Kern Community College District

District wide Budget Allocation Model Evaluation II Committee

Report to the Chancellor and Consultation Council

Introduction:

In the fall of 2009 the Chancellor asked the District Consultation Council to assemble a committee (see Attachment A) to conduct a second evaluation of the District wide Unrestricted Fund Budget Allocation Model (BAM). The current BAM has been used by the District to allocate its general purpose (unrestricted) funds since the 2007-08 fiscal year.

The BAM Evaluation II Committee had its initial meeting February 17, 2010 and met several times during the spring semester of 2010. The Committee initially spent its time reviewing the current model and how its various mechanisms worked. In addition, the Committee also reviewed the initial BAM committee narrative and the report from the first model follow-up evaluation completed in the fall of 2008. Committee members then proceeded to identify from stakeholder input the following BAM issues for evaluation:

1. **District Office (DO) Discretionary Carryover**
2. **Enhanced Stakeholder Communication, Understanding, and Input into Model Components**
3. **Allocation of Charge Backs**
4. **Over cap**
5. **Strategic Initiative Process**
6. **Structural Cost Differences**
7. **Clarification of the charge backs between regulatory, districtwide, and DO**
8. **Line item for minimum reserve levels**
9. **Stabilization Mechanism**

The Committee then participated in extensive brainstorming sessions in order to evaluate each of the issues. (see Attachment B).

Due to the extensive nature of the list, the Committee requested an extension of time to complete its evaluation, with a goal of completing the task during Fall of 2010. This

extension was granted in May 2010. The following is the completed report and the recommendations of the BAM Evaluation II Committee.

Model Evaluation Process:

The Committee assigned teams to evaluate each of the issues. The teams were charged with evaluating and developing initial recommendations for potential change to the model using the brainstorming input as a guide. After the initial evaluation process was complete, the committee decided that some of the issues could be combined due to their similarity in nature. Therefore issues three and six were combined.

Evaluation and Recommendations:

1. District Office (DO) Discretionary Carryover

Extensive evaluation and discussion of this issue occurred. The evaluation began with a review of what, if any, carryover needs were identified for District Operations. During the 2008-09 fiscal year District Operations had begun several projects but had not completed them by the end of the fiscal year. Five of these projects were critical, so a $455,000 carryover was included in the 2009-10 budget for the completion of these five projects. In addition, carryover funds have been added to the District's reserve for compensatory and vacation time, as well as for emergencies.

The team also surveyed other California multi-college community college districts to determine if they allowed District operations to carry over funding from prior year budgets. The results of the survey (see Attachment C) indicated some districts' budget processes allow for carryover from District operations. However, the majority of Districts surveyed did not have such a mechanism in their budgeting processes.

The inconsistency in the availability of carryover within the District budgeting entities was evaluated. The Committee concluded that the District's ability to receive funds as requested to meet their annual needs obviated the need for carryover funding. However exceptions were identified. One was the instance where funded projects crossed over fiscal years, such as the five that occurred during 2008-09 and 2009-10. In addition, the committee concluded that when the District and Colleges are faced with significant reductions in operations, the inability to carry over funds removes one tool for dealing with these reductions. It is clear that the Colleges were able to ameliorate significant reductions in revenues due to access to significant college reserves. The District Operations did not have this option. The Committee believes that under certain circumstances, allowing District operations to carryover funding from prior years may be prudent.

Recommendations:

The District carryover capability would be expanded to include the following additional budgetary areas subject to approval of the Board of Trustees at the time of Budget adoption:

1. Funding incomplete projects that cross over fiscal years.
2. Minimizing degradation in services due to layoffs or other budget cuts that would otherwise be required by a general budget reduction.

2. Enhanced Stakeholder Communication, Understanding, and Input into Model Components

The most important elements of Issue 2 are improving communication and understanding of both the budget status and the budget allocation model. As determined by the first BAM evaluation team, general understanding of the BAM and annual budgets by employees continues to remain limited. This in turn results in misunderstanding and distrust among some of the College and District employees. Primary examples of the lack of understanding were seen with the various deviations from the BAM (see Attachment D). Though the deviations were well within the authority of the Board of Trustees, there was a general lack of understanding by employees of the reasons for these deviations. The BAM Evaluation II Committee agreed that ongoing regular communication and education for all district employees about the budget will be valuable to improve understanding. Increased understanding should lead to improvement of college and district climates. The third element, "enhanced input into model components," will be served by regular evaluations by continued reviews of the BAM.

