~~The Contra Costa Community College District General Fund Budget~~
General Fund Resource Allocation and Budget Administration

I. Overview

~~Effective July 2010 the District adopted the SB 361 allocation model as the basis for its budgeting system. In this essentially decentralized budgeting environment, there is a need for formulae and procedures which clearly outline the method used to fairly and impartially allocate funds to the colleges and the District Office and which fix appropriate levels of responsibility for budget administration with the colleges and the District. The Director of District Finance Services has a key role in managing the District budget. With regards to the external environment, the Director of District Finance Service's role is to scan financial, political, economic, and social horizons and advise the Chancellor, Chief Administrative Services Officer (CASO) and college Presidents of emerging situations with the potential to affect the District's financial condition.~~

~~Within the District's internal environment, the function of the Director of District Finance Services is one of support and service. This is consistent with the trend toward maximum decentralization of decision making authority and responsibility to the colleges of this District. This position provides timely and accurate reports to District groups, develops accurate financial projections needed for future decision making, and communicates financial updates in a timely manner to employees at each college. The Chancellor, CASO, and/or the Director of District Finance Services meet with the District Governance Council (DGC) acting as the Budget Committee.~~

~~Ongoing communications between colleges and the District Office is essential in maintaining a viable budgeting system. Recommendations on resource allocation guidelines and procedures are encouraged from employee groups, and information relative to finance procedures and estimates is reviewed with them. Full and open disclosure is essential to the District's budget process. Although California Community College finance is complicated, real understanding of the facts and inter-relationships involved in budget decisions is necessary for successful implementation of the budget allocation system.~~

~~The budgeting process includes both long-range and short-term planning and provides a linkage to the District's program planning and review efforts and accreditation. The District annually reviews budget decisions in terms of the multi-year budget consequences through the use of the Sound Fiscal Management Checklist. Short-term planning is reflected in the annual budget. Fundamental to both long-range and short-range planning is extensive information on all significant phases of operations and costs. The data provide~~

~~management information to achieve more effective utilization of personnel and financial resources.~~

~~Overall, the preparation of the annual budget is a collaborative effort involving all constituency groups at the District. The District is committed to openness throughout the budgeting process and believes greater interaction and input from its stakeholders creates a budget reflective of the District's mission and ensures its students receive the services needed to be successful.~~

This procedure establishes the methodology used to allocate resources among the colleges and the District Office and identifies the responsibilities specific to administering that methodology. The District's broader requirements and guiding principles for fiscal management, budget development, and annual budget preparation are established in Board Policy 5031, Fiscal Management; Board Policy 5033, Budget Development Criteria, Values and Guiding Principles; Business Procedure 18.02, Parameters for Budget Development and Preparation; and Business Procedure 18.06, Budget Preparation Calendar.

The District's allocation methodology is aligned with the State's funding model and is periodically updated to reflect changes as implemented by the State. From 2010–2011 through 2025–2026, the District used an allocation model based on Senate Bill 361, incorporating the Flexibility, Stability, and Hold Harmless provisions provided by the State.

Beginning in 2026–2027, the District initiated a planning and implementation process to establish a districtwide allocation model based on the Student-Centered Funding Formula (SCFF), which was enacted as part of the 2018–2019 State Budget. The timing, conditions, and provisions governing the District's transition to the SCFF allocation model are set forth in this procedure.

II. Guidelines

Education Code and Title V Code of Regulations provide~~s~~ parameters for developing and maintaining the annual budget. Below is a non-inclusive list of guidelines, best practices and controls to adhere to in the budgeting process:

A. The operating expenditure budget is a careful plan which anticipates needs and establishes patterns for disbursements.

B. Personnel needs and allocations are established by the budget. Part-time staff may be employed only within budgeted amounts.

C. Managers responsible for operating units or departments are expected to be especially diligent in improving methods and consolidating tasks whenever terminations occur. Upon any employee termination or separation, department managers must evaluate workflows for opportunities to improve operational efficiency.

D. Colleges and the District Office are expected to adhere to the budget as detailed by account number and line items. If the demand for materials and services exceeds the budget, a request for a budget transfer will be initiated by the ~~college~~ site and forwarded to the Director of District Finance Services for review and approval. (Use Request for Budget Transfer, available electronically.) All budget transfers will be entered into the financial system by the District Accounting Office.

E. To facilitate control, budget reports will be generated and reviewed by location at least quarterly. These reports are to be reviewed carefully to ~~assure~~ ensure operation within budget totals.

F. Adjustments to effect transfers between major expenditure classifications shall be sent to the Governing Board for approval periodically during the year and at the end of each fiscal year.

In addition to adhering to budget development and fiscal management parameters outlined in Board Policies, Education Code, and Title 5, the District aligns resource allocation decision-making with the District's and colleges' strategic plans and guiding principles outlined in Board Policy 5033.

III. Roles, Responsibilities, and Collaborative Ownership

Preparation of the annual budget is a collaborative effort involving all constituency groups Districtwide. The District is committed to openness throughout the budgeting process and recognizes that meaningful stakeholder engagement helps produce a budget that reflects the District's mission.

Ongoing communications between colleges and the District Office is essential in maintaining a viable budget process and system. Employee constituency groups are encouraged to provide feedback and recommendations on resource allocation guidelines and procedures, and information concerning budget assumptions, and projections. Full and open disclosure is essential to the District's budget process. Although California Community College finance is complicated, real understanding of the facts and inter-relationships involved in budget decisions is necessary for successful implementation of the budget allocation process. Timelines associated with budget preparation are provided in Business Procedure 18.06.

A. Chancellor and Chancellor's Cabinet

The Chancellor, in consultation with Chancellor's Cabinet, provides executive oversight of the District's budget development and allocation processes. This responsibility includes approving college SCFF and nonresident FTES targets; reviewing budget assumptions, revenue projections, and proposed allocations; and establishing Districtwide strategies to address material changes in revenue, expenditures, or financial conditions.

The Chancellor, Executive Vice Chancellor, Administrative Services (EVC/AS), and Associate Vice Chancellor, Chief Financial Officer (AVC/CFO), as appropriate, meet with the District Governance Council (DGC) serving as the Budget Committee to provide budget updates, including statewide context and information needed for financial decision-making.

