# PALOMAR COLLEGE

## TENTATIVE BUDGET
## 2008-2009

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# THE 2008-2009 STATE BUDGET

On **January 10, 2008,** Governor Schwarzenegger released his state budget, announced a "fiscal emergency" and called a special session of the Legislature. The declaration of a "fiscal emergency" began a 45-day period in which the Legislature was required by law to take action on the Governor's current year reduction proposal prior to sending a budget bill to the Senate.

Due to what the Governor described as a "spending problem" in California, he released a plan in broad strokes "to cut spending across the board" to address a projected $14.5 billion deficit. The issues specific to community colleges were as follows:

2007-08 Current Year
The Administration proposed to reduce Proposition 98 in the current year by $400 million, of which $40 million would be for community colleges.

2008-09 Budget Year
The Administration proposed to suspend the Proposition 98 guarantee and to fund K-14 education at roughly $4 billion lower than the statutory provisions of Proposition 98. In addition, with regard specifically to community colleges the proposal included:

- Workload budget increase to provide additional resources of $171.9 million (3%)
- COLA $291.7 million (4.94%)
- $28.5 million increase for selected categorical programs

Unfortunately, no sooner had the Governor made the proposals in his state budget, when he reduced the workload budget by $483.5 million – a reduction in apportionments and categorical programs amounting to approximately a 7.2% reduction to the workload budget. This action resulted in community colleges receiving only 1% for enrollment growth, which translated into essentially a 67% reduction to access. The budget proposal also reflected a $57.4 million reduction by eliminating new awards for the Cal Grant B competitive program.

The Governor's proposed budget was further impacted when the Senate Budget and Fiscal Review Committee released plans to reduce the Proposition 98 guarantee further from $400 million to $507 million. However, even though they proposed this increased reduction, in the end the Legislators agreed with the Governor and protected the larger Proposition 98 base moving forward to address K-14 priorities. While the Senate voted to reduce the overall Proposition 98 guarantee in FY2007-08, the community college portion amounted to only $32 million as compared to the original $40 million anticipated.

The System Office, Legislature, and Governor's Administration were able to work together to compile a list of reductions which would not impact instructional or student services programs nor alter board approved local budgets. This was done by closing out categorical balances going back several fiscal years and reviewing current year appropriations to determine if payments could be delayed without impact on instructional and student services programs.

The Governor's budget proposal also included:

- Enrollment Fees remaining at $20 per credit unit
- No COLA (Cost-of-Living Adjustment) for FY2008-09, representing a $291.7 million shortfall in apportionment. (Note: Department of Finance estimated COLA for FY2008-09 as 4.94%. The Governor proposed a policy change to the COLA factor for K-14 to reflect the Consumer Price Index, which would have adjusted the COLA to 3.65% for FY2008-09.)
- Enrollment Growth–1.0% growth in apportionments, representing a $111.8 million reduction to enrollment growth as compared to DOF's estimate of enrollment demand of 3%
- Elimination of all new Competitive CalGrant Awards

The Governor's budget also included $893.5 million for 99 community college Capital Outlay Projects. (Note: Palomar College's Library/Learning Resource Center project is one of the 99 included in the System's 2008-09 Capital Outlay Plan.).

On **February 16th,** the Governor signed a package of special session legislation making reductions in funding in all sectors of the state budget. Reductions for K-14 amounted to a total of $506 million to Proposition 98 spending for FY2007-08. With the enactment of the special session legislation, further action on the FY2007-08 Budget came to an end.

On **February 20th**, the Legislative Analyst Office (LAO) released its *Analysis of the 2008-09 Budget Bill* projecting a state budget shortfall of $16 billion. The LAO recommended suspension of the Proposition 98 minimum funding requirement for FY2008-09; however, they also proposed Proposition 98 spending of $57.5 billion. In addition, they also proposed an increase in community college enrollment fees to $26 per unit and an increase in enrollment growth to 1.7%. They recommended funding categorical programs at FY2007-08 levels with one exception-that the Economic Development program be cut $11 million or approximately 24%. In addition, the LAO proposed establishing two new CCC block grants that total approximately $490 million with the stated intent of increasing local control and improving administrative efficiency. They rejected the Governor's proposal to phase out Competitive CalGrant awards and they rejected the COLA factor revision proposing their own alternative factor revision. Finally, the LAO recommended that the CCC System Office budget be reduced by $200,000 as opposed to the $1 million reduction included in the Governor's January proposal.