Recommendations:

To improve communication and understanding, the Chief Financial Officer (CFO) or designee will:

1. send a link to the Budget Executive Summary to all district employees as soon as the budget is approved.
2. send a link to the quarterly budget updates (311Q) given to the Board of Trustees to all district employees.
3. Visit the colleges annually to review the budget allocation model and the budget status.
4. Distribute a glossary of budget terms to educate district and college leaders.

5. Meet with college budget committees to review District wide budget assumptions, BAM changes/deviations and other key District wide issues impacting the budget.

3. Allocation of Charge Backs and
6. Structural Cost Differences

Currently the chargeback of District operational costs to the Colleges are based upon funded FTES. The Committee discussed at length potential expansion and enhancements to the allocation methodology. These enhancements would include incorporation of other operational factors to more specifically associate District Operations' costs with cost causers. Discussion about evaluating the model itself was incorporated in this discussion. Specifically, the need to determine if the model is equitably addressing the structural cost differences between the Colleges and DO operations was identified. Initially these issues were identified separately for evaluation. However, after extensive discussion, the committee concluded these issues could be combined. The committee concluded that a significant economic cost study would need to be completed in order to effectively evaluate these two issues. In order for the results of the study to be available for the next BAM evaluation, the goal is to have complete studies as soon as possible in order to be available for the next BAM evaluation.

Recommendations:

The Committee recommends that KCCD hire an independent consultant to analyze factors that require more economic data and a more holistic perspective than the evaluation committee can provide. The Committee recommends that the external consultant complete analysis of two primary issues: 1) the allocation of charge backs, and 2) structural cost differences among the colleges. This analysis will enable KCCD to evaluate alternative charge back methodologies and alternative allocation models.

In analyzing the issue of the allocation of charge backs, the Committee recommends the following items be reviewed:

1. Evaluation of the current model vs. other options that may include multiple allocation factors

2. A time study of personnel at the District Office

3. Any other factors the consultants would deem important to the quality of the analysis

In analyzing the issue of structural cost differences, the Committee recommends the following factors/items be analyzed in order to assess whether the allocation model appropriately addresses structural cost differences between the three Colleges and District operations.

1. An analysis of economies/diseconomies of scale at the colleges in three areas: administrative staff, departmental costs, and compliance issues

2. An analysis of the impact of the full-time to part time faculty ratio on college budgets

3. An analysis of the impact of the 50% law and the full-time faculty obligation on college budgets

4. An analysis of effects of economic downturns and unemployment on college enrollment and other costs

5. An analysis of the cost of centers/sites on the colleges and district

6. An analysis of actual costs per discipline/per campus/per unit to provide a clearer picture of costs across the district.

7. An analysis of the impact on costs due to the large geographic area on the colleges and district.

8. Any other factors the consultants would deem important to the quality of the analysis

The Committee also recommends that it have an opportunity to review the request for proposals before it is publicly issued and that a future district-wide BAM Evaluation Committee has the opportunity to review the consultant's findings and recommendations.

4. Over Cap

The original BAM committee that developed the current model identified issues which were not reviewed due to time constraints. The effects of over cap FTES was one of those areas recommended for evaluation by a future follow-up study of the model. The committee simulated multiple FTES scenarios (see Attachment E). Based on the results of these simulations the committee concluded that, as long as the model was allocating funded FTES, there were no major changes required to address any over cap situation. The Committee did note the need for some minor model documentation enhancements to ensure clarity associated with this and other funded FTES results.

Recommendations:

1. Clarify model narrative so it is clear that the BAM considers changes in "funded FTES" and not changes in FTES over cap.

2. Modify the "Budget Premises" worksheet to incorporate calculations reflecting actual growth and decline percentages for each of the Colleges' FTES changes.

