RIVERSIDE COMMUNITY COLLEGE DISTRICT
District Budget Advisory Council
March 16, 2012
Math and Nursing Science Building (Room 111)
9:00 - 11:00 a.m.

AGENDA

I. Welcome and Call to Order
II. Approval of Minutes
III. Budget Update
IV. BAM
   • History
   • Assessment
V. Survey
VI. Next Meeting
   • April _?_ 2012 (Spring Break - April 9th thru the 13th)
VII. Adjournment
I. Meeting was called to order

II. Minutes
Kollar moved and Allen second that the Council approve the minutes of December 9, 2011.

The minutes of the January 20, 2012 meeting were reviewed and approved with the following corrections:

Under section II - Survey Follow-up with Daniel Martinez

Addition: After the survey of the budget process evaluation and assessment is complete, an assessment of the BAM itself will begin by using another survey instrument.
Under section III - Budget Update

Correction from: New Summer enrollment fee increase by $6 per unit to - $46 per unit
Correction to: New Summer enrollment fee increase by $10 per unit to - $46 per unit

Motion carried (10 ayes, 5 absent [Skaggs, Godin, Segura, Moeung, and Legner]).

III. Budget Update
Dr. Buysse updated the group on the State budget situation.

- Situation is very fluid.
- There is concern with a new LAO report. Projected State revenues have been overstated by $6.5 billion, this would equate to an additional $7m to $8m deficit for RCCD. Dr. Buysse is meeting with the ACBO Board early in March; he will raise the issue with them.

Dr. Buysse also reviewed the information presented to the colleges at the February 2012-13 Budget Planning Forums (see handout):

| Estimated Amount Available for Expenditures | $129.18m |
| Net Estimated Expenditures | $143.49m |
| RCCD Estimated Budget Problem for FY 2012-13 | $-14.31m |
| RCCD Estimated Budget Problem for FY 2012-13 | $-14.31m |
| Plan A Potential Solutions with passing of Governor’s tax increase | $14.29m |
| Plan B additional budget problem without Governor’s tax increase | $-6.30m |

IV. Measure C Update
Dr. Buysse reviewed with the group a report on the RCCD Measure C Bond Program Update which is being presented by Mark Farrell of PiperJaffray at the March 6th Resources Committee (see handout):

- Remaining authorization is $85m.
- Tax rate commitment is $18 per $100k AV.
- Current bond interest rate yields 3.66%; historical average is a rate of 4.81%.
- The countywide change in assessed value for 2011-12 was -1.45%.
- The bond program can withstand decline in assessed value and still maintain a tax rate at or below $18 per $100k.

V. Survey
There was a group discussion regarding the projected survey distribution. It was agreed to use the 2010 survey questions with the following changes:

- Opening Paragraph - The third sentence should end after the word “process.” Dr. Buysse will rewrite the introduction paragraph for group review at the next meeting.
• The checkbox options of “Reasonably Knowledgeable” and “Not Knowledgeable” will be added to questions three and four.
• The May survey will be distributed to members of all major Strategic Planning Committees/Councils. These groups are large and have a diverse membership among their voting members (students, classified, and faculty). The group will bring back to the next meeting names of groups for survey distribution

VI. Next Meeting
March 16, 2012 - 9:00 a.m. to 11:00 a.m. (Math and Nursing Science Building - Room 111)

Agenda Items:
Approval of the Minutes from February 24, 2012
Survey Review and Distribution Lists
BAM Conception and Assessment
  o Aaron Brown, Tom Wagner, and Mike McQuead will enlighten the group on the process used for the BAM inception.
From: Buysse, Jim
Sent: Tuesday, February 21, 2012 10:51 AM
To: Gray, Greg
Cc: Brown, Aaron
Subject: FW: Current Year Deficit

The attached piece is a bit disconcerting to say the least. It affirms the $41m property tax shortfall which has recently been reported. That’s up from the earlier report just a couple of weeks ago of $25m, so that does not bode well for a major component of revenues... nor does it suggest any kind of turnaround in real estate. One also has to wonder about what happened to the “structural deficit” about which we were curious. It has shrunk from $18m to $1.0m for “miscellaneous” things.

