



Budget Advisory Committee

Minutes

March 26, 2018
Meeting

Approved

ATTENDANCE (A = absent):

X	Chris Carter	X	Betty Miller	X	Cindy Baker
X	Sara Blasetti	X	Ryan Carroll	X	Sem Chao
A	Rose DelGaudio	A	Lee Douglas	A	Janet Falcon
A	Thomas Hamilton	A	James Henchey	A	Kim McGinnis
A	Anthony Moguel, Jr.	A	Nash Nyra	A	Claudia Nguyen
A	Jorge Ochoa	X	Ali Raisdanai	A	Seth Ramchandran
A	Javier Salcedo	X	Kathy Scott	X	John Thompson
X	Heather Van Volkinburg				

NOTE TAKER: Erin Murphy

Welcome (Chris)

- Chris welcomed everyone to the meeting and introductions were made.

Approval of Minutes (Chris)

- The minutes of the February 14, 2018, meeting were approved as presented.

Tentative Budget Assumptions (John)

(Refer to “2018-19 Tentative Budget Assumptions and Implications” handout)

- John presented the 2018-19 Tentative Budget Assumptions and Implications, with the following highlights:
 - John noted that the organization of the budget is similar to 2017-18 and highlighted the additional language proposed by the College Planning Committee in their 2018-19 Institutional Priorities.
 - Unrestricted General Fund Budget Guidelines:
 - John noted the FTES target of 21,075.96, which is equal to base FTES from FY2016-17, and under the current funding formula is the level the district needs to achieve to avoid reduced apportionment funding. However, John noted that the district is preparing for a major change, although the details are still unknown, pending the State’s annual budget process. He explained that the proposed new funding formula consists of 50% based on FTES, 25% based on low-income students served, and 25% based on student-centered success metrics. The proposal includes a hold-harmless clause that allows districts to receive at least the same funding received in 2017-18. Hold-harmless districts will not receive a cost-of-living adjustment (COLA), and it is effective for only one year. Funding could be reduced in the second year.
 - Reserve Assumptions
 - John noted the updated restricted liability reserve for year-end vacation liability based on updated data.
 - State Revenue Assumptions and Implications
 - John noted that the district is budgeting a 0% COLA, based on the proposed new funding formula.

- He highlighted the assumption that the district is expected to be funded in FY2018-19 at the prior year level (2017-18), given the “hold harmless” clause in the Governor’s proposed budget.
- John observed that there is a significant allocation (\$5 million) of State Budget block grants for one-time purposes, to be split between deferred maintenance and instructional equipment.
 - Chris inquired about whether the BAC would be recommending how to split the funds. Betty responded that we are allowing Academic Affairs time to adequately determine their needs and to do an appropriate review. She suggested that this item might be included on the agenda for the next meeting. John added that the BAC would be asked to finalize the budget assumptions at the next meeting as well.
- Expense Assumptions
 - John noted that we are planning to hire six new faculty and thereby avoid the Faculty Obligation Number (FON) penalty.
 - Ryan inquired whether the FON would be based on 20,000 or 21,000 FTES. John mentioned that prior discussion had indicated the FON would be based on our P-2 report. Betty added that it would be based on the lower of the advance or the P-2 certification, which is submitted April 20.
 - John highlighted the proposed rates for health and welfare benefit costs, which are estimated to increase only 2.2% overall.
 - John referred to the other projected benefit increases (PERS and STRS) and stated that the rate of change for workers’ compensation insurance is unknown at this time. He added that the retiree benefit contribution is based on the recent actuarial study and is estimated at 5.763%, less than the prior year. The Annual Required Contribution is \$4.1 million, which is about \$1 million less than the prior year.
 - Ryan inquired about the Reserve Assumptions and the district’s current budget reserve. John replied that it was about 25% at the start of the year. Ryan asked about the “pessimistic” assumption for the end of the year. Sem said it is estimated to be approximately 17.2%. Chris noted that a large surplus can quickly become a deficit if not careful. John added that the reserve is one-time funds and cannot absorb ongoing expenses, so a year or two with large deficits would negatively impact the reserves.

Apportionment Calculations (2016-17 Recalc & 2017-18 P-1) (John)

(Refer to “Apportionment Calculation – Budget” handout)

- John reviewed the Apportionment Calculations as follows:
 - He began with the prior year (FY2016-17) and reviewed when P-1 and P-2 are reported, noting that growth is due to reporting Summer 2017 enrollment in FY2016-17.
 - John remarked that growth on the P-1 report for FY2017-18 is negative, but as the district is in stabilization, there is a year to achieve restoration.
 - John reported that apportionment revenue for this year is \$118.5 million, and that the basic allocation is determined by size of the district and having the Pacific Coast Campus. He noted that the district will likely be below last year’s funding, but based on the “hold harmless” clause in the proposed funding formula, the district is assuming the same level to prevail next year.
 - Ryan asked for clarification on the deficit factor. John responded that the State calculates what each District earns, which is known as “Total Computational Revenue”

(TCR), but the actual State revenue may vary. Betty explained that the State adopts a budget with estimates of what districts will earn, and builds in County property tax collections plus college enrollment fees. The funding formula shows what districts are eligible to receive, and then State disburses funds that account for the difference between property tax (if tax revenue is lower than expected, for instance) and then apply the deficit to everybody in those instances.