B. District Finance Services

District Finance, under the leadership of the Executive Vice Chancellor, Administrative Services; Associate Vice Chancellor, Chief Financial Officer; and Director of District Finance Services, oversees District budget development and provides fiscal support to the colleges. District Finance monitors external and internal conditions affecting the District's financial position; develops revenue projections, budget assumptions, and proposed allocations; provides timely and accurate financial information; and supports consultation with the colleges, Chancellor's Cabinet, and DGC.

C. College Presidents and College Business Officers (CBOs)

College presidents and CBOs are responsible for coordinating college budget development in consultation with appropriate college constituencies and District Finance. Their core responsibilities include developing proposed SCFF and nonresident FTES targets; reviewing and providing feedback on budget assumptions, revenue estimates, and expenditure projections; aligning budget priorities with college and District plans; and preparing and submitting the college's proposed budget within its projected allocation.

~~III.~~ IV. District Funding Framework (Unrestricted General Fund)

The unrestricted general fund comprises the vast majority of the revenue and expenditures of the District. The revenue for the unrestricted general fund is mostly from apportionment (state funding, property taxes, and enrollment fees) but also includes revenue from the state lottery, nonresident tuition and student fees. Expenses incurred to the unrestricted general fund include personnel and the supplies, materials, and equipment needed for operations. All funds discussed in this section are accounted for in the District's Unrestricted General Fund (Fund 11) consisting of operating funds located in Subfund 01.

V. Student-Centered Funding Formula (SCFF)

The Student-Centered Funding Formula (SCFF) is the methodology used by the State of California to determine unrestricted general fund apportionment revenue for community college districts. SCFF funding consists of three primary components:

- **Base Allocation (70%)** provides funding primarily based on funded credit FTES, noncredit FTES, and enhanced FTES categories including Incarcerated, Special Admit, Career Development and College Preparation (CDCP), together with fixed allocations for colleges and centers. Beginning in 2026-27, the funded credit FTES are based on the greater of the current year credit FTES and the existing three-year average of credit FTES calculation.
- **Supplemental Allocation (20%)** provides funding based on the number of low-income students served, including recipients of the California College

Promise Grant, Pell Grant recipients, and AB 540 students.

- **Student Success Allocation (10%)** provides funding based on specified student outcomes, including degree and certificate attainment, transfer to four-year institutions, completion of transfer-level English and mathematics, workforce milestones, and living-wage outcomes.

The sum of the Base, Supplemental, and Student Success allocations constitutes the District's SCFF Calculated Revenue. The State refers to the District's overall apportionment entitlement as Total Computational Revenue (TCR).

The District's TCR is determined using the highest of the following three calculations:

- **SCFF Calculation** consists of the Base Allocation, Supplemental Allocation, and Student Success Allocation calculated using estimated current-year data.
- **Stability Funding Calculation** based on the prior year's SCFF entitlement, adjusted for applicable COLAs and other authorized changes.
- **Hold Harmless Calculation** provides a minimum funding level based on the District's previously established Hold Harmless revenue amount.

Multiple times each year, the California Community Colleges Chancellor's Office calculates State Apportionment funding under all three methodologies. The District receives State Apportionment revenue based on the methodology that results in the highest apportionment amount.

Transition from SB 361 Hold Harmless to SCFF

Beginning 2026-2027, the District will calculate and monitor the State Apportionment revenue attributed to each college under the District's local SCFF calculation.

A. Transition Condition

The Transition Condition is the criteria required for the District to transition from the SB 361 allocation methodology to the SCFF model. The Transition Condition will be achieved the first fiscal year when all three colleges' SCFF-calculated amounts exceed their respective 2025–2026 Hold Harmless funding allocations.

The transition year will occur no later than in fiscal year 2028-29.

The District will continue to allocate State Apportionment Revenue using the SB 361 allocation methodology until the Transition Condition is met. Any new net revenue-after distributing the Hold Harmless amount to each college-will be allocated proportionately according to each college's SCFF performance, as reflected in the Second Principal Apportionment (P2).

B. Allocation During Transition Year

The Transition Year is the first year in which the Transition Condition is met.

The Transition Year shall be no later than fiscal year 2028-29. During the Transition Year, each college shall initially receive an allocation equal to its 2025–2026 Hold Harmless funding level. At year end, the District will adjust each college's allocation to reflect the amount attributable to that college under the District's local SCFF calculation.

Any college that is not earning more than their 2025-26 Hold Harmless funding amounts by the end of the 2028-29 fiscal year shall remain funded at their 2025-26 Hold Harmless levels and make expenditure adjustments to ensure balanced budgets.

C. Allocation After Transition Year

Beginning in the fiscal year immediately following the transition year, the District shall use the SCFF allocation as its ongoing allocation methodology.

~~A.~~ VI. Budget Development and Allocation

A. Beginning Balance

A fund's current year beginning balance is defined as the ending fund balance from the prior year. The balance for the Unrestricted General Fund is delineated into the following three categories:

1. Board designated reserves, including ~~a 5%~~ two months unrestricted General Fund ~~Reserve~~ operating expenditures per Board Policy 5033.~~, 5% Contingency~~ Required Site Reserves, ~~and~~ Reserve for Encumbrances for all locations, and other funds upon which the Board has, by official action, designated a specific Districtwide or location-specific purpose.
2. College and District Office ~~discretionary~~ Assigned/Committed and Designated reserves, which are unspent allocations from the prior year. The amount is calculated as the location's prior-year beginning balance plus prior year actual revenue less prior year actual operating expenditures. These reserves are computed by subfund for each location, with subfund 01 considered the operating portion.
3. ~~Unreserved~~ Unassigned/undesignated fund balance.

Adjustments to Beginning Balance: Adjustments to the current year's beginning balance may occur throughout the budget cycle as the result of the prior year's closing activities. These may include, but are not limited to: audit adjustments, grant disallowances, bad debt write-offs, and accounts receivable and liability liquidations. Any increase or decrease in the beginning balance occurring after budget adoption will be identified by source and the adjustment will be applied to the appropriate reserve category listed above.

