Understanding the District Resources Allocation Council (DRAC) Model

Presentation to the Board of Trustees
February 23, 2015
WHAT IS DRAC?

• **DRAC – District Resources Allocation Council** is a district-wide participatory governance council, approved by the Board of Trustees, charged with recommendations for the income allocation model on which the general fund (operating) budget is based and according to SB 361.

• Current process established by Board of Trustees’ action May 1997.

• Charged with the development and oversight of the allocation process for unrestricted general funds.

• Makes recommendations to the Chancellor.
How do decisions on the operating budgets get made?

The various entities, District Services, Saddleback College, and Irvine Valley College, have respective planning and budget committees

Planning is to drive resource allocation
SOCCCD, via the DRAC model, relies on SB 361 for calculation of district resource allocation.

Since we are Basic Aid (locally funded), we actually get our revenues from student fees, property taxes, and other sources (not state apportionment).

However, the board of trustees has directed through their annual Budget Guidelines that we simulate being under SB 361 with the DRAC Model to be fiscally conservative and prudent.

The remaining dollars after the DRAC model is calculated are used for basic aid projects such as large capital projects and allocation recommendations are from BAARC, which is a different participatory governance committee.
• Revenue allocation model for the district

• **Decentralized model:** Once the revenue distribution made through the DRAC Model to the sites, planning at the colleges and district services is the basis for expense decisions

• Distributes available general fund unrestricted resources according to the state funding formula (SB361)

• Includes other funding such as enrollment fees, non-resident fees, local income, misc. income, and ending balances

• **Distributed to 5 areas:** SC, IVC, Contingency Reserve, General Expenditures, and District Services

• Intention is to guarantee colleges a **predictable, fair, and equitable** distribution of revenues
• **Prior-year ending balances carried forward** (from each site)
• **FTES** is updated according to attendance reports submitted to the State
• **Revenue Adjustments** based on State Budget Act
  - COLA
  - Growth
  - Other allocations (lottery, mandated costs, etc.)
  - Exhibit C Principal Apportionment

• **Colleges** split revenue based on a 3-yr. FTES average

• **District Services** receives 9.34% fixed

• **Contingency** = 7.5% fixed according to Board of Trustees’ budget development guidelines
Equalized FTES funding rates to be adjusted by COLA in subsequent years:

**Credit** funding rate is $4,693

**Noncredit** funding rate is $2,745

Career Development and College Preparation Noncredit is $3232
**BASIC ALLOCATION** - recognizes fixed costs of operating individual colleges and centers, and is fairer to the smaller colleges. It is based on number and size of college campuses and centers:

### Basic Allocation Base Rates per College for Multi-College districts (Nov 2014):

- **FTES >= 18,754**: $4,428,727
- **9,375 <= FTES < 18,754**: $3,875,136
- **FTES < 9,375**: $3,321,545

### Approved CPEC Ctrs:

- **FTES >= 1,000**: $1,000,000
STATE GROWTH RATE

This is being changed
Impact to district uncertain

STABILITY

Provides one year of revenue stability when districts experience a decline in enrollment

Provides three years before the FTES base is permanently adjusted down, so for 3 years any growth will be considered as restoration and won’t be subject to growth caps
A. The expenditure budgets for ongoing purposes shall be the resources that would have been available from state apportionment.

B. Excess Revenue above apportionment shall be allocated at the college or district for one-time purposes, such as to cover some of the unfunded obligation for the retiree benefit plans.

C. Excess revenue above apportionment shall not be used for regular ongoing expenditures, such as salaries.

D. Excess revenue above apportionment shall not be used for any other purpose that will jeopardize the District’s financial stability.

E. BP and AR 3110 will be followed for allocating basic aid funds.

FROM GUIDELINE 7
“One time cost savings shall be allocated to purposes such as the unfunded obligation for the retiree benefit plans or to one-time expenditures.”

GUIDEINE 8

FUNDING FOR GROWTH

The District Resource Allocation Model shall limit funding for growth FTES to a maximum of the SOCCCD individual growth rate published by the CCCCOC, adjusted by system office revisions.

District Growth funding shall also be constrained by FTES growth achieved by the District up to the maximum amount funded through SB 361 allocation formula.

GUIDEINE 10
What is Basic Aid and how is it calculated?

Each of the 72 CCDs receive all of their respective student enrollment fees and property taxes.

Each of the 72 CCDs revenue entitlement is calculated according to SB 361 formula to obtain the districts’ revenue limit.

If the revenues received from property taxes and student enrollment fees are less than their revenue entitlement (SB 361) then the difference is made up by state appropriation to bring the district up to the revenue limit.

The 361 formula calculation is determined and if the revenues received from student enrollment fees and property taxes are equal to or greater than the revenue entitlement under SB 361 funding then that district is considered “basic aid” or locally funded.

The increment above the revenue limit is the “basic aid” amount.
What is Basic Aid and how is it calculated?

A basic aid district does not receive state support for its regular unrestricted general fund operations.*

Because it’s delineated in a different part of the budget act for specific restricted programs and purposes, state support is provided for categorical programs to basic aid districts.

Districts can become “basic aid” via a combination of increased assessed valuation and new homes (property tax revenue increases) and decreases in enrollment.

* exception is Prop 30 funds derived by taxes through 2016 and 2018.
Thirteen voting members:

- 2 Academic Senate Presidents or designee
- 2 Academic Senate faculty appointments
- 2 College Fiscal office appointments
- 2 Vice Presidents of Instruction
- 1 CSEA district-wide representative
- 2 Classified Senate Presidents or designee
- 1 District representative appointed by Chancellor
- 1 Faculty Association representative

Chaired by Vice Chancellor, Business Services (non-voting)

Resources to the group include District Fiscal Services and Research, Planning, and Data Management staff
Where can I find more information?

Here are the SharePoint links to the following pages:

**District-wide Planning Council:**
https://sharepointsocccd.edu/chancellor/dp/dwpc/default.aspx

**DRAC:**
https://sharepointsocccd.edu/chancellor/dwc/default.aspx

**BAARC:**
https://sharepointsocccd.edu/chancellor/dwc/baarc/default.aspx
Questions?

Thank you to DRAC members!