Furthermore, they are now estimating a $292m budget hit if the tax proposal does not pass. That’s up from the earlier estimate of $264m. Our hit would then be $7m rather than $6.3, and the workload reduction would be 1,535 FTES, up 153 FTES for the earlier estimate of 1,382.

From: Troy, Dan [mailto:dtroy@CCCCO.EDU]
Sent: Tuesday, February 21, 2012 10:09 AM
To: SO2CBO@LISTSERV.CCCNEXT.NET
Subject: Current Year Deficit

Colleagues,

Attached is a brief note regarding the current year deficit calculated at P1.

Thank you,
Dan Troy

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Colleagues,

As you know, the P1 apportionment identifies a significant current year deficit in system funding. The total shortfall identified is $179M (3.29% statewide, but effectively a 3.42% deficit for non-basic aid districts) and consists of the following elements:

- $107M due to a fee revenue shortage
- $41M in property taxes
- $30M due to the Tier 1 trigger reduction
- $1M due to other miscellaneous adjustments

As the $30M trigger cut was anticipated, we should not expect any relief for that portion of the deficit. That, however, still leaves a hole of $149M that districts had no reason to expect. Given the major reductions the system has experienced in recent years, an unanticipated deficit is unacceptable.

Addressing this shortfall will be a major focus of this year’s budget advocacy. Chancellor Scott and I have already met with Finance Director Matosantos to communicate the severity of the problem, and I have similarly been informing key legislative staff. These are just the first steps in what I expect will be a unified system push to have the deficit resolved. We believe this shortfall also highlights the problem with not having statutory protection from revenue shortfalls, as K-12 does, and we will be pressing that point, as well.

As one who follows the budget situation in Sacramento closely, though, I do need to caution that there is no guarantee that the deficit will be backfilled. The state has a current year budget deficit identified by the Department of Finance of over $4B and a cash flow situation difficult enough to require new statutory payment flexibility for the Department of Finance. Reportedly, the Treasurer is going to the market to borrow an additional $1B to help cover payouts over the next two months. Given the state’s financial distress, districts will need to take a close look at their current year budgets to determine whether any adjustments are needed to make it through the fiscal year in the event the shortfall goes unaddressed.

Similarly, with the prospect of more midyear trigger cuts on the horizon in November (the Department of Finance now estimates the CCCs will be in line for a trigger reduction of $292M if the Governor’s ballot initiative fails), districts need to have a plan in place to address the possibility of another difficult year in 2012-13. An economic recovery appears to be underway, but, without voter approval of increased revenues this fall, the recovery does not appear to be fast enough to help turn the negative tide until the 2013-14 fiscal year.

Regards,
Dan Troy

Vice Chancellor for Fiscal Policy
Chancellor’s Office of the California Community Colleges
FY 2012-13 Budget Development Calendar

- April ~ Reporting on State Tax Revenues
- May 10 ~ May Revise Budget
- May 23 ~ Tentative RCCD Budget Completed
- June 5 ~ Tentative RCCD Budget to Resources Committee
- June ~ Second Principal Apportionment Report
- June 19 ~ Tentative RCCD Budget to Board of Trustees for Action
- July 1 ~ New Fiscal Year Begins
- August ~ State Budget Workshops/Advance Apportionment
- August 9 ~ RCCD Year-End Closing
- August 22 ~ Final RCCD Budget Completed
- September ~ Final RCCD Budget to Resources Committee
- On or before September 15 ~ Final RCCD Budget to Board of Trustees for Action
RIVERSIDE COMMUNITY COLLEGE DISTRICT
RESOURCES COMMITTEE

Report No.: VI-B-1 Date: May 20, 2008

Subject: Budget Allocation Model (BAM) for Resource 1000 - FY 2008-2009

Background: The District’s transition from a single-college District with two centers to a multi-college District necessitated a change from the existing Resource 1000 (General Operating) budget allocation model to a model that aligns better with a more decentralized and independent operational environment. This was recognized as a planning agenda item in each of the accreditation self-studies for the Riverside, Moreno Valley and Norco campuses and was identified by the visiting accrediting teams as a critical step for Moreno Valley and Norco to achieve full accreditation status.

