

PLANNING AND BUDGET COMMITTEE
RECOMMENDATION TO THE CHANCELLOR

Subject/Item: Budget Allocation Model Recommendations

Background:

The Budget Allocation Model (BAM) was adopted on March 15, 2013 following a lengthy process of review, discussion, research, and debate. Review of the BAM is one of the charges of the Planning & Budget Committee (PBC). In the fall of 2016, the PBC established a BAM Review Subgroup. The BAM Review Subgroup was charged with reviewing the functioning of the BAM and recommend changes/clarifications and to address accreditation requirements for review.

The BAM Review Subgroup met throughout 2016/17 and developed a list of recommendations on the BAM. This list of recommendations was presented to the PBC in May 2017. A review of these recommendations can be found later in the report. At the time that these recommendations were presented to PBC, two outstanding issues were identified. The BAM Review Subgroup has continued to meet on these outstanding issues.

The PBC recognizes that there are proposed changes to the funding model from the state that may impact the base allocation (general apportionment) funding and this will need to be revisited to determine impacts once any changes to the funding model are finalized for 2018/19 and beyond.

Below is a summary of the PBC's recommendations on changes to the Budget Allocation Model and Implementation Questions. Detailed rationale on each recommendation is attached.

Committee Recommendation:



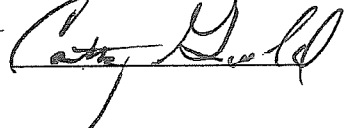
- Change the funding method for District Office and M&O from percentage of total to Base w/augmentation based on metrics
- 2017/18 ongoing funding will be used to set the 2018/19 base funding for District Office and Maintenance & Operations (M&O)
- Metrics
 - The metric for M&O is gross square footage
 - The metric for District Office is Full Time Equivalent Students (FTES)
- Increments for increase/decrease
 - The increment for M&O is between 25,000-30,000 sq. ft. depending upon the type of facility.
 - The increment for the District Office is +/- 250 FTES.
- Revenues that flows through all sites will be based on the percentage change (increase/decrease) to the total budget.
 - Revenue generated through general apportionment FTES must go through the BAM, including rollbacks.

- Revenue identified by the State as one-time need to be identified as one-time in the BAM.
- Specific revenues that are identified as “student focused” or “student centered” will be allocated to the colleges
- Augmentations will be automatic unless there are significant changes to the funding of the district that would result in decreased funding to the colleges or the augmentation would result in reduced funding to the colleges.
- Other Post Employee Benefits Funding
 - Current and ongoing unrestricted fund balance for Contract Ed should be distributed as follows: 50% to fund OPEB, 30% to cover costs in Step 3A in lieu of rent and other district provided services, 20% to stay in Contract Ed to be used at the discretion of the Chancellor and Contract Ed program.
 - Over time, build the OPEB reserves to the equivalent of three times the annual retiree medical benefits costs. (Currently retiree medical benefits costs are approximately \$5.7 million. Current OPEB reserve is approximately \$4.2 million.)
- Establish an upper limit for unrestricted District Reserves. (The PBC had previously recommended an 8% minimum unrestricted reserve by maintained.)
- Responses to Implementation Questions (see attached) will be used as a guideline for administering the BAM and developing a procedures/process manual.

Recommended on By Consensus: March 2, 2018

By Vote: Yes X No _____ Abstain _____

Submitted by Co- Chairs: Lorenzo Legaspi LaVaughn Hart Cathy Gould

Signed:   

Chancellor's Action:

Approved _____ Disapproved _____ Tabled for Further Discussion _____

Chancellor's Signature: _____