During the months of **March** and **April**, the volume of budget activity increased drastically. As a result of cuts made in the special session, the state's 2-year budget shortfall was reduced down to $8 billion from the $16 billion estimated in February. In March, the Senate Budget Committee heard compelling testimony from all three higher education systems about how the proposed budget cuts would harm access and undermine the ability to develop a trained work force to compete in today's economy. During the Assembly Budget Subcommittee on Education hearings, Chancellor Woodruff sought relief on the $80 million property tax shortfall identified in FY2007-08 in addition to the $32 million previously discussed. The System Office began to pursue a permanent legislative fix to the property tax shortfall with an automatic backfill. Legislation has been

pursued in the past without success; however, it is believed that the magnitude of the current property tax shortfall makes a compelling case for such legislative action.

On **May 14th,** the Governor released his May Revise for the State's FY2008-2009 Budget. Following are some of the highlights as reported by the System Office:

Overview:
The Governor proposed raising $15.2 billion through borrowing against future State Lottery revenues. A ballot measure is required to accomplish this objective. The Governor proposes using these additional revenues to address the state's fiscal imbalance over the next three years. In addition, he proposed fully funding Proposition 98 in FY2008-09, as opposed to suspending Proposition 98 as he had done in January.

Current Year (2007-08):
The May Revision proposes an augmentation of approximately $69 million to partially backfill the current-year property tax shortfall. In addition, about $6 million in other technical adjustments were identified as being available to address the shortfall.

Budget Year (2008-09):
The May Revision also proposed the following changes to the budget year:

- An augmentation of $138.7 million, reflecting a downward adjustment in estimated property tax revenues for 2008-09
- An increase of $35.5 million for enrollment growth, bringing the total growth funding in the budget year to $95.5 million (1.67%)
- An increase of $572,000 to restore the reduction proposed in the Governor's Budget to the Foster Care Training program which will preserve approximately $700,000 of federal matching funds for training foster parents
- Provisional budget bill language to provide districts flexibility to transfer funds between categorical programs in two programmatic areas

On **May 30th,** the Assembly Budget Subcommittee #2 on Education closed out its deliberations on the state budget with significant augmentations in the education budgets. However, according to Erik Skinner, Vice Chancellor for Fiscal Policy:

"*Clearly, the adopted version of the budget contains many improvements for the community colleges, and education in general. Assembly leadership and the budget Subcommittee deserve great credit for recognizing the critical need for the state to maintain its investment in the Community Colleges and then demonstrating this through budget actions. These improvements in proposed funding levels can be of great strategic importance as the budget process unfolds. I would add a cautionary note however, that in order for these augmentations to be sustained in the final version of the budget, a feasible revenue solution capable of securing a two-thirds vote in each house of the Legislature will be needed.*"

As reported by the System Office, the Assembly Budget Subcommittee's actions included the following for community colleges:

- Providing $2.3 billion more in Proposition 98 funding for schools and colleges compared to the May Revise
- Adoption of the Governor's May Revision Proposal to address the community college property tax shortfall
- Keeping student fees at $20 per unit (same as May Revision)
- $113.5 million for enrollment growth ($18 million more than the May Revision) resulting in 2% growth versus 1.67% as stated in the May Revision
- Approximately $52 million to restore the Administration's proposed across-the-board cuts to categorical programs and instead fund all categorical programs at 2007-08 funding levels
- Approximately $94 million to support a partial COLA of 1.6 percent on general purpose apportionments
- Rejecting an Administration proposal to provide districts with new flexibility related to categorical program implementation
- $800,000 to mitigate the proposed cut to the System Office budget (cut of $200,000 versus the Administration's proposed cut of $1 million)

In addition, the Subcommittee voted to restore the Competitive Cal Grant program, rejecting the Administration's proposed $57 million cut to that program. The Subcommittee's budget packet was adopted by a 3-2 vote with Democrats voting in support and Republicans against.

Subcommittees in both houses expressed strong support for the May Revision proposal to provide additional funds to make up for the weak local property tax receipts. In addition to the structural budget deficit the state is facing, concern has been expressed about the state cash flow for FY2008-09. During the special legislative session in February, the issue of cash flow was first raised with a proposal to shift $200 million in General Apportionment back a few months. The System Office has weighed in on behalf of the community colleges stating that the proposal would create cash flow problems at the local level and possibly lead to increased costs due to additional borrowing costs.

