

Grossmont-Cuyamaca Community College District

Income Allocation Formula 101

June 9, 2015

Income Allocation Formula

WHY

WHAT

HOW

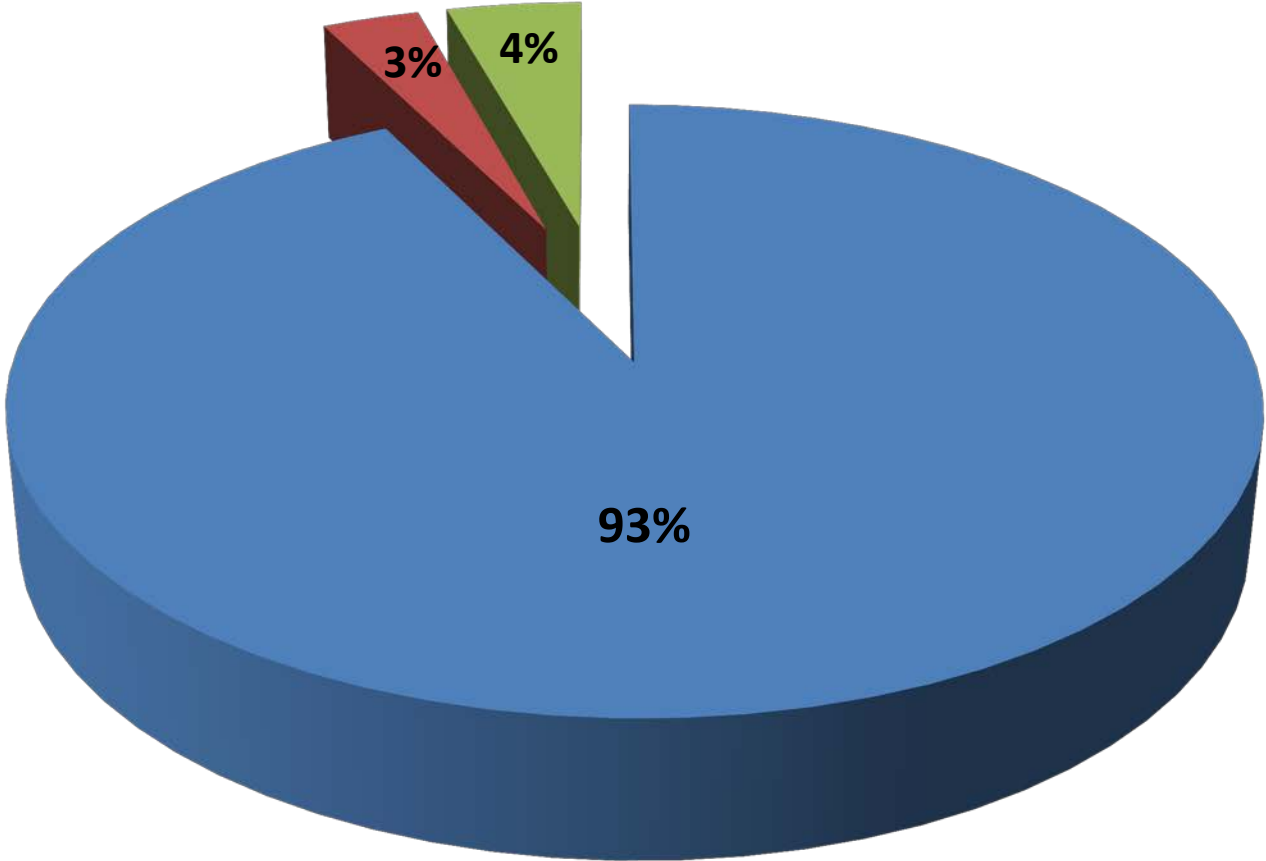
WHEN

WHY ??

- **Multi-College District**
- **Revenue from the State comes to the District**
- **Mechanism to distribute the State revenue to the colleges**

What ??

