LOS ANGELES COMMUNITY COLLEGE DISTRICT
2013-2014
FINAL BUDGET
ALLOCATION MECHANISM

I. PARAMETERS USED TO DETERMINE COLLEGE MINIMUM BASE ALLOCATION

On June 13, 2012, the Board of Trustees approved Phase I of the review and changes to the District Allocation Model. Phase I implements an increase to the College Basic Allocation by including minimum staffing and maintenance and operations (M&O) costs, as follows:

1. Each college shall receive an annual base allocation to fully fund the following:
   a. Minimum Administrative Staffing:
      i. (1) President;
      ii. (3) Vice Presidents;
      iii. (1) Institutional Research Dean;
      iv. (1) Facilities Manager;
      v. Deans
         a) (4) Deans => small colleges (FTES<10,000);
         b) (8) Deans => medium colleges (FTES>=10,000 and <20,000);
         c) (12) Deans => large colleges (FTES>=20,000).
   b. Maintenance and Operations costs based on average cost per gross square footage.

After allocating the minimum base allocation in items a and b above, all remaining revenue (except non-resident tuition, dedicated revenue, and apprenticeship revenue) shall be distributed to colleges based on their proportion of the District's funded FTES.

2. Transition Funding: The District shall set aside necessary funds from the District's reserve (or new revenue) in order to mitigate the adverse effect on any college that experiences a reduction in its allocation as a result of the implementation of this change. The reduction will be implemented as follows:
   a. No reduction in the first year (2012-13) to any college;
   b. One-third of the allocation reduction in the second year (2013-14);
   c. Two-thirds of the allocation reduction in the third year;
   d. The full allocation reduction in the fourth year.

3. Remaining allocation issues will be addressed in Phase II for implementation in the 2013-14 fiscal year.

4. There will be an annual assessment of the allocation model.

II. PARAMETERS USED TO DETERMINE STATE GENERAL REVENUE

1. Base Revenue

   a. Base revenue shall be calculated using the SB 361 marginal funding rates. For fiscal year 2013-14, each college shall receive an annual basic allocation based on the following basic allocation base rate:

• FTES >= 20,000	$4,428,727	large college
• 10,000 <= FTES < 20,000	$3,875,136	medium college
• FTES < 10,000	$3,321,545	small college

   b. Credit Base Revenue shall be equal to the funded base credit FTES multiplied by the base rate of $4,564.83 in the 2013-14 fiscal year; in subsequent years the base rate shall be the prior year rate plus inflation.

   c. Non-credit Base Revenue shall be equal to the funded base non-credit FTES multiplied by the base rate of $2,744.96 in the 2013-14 fiscal year; in subsequent years the base rate shall be the prior year rate plus inflation.

   d. The career development and college preparation (CDCP) non-credit base revenue shall be equal to the funded base CDCP non-credit FTES multiplied by the base rate of $3,232.07 in the 2013-14 fiscal year; in subsequent years the base rate shall be the prior year rate plus inflation.

   e. The base revenues for each college shall be the sum of the annual basic allocation, credit base revenue, non-credit base revenue, and CDCP non-credit base revenue.

2. COLA (cost of living adjustment) will be distributed to as specified in the State Apportionment notice.

3. Funded Growth Revenue for each college shall be calculated using the following method:

   a. Determine the funded growth rate for each of the workload measures (Credit FTES, Non-credit FTES, and Career Development and College Preparation Non-credit FTES);

   b. Identify and fund the lowest percentage growth equally among the colleges not to exceed a college's actual growth percentage;

   c. Identify and fund the next lowest percentage growth equally among the colleges not to exceed a college's actual growth percentage;

d. Repeat step c until the total funded growth revenue is distributed.

4. Colleges experiencing an enrollment/FTES decline (to be determined when the First Principal Apportionment Recalculation becomes available) shall receive stability funding in the initial year of decrease in FTES in an amount equal to the revenue loss associated with the FTES reduction in that year. A college shall be entitled to a proportional restoration of any reduction in state base general revenue during the three years following the initial year of decline if there is a subsequent increase in FTES.

III. PARAMETERS USED TO DISTRIBUTE OTHER REVENUE

1. Non-Resident Tuition

   Revenue shall be distributed to colleges based on projected tuition earnings and adjusted for actual.