Clearly, a long hot summer is anticipated in order for agreement to be reached by the Legislators and for the state to address the statewide budget situation, creating challenges at the local level in planning a district tentative budget by the constitutionally required deadline of June 15, 2008. Adoption of the FY2008-09 Tentative Budget is based upon information known at the time, which surely will be subject to change as final numbers are reported system-wide for FY2007-08 FTES, which will determine apportionment and growth distribution for actual revenue apportionment. In addition, the FY2007-08 budget year must be closed in order to identify the actual ending fund balance, which will become the beginning fund balance for FY2008-09. This tentative budget projects a beginning fund balance, which will be confirmed during the year-end closing process that will conclude in late August/early September. As a result, the FY2008-09 Tentative Budget presented for approval is based upon prior year trend analysis, assumptions, and estimates. Assumptions have been made in the development of the Tentative Budget based upon a core need to be fiscally responsible while ensuring that student access and learning is not impacted and full-time faculty and staff jobs not jeopardized.

Prior to reporting Palomar College's Tentative Budget for FY2008-09, a summary appears warranted highlighting some monumental events that have taken place during the current fiscal year and the impact they will have on the FY2008-09 and subsequent budgets.

- ✓ The college completed and began offering classes in the Natural Science Building, which is the first new instructional building to actually be built on the campus in nearly 50 years. Classes began to be held in this building during the fall 2007, which has been supported primarily by state tax dollars with augmentation for equipment not covered by the state bonds from the locally approved Proposition M bond as defined in the resolution approved by the voters. The opening of this building added 100,000 square feet of building space to the San Marcos campus resulting in increased utility and other maintenance and operation costs.

- ✓ The college continues to be active in energy conservation and sustainable design for all of its facilities. Design development has begun on several buildings with an emphasis being placed on sustainability to address escalating costs associated with utilities and maintenance and operations on all current and future construction projects, all of which would impact future operating budgets. One of the ways in which the college currently participates in energy efficiency, conservation, and sustainable building is through the SDG&E *Savings by Design* program, which resulted in the college being awarded a check during FY2007-08 for $131,513 for the Natural Sciences Building. This was the largest award given to a community college by SDG&E. In addition, the college currently participates in SDG&E Sustainable Communities; Demand Reduction Programs and Methods and Alternative Energy Supplies and the District has an energy savings program that reviews new products and equipment on a regular basis and implements projects that have a reasonable payback period. This program has been in place for the past 23 years and has saved the District hundreds of thousands of dollars, which is expected to continue to be the case in the future.

- ✓ Work has begun on preparation for demolition of the LS, ES, CH and S Buildings, which are slated to be demolished during the summer of 2008. Sixteen modular buildings have been located in parking lot #2 to accommodate class, lab, and office space being displaced during the construction of the new Multi-Instructional Discipline Building (MIB) and the Health Sciences Building, both of which are set to begin construction by fall 2008. Several other remodels and classroom expansions and designs are scheduled to be completed during the next couple of years all in accordance with the Master Plan 2022 from the sale of Series A bonds under Proposition M.

- ✓ The college is in the process of finalizing an Environmental Impact Report (EIR) for CEQA certification for the land purchased in June 2007 in the northern part of the district. The 83.6 acre parcel is located in the Fallbrook community. The District intends to begin grading and initial construction on the site as soon as all construction permits are obtained. The District will be opening a campus at the Fallbrook site in order to serve its students currently commuting to the San Marcos campus and other outreach locations. In addition, the District continues its search for a parcel of land located in the southern area of the District in order to open a

campus there to increase student access and provide service to the community served. The acquisition and initial construction for both sites are included in Proposition M approved by the voters in November 2006.

- ✓ As of FY2008-09, the District will be required to account for and report costs and obligations relating to other post-employment benefits (OPEB) on its financial statements. GASB 43 and 45 established standards for governmental employers to measure and report costs and obligations relating to post-employment for retiree health benefits; however, neither GASB standard requires any change in how retiree health benefits are funded. Rather, GASB 45 requires that employers recognize the annual liability for the benefits along with full audit disclosure and supplementary information regarding funded status and the progress being made in funding the total liability. Unfunded liabilities for OPEBs are not a new fiscal solvency problem arising from GASB 45. However, GASB 45 through its reporting requirements makes the magnitude of OPEB liabilities much more visible than they have been in the past. Rating agencies have indicated that they will take issuers' funding plans into account when determining credit ratings for bond sales thereby potentially increasing the costs associated with bond issuances.

