BUDGET Advisory Committee
Minutes
May 13, 2019
Meeting

ATTENDANCE (A = absent):

X	Chris Carter	A	Marlene Drinkwine	X	Cindy Baker
A	Sara Blasetti	X	Ryan Carroll	X	Sem Chao
X	Lee Douglas	A	Gene Durand	A	James Henchey
A	Mike Muñoz	A	Anthony Moguel, Jr.	A	Nash Neyra
A	Jorge Ochoa	X	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: Kimberly Casuga

1. Welcome (Chris)
Chris welcomed everyone to the meeting.

2. Approval of Minutes (Chris)
The minutes of the March 25, 2019, meeting were approved as presented.

3. FTES Summary 2018-19 P2 (John)
(*FTES Analysis spreadsheet)*
John presented the FTES Analysis for 2018-19 P2 information with the following highlights:

- From 2015-16, 2016-17, and 2017-18, numbers fluctuated.
- P2 numbers were reported in the middle of April with a total of 19,203.59.
- This year, we are under the new Student Centered Funding Formula (SCFF).
- Kathy Scott asked which of the years the hold harmless is applied to and through when. John responded we are in hold harmless status for three years-2018-19, 2019-20 and 2020-21. We will be getting prior year apportionment dollars plus COLA each of those years.
- Kathy added that we do not have to do the summer shift because we are still under the hold harmless. Lee sought clarity that the amount we would be funded is the hold harmless plus COLA from the 2017-18 year. John confirmed that we are funded on the previous year that is, based on the 2017-18 dollars. Kathy clarified those were based on the 2016-17 FTES since we were in stability in 2017-18.
- Kathy included that the 2016-17 FTES number of 21,075.96 was due to the summer shift.
- John ended with the challenges with the FTES funding being based on credit and a 3-year average. The non-credit is funded at the rates that were previous to the funding formula.

4. 3rd Quarter Performance Report (John)
(*Refer to the "2018-19 Third Quarter Budget Performance Report as of March 31, 2019")*
John reviewed the 2018-19 Third Quarter Budget Performance information with the following highlights:

- *Page 1 Highlights:* John noted shifts among the apportionment amounts. The current projection for property tax is a little lower, but it is offset by the other components of apportionment funding.
- Total State Principal Apportionment is down $122,648 which is due to a slight decrease from the state's calculation of prior years.

- Other State Revenue includes $839,358 for full-time faculty hiring which also means hiring 10 additional full-time faculty.
- $3.8 million is the estimate of the state's contribution to the STRS employees.
- *Page 2 Highlights:* Local Revenue has some variations of the budget, but no major changes. International student fees and non-resident fees pay the full fees. There are no state apportionments for international students.
- Other Financing Sources includes the Los Coyotes property revenue that provides about $320,000, which may go away in a year when it is sold.
- *Page 3 Highlights:* Expenditures show academic salaries, classified salaries, and benefits reflecting 9 months of actual with 3 months of projections. Variances are reflected with negative amounts, or approximately $870,000 in savings with Academic Salaries, $1.5 million in savings with Classified Salaries, about $1 million in savings with Benefits. Some of this is as a result of the SERP, or not filling positions right away as soon as they were vacant.
- Lee asked why Full Time Counselor Salaries are separated from Full Time Librarian Salaries. Ryan mentioned it could be because they are on a 11-month contract instead of a 12-month contract. John clarified it may be because they are different object codes. Lee added that Instructional Specialists might be similar and Sem confirmed they are considered classroom faculty, or full time instruction. Kathy added that a reason library and counselors might have been separated because of the 50% rule, that is, 50% has to go towards instruction.
- Susan asked if the administration salaries, such as vice presidents and president, are included in these expenditures. John confirmed they are either in the Academic Administrator Salaries or the Classified Manager/Supervisor Salaries.
- Chris asked if the substantial savings in the salaries and benefits are from reducing costs. John responded that it has to do with the delay of hiring, and restructuring of areas/departments that take time. Hiring from within can also cause consistent vacancies as employees are promoted and leave positions vacant for a duration of time.
- Chris asked if in regards to the savings on the academic side, is it due to better planning of classes? or Ryan added, reduced class loads? Sem confirmed that some grants have offset some of the costs as well as the big savings from the part time salaries during the fall semester.
- *Page 4 Highlights:* Non-personnel (Supplies & Materials, Contract Services & Operating Expenses) are less predictable. This page reflects 9 months actual, and then projects the rest which includes Purchase Orders. Slight surplus could increase at the end of the year once the amounts are finalized.
- *Page 5 Highlights:* Non-personnel continued (Capital Outlay and One-Time Expenditures and Business Process Reviews) show some additional consultations were needed to support financial aid, invoice systems, and security software.
- *Page 6 Highlights:* Non-personnel continued (Other Outgo) shows our totals for expenditures and required transfers. Our total expenditures are expected to be $134,474,975 which gives a slight projected surplus for the end of the year.
- We have designation for some of our reserves such as the reserve of $839,358 which comes in specifically for hiring the 10-full-time faculty for the following academic year.
- Ryan asked about the Institutional Effectiveness Goal amount being over $12 million. John confirmed it stems from a committee goal based on a state Institutional Effectiveness requirement to establish reserve goals from several years ago. Again, some savings is one-time savings and comes from positions not being filled for the full year which we will have to keep in mind for the future when it is filled for the full year.