5. Strategic Initiative Process

The Strategic initiative process was initially developed by a subcommittee of Consultation Council (see attachment F). This process was adopted and initial projects were reviewed. Three projects were funded in the 2008-09 fiscal year. Research indicates that the initial process was followed for these projects, including the submission of required final project outcome reports. In spring and fall of 2008 the Consultation Council gave feedback on the process based upon the initial submittals and associated review. These modifications were incorporated into the process for 2009-10. One of these modifications was a call for projects that had a significant fiscal rate of return. Regrettably, due to the uncertainty associated with the State budget, none of the initiatives have been funded since the original set was approved in the 2008-09 fiscal year. The Committee believes that a minor clarification to the title of the "BAM Strategic Initiatives" would reduce confusion with the Strategic Initiatives contained in the District wide Strategic Plan.

Recommendations:

1. Re-name the BAM Strategic Initiative Process *"Special Projects Initiatives"*

2. Prior to calling for 2011-12 projects, re-review the Special Projects Initiatives process with Consultation Council to ensure understanding of the process.

7. Clarification of the charge backs between Regulatory, District wide, and District Office.

The District Operations as part of their budgeting process have categorized each of cost into one of three categories 1) Regulatory; 2) District Wide and 3) District Operations. The committee reviewed the categories and the original purpose of the cost breakdown. Based upon stakeholder input, the Committee concluded that the breakdown was no longer serving any substantive purpose, and if anything was actually causing confusion amongst the various stakeholders. The breakdown was also redundant as the allocation model already reflected the detailed costs contained in the District Operations chapter of the budget documents adopted by the Board of Trustees each year.

Recommendation:

The Committee recommends the elimination of the categorization of District charge backs between regulatory, district-wide, and district office.

8. Line item for minimum reserve levels

The Committee believes that, for discussion purposes, the percentage of the District wide beginning balance as a percent of prior year expenditures and other outgo, as well as the projected ending District wide balance as a percent of projected expenditures and other outgo, should be added for informational purposes to the BAM summary worksheet. This will allow for a clearer understanding of the reserve levels and anticipated changes to those reserves

Recommendation:

The Committee recommends that the Budget Allocation Model, for informational purposes, incorporate a percentage calculation of the carryover reserve from the prior year and for the current year projected budget.

9. Stabilization Mechanism

The BAM contains two stabilization mechanisms. The first is associated with FTES declines. The mechanism mirrors the State decline mechanism providing an initial year of stabilization funding in the year of the decline. The second deals with an overall decline in revenues, essentially declines in base revenues. The FTES decline mechanism has been triggered once, in the 2007-08 fiscal year. Upon review it was determined the mechanism worked as envisioned. The second mechanism has been triggered twice (2009-10 and 2010-11) due to base revenue reductions. However, the Board of Trustees in each year adopted an alternative stabilization methodology. Again had the Board not deviated from the BAM model, the stabilization mechanism would have worked as originally designed. The BAM Committee believes that only minor clarification of the calculations is required.

Recommendation:

Modify BAM to ensure that FTES decline does not precipitate an overall decline in the subsequent budget year, causing a double need for stabilization.

Attachment A

BAM Evaluation Subcommittee Members

Tom Burke	Chair --- DO Administration
Lynn Krause	BC Academic Senate
Ann Marie Wagstaff	PC Academic Senate
Gale Lebsock	CCCC Administration
Kate Pluta	CCA
Ann Beheler	PC Administration
Nan Gomez-Heitzeberg	BC Administration
Tammy Kinnan	CSEA
Kristi Newsome	Associated Students
Matt Crow	CCCC Academic Senate
Stephanie McWilliams	CSEA

Attachment B

BUDGET ALLOCATION MODEL
EVALUATION II COMMITTEE
May 12, 2010

BRAINSTORMING OF EVALUATION OF MODEL ISSUES & ASSIGNMENT OF TASKS

R E V I S E D

1. District Office (DO) Discretionary Carryover (Tom & Ann B.)

- What is the impact of having two different carryover approaches?
- What are the behavioral impacts (positive/negative)?
- How do other multi-college Districts handle carryover?
- Should the model have a tool for DO carryover?
- How much would the discretionary carryover for the DO have been?
    - What was the impact on College allocations

