September 3, 2014

The Honorable Members of the Board of Trustees
Los Angeles Community College District

In accordance with Section 58305(c) of Title 5, California Code of Regulations, presented herein is the District’s 2014-2015 Final Budget for your consideration and approval. The following provides a summary of the document and our District’s budgetary outlook.

The Final Budget is developed based on the Budget Allocation Model, as amended by the Board of Trustees on June 13, 2012, and through consultation with the Chancellor’s Cabinet and the District Budget Committee. The development of the District Budget has been an evolving process beginning with the Governor’s proposed State Budget in January 2014 and the State Budget Development through August 2014.

The District’s budget reflects funding from the State adopted budget (SB852), signed by the Governor on June 20, 2014 of $108 billion, where California Community Colleges received approximately $6.89 billion for the General Fund under Proposition 98, including a Cost-of-Living-Adjustment (COLA) of 0.85 percent and 2.75 percent funding for increasing access (enrollment).

The 2014-2015 Final Budget also includes budget information submitted by the nine district colleges and the Educational Services Center. Each college, through its shared governance processes, sets its own budget priorities to meet its institutional goals and objectives. This Final Budget also reflects the latest stage of the colleges’ 2014-2015 operational plans. Changes, such as the addition of specially funded program funds and transfers of funds among accounts, are expected throughout the fiscal year.

The District’s 2014-2015 budget for all funds is at $2.96 billion, including $1.87 billion of Proposition A, AA, and Measure J Bonds in the Building Fund. The Final Budget reflects the following major budget areas:

- Unrestricted General Fund revenue of $618.61 million
- Restricted General Fund revenue of $132.9 million for categorical programs to support student services and other specially funded programs
- Bookstore Fund of $26.77 million
- Building Fund (Prop. A, AA, and Measure J Bonds) of $1.87 billion
- Cafeteria Fund of $2.42 million
- Child Development Centers Fund of $8.36 million
- Student Financial Aid Fund of $276.90 million
- Special Reserve Fund (State Funded Capital Outlay Projects) of $21.82 million
- Debt Services Fund of $7.21 million
The District budget contains 0.65 percent for COLA, 2.75 percent for regular enrollment growth, and $79.5 million for the Education Protection Act of 2012 Fund (Proposition 30).

Overall, the state economy continues to improve, and the State adopted budget provides additional funding for access, COLA, categorical programs, block grants for physical plant, deferred maintenance and instructional support, and to pay down the state apportionment deferrals. A significant increase in funding for Student Success and Support programs and new funding for Student Equity available this year will enable us to begin improving student services and restoring access to students. As the Governor directs new money to support public higher education, the California Community Colleges are focused on expanding access and improving our completion rates, which includes serving underprepared, low income and historically underserved populations. Our District’s goal and our challenge will be to ensure equal educational opportunities and to promote student success for all students regardless of race, gender, age, disability, or economic circumstances.

For 2014-2015, the District’s financial outlook has improved with additional funding for access and student success. However, there are a few budgetary cautions and concerns that will require our attention, including structurally addressing the temporary revenues brought forth by the temporary tax increases of Proposition 30 (the sales tax increase scheduled to terminate at the end of 2016 and income tax increase is scheduled to terminate at the end of 2018). There is also a mandated increase in employer contribution costs for STRS and PERS obligations. In addition, the District is in negotiations with its six collective bargaining units that may result in some level of increased on-going expense for the district. However, we will preserve the Board’s and District’s commitment to maintaining its reserve level, with a minimum 6.5% General Reserve and a 3.5% Contingency Reserve.

The District’s bond building projects and our student information system modernization continues to improve our teaching and learning facilities and student data systems at all nine campuses with Propositions A, AA, and Measure J General Obligation Bonds.

Your attention is directed to the Overview section of this document, which presents a more detailed discussion of the State’s fiscal environment, the District’s current revenue projections and planned expenditures.

Respectfully submitted,

Francisco C. Rodriguez, Ph.D.
Chancellor
EXECUTIVE SUMMARY

The following is a brief summary of the District's 2014-2015 Final Budget with reference to extended discussions in the body of the document.

- The 2014-2015 Final Budget for all funds is $2.96 billion distributed over eight funds - General Fund, Bookstore Fund, Cafeteria Fund, Child Development Fund, Special Reserve Fund (Capital Outlay Project Fund), Building Bond Fund, Student Financial Aid Fund, and Debt Services Fund (page 1).
- The 2014-2015 General Fund, consisting of restricted and unrestricted programs, is $751.52 million, and represents 20.98 percent of the total budget (pages 2-3).
- The Unrestricted General Fund budget, which supports the principal operations of the District, is $618.62 million and represents 20.87 percent of the Final Budget (pages 4-8).
- The level of Unrestricted General Funds available for appropriation, which consists of beginning balances, reserve for open orders, transfers and income (page 15).
  1) The Beginning Balance of $73.31 million is $6.61 million more than the 2013-14 Beginning Balance.
  2) State General Revenue is projected to increase from 2013-14, primarily because of the funding of the 0.85 percent ($4.14 million) cost-of-living adjustment (COLA), the anticipation of growth funds of 2.75 percent ($12.59 million), and the Education Protection (EPA) fund of $79.51 million. These have been distributed to colleges.
- 2014-15 Unrestricted General Fund appropriations of $618.62 million are $30.12 million more than 2013-14 Final Budget (page 8). Appropriations for the nine colleges and ITV program are at $454.60 million, which are $16.41 million more than 2013-14 Final Budget allocations for college locations.
- Appropriations in all Other Funds appear to be adequate to maintain planned levels of service (pages 95-112).