

# Community College Finance

From the Past to the Future

“You have to know the past to understand the present.” Carl Sagan

Kindred Murillo, Vice Chancellor, Districtwide Administrative  
Services

# What we are going to talk about

- About you
- My story
- The Past - Understanding where we came from and how it influenced where we are
- Community College Funding in California
  - Why develop budgets
  - How we are funded - SB 361
  - Timelines
- What You Need to Know about CC Finance

# About You

- What are your expectations from our time together?



# Learning Outcomes

## Learning Outcomes for Today

- All participants who complete this module will be able to identify the purpose of a budget and the California regulations that frame the policy for developing budgets.
- All participants who complete this module will be able to identify the appropriate reference sources for budgets, student attendance accounting, and regulatory requirements.
- All participants who complete this module will understand the complexity of resource allocations in a large and complex organization to include the basic allocation that funds colleges in the State of California and how the regulations impact those allocations,
- All participants who complete this module will be able to identify ethical issues to consider in allocating resources.



# So Who Am I?

- Product of Community College System
- Bachelors of Science, Business Administration
  - University of Redlands
- Masters of Science, Organization Development
  - Pepperdine University
- Doctoral Candidate, Organizational Leadership
  - Pepperdine University

# So Who am I?

- A lifelong learner
- Important to know your strengths
- Important to know your hooks
- Do what you feel in your heart to be right- for you'll be criticized anyway. You'll be damned if you do, and damned if you don't.  
Eleanor Roosevelt
- Important to know:
  - “it is not necessary to react”

# So Who Am I ?

- Started at the very bottom
  - Plant equipment operator
  - Southern California Edison
- 13 years experience at SCE
  - Area Manager
  - Employee Relations Manager
  - Manager, Business Offices
- Came to community colleges to teach part-time





# So Who Am I ?

- Part-time/full time faculty member
- Went to Business Services
  - 10 years experience in community college administration
    - Finance
    - Budget
    - Facilities/Bond management
    - Technology
    - Security/police services
    - Maintenance and Operations

# So why be a business manager?

- Toughest challenges in administration
  - Personnel
  - Budgets
- Custodian of Taxpayer Dollars
- Story of layoffs at SCE
- Internal Controls

# Making Ethical Decisions

- Six Pillars of Character
  - Trustworthiness
  - Respect - civility, commitment
  - Responsibility
  - Fairness
  - Caring
  - Citizenship
    - <http://charactercounts.org/sixpillars.html>
- What would you do if your boss told you to do something you believe is unethical?



# Making Ethical Decisions

- <http://www.youtube.com/watch?v=uO0gOyPVj6A&feature=related>
  - The False Necessity Trap
  - If It's Legal and Permissible, It's Proper
  - It's Just Part of the Job
  - It's All for a Good Cause
  - I Was Just Doing It for You
  - I'm Just Fighting Fire With Fire
  - It Doesn't Hurt Anyone
  - Everyone's Doing It
  - It's OK if I Don't Gain Personally
  - I've Got It Coming
  - I Can Still Be Objective
    - Character Counts - Josephson Institute

# Videos on Ethics

- <http://www.youtube.com/watch?v=uO0gOyPVj6A&feature=related>
- [http://www.youtube.com/watch?v=mneq\\_5lH\\_84&feature=related](http://www.youtube.com/watch?v=mneq_5lH_84&feature=related)

History of Community Colleges

# The Early 20<sup>th</sup> Century

The California Idea



# The California Idea

- California was a leader in community college development nationally
  - The goals emerged as the “California Idea”
    - All high school graduates should have the opportunity for postsecondary education
    - Expand all public higher education institutions throughout the state
    - Cater to the social and economic needs of the rapidly changing California (Douglass, 2000)

These goals influenced the how funding developed

# Understanding Our Past

- 1907- Ballard Act passed allowing high schools to offer postgraduate courses
- 1917 - High school districts of \$3 million or more in assessed valuation were permitted to establish junior colleges
- 1921 State Authorized funding for junior colleges from federal funding
  - \$2,000 per junior college
  - \$100 per Average Daily Attendance (ADA)

From very early on our funding was tied to K-12

# Evolving Funding

- 1935 - Method for funding ADA established by State
  - 175 day academic calendar
    - 2- 17.5 week semesters
  - 15 hours per week of instruction
  - One student attending 15 hours per week X 17.5 weeks = 262.50 hours
    - Fall - 262.50 hours
    - Spring - 262.50 hours
    - Academic year = 525 hours
- 1947 - Concept of State support based upon a foundation grant was established
- 1949 - One ADA = number of hours student attends divided by 525

Districts could increase property taxes to increase funding



# Myth or Truth

- The first junior college (community college) in California was Fresno City College.
- Truth - Fresno City College was established in 1910 and 21 community colleges were in place 1921.