Total Revenue



■ State Apportionment ■ Other State ■ Local

Principal Apportionment

- **Funding from the State based on FTES**
- **Calculations that adjust the State funds throughout the fiscal year as more information becomes available**
 - **Advance Apportionment**
 - Released in July
 - **First Principal Apportionment (P1)**
 - Released in February
 - **Second Principal Apportionment (P2)**
 - Released in June
 - **Recalculation Apportionment (Recalc)**
 - Released in February of the following year

State Apportionment Revenue – 93%

Basic Allocation

+

Credit FTES Base
Allocation

+

Non-Credit FTES
Base Allocation

+

COLA & Growth

-

State Deficit
(Revenue Shortfall)

=

State Apportionment

Basic Allocation

- **Basic Allocation is based on:**

- Size of the College
- Single or Multi College District

- **Funding for Multi-College District:**

- Greater than 19,293 FTES\$4.5 million
- Greater than 9,647 FTES.....\$4.0 million
- Less than 9,647 FTES.....\$3.4 million

FTES Base Allocation

	<u>2014-2015</u>	<u>2015-2016</u>
• Credit FTES Rate.....	\$4,676	\$4,943
• Non-Credit FTES Rate.....	\$2,812	\$2,973
• Non-Credit CDCP FTES Rate.....	\$3,311	\$4,943
• Career Development & College Preparation		

COLA (Cost of Living Adjustment)

- **When there is a State-funded COLA:**
 - **The Basic allocation amount and the FTES Rates are multiplied by the funded COLA percentage**

Growth/Access/Restoration

- **When there is a State-funded Growth:**
 - **The FTES is increased by the growth percentage**
- **Base FTES (prior year funded FTES) + Growth FTES = CAP FTES**
- **Districts must earn the growth FTES to get the growth funds**
- **Districts are not funded for more than the CAP level**

State Deficit (Revenue Shortfall)

- **When state-wide revenues such as:**
property taxes, student enrollment fees, income tax, sales tax
come in lower than estimated, the State Chancellor's Office
reduces the apportionment amount by a deficit factor
- **Deficit at P1 was \$1.5 million**
- **State deficit is one time reduction**

Other State Revenue – 3%

- **Unrestricted Lottery**
- **Administrative Allowance for Fee Waiver**
- **Part Time Faculty Compensation Funding (Parity)**
- **Mandated Cost**

Local Revenue – 4%

- **Revenue that is directly generated by the colleges**
- **Distributed to the colleges based on projections**
- **Mainly consists of:**
 - **Non-Resident Tuition**
 - **Facility Rental**
 - **2% of enrollment fee**
 - **Interest**
 - **Cell Transmitters**

Income Allocation Formula

HOW ??

Current Formula Overview

- **The formula was implemented in FY 1998/1999**
- **Recommended by the shared governance body of the District Budget Planning Committee after 2 years of intense work**
- **In 2009 a Budget Task Force was formed to analyze the current formula led by the State expert Joe Newmyer**
- **The Task Force confirmed that the budget was accurate and clearly presented**

Current Formula Overview

- **Full-Time Equivalent Students (FTES) goals are determined based on the State CAP and recommendation from the FTES Task Force**
- **The Resident FTES percentage is used to distribute State Revenue**
- **The total FTES (Resident & Non-Resident) percentage is used to fund Districtwide costs**
- **An Economy of Scale factor is calculated to adjust the smaller college budget**

Calculation

Total Income

+

Beginning Balance

-

Contingency Reserve

-

Districtwide Commitment &
District Services

=

Grossmont
College
Budget

Cuyamaca
College
Budget

Districtwide Commitments

- **Budget is based on projected actual costs of the commitments**
- **2015/2016 Projected cost \$6.2 million**
- **Fixed Cost items such as:**
 - **Board Elections**
 - **IS system maintenance**
 - **Retiree health benefits costs**
 - **Property, casualty & liability insurance**
 - **Law enforcement**
 - **Safety & Injury prevention**
 - **Staff ADA - Accommodations**
 - **Districtwide memberships**

