

# First Monday Report

Focus on the Budget:  
How did Prop 30 Affect  
Pierce College?

Issue 16, May 6, 2013



## Upcoming Events:

- May 8 BHCI Film Festival - "First Break" documentary on mental illness  
11:15 AM to 1:15 PM  
The Great Hall
- May 9 BHCI Film Festival - "First Break" documentary on mental illness  
4:00 PM to 6:00 PM  
The Great Hall
- May 13 Chancellor Search Focus Group/ Town Hall  
1:00 PM to 2:00 PM  
Cinema 3200 Bus Ed Bldg
- May 23 Philosopher's Cabaret  
5:00 PM  
The Great Hall

## Prop 30 and Pierce College

As you have seen during this academic year, the majority of the First Monday Reports have been focused on accreditation leading up to and through our March visit. While we await the outcome of that visit, there are some other issues of interest to the entire College community that deserve our attention. Since we are nearing the completion of a budget for Fiscal Year 2014 (FY 2014), the first of the issues I would like to discuss is how the passage of Proposition 30 in November 2012 affected our College budget and the financial decisions currently being considered.

You may recall from both the June and September 2012 FMRs, that we were directed by the Board of Trustees to prepare our FY 2013 budget based on Proposition 30 not passing. As a result of that direction, our allocation for FY 2013 was initially \$49.2 million. In FY 2011, the College operational budget was \$59.9 million; and, in FY 2012, we expended \$57.7 million. Working through the Budget Task Force in spring 2012, I accepted a number of recommendations to further reduce our expenditures. These reductions were very deep and required the College

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## Eric Garcetti Speaks at Pierce in "Day of Politics 2" Series

Los Angeles City mayoral candidate Eric Garcetti was greeted by a full house in the Great Hall at Pierce College on April 18, speaking as part of our ongoing "Day of Politics" series. "Who we vote for for mayor has more impact on our daily lives than even the president of the United States," said Los Angeles native Garcetti, who once worked as a college professor. "Community colleges have to be the engine of opportunity – they always have been," he told the audience of about 250 people at the event organized *continued on page 2*



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## Proposition 30

to eliminate or significantly scale back a number of activities and programs, including further reductions in course offerings; enforcing a hiring freeze; eliminating pay for tutors, cadets, hourly librarians, and counselors; and, deep reductions in high school outreach, marketing, field trip transportation, athletics, the art gallery, and many other worthy and vital services. The deep reductions were felt by every employee at the College. Faculty and staff were purchasing their own paper to print exams and other documents. We made greater use of technology to reduce printing required for the classroom and for meetings.

### Impact of the Passage of Proposition 30

Once Proposition 30 passed, the College received additional funding of \$5 million. You may recall that the funds generated by Proposition 30 are restricted and may only be spent on providing courses and services that directly serve students. These funds must be account for separately, and may not be used to pay for any administrative costs. To ensure that we meet our FY 2013 full-time equivalent student (FTES) base, we have applied some of these funds to offering more course sections. There were approximately 60 sections added to the spring 2013 semester, and we will be adding about 100-150 sections to the summer 2013 session. Adding this \$5 million to our \$49.2 million base of unrestricted general funds provided the College with a final FY 2013 budget of \$54.3 million.

The College, through the spring 2012 Budget Task Force, took seriously the directive from the Board of Trustees and the District to reduce FY 2012 expenditures by 6% or \$3.4 million. Once we received the infusion of Proposition 30 funds, it appeared that we would be increasing our fund balance by approximately \$1.1 million at the end of FY 2013. When this became apparent, I requested that the Budget Committee review the College's needs as established through the Annual Program Plans (APP) and the Resource Advisement Committee (RAC) processes and make recommendations about how to use these new resources to alleviate the draconian cuts we had made at the beginning of the academic year. This process resulted in the College being