B. ~~Enrollment Projections~~ Target Setting

~~The initial step in~~ As part of the annual budget development process, each college will establish targets for all funded SCFF categories. ~~is the projection of resident and non-resident full time equivalent student (FTES) enrollment. FTES projections are based on an analysis of enrollment history, plans to expand programs, projected state funding, etc.~~

Targets should be informed by historical trends, current-year data, planned program changes, enrollment and student-success initiatives, demographic and economic conditions, and other relevant factors. ~~The c~~College Presidents shall provide information, oversight, and review ~~of this~~ throughout the target setting process. ~~Productivity ratios and class size goals are cornerstones to this segment of the budgeting system.~~ The budget calendar and steps are detailed in Business Procedure 18.06.

~~NOTE: For the District apportionment purposes outlined below, FTES refers to resident FTES only unless otherwise stated.~~

~~FTES growth targets will be based on the ratio of base college-funded FTES to total District-funded FTES that each college is charged to maintain. In the event that there is state funding for FTES growth and any college does not reach its growth target, the FTES will be prorated between the remaining colleges based on a revised ratio of funded FTES from the still eligible colleges. If there are to be other considerations for determining FTES growth targets, those will be established by the Chancellor in consultation with the Cabinet.~~

~~The colleges' apportionment revenue allocations will be determined by FTES enrollment targets that have been approved by the Chancellor's Cabinet and is the basis for allocation of apportionment revenues to the colleges.~~

~~If a college does not meet its FTES target, its allocation will be reduced in accordance with the SB 361 allocation model that allocates revenues as earned on a FTES basis.~~

~~In a year with no funded growth, if a college exceeds its FTES enrollment target, it will assume responsibility for absorbing any expense incurred without receiving an additional revenue allocation.~~

~~If for any other reason(s) at the end of the fiscal year the District as a whole does not meet its maximum funded FTES base, a Districtwide strategy will be established by the Chancellor in consultation with the Chancellor's Cabinet.~~

1. SCFF Targets

Each college shall establish annual targets for each SCFF component:

- **Base Allocation** targets include applicable credit, noncredit, Career Development and College Preparation, special-admit, incarcerated-student, and other FTES categories recognized under the SCFF.

- **Supplemental Allocation** targets address the populations recognized under the SCFF, including California College Promise Grant recipients, Pell Grant recipients, and students covered by Assembly Bill 540.
- **Student Success Allocation** targets include the student outcomes and awards recognized under the SCFF.

2. Nonresident FTES Targets

In addition to establishing targets for SCFF categories, colleges will also establish a nonresident FTES target. Nonresident FTES and the associated tuition revenue shall be projected and budgeted separately because they are classified as local revenue and are used to determine each college's local revenue allocation.

3. Approval of Targets

The Chancellor's Cabinet shall approve all SCFF and nonresident FTES targets used to determine each college's revenue allocation.

C. Operating Resource Allocation Process

~~The computation of projected operating revenue is prepared by the Director of~~ Once targets have been approved, District Finance ~~Services.~~ shall prepare projected operating revenue by applying the targets to District's local SCFF calculation and updating expenditures based upon the assumptions. These projections will determine the State Apportionment revenue attributable to each college. ~~This is primarily the conversion of projected enrollments to dollar amounts derived from the state (the District's base revenue plus cost of living adjustments, plus growth or less deficit/workload reductions) and estimates of other operating revenue sources based on past experience and/or anticipated changes.~~

Separate revenue projections ~~are made~~ shall be prepared for restricted funds, ~~(~~which must be used for specific purposes~~)~~, and the unrestricted or operating fund. ~~Major emphasis of the SB 361 model is on the operating fund (Subfund 01). Revenue projections rely upon many assumptions about the future which guide the estimates of allocable revenue for the District. The possibility of changing economic and political conditions and the necessary tentativeness of the revenue total must be accepted and understood. Projected revenue should not be viewed as an absolute.~~ District budget projections are estimates of future revenues and expenditures based on historical data and information provided by the Department of Finance, State Chancellor's Office, and other government agencies. Projections should be updated regularly as new information becomes available and should not be viewed as final or guaranteed. If updated projections indicate revenue reductions, the District shall identify the corresponding adjustments necessary to maintain fiscal stability.

~~Another important function of revenue analysis is to provide a reasonable estimate of the change in revenue for the budget year compared to the current year. From this difference, any new programs or improvements in programs may be funded in addition, of course, to the necessity of funding incremental and inflationary increases in existing programs. If the forecast is for diminished revenue, the task is to identify areas to obtain expenditure reductions.~~

Allocation of Projected Revenue

~~The combination of state general fund revenue, local property taxes and enrollment fee revenue make up the majority of District revenue used to fund general operating costs. In addition to the state and local resources detailed below, each college receives a basic allocation based upon college size using state funded rates. Further, revenue from non-resident tuition, unrestricted state lottery and other specific state allocations are subject to distribution through the revenue allocation model.~~

The District utilizes the ~~SB 361~~ SCFF funding formula allocation model to distribute state general apportionment and other ~~FTES-driven~~ State revenue to the colleges. Total allocations for college operations are determined using the following ~~six-step~~ process:

State Apportionment Revenue

Step 1 Determine Districtwide operating revenues (~~a~~Apportionment~~, non-resident, lottery~~ and ~~miscellaneous~~ other Districtwide state revenue). Deduct deficit factor (as required), Contingency, Reserve Requirement (defined in Board Policy 5033), and/or other allocation adjustment due to Stability, Hold Harmless, or other factors.

Step 2 ~~Deduct costs for c~~Contractual~~, and r~~Regulatory ~~expenses~~, and committed obligations and other non-college-based costs from the total Districtwide revenue in Step 1.

Step 3 Deduct the allocation for the District Office~~,~~ (currently computed as ~~10.534%~~ 10.647% of the amount remaining after Step 2.

~~**Step 4** Deduct and distribute the basic allocation as defined by the state to each college as earned (defined below).~~

Step ~~5~~ 4 Distribute the remaining ~~Districtwide~~ (net) revenue to each college based on ~~a~~ college-specific ~~proportionate~~ proportions calculated in Step 1. This yields the net State revenue allocation for each college. ~~share of projected FTES (resident and non-resident).~~

Local Nonresident Revenue

Step 1 Determine nonresident tuition revenue based upon approved nonresident FTES targets for each college.

Step 2 Deduct the allocation for the District Office using the same percentage as done in Step 3 for State revenue above.