## THE 2008-2009 PALOMAR COLLEGE TENTATIVE BUDGET

Revenue and Beginning Fund Balance Assumptions:

Revenue base apportionment is comprised of three primary components: state apportionment, local property taxes, and student enrollment fees. While the amount of each component may change, the total cannot differ from the Base Revenue calculations reported on the apportionment reports. The System Office recalculates the Base Revenue three times each year and retroactively for one fiscal year. Each college does not know what the final base of the prior year is until as late as First Principal apportionment, which is released in the following February. This causes difficulty in planning, in accurately building the budget, and in calculating the ending fund balances and reserves.

The revenue apportionment in the Tentative Budget has been projected based upon Second Principal Apportionment (P2) Simulation data; however, it is subject to change based upon receipt of the actual Second Principal Apportionment (P2) data, which is not anticipated to be distributed by the System Office until July 2008. As previously stated, the actual revenue apportionment for FY2008-09 may not be known until receipt of the Final Apportionment Report ("Recalc"), which will be distributed by the System Office in late February/early March of 2009. Any adjustments to the apportionment as a result of final P2 calculations will be appropriately recorded in the FY2008-09 Adopted Budget.

Other Revenue projections (e.g., Interest Income) were made based upon an analysis of past trends with adjustments based upon reasonable assumptions applied. No COLA has been included in the Revenue Base Apportionment calculation. No stability funds have been budgeted in this Tentative Budget due to the extraordinary FTES growth Palomar College has experienced this past year, which is anticipated to continue into FY2008-09.

FTES and Apportionment:

This Tentative Budget assumes that the District will meet the base FTES achieved in FY2007-08. In addition, growth revenue of $1,060,664 has been included in the revenue apportionment calculation for FY2008-09. The District has also reported achieving "Unfunded Growth" in the amount of $1,138,016, which has not been included in the revenue apportionment calculation due to uncertainty of any additional unfunded growth funds being available system-wide due to the number of districts experiencing FTES growth as reported for the P2. If the FY2007-08 "Unfunded Growth" is in fact funded in FY2007-08, the base FTES for FY2008-09 will increase accordingly resulting in a corresponding increase in apportionment for both fiscal years.

Base Apportionment Revenue of $91,490,244 was computed using the rates established by the passage of SB361 in September 2006, adjusted for 4.53% COLA for FY2007-08 and based upon Base FTES reported by the District on the P2 described below:

| | | |
|---|---|---|
| Credit FTES | 17,819.55 | $4,565 |
| Non-credit FTES | 1,062.86 | $2,745 |
| Enhanced Non-credit FTES (CDCP) | 524.03 | $3,232 |

Funded Growth Apportionment Revenue of $1,060,664 was computed as follows:

| | | |
|---|---|---|
| Credit FTES | 230.42 | $4,565 |
| Non-credit FTES | (150.52) | $2,745 |
| Enhanced Non-credit FTES (CDCP) | 130.57 | $3,232 |

As a result of the system-wide shortfall in property tax, revenue for FY2007-08 was reduced system-wide to less than 100%, resulting in Palomar College's Base Apportionment Revenue in FY2007-08 being reduced by $1,538,930. This state deficit was a one-time adjustment so when computing the FY2008-09 Base Apportionment Revenue, no deficit factor adjustment was made to the FY2008-09 State General Apportionment calculation for revenue.

According to a communication from the System Office, in a resolution adopted by the Board of Governors at its May 2008 meeting, an extension of one year was approved with regard to the methodology for calculating district growth rates. If the statewide growth appropriation of $95.5 million proposed in the Governor's May Revision is provided for in the final 2008 Budget Act, Palomar's growth rate adjusted (constrained) to Appropriation for FY2008-09 would increase to 3.13% from 1.106% as currently anticipated.

The current projected FY2007-08 ending fund balance is $5,885,521 million, which has been reserved for the following reasons:

- $5,000,000 for the 5% District Required Reserve (reserve increased based upon current average projected revenues and expenses).
- $385,521 for Designated Projects
- $500,000 for "other reserve" for contingency (unknown) potential expenditure requirements.

The FY2007-08 ending fund balance becomes the beginning fund balance for FY2008-09 which when added to the budget year's projected revenues is equal to the projected expenditures and ending fund balance for FY2008-09.