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### Eric Garcetti speaks at Pierce College, *continued from page 1*

by Political Science Professor Denise Robb. During the hour-long interactive meeting attended by classes of political science, criminal justice, and economics students, Garcetti talked about his local upbringing and the focal points of his campaign: job creation, solar power, and improving the city's tourism, parks and schools. "As mayor, I'm going to put people back to work. Jobs are at the core of what I'll do." Fielding questions from the audience in a forthright manner, Garcetti took on a wide range of topics from LAPD corruption to whether or not Los Angeles would build a football stadium. His proposed plans to eradicate homelessness and to keep the city from going bankrupt drew rounds of applause. Garcetti encouraged students to get involved, to register and show up to vote in the upcoming runoff election, closing with, "This is a town that defines you by how hard you are willing to work and by your dreams."

## How Prop 30 Affects Pierce College

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able to fund all of the request from the FY 2013 resource prioritization list. Among the major items funded through this process was \$400,000 for supplies college-wide, restoration of funding for tutors and cadets, the hiring of two custodians and two employees Admissions and Records; and the restoration of reassigned time for some positions that had been reduced or eliminated, including the art gallery and the Work Environment Committee Chair. The fiscal year was half over once we realized these additional funds would be available; therefore, positions on the FY 2013 RAC list were funded for six months rather than a full year. Since positions are ongoing, as we prepare the FY 2014 budget, we must calculate the cost of any permanent positions for the full fiscal year.

In addition to the Proposition 30 funds, in December 2012 the District Budget Committee (DBC) recommended that the Contingency Reserve, which the Board of Trustees funded at 7.5% of the district-wide budget, be reduced to 5% and that the remaining 2.5%, or \$9.9 million, that was set aside for FY 2013 be distributed to the nine colleges. The Chancellor accepted this DBC recommendation and brought forward a proposal to the Board at its March 20 meeting. Only the Board has the authority to expend funds in the Contingency Reserve. The proposal, approved by the Board, resulted in an additional \$1.4 million in one-time funds being added to our FY 2013 budget.

These dollars are considered one-time funds because they will not become a part of our ongoing allocation of resources from the district. The most prudent thing to do with one-time funds is to spend them on one-time purchases rather than ongoing costs such as salary and benefits.

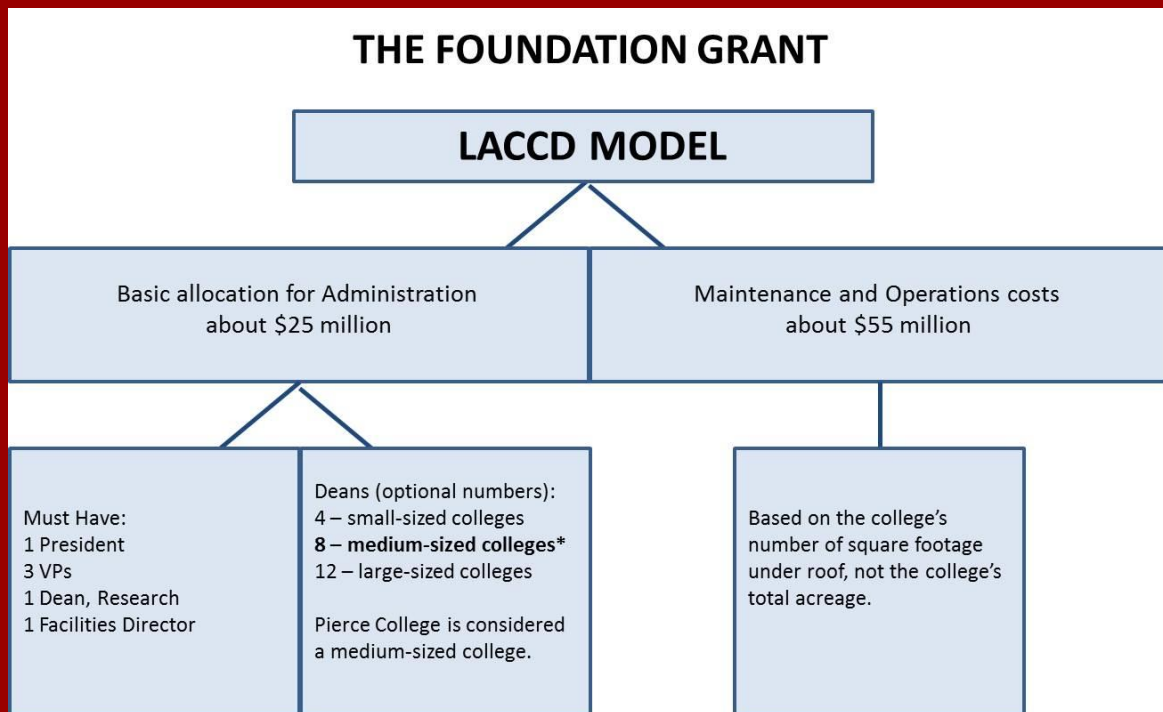
Proposals for the expenditure of these funds were also referred to the College's Budget Committee. They were used to fund the one-time expenses from the FY 2013 RAC list, including equipment purchasers. With the addition of Proposition 30 funds and the infusion of cash from the Contingency Reserve, TY 2013 turned out to be significantly brighter than the \$49.2 million budget we initially planned.