Step 3 Distribute the remaining (net) revenue to each college based upon college specific nonresident proportions calculated in Step 1. This yields the net nonresident revenue allocation for each college which is reconciled and trued-up at year end based upon actual nonresident FTES.

Other Local Revenue (excluded from allocation model)

~~**Step 6**~~ Add other local operating revenues as projected by each location to determine each college's total ~~resource allocation~~ revenue budget.

~~Exhibit A to this procedure demonstrates, in summary form, the implementation of this allocation model.~~ The following information details each of the ~~six~~ steps.

Step 1 – Districtwide Operating Revenues

1. Computation of Apportionment Revenue

~~The base~~ SCFF State revenues for the District shall be ~~the sum of~~ based on the following ~~allocations~~ components (also defined under Section VI.B.1.):

a. ~~**Annual Basic**~~ **Base SCFF Allocation (70%)**~~: The annual basic allocation is prescribed by the state SB 361 funding formula and is based on each college's size (resident FTES). An additional basic allocation is granted for state-approved centers. The annual basic allocation may be adjusted each year by a state-funded cost of living adjustment (COLA).~~

~~b. **FTES Base Revenue:** FTES base revenues for credit, non-credit, non-resident and Career Development and College Preparation (CDCP) non-credit FTES are generally equal to the state-prescribed base rates multiplied by its number of funded FTES from the prior fiscal year in each category. These allocations may be adjusted each year by the state.~~

b. **Supplemental SCFF Allocation (20%)**

c. **Success SCFF Allocation (10%)**

These annual allocation amounts for the current year are provided in the State Chancellor's Office First Principal Apportionment Report, Schedule C, released each February. To project basic allocation revenue for the new budget year during the budget development process, ~~these amounts are adjusted for funding changes anticipated for the new budget year, including any state-funded cost of living adjustment (COLA) or anticipated deficit/workload adjustments~~ SCFF targets are developed to calculate the projected Max TCR.

~~2. Allocation of Growth/Decline Revenue~~

~~Growth: 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's Cabinet approved annual FTES targets. The District Office shall receive 10.534% of growth funds.~~

~~Retrospectively, the colleges and the District Office will be funded for **actual growth achieved**, subject to the scenarios outlined below, not to exceed the District funded growth cap:~~

~~a. **All three colleges meet or exceed FTES targets:** All colleges will be funded up to target subject to growth funding limitations imposed through the state funding formula (funded growth).~~

b. ~~**One college meets or exceeds FTES growth target and other two do not:** The two colleges not meeting their targets will be paid for actual growth achieved. The unrealized growth from these two colleges will be distributed to the college exceeding its target up to the college's actual growth not to exceed the District funded growth cap.~~

~~c. **Two colleges meet or exceed growth targets and one does not:** The college not meeting its target will be paid for actual growth achieved. The unrealized growth from this college will be distributed on a pro rata basis between the two colleges exceeding their growth targets not to exceed the District funded growth cap. Each college will receive its share of the unrealized growth in the same proportion that their actual growth is to the two colleges' total actual growth. For example, assume that unrealized growth for distribution is~~

~~100, College A has actual growth of 400 and College B of 200. College A would receive 67% (400/600) of the distribution and College B would receive 33% (200/600).~~

~~In all cases, when District FTES growth is below the state-prescribed growth cap (FTES growth for which the District will be paid), actual growth, if any, will be funded where earned.~~

~~Enrollment Decline: If a college experiences enrollment decline below its funded targeted FTES, its budget shall be reduced by its proportionate amount of advanced growth funds in the year of the decline based on the Second Period CCFS 320 Report with final adjustment subsequent to filing of Annual CCFS 320 Report in July or as amended in October following fiscal year end. This reduction shall occur in a recalculation in Step 5. In addition, the state general revenue base for the subsequent year will be adjusted according to the state allocation model if actual FTES falls below the funded base.~~

~~The budget for the District Office will include the percentage delineated in Step 3 of projected growth funds and will be adjusted at year-end for actual earned growth on a composite basis.~~

~~3.~~ 2. Apportionment Revenue Adjustments

As indicated above, there is a First Period recalculation of apportionment revenue. Any increase or decrease to prior year revenues is treated as an addition or reduction to the colleges' and the District Office's current budget year.

If apportionment revenue is reduced from the prior year base for any of the following reasons: a) prospective revenue reduction anticipated in budget development; b) mid-year deficit resulting from insufficient tax revenues or enrollment fees; or c) as a result of end-of-year adjustment, the amount calculated in Step 1 will be reduced resulting in a proportionate reduction for the colleges and the District Office. Potential mid-year adjustments shall be reviewed by the Chancellor's Cabinet. ~~Any re-shifting of FTES between sites shall be agreed upon by the Chancellor's Cabinet.~~

~~4.~~ 3. Strategic Shift of Summer FTES

There may be times where 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 all three colleges in the same proportions as the total funded FTES for each of the three colleges. If this is not possible, then care needs to be exercised to ensure that any such shift not create a manufactured disadvantage to any of the colleges. If a manufactured disadvantage is apparent, then steps to mitigate this occurrence will be developed by the Chancellor's Cabinet.~~

~~Restoring "borrowed" FTES should occur on the same basis as it was drawn down up to the levels of FTES borrowed. If it cannot be restored in that fashion, care should be taken to evaluate if a disadvantage is created for any college.~~

Borrowing of summer FTES is not a college-level decision, but rather a District-level determination that is made in consultation and concurrence with the Chancellor's Cabinet. It is not a mechanism available to individual colleges to sustain their internal FTES levels. In the event the District borrows summer FTES or goes on stability or hold harmless, any disproportionate advantages or disadvantages resulting from that decision shall be reviewed, and possibly rectified, by the Chancellor's Cabinet.

~~5.~~ 4. Allocation of Other Step 1 Operating Revenue Sources

This category includes the following:

a. **Unrestricted Portion of Lottery Funds** – Projected revenue shall be computed using state projections and historical trends. Lottery funds are earned on resident and non-resident FTES.

b. **Office Hours~~/Health Insurance~~ for Part-Time Faculty** –Budgeted revenue, which is a reimbursement, will be based on state funding projections. All revenue from this category shall be used to pay for expenses related to office hours ~~and health insurance for part-time faculty~~ which are embedded into part-time faculty salary expenditures already incorporated into the colleges' budgets.

