APPENDIX F

LOS ANGELES COMMUNITY COLLEGE DISTRICT
2012-2013
FINAL BUDGET
NEW ALLOCATION MECHANISM

1. PARAMETERS USED TO DETERMINE COLLEGE MINIMUM BASE ALLOCATION

On June 13, 2012, the Board of Trustees approved Phase I of the review and changes to the District Allocation Model. Phase I implements an increase to the College Basic Allocation by including minimum staffing and maintenance and operations (M&O) costs, as follows:

1. Each college shall receive an annual base allocation to fully fund the following:
   a. Minimum Administrative Staffing:
      i. (1) President;
      ii. (3) Vice Presidents;
      iii. (1) Institutional Research Dean;
      iv. (1) Facilities Manager;
      v. Deans
         a) (4) Deans => small colleges (FTES<10,000);
         b) (8) Deans => medium colleges (FTES>=10,000 and <20,000);
         c) (12) Deans => large colleges (FTES>=20,000).
   b. Maintenance and Operations costs based on average cost per gross square footage.

   After allocating the minimum base allocation in items a and b above, all remaining revenue (except non-resident tuition, dedicated revenue, and apprenticeship revenue) shall be distributed to colleges based on their proportion of the District’s funded FTES.

2. Transition Funding: The District shall set aside necessary funds from the District’s reserve (or new revenue) in order to mitigate the adverse effect on any college that experiences a reduction in its allocation as a result of the implementation of this change. The reduction will be implemented as follows:
   a. No reduction in the first year (2012-13) to any college;
   b. One-third of the allocation reduction in the second year;
   c. Two-thirds of the allocation reduction in the third year;
   d. The full allocation reduction in the fourth year.

3. Remaining allocation issues will be addressed in Phase II for implementation in the 2013-13 fiscal year.

4. There will be an annual assessment of the allocation model.
II. PARAMETERS USED TO DETERMINE STATE GENERAL REVENUE

1. Base Revenue
   a. Base revenue shall be calculated using the SB 361 marginal funding rates. For fiscal year 2012-13, each college shall receive an annual basic allocation based on the following basic allocation base rate:
      - FTES $\geq$ 20,000  $4,428,727$  large college
      - 10,000 $\leq$ FTES $< 20,000$  $3,875,136$  medium college
      - FTES $< 10,000$  $3,321,545$  small college
   b. Credit Base Revenue shall be equal to the funded base credit FTES multiplied by the base rate of $4,564.83$ in the 2012-13 fiscal year; in subsequent years the base rate shall be the prior year rate plus inflation.
   c. Non-credit Base Revenue shall be equal to the funded base non-credit FTES multiplied by the base rate of $2,744.96$ in the 2012-13 fiscal year; in subsequent years the base rate shall be the prior year rate plus inflation.
   d. The career development and college preparation (CDCP) non-credit base revenue shall be equal to the funded base CDCP non-credit FTES multiplied by the base rate of $3,232.07$ in the 2012-13 fiscal year; in subsequent years the base rate shall be the prior year rate plus inflation.
   e. The base revenues for each college shall be the sum of the annual basic allocation, credit base revenue, non-credit base revenue, and CDCP non-credit base revenue.
   f. The base revenues and funded base FTES for each college were reduced to be commensurate with the reduction in general apportionment revenue (see page 11 of 18).

2. COLA (cost of living adjustment) will be distributed to as specified in the State Apportionment notice.

3. Funded Growth Revenue for each college shall be calculated using the following method:
   a. Determine the funded growth rate for each of the workload measures (Credit FTES, Non-credit FTES, and Career Development and College Preparation Noncredit FTES);
   b. Identify and fund the lowest percentage growth equally among the colleges not to exceed a college’s actual growth percentage;
c. Identify and fund the next lowest percentage growth equally among the colleges not to exceed a college's actual growth percentage;

d. Repeat step c until the total funded growth revenue is distributed.

