

REVENUE ALLOCATION IN MULTI COLLEGE DISTRICTS

BACKGROUND

A former well respected CBO* with many years in the California system and who had spent a significant portion of his career in multi college districts once said of the allocation process in those districts:

- Is unacceptable in most instances to most parties
- Is inequitable from year to year
- Is lacking in sufficient flexibility to meet unforeseen changing conditions
- Inadequately addresses special/particular needs at any given time
- Is handicapped by a high level of suspicion and a low level of trust

**Bert Cofer, former long-time CBO with the Yosemite CCD*

The generally underfunded state of the California Community College System and the frustration over that issue makes the allocation methodology in multi college districts a perfect target for the discontent. If there is not enough money to support the mission critical objectives of the institution in a manner satisfactory to service providers, it would only make sense to criticize the method used within the district to allocate the less than adequate dollars that are coming to it. Often, the allocation model leads to unhealthy competition and discord within the district and discourages cooperation and impedes the effort to build "team" which will act in the best interests of the district as a whole.

The vagaries of California Community College finance also are at fault due to its complexity, uncertainty, delay, changes in fiscal requirements and regulation, etc. that may occur from year to year. Appears to be more equitable and more easily understood since the SB 361 allocation model was implemented by the State Community College Chancellor's Office in 2006. Each district receives a basic allocation based upon the number of colleges and centers, followed by an equalized rate for all credit and non-credit FTES. It is important to acknowledge that regardless of the manner in which resources are allocated within the district, the allocation to the District under funding formula is finite, limited and traditionally has fallen short of funding the full Real Cost of education. Community College budgets are borne out of the political process upon which the system budget must rely.

From the 2012 Orange Coast and Golden West Colleges Self Evaluation Report:

"District provides fair distribution of resources that support the effective operations of the colleges. The inadequacy of funding is due to State of California and not to the District budget process."

From the 2012 Coastline College Self Evaluation Report:

"The District allocation model appears to allocate funds to the colleges based on a full-time equivalent student (FTES)-based formula, although no evidence was provided to confirm this statement.. It appears that a large percentage of employees are not familiar with the District's allocation process to the colleges. In Fact, nearly 30 percent of full-time faculty believe that the District does not treat each college fairly".

At the very least, based upon one of the accreditation self study reports, there is some need to document the district resource allocation process.

Allocation model requirements

There are a number of principles, guidelines, requirements that must be adhered to or met no matter the method used to distribute a finite amount of funding to the colleges. Any method must:

- Be simple and easy to understand
- Provide for financial stability
- Provide for a reserve level consistent with Board policy and direction
- Provide for periodic review and revision
- Be responsive to the District/Colleges' Planning process and related goals and objectives
- Address any current or future emphasis directed by the Governing Board
- Maximize access and services for students through the efficient utilization of the District's resources
- Be flexible and allow for appropriate decisions to be made at the local level
- Provide clear accountability
- Allow colleges to initiate, implement and be responsible for new program initiatives
- Provide for transparency of District Office and District Wide expenditures in support of local college operations
- Must match resources with service levels using objective standards or measures to assure equity

Fundamental Approaches to Resource Allocation

From a study done while with the Desert Community College District, Dr. John Randall identified six (6) fundamental approaches to the allocation of revenue in multi college districts. These general methods are described as:

Prior Year Base Model - *Essentially, receive in the budget year what you received prior year- new \$ will be allocated based upon recommendation by Budget Committee or CEO.*

District First Model - *District Office and District Wide expenditures are identified first and taken off the top, balance of funds are distributed based upon FTES generated or % income earned by each College*

Cover Uncontrolled Costs Model – *Identify District Services cost, determine fixed costs such as permanent, full time personnel, utilities, etc.-subtract the “uncontrolled costs” from funds available and distribute the balance based upon FTES*

College First Model – *All available funds are distributed to the colleges based on portion of funds earned by them (now could use SB 361 methodology to determine revenue for each college), determine District Services cost, deduct these costs on a proportional basis from college allocations-essentially assess cost of district services on a proportional basis*

Productivity Model-*Determine District Services costs, full-time faculty salary and benefits, allocate adjunct faculty \$ based upon WSCH/FTEF for each college –subtract total faculty costs from total unrestricted revenue, distribute the balance based on FTES generated or percentage of income earned*

Base Allocation Model-*Base block grant amount allocated to each college to cover minimum level of fixed costs, balance of funds allocated based upon FTES earned or income earned, District Services expenditures determined and subtracted proportionately from each College allocation based upon FTES earned*

Each of the approaches assume that:

- The models include the allocation of unrestricted funds available to the District. This will include apportionment, lottery, etc.
- Each of the models require that District Services (District Office & District Wide Services) be clearly defined
- Categorical funds are not included. Categorical funds that are not site specific must be determined and a fair distribution mechanism must be developed

- The Governing Board determines the reserve and contingency level for the District. Any additions needed to increase reserves are included in District Service expense, and any surplus is included in funds distributed
- FTES goals for the year are determined for each college

There is merit in each of these and perhaps there are other mutations or combinations that could be developed from these fundamentals. All of the fundamental elements appear to be identified in this work.

