



BUDGET Advisory Committee

Minutes

June 4, 2018

Meeting

Approved

ATTENDANCE (A = absent):

X	Chris Carter	X	Marlene Dunn	X	Cindy Baker
X	Sara Blasetti	X	Ryan Carroll	X	Sem Chao
X	Rose DelGaudio	A	Lee Douglas	A	Thomas Hamilton
A	James Henchey	A	Kim McGinnis	A	Anthony Moguel, Jr.
A	Nash Neyra	A	Claudia Nguyen	A	Jorge Ochoa
X	Anne Engel	A	Seth Ramchandran	A	Javier Salcedo
A	Kathy Scott	X	John Thompson	X	Heather Van Volkinburg
X	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 May 14, 2018, meeting were approved as presented.

3. State Budget Update (Marlene)

Marlene updated the Budget Advisory Committee on the state budget (May Revise) with the following highlights:

- The May Revise budget proposes a new funding formula for community colleges—a combination of FTES (60%), low-income students (20%), and student success (20%). Marlene noted that LBCC’s student success rates are among the lowest in the state and that many LBCC students are low income.
- LBCC would be considered a “hold harmless” district, which means that it would receive no less in apportionment in 2018-19 than in 2017-18, thereby preventing the District from experiencing the full impact of the proposed new funding formula. Marlene noted that one-time funding equivalent to the estimated cost-of-living adjustment (COLA) would be offered in 2018-19, but would not be ongoing after 2018-19.
- Marlene reported that the State Senate and Assembly both rejected the new funding formula in the May Revise budget proposal and had sent the proposed budget to a conference committee, whereby members of each house would convene to negotiate an agreement. She added that the Governor is committed to establishing a new funding formula for community colleges.
- Marlene shared that the key factors as yet unknown are the length of time that “hold harmless” would be offered, the length of time that funding would be provided for COLA, whether districts would retain the ability to shift of Summer FTES, and whether transfer students would be regarded as equal weight regardless of whether they transfer with a degree or not.

- She stated that the budget would be submitted to the Governor by June 15, 2018, and that funding for community colleges is part of the overall state budget. However, she expected to see the budget language in the next week before the Governor signed it, noting that the Governor has line-item veto power. Subsequent to the Governor's approval of the budget, the legislature may introduce trailer bills to implement certain policies, and they would have until the end of the legislative session to approve trailer legislation (before summer's end).
 - Anne asked if the Governor's line-item veto could be overridden. Marlene responded that there is a process to do so, but it is not typical, especially when the Governor and legislative bodies are of the same majority party as they currently are.
 - Anne clarified whether the funding for COLA in 2018-19 would be one time or ongoing. Marlene stated that the May Revise specifies that funds equivalent to COLA are one-time, which will not meet the needs of covering ongoing increases, particularly those due to STRS and PERS increases.
 - Ryan asked if the proposed allocation percentages of 60/20/20 were confirmed. Marlene responded that legislative conference committee has the authority to make revisions to the proposed allocation percentages, but that her understanding is that the percentages are not one of the core areas being negotiated.

4. Apportionment Calculation (John)

(Refer to "Apportionment Calculation" handout)

John reviewed the apportionment calculation with the following highlights:

- He noted that calculations will be more complicated than in prior years since the proposed funding formula is based on factors beyond FTES.
- He also noted that apportionment for 2018-19 is based on LBCC being considered a "hold-harmless" district.
- John explained that the deficit factor is based on 2017-18 P-1 apportionment and that the factor is adjusted throughout the year by the state based on revenues received from property and other sources. He added that the total computational revenue (TCR) is based on the current formula for our district, and a deficit factor is included in the budget in case revenues don't meet expectations.
- John reported that the tentative budget for 2018-19 is based on the base funding for 2017-18, and then takes into account the one-time 2.71% resource allocation for a total computational revenue, less .5% deficit factor, to bring the total to \$121,710,664 for 2018-19.

