Reassigned Time & ESU's
- Other Contractual commitments are funded such as:
  - Academy Service Agreements
  - Apprenticeship
  - Family Literacy

**Campus Use of Staff Resources**

- Campus retains a portion of savings from positions vacated and can utilize savings as desired.
- Campus can reassign staff between programs and services based on campus priorities.

**Campus Programs & Services**

- As each campus adjusts programs, class schedules, etc., all CBA costs are fully funded.

**Funded FTEF/Class Sections**

- @ 15.5 FTES/FTEF in 18-19 for each term.
- Funding ratios reviewed annually by Cabinet and adjusted based on enrollment management plans.
- Supplemental FTEF provided if "Growth" funding is available.

**General Operating / Discretionary Funding**

- $FTES \times \text{Campus Rate} = \text{Funds for General operating expenses.}$
- Includes Expenses for:
  - Hourly Staff
  - Hourly Non-classroom
  - All 4000-6000 object codes

**Class Schedules**

- Campus allocate FTEF based on Campus priorities.
- Additional class sections offered from Campus budget savings as determined by each campus.

**Campus Allocations**

- Campus rate fluctuates based on Campus decisions.
- Campus has total discretion over use of funds.

# DISTRICT'S ANNUAL FISCAL REPORTING REQUIREMENTS

- Preliminary Budget (not required) – March/April
- Tentative Budget – June 15<sup>th</sup>
- Adopted Budget – September 15<sup>th</sup>
- 320 Apportionment Attendance Report (P1, P2 and Recal)
- 311Q and 311 Annual Report
- Independent Annual Audits – December 31st

# HOW CALIFORNIA FUNDS K-14 EDUCATION

## ***PROPOSITION 98***

- Passed by voters in November 1988
- K-14 receives a share of state revenues collected
- Minimum funding guaranteed by formula
  - Three “tests”
- Community college system receives *approximately* 11% share of Prop 98 revenues
  - Minimum guarantee percentage of Prop 98 -10.92%
  - However, not a guarantee...
  - Legislature can suspend to fund at a lower level
  - Minimum guarantee has also become maximum guarantee
  - Funding follows state economy
    - When economy is good, increases in funding
    - When economy is poor, decreases in funding
    - What’s wrong with this reality for our colleges and students?

# HOW THE CCCCO FUNDS DISTRICTS

- Unrestricted General Fund
  - Principal Apportionment process – Exhibit C
    - Becomes Exhibit E once final recalculated certification (R1)
    - Eight months after close of fiscal year (Feb P1)
  - SB361 Funding Allocation Model - 2006
    - Replaced Program Based Funding from AB1725 (1988)
  - Differences of SB361 methodology compared to Program Based Funding formula
  - FY 2018-19 New SCFF model – access, equity and outcomes based model
- Other CC District source of Funds
  - Categorical program entitlements (SSSP, DSPS, Student Equity, BFAP), competitive grants, regional grants (SBDC), regional collaborative (adult ed), Economic Development, special purpose funds, etc.
  - More often based on FTES counts and students served counts



# GFU PRINCIPAL APPORTIONMENT

- Principal Apportionment Reports – the unrestricted revenue a district may earn in a given year
  - AD – Advanced Apportionment
  - P1 – Period 1
  - P2 – Period 2
  - Annual or P3
  - R1 – Final Recalculation
    - “It ain’t over till it’s over”
    - Eight months after the close of the prior fiscal year
- Yes, the revenue numbers constantly change!
  - Also, various “revisions” to each Period
    - March revision to P1, April revision to P1...