### **New District-wide Allocation Model**

During the 2006 round of accreditation visits at the Seaside Colleges (Harbor, Southwest, and West), the District received a recommendation to revise the methodology used to allocate funds to all colleges in order to address the perennial deficits seen as the small and some medium-sized colleges. During the following years, a small number of small adjustments to the allocation methodology occurred, but none of them completely addressed the issue of ongoing deficits. Finally, in early 2011, the DBC tasked the Executive Committee of the District Budget Committee (ECDBC) with bringing forward a recommendation for a new allocation model.

Over a period of about a year, the ECDBC examined other multi-college district allocation models, including those used in the Los Rios Community College District, and the Ventura Community College District. The models at these districts were largely expenditure-based rather than being revenue driven, and it was decided that this approach would not be a good fit for the LACCD. The Executive Committee then decided to examine common costs for District colleges to determine what basic costs are required of all colleges regardless of size. This resulted in a recommendation to the DBC to change the methodology for the financial foundation grant

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awarded to each college. According to the State methodology, community colleges receive a foundation grant from \$3.0 to \$4.5 million depending upon their size, which is determined by the college's FTES base. In the new LACCD allocation model, the foundation grant has two parts: a basic allocation for administration totaling about \$25 million district-wide, and about \$55 million to address maintenance and operations costs.

### The New Foundation Grant

The first part of the foundation grant is an allocation for basic administrative services at all colleges. It has two parts. The first is an assumption that all colleges must have a president, three vice presidents, a dean of research, and a facilities director. These costs are funded at the top salary for each of these positions to ensure that colleges are not disadvantaged if they happen to have more experienced individuals in the positions. If the employees in these roles are not at the top of the salary scale, the college is still funded as if they were. The second portion of the administrative allocation is for deans. For this portion of the model, it is assumed that the size of the college is relevant to the number of deans needed. The "size" of a college assumes the state-wide definition based on FTES. According to that definition, Pierce College is a medium-sized college with FTES between 10,000 – 19,999. Only East Los Angeles, with FTES in excess of 20,000, is considered a large college. The formula funds four deans for small colleges, eight for medium-sized colleges, and twelve for large colleges. These numbers include all deans in both academic affairs and student services, but excludes the dean over research/institutional effectiveness because that position is funded in the first part of the formula. These numbers are strictly used as a means of determining common costs; they are not at all intended to be a staffing model imposed by the DBC, the District, or the Board of Trustees. It is merely a formula for allocating resources. If an individual college chooses in its

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## The New Foundation Grant

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deliberations to have more or fewer positions in any of these areas, that decision still rests with the college.

