

# Santiago Canyon College Academic Senate

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## SENATORS

### **Business and Career Education**

Deeley, Steve, 2012  
Salcido, Andrew, 2013

### **Continuing Education (OEC)**

Shields, Jolene, 2013

### **Counseling & Student Services**

Aguilera, Lenor 2013  
Mettler, Mary 2012

### **Humanities and Social Sciences**

Deaver, Doug, 2012  
Elchlepp, Elizabeth, 2013  
Granitto, James, 2013  
Isbell, James, 2013  
Shekarabi, Nooshan, 2012

### **Fine & Performing Arts and Communication**

Womack, Melinda, 2013

### **Library**

Sproat, Barbara, 2013

### **Mathematics and Sciences**

Cummins, Shawn, 2013  
Hovanitz, Eric, 2012  
Martino, Danny, 2013  
Nance, Craig 2012  
Scott, Randy, 2013

### **Adjunct**

Matthews, Evangline, 2012

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Barembaum, Morrie, 2012

### **Vice President**

Evet, Corinna, 2012

### **Secretary/Treasurer**

DeCarbo, Michael, 2012

### **Curriculum**

Rutan, Craig - Chair

## Resolution S2012.1

### Resolution in Support of the Revision to the Budget Allocation Model

Moved: Shawn Cummins  
Seconded: James Granitto

Whereas, Board Policy 9001 states that "...the Board of Trustees will come to mutual agreement with the Academic Senate..." in the area of "...10) Processes for institutional planning and budget development.";

Whereas, the budget allocation model is the model that governs the allocation of resources;

Whereas, the current budget allocation model was first developed when Santiago Canyon College first became a separate college and has had little to no review since its first adoption;

Whereas, a collaborative effort between staff and administrators from Santa Ana College, Santiago Canyon College, and the District Office has produced a new budget allocation model based on SB 361 (Scott);

Resolved, that the Santiago Canyon College Academic Senate supports the adoption and implementation of the Rancho Santiago Community College District Budget Allocation Model Based on SB 361 (Scott) dated 23 January 2012; and,

Resolved, that the Santiago Canyon College Academic Senate supports the implementation of the new budget allocation model for the 2012-2013 fiscal year.

Date Presented: 21 February 2012

Date Approved: 21 February 2012

***Santiago Canyon College is an innovative learning community dedicated to intellectual and personal growth. Our purpose is to foster student success and to help students achieve these core outcomes: to learn, act, communicate and think critically. We are committed to maintaining standards of excellence and providing an accessible, a transferable, and an engaging education to a diverse community.*** (Approved 4/12/2011)



## **Rancho Santiago Community College District Budget Allocation Model**

### **Based on SB 361**

#### **Introduction**

The budget allocation model described in this document provides the guidelines, formulas, and basic steps for the development of an annual district wide budget including the allocation of budget responsibilities for Santa Ana College, Santiago Canyon College and District Operations referred to as the three district budget centers. The budget is the financial plan for the district, and application of this model should be utilized to implement the district's vision, mission statement, district strategic plan and the technology strategic plan as well as the colleges' mission statements, educational master plans, facilities master plans and other planning resources. The annual implementation of the budget allocation model is to be aligned with all of these plans. To ensure that budget allocation is tied to planning, it is the responsibility of the Budget Allocation and Planning Review Committee (BAPR) to review budget and planning at the end of the fiscal year and, if necessary, recommend adjustments to the budget allocation model to keep the two aligned for the coming year. *The Chancellor and the Board of Trustees are ultimately responsible for the annual budget and the expenditures associated with the budget. BAPR is responsible for recommending the annual budget to Chancellor and Board of Trustees and in fulfilling that obligation the budget allocation model provides the guidelines for the distribution of revenue. BAPR can choose to modify, ignore or enhance some or all of the guidelines, however, any change should be documented and approved by the Chancellor.*

The goal of the budget allocation model is to create a documented allocation process that provides financial stability and encourages fiscal accountability at all levels in times of either increasing or decreasing revenue streams. It is also intended to be simple, transparent, easy to understand, fair, predictable and consistent, using quantitative, verifiable factors with performance incentives. BAPR should conduct a review(s) during each fiscal year to assess if the implementation of the budget allocation model is meeting the goal.