~~c. **Non-resident Tuition** – Revenue shall be projected based on non-resident FTES targets and established fees.~~

Additional funding received by the District after the budget is adopted, not directly attributable to an individual college, shall be distributed based upon the State's allocation methodology through the allocation model as delineated in the above revenue parameters.

In the event that actual revenues are less than the amounts projected and allocated to colleges for the fiscal year, the college and the District Office budgets will be recalculated and adjusted accordingly during a year-end "true-up."

5. Non Apportionment Revenue Adjustments
Adjustments to revenue projections for factors such as deficit factor (as required), Contingency, Reserve requirement (defined in Board Policy 5033), and/or other allocation adjustments due to Stability, Hold Harmless are applied to the total State revenue.

Step 2 – Districtwide Operational Costs

Expenses deducted from computed operational revenue prior to determining college and District Office allocations include those expenditures considered to be contractual, regulatory or committed and of benefit to the entire District. Activities and related costs for these three categories include, but are not limited to the following:

1. Contractual Expenses
Included in this category are costs related to implementation of various employee contracts and are subject to revision of collective bargaining agreements.
    a. Faculty sabbaticals
    b. United Faculty release time
    c. Faculty Senate release time
    d. Faculty evaluation stipends
    e. Faculty hiring committee stipends
    f. Local 1 release time
    g. Local 1 substitutes
    h. Classified Senate
    i. United Faculty and Local 1 medical co-pay funding
    j. Classified Employee Enhancement Program (CEEP)
    k. Staff development programs
    l. Retiree health benefits
    m. Employee health benefits support related to part-time faculty medical reimbursement program

2. Regulatory Expenses
Included in this category are mandated or unavoidable/fixed costs such as:
    a. Districtwide independent audit
    b. Districtwide insurance programs, e.g. property and liability, student accident

c. Unemployment insurance experience charges
d. Election expenses
e. Redistricting expenses
f. Districtwide utilities
g. Legal expenses
h. Technology maintenance agreements including State sales tax assessments for software purchases
i. Costs for provision of up to 14 weeks of paid pregnancy leave as established in the 2026-27 adopted State budget
j. Bank fees for online student payments

3. Committed Obligations

Included in this category is funding for future events and current initiatives such as:

a. Other post-employment benefits (OPEB) reserve fund
b. Self-Insurance Fund
c. Legal settlements
d. Chancellor's fund for staff development
e. Office of Distance Education and Digital Literacy
f. Parking Fund 12 shortfall transfer

Districtwide operational costs are estimated for budget development utilizing the best-known information at the time and are adjusted for actual expenditures at the end of the fiscal year during the "true-up."

Step 3 – District Office Allocation

The allocation for the District Office is established at ~~10.534%~~ 10.647% of the Districtwide operational revenue (State Revenue Step 1) less Districtwide operational costs (State Revenue Step 2). The same percentage is applied to District nonresident revenue. This allocation may be reduced due to increases in shared service costs in Step 2 above. The allocation funds activities overseen by the District Office such as: District Governing Board, Chancellor's Office, Educational Planning, Administrative Services, Human Resources, Finance, Facilities Planning, Information Technology, Marketing, Internal Auditing, Police Services, International Education and Research. Changes to the District Office percentage shall only be done through the Chancellor's Cabinet.

StepS 4 ~~and 5~~ – College Allocation

The remaining ~~Districtwide~~ (net) State operating revenues are distributed to the colleges ~~in two steps. The first step is a distribution of the basic allocation by college and college center in an amount as determined by the state.~~

~~The second step is a distribution of the remaining balance proportionately~~ based on ~~FTES targets~~ State revenue proportion defined in Step 1. Allocations will be adjusted at year end based on actual ~~resident and non-resident FTES as described in the various scenarios of Step 1~~ State revenue earned and received.

The Allocations for Step 4 shall be determined using the above calculations and the following manner:

1. The Adoption Budget allocation will be based upon the Approved Targets and the SCFF percentages used in the calculation of the Advanced Apportionment, based on Prior year P2 SCFF data for the budget year for each college. After Steps 2 and 3 remaining (net) State revenue will be allocated to each college based upon the proportions defined in Step 1.

2. If additional District TCR is based on Stability or Hold Harmless SCFF calculations (which are considered one-time) remain beyond what was earned, those funds will be allocated to bring each college allocation up to the prior year SCFF allocation (Hold Harmless) based upon the availability of remaining Stability/Hold Harmless funding.

3. If insufficient funds are available to bring each college up to their prior year SCFF allocation amount, then there may be a reduction in allocation to impacted colleges and the district office. The allocations for each college may also be reduced from one year to another due to increases in the total shared service expenditures.

Local nonresident revenue shall be based on nonresident FTES targets after deduction of District Office percentage. Allocations will be adjusted at year-end based on actual nonresident FTES and revenues received.

~~Step 6 –~~ Local Revenue

Local revenue is defined as those revenues earned specifically by location and directly under the control of each college or the District Office and is not part of the allocation model, including, but not limited to, the following examples:

1. Apprenticeship program funding – based on attendance reporting and available state funding
2. Two percent of enrollment fees – computed on estimated enrollment fees at each college less Board of Governors (BOG) waivers

~~3. Part-time faculty compensation – based on negotiated distribution of available state funding for parity pay~~
~~4. Student materials fees – based on each college's estimated collection of allowable fees~~
~~5.~~ 3. Facility rentals – based on each location's estimate of revenues to be collected from external use of District facilities
~~6.~~ 4. Other additional local revenues – as determined by location

Expenditure Budgets

1. Colleges

Subsequent to allocation of revenue, each college will develop a balanced budget plan in accordance with the District Budget Calendar and agreed upon Districtwide budget assumptions. The allocations may be stretched to meet as many needs as possible in a process involving participation of faculty and other college staff to ensure (1) the resource requirements for educational and support programs are considered, and (2) priorities are developed.

Expenditures incurred in the following categories shall be the sole responsibility of each respective college:

a. locally funded transfer centers;
b. management sabbaticals;
c. part-time faculty office hours;
d. part-time faculty health insurance benefit*;
e. department chair reassigned time;
f. faculty substitutes;
g. intercollegiate athletics staffing~~;~~ and transportation;
h. vehicle replacement; and
~~h.~~ i. vacation/bank load pay offs.