# APPORTIONMENT REPORTS

## EXHIBITS C & E

- Primary drivers of Principal Apportionment funding:
  - 1) Basic Allocations
    - District and Colleges size
    - State Approved & Grand-parented center sizes and numbers
  - 2) Full Time Equivalent Students (FTES) funding
    - Workload Measures: Credit, CDCP and Regular Non-Credit
    - Credit – 3 year average
- Supplemental Allocation
- Student Success Allocation
- Hold Harmless (under SCFF)
- Review of FY18-19 P-2 Apportionment Report for:
  - San Diego CCD (multi-college district)

# TOTAL COMPUTATIONAL REVENUE AND REVENUE SOURCES (EXHIBIT C & E)

## **Total Computational Revenue (TCR):**

- I – Basic Allocations (70%)
- II – Supplemental Allocation (20%)
- III – Student Success Allocation (10%)

## **Revenue Sources to fund TCR:**

- Property Tax
- Student Enrollment Fees
- State General Apportionment\*
  - General Apportionment
  - Full-time Faculty Hiring Apportionment
- Education Protection Account (EPA)

\* Basic Aid/Community Supported Districts

# CCCCO LINK TO APPORTIONMENT REPORTS

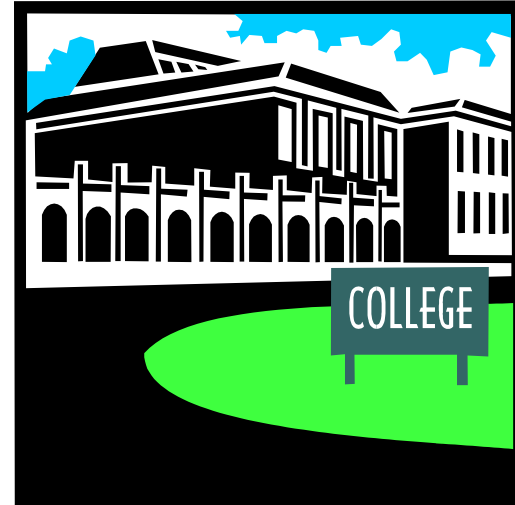
- <https://www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Apportionment-Reports-2018-19>

# TYPES OF RESTRICTED GENERAL FUNDS (GFR)

- Characteristics of a Categorical program
- Apportionments Exhibits A & B
- Each Categorical has its own funding methodology and guidelines
- SSSP
- Student Equity
- Strong Workforce
- DSPS
- Competitive grants (CTE, Child Development, Economic Development)

# STATE CAPITAL OUTLAY PROCESS

- Capital Outlay funding is outside of the apportionment process
- Big dollars for construction
- “Competitive” process
- Relies on Statewide bonds for major source of funding
- Mostly local General Obligation Bond funding has financed projects since Prop. 39 in 2000



# CCFS 320 REPORT

- Reports the FTES information used in the apportionment process
  - Three times a fiscal year
  - P1, P2, P3 (annual)
  - November 1st deadline for final
- FTES may seem simple, but actually very complex
  - Compressed calendars
  - Compliance with Title 5 Regs and Ed Code
- Critical fiscal implications of Enrollment Management and CCFS 320
  - Lifeblood of our apportionment funding

# CCFS 311 & 311Q REPORTS

- The 311 Annual Financial and Budget Report of a community college district is the vehicle for summarizing and communicating the results of budgetary decisions and transactions of all governmental, proprietary, and fiduciary funds for each annual fiscal period. The information is as reported by the districts and compiled by the Chancellor's Office.
- Quarterly reports – Q1, Q2, Q3 and Q4
- Annual 311 includes prior year actuals and new year's budget
  - Includes 50% Law calculations



# WHERE TO FIND ADDITIONAL BUDGET AND FISCAL INFORMATION

- Chancellor's Office Website
  - cccco.edu
- Community College League of California
  - ccleague.org
- Association of California Community College Administrators
  - accca.org
- Association of Chief Business Officials
  - acbo.org
- Community College Finance, Past/Present/Future – Teresa M. Scott
  - [https://www.yosemite.edu/fiscalservices/budget\\_files/cc\\_finance/cc\\_finance\\_handbook\\_2016.pdf](https://www.yosemite.edu/fiscalservices/budget_files/cc_finance/cc_finance_handbook_2016.pdf)

A decorative vertical bar on the left side of the slide, consisting of several thin, parallel lines in shades of blue and white. To the right of these lines are several overlapping circles of varying sizes, also in shades of blue, creating a modern, abstract design.