4. Colleges experiencing an enrollment/FTES decline (to be determined when the First Principal Apportionment Recalculation becomes available) shall receive stability funding in the initial year of decrease in FTES in an amount equal to the revenue loss associated with the FTES reduction in that year. A college shall be entitled to a proportional restoration of any reduction in state base general revenue during the three years following the initial year of decline if there is a subsequent increase in FTES.

III. PARAMETERS USED TO DISTRIBUTE OTHER REVENUE

1. Non-Resident Tuition

   Revenue shall be distributed to colleges based on projected tuition earnings and adjusted for actual.

2. Local Revenue and Other Federal and State Revenue (Dedicated Revenue)

   Revenue that is directly generated by colleges shall be distributed to colleges based on college projections and adjusted for actual.

3. Lottery Revenue

   Revenue shall be distributed to colleges based on the proportion of a college’s prior year FTES over the total District FTES and adjusted for actual.

4. Interest and Other Federal, State, and Local Income Not Directly Generated By Colleges

   Interest and other federal, state, and local income that is not directly generated by colleges shall be utilized to fund the District’s reserves.

IV. PARAMETERS FOR ALLOCATIONS

1. A college total budget shall be the sum of the adjusted base revenues; net of assessments for Centralized Accounts, District Office function, and Contingency Reserve; plus other revenue; minus budget for Sheriff’s contract; minus college deficit payments; and plus balances.
2. In accordance with the Board Resolution passed on May 23, 2012 (BT2), an amount of one-half percent (0.5%) of the Unrestricted General Fund revenue will be set aside in 2012-13 to be used only to address postponed and future deferred maintenance requirements. This amount is to be increased each year until it has reached the industry standard of two percent (2.0%).

3. The District shall maintain a District General Reserve of 5% and a Contingency Reserve of 7.5% of total unrestricted general fund revenue at the centralized account level, and 1% of college revenue base allocation at the college level. Such a reserves shall be established to ensure the District’s financial stability, to meet emergency situations or budget adjustments due to any revenue projection shortfalls during the fiscal year, and so that the District shall not be placed on the State “watch lists.” Use of the reserve must be approved by the Board prior to any expenditure. Any Contingency Reserve balance will remain in reserve until a total reserve of 5% of unrestricted general fund revenue is attained.

4. Each college shall be assessed for Centralized Accounts and District Office functions costs based on the differentiated credit, noncredit, and enhanced non-credit (College Development and College Preparation) rates per FTES (including resident and nonresident FTES).

5. Additional funding received by the District after Final Budget, not directly attributable to an individual college, shall be distributed through the new allocation model as delineated in the Revenue Parameters above.

6. In the event that actual revenues are less than the amounts projected and allocated to colleges for the fiscal year, the college budgets will be recalculated and adjusted accordingly.

7. If a college experiences enrollment decline below its funded base FTES, its budget shall be reduced by its amount of advanced growth funds. In addition, its state general revenue base will be adjusted according to the state allocation model as indicated in Revenue Parameter #5.

8. Each college and the District Office shall retain its prior year ending balances including open orders. Open orders for ITV, District Office and Centralized Accounts shall be funded up to the available balances from these locations. Any uncommitted balances in ITV and Centralized Accounts shall be redistributed to colleges.

9. The college president is the authority for college matters within the parameters of law and Board operating policy. The college president shall be responsible for the successful operation and performance of the college.

10. College deficits are cumulative loans to be paid back. The accumulated loans will be on a three-year payback schedule beginning one year after incurring the deficit. The loan repayments will be applied to the college budget allocations at year-end (P2 in June). However, all debt repayments due for 2010-11 and 2011-12 will be suspended until 2013-14.
11. Prior to Budget Preparation, the Presidents will make a recommendation on Centralized Accounts and District Office allocations to the District Budget Committee.

12. Prior to Budget Preparation, the Presidents will meet to forecast FTES and set goals to maximize revenues to be generated by the colleges.

13. Each operating location shall prepare a quarterly report to include annual projected expenditures and identify steps necessary to maintain a balanced budget.

14. The budget allocation will be recalculated using this mechanism at Final Budget, First Principal Apportionment (February), and at year-end.