5. Fund Balance Projections (2020-21 & 2021-22) (John)
(Refer to "Apportionment Calculation – Adopted Budget, 2018-19 & Projections")
John reviewed the Fund Balance Projections with the following highlights:

- The total computational revenue is the calculation based on the state's funding formula before any deficit factor.
- P-1 apportionment report that came out in February had a 5% deficit factor, which would be a $6 million cut for us. 0.5% deficit factor is what we have budgeted for with the knowledge that it could go higher.
- 3.26% COLA (May Revise) went down from 3.46% (January estimate) which is about a $242,000 decrease.
- Kathy asked for clarification of what the deficit factor is. John explained it has to do with the funding formula—calculating the total computational revenue, or what we've earned based on the past FTES, plus the new metrics of the formula—then look at the money available in the state, and if it's not enough, they impose the deficit factor which is spread out among all the colleges.
- Ryan brought up number 4 of "The proposed SCFF changes" in the "May 2019 Budget Memo" which states: "Redefine the definition of a transfer outcome for the Student Success Allocation, effective for 2018-19. Under the current interpretation, a transfer is attributed to each district in which a student enrolled before transferring. Under the proposed definition, a student's successful transfer would be attributed to the student's district of residence." Kathy expressed that this is confusing and the definition of residence needs to be more clearly defined between where the student lives, or where the student is taking the 12 units. (Subsequent note: this is a Department of Finance proposal and it is based on the student's home address regardless of the college(s) attended. Students' home address data is problematic at the Chancellor's Office.)
- Kathy also had a question about the highest award and what we receive credit for. Do we get credit for each award the student receives or the one they receive at the end of their award? (Subsequent note: credit is only received for the highest award if a student receives multiple awards in a single year.)

(Refer to the LBCC Multi-Year Budget Plan)

- Most of our unrestricted fund revenue is from the apportionment.
- In years going forward, the "Other On-Going Revenue" is reduced by about $300,000 since we may not have the Los Coyotes property in the future years.
- \+ are increases and – are deductions to expenses.
- Non-marked items (-) means we do not have a cost change for that year.
- Election expenses are from the every other year Board of Trustees elections.
- Other Operating Expense Changes are our COLA projections.
- 14 full-time faculty in the unrestricted fund and 1-full time counselor in the restricted fund for a total of 15 that will be hired for 2019-20.
- About $1.4 million is the Negotiated Salary Increases for 2019-20.
- Step increases are projected to be 2% of our current full-time staff expense.
- PERS and STRS rates continue to increase.
- The next 2 years, we are projecting a little bit under a $3 million deficit.

6. State Budget Update (John)
(Refer to the Memo from Dr. Romali and Vice President Drinkwine regarding the "Governor's 2019-20 May Revise Budget Proposal)
John highlighted the following from Marlene's memo:

- The May Revise includes the $3.2 billion increase in short-term revenues which was used to repay debt and rebuild reserves.
- This is the first year that the Public School System Stabilization Account had a deposit since Proposition 2 came out to support K-14.
- There is a $68 million increase in funding for community colleges, from $272 to $340 million, which includes changes to the SCFF, restoration of Deferred Maintenance, as well as ongoing funding for Strong Workforce.
- COLA is 3.26% instead of the projected 3.46%.
- SCFF is based on the Chancellor's Office *Vision for* Success which is divided into three components: FTES, low-income students, and student success.
- Kathy added that FTES numbers might be down but the increased completion numbers would be able to help us.
- Potential shortfall of $228 million would be addressed by reducing the counts for transfer for the Student Success Allocation and assuming higher state revenues.
- The proposed SCFF changes include extending the Hold Harmless period by one year to 2021-22.
- For 2019-20, we would maintain the 70%/20%/10% funding proportion.
- The Student Success Allocation increases would be capped at 10%.
- The definition of a transfer would be redefined.
- We are at the Hold Harmless level, but still need to increase the metrics for when we come out of Hold Harmless.
- For STRS, the cost related to the rate increase for LBCC is approximately $200,000.
- For Deferred Maintenance, our share estimate of $600,000 was calculated based off of our previous year's percentage of FTES. Ryan asked for clarification if the $40 million is for Deferred Maintenance and Instructional Equipment, and if it is shared between all colleges which John and Kathy confirmed.
- College Promise has a proposed augmentation of $5.2 million.
- Capital Facilities funds Building MM at PCC, but unfortunately, not the LAC Theater Complex.
- Strong Workforce will be ongoing funding instead of one-time funding from the January Budget.
- Next Steps are with legislative bodies and committees as they figure out what's going on the final state budget with a deadline of June 15.

7. Other (John)

- Kathy asked when we will know the final budget. John responded usually the end of June, or beginning of July.
- Kathy would like additional clarification on the SCFF and its interpretation of it. John referred to the Chancellor's Office having an email where you can email questions about the funding formula. (Also see subsequent notes above.)

The meeting adjourned at 4:36 p.m.

Next Meeting: Thursday, June 3, 2019, at LAC – T-1046 at 3 p.m.