## WHAT IS A CBO?

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.....And, what do they do?

# WHY ARE OUR COLLEGES/DISTRICTS BEING OPERATED AS IF WE ARE A BUSINESS?

- Colleges/districts are in the “business of education”.
- Legally required to follow sound business practices, which may be relied upon by owners, investors and other interested parties (i.e., taxpayers, vendors, bond holders and employees).
- High level of reporting is required necessitating many of the components used in the business world to be used to operate our colleges/districts.
- Federal, State and Local requirements.

# WHY DOES A DISTRICT NEED A CBO?

- Districts, as with any for-profit or non-profit entities, are legally required to have a designated chief financial officer (CFO) or treasurer.
- Most of our 72 districts combine the role of CBO and CFO into one position.
- CBOs manage a college/district's resources, on behalf of taxpayers, which are owned, received or used to operate the college/district.

# WHO ARE THE DISTRICT CBOs?

- “Chief Business Officials” work in various business related capacities in college and district offices; however, there are only 72 District CBOs (Chief Business Officers) in the CCC system.
- **“The”** Chief Business Officer is the District CBO whether at a multi-college or single-college district and is the fiscal officer for the district as legally required.
- Chief Business Officials include positions such as a VP of Administrative Services at a multi-college district; a Fiscal Director or Controller in a college or district.

# WHAT IS THE ROLE OF A CBO?

- Responsibilities vary from one college/district to another depending upon organizational structure covering a wide-range of fiscal and business related functions.
- Fiscal operations include functions such as: budgets, financial reporting, cash flow, investments, bond issuances...basically, functions that impact the overall financial health of a college or district.
- Business related functions include non-fiscal operations such as: Human Resources, Facilities, Food Services, Bookstores, Campus Police/Security, Information Technology, Reprographics, Mailroom, Warehouse.



## THE ASSOCIATION OF CHIEF BUSINESS OFFICIALS

- ACBO is an association representing all business officials working in a California community college.
- District CBOs are the official delegates for the 72 districts.
- ACBO Board members represent one of the ten regions in the state and are elected by the District CBOs in each region to serve as its regional representative on the Board.
- Actions taken by the ACBO Board with regard to community college finance and business related to system-wide policies, procedures, position statements are made on behalf of all 72 districts.



*WELL, I WAS A HUMAN  
BEING BEFORE I BECAME  
A BUSINESSMAN.*

~GEORGE STERNE

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Some Myths about CBOs



# *~ CBOs RUN OUR COLLEGE/DISTRICT AS IF WE ARE A “BUSINESS” AND ...*



- CBOs don't understand what the rest of us do! (i.e., Instruction, Student Services...at our colleges).
- CBOs make everything so complicated and restrictive...and they love to say NO!



~ *CBOs AREN'T TRANSPARENT!*

*(ENDING FUND BALANCES ARE ALWAYS LARGER THAN PROJECTED.)*

# *~ CBOs HIDE MONEY FROM THE REST OF US!*



*We DO NOT have a  
“Money Tree” under our  
desk in our office!*

*CBOs don’t spend the  
money, everyone  
throughout a District  
does.*

*CBOs then have to  
FIND the funds to cover  
what has been spent!*

# *~ CBOs DON'T CARE!*

....(ABOUT STUDENTS, FACULTY, STAFF OR WHAT WE NEED  
IN ORDER TO DO OUR JOB!!)