The Fund 11 Unrestricted Budget includes Designated Projects earmarked by the Board for various programs and projects required for instructional and operational purposes. An extensive analysis of the Designated Projects was undertaken resulting in several designated project accounts being eliminated and/or reduced significantly because they were no longer required. The Designated Projects budget consists of FY2008-09 projected revenue and expenditures received to date by Fiscal Services, plus the projected beginning fund balance of $385,521. The remainder of the designated projects will be recorded upon receipt by Fiscal Services when the FY2007-08 year-end books are closed.

**2007-08 Adopted Budget versus 2008-09 Tentative Budget Revenue:**

Following is a comparison of revenue by source in the Unrestricted General Fund, including Designated Project accounts, for the FY2007-08 Adopted Budget and the FY2008-09 Tentative Budget:

| | **Adopted 2007-08** | **Tentative 2008-09** |
|---|---|---|
| Apportionment | $ 91,469,326 | $ 92,550,908 |
| Apprenticeship Program | 1,045,647 | 1,363,402 |
| Part-Time Faculty | 838,297 | 838,297 |
| Lottery* | 430,000 | 430,000 |
| Non-Resident Tuition | 1,600,000 | 1,600,000 |
| Interest | 850,000 | 800,000 |
| Contract Services (Follett) | 400,000 | 400,000 |
| Parking Fines | 232,011 | 228,693 |
| Material Fees | 197,319 | 100,632 |
| Miscellaneous | 814,165 | 604,337 |
| Beginning Balance | 12,971,009 | 5,885,521 |
| **Unrestricted General Fund Revenue** | **$110,847,774** | **$104,801,790** |

*Note: This represents the amount of lottery funds that are Prop 20 funds. Non Prop 20 lottery funds are in Fund 12.

Expenditure (Unrestricted and Designated) Assumptions:

Due to the statewide budget issues for FY2008-09, the Unrestricted General Fund (Fund 11) budgets were developed by first identifying and then including "fixed" (i.e., non-discretionary) expenditures in the budget as follows:

- Step increases for all currently employed faculty and staff
- Statutory and Fringe Benefits
- Other agreed upon negotiated compensation items e.g., stipends
- Utilities estimated based upon trend analysis

- Lease and Rental Agreements
- Licensing Agreements for software and hardware
- Property and other non-employee insurance costs
- Annual audit, bank fees, and other non-discretionary operating expenses
- Apprenticeship Program.

As in recent years, an estimated salary savings has been reflected in the annual budget as a result of vacant salaried positions being budgeted for one full-year though not all filled on the first day of the fiscal year. However, the amount estimated for FY2008-09 has been reduced from $1.0 million, as used in the past, to $750,000 because many vacant positions have been eliminated entirely from the budget; therefore, resulting in decreased potential savings.

After all "fixed" expenditures were recorded; several actions were taken to develop the FY2008-09 Tentative Budget as follows:

- Applied for a one-time State waiver for Scheduled Maintenance and Instructional Equipment match thereby reducing District budgeted expenditures by $284,630
- Instructional Salary expenses for scheduled sections was "capped" at a $15,625,000 budgeted amount*
- Non-Instructional Hourly Salaries were reduced to 85% of FY2007-08 Budgets
- Non-Academic and Instructional Aides Salaries were reduced to 75% of FY2007-08 Budgets
- Supplies and Materials and all "discretionary" Other Operating Expenses were reduced to 75% of FY2007-08 Budgets
- Capital Outlay Budgets were eliminated for FY2008-09
- No additional budget provided for Fund 69 Post Retirement Fund Benefits

  *Note: Based upon a five-year analysis completed by the Instruction Office, it was determined that approximately 10% of scheduled sections are canceled in any one fiscal year. In the FY2007-08 Adopted Budget, a $1.1 million hourly savings was projected as a result of canceled sections to avoid a large balance at the end of the fiscal year due to over-budgeting in the Instructional Salaries-Other accounts and account for the 10% cancellation trend. The FY2008-09 Budget does not provide for this savings but rather "caps" the total allotted budget for Instructional Salary expenses for scheduled sections during academic year 2008-09.

After all of the above was entered into the data base, Fiscal Services began running the budget reports and an extensive review process began which will continue until the final FY2008-09 Budget is adopted.

