# LOS ANGELES COMMUNITY COLLEGE DISTRICT
# EVALUATION OF THE DISTRICT BUDGET ALLOCATION FORMULA AND RESOURCE DISTRIBUTION

## EXECUTIVE SUMMARY

Over the last three years (FY 2012-13, FY 2013-14, and FY 2014-15), the District has allocated funds to colleges using the current District Budget Allocation as amended by the Board of Trustees on June 13, 2012 to include minimum administrative staffing and maintenance and operations (M&O) costs.

## I. <u>Purpose of the Evaluation</u>

The ECDBC will evaluate the allocation model for both the process and those allocations that are formula driven, and will report to the District Budget Committee. The formula-driven allocations include:

- Minimum Base Allocation for minimum Administrative Staffing and Maintenance and Operations costs based on average cost per gross square footage;
- Growth Funding Formula;
- Assessments;
- Funding for Sheriff's Contract;
- Reserves and Balances

Colleges and District constituents will provide their input via their respective representative(s) on the District Budget Committee.

## II. <u>Criteria for Evaluating the Budget Allocation (for further discussion)</u>

1. Rationales to support the current budget allocation formula
2. Adequate and sufficient funding for college s to sustain operations
3. Review minimum base funding categories for any changes
4. Small colleges vs. economy-of-scale
5. Optimize growth for colleges and district
6. Reserves and balances
7. College deficits and debt repayment policy
8. Review of Centralized Services and Funding for Educational Services Center including Information Technology

III. **Reports and Data Analysis to be Provided for Review and Evaluation**

**A. Reports**

1. Report and Recommendation of the Executive Committee of the District Budget Committee (January 2012);
2. Amendment to the Budget Allocation Mechanism, Comm. BF4, June 13, 2013;
3. District Financial Accountability Measures, Comm. BF2, October 09, 2012;
4. College Debt Repayment Policy, Comm. BF4, December 11, 2013
5. Growth Funding Proposal – DBC recommendation May 6, 2013

**B. Data Analyses to Be Provided (three-year comparison) for Study**

1. Analysis of Expenditures and Budget Allocation
2. Cost per FTES - analysis showed comparison of cost per FTES and net funding per FTES among colleges
3. M&O Costs, square footage, and staffing study
4. Salary and Benefit Cost Analysis
5. Sheriff's Contract cost study
6. Proposed New State Growth Funding Formula

***Additional Information***

Since June 2012, the ECDBC and the DBC have also completed **Phase II** of the budget allocation review with the following budget allocation recommendations and changes:

1. District Reserve and Balance Policies
    - 6.5% General Reserve
    - 3.5% Contingency Reserve

2. Colleges keep their year-end balances up to 5% of their prior year's Unrestricted General Fund budget and allow to carryover their accumulated balance up to 10%.

3. Growth Funding Formula Changes – On May 6, 2013, the DBC recommended the changes for the distribution for the funded growth fund as follow:

    - 80% of available growth funds shall be used to restore college workload reduction until the colleges are fully restored to their pre-reduction workloads;

- 10% of available growth funds shall be distributed to colleges based on each college's share of the total LACCD underserved population; and

- 10% of available growth funds shall be used to fund colleges based on the State model.

However, the ECDBC has recommended suspending any changes to the District's current growth funding formula in light of the new proposed growth funding formula in the 2014-15 Governor's Education Budget Trailer Bill.

4. New District Financial Accountability Measures (10/9/2013) to ensure that the District and colleges are operating within their resource allocations.

5. Amended the College Debt Repayment Policy (12/11/2013) to limit the annual college debt repayment obligation to 3% of the college's Final Budget allocation and provide opportunity to seek debt reliefs if meeting certain conditions in maintaining budget balance and meeting FTES obligation over three consecutive years. In addition, the policy gives one year suspension of the college debt repayment to interim or new presidents to allow them time to plan and address the college fiscal issues.

***<u>Next Steps?</u>***