*~ A CBO'S JOB IS A "WALK IN THE PARK"  
AND THEY LOVE TO SAY NO!*



And you thought your job sucked

- *A CBOs job is messy and difficult at times... and we can't always say yes...*
- *But we love what we do...and,*
- *We are committed to providing YOU the resources you need to support student learning and success!*



**WHAT FUTURE FUNDING, FISCAL POLICY,  
AND BUSINESS PRACTICE CHANGES  
MIGHT OR SHOULD LIE AHEAD FOR  
CALIFORNIA COMMUNITY COLLEGES?**

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~ Past

~ Present

~ Future

# PAST

- Laws and regulations proposed and passed one at a time without identifying the unintended consequences on each other (e.g., 50% Law – 1961, FON - 1989).
- Funding provided when legislation was passed; however, the funding later cut, yet the mandates and funding needs remained (e.g., 1988 - AB1725, staff development).
- In some cases, legislation passed without any funding provided to implement the laws, yet colleges/districts are required to meet or make progress toward meeting the requirements (AB1725 – 1988 e.g., 75/25 faculty goal).
- Collective bargaining through the Educational Employment Relations Act “ERRA” was enacted in 1975 by legislators and included in Government Code §3540 et seq. (didn’t exist when 50% Law was enacted to restrict class size).

# PAST INTO PRESENT

- SB361 (2006) was designed to equalize per-FTES funding; however, state economic downturn began after 2007-08, and “workload reductions”, “deficit coefficients” and “deferrals” became the means by which the state balanced its budget.
- Five years of lost purchasing power during the most recent “great recession” in addition to massive reductions in previously earned and funded FTES revenue.
- Workload Restoration process slowly began in 2012-13; however, all 72 districts are in various stages of restoration as of 2017-18 and stability due to enrollment softening.



# PRESENT INTO FUTURE

- 21<sup>st</sup> century community college educational experience is drastically different from when some of the laws and regulations were enacted.
- Changing demographics, economic uncertainties, industry changes, technology advancements, and market globalization have changed the way community colleges must do business.
- Long-term liabilities e.g., CalSTRS and CalPERS employer contribution rate increases and OPEB
- Apportionment revenue funding is dependent upon several factors most of which community colleges are unable to control.
- 50% Law and FON
- External requirements such as ACCJC/WASC accreditation standards
- Career and workforce programs required to meet industry demands are more resource intensive.

# PRESENT INTO FUTURE

- Long-term Impact of SCFF funding model
- Increasing focus on outcomes/performance based funding.
- Growth/access apportionment funding emphasis on factors colleges/districts continue to be unable to control e.g., economic conditions.
- Ever-changing learning environment.
- Safety/Security Campus Costs
- Ongoing technology changes and increasing cost of instruction while remaining focused on Quality Education.
- Operational costs due to new and replacement facilities, equipment, statutory and fringe benefits, collective bargaining agreements, utilities and other uncontrollable fixed costs.
- Turn over in experienced CBOs and complexity and uniqueness of California fiscal policy and practices.



**CCCCO ADVISORY WORKGROUP  
ON FISCAL AFFAIRS**

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**and the  
Legislative SCFF  
Oversight Committee**

# CCCCO'S ADVISORY WORKGROUP ON FISCAL AFFAIRS

## ○ Acbo workgroup

### Members:

- Bonnie Ann Dowd, Chair
- Ann-Marie Gabel, Vice Chair
- Andy Suleski
- Morris Rodrigue
- Aaron Brown
- Erik Skinner
- Jeanette Gordon
- Mario Rodriguez
- Peter Hardash
- Ron Gerhard
- Sharlene Coleal
- Sue Rearic

## ○ Constituency workgroup members:

- David morse, academic senate
- Kindred murillo, ceo representative
- Brian sanders, cio representative
- Kathleen moberg, csso representative
- Lauren sosenko, research and planning representative

## ○ Others:

- Christian Osmeña, ccCco
- Lizette navarette, cclc
- Darcie harvey, cccco consultant
- Omid pourzanjani, cccco
- Frances parmelee, cccco
- Michelle giacomini, fcmat

# ADVISORY WORKGROUP ON FISCAL AFFAIRS- FUNDING MODEL PROPOSAL

- Vision Statement
  - Stable and Sustainable
  - Provides incentive funding for serving disproportionately impacted populations
  - Responsive to local and regional communities served
- Model Elements
  - Performance Outcomes tied to Strategic Vision
  - Base Funding
  - Enrollment

The workgroup is a Standing Advisory Workgroup to Chancellor Eloy Ortiz Oakley and the CCCCO Finance and Facilities Division initially established by Chancellor Brice Harris.