Additionally, to comply with accounting and regulatory requirements, retiree health benefits costs continue to be "pre-funded" for employees that are actively employed. However, this amount is no longer in excess of the current cost of retired employees. As previously discussed, no additional amount to address the unfunded Retiree Medical Liability has been included in this Tentative Budget. An updated actuarial study was completed in April 2008 to provide required information to comply with Governmental

Accounting Standards Board Accounting Standard 12 (GASB 12) and with the forthcoming GASB accounting standards 43 and 45 related to "other post employment benefits" (OPEB) in FY2008-09.

If COLA of 4.94%, as proposed in the Governor's January Budget release, had been included in the May revised, Palomar College would have received a $4,572,015 Inflation Adjustment in its apportionment.

**2007-08 Adopted Budget versus 2008-09 Tentative Budget Expenditures:**

Following is a comparison of expenditures by category in the Unrestricted General Fund, including Designated Accounts, for the FY2007-08 Adopted Budget and as projected for the FY2008-09 Tentative Budget:

| | **Adopted 2007-08** | **Tentative 2008-09** |
|---|---|---|
| 1000 Academic Salaries | $ 42,943,298 | $ 46,228,759 |
| 2000 Classified Salaries | 22,828,948 | 23,444,442 |
| 3000 Benefits | 20,965,779 | 21,457,649 |
| 4000 Supplies & Materials | 1,103,617 | 708,075 |
| 5000 Other Operating Expenses | 8,713,358 | 7,310,607 |
| 6000 Capital Outlay | 1,001,538 | 40,431 |
| 7000 Other Outgoing | 937,542 | 636,212 |
| 7900 Reserves | 12,353,694 | 4,975,615* |
| **Total Expenditures** | **$110,847,774** | **$104,801,790** |

*Note: 5% District Required Reserve based upon current average projected revenues and expenses would be $4,981,308.

Every effort continues to be made to tie budgets to strategic planning. The Budget Committee is expected to update the Fiscal Plan 2006 during FY2008-09 and begin aligning the fiscal plan update to the strategic planning process conducted every three years by the District.

The expenditure budget reflects the current salary schedule, current staffing plus hourly conversions, planned vacancies and leaves, expected adjustment to fixed and discretionary costs, and enrollment at the base level as previously discussed during the budget development process for the FY2008-09 Tentative Budget.

The Tentative Budget has been developed based upon employee negotiations and salary agreements, and includes additional funding for class scheduling, salary schedule movements, vacant positions and part-time faculty replacements. Included in the salary expenditure budgets are the step and column advances on all salary schedules for FY2008-09. A projected salary savings of $750,000, as a result of anticipated vacancies due to varied hiring dates, has been reflected in the Academic and Non-Academic salary budget projections.

Benefits include expenses for pensions, social security taxes, workers' compensation, and unemployment insurance, as well as for health and welfare benefits, which is projected to increase approximately $460,000 in FY2008-09, as compared to FY2007-08. Premiums for health and welfare plans are somewhat complicated because health-plan policies and premiums run from calendar year to calendar year; whereas, the health and welfare benefits run from July 1st to June 30th. An 11% increase has been included in the above referenced Benefits for Health, 11% for Dental and 11% for Vision in the Tentative Budget, as notified by carriers.

The FY2008-09 Tentative Budget presented reflects a significant decrease in Supplies and Materials, Other Operating Expenses and Capital Outlay budgets. Also included in this budget are funds for the Accreditation Self-Study in preparation for the March 2009 site visit, external audit costs including a Performance and Accountability external audit required by GO39 Bond regulations for Proposition M construction projects, and budgeted expenses for the Independent Citizen's Oversight Committee (ICOC) operations, which must all be funded by the District's general fund. The Capital Outlay budgets have been eliminated entirely for FY2008-09, except for funding required for the Library, which will be funded from Lottery funds. It was possible to temporarily suspend budgeting for Capital Outlay needs as a result of the passage of Proposition M, which provides for replacement of outdated equipment as part of Master Plan 2022.

The Tentative Budget that is approved by the Governing Board provides a balanced budget as required by law by temporarily using the projected beginning fund balance and projected reserves to provide a spending plan until the final budget is adopted. The District's core mission and function is that of student learning and, therefore, most of the District's unrestricted expenditures are related to instruction in the form of contract and hourly salaries and the associated statutory and fringe benefits.