The maintenance and operations portion of the foundation grant is based on the college's number of square feet under roof. With bond construction, this number changes annually. The mechanism to update the number occurs annually in October when it is updated in a state-wide database called Fusion. Since the fiscal year begins in July and Fusion is updated in the following October, the number used for current fiscal year is the one that was reported in the preceding fiscal year. For example, in FY 2013 our October 2011 Fusion data was used (October 2011) being part of the FY 2012 fiscal year). Our new library will be reported in our Fusion database in October 2013, and with the new allocation model we will be credited with those additional square feet in FY 2015. This number is then multiplied by an average cost per square foot, which in the new model was based on actual expenditures at all nine colleges during fiscal year 2011. Just as the actual number of square feet under roof is updated annually, the expenditure per square foot number is also planned to be updated on a regular basis. It should be noted that the formula only considers square feet under roof; there is nothing in the formula that considers total acreage of a campus.

In the first year of the new allocation formula, the district-wide total of the foundation grants based on these formulas is approximately \$80 million. Approximately \$25 million for the basic administrative portion and \$55 million for the maintenance and operations costs are the FY 2013 numbers. The allocation model awards remaining funds to the colleges based on FTES. Regardless of how any multi-college district chooses to distribute its revenue, the total number of dollars received are finite. The only way to increase revenue to some of the LACCD colleges requires other colleges to forfeit funds.

In the prior resource distribution formula, the foundation grants awarded district-wide to the colleges totaled approximately \$33 million. Since it was determined that the foundation grants to the colleges would now total \$80 million, the only source of that revenue was to reimburse the colleges at a lower rate for the FTES portion of the allocation model. Naturally, colleges with higher FTES were disadvantaged in a model with fewer dollars distributed on that basis. With this new allocation model, East Los Angeles, Pierce College, and Valley College all forfeit funding that each college received under the former funding formula. The remaining six colleges receive additional resources in varying amounts from \$100,000 to \$1.1 million. When the new formula was approved, it included a recommendation that the impact of this change be evaluated in the third year of implementation. We need to ensure by making this change that we have not simply flipped the District colleges with deficits from one group of colleges to another. This evaluation of the new allocation model should take place during FY 2015. *continued on page 6*

## New Allocation Model Explained

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### **New Allocation Model: Phase One and Phase Two**

The new allocation model had a number of components to it. Not only was the ECDBC to consider the basic allocation of funds to each of the colleges, it was also asked to bring forward proposals on the distribution of growth funds, to determine if and how colleges with deficits would be required to pay back their "loan" of additional funds, and to develop a policy for how college balances should be allowed to accrue. Faced with these significant topics, the ECDBC recommended breaking the tasks up in two phases. Phase One includes the new allocation model and a policy regarding college balances. Phase Two includes the distribution of growth dollars and the deficit repayment policy. In spring 2012, ECDBC brought forward to DBC the proposal for the new allocation model. The recommendation was accepted and approved by DBC at its March 6, 2012 meeting. This allowed the Chancellor to accept the recommendation and forward it to the Board of Trustees for action in time for the model to be implemented for FY 2013. Phase Two has been under discussion at ECDBC since last spring.

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### **NEW ALLOCATION MODEL**

#### **PHASE ONE:**

- New allocation model
- Policy regarding college balances

#### **PHASE TWO:**

- Distribution of growth dollars
- Deficit repayment policy

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Although agreement on the plan for distributing growth funds was not accepted unanimously, a recommendation was brought forward to DBC for a "first reading" at the March 26, 2013 meeting. I was not in attendance at the April 24 DBC meeting; however, it is my understanding that the new growth formula recommended by ECDBC was approved by DBC. It will be forwarded to the Chancellor for further action this month. Additionally, the DBC began its discussion at the April meeting on the deficit college repayment proposal. It was referred back to ECDBC for further review and discussion. In a future First Monday Report, I will explain the college balance policy, the new growth formula methodology, and the deficit repayment policy once a recommendation is approved by the DBC, the Chancellor, and the Board.