5. Tentative Budget 2018-19 (John)

(Refer to "Tentative Budget 2018-19 PowerPoint" and "Tentative Budget Fiscal Year 2018-19" handouts)

John presented the Tentative Budget 2018-19, with the following highlights.

- All community colleges must approve a budget by June 30 to begin the fiscal year on July 1, despite some unknowns.
- The presentation of the tentative budget to the LBCCD Board of Trustees is scheduled for the June 26 2018, meeting, with a focus on unrestricted general funds.
- He noted that details regarding allocation of California College Promise funds to specific colleges are unknown at this time, but that \$46 million had been budgeted for all community colleges.
- LBCC did not receive an innovation grant for 2018-19.

- The tentative budget includes state funding for approved construction projects (Buildings M and N and Building MM), which is in addition to local bond funding provided by Measure E and Measure LB.
- John observed that the state budget proposes consolidating the Student Support Services Program, Student Equity, and Student Success and Basic Skills. In response to a question from Rose, Marlene stated that the Senate and Assembly had both agreed to the consolidation. Rose asked if LBCC would continue to receive the same amount of resources, and John stated that the tentative budget did not include an increase of funding, but that the consolidation would allow more local decision-making in how to divide the funds among the three initiatives.
- John reported that the Governor and Chancellor are in support of establishing the online community college to target students who aren't currently taking advantage of existing online education from the established 114 community colleges.
- John reviewed alignment of the tentative budget with Board goals, Strategic Plan goals, and Institutional Priorities.
- He stated that the FTES target for 2018-19 is 20,133 and later reminded the committee that the district would need to maintain more than 20,000 FTES to receive apportionment as a "large district."
 - Anne asked about the estimated PERS and STRS contribution rates, and John clarified that the presentation highlights the changes in percentage from last year to this year, not the total amount that the employer is responsible for funding.
- Regarding health and welfare premiums, John noted that rates vary year-over-year and that the increase of 2.2% for 2018-19 was less severe than a prior year in which the increase was as much as 16%.
- As John was presenting a chart showing FTES rates over the past several years, Anne asked about the "disallowed" FTES. John clarified that it referred to an audit finding regarding TBA classes in 2012-13 that has since been resolved.
- John pointed out that the tentative budget did not reflect additional changes that may occur as a result of the Supplemental Employee Retirement Program (SERP) because employees have until June 12, 2018, to submit an application for retirement.
 - Chris asked Marlene to comment on how much of a district's budget should be allocated towards salaries and benefits. Marlene responded that 80-85% is recommended, adding that the current percentage of 90% at LBCC makes it challenging to reduce the deficit without addressing staffing levels.
- John reviewed the projected deficit, noting that it is estimated at \$14.9 million in 2019-20 as a result of increasing expenses and no growth in revenue projected.

6. Fund Balance Projection (John)

(Refer to "LBCC Multi-year Budget Plan" handout)

John presented the Fund Balance Projection.

- Chris asked about the plan to address the projected deficit when 90% of the budget is allocated to salaries and benefits. Marlene spoke to the need to develop a deficit reduction plan that doesn't affect the district's core services to students in support of their completion, but instead first focuses on travel and other non-salary areas, plus the voluntary reduction of staff resulting from the SERP, combined with efficiencies achieved with business process

reviews. She added that the current economic growth experienced in the past decade would inevitably cycle into a downturn.

- Anne asked whether the 10 confirmed full-time faculty who have submitted SERP applications would be replaced, and Marlene responded that it would depend on which departments would be affected. Marlene cautioned that failure to do anything today would mean that the district would have to take more drastic action in future years to address the projected deficit. She added that birth rates are lower countywide, which has resulted in an overall decline in school enrollment. Anne observed that the 2.8% available for reserves that is projected in 2019-20 is less than the mandated amount.

7. Future Meeting Dates (Chris)

Chris shared the proposed meeting dates for FY2018-19.

8. Other (Chris)

No other items.

The meeting adjourned at 4:45 p.m.

Next Meeting: Wednesday, September 5, 2018, at LAC – T-1046 at 3:00 p.m.