

Dr. Jose Fierro
President's Message
July 20, 2018

Dear Colleagues,

During Wednesday's Board meeting, we had a productive discussion regarding the status of our budget and I would like to provide you with a summary.

2017-18 Budget Wrap-Up

We began the **2017-18 fiscal year** with a fund balance of \$28.7 million, based on an estimated 16,800 FTES. We also projected a budget deficit of \$3.8 million. The 2017-18 budget factored in nine vacant classified/management positions and a 6.99% increase in salary/benefits totaling nearly \$3.89 million.

At the conclusion of the fiscal year, our annual reported FTES was 16,799, **effectively reaching our budgeted target**. We are very excited about this; while the spring enrollment was a bit light, a robust summer session ultimately benefited the college. We also ended the year with 19 classified/management vacancies, which equated to approximately \$1.2 million in savings.

As our Business Services department closes the books for the 2017-18 fiscal year, we are projecting to have a deficit of \$3.5 to \$4 million. Reasons for this deficit include the initial SERP payment to our recently retired employees and over \$400,000 in vacation payouts and other expenses due to the SERP. We are still finalizing these numbers.

New Funding Formula

As you know, on June 27, 2018, Governor Brown signed the State Budget for the 2018-2019 fiscal year, which created the New Funding Formula that will be phased in over three years. The formula contains three components, and the table below demonstrates the breakdown in **Year 1**:

Component	Year 1 % of Formula (2018-19 only)	Year 1 Dollar Amount	Notes
Base Allocation	70%	\$3,727 per credit FTES using a three-year rolling average of FTES	For the 2018-19 budget year, the three-year rolling average is 16,773.60 . This is an average of the following: 16,800.00 - 2018-19 16,799.48 - 2017-18 actual FTES 16,721.31 - 2016-17 actual FTES The intent is to stabilize fluctuations in FTES.
Supplemental Allocation	20%	\$919 per point for each of the three metrics	Calculated on the number of students who receive Pell grants, the number of students who receive a California Promise Grant (fee waiver), and those that are

Component	Year 1 % of Formula (2018-19 only)	Year 1 Dollar Amount	Notes
			exempted from non-resident tuition (AB 540 students).
Student Success Incentive Allocation	10%	\$440 per total points	<p>Computed using the following metrics:</p> <p>4 points = ADT Degree 3 points = AA/AS or BA/BS degree 2 points = Credit Certificates (18 or more units) 2 points = Completion of transfer level math and English in 1st year 1.5 points = Transfer to a four-year university 1 point = Completion of 9 or more CTE units 1 point = Regional Living Wage within 1 year</p> <p>Equity Component – An additional \$111 per total points computed in the above metrics for students who receive California Promise Grants (fee waiver) plus \$111 per total points computed in the above metrics at one and one-half times the point value above for students who receive a Pell grant.</p>

Years 2 and 3 will continue to phase in the formula structure, as demonstrated below:

Component	Year 1 % of Formula and Dollar Amount (2018-19)	Year 2 % of Formula and Dollar Amount (2019-20)	Year 3 % of Formula and Dollar Amount (2020-21)
Base Allocation	70% \$3,727/FTES	65% \$3,387/FTES	60% \$3,046/FTES
Supplemental Allocation	20% \$919 per point	20% \$919 per point	20% \$919 per point
Student Success Incentive Allocation	10% \$440/point plus \$111/point for Equity	15% \$660/point plus \$167/point for Equity	20% \$880/point plus \$222/point for Equity

Hold Harmless – In 2018-19, 2019-20, and 2020-21 no district will receive less funding than they received in 2017-18, and each will receive an increase to reflect a cost-of-living adjustment.

As you can see, the new funding formula will require a great deal of data collection in order to budget and create budget forecasts. In addition, I cannot emphasize enough the importance of aligning all of our programs and services to best serve our students in consideration of the new funding formula metrics.

2018-19 Cerritos College Budget

The new funding formula will provide additional monies to the college and positively impact our overall budget. Below is a comparison of how the new funding formula compares to the old funding formula:

Under the Old Funding Formula 2018-19	Under the New Funding Formula 2018-19
<p style="text-align: center;">\$96.2 million</p> <p>2018-19 General Purpose Apportionment Funding, per the 2018-19 Tentative Budget</p>	<p style="text-align: center;">\$104 - \$105 million</p> <p>Approximately \$8 - \$9 million revenues more than approved in the Tentative Budget</p>

The 2018-19 Proposed Adopted Budget, scheduled for approval at the September 5 board meeting, will include the following changes:

- State General Apportionment – Cerritos College will receive between \$8 - \$9 million in additional revenues.
- Deferred Maintenance and Instructional Equipment – Provides approximately \$418,797 to Cerritos College. This is a significant decrease from the May Revise.
- Financial Aid Technology Improvements – Provides one-time and ongoing funds to upgrade financial aid management systems. Cerritos College will receive \$159,259 one-time funds (available September 2018) and \$58,985 ongoing (available July 2018). Fund must be spent by June 30, 2020.
- California College Promise Program – Provides \$46 million in ongoing funds for implementation of the California College Promise Program. At this point, we do not know how the Chancellor’s Office will distribute these funds.
- Adult Education Program – Provides \$26.6 million in ongoing funds and \$5 million for investments in a data collection and accountability system to ensure comprehensive and shared data reporting by regional consortia members. The formerly named Adult Education Block Grant program was renamed the Adult Education Program.

Key Considerations for the 2018-19 Proposed Adopted Budget

Increased revenues from the state provide us a tremendous opportunity to continue developing innovative ways to best serve our students. Key considerations that impact the overall revenue increase include the following:

- Our 2018-19 tentative budget expenses totaled \$96.6 million, exceeding our original budget (from the old funding formula) by \$400,000. This budget deficit decreases the \$8-9 million revenue increase by \$400,000.
- Our 2018-19 tentative budget factors in a \$2.2 million one-time cost savings from vacancies (13 faculty in addition to classified, management positions) which will have to be filled in fiscal year 2019-20. This decreases the \$8-9 million revenue increase by \$2.2 million as the vacancies are filled.

- Based on the two considerations above, it is more accurate to say that the college's net increased revenues total approximately \$5.4 to \$6.4 million.

When you have a chance, please join me in taking a moment to thank Vice President Felipe Lopez and each of the staff members in the Business Services department for their tireless work throughout the year. Not only do they consistently stay on top of the ever-changing budget conversations, they also work tirelessly year-round to ensure all of the college's financial operations run smoothly and effectively.

Please let me know if you have any additional questions. Have a great weekend!

Best,
Jose Fierro, D.V.M., Ph.D.
President/Superintendent