In response, the District’s Chancellor called for the formation of a Budget Allocation Model Task Force and charged the group with developing a new budget allocation model that would best serve the needs of a multi-college district. The BAM Task Force was formed with the following member composition:

Aaron Brown - Interim Vice Chancellor, Administration and Finance (Chair)
Michael McQuead - Associate Professor (Moreno Valley)
Dr. Bill Orr - Vice President, Business Services (Moreno Valley)
Tom Wagner, J.D. - Associate Professor (Norco)
Norm Godin - Vice President, Business Services (Norco)
Ajene Wilcoxson - Associate Professor (Riverside)
Cindy Taylor - Outreach/Passport to College Coordinator (Riverside)
Becky Elam - Vice President, Business Services (Riverside)
Patti Braymer - Interim Associate Vice Chancellor, Finance (District)
Vickie Vega – Administrative Assistant (Meeting Recorder)

The BAM Task Force began meeting in September 2007; meeting a total of twenty times through May 2, 2008. The initial meetings of the Task Force were devoted to: establishing timelines and communication processes; defining guiding principles and; discussing concepts such as reserve requirements, equipment and facilities standards, efficiency measures, and growth allocations.

The Task Force spent a considerable amount of time discussing community college financing complexities and the limitations imposed by regulatory requirements such as the 50% Law, the Full-Time Faculty Obligation (75/25 goal), reserve requirements and categorical program matching funds. The Task Force also evaluated sample budget allocation models from five California community college districts.

Beginning in January 2008, members of the Task Force were asked to “sketch” their own version of a budget allocation model by incorporating concepts discussed since the first meeting. This became a turning point of sorts in the BAM development process as the Task Force moved from
Theoretical discussions to the practical application of concepts into a model. The Task Force considered the components of each “sketch” in great detail, noting what worked and what didn’t, eventually leading to the proposed new BAM.

Meeting agendas, minutes, budget allocation model sketches and supporting information, has been shared by members of the Task Force with various constituency groups throughout the BAM development process including Academic Senates, Strategic Planning Committees and Subcommittees, the District Academic Planning Council, the Chancellor’s Executive Cabinet, bargaining unit representatives and, to the institution as a whole by email.

Attached for the Board’s information and consideration is the proposed new Budget Allocation Model; a flowchart; a description of BAM components and; worksheets to support the calculation of BAM components. The amounts shown in the proposed Budget Allocation Model are as of April 22, 2008. These amounts will change during the Tentative and Final budget development processes as more information becomes known and as budget assumptions are changed to reflect updated State and District information. The following were incorporated into the Budget Allocation Model:

**Total Available Resources (TAF)**

The sum of the beginning balance plus estimated revenues.

**Total Available Resources Available for Allocation (TAFA)**

TAFA less the following reserves and set-asides: 1) 5% minimum contingency reserve, 2) 1% reserve for economic uncertainty, 3) inter/intrafund transfers, 4) new District/College programs and initiatives, 5) operating costs for new facilities and, 6) new positions/part-time faculty growth.

**Allocation Increment (AI)**

The difference between the prior year base expenditure budget and TAFA. The AI will be used to fund: 1) base budget adjustments for such items as bargaining unit negotiated increases, step and column increases, health and welfare increases, position reclassifications and, election costs; 2) the small college factor for Moreno Valley and Norco; 3) the college enrollment efficiency incentive; 4) a base budget increase for District Office and District Support Service areas and, 5) an allocation to the Colleges based on a three-year, weighted average of credit FTES.
The BAM Task Force will continue to meet regularly throughout the next fiscal year to assess and evaluate the new Budget Allocation Model and to consider the following items:

- Review/Analysis of Base Expenditure Budgets
- Development of Discipline WSCH:FTEF Standards
- Student Success Incentive
- New Position Funding Allocation Methodology
- Treatment of Budget Savings
- Base Budget Adjustments
- On-Line Education FTES Allocation
- Other Incentives/Disincentives

Information Only.

