COAST COMMUNITY COLLEGE DISTRICT
District Budget Advisory Committee Meeting Summary
District Board of Trustees' Room

November 10, 2011

CALL TO ORDER
Chancellor Andrew Jones called the meeting to order at 3:04 p.m. in the District Board Room.

Committee members present were:

1. Lori Adrian, President, CCC,
2. Paula Brady, Confidentials Representative
3. Wes Bryan, President, Golden West College, GWC
4. John Dunham, Academic Senate Representative, GWC, on behalf of Theresa Lavarini
5. Andrew Dunn, Vice Chancellor, Administrative Services, District
6. Ann French, Classified Representative, CCC, on behalf of Ha Tran
7. Dennis Harkins, President, OCC
8. Ann Holliday, CFE Representative, on behalf of Dean Mancina
9. Andrew Jones, Chancellor, District
10. Margaret Lovig, Academic Senate Representative, CCC
11. Vesna Marcina, Academic Senate Representative, OCC
12. Christine Nguyen, Vice President, Administrative Services, CCC
13. Ann Nicholson, CFCE Designee Representative
14. Robin O'Connor, Faculty Representative, OCC
15. Lucian Oprea, Student Representative, CCC
16. Richard Pagel, Vice President, Administrative Services, OCC
17. Jack Price, Coast CCA Representative
18. Cheryl Stewart, Faculty Representative, CCC

Committee Members Absent:

1. Susana Castellanos-Gaona, Classified Representative, GWC
2. Alex Ceballos, Student Representative, OCC
3. Raine Hambly, Classified Representative, District
4. Janet Houlihan, Vice President, Administrative Services, GWC
5. Judi Lagerlof, Classified Representative, OCC
6. Theresa Lavarini, Academic Senate Representative, GWC, represented by John Dunham
7. Dean Mancina, CFE Representative, represented by Ann Holliday
8. Joe Poshek, CDMA Representative
9. Anh (Bella) Tran, Student Representative, GWC
10. Ha Tran, Classified Representative, CCC, represented by Ann French
11. Linda York, Faculty Representative, GWC

Role of the Committee
Discussion:

- **Andy Dunn** reviewed and explained a PowerPoint presentation about the role of the District Budget Advisory Committee (DBAC) and budget basics, which will be made available on the budget link of the District's website.
- Former Chancellor **Ding-Jo Currie** commissioned DBAC in 2009 to serve as an advisory group for an exchange of district-wide, state-wide, and nation-wide budgetary

information, providing linkage between the district and the campus level, and whose composition included a broad cross section of constituents. It is not a forum for collective bargaining negotiations or a place to advocate.

- At initial meetings, DBAC members supported the deeply rooted core value of autonomy for each college and the ability to expend funds according to campus priorities. Committee members also suggested holding a "Budget 101" session and a retreat to evaluate the Committee's goals and purpose.
- In the past, there has been some confusion regarding the roles of the Committee and the unions.
  - To fulfill its role as an advisory body, DBAC members may discuss budgetary issues and its related impact on District operations, even those that touch upon compensation of bargaining unit members so long as it does not cross the line into negotiating or bypass the union by dealing directly with unit members.
  - A legal definition states, "An employer may not communicate directly with employees to undermine or derogate the representative's exclusive authority to represent unit members." DBAC members may *not* seek modifications of a collective bargaining agreement or advocate the merits of a particular topic.
  - During discussion, it was noted that DBAC members can suggest a particular topic might want to be considered by management and labor at the collective bargaining table. As a specific example, a Committee member asked if it would be acceptable to recommend that changes be made to the faculty salary schedule. From a bargaining unit perspective, **Ann Holliday** informed that by adding the word "reductions," it would cross the line and make it unacceptable. **Ann Nicholson** expressed her opinion that it would be a problem because it would involve discussing an issue among various bargaining groups.
- **Andy Dunn** advised that almost $25 million in spending has been eliminated on an ongoing basis from the District's budget, and there are 150 fewer positions now than in 2009-2010 due to voluntary separation programs. Approximately 90 percent of the general fund budget is committed to salary and benefits, leaving only 10 percent from which to determine reductions.
- To assist in its advisory role, a Committee member suggested that the business community be consulted to obtain new approaches to budget solutions. **Andy Dunn** .informed that an external expert serves as a consultant to the Benefits Advisory Committee.
- **Vesna Marcina** offered that it may be helpful to receive meeting materials in advance in order to do homework and come to the meeting prepared to offer solutions.
- **Andy Dunn** informed that we will learn soon whether mid-year triggers will become a reality, and noted that we have a one-time solution to a potential ongoing problem.
- **Andrew Jones** stated his expectation that DBAC members bring forward non-traditional approaches and creative solutions to our budget challenges, including exploring ideas outside of the educational environment. The goal is to improve our institution so students and employees can be more successful.

Budget Basics 101
Discussion:
Funding Model

- **Andy Dunn** reported that the current funding model is the result of SB 361, which took effect October 2006, replacing Program-Based Funding (AB 1725, 1988). The current funding model followed numerous statewide efforts to improve general apportionment and enrollment growth funds. Equalization was rolled into the new funding formula.

