

**BUDGET ALLOCATION TASKFORCE**  
**RECORD OF MEETING**  
**Tuesday, March 6, 2007**  
**2:00-3:30 p.m.**  
**YCCD Conference Room B**

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Present: Rosanne Faughn, Curtis Martin, Connie Mical, Judith Monast, Teresa Scott (co-chair), Nancy Sill, Joan Smith (chair), Larry Steuben, Ken White, Carrie Sampson (recorder)

Absent: Deborah Campbell

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Dr. Smith thanked those present for making the accommodation to their schedules in order to meet today. This Taskforce has been convened by District Council in response to accreditation findings asking for more budget collaboration among the District and the colleges. The Taskforce's purpose is to analyze the current budget allocation model and make recommendations, if necessary. After introductions, Dr. Smith stated that she has been on five different budget allocation committees in her career. She said that before any budget allocation changes can be recommended, it is critical for this Taskforce to thoroughly understand the YCCD Budget and how the current allocation model works. This can be very challenging, especially now that SB 361 has been implemented by the state. Dr. Smith encouraged those present to ask questions during Ms. Scott's presentation on the allocation model and General Fund Budget.

**YCCD Allocation Model**

Ms. Scott discussed the current budget allocation model used at YCCD. Budget allocations are determined by the Chancellor's Cabinet. This includes the Chancellor, Executive Vice Chancellor, Vice Chancellor of Human Resources, Assistant Chancellor of Information Technology, and the two College Presidents. Highlights of the current allocation model include the following:

- *85/15 Split*: MJC receives 85% of college only funds, while Columbia receives 15%. This split has been used at the District for many years. Actually, MJC serves about 87% of the students, Columbia serves 13%. The FTES ratio of the colleges has been very stable over the years.
- *Revenue Sources*: Revenue comes from the state in the form of FTES (growth money), COLA, Partnership for Excellence (PFE), block grants, equalization, Full-Time Obligation (FTO).
  - FTES – One FTES is equivalent to 525 instructional contact hours. A student taking one three-unit class is averaging 52.5 hours. FTES are reported to the state on the CCFS 320 Report in January, April, and July. These are called the P-1, P-2, and Final. Growing too much can be almost as devastating as not making growth. There is no guarantee the state will fund over cap growth. Also, the state over budgets growth money, assuming that all districts will not make growth, so once the state expends all its allocated growth money, any balance remaining will go unfunded. Based on these criteria, the YCCD Budget occasionally may need to be amended and sent to the Board for approval in April or May.
  - COLA – Many factors are considered regarding the allocation of COLA. The District identifies Districtwide priorities for funding such as technology needs, energy cost increases, and other Districtwide funding needs. In addition, when contract negotiations are complete, increases to total compensation are funded from available COLA dollars. Generally, unallocated COLA dollars are allocated Districtwide at 58% MJC, 15% CC, and 27% Central Services.
  - PFE – Partnership for Excellence allocations are also set by the state. The two College Presidents originally submitted priorities for the allocation of PFE money. This money now has been absorbed into the General Apportionment, effective with the 2006-07 fiscal year.

- Block Grants – These are restricted funds used for Scheduled Maintenance, Instructional Equipment, and Library Materials. These funds require a match by the colleges and Central Services, which is now picked up by the Measure E Budget.
- Equalization – This is a device of Program-Based Funding (the previous funding model) to bring community college apportionments to at least the statewide average funding level. This was done for colleges in low property tax revenue areas. In 2006-07 these funds were used to balance the college budgets in order to cover a \$2.7 million deficit in lost growth money. Under normal circumstances, equalization was treated as new money and allocated Districtwide using the 58/15/27 formula. Equalization was rolled into the base apportionment for the SB 361 funding model, so this will no longer be a separate line item.
- FTO – The full-time obligation is the number of full-time faculty required by the state if a district does not have at least 75% of their faculty employed as full-time faculty. As growth in credit FTES occurs, the FTO increases. The state sets the new FTO number, and the two College Presidents determine how many faculty each college will hire to achieve the FTO. The college budgets are augmented accordingly.