Under state law, the District is the legal entity and is ultimately responsible for actions, decisions and legal obligations of the entire organization. The Board of Trustees of the Rancho Santiago Community College District has clear statutory authority and responsibility and, ultimately, makes all final decisions. Likewise, the Chancellor, under the direction of the Board of Trustees, is responsible for the successful operation, reputation, and fiscal integrity of the entire District. The funding model does not supplant the Chancellor's role, nor does it reduce the responsibility of the District Operations staff to fulfill their fiduciary role of providing appropriate oversight of District operations. It is important that guidelines, procedures and responsibility be clear with regard to District compliance with law and regulation related to the 50% Law, Full-Time/Part-Time faculty requirements, Faculty Obligation Number (FON), attendance accounting, audit requirements, fiscal and accounting standards, procurement and contract law, employment relations and collective bargaining, payroll processing and related reporting requirements, etc. The responsibilities for these requirements are to be maintained by District Operations, which has a responsibility to provide direction and data to the colleges to assure they have appropriate information for decision making with regard to resource allocation at the local level, thus, assuring District compliance with legal and regulatory requirements.

All revenue is district revenue because the district is the legal entity authorized by the State of California to receive and expend income and to incur expenses. However, the majority of revenue is provided by the

taxpayers of California for the sole purpose of providing educational services to the communities served by the district. Services such as classes, programs, and student services are, with few exceptions, the responsibility of the colleges. It is the intent to allocate the majority of funds to the colleges in order to provide those educational services. The model intends to provide an opportunity to maximize resource allocation decisions at the local college level. Each college president is responsible for the successful operation and performance of his or her college. The purpose and function of the District Operations in this structure is to maintain the integrity of the District and its individual colleges and to facilitate college operations so that their needs are met and fiscal stability is assured. District Operations has responsibility for providing certain centralized functions, both to provide efficient operations as well as to assist in coordination between District Operations and the colleges. Examples of these services include human resources, fiscal and budgetary oversight, procurement, construction and capital outlay, and information technology. On the broadest level, the goal of this partnership is to encourage and support collaboration between the colleges and District Operations.

## **Implementation**

*A detailed transition plan for the implementation of the new budget allocation model should include:*

- *Standards and milestones for the initial year*
- *An evaluation process to determine if the standards and milestones have been achieved or if there is adequate progress*
- *A process to ensure planning is driving the budget*

## **Revenue Allocation**

The SB 361 funding model allocates resources to the colleges in the same manner as received by the District. The method allocates all of the resources to the colleges as earned.

## **College and District Operations Budgets and Expenditure Responsibilities**

Expenditure responsibilities for the colleges, district operations and district wide services are summarized in Table -1.

The total annual revenue to each college will be the sum of base funding for each college and center as defined by SB 361 and applying the current FTES rates for credit base, non-credit base, career development and college preparation non-credit base revenues and any local unrestricted or restricted revenues earned by the college.

The allocation will be reviewed by the BAPR. In reviewing the allocation of general funds, BAPR should take into consideration all revenues, including restricted revenues, available to each of the budget centers. If necessary, BAPR will recommend an adjustment(s) for the coming year and submit it to the Chancellor.

The resources allocated to District Operations and for district wide services will be based on a proposed budget prepared by District Fiscal Services, reviewed by BAPR and approved by the Chancellor and the Board of Trustees. Funding will come from any revenues generated by District Operations, the previous year's ending balance and from general apportionment.

**DISTRICT OPERATIONS** - Costs incurred for operation of centralized services provided by District office staff, such as human resources, purchasing, payroll, accounting, etc.