James L. Buysse
Interim Chancellor

Prepared by: Aaron S. Brown
Interim Vice Chancellor,
Administration and Finance
Riverside Community College District
Budget Allocation Model
Component Descriptions
FY 2008-2009

1. Per Board Policy BP 6200, the first item funded is the minimum 5% contingency reserve of Total Available Funds (TAF). Use of the contingency reserve requires a two-thirds vote of the Board of Trustees.

2. “1% Reserve for Economic Uncertainty” represents a set-aside to provide a "safety-net" to respond to significant unexpected, mid-year occurrences which impact the current year adopted budget. Such occurrences could include mid-year budget cuts imposed by the State, statewide property tax and enrollment fee shortfalls that are not backfilled by the State, unrealized District growth estimates, emergency situations (fires, floods, winds, earthquakes), mid-year utility spikes, information technology infrastructure failures, etc. The amount set aside in this reserve will equal 1% of TAF. Use of this reserve must be approved by Executive Cabinet.

3. “Interfund/Intrafund Transfers” represents monies set-aside to fund the District's match requirements for categorical programs such as DSP&S, Instructional Equipment and Federal Work Study, and to provide administrative support relative to programs such as Performance Riverside, Early Childhood Services, Customized Solutions and Self-Insured Health & Liability as approved by Executive Cabinet.

4. “New District/College Programs/Initiatives” represents budget set-aside to fund new or expanded District/College programs that have been approved through the District Strategic Planning/Executive Cabinet processes and that cannot be supported through existing base budget funding.

5. “Operating Costs for New Facilities” represents funds set-aside to provide for increased operating costs associated with new facilities that are coming on line in the next fiscal year. This line item is established to temporarily provide for projects that are already in the “pipeline” until a mid-range financial model is developed and the District’s/College’s planning processes are more fully developed and integrated. Included are items such as increased
utilities costs, maintenance supplies, additional support staff, new equipment maintenance agreements, etc.

6. "Set-Aside for New Positions/PT Faculty Growth" represents budget provided to fund new full-time faculty; increased part-time faculty costs associated with anticipated growth; and new classified, confidential and management positions arising from the Program Review process, prioritized and approved by the Strategic Planning Committees, and Executive Cabinet after consideration for growth funding limitations, facility capacity, the Full-Time Faculty Obligation Number (FON, 75/25 Goal), 50% Law, and applicable staffing standards (such as M&O).

7. "Base Budget Adjustments" represent expected changes to the adopted budget that arise during the current year for items such as staff reclassifications and promotions, new positions, etc. that will have an ongoing effect on the Base Budget. Base Budget Adjustments also represent known or expected changes for the subsequent year that are not in the current year Base Budget for such items as bargaining unit contractual provisions, utility rate increases, contracts, election costs, etc.

8. "Small College Factor" represents an advance of new apportionment funding that the District will receive when Norco and Moreno Valley are recognized by the State Chancellor’s Office as independent colleges for funding purposes. The amount that has been allocated to Norco and Moreno Valley will be added to their base budgets and will provide funding to begin addressing identified operating and staffing needs as they transition to full college status. A minimum of 50% of the allocated amounts will be committed to “Current Expense of Education” applicable expenditures in order to comply with the requirements of the 50% Law. The BAM Task Force will analyze the Small College Factor as a component of the Phase II BAM for fiscal year 2009-2010 and will make recommendations for modification as necessary.
Riverside Community College District
Budget Allocation Model
Component Descriptions
FY 2008-2009

9. "Enrollment Efficiency Incentive" represents funds added to a colleges’ base budget based on the results of effective enrollment management practices as measured by a three year weighted average of Fall Term WSCH:FTEF above the standard of 525. For fiscal year 2008-2009 only, the allocation methodology assigns a dollar value to each “unit” above the 525 standard. The “unit” value has been established at the 2008-2009 Base Credit FTES funding rate of $4,564.83. As an example, a campus whose three year weighted average WSCH:FTEF is 550 will receive an Enrollment Efficiency Incentive of $114,121 (550-525 = 25 “units” x $4,564.83). The BAM Task Force will analyze the Enrollment Efficiency Incentive as a component of the Phase II BAM for fiscal year 2009-2010 and will make recommendations for modification as necessary.

