BUDGET Advisory Committee
Minutes
February 13, 2019
Meeting

Approved

ATTENDANCE (A = absent):

X	Chris Carter	**A**	Marlene Drinkwine	**X**	Cindy Baker
X	Sara Blasetti	**X**	Ryan Carroll	**X**	Sem Chao
A	Lee Douglas	**A**	Gene Durand	**A**	James Henchey
X	Mike Muñoz	**A**	Anthony Moguel, Jr.	**A**	Nash Neyra
A	Jorge Ochoa	**A**	Seth Ramchandran	**A**	Karen Roberts
X	Kathy Scott	**X**	Steve Skille	**X**	John Thompson
X	Susan Trask	**A**	Heather Van Volkinburg	**A**	Jeff Wood

NOTE TAKER: Erin Murphy

1. Welcome (Chris)
Chris welcomed everyone to the meeting and introductions were made.

2. Approval of Minutes (Chris)
The minutes of the January 23, 2019, meeting were approved as presented.

3. 2018-19 Mid-Year Budget Performance Report (John)
(Refer to "2018-19 Mid-Year Budget Performance Report, Unrestricted General Fund" and "2018-19 Mid-Year Budget Performance Report, Restricted General Fund")
John presented the 2018-19 Mid-Year Budget Performance Report with the following highlights:

- John began by reviewing the columns showing the Tentative, Adopted, and Current Budgets as well as the Actuals through December 31, 2018, projected year-end, and variances.
- John highlighted that the tentative budget included a $6.7 million deficit, which had improved in the adopted budget to $3.6 million. In the current budget, the deficit is estimated at just under $4.2 million. The projected year-end is a slight surplus of $173,801, rather than a deficit.
- John noted that recording state revenue of full-time faculty ($842,000) is shown as revenue and part of reserves because it is for the purpose of funding new faculty.
- He mentioned that funding requires an increase in full-time faculty by 10, which will go into the Faculty Obligation Number (FON) calculation. In regard to the FON, Kathy asked if the District was currently hiring because of the Supplemental Employee Retirement Program (SERP) that was offered in June 2018. John confirmed and added that part of the FON is dependent on FTES. Kathy asked when we knew about the faculty hiring revenue. John responded that it wasn't clear from the Chancellor's office. As the District is currently in hold harmless, the District was estimated to receive the same apportionment as last year, plus COLA, regardless of the new Student Centered Funding Formula metrics. The faculty revenue is in addition to apportionment revenue.
- Ryan asked when the District would be hiring, and Kathy responded that faculty were being hired this Spring.
- John highlighted the variances between projected year-end and current budget, highlighting the Education Protection Account, which is part of the State Apportionment.
- Kathy asked what other measures had contributed to decreasing this year's projected deficit. John responded that the District is currently projecting less expense than in the budget.

Additional factors include savings in academic hourly salaries, as a result of cancelled classes due to low enrollment. Kathy added that enrollment was 6% down in Fall 2018 and approximately 4% down in Spring 2019, but that Spring 2019 may be increasing due to Adult Ed non credit classes, such as Forklift training.

- Chris clarified that part of the savings are due to fewer FTES, and some of the classified savings are from restructuring and not filling positions immediately. Susan observed that providing out-of-class and LTE opportunities are also a factor, but that such practices should be examined in the next year as some of those savings would be one time. John mentioned that some salary savings were due to assignments shifted from unrestricted to restricted funding.
- John added that the District was projecting just under $1 million in savings from benefits, which are generally a percentage of salaries and in alignment with staffing levels.
- John stated that in the third quarter, Purchase Orders will be completed, so there will be a better idea of expenses for supplies and materials, contract services, and operating expenses.
- John mentioned that State funding for full-time faculty and salary savings contributed to the deficit reduction, as everyone does their part to minimize spending.
- John then reviewed the Restricted General Fund (grants and categoricals), noting that funding and expenditures are tied to the grant purposes. He stated that sometimes grants are paid on a reimbursement basis or funding is provided on various timelines. John highlighted the example of the $2.6 million grant from the U.S. Small Business Administration (SBA) for the Small Business Development Center (SBDC) program, which is funded on a calendar-year basis, although there was a delay this year due to the government shut-down. SBA funding was revised to a two-year basis to allow spending from carryover and ensure continuity of services. He also mentioned the Trade Adjustment Assistance Community College and Career Training (TAACCCT) grant, which was a four-year program that ended last year and is therefore not included in this year's budget. John added that one of the larger local grants is for the *10,000 Small Businesses* program, which is on a moving fiscal year (currently March 1-February 28).
- John highlighted College Promise funding of $848,000 and the Full-time Student Success Grant, which was shown as a decrease, but is not in fact a decrease in funding to the District as the State has now allowed direct payment to Financial Aid.
- John also highlighted the $2.5 million State GO-Biz program, which is managed by the SBDC and counts as match funding for the SBA grant, per grant retirements.
- In regard to the SSSP, Student Equity and Basic Skills programs, John stated that the Chancellor's office had allocated the funds in one lump amount, but that most colleges are recording them in the same program allocations as prior years.
- John then highlighted prior-year carryovers, which included $2.5 million for the Strong Workforce program from as long ago as three years and had not been spent in prior years.
- John concluded by noting that the bottom line of the restricted fund is primarily net zero for most of the grants and categorical programs.

