

## BASIC AID ALLOCATION PROCESS

Basic Aid refers to local property tax receipts that exceed general purpose revenue entitlement derived from the State of California SB 361 (or successor funding bill) calculation. The process for identification and prioritization of basic aid allocations will follow the Board Policy 3110 for Basic Aid Allocation Process. The allocation recommendations will be for a) capital construction, major renovation, large infrastructure projects, and site development, b) retiree benefit trust fund and other long term obligations or liabilities, c) trustee elections, legislative advocacy, and major legal fees and/or judgments, d) major technology initiatives, and e) fifty percent matching funds for scheduled maintenance and smaller renovation projects including maintenance equipment. The remaining fifty percent will be provided by the site requesting the funds.

### 1. Annual Cycle or Timeline

- a. The intent of the basic aid allocation process is that it will culminate in a master list of projects to be funded by basic aid which follows the budget cycle. The allocation cycle for basic aid will conform with the budget development cycle, with basic aid allocations being included into the tentative and final budgets and require board of trustee approval.
- b. The allocation cycle will also be linked to property tax schedule and the Vice Chancellor of Business Services will be responsible for determination of projected property tax revenues, using conservative estimates.
- c. Unless there is an emergency situation, this cycle will be followed. The determination of what warrants an emergency is defined in the Emergency Situation Clause section of this administrative regulation.

### 2. Responsible administrator and District-wide committee

- a. The Vice Chancellor of Business Services will ensure that the process for Basic Aid Allocation occurs according to the regulation and that it is included in the budget development
- b. The Vice Chancellor will be the chairperson of the Basic Aid Allocation Recommendation Committee (BAARC)

- c. A Basic Aid Allocation Recommendation Committee (BAARC) will be a District-wide shared governance committee whose role will be to implement the Basic Aid Allocation Process.
  - i. Purpose of the Basic Aid Allocation Recommendation Committee (BAARC): This shared governance committee is charged with implementing BP 3110 and AR 3110-Basic Aid Allocation Process and utilizes plans developed by other District-wide Committees and Councils. The Basic Aid Allocation recommendations will follow the annual basic aid allocation cycle which parallels the SOCCCD annual budget development process
  - ii. Composition: The District-wide committee will be a shared governance committee composed of the following 15 positions:
    1. Vice Chancellor of Business Services (Chair)
    2. Vice Presidents for Instruction or representative (one from each college)
    3. Directors of Facilities or representatives (one from each college)
    4. District Director of Fiscal Services
    5. District Director of Facilities Planning, and Purchasing
    6. Directors of Fiscal Services or representatives (one from each college)
    7. Academic Senate Presidents or representatives (2 in total, one from each college)
    8. Assistant District Director of Facilities Planning
    9. District-wide Technology Committee Chairperson or delegate
    10. Classified Senate representatives (2 in total, one from each college)
3. Use of Planning Documents: The Basic Aid Allocation Recommendations will be directly driven from the following District-wide specialized plans:
  - a. The 5-Year Construction Plan
  - b. 20-Year Facility, Renovation, and Scheduled Maintenance Plan
  - c. District-wide Technology Plan

The District-wide Strategic Plan and District-wide Education and Facilities Master Plan (Long Term Plan) will be used by the committee to assist in putting the other three specific plans into context.

#### 4. Determination of Basic Aid Allocation Amounts

- a. The Vice Chancellor for Business Services will be responsible for estimating property tax revenues, utilizing a conservative estimate approach during budget development.
- b. The actual remaining unallocated balance from previous year property taxes will be determined and added to the estimated current year property tax amount to calculate a Total Estimated Property Taxes.
- c. A “Contingency for Unrealized Tax Collections” will be created with an amount of no less than 20% of the Total Estimated Property Taxes in it. It will be set-aside as a safeguard to protect the district from property taxes not collected or a downturn in property tax collections.
- d. The Contingency for Unrealized Tax Collections amount can only be spent if there is an emergency situation. However, it is the intent of this administration regulation that district services and the colleges, as good budget practice, plan for emergency situations within their respective budgets. However, it is recognized that when an emergency situation arises that results in costs of a large dollar amount, that there is a need to allow for a process to request for emergency basic aid funds. It is expected that the application for emergency funds is done rarely and as an exception to this process, not a regular part of this annual process.
  - i. Emergency situation clause – An emergency is defined as an unplanned event that negatively impacts health and life safety standards so that it poses eminent danger and with the cost being greater than or equal to \$400,000\*. (\*This cost will be re-evaluated annually by the BAARC, who has the authority to make recommendations for an adjustment of this amount.)
  - ii. Process for determination of an emergency – The BAARC will develop a procedure including a form which will need to be completed by the requesting party.
    1. When a request for emergency is received, BAARC will reconvene.
    2. If the emergency situation is determined by BAARC to qualify for basic aid allocation then BAARC consider recommending a “reprioritization” of other projects that previously were recommended to have an allocation for basic aid for that unit to this emergency situation.