10. "District Office/District Support Services" (DO/DSS) allocation, added to the base budget for fiscal year 2008-2009, represents the increase provided to the DO/DSS areas to support: 1) the impact of institutional growth on the DO and DSS areas; 2) District Strategic Planning Committee/Executive Cabinet priorities and initiatives; 3) capital equipment and facility renovation needs, etc. The calculation of the DO/DSS allocation increment equates to 1% of the prior year DO/DSS Base Expenditure Budget. Historically, the District Office and District Support Services budgets have been combined under the “Axx” location designation in the District’s budget and accounting system. In fiscal year 2008-2009, the District Office budgets and the District Support Services budgets will be disaggregated. The District Office has been defined as the offices of the Chancellor, Vice Chancellors, and Chief of Staff. District Support Services has been defined as those areas which support and assist the operations of the Colleges and District as a whole, including such areas as Finance, Purchasing, Payroll, Contracts, Human Resources, Grants & Construction, and all of the associated costs for those areas. The BAM Task Force will analyze the DO/DSS allocation in the Phase II BAM for fiscal year 2009-2010 and will make recommendations for modification as necessary.
"Remaining Allocation Increment" represents the amount of remaining funds available to allocate after all other allocations have been made. This allocation is calculated using a three year weighted average of credit FTES.
PRINCIPLES: The Budget Allocation Model (BAM) will encourage:

- A student focused orientation. The best interest of students will be primary. Student Access and Student Services will remain the highest priority.
- Collegiality. Resource allocation must be viewed as the distribution of funds in a manner that is best for the District with an understanding of the “power of three”. Continue with the focus on Moreno Valley and Norco separate college goal. Engage the college community in the dialogue. Reduction must be equitable.
- Long range planning. By relying upon the District strategic goals, the College Education and Facility Master Plans, the Strategic Planning and Program Review process. Vision must match planning and vice-versa. Postpone costly start-ups.
- Empowerment of authority and accountability. At the College level. Authority must be assigned at the lowest applicable level. Empower each entity to determine where budget cuts will come from and sequence of cuts.
- Significance of fiscal year boundaries. Alignment of on-going commitments with on-going revenue streams and one-time allocations with one-time acquisitions. Communicate fiscal information and projected short term and long range impacts to the campus community.
- Campus responsibility. By providing Colleges with the opportunity and authority to manage budgets by providing carry-over of unused funds. Allow each entity to identify cut sequence; provide for carry-over to incentivize cost reduction and promote long-range planning.
- Fiduciary responsibility. Compliance with Federal, State, and Local regulations will be adhered to. This includes funding a minimum five (5) percent Reserve first. Communicate regulatory requirements and changes to the college family.
- Data determined decision-making. The data elements of the model will be widely known and distributed. Downstream financial impacts must be identified in decision-making. Model scenarios. Deliberate and careful planning over knee-jerk reacting. Data informed decisions should include long-term impacts.
RIVERSIDE COMMUNITY COLLEGE DISTRICT
BUDGET ALLOCATION MODEL

PRINCIPLES: The Budget Allocation Model (BAM) will be:

- Dynamic. The BAM will provide the ability to reflect changes in District and College priorities or structure. Revisit base budget and organizational structure. Relocate existing staff to provide better opportunity of meeting stand alone college status goal.

- Communicated broadly. The College community will have a full understanding of the model, the process and resulting funding decisions. Information will be easily accessible and clearly communicated. Maintain an open dialogue with the college community.

- Bottom-up and Top-down. Mechanisms will exist for input from all levels of the College community including students. Allow each entity to determine where budget cuts will come from.