**DISTRICT WIDE SERVICES** - Costs to support those District functions which are most effectively managed on a centralized basis, such as auxiliary services, safety and security services, information technology

services, and facility planning services. This would also include costs associated with mandated, statutory, or contractual costs that must be paid and cannot be reduced or changed, e.g. retiree health benefits, property and liability insurance, audit, etc.

Annual expenditure budgets for the District Operations and district wide services will be developed based on the projected levels of expenditure for the current fiscal year, taking into account unusual or one-time anomalies.

An annual review of District Operations and district wide services will be conducted by BAPR each fall. The review will include an evaluation of the effectiveness of the services provided to assure the District is appropriately funded. If BAPR believes a change to the allocation is necessary, it will submit a recommendation to the Chancellor.

### **District Reserves and Deficits**

Per current Board policy, the District is required to maintain a minimum of 3% of the ongoing operating expenditure budget as a contingency reserve. The Board may also set a higher reserve level through the Board Budget Assumptions.

The Chancellor reserves the right to adjust allocations as necessary as a result of any unforeseen circumstance that significantly impacts the budget that is beyond the control of the District and colleges.

### **College Budget and Expenditure Responsibilities**

Colleges will be responsible for funding the current programs and services that they operate as part of their budget plans. There are some basic guidelines the colleges must follow:

- Requirements of the collective bargaining contracts apply to college level decisions.
- The state required Full-Time/Part Time faculty requirements and FON must be maintained. Full-time faculty hiring decisions by the colleges are monitored on a district wide basis.
- In making expenditure decisions, the impact upon the 50% law calculation must be considered and budgeted appropriately.
- Allocating resources to achieve the funded level of FTES is a primary objective for all colleges.

### **Budget Center Reserves and Deficits**

It is recommended that the colleges and District Operations set aside a contingency reserve to handle unplanned expenses. If unspent by year end, this reserve falls into the year-end balance and is included in the budget centers' beginning balance for the following year.

If a budget center incurs a deficit for any given year, the following sequential steps will be implemented:

The budget center reserve shall be used to cover any deficit. If reserves are not sufficient to cover budget expenses and/or reserves are not able to be replenished the following year, then the budget center is to prepare

an expenditure reduction plan and/or submit a request for the use of District Reserves to help offset the deficit. The expenditure reduction plan and/or a request to use District Reserves is to be submitted to BAPR. If BAPR agrees with the expenditure reduction plan and/or the request to use District Reserves, it will forward the recommendation to the Chancellor who will make the final determination.

District Operations: Economic Development expenditures are to be included in the District Operations budget but clearly delineated from other District Operations' expenditures. Any State-funded COLA will be incorporated into the coming year's budget only if recommended by BAPR and approved by the Chancellor and Board of Trustees.

Attached is a checklist (Table 1) to be used to identify specific expenditures and the assignment of budget responsibility. Prior to development of the coming year's budget, BAPR should review the checklist and recommend changes if necessary.

## **Revenue Modifications**

### **Apportionment Revenue Adjustments**

It is possible that the District's revenue from apportionment could be adjusted after the close of the fiscal year in the fall, but most likely at the P1 recalculation, which occurs eight months after the close of the fiscal year. Any increase or decrease to prior year revenues is treated as an addition or reduction to the colleges' current budget year.

### **Allocation of New Revenue**

Growth Funding: When growth is funded in the final state budget signed by the Governor, growth will be funded prospectively by the District. Subject to District growth cap and other funding limitations, growth dollars will be advanced to the colleges based on the Chancellor approved annual FTES targets. Plans to go after growth funding requires BAPR approval, and the plans should include how growth funds will be distributed if one of the colleges does not reach its growth target.

Revenues which are not college specific will be allocated based on total funded FTES.

Due to the instability of revenues, such as interest income and mandated cost reimbursements, revenues from these sources will **not** be part of the allocation formula. Income derived from these sources will be added to the district wide reserves.