3. This recommendation for reprioritization would have to be a revised recommendation to the Chancellor and ultimately go to the Board of Trustees for approval.
  4. Options for re-considering the previously approved priorities are to be considered first prior to any recommendation from BAARC to transfer funds from the Contingency for Unrealized Tax Collections for the new emergency situation.
- iii. Insurance reimbursement – if the emergency situation qualifies for FEMA, insurance, or other types of claim coverage, then the amount received by the district for this emergency event will be replenished back into the basic aid contingency/buffer.
  - iv. Review of emergency situation clause – The BAARC will review the emergency requests and if the requests are too numerous and stray from the intent of this procedure, then a tighter emergency situation request procedure will be developed by BAARC so that the overall intent of this administrative regulation is followed.
- e. Amount Available for Allocation – no more than 80% of the Total Estimated Property Tax amount may be recommended by the BARC for Basic Aid Allocation Recommendation. It is not required to recommend distribution of 80%, the BAARC can recommend less than 80%.
- i. The required amounts necessary to fund Long Term Obligations such as the Retiree Benefit Liability and fixed expense commitments such as Basic Aid Advocacy, Legal Costs and/or judgments, Trustee elections will be calculated and funded first.
    1. This will be funded first because these are liabilities to the district and need to be paid. They are not discretionary.
    2. The amount required for Retiree Benefit Liability will be based on the independent actuarial study contracted by the district for this purpose. It is conducted every two years and is required by GASB.
    3. Other amounts will be based on fixed and actual expenses needed to fund the respective obligation.
  - ii. The remaining balance will fund a) capital construction, major renovation, large infrastructure projects, and site development;

- b) major technology initiatives; and c) 50 percent match for scheduled maintenance and smaller renovation projects.
1. The majority portion of basic aid funding is intended for the areas of capital construction, which can include major renovation, large infrastructure, and site development.
  2. The allocation for scheduled maintenance will be based on the distribution ratios between the colleges used in the model established in the District Resource Allocation Council process. To vary from these ratios, good justification would be required such as phasing situation or emergency situation that provides a need for this variance that is warranted and could be supported by the Chancellor and Board of Trustees.
- iii. The Capital Improvement Committee (CIC) will be the responsible district-wide shared governance committee responsible for the definitions of capital construction, major renovation, large infrastructure projects, site development, scheduled maintenance, and smaller renovation projects so that there are clear and transparent definitions for these facilities related terms.
- iv. The Capital Improvement Committee (CIC) will ensure that any adjustments to the definitions are communicated to BAARC in a timely manner so that it can be included in the Basic Aid Allocation Process for the fiscal year.
- v. If other terms need to be defined to aid in this process, then the BAARC will be responsible for definitions being developed.
- vi. Allocations must be used within five years on the specific project for which funding was approved.
- vii. Any funds remaining in a project after 5 years will return to the Basic Aid fund for reallocation in the next year.
- viii. The BAARC has the authority to recommend funding for a project for multiple years, if it seems appropriate.
1. The BAARC will take into consideration larger scale projects in which timing, phasing, state funding, and other factors may require a breakdown in funding of the total project costs into different fiscal years.
  2. For instance, it may be recommended that a capital improvement project be funded in several phases over

- several years for planning and design phases, construction phases, and furniture.
3. Other phases could take into consideration include project investigation, secondary effects, moving of programs, environment/mitigation, etc.
- ix. The BAARC is expected to strongly rely upon the existing priorities in the plan documents. However, they also may need to consider Total Amount Available for Allocation, queuing of projects for state funding consideration, phasing considerations, cash flow, and melding the various plans into one recommended master list of Basic Aid Allocation Recommendations.
  - x. The capital construction projects will include a change order contingency.
    1. If the change order contingency is insufficient, then the change to the total project budget needs to be recommended to BAARC.
    2. BAARC will make a recommendation to the Chancellor and the Board of Trustees will need to approve this change in project budget for this overage.
  - xi. Any Major Technology Project for consideration to be funded from Basic Aid must be included in the District-Wide Technology Plan and must clearly be a one-time project.
    - a. A Major Technology Project needs to have a clearly defined description and detailed scope with specific dollar amounts. If there are phases, the specific phases need to be outlined with specific dollar amounts.
    - b. On-going maintenance expenses or on-going licenses for technology will not be funded by basic aid. These expenses are expected to be paid from general operating budgets.
    - c. Changes, enhancements, or adding features to projects require a separate request and cannot be funded through the original project allocation.
  - xii. The Basic Aid Allocation Recommendations will be made to the Chancellor, who will confer with the Chancellor's Executive Team before making final recommendation to the Board of Trustees.

1. The BAARC will provide the Chancellor with a master list of Basic Aid Allocation Recommendations, with project description, recommended amount, and scope.
  2. If there are future phases to any recommended project, that will be clearly disclosed with projected future costs and timing.
  3. Accompanying the Basic Aid Allocation Recommendations from BAARC, will be a cover letter and narrative report from the committee explaining the process that was followed, considerations made by the committee, and other necessary background information for the Chancellor to consider and have for review.
  4. If the Chancellor and/or Chancellor's Executive Team recommends any changes to the BAARC's recommendations, the Chancellor will provide the recommended changes to BAARC with explanations of the change so that it is clearly communicated to BAARC prior to the changes being included in the Tentative or Final Budget for Board of Trustee review and approval.
- f. Evaluation of the Basic Aid Allocation Process
- i. The BAARC will be responsible for evaluating the annual Basic Aid Allocation Process for effectiveness and adherence to the BP 3110 and AR 3110.
  - ii. This assessment will be conducted once a year and be open and transparent.
  - iii. BAARC will make recommendations for improvements or adjustments to the process based on the evaluation of the process for effectiveness.
  - iv. Communication of the results of the assessment will be widely disseminated and any adjustments made to the process will be inclusive, open, and transparent and keep with the intent of the board policy and administrative regulation.