- Easy to apply. The model must be straightforward in its application.

- A decision-making tool. The BAM must support strategic planning, planned growth, program expansion and contraction. The BAM must be able to respond to crisis as well as multi-year plans.

- Evaluated and assessed. On an annual basis and improved as appropriate. Strategic Enrollment Management techniques should be introduced and implemented.

- Rational. Budgets must reflect needs and available resources. When imbedded formula’s don’t work, alternative options must be available. Reorganize in a sensible and efficient manner. Identify duplication of effort and consolidate to eliminate redundancy. Fill vacancies from within.

- Timely. Allocation of funds through the BAM will be distributed in a timely manner to allow for thoughtful implementation of plans. Proactive measures taken now will alleviate fear and unavoidable actions in the near future.
February 7, 2012
Dear James,

Yesterday, the Legislative Analyst’s Office released its annual analysis of the impact of the governor’s budget on Proposition 98 and community colleges. In it, there were very few surprises, but it provides a good opportunity to update you on several items.

Current year deficit - The current year deficit is growing larger, and will likely exceed 3%. The official word should come from the state Chancellor’s Office within the next ten days. We are preparing an aggressive media and legislative effort to highlight the impact of this largely unexpected mid-year cut to our colleges. While securing a backfill amidst the state's cash flow and structural budget problems will be difficult, it is essential that the cut and its impact on student access and success not be ignored.

Appportionment and categorical flexibility - The governor’s budget trailer bill language was released late last week and, as expected, it proposes radical changes to the way the state Chancellor’s Office distributes both appportionment and categorical funding to our colleges. With a need to focus on securing temporary revenues to balance the budget with a plan to restore funding to our colleges, this is not the year to re-write SB 361, eliminate equalization and our commitment to enhanced noncredit funding, and pit existing categorical programs against one another.

Instead, we need to highlight the significant cuts community colleges have taken, the accrued deficit to our per-student funding, and support a new Student Success Initiative. That initiative, which would build on the foundation of matriculation, will enable significant new student support services as revenues are restored to our colleges.

Budget Highs and Lows - In the budget business, there are good days and bad days. Last Wednesday, Facebook announced an IPO that would value the company between $80-$100 billion. If the IPO goes forward, this will likely increase revenues between $300 - $750 million in 2012-13. More importantly, it will significantly revitalize California's economic engine in the Bay Area, as newly realized wealth translates into increased consumer spending and real estate transactions. On the downside, yesterday there was the news that a federal panel denied a waiver request by California to require co-pays for Medi-Cal patients, the latest in a series of rulings that have blocked many of the budget-balancing health and human services cuts. While this is good for economically disadvantaged population, it adds another $575 million to next year's budget problem on top of the $9.2 billion budget deficit.

Let's hope that we get a good budget news day today!

Where have all the women gone? Last week, the California Budget Project released a report looking at the impact of the Great Recession on California’s women and their families. In it, there was a shocking statistic - "Enrollment in California’s community colleges dropped by 129,612 between 2007-08 and 2010-11, with women accounting for a full 81.6 percent of the reduced enrollment."

Quickly looking at MIS data myself, it appears that this is mostly the consequence of the elimination of noncredit and/or recreational classes, with a sizeable majority of the lost female students with noncredit or <6 credit unit status. Among female students 20-24, we actually increased during this time of reduced enrollment, including among Latina and African-American women.

However, with devastating child care and CalWORKs cuts on the table for the 2012-13 budget that would likely force out tens of thousands of poor women community college students, we should probably look more deeply into the CBP report's finding. And, there has been some concern that "pink collar" job training has been cut in our colleges to place more of a focus on transfer and perceived higher demand career technical training. That may be done for the right reasons, but we need to ensure subgroups of our students aren't falling through the cracks.

Are you seeing anything on your campus that would explain the number? If so, e-mail me at scottlay@ccleague.org.

Sincerely,

Scott Lay
President and Chief Executive Officer, The League
Orange Coast College '94