District Services

- **Operating departments that serve the entire District such as:**
 - **Governing Board & Chancellor's Office**
 - **Accounting, Payroll & Purchasing**
 - **Human Resources**
 - **Advancement & Communications**
 - **Facilities & Public Safety**
 - **Research & Information System**
- **Salaries & benefits are budgeted based on projected actual costs**
- **A base amount is pre-defined for operating expenses**
- **The base amount is increased by the State-funded COLA %**
- **2015/21016 Estimated Cost \$11.2 million**

Economy of Scale Factor

- **When the formula was implemented an Economy of Scale was built in to help the smaller college budget**
- **Criteria was developed to help reduce the EOS over the years**
- **Designed to give Cuyamaca College the ability to grow**
- **All four criteria must be met:**
 - **2 % State-funded COLA**
 - **2% State-funded Growth**
 - **Growth dollars for Cuyamaca is more than the reduction of the EOS amount**
 - **Minimum 1% FTES growth at Grossmont**

Economy of Scale Amount

Fiscal Year	EOS Amount	GC FTES %	CC FTES %
1998/1999	\$1,459,972	73.25%	26.75%
2005/2006	\$607,490	69.34%	30.66%
2015/2016	\$607,490	69.34%	30.66%

- **Economy downfall and the reduction from the State**
- **The EOS has not been reduced in 10 years**

Income Allocation Formula

2015/2016

HOW it was applied ??

2015/2016 FTES Goals

FTES	GC	CC	Total
Resident	12,994	5,745	18,739
	69.34% (1)	30.66% (1)	
Non-Resident	738	73	811
Total FTES	<u>13,732</u>	<u>5,818</u>	<u>19,550</u>
	<u>70.24%</u> (2)	<u>29.76%</u> (2)	

(1) The Resident FTES percentage is used to distribute State Revenue

(2) The total FTES (Resident & Non-Resident) percentage is used to fund Districtwide commitments and District Services

2015/2016 State Revenue

Revenue			2015/2016 Amount
State Apportionment	93%		\$99,137,413
Other State	3%		\$3,381,693
Total State Revenue	96%		\$102,519,106

	Grossmont College	Cuyamaca College
Resident FTES %	69.34%	30.66%
State Revenue Allocation	\$71,086,748	\$31,432,358

2015/2016 Income Allocation Formula

	Grossmont College	Cuyamaca College
State Revenue Allocation	\$71.1M	\$31.4M
Local Revenue	\$3.5M	\$365K
Beginning Balance	\$2.2M	\$179K
Total Funds Available	<u>\$76.8M</u>	<u>\$32.0M</u>
Economy of Scale	(\$607K)	\$607K
DS & DW	(\$12.8M)	(\$4.6M)
Total Budget Allocation	<u>\$63.4M</u>	<u>\$28.0M</u>

2015/2016 Budget Compared to 2014/2015 Budget Excluding Beginning Balances

	Grossmont College	Cuyamaca College	District Services	Districtwide Commitments
2015/2016	\$61.2M	\$27.7M	\$11.2M	\$6.2M
2014/2015	\$57.9M	\$26.2M	\$11.0M	\$7.2M
Increase(Decrease)	\$3.3M	\$1.5M	\$200K	(\$1M)

WHEN ??

- **The Income Allocation Formula is calculated :**
 - **Tentative Budget**
 - **Adoption Budget**
 - **Increases in Unrestricted General Fund revenue during the year**

Budget Allocation Task Force (BAT)

- **Established in 2012**
- **Dr. Rocky Young reviewed our current formula and provided recommendations**
- **The recommendations will be presented to the Governing Board and to the constituent groups during Fall 2015**

Budget Allocation Task Force (BAT)

- **Since 93% of the District UGF comes from Apportionment, the proposed allocation model follows the State of California funding model**
- **The model includes two fundamental revenue sources:**
 - **The basic allocation funding which takes into consideration the economies of scale and the size of the colleges**
 - **Funding each college based on the credit and non-credit FTES rates**
- **This model will ensure that the colleges will receive what they earn.**

Questions???