Allocation model in context

District

When evaluating matters related to the financial condition of a District, the following elements do speak to the issue of allocation methodology.

- Need for a consistent District wide FTES Enrollment Management Strategy
- Clear communication and understanding of the strategy throughout the District
- Avoidance of incurring on-going costs using short-term resources
- Budget that accurately reflects the cost of services
- Benchmarks or metrics against which performance and accountability can be established and measured
- Budget allocation model that is understood, fair and encourages proper behavior

Accreditation (Standard IV3)

"In multi - college districts or systems, the district/system provides primary leadership in setting and communicating expectations of educational excellence and integrity throughout the district/system and assures support for the effective operation of the colleges. It establishes clearly defined roles of authority and responsibility between the colleges and the distinct/system and acts as the liaison between the colleges and the governing board.

- a. The district/system clearly delineates and communicates the operational responsibilities and functions of the district/system from those of the colleges and consistently adheres to this delineation in practice.
- b. The district/system provides effective services that support the colleges in their missions and functions.
- c. The district/system provides fair distribution of resources that are adequate to support the effective operations of the colleges.
- d. The district/system effectively controls its expenditures

- e. The chancellor gives full responsibility and authority to the presidents of the colleges to implement and administer delegated district/system policies without his/her interference and holds them accountable for the operation of the colleges.
- f. The district/system acts as the liaison between the colleges and the governing board. The district/system and the colleges use effective methods of communication, and they exchange information in a timely manner.
- g. The district/system regularly evaluates district/system role delineation and governance and decision-making structures and processes to assure their integrity and effectiveness in assisting the colleges in meeting educational goals. The district/system widely communicates the results of these evaluations and uses them as the basis for improvement.

FUTURE

A "check up" and "tune up" of the Coast Community College District allocation model should consider The following "Elements of a new or revised District Budget Development Model" and may serve as a starting point moving forward:

District commitment to change Recognition by District leadership that current allocation methodology should be reviewed with the potential for change in the manner in which resources are allocated to the colleges, district office functions and district services.

Communication District-Wide Budget Committee. (Coast CCD has the District Budget Advisory Committee) A committee serves several needs including improved communication of financial information and a vehicle for input for district-wide financial planning.

Accountability A budget model should minimally ensure accountability to remain within budget allocations. Budget units to be held accountable include the three colleges and the District Office.

Solvency The budget model must provide for funding of legal and contractual obligations and maintain long-term solvency in a manner determined by the State Legislature and the Community.

Student Based Basically, follow an FTES standard for revenue allocations.

Timely and Understandable Simplify and reduce the number of formulae used for revenue allocation. In addition, assure that all allocations are made on a timely basis to each budget unit.

Flexibility for College Decision-Making Allocate funds for employee salary and benefits and operational expenses to maximize college flexibility and discretionary use of funds to achieve college goals.

Governing Board Direction Provide for the strategic and policy direction set by the Governing Board.

There is no easy prescription for success in creating and sustaining an allocation model nor is it an easy task to create one that meets all of the criteria that has been mentioned in this summary document. Each District must develop its own internal agreements, understandings and definitions of what will work its culture and environment. One that “will not sink under its own weight”.

There are two elements that are most important:

(a) Transparency of District Office and District Wide expense to assure the colleges that they are receiving value for the cost of providing services or support for their effort

(b) Perceived equity in distribution of funds from college to college and that service to students is, in fact, the primary driver of the allocation process.

Different approaches are utilized by the twenty three (23) multi college districts in the system with varying degrees of success and satisfaction. A review of current practice reveals greater use of the SB 361 methodology to allocate revenue. This involves the use of a base revenue (block grant) amount based upon college size as measured by FTES and centers, coupled with a per FTES allocation. There also seems to be more use of the “College First” Model, which appears to have merit based upon the perception of services received, their cost and value received

There should be clear economic advantage in centralizing some district wide services to avoid duplication at each site. The value of this economic advantage should accrue to the colleges. The cost of these services should be less proportionately than that which would be incurred if services were duplicated at each site.

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