<u>4. Fund Balance Projection</u> (John)
(Refer to "LBCC Multi-Year Budget Plan")
John reviewed the Fund Balance Projection with the following highlights:

- John noted that the report includes Actual 2017-18, Adopted Budget 2018-19, Projected 2nd Quarter 2018-19, Projected 2019-20, and Projected 2020-21, and that the deficit projections are reduced in comparison to prior reports.

- John stated that the calculated revenue under the SCFF would be less than in prior years, but the hold harmless provision allows us to receive the same amount of funding as prior years, in addition to the Cost of Living Adjustment (COLA).
- John noted that the best estimate at this time is the Governor's January Proposed Budget, which will be revised before it is finalized in June.
- John then highlighted projected expenditures. Chris clarified that the hold harmless period ends in 2021. John offered to add 2021-22 to future projections, which would be more difficult given the calculation of projected SCFF metrics. John observed that the P-1 apportionment report from the Chancellor's office will be different than in prior years because it will include the SCFF metrics, in addition to enrollment.
- John noted that the District receives additional revenue as a "large college" of over 20,000 FTES, stating that if FTES does not exceed 20,000 in 2021, the District will lose that additional funding.
- Kathy noted that it would be helpful to reflect changes happening all of the time, for example curriculum and Pell grant recipients, in the projections.
- John added that other colleges have reported that degree awards can fluctuate greatly from year to year.
- John stated that in the January Proposed Budget, the funding provided for increases in student success would be limited to a maximum of 10% increase from the prior year.
- Susan noted that many districts are struggling, and Mike shared that at a recent meeting of his counterparts in Region, other Districts were reporting that enrollment is down.
- Sara asked if changes to Financial Aid policies could be a contributing factor. Mike clarified that it was important for counselors to make sure that students have Ed goals that include 90 units in order to decrease the possibility of running out of Financial Aid funding. Mike further explained that Financial Aid is set at 150% of 60 units (i.e., 90 units), but it is only 150% of the Ed goal. In the case of a 24-unit certificate, a student would run out of Financial Aid after 36 units. Sara suggested cross-training for Counselors and Financial Aid and update Ed goals every time counselors met with a student. Mike added that it is important for counselors to communicate to students that Ed goals are connected to Financial Aid and to update the Ed goals in their first appointments, rather than relying on the Ed goals included in a student's application. Sara added that Guided Pathways should contribute to keeping students informed.
- Kathy observed that despite the funding in Strong Workforce, the SCFF does not award a significant number of points for job creation/employment.
- The expenditure portion of the report takes prior year expenditures as a starting point, and then applies changes (e.g., election expenses, which occur only every other year).
- Ryan asked about the Operating Expense Changes of 3.46%, and John responded that it is a rough estimate of non-salary expense increases.
- Susan noted that Classified staff receive COLA as part of their contract, and John responded that the salary expenses projection includes scheduled increases as well as related benefits.
- John added that the Benefits expenditure line estimated increases in PERS and STRS, although the STRS increase was reduced in the January Proposed Budget. He added that the actual rates will be available by the time the Adopted Budget is prepared.
- Ryan inquired about Annualized Attrition Savings, and John responded that they were a reduction in expenses. Sem added that the District is projecting that not all positions will be filled at the same time.
- John noted a slight surplus in the 2018-19 2nd quarter projections matches the 2018-19 multi-year budget performance report. And then includes a deficit of approximately $4 million in upcoming years.

- Kathy observed that FTES would not be decreasing if it were not for AB705 because students do not need to complete as many remedial classes. She added that Reading also accelerated and condensed some courses, noting that AB705 requires putting students directly into college-level courses or with a co-requisite. Sarah also noted that there is self-guided placement. Kathy stated that it can be challenging for students to start with college-level courses if they are not prepared. However, she noted that the success rate for students who historically had to enroll in four remedial courses is very low. Sara added that the English, Math, and Reading departments have been working hard on curriculum and pedagogy to help students achieve success.

5. Other (Chris)

John mentioned the School Services article entitled "LAO Says Revenues Fall Short $2.2 Billion," which highlights taxpayer behavior changes brought about by federal tax law changes and the stock market sell-off in December 2018. He noted that the LAO expected that April property tax revenue would offset some of this projected shortfall.

John then shared the draft Budget Memo from Marlene, highlighting that SCFF percentages were proposed to remain the same as last year. Regarding Enrollment Growth, Kathy asked if $26 million is not used for colleges that are growing, where will it be used, and how much is the State allowing colleges to grow? John responded that he did not know, but that the percentage districts are allowed to grow varies by district based on Chancellor's office apportionment reports. John added that there was no funding proposed for Deferred Maintenance & Instruction Equipment, and offered that the community college advocates in Sacramento would likely be attempting to change that. He observed that the January Budget is only the first step and will be taking other considerations into account before the May Revise, when more revenue data, the final COLA rate, and projections are more certain, before it then is finalized in June. John discussed how the District uses State funding to augment local bond funding for construction projects.

Kathy asked about the $11 million for Student Success Completion grants, and John responded that the funds are administered through Financial Aid and that it used to be reported as two programs that were subsequently joined.

Kathy asked if John knew why the January Proposed Budget proposed a cut to Strong Workforce funding, and John offered to investigate and follow up.

The meeting adjourned at 4:25 p.m.

Next Meeting: Monday, March 25, 2019, at LAC – T-1046 at 3:00 p.m.