### **Other Possible Strategic Modifications**

#### **Summer FTES**

There may be times when it is in the best financial interest of the District to shift summer FTES between fiscal years. When this occurs, the first goal will be to shift FTES from both colleges in the same proportion as the total funded FTES for each of the colleges. If this is not possible, then care needs to be exercised to ensure that any such shift does not create a disadvantage to either college. If a disadvantage is apparent, then steps to mitigate this occurrence will be addressed by BAPR.

Borrowing of summer FTES is not a college-level decision, but rather it is a District-level determination. It is not a mechanism available to individual colleges to sustain their internal FTES levels. Attempting to do so would raise the level of complexity on an already complex matter to a level that could be impossible to manage and prove detrimental to the District as a whole.

### **Long-Term Plans**

Colleges: Each college has a long-term plan for facilities and programs. The Chancellor, in consultation with the Presidents, will evaluate additional funding that may accrue to the colleges beyond what the model provides. The source of this funding will also have to be identified.

District Operations: District Operations and district wide services may also require additional funding to implement new initiatives in support of the colleges. BAPR will evaluate requests for such funds on a case-by-case basis and submit a recommendation to the Chancellor.

### **Full-Time Faculty Obligation Number (FON)**

To ensure that the District complies with the State required full-time Faculty Obligation Number (FON), the Chancellor and his cabinet will establish a FON for each college. Each college shall be required to fund at least that number of full-time faculty positions. If the District falls below the FON and is penalized, the amount of the penalty will be deducted from the revenues of the college(s) causing the penalty. BAPR should regularly review the FON targets and actuals and determine if any budget adjustment is necessary. If an adjustment is needed, BAPR should develop a proposal and forward it to the Chancellor for approval.

### **Possible Appendices to be added if determined to be necessary**

- a) **Definition of Terms**
- b) **Frequently Asked Question & Answers**
- c) **Transition Plan**

Table 1

Expenditure and Budget Responsibilities		SAC & CEC ☑	SCC & OEC ☑	District Operations ☑	District wide ☑
<b>Academic Salaries- (1XXX)</b>					
1	State required full-time credit Faculty Obligation Number (FON)	✓	✓	✓	✓
2	Bank Leave	✓	✓	<i>District Operations To Maintain Funds From Bank Leave Prior to the Implementation of the Model.</i>	
3	Impact upon the 50% law calculation	✓	✓	✓	✓
4	Faculty Release Time	✓	✓		✓
5	Faculty Vacancy, Temporary or Permanent	✓	✓		
6	Faculty Load Banking Liability	✓	✓		
7	Adjunct Faculty Cost/Production	✓	✓		
8	Department Chair Reassigned Time	✓	✓		✓
9	Management of Sabbaticals	✓	✓		✓
10	Sick Leave <i>Replacement</i> Cost	✓	✓		✓
11	AB1725	✓	✓		
12	Administrator Vacation	✓	✓	✓	
<b>Classified Salaries- (2XXX)</b>					
1	Classified Vacancy, Temporary or Permanent	✓	✓	✓	
2	Working Out of Class	✓	✓	✓	
3	Vacation Accrual Cost	✓	✓	✓	
4	Overtime	✓	✓	✓	
5	Sick Leave <i>Replacement</i> Cost	✓	✓	✓	
6	Compensation Time taken	✓	✓	✓	
<b>Employee Benefits-(3XXX)</b>					
1	STRS Employer Contribution Rates, Increase/(Decrease)	✓	✓	✓	
2	PERS Employer Contribution Rates, Increase/(Decrease)	✓	✓	✓	
3	OASDI Employer Rates, Increase/(Decrease)	✓	✓	✓	
4	Medicare Employer Rates, Increase/(Decrease)	✓	✓	✓	