2. Enhanced Stakeholder Communication, Understanding, and Input into Model Components (Kate, Nan & Ann Marie)

- Evaluate and document historical model deviations
- How does the stakeholder communication need to be enhanced?
- Evaluate understanding of budget by Consultation Council
- Develop glossary of commonly used terms
- Establish mechanism for regular budget updates
- Evaluate current mechanisms for regular budget updates
- Review timing/distribution of budget documents
- Review and evaluate input process for deviations from standard model components
- Schedule regularly annual training for stakeholders in model
- Review of DO budget
    i. Consultation Council
    ii. Trustees

3. Allocation of Charge Backs (Stephanie & Tom)

- Evaluate current mechanism vs. other options that may include multiple allocation factors
- Evaluate cost/causer
- Determine the adequacy of the current mechanism
- Evaluate cost/benefit of expanded allocation mechanism
- Identify resources to conduct analysis and estimated cost

4. Overcap (Ann B. & Gale)

- Conduct simulation of colleges at various stages of being under and over cap
- Evaluate ramifications of these scenarios
- Survey other multi-college Districts on how they have handled under and over cap

Attachment B cont…

5. **Strategic Initiative Process (Nan, Tammy & Kate)**
    - Evaluate sub-process for strategic initiatives
    - Review other multi-college Districts' processes

6. **Structural Cost Differences (Ann Marie, Lynn & Stephanie)**
    - Evaluate whether the model adequately addresses structural cost differences between colleges. For example reliance on temporary labor vs. regular labor, management structures
    - Determine whether base operating allocations adequately address diseconomies/economies of scale

7. **Clarification of the charge backs between regulatory, districtwide, and DO (Gale & Tammy)**
    - Evaluate ongoing value of three different classifications of DO costs (regulatory, districtwide and DO)
    - Evaluate how costs are defined for each category
    - Determine if classifications should be modified

8. **Line item for minimum reserve levels (Matt)**
    - Evaluate value of incorporating defined minimum reserve level to model

9. **Stabilization (Matt, Lynn & Tom B.)**
    - Evaluate stabilization mechanisms
    - Review how other multi-college Districts use stabilization features
    - Review other multi-college District allocation models and appearance in model

Attachment C

Multi College District Survey on Carry over

Questions

1. Do you allow your District operations to budget carryover funds from their prior year budget allocations that are not part of the Districtwide carryover/reserve funds (Yes or No)?

2. Are your District's Colleges allowed to budget their carryover from prior year budget allocations (Yes or No)?

3. Does all carryover from prior year allocations go into Districtwide reserves (Yes or No).

Responses (total of 14 responses)

	1	2	3	
San Jose Evergreen	No	Yes	No	(Currently due to low reserves all carryover going to DW)
West Hills	No	No	Yes	
LACCD	Yes	Yes	No	
Sierra	No	No	Yes	
South Orange	Yes	Yes	No	
San Mateo	Yes	Yes	No	
San Diego	No	No	Yes	
Los Rios	Yes	Yes	No	
Coast	No	Yes	No	
San Bernadino	Yes	Yes	No	
Chabot-Las Positas	No	Yes	No	
Ventura	No	Yes	No	Colleges limited to max of 2%
Fresno	No	Yes	No	DO limited to projects crossing over from year to year
North Orange	Yes	Yes	No	
Total	**1**	**2**	**3**	
Yes	6	11	3	
No	8	3	11	

Attachment D

Historical Record of Deviations from Initial Model Formula and Parameters

- **2007-08 --- None**
- **2008-09 --- None**
- **2009-10**
    - **Allocated growth revenues in advance of submitting final FTES (320) report in July 2009**
    - **Did not utilize model stabilization mechanism for allocation decline due to high levels of College carryover.**
    - **Allowed DO carryover funds for incomplete projects from prior year**
- **2010-11 --- Modified stabilization formula which matched every $1 of college carryover utilized with district wide reserves up to a maximum of $1.0 million.**