### **New Allocation Model Impact on Pierce College**

We enacted this new district-wide financial allocation model

in part to assist the smaller colleges with their operational budgets both for their overall fiscal health and to address ongoing Accrediting Commission concerns. When the model was recommended by the DBC to the Chancellor and the Board of Trustees, it was understood that Pierce College would receive between \$700,000 and \$800,000 fewer dollars per year once the model is fully realized in FY 2016. This new model was implemented in the current fiscal year, but given the difficulty of the projections for FY 2013, DBC recommended a four-year phase in period. In FY 2013, the District backfilled any reduced funding to a college that was the result of the new allocation model. In FY 2014, Pierce College forfeits the first third of our permanent reduction. This will total approximately \$250,000. In FY 2015, we are reduced by another third. By FY 2016, we will be reduced by the full amount of redistributed resources. We need to keep this reality in mind as we prepare our budgets over the next three years.

### **Fiscal Year 2014 and Beyond...**

The additional tax revenues generated by Proposition 30 will sunset in seven years. Over this period of time, we hope the structural deficits that plagued the State budget over the last five years will

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## Fiscal Year 2014 and Beyond...

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have resolved themselves through an improved economy not only in California and the nation, but globally. The Governor released his FY 2014 budget in January as required in statute. This begins the political process of lobbying for and against those early state-wide budget proposals. The outcome of those political discussions will be reflected soon in the Governor's May Revise. It is expected that the State budget will be finalized by June 15. Among Governor Brown's proposals affecting community colleges is a proposal for 2% to be used to restore our FTES base that has been severely reduced over the last three fiscal years. Finally, there is some good news from the State relating to the budget. Tax receipts continue to come in above the budget projections; however, it is likely the Governor will propose taking any additional revenue to reduce the "wall of debt." This would mean no additional operational funds immediately, but it would improve our cash flow district-wide. Naturally, the legislature will weigh in on all of these proposals as well as we move toward a mid-June State budget. Stay tuned to future FMRs for more information on Pierce College finances and resources as the budget is always a topic of interest to us all.

## "Day of Politics"

by Doreen Clay



Day of Politics 1 on Sept. 27, 2012, featured speakers from the League of Women voters going over ballot propositions for the November election. Deputy District Attorney Mario Trujillo debated former Deputy DA Steve Ipsen, and student James Anderson presented the amendment to "Three Strikes and You're Out." Green Party presidential candidate Dr. Jill Stein flew out that same day to meet with students and the day culminated in a debate between all parties on the California ballot with representatives from the Green, Peace and Freedom, Libertarian, Democratic and Republican parties.

On Oct. 11, Day of Politics 2 saw Congressmen Brad Sherman and Howard Berman face off in a debate that culminated in one candidate grabbing the other in a "bear hug" that proved fodder for news media both nationally and internationally. Later that same day Professors James McKeever and Pamela Brown argued the pros and cons of Proposition 30 (education funding) and Proposition 38 (K-12 education funding) and then took opposing sides on Proposition 32 (union political funding). Professor Brian Walsh debated Republican candidate Susan Shelley over ending the death penalty (Prop 34).

In spring of 2013 on Feb. 26, Day of Politics welcomed candidate for Controller Jeff Bornstein. LACCD incumbent Nancy Pearlman debated former Pierce President Tom Oliver for District 6 on the LACCD Board of Trustees. District 3 L.A. City Council candidates Cary Iaccino, Joyce Pearson, Scott Silverberg, Steven Presberg and a representative of Assemblyman Bob Blumenfield (Rick Tuttle, former L.A. City Controller) debated the issues and answered questions.

Finally, Day of Politics 2 on April 18, 2013 allowed the students to meet the frontrunner in the L.A. Mayoral race, Eric Garcetti. Mr. Garcetti answered questions and stayed to take pictures with Pierce students. It is invigorating to see the engagement of our students and community at these events and we invite you to join us at Days of Politics this fall.