5	Health and Welfare Benefits, Increases/(Decrease)	✓	✓	✓	
6	SUI Rates, Increase/(Decrease)	✓	✓	✓	
<b>Expenditure and Budget Responsibilities</b>		<b>SAC &amp; CEC</b> ✓	<b>SCC &amp; OEC</b> ✓	<b>District Operations</b> ✓	<b>District wide</b> ✓
<b>Employee Benefits-(3XXX) - continued</b>					
7	Workers' Comp. Rates, Increase/(Decrease)	✓	✓	✓	
8	Retiree Health Benefit Cost OPEB Liability vs. "Pay-as-you-go"				✓
9	Cash Benefit Fluctuation, Increase/(Decrease)	✓	✓	✓	
<b>Other Operating Exp &amp; Services-(5XXX)</b>					
1	Property and Liability Insurance Cost				✓
2	Waiver of Cash Benefits	✓	✓	✓	
3	Utilities				
	-Gas	✓	✓	✓	
	-Water	✓	✓	✓	
	-Electricity	✓	✓	✓	
	-Waste Management	✓	✓	✓	
	-Water District, Sewer Fees	✓	✓	✓	
4	Audit				✓
5	Board of Trustee Elections				✓
6	Scheduled Maintenance				✓
7	Copyrights/Royalties Expenses				✓
8	Legal Expenses				✓
<b>Capital Outlay-(6XXX)</b>					
1	Equipment Budget				
	-Instructional	✓	✓	✓	✓
	-Non-Instructional	✓	✓	✓	✓
2	Improvement to Buildings	✓	✓	✓	✓
3	Improvement to Sites	✓	✓	✓	✓

Table 2

Revenue and Budget Responsibilities		SAC & CEC ☑	SCC & OEC ☑	District Operations ☑	District wide ☑
<b>Federal Revenue- (81XX)</b>					
1	Grants Agreements	✓	✓	✓	
2	General Fund Matching Requirement	✓	✓	✓	
3	In-Kind Contribution (no additional cost to general fund)	✓	✓	✓	
4	Indirect Cost (overhead)	✓	✓	✓	✓
<b>State Revenue- (86XX)</b>					
1	Base Funding	✓	✓		
2	Apportionment	✓	✓		
3	COLA or Negative COLA	✓	✓	✓	✓ subject to collective bargaining
4	Growth, Work Load Measure Reduction, Negative Growth	✓	✓	✓	✓
5	Categorical Augmentation/Reduction	✓	✓	✓	
6	General Fund Matching Requirement	✓	✓	✓	
7	Apprenticeship	✓	✓		
8	In-Kind Contribution	✓	✓	✓	
9	Indirect Cost	✓	✓	✓	✓
10	Lottery				
	- Unrestricted (abate cost of utilities)	✓	✓	✓	
	- Restricted-Proposition 20	✓	✓		
11	Instructional Equipment Matches (3:1)	✓	✓		✓ and will have chargeback to site proportionally
12	Scheduled Maintenance Matches (1:1)	✓	✓	✓	
13	Part time Faculty Compensation Funding	✓	✓		✓ subject to collective bargaining

14	State Mandated Cost	✓	✓	✓	✓
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<b>Revenue and Budget Responsibilities</b>		<b>SAC &amp; CEC</b> <input checked="" type="checkbox"/>	<b>SCC &amp; OEC</b> <input checked="" type="checkbox"/>	<b>District Operations</b> <input checked="" type="checkbox"/>	<b>District wide</b> <input checked="" type="checkbox"/>
<b>Local Revenue- (88XX)</b>					
1	Contributions	✓	✓	✓	
2	Fundraising	✓	✓	✓	
3	Proceed of Sales	✓	✓	✓	
4	Health Services Fees	✓	✓		
5	Rents and Leases	✓	✓	✓	
6	Enrollment Fees	✓	✓		
7	Non-Resident Tuition	✓	✓		
8	Student ID and ASB Fees	✓	✓		