The 'Other Outgoing' expenditures consist primarily of the following:

- $543,212 for debt payment for Escondido Center
- $30,000 for the Associated Student Government
- $3,000 for an additional District defibrillator
- $35,000 for Instructional co-curricular activities
- $25,000 for staff development

The projected "Reserves" for FY2008-09 consist of the following:

- $3,392,738 towards the 5% District Required Reserve
- $727,379 for Designated projects received as of the Tentative Budget
- $60,000 for the Apprenticeship Program
- $795,498 projected growth distribution in accordance with salary agreements negotiated with faculty and staff

## FUNDS AT PALOMAR COLLEGE

Following is a list and description of all of the current Palomar College funds:

**The General Fund (10)**
The General Fund is maintained to account for those transactions that in general cover the full scope of operations of the District—instruction, administration, and student services maintenance and operations, etc. (Note: Fund 10 = Fund 11 Unrestricted + Fund 11 Designated + Fund 12)

The Palomar College General Fund is divided into three sub funds: unrestricted, designated and restricted.

- Unrestricted is used to account for resources available for the general purposes of the District's operation and support of its educational program. (Fund 11 )

- Designated is used to account for unrestricted monies for specific operation purposes, such as field trips, planetarium, etc. (Fund 11)

- Restricted is used to account for resources available for the operation and support of the educational programs that are specifically restricted by laws, regulations, donors or other outside agencies as to their expenditure. (Fund 12)

**The Prop M Bond Interest and Redemption Fund** (22)
The Prop M Bond Interest and Redemption Fund is the fund used to account for the accumulation of resources for and the payment of Prop M General Obligation Bond principal and interest.

**The Debt Service Fund (29)**
The Debt Service Fund is the fund used to account for the accumulation of resources for and the payment of general long-term debt principal and interest.

**The Child Development Fund (33)**
The Child Development Fund is the fund designated to account for all revenues for, or from the operation of, childcare and development services, including student fees for child development services. Costs incurred in the operation and maintenance of the childcare and development services are paid from this fund. General-purpose monies of the District are used to support child development services by inter-fund transfer from the General Fund into the Child Development Fund.

**Capital Outlay Projects Fund (41)**
The Capital Outlay Projects Fund is used to account for the accumulation of monies for the acquisition or construction of capital outlay items, including scheduled maintenance projects. General-purpose monies of the District are used to support capital outlay projects inter-fund transfer from the General Fund into the Capital Outlay Projects Fund.

**The Prop M Bond Construction Fund (42)**
The Prop M Bond Construction Fund is used to account for the monies received from issuance of the Prop M bonds and the construction projects for which that money is used.

**Energy Conservation Projects Fund (43)**
The Energy Conservation Projects Fund was established in July of 1985. The fund is involved in a number of major energy saving projects with the goal of reducing energy costs while maintaining and improving the comfort of occupied spaces. The remainder of the College's allocation of $49 million energy costs/projects is in this fund.

**Post Retirement Benefits Fund (69)**
This fund was established during the 1997-98 fiscal year to receive the amounts set aside for medical and dental insurance paid for employees of the District who have retired or will retire and covered under provisions of the benefits plan.

**Associated Students Trust Fund (71)**
The District, for organized student body associations, designates the Associated Students Fund to account for monies held in trust. This fund also accounts for monies of student clubs formed through the District.

**Student Representation Fee Trust Fund (72)**
Education Code Section 76060.5 provides for a student representation fee of one dollar per semester if approved by two-thirds of the students voting in the election. In the fall of 1990, Palomar College established this fee. Monies collected are to be expended to provide for the support of governmental affairs representatives who may be stating their positions and viewpoints before city, county and district governments and before offices and agencies of the state government.

**Student Center Fee Fund (73)**
This fund is to account for monies collected for the addition to the Student Center facility. The funds are used for the debt service of lease revenue bonds issued to finance the addition.

**Student Financial Aid Trust Fund (74)**
The Student Financial Aid Trust Fund is the fund designated to account for the deposit and the direct payments of government-funded student financial aid, including grant and loans or other monies intended for similar purposes and the required district-matching share of payments to students.

**Scholarship and Loan Trust Fund (75)**
The Scholarship and Loan Trust Fund is the fund designated to account for such gifts, donations, bequests and devises (subject to donor restrictions) which are to be used for scholarships or for grants in aid and loans to students. This fund is used to account for the expendable trusts, where both principal and interest may be expended or disbursed. During fiscal year 1997-98, the majority of these scholarship accounts were transferred to the Palomar Community College Foundation.