# The Second Half of the Twentieth Century

Unprecedented Growth, Expansion, and New Fiscal Challenges

# The 1960 Education Master Plan

- Impact to community college
  - Designated junior colleges as community college
  - Provided acceptance as part of the higher education system
  - Gave the largest mandate for expansion by funneling students away from universities to community colleges
- Considered a major turning point for community colleges



# The Seventies

- 1973- Each district was guaranteed funding for ADA growth.
- 1975 - a five percent cap or limit on growth was established
- 1978 - Proposition 13 - Limited Property Tax Funding
  - Removed local control of funding from local district board of trustees
  - Community colleges became “state funded”
    - Before prop 13, 55% CC funding property taxes

# The Eighties

- 1981 - ADA Growth Cap assigned to each district which limited the funding for growth
- 1982 - A \$30 million reduction was mandated for community college in “recreational” classes.
- 1984 - General student fees were imposed for the first time \$50 per semester or \$5 per unit
- 1988 - AB 1725 enacted
  - Comprehensive community college reform proposal
  - Program based funding

# Proposition 98

- 1988 - Proposition 98 was approved by the electorate
  - Provided specific procedures to determine a minimum annual funding levels for K-12
  - Links the K-14 funding formulas to growth factors that are also used to compute the State appropriations limit (GANN Limit)
    - Test 1 - Share of General Funds
    - Test 2 - Growth in Per Capita Income Tax
    - Test 3 - Growth in General Fund Revenue
  - Usually between 39% and 45% of the State budget



# Today

- California Community College System is considered one of the more comprehensive and mature community college systems
  - 72 districts - 110 colleges (soon to be 112)
    - 22 multi college
    - 50 single college
  - 2.9 million FTES
  - Funded mainly by the State

# Budgets

- Budgets are a central part of the resource allocation process for public organizations
  - Purpose of a budget
    - A mechanism for setting priorities
    - An institutional plan of action
    - An institutional contract
    - A control mechanism
    - A gauge of risk
    - An Instrument of communication
    - A political device (Meisinger, 1994)

# Budgets

- Good public expenditure management
  - Accountability
  - Transparency
  - Predictability
  - Participation (Shah, 2007)
- Requires some level of process for making decisions
- Should be tied to planning and organizational priorities



# Public Finance Uses Fund Accounting

- Funds are used as control mechanisms for public accounting
- 11- Unrestricted
- 12 - Restricted
- 41- Capital Outlay
- 42 - Measure A 2002
- 43 - Measure A+ 2006

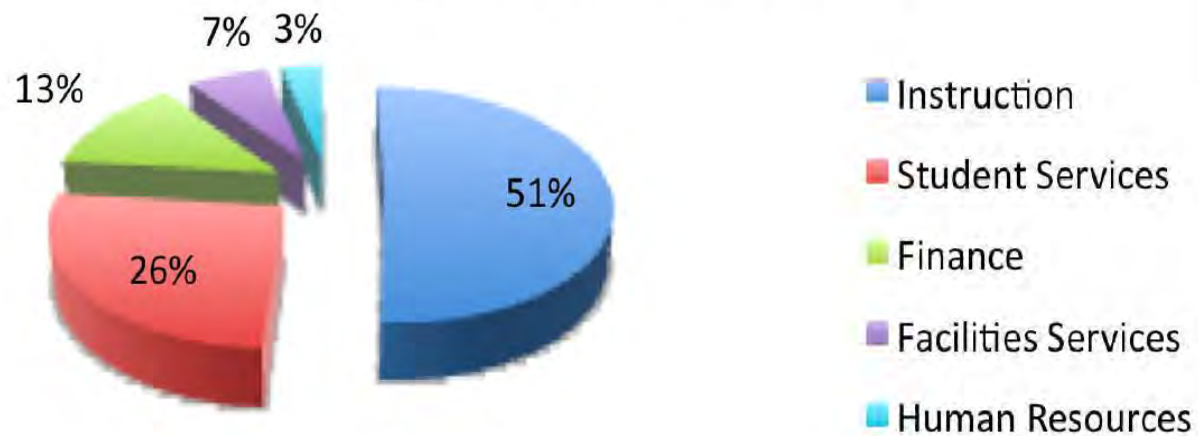
# Chart of Accounts

- We account by using General Ledger accounts
- Critical for us to get object codes and activity codes right

# Group Activity

- What are your funding priorities?

## Percentage Expenditures





# Making Choices

- Important to know
  - Check the source document
    - Know who is presenting the numbers and why
      - What is the motive behind the person presenting the numbers
  - Know your numbers
    - So my question to you is how much deep do you want to go?

