

The Fiscal Environment

Understanding the fiscal role and responsibilities of the governing board means understanding the fiscal environment in which the community colleges operate. California's community colleges are publicly funded institutions; therefore they depend on and respond to the general economy, public support, and the political process. Many factors in the environment influence the decisions boards make. Trustees must consider a complex interplay of economic, political, social, demographic, and legal forces.

Until 1978, local boards of trustees had authority to establish local tax rates for community colleges. Most of the resources used by the colleges came from local property taxes. The tax rates set by the boards determined, to a large extent, the level of funding for the local colleges. However, in 1978, Proposition 13 removed local taxing authority and put limits on property tax rates and increases. The responsibility for determining the level of public funding for the colleges shifted from local boards to state government.

The shift in responsibility changed the role of the boards to what it is today. Boards work within state-determined allocations to establish budget priorities that best serve their local communities. They do so within the constraints of state statutes and Board of Governors regulations on how funds may be used. Their major accountability to the voters is ensuring that the education and services offered by their colleges serves local community needs.

Governing boards, as well as individual trustees, also play a major role by advocating to the legislature and Board of Governors for adequate funding and funding formulas. They may seek support from their local community in their advocacy efforts. They also determine whether to seek local bonds for capital construction and the amount. Boards may support seeking alternative sources of funds through foundations and grants.

Revenue Sources

As stated above, colleges receive the bulk of their resources from the state. The state's appropriation is based on three major sources: state monies, local property taxes, and student fees. In addition, funds from the federal government support specific programs in the colleges. In general, revenues for the California Community Colleges come from the following sources:

State general fund.....	43 percent
Local property tax.....	35 percent
Education Protection Act (EPA).....	14 percent
Student fees.....	7 percent
RDA Dissolution.....	2 percent

State funds include general apportionment, categorical funds, capital construction, the lottery (less than 3 percent), and other minor sources.

The colleges collect resident student enrollment fees, but the state considers 98% of the fees as part of the state appropriation. The fees are set by the legislature and the revenue received is considered "within" the Proposition 98 guarantee. However, when fees decline, the Legislature has tended to backfill only the fee revenue, but not the administrative portion of the fees, thus leaving the colleges with less money than anticipated. Federal resources include financial aid, vocational education, and minor funds designated for specific purposes. Other federal initiatives (such as welfare reform) impact how much revenue comes from the national level. The responsibility to allocate federal funds to colleges is usually delegated to state agencies.

State regulations provide for faculty, staff, and student involvement in the budget development process. The process used to develop the budget proposal varies from college to college. However, the local academic senate is to be consulted collegially in shaping the processes used for developing institutional plans and the budget. The board is not required, though, to rely primarily on the senate's recommendations or reach mutual agreement with the senate on the plans and budget themselves.

The process may include programs or divisions in the college submitting budget requests and needs to an

Understanding Budget Summaries

Budget proposals presented to the board should be clear and understandable. Boards benefit from having a brief summary of the budget and key issues. How the proposed budget takes into account assumptions about revenues and expenditures, and how it meets district goals and policy criteria should be emphasized. For instance, if the board has a policy that the district will have a certain percentage in the reserve, that should be clearly stated.

Trustees are not expected to review individual line items in the budget. Focusing on too much detail obscures how the overall budget meets policy criteria and invites trustee micromanagement. Instead, boards should look at fund and major program categories.

How budgets are summarized and presented varies significantly from district to district—trustees are encouraged to meet with their CEOs and chief business officers to become familiar with the format used in their district. If a board finds the summary difficult to understand, it should request a format that is clear and succinctly responds to policy level questions.

Districts may provide additional detail in the summary: some will list each fund in each major category, including relatively minor funds. Others provide a broad, succinct overview and make the detail available as

The budget is powerful policy—it determines what the district and colleges do. Boards perform their budget responsibilities well when they establish policy criteria and set general priorities for the budget early in the development process. Effective boards study and understand budget proposals and the budgeting process, ask cogent questions, and adopt budgets only after assessing the proposed budget against their policy criteria and priorities. They ensure that the budget includes realistic projections and expenditures that are designed to deliver quality education.

Resource

For more information, see [Introduction to Fiscal Responsibilities: A Resource for Governing Boards](#) published by the League in 2007, and revised in 2011.