*reimbursement received from the State for part-time faculty health insurance is added to college revenue outside of the allocation model.

Each college is independently responsible for developing an expenditure budget that utilizes the level of funding outlined in the revenue sections above. While budgeting decisions are at the discretion of the college, decision-making must be mindful of the following budgetary constraints:

a. allocating resources to achieve the funded ~~level of FTES~~ SCFF targets is a primary objective for all colleges;
b. requirements of the collective bargaining contracts apply to college level decisions;
c. the state-required, full-time Faculty Obligation Number (FON) must be maintained. (Due to funding implications, care must be exercised to maintain equitable full-

time/part-time balance at each college. Full-time faculty numbers, ratios and staffing plans will be monitored on a Districtwide basis.);

d. in making expenditure decisions, the impact upon the 50% law calculation must be considered and budgeted appropriately;

e. care should be exercised in maintaining the public investment in the physical plant, facilities and grounds of the campuses consistent with Business Procedure 5.01;

f. ~~in order to promote similar levels of support services at each of the colleges, appropriate~~ colleges must maintain sufficient levels of classified and management staffing ~~need to be maintained~~ to sustain appropriate levels of services at each college; and

g. legal requirements as found in AB 1725, Education Code and other statutory guidance as appropriate.

2. District Office

Development of annual expenditure budgets for Districtwide operational costs (Step 2) and the District Office (Step 3) are the responsibility of the District Office. Based on projected levels of expenditure for the current fiscal year and taking into account unusual or one-time anomalies, the District Office is responsible for utilizing its allocation to provide centralized services to the colleges that are efficient, cost effective, and responsive to campus needs. Any change to the established percentage allocation for the District Office funding will require approval by the Chancellor's Cabinet.

3. College- and District Office-Proposed Expenditure Budgets

College- and District Office-proposed expenditure budgets are compared to the departmental annual operational plans for consistency and to ensure adequate funding for location priorities. Final submittal is done to the District Office Finance Department where all location budgets are consolidated into a single budget document.

Long Term Plans

The District's budgeting process includes long-range planning and provides linkage to the District's program planning, review efforts and accreditation. Legal requirements such as AB 1725, Education Code and other statutory guidance help shape the budgeting process. Each location is responsible for developing its budget with a multi-year outlook.

1. Colleges

Each of the colleges shall maintain a long-term plan for facilities maintenance/improvement/expansion and new or expanded programs as defined in Business Procedure 5.01. The Chancellor, in consultation with the Presidents, will evaluate the availability and source of additional funding that may accrue to the colleges beyond what the model provides. Approved projects shall be included in the colleges' balanced budget proposals.

2. District Office

District Office and Districtwide operational costs also may require additional funding to implement new initiatives in support of the colleges and the District. The Chancellor will evaluate requests for such funds on a case-by-case basis. The source of this funding must be identified. Should the source be other than District Office revenue and/or District Office reserves, the requests will also be evaluated by the Chancellor's Cabinet. Approved projects shall be included in the District Office balanced budget proposal.

Reserves and Deficits

In the ~~SB 361~~ SCFF allocation model, the colleges have ~~greater~~ autonomy, ~~but also greater~~ responsibility and accountability. ~~Colleges and the District Office~~ Sites will be required to maintain a minimum-level contingency reserve of 1% of its ongoing operating expenditure budget (Subfund 01). This reserve is above the required two month reserve outlined in Board Policy 5033. This requirement may be waived upon approval of the Chancellor's Cabinet.

In order to maintain a sufficient level of budget reserve, each college and the District Office will be allowed to retain its current year beginning balance within certain limits. The combination of the beginning balance and the current year budgeted revenue represents the total resources available at each location. In using these resources to develop the operating expenditure budget, a minimum of 1% of the ongoing operating expenditure budget must be set aside as a contingency reserve. If unspent by year end, this reserve falls into the year-end balance at each location and is included in the beginning balance for the following year.

Reserves may be accrued up to 5% of ~~college or District Office~~ site operating expenditures. Any reserves over 5% at a single location will require a plan or explanation of the need to exceed 5%. Should the ending balance for a location exceed 7% of the subsequent year's budgeted expenditures, the amount in excess of 7% will be divided with 60% retained by the location and 40% redirected to Districtwide reserves. Suspension of this reserve provision shall only be done at the Chancellor's Cabinet.

Non-operating funds budgeted in subfunds other than Subfund 01 are excluded from this reserve limit due to the nature and purpose of these unrestricted funds.

Deficits are defined as a structural imbalance where revenue is insufficient to cover expenses within a specific fiscal year. In the event a structural deficit exists at a location, the following sequential steps will be implemented:

Step 1 – ~~College/District Office~~ Site reserves shall be used to cover any deficit generated by that location.

Step 2 – If the ~~college/District Office~~ site does not have sufficient reserves to cover the deficit, then the ~~college/District Office~~ site shall pay back any shortfall within one year; Chancellor's approval may be requested to extend the payback over a period not to exceed three years. To the degree District-level reserves are insufficient to cover this, an across-the-board allocation reduction (Step 2 of resource allocation process) may be necessary.

Step 3 – There may be circumstances for which a college or the District Office will find itself in a significantly weakened financial position, making full repayment of one or more of the three scheduled payments extremely difficult. The Chancellor, along with the ~~Chief Administrative Services Officer~~ EVC/AS, AVC/CFO and college Presidents, may consider an application for hardship whereby one or more payments are forgiven. When this occurs, the shortfall would come from Districtwide reserves. The draw down against the Districtwide reserves may require an across-the-board allocation reduction in subsequent years to replenish the Districtwide reserves.

Districtwide reserves represent minimum reserve levels established by the Governing Board per Board Policy 5033, budget guidelines and budget planning parameters.