### **YCCD General Fund Budget 2006-2007**

Ms. Scott showed how the YCCD Budget is determined. She discussed the Budget line by line, beginning with Revenue. Amounts are based on prior year actual transactions. Ms. Scott noted that the introduction of SB 361, the new community college funding model, has happened at a good time for our District. While we lost about \$2.7 million in revenue due to decreased FTES, as we grow back, it will be at the SB 361 rate, which is higher than under the previous model. Ms. Scott noted that while many other districts use lay offs (March 15 notices) to address budget deficits, it has been the practice at YCCD not to do this. We use deficit reduction plans throughout the year to save money. Budget documents include the prior year final budget, the prior year actual transactions, the proposed budget year, and a projection for the next year. The Projected Budget is a status quo budget that assumes no changes will occur. Prior year adjustments vary from year to year and are amended after the February recalculation made by the state. Other revenue includes mandated costs, which the state pays from submitted claims when money is available; unrestricted lottery, which is estimated based on prior year FTES; and restricted funds, including revenue from categorical programs, special programs, health fees, BOG waivers, and restricted lottery money.

*Growth* – The state will fund a certain percentage for growth. However, the colleges are not mandated to grow that amount. The College Presidents determine how much they can grow. The colleges determine their rate of growth within the parameters set by the state.

*Part-time Equity* – The colleges use adjunct faculty pay rate to determine average cost to grow. Colleges use the part-time instructor pay rate and the FTES that will be earned to determine the cost of adding a section.

*Benefits* – Increases in fringe benefit costs and step and column cost increases are augmented to the college and Central Services budgets. Retiree benefits liability by law must be addressed in next year's budget. At our District we partly addressed it in negotiations three years ago by reducing the age limit from 70 to 65 years for retiree benefits for new hires. Also, we have set aside about \$10 million toward this liability, which is currently estimated at \$43 million. IRS laws mandate that we use an irrevocable trust to cover the cost of this liability.

### **Q&A:**

*Does the real estate market affect our property tax income?*

The state does not back-fill community colleges for lost property tax income. K-12 does receive a back-fill for property tax shortfalls.

*Why is there always money in the Ending Balance? Shouldn't this money be spent on instruction?*

The Ending Balance (Line 38) is a carry over balance which is added to the next year's budget Beginning Balance (Line 1) to cover prior year encumbrances and to balance the subsequent year budget. Money is encumbered once a purchase order is initiated; however, the District cannot pay these purchase orders until after delivery of the items. For example, activities/items purchased (encumbered) in 2006-07 prior to June 30 using 2006-07 funds but received after June 30, must be paid for in the 2007-08 Budget.

*Why is there so much money in the Designated Reserve? Isn't 3% of the budget all that is required?*

The state mandates a reserve of at least 5%. If the reserve falls below 5%, the state will begin monitoring the district. The state will monitor all transactions and budget activity. If the district should fall to 3% or below, the state would send financial officers to run the district. Should our District go onto a Watch List, we will not be able to get a favorable bond rating, which means less Measure E money.

*How will our unfunded retiree benefits liability affect our bond rating?*

It does affect our bond rating. Lending institutions question how this liability is being addressed. If we do not have a plan to address this liability, our bond rating will drop.

*What will happen to this Taskforce when the new Chancellor arrives?*

The Board does support this committee and will probably inform the new Chancellor of this. This Taskforce has been created in response to accreditation findings, and the Accreditation Review Team will be interested in the work of this committee.

#### **Next Meeting/Agenda Items**

Next meeting's discussion will continue with the fund balances and the Designated Reserve. Ms. Scott pointed out that we are currently in the process of creating the 2007-08 Budget. Therefore, any recommendations from this Taskforce would affect 2008-09. Dr. Smith said she expects this Taskforce will complete its work within a six-month timeframe.

The consensus of the Taskforce was to meet at least once a month, preferably more often, including summer. Members were willing to alternate between Modesto and Columbia.