Base Apportionment

- The state-determined base-apportionment revenue received by each district accounts for more than 90 percent of its unrestricted general fund revenue. There are two major components to the base apportionment model:
  - A basic allocation based on the number of approved sites (colleges and centers)
  - The number of FTES times a revenue per student allocation for credit, non-credit, and enhanced non-credit. Coast has 99 percent credit, 1 percent non-credit, and no enhanced non-credit.
- Although there has not been a normal funding model in years, in normal years COLA is provided to offset the effect of inflation. The amount of COLA is a political decision by the state legislature, not a formula fixed in law. Growth funding was designed to allow districts to serve additional students. Base funding is adjusted by growth and becomes the new base in the following year. This represents an incremental funding model. **Andy Dunn** informed that Proposition 98 funding was intentionally left out of this presentation due to its complexity, but he offered to bring specifics, if desired.

Growth Funding

- Until recently, SB 361 calculated a maximum growth rate for each district based primarily on changes in adult population and high school graduation rates within the college boundaries. Then, through a political process, the legislature now decides how much growth will be allocated to the entire community college system, which is *not* based on actual growth entitlements for each district but on how much money the state has to fund new growth.
- SB 361 stipulates each district will be entitled to a pool of growth money calculated by:
  - The district's growth rate times the per-student revenue for credit FTES (about $4,565 per FTES); non-credit FTES (about $2,745 per non-credit FTES), and enhanced non-credit FTES (about $3,232 per enhanced non-credit FTES).

  If a district does not meet its growth target, it must return all unused growth dollars back to the state, which are then distributed to the districts who did meet their growth targets. As a result of this process, Coast expects to receive 2.6 percent growth instead of the originally targeted 2.2 percent (although the final growth funding amount will not be known until February 2012), which means cuts for 2011-2012 will be less deep than previously planned.

Planning for Growth

- Generally, a district is better served to have moderate growth. In theory, some new revenue will be realized and a district does not want to fall below base.
- Growth funding is *not* related to student demand. When student demand exceeds available growth resources, it creates "unfunded FTES," which means no additional funds will be received to pay for those costs of instruction. Non-credit FTES are paid at approximately 60 percent of credit FTES ($4,500 for credit FTES vs. $2,700 for non-credit FTES); therefore, it is financially prudent to grow on the credit side, which helps to fund the balance of the district general fund expenses.
- Districts do not know their final growth allocation until *six months after the fiscal year closes*.
- **Andy Dunn** offered that there is now high demand for community college services and low funding to support those services. That dynamic could change in the future and we may be in a position of needing to increase student enrollment.
- **Andrew Jones** conveyed that there is a huge difference between public policy and reality, and that any federal money from President Obama's administration will come in the form of competitive grants.

Non-Resident Tuition

- **Andy Dunn** expressed the need to consider revenue-generating models that go beyond state apportionment. Orange County demographics reflect no growth and a one percent increase of high school graduates, resulting in more challenges over time to grow our student population on our own. Enrollment of international students may be worth greater consideration as they are not dependent on state funding.

- Non-residents do not displace resident students and pay the full cost of their education. Rates are set by the Board of Trustees within state-developed guidelines. All students benefit from a more dynamic environment and the District benefits fiscally as all revenue, except enrollment fees, remains with the District. Growth funding targets do not apply to non-resident students.

Risks in the Apportionment Process

- Zero Sum Game
  - If the aggregate growth funds in the community college system exceed available dollars, growth funds will be proportionally reduced to all districts. Conversely, growth dollars left "unearned" are circulated back into the system, but districts do not know outcome until *six months after the fiscal year closes*.
- Property Tax Risk
  - If the state estimate or property taxes for the community college system is too high, a "deficit factor" is applied to all districts, which reduces the expected apportionment. This is not known for certain until *six months after the fiscal year closes*.
- State General Fund Risk
  - If there is a state general fund tax shortfall, arbitrary "mid-year cuts" can be made to the apportionment for all districts.

Budget Timeline

- On or before July 1, tentative budget adopted (Title 5, Section 58305)
- As appropriate, newspaper publication stating budget is available (Title 5, Section 58301)
- September 15, public hearing (Title 5, Section 58301)
- September 15, final budget adopted (Title 5, Section 58305)
- September 30, annual CCFS-311 sent to State Chancellor (Title 5, Section 58305)
- September 30, informational copy of budget sent to county (if required) (Title 5, Section 58305)

SUGGESTED MEETING SCHEDULE:

- **Andy Dunn** proposed the following DBAC meeting schedule, noting special events may require changes.
  - November 2011
  - December 2011
  - End of January 2012 (Governor's Budget proposal)
  - March 2012
  - Mid-May 2012 (May Revise)
  - June 2012 (Tentative Budget)
  - August 2012 (Final Budget anticipated)

NEXT MEETING DATE:

The next meeting was scheduled for December 8, 2011, at 3:00 p.m. in the District Board Room.

The meeting adjourned at 4:40 p.m.

Recorded by Nancy Sprague