B. **~~Budget Control, Administration, And Reports~~**

~~Budget Control~~

~~Budget control is an instrument for planning because a budget prescribes resources to carry out those plans. This makes it possible to set priorities and maintain control over resources to achieve those priorities. A budget must present current expenditures in balance with projected current-year resources.~~

~~The College Business Officer at each location is responsible for accurate projections which are vital to budget control. The Director of District~~

~~Finance Services is responsible for Districtwide oversight and compliance. During the course of the fiscal year, the Director of District Finance Services must analyze revenue projections. If updated revenue projections are less than budgeted amounts, recommendations must be developed for resolving the imbalance and communicated to each location.~~

~~The District's principal source of revenue is based upon enrollment and FTES data. Actual summer school and fall semester FTES estimates (based on student census data) will be available by November 1. At this point, the Chancellor and college Presidents will be advised whether or not actual enrollment varies from that previously estimated.~~

~~In mid-January, the above process will be repeated based on First Period Attendance Reports which are due to the state Chancellor's Office by January 15.~~

~~Another check point will occur in mid-April when first census week spring semester enrollments are available. State apportionment revenue for the year will not become firm until the Second Period Apportionment notice is received from the state in late June.~~

~~Budget Administration~~

~~To preclude disruptive mid-year reactions to errors in original projections, minimum reserves of 1% of the operating fund expenditure budget for each location is required Also, pursuant to Board Policy 5033, a reserve or contingency is available to the Board to meet unanticipated needs or emergency situations.~~

~~Once the revenue allocation is distributed to a college, that college administers its expenditure budget consistent with the guidelines of this procedure and with a primary focus on reaching its FTES target. The allocation system at the college level fixes the budget responsibility at the organizational unit level (dean, senior dean, administrator, etc.).~~

~~Flexibility in making budget transfers within available budget balances is permissible as outlined in Business Procedure 3.22 and Board Policy 5031. Overspending is not permitted. All financial transactions, including certain budget transfers, require Board approval, either by ratification or approval in advance for larger items.~~

~~Budget Reports~~

~~Account balance reports and detailed expenditure reports are available to all organizational units. Reports are also available at summary levels for use by the college Presidents. In addition, finance system information is readily available on-line for immediate inquiry as to budget account status and expenditure transactions detail.~~

~~This system ensures a non-deficit financial operation by establishing a reserve and allocating available money only. Budget balancing and constant monitoring at various levels throughout the year provide proper protection.~~

B. Target Monitoring and Year-End Adjustment

The District shall monitor progress toward the approved SCFF targets throughout the fiscal year and update revenue projections as more current enrollment, student characteristic, student outcome, and State Apportionment data become available. These updates shall be used for planning, forecasting, and identifying potential budgetary impacts; they shall not result in adjustments to college allocations during the fiscal year. Adjustments and true-up calculations are part of the year-end process.

SCFF metrics are subject to different reporting schedules, data periods, and calculation methodologies. Some metrics rely on prior-year data or are not finalized until after the close of the fiscal year. Accordingly, the District shall adjust, or "true up," college allocations each year as part of the year-end recalculation. The year-end adjustment shall use the most current applicable data available under the reporting schedules and calculation methodologies established by the California Community Colleges Chancellor's Office.

As part of the annual true-up, the District will recalculate the State Apportionment revenue attributable to each college using the college's actual results, the most current applicable data, and the District's local SCFF calculation. Each college's allocation shall be adjusted to reflect any resulting difference between its projected and recalculated attributable revenue.

Failure to meet an individual target will not, by itself, result in a reduction. Any adjustment shall be based on the effect of the college's actual results on its SCFF-calculated metrics.

If the State provides additional enrollment growth funding within SCFF, the associated revenue shall be allocated through the annual year-end true-up among colleges that exceed their approved FTES targets. Each eligible college's share shall be based on its proportionate share of the total FTES generated by eligible colleges above their respective targets, subject to the District's total funded growth and any applicable State funding limitations. A college that does not exceed its approved FTES target shall not receive an allocation of State-funded enrollment growth revenue.

If a college exceeds its FTES enrollment target during a year in which no additional growth funding is available, it will assume responsibility for absorbing any expense incurred without receiving an additional revenue allocation.

If actual or projected performance under one or more SCFF components may affect the District's funding or financial condition, or if another material fiscal concern is identified, the Chancellor, in consultation with the Chancellor's Cabinet, shall establish an appropriate Districtwide response. The response may include revising financial forecasts or future targets, adjusting expenditures, or implementing coordinated strategies to improve enrollment, student support, student outcomes, or the District's overall fiscal condition.

IV. Restricted General Fund

The restricted general fund consists of state categorical programs (see Business Procedure 3.30 Grants and 3.35 State Categorical Funds), parking, and other external funding sources such as private grants. All funds ~~discussed in this section~~ are accounted for in the District's Restricted General Fund (Fund 12).

~~**A. Budget Development And Control**~~

~~In addition to the general principles and practices of budgeting outlined above, categorical funds require specialized budget development and control. These funds originate from a variety of state, federal and private sources. They are allocated to the District and/or the colleges with a wide range of specific requirements and restrictions for program operations and budgeting, periods of expenditure, periodic reporting requirements and financial/program auditing. Depending on the source of the allocation or grant, the budget year may coincide with the District's fiscal year, or it may require accounting for revenue and expenditures in a different fiscal year period (e.g. federal grants typically use an October 1 to September 30 fiscal year). In some cases, allocations and grants may extend to multiple years and require special oversight. Because these requirements and restrictions are different for each allocation or grant, budget development for these funds is necessarily done on an individualized basis.~~

~~**College-Specific Allocations and Grants**~~

~~In cases in which the funds come to the District as a specific college allocation or grant, that college will receive the funds directly and will assume responsibility for:~~

1. ~~planning the program and developing a budget that meets the requirements of the grantor;~~
2. ~~managing the program and associated budget for the lifetime of the allocation or grant;~~
3. ~~identifying and working with the District Office to resolve any issue that might otherwise result in disallowed or questioned~~

~~costs;~~

4. ~~preparing accurate interim and final program and financial reports and submitting them to the grantor in a timely manner, as required; and~~
5. ~~providing staff services to auditors for program and/or financial audits, as required.~~

~~The District Office oversees and monitors the processes described above and assumes responsibility for:~~