# ADVISORY WORKGROUP ON FISCAL AFFAIRS- FUNDING MODEL PROPOSAL

- Performance Outcomes
  - Transfer
  - Completion of Degree/Certificate
  - CTE Employment and Wage Gains
  - Equity Gap Incentives
  - Number and Size of Colleges/Districts and/or Centers and Location
  - Facilities Factor
- Enrollment
  - FTES and Headcount

# ADVISORY WORKGROUP ON FISCAL AFFAIRS – FUNDING MODEL PROPOSAL

- Implementation Elements – the funding model should:
  - Reflect a variation in costs (i.e. size, centers) for Base Funding
  - Recognize higher costs of CTE courses
  - Recognize increases in operating costs related to technology and security & campus safety
  - Be based upon a 3-year rolling average
  - Incorporate some categorical programs
  - Provide stability based upon a multi-year step down model
  - Be evaluated periodically and modified as needed
  - Initial hold harmless
  - Measure improvement over time against itself

# LEGISLATIVE OVERSIGHT COMMITTEE ON THE STUDENT CENTERED FUNDING FORMULA

Governor Appointees	Senate Appointees	Assembly Appointees
Dr. Sonya Christensen – President, Bakersfield College	Dr. Bonnie Ann Dowd – Executive Vice Chancellor Business & Technology Services, San Diego CCD	Dr. Angelica Garcia - Vice President of Student Services, Skyline College
Ann-Marie Gabel – Vice Chancellor, Business Services, South Orange County CCD	Valerie Johnson - President, Crafton Hills College Student Senate	Liz Guillen - Director of Legislative and Community Affairs, Public Advocates, Inc.
Dr. Kindred Murillo – President, Southwestern College	Manuel S. Payan - Grounds/Equipment Operator, San Joaquin Delta College	John McDowell - Adjunct Professor of Labor Studies, Los Angeles Trade Technical College
Dr. Christopher Nellum – Sr. Director for Higher Education, Education Trust-West	Michele Siqueiros - President, Campaign for College Opportunity	Dr. Dianne Van Hook – Chancellor, Santa Clarita CCD, College of the Canyons



# LEGISLATIVE SCFF OVERSIGHT COMMITTEE

## RECOMMENDATIONS' DUE DATES

- Recommendations due January 1, 2020
  - First generation students
  - Financial need considering student's region
  - Academic proficiency
- Recommendations due January 1, 2021
  - Noncredit instruction (request has been made to move to January 1, 2020)
  - Instructional service agreements (request has been made to move to January 1, 2020)
  - Requests has been made to expand upon areas initially assigned to be studied under the SCFF



# REVIEW OF SLOs & ASSESSMENT

AND

WHAT YOU LEARNED TODAY ABOUT  
COMMUNITY COLLEGE BUDGET AND FINANCE  
DEVELOPMENT AND ADMINISTRATION.

# SLOs & Knowledge Assessment

- Acquired a better understanding of:
  - The very basics of fund accounting, the BAM, budget basics, terminology and fund structure
  - CA state and district budget development processes
  - General knowledge of how a college/district develops its budget
  - Student Centered Funding Model (SCFF)
  - Where to look for CCC fiscal information
  - Basics of GFU Apportionment Funding and importance of Exhibit C & E
- And, hopefully, you've learned why you should love and support your district's CBO! 😊



# CCC BUDGET AND FINANCE KNOWLEDGE ASSESSMENT

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POST PRESENTATION ACTIVITY and  
SELF-ASSESSMENT FEEDBACK



THANK YOU!

QUESTIONS & ANSWERS?

*...and don't forget to thank your CBO, they really do care!!...and, maybe even stop by to give your CBO an empathetic hug!! 😊*