2. Local Revenue and Other Federal and State Revenue (Dedicated Revenue)

   Revenue that is directly generated by colleges shall be distributed to colleges based on college projections and adjusted for actual.

3. Lottery Revenue

   Revenue shall be distributed to colleges based on the proportion of a college's prior year FTES over the total District FTES and adjusted for actual.

4. Interest and Other Federal, State, and Local Income not directly generated by Colleges

   Interest and other federal, state, and local income that is not directly generated by colleges shall be utilized to fund the District's reserves.

IV. PARAMETERS FOR ALLOCATIONS

1. A college total budget shall be the sum of the adjusted base revenues; net of assessments for Centralized Accounts, District Office function, Contingency Reserve; a portion of the General Reserve, and a portion of the Deferred Maintenance funding, plus other revenue; minus budget for Sheriff's contract; minus college deficit payments; and plus balances.

2. In accordance with the Board Resolution passed on May 23, 2012 (BT2), an amount of one percent (1.0%) of the Unrestricted General Fund revenue will be set aside in 2013-14 to be

used only to address postponed and future deferred maintenance requirements. This amount is to be increased each year until it has reached the industry standard of two percent (2.0%).

3. The District shall maintain a District General Reserve of six and a half percent (6.5%) and a Contingency Reserve of three and a half percent (3.5%) of total unrestricted general fund revenue at the centralized account level; and one percent (1.0%) of college revenue base allocation at the college level. Such reserves shall be established to ensure the District's financial stability, to meet emergency situations or budget adjustments due to any revenue projection shortfalls during the fiscal year. Use of the reserve must be approved by the Board prior to any expenditure.

4. Each college shall be assessed for Centralized Accounts and District Office functions costs based on the differentiated credit, non-credit, and enhanced non-credit (College Development and College Preparation) rates per FTES (including resident and non-resident FTES).

5. Additional funding received by the District after Final Budget, not directly attributable to an individual college, shall be distributed through the new allocation model as delineated in the Revenue Parameters above.

6. In the event that actual revenues are less than the amounts projected and allocated to colleges for the fiscal year, the college budgets will be recalculated and adjusted accordingly.

7. If a college experiences enrollment decline below its funded base FTES, its budget shall be reduced by its amount of advanced growth funds. In addition, its state general revenue base will be adjusted according to the state allocation model as indicated in Revenue Parameter #5.

8. Colleges shall keep their year-end balances up to five percent (5.0%) of their prior fiscal year's Unrestricted General Fund budget, excluding prior year balances. This procedure will only affect the carryforward balances of fiscal year 2012-13 and future years; the accumulated balances as of fiscal year 2011-12 or prior shall remain with the colleges. Colleges are allowed to carry over their accumulated balances from fiscal year 2012-13 and subsequent fiscal years up to ten percent (10%) of their prior year Unrestricted General Fund budget. Colleges will be allowed to use up to $5 million or twenty-five percent (25%) of their ending balances, whichever is less and within the limits of the above parameters. Additional access is allowed with the Chancellor's approval.

9. The District Office shall retain its prior year ending balance including open orders. Open orders for ITV, District Office and Centralized Accounts shall be funded up to the available balances from these locations. Any uncommitted balances in ITV and Centralized Accounts shall be redistributed to colleges.

10. The college president is the authority for college matters within the parameters of law and Board operating policy. The college president shall be responsible for the successful

operation and performance of the college.

11. College deficits are cumulative loans to be paid back beginning one year after incurring the deficit. All accumulated debt repayments are scheduled to begin in 2013-14 with a five-year installment plan. This payback plan and the previous payback policy (three-year) are pending review by the Executive Committee of the District Budget Committee (ECDBC).

12. Prior to Budget Preparation, the Presidents will make a recommendation on Centralized Accounts and District Office allocations to the District Budget Committee.

13. Prior to Budget Preparation, the Presidents will meet to forecast FTES and set goals to maximize revenues to be generated by the colleges.

14. Each operating location shall prepare a quarterly report to include annual projected expenditures and identify steps necessary to maintain a balanced budget.

15. The budget allocation will be recalculated using this mechanism at Final Budget, First Principal Apportionment (February), and at year-end.