# California Community College Funding

- Student Attendance Accounting Manual
- Budget and Accounting Manual
  - <http://www.cccco.edu/ChancellorsOffice/Divisions/FinanceFacilities/FiscalServices/ManualsPublications/tabid/331/Default.aspx>
- Student Fee Manual
  - <http://www.cccco.edu/Portals/4/Legal/opinions/attachments/06-11.pdf>
- Title 5 of the California Code of Regulations
  - <http://ccr.oal.ca.gov/linkedslice/default.asp?SP=CCR-1000&Action=Welcome>
- Education Code
  - <http://www.loginfo.ca.gov/>
- Governmental Accounting Standards Board (GASB)

Requires a lot of knowledge and resources

# How Does Attendance Accounting Influence the Budget

- Headcount is the number of students attending college whether part -time or full-time
- Enrollment is a student taking a class
- Full-time Equivalent Student is the equivalent of one full time student calculated by:
  - 1 FTES =  
15 hours per week X 17.5 X 2 = 525 Contact Hours  
Community College is funded by FTES



# Funded Through Full-time Equivalent Students (FTES)

- Student Attendance Accounting
- Weekly Student Contact Hours
- Daily Student Contact Hours
- Positive Attendance
- Distance Education

# Weekly Student Contact Hour (WSCH)

- Primary Terms Only (Spring & Fall for CCCC)
- Course coterminous with primary term
- Same number of days each week
- Same number of hours each day
- Same number of hours each week including TBA
- Calculated by Term Length Multiplier (17.5) X number of students X hours meet/525
  - Example: 30 students X 3 hours X 17.5 (1575 WSCH)/525 =

3 FTES

# College Enrollment Cycles

- Funding Modes Impact Decisions and Funding
- Funding modes are driven by State and enrollments
  - Growth
  - Growth cap
  - Stability
  - Decline
  - Restoration



# State Timeframes

- Advanced Apportionment - August
- CCFS 320 - First Period Report - January 15
- First Principle Apportionment (P1) - February
- CCFS 320 - Second Period Report - April 30
- Second Principle Apportionment (P2) - June
- CCFS 320 - Final Report - July 15
- Recalc - October

# Budget Requirements

- July 1 - Tentative Budget
- August - Notice and publication of Adoption Budget public hearings
- September 15 - District must have Adoption Budget
- October 10 - Annual Financial and Budget Report due to Chancellors Office (CCFS 311)

# Program Based Funding

## Workload Measures

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- Instructional Services
  - Credit FTES
- Instruction
  - Credit FTES
- Student Services
  - New credit enrollment
  - Continuing credit enrollment
- Non credit activities

## Workload Measures

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- Maintenance and Operations
  - Gross square footage (GSF)
  - FTES in leased space (less than 100%)
- Institutional Support
  - Based on a percentage all other categories

Resulted in unequal funding of community colleges



# SB 361 Funding

- Legislation carried by former Senator Jack Scott (Now State Chancellor)
- Replaced Program Based Funding workload measures with one workload measure - FTES
- Equalized community college funding with in 90<sup>th</sup> percentile

# SB 361

- How it Works

- Basic allocation is based on number and size of:
  - Colleges
  - Centers
- Per FTES funding
  - Credit
  - Non Credit
  - Career Development  
Career Placement  
(enhanced non credit)

- Basic Allocation

- $> 20,000$  FTES = \$4,428,727
- $< 20,000$  FTES  $> 10,000$  FTES = \$3,875,136
- $< 10,000$  FTES  $> 4,000$  FTES = \$3,321,545
- $< 4,000$  FTES = \$+553,591

- Centers

- $> 1,000$  FTES = \$1,107,182

# 4cd SB 361 Funding

- Basic Allocation
  - CCC = \$3,321,545
  - DVC = \$3,875,136
    - SRVC = \$1,107,182
  - LMC = \$3,321,545
  - Total Base Funding =
    - \$11,625,408
- Per FTEs Funding
  - Credit = \$4,564.83
    - 29,433
  - Non-credit = \$2,744.95
    - 404
  - CDCP = \$3,232
  - Total Allocation =
    - 147,091,979



## 4cd SB 361

- Total Allocation - \$147,091,979
  - Minus property tax - \$71,438.119
  - Minus student enrollment fees - \$11,084,589
  - = State funding of \$64,569,271

# Multi College Districts

- Unique challenges
  - Allocating funding between colleges
  - District Office
  - Districtwide Services
- Should be some savings from the centralization of services and one Governing Board
- [http://www.nextten.org/next10/programs/budget\\_challenge.html#](http://www.nextten.org/next10/programs/budget_challenge.html#)

# Important Things to Know About CC Finance

- Sources of funding have changed over time moving from local funding to State funding
- State funding has been decreasing for higher education
- Funding for all public higher education in California
  - UC - \$18,508 per FTES
  - CSU - \$12,293 per FTES
  - CC - \$5,891 per FTES (2007-2008)



# Important Things to Know About CC Finance

- Fiscal Stability
  - Standards
  - Audits
    - Fiscal
    - Compliance
- 50% Law
- Full-time Faculty Obligation
- 75%/25% Full time Faculty Ratio

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# Kirkpatrick's Four Level Evaluation Model for learning

- Reaction - how the learners react to the learning process
- Learning - the extent to which the learners gain knowledge and skills
- Behavior - capability to perform the learned skills while on the job
- Results - includes such items as monetary, efficiency, moral, etc.



# Questions and Final Remarks

The greater danger for most of us lies not in setting our aim too high and falling short; but in setting our aim too low, and achieving our mark.  
Michelangelo