1. ~~reviewing and certifying program plans and associated budgets prior to submission to the grantor for compatibility with District rules of operation; standards for purchasing; policies and practices for the hiring, compensation and evaluation of grant funded positions;~~
2. ~~ensuring ongoing compliance of all program and budget requirements during the life of the allocation or grant;~~
3. ~~identifying and working with the college to resolve any issue that might otherwise result in disallowed or questioned costs, and~~
4. ~~reviewing and certifying interim and final program and financial reports prior to submission to the grantor.~~

~~Non-College-Specific Allocations and Grants~~

~~When funding is not college specific, allocation to the colleges will be in the same manner as provided to the District by the grantor, unless there are compelling educational reasons to do otherwise. Certain state allocations, such as EOPS, DSP&S, and Matriculation, have restricted expenditure requirements that determine allocations to colleges. Federal, state, or private grants will be allocated and administered per the grant agreement.~~

~~In cases in which non-college specific funding is allocated to the colleges for management, the colleges and the District Office assume responsibilities as outlined in Section II.A., College-Specific Allocations and Grants.~~

~~When funding remains at the District level, the District Office assumes full responsibility for management of the funds as outlined in Section II.A., College-Specific Allocations and Grants.~~

~~V. Summary~~

~~The SB 361 allocation model provides the colleges with autonomy and local decision-making ability while maintaining a consistent service level from the District Office. The principles upon which the model was founded are:~~

1. ~~the model must be perceived as fair;~~
2. ~~the model must be easily understood;~~
3. ~~the model must provide proper performance incentives; and~~

~~4. the model must work in years of growth and contraction.~~

~~The model will be continually assessed in order to adhere to these principles and to provide the necessary adjustments over time.~~

Adopted: 4/73

Revised: 7/81, 2/26/85, 11/19/90, 4/22/97, 8/15/00, 7/28/10, 3/26/14, 2/15/23, 00/00/26

Related Board Policies:
Board Policies 5031, 5033

Related Procedures:
Business Procedures 3.05, 3.07, 3.15, 3.18, 3.22, 3.23, 3.35, 3.37, 3.42, 5.01, 6.03, 18.02, 18.04, 18.05, 18.06

Sample Internal Resource Allocation Summary
(To Be Inserted Later)

~~**Assumptions:**~~

~~**Step 1**~~	~~FTES revenues for apportionment, non-resident tuition and unrestricted lottery will be tabulated~~
~~**Step 2**~~	~~Costs for contractual and regulatory expenses, committed obligations~~
~~**Step 3**~~	~~District Office will be established as a percentage of the remaining total~~
~~**Step 4**~~	~~Base apportionment is distributed to colleges as earned~~
~~**Step 5**~~	~~The remaining revenues will be proportionately allocated to the colleges based on the model FTES.~~
~~**Step 6**~~	~~Other local college revenues, as appropriate, to determine each college's resource allocation~~

~~**FTES State Funded Rates:**~~	~~*Credit:*~~	~~*$4,564.83*~~	~~*Non-Credit:*~~	~~*$2,744.96*~~
~~**FTES Targets, including growth:**~~	~~**CCC**~~	~~**DVC**~~	~~**LMC**~~	~~**TOTAL**~~
~~Credit FTES, Resident~~	~~5,600.00~~	~~14,850.00~~	~~7,600.00~~	~~28,050.00~~
~~Non-credit FTES, Resident~~	~~75.00~~	~~10.00~~	~~25.00~~	~~110.00~~
~~Credit FTES Non-resident, International~~	~~180.00~~	~~1,800.00~~	~~50.00~~	~~2,030.00~~
~~Credit FTES, non-resident, domestic~~	~~10.00~~	~~30.00~~	~~50.00~~	~~90.00~~
~~**TOTAL FTES**~~	~~**5,865.00**~~	~~**16,690.00**~~	~~**7,725.00**~~	~~**30,280.00**~~
~~*Percentage of Total*~~	~~*19.37%*~~	~~*55.12%*~~	~~*25.51%*~~	~~*100.00%*~~

	~~**CCC**~~	~~**DVC**~~	~~**LMC**~~	~~**TOTAL**~~
~~**Step 1:** DW Operational Revenue~~				
~~a. Basic Allocation, Colleges~~	~~$3,321,545~~	~~$3,875,136~~	~~$3,321,545~~	~~$10,518,226~~
~~b. Basic Allocation, Centers~~		~~1,107,182~~	~~1,107,182~~	~~2,214,364~~
~~c. Basic Allocation COLA, 1%*~~	~~33,215~~	~~39,858~~	~~33,215~~	~~116,254~~

	~~CCC~~	~~DVC~~	~~LMC~~	~~TOTAL~~
~~d. Resident FTES Revenue~~				~~128,345,427~~
~~e. State Apportionment COLA, 1%*~~				~~1,283,454~~
~~f. Non-resident Tuition~~				~~9,945,592~~
~~g. Lottery (total FTES x $110/FTES)~~				~~3,330,800~~
~~h. Other State Apportionments~~				~~181,000~~
~~Total DW Operational Revenue~~				~~$155,935,117~~
~~**Step 2:** Less DW Operational Expenses~~				
~~a. Contractual Expenses~~				~~$ 1,400,000~~
~~b. Regulatory Expenses~~				~~17,750,000~~
~~c. Committed Obligations~~				~~1,200,000~~
~~Total DW Operational Expenses~~				~~$ 20,350,000~~
~~**Step 3:** Less District Services~~				
~~10.534% of Step 1 less Step 2~~				~~$ 14,282,536~~
~~**Step 4:** Distribute Basic Allocations~~				
~~Sum of Step 1, items a-c~~	~~3,354,760~~	~~5,022,176~~	~~4,461,942~~	~~$ 12,838,878~~
~~**Step 5:** Distribute Remaining DW Revenue~~				
~~Step 1 less Steps 2, 3 & 4~~	~~21,009,419~~	~~59,785,193~~	~~27,669,091~~	~~$108,463,703~~
~~**Step 6:** Local College Revenue~~				
~~As determined by each location~~	~~375,000~~	~~1,800,000~~	~~320,000~~	~~$ 2,495,000~~
~~**Total College Allocations**~~				
~~Sum of Steps 4, 5 & 6~~	~~**$24,739,179**~~	~~**$66,607,369**~~	~~**$32,451,033**~~	~~**$123,797,581**~~

~~*1% is used to demonstrate the effect of a funded apportionment COLA on the computation of the allocations~~