- Stability Funds: Ali asked about the \$7.5 million in FY2017-18 stability funds and asked if it would carryover as part of the hold harmless clause. John responded that the \$7.5 million in stability funds would not be carried over in a normal year, but that the hold harmless clause in the proposed new formula may fill those revenue gaps. For instance, if the district were calculated to receive \$109 million based on the proposed new funding formula and the hold harmless clause provides \$119 million to match current-year revenue, the district may receive the extra \$10 million (the difference between the calculated amount of \$109 million and the current-year amount of \$119 million) to match this year's level (for one year only).
- Summer FTES: In reference to the governor's proposed budget, which holds that districts will have to permanently establish the year in which Summer semester FTES are applied, Kathy inquired when it would begin. John responded that if the district chooses to apply Summer 2018 to FY2018-19, for instance, we may be obligated to apply Summer FTES to the fiscal year in which the term ends every year, rather than our current practice of applying it as needed to balance FTES shortages. Betty added that because modifications to the proposed formula are discussed until the May Revise is released, and at least 39 other districts are in stability funding with a substantial amount facing similar circumstances as LBCCD, the inability to apply Summer FTES as needed may be a problem going forward.
- Kathy asked if the hold harmless clause would pertain only to the 25% based on low-income students served and 25% based on student-centered success metrics, or to all funding factors. Betty responded that the district would receive the greater of Total Computational Revenue for FY2017-18 or revenue based on new formula. Kathy clarified whether hold harmless is pre- or post-stability? Betty said that the hold harmless revenue amount would include stability funds.
- Pell Grants: Kathy requested clarification about how Pell grant recipients would be counted in the proposed new funding formula. Heather responded that the Pell cohort is defined to be seeking degree completion as identified by specific behaviors, which is a subset of all students who receive Pell grants. Betty cautioned that the numbers in simulations provided by the Department of Finance have not been replicated by any community colleges, so the data sources may reflect varying years. She added that the Chancellor's office is working on a similar document, but that districts may not receive such information until the May Revise. She commented on the difficulty of making such a major change to a funding formula by the proposed implementation date of July 1.
- Certificates: Chris inquired whether CTE certificates would be counted in the formula factors, and Heather replied that the trailer bill language specifies Chancellor-approved awards. Kathy followed up to ask about Career Development and College Preparation (CDCP) program certificates, and Heather offered to double-check. Ryan asked about the definition of "completion." Heather responded that it includes degrees, certificates, and transfers/transfer preparedness within three years. Sara asked whether completing any 60 units in three years count, or would it be limited to 60 transferrable units.

State Budget Update (Betty)

(Refer to “Department of Finance New Formula Rates” and “Formula Factors” handouts)

- Betty reported to the Committee that, as John pointed out, some of the formula is familiar and consistent with base grant allocation determined by the size of the district and number of state-approved campuses or centers. She stated that LBCCD receives \$7.3 million in that calculation, highlighting that districts such as LBCCD with 20,000 FTES or greater receive \$1.2 million more. She added that the district has historically applied Summer strategically to navigate stability funding, stating that in FY2017-18, FTES are expected to be less than 20,000. She went on to explain that under the current funding formula, the district would have to grow to 20,000 or greater to retain the level of funding as a “large district.”

Under the proposed new formula, the district would be held harmless in FY2018-19, but it would be reporting fewer than 20,000 FTES for the second consecutive year. If the district does not achieve 20,000 FTES by FY2020-21, it would be designated as mid-size (10,000-19,999 FTES) and receive \$1.2 million less; thus, reaching 20,000 FTES is an important threshold for LBCCD. Ryan asked where this was indicated in the budget, and Betty responded that it is part of the \$7.3 million base allocation. In response to a question from Chris, Betty confirmed that district size would still be a factor in the proposed new formula.

- Betty commented that some counter proposals being discussed are to provide “hold harmless” districts with COLA, or to calculate FTES as an average of the past three years, rather than simply using the current-year actual FTES.
- Ali asked whether the Peoplesoft system is able to alert staff who directly serve students about how close students are to fulfilling milestones, so that they can better assist students in meeting objectives valued by the proposed new funding formula. Sara responded that the district can prepare reports of such data and contact students who are close to meeting goals, but that Peoplesoft does not currently have such indicators. Sara additionally referred to conversations within Guided Pathways framework to be implemented in the next couple of years and the technology that will be needed to assist with supporting those efforts.
- Kathy added that some major curriculum changes are needed to support degree completions. Sara commented on the difficulty with aligning curriculum pathways, since different requirements for different paths can negatively affect timely completion. Kathy noted that Deans have been provided with completion data for their areas to analyze and make improvements.
- Betty mentioned that overall State revenues demonstrate a strong economy in January, which means there is less likelihood of a deficit for the year.

Other (Chris)

- No other items.

The meeting adjourned at 4:33 p.m.

Next Meeting: Thursday, April 16, 2018, at LAC – T-1046 at 3:00 p.m.