Attachment E

	Base	Scenario 1	Scenario 2	Scenario 2B	Scenario 3
District Funded FTES Growth		2.00%	2.00%	2.00%	2.00%
District Funded FTES		376.06	376.06	376.06	376.06
College Growth Rate					
Bakersfield		2.39%	2.58%	1.84%	2.50%
Cerro Coso		2.39%	2.58%	1.84%	1.50%
Porterville		0.00%	-1.00%	2.84%	0.50%
Change in Credit FTES					
Bakersfield	12,503.43	298.60	322.87	229.75	312.13
Cerro Coso	3,243.27	77.45	83.75	59.59	48.65
Porterville	3,056.23	(0.00)	(30.56)	86.72	15.28
Total	18,802.92	376.06	376.06	376.06	376.06
Change in Revenue					
Bakersfield	$ 48,612,094	$ 49,925,931	$ 50,012,089	$ 49,681,468	49,973,956
Cerro Coso	$ 15,999,820	$ 16,340,617	$ 16,362,965	$ 16,277,205	16,238,346
Porterville	$ 13,998,385	$ 14,060,395	$ 14,091,400	$ 14,368,280	14,114,648
Total	$ 78,610,300	$ 80,326,942	$ 80,466,454	$ 80,326,953	80,326,950
Change in Growth/(Decline)					
Bakersfield		1,363,075	1,473,852	1,048,756	1,424,820
Cerro Coso		353,568	382,303	272,037	222,074
Porterville		-	(139,512)	395,860	69,756
Total	$ -	$ 1,716,643	$ 1,716,643	$ 1,716,653	$ 1,716,651
Change in Chargebacks (Inc.)/Dec.					
Bakersfield		(49,238)	(73,857)	20,617	(62,959)
Cerro Coso		(12,772)	(19,158)	5,348	16,451
Porterville		62,010	93,015	(25,965)	46,508
Total	$ -	$ 0	$ (0)	$ 0	$ 0
Change in Stabilization					
Bakersfield		-	-	-	-
Cerro Coso		-	-	-	-
Porterville		-	139,512	-	-
Total	$ -	$ -	$ 139,512	$ -	$ -

Attachment F

Kern Community College District

Strategic Initiatives Process

Members: Greg Chamberlain, Tom Burke, John Gerhold, Jennifer Marden, Tammy Kinnan

Background:

A Consultation Council subcommittee was formed by the Chancellor in May 2007 to develop a "staw man" for establishing a process to evaluate an award strategic initiative (SI) funds. This was part of the recommendations made to the Chancellor in Budget Allocation Model Support Recommendations contained in the BAM Subcommittee report.

Objective:

SI's must result in tangible, measurable outcomes that benefits a district entity and by extension the district as a whole commensurate with the dollar amount committed.

Process:

- College/District Office Departments develop proposals for SI funds
- Colleges/District Office submit proposals to "straw man" subcommittee for review and ranking
- Proposals moved forward to Consultation Council for evaluation and ranking
- Approved SI's funded and implemented
- Follow-up analysis of effectiveness of each SI funded project
- Evaluation of overall SI program

Application Structure;

- Contact Information
- Project description
    - Linkage to District Strategic Plan and College plans (all part of description)
- Project Timelines
- Financial/Budget Analysis – operating costs
- Projected Outcomes
- Assessment Plan
- Approvals – Academic Senate, CIC, Administration, Faculty Chairs, Vice President/Chancellor, Business Manager

Next Steps:

Recommend "straw man" subcommittee of Consultation Council develop instructions and application materials for initiating SI proposals, with goal for completion of a draft for the October 2007 Consultation Council meeting and final completion by November 2007 Consultation Council meeting for implementation in January 2008.

KERN COMMUNITY COLLEGE DISTRICT

STRATEGIC INITIATIVE APPLICATION, 2009-10

STRATEGIC INITIATIVE PROGRAM OBJECTIVE

- The objective of the Strategic Initiative program is to identify opportunities for investment by the District in a project that will potentially result in tangible, measurable outcomes that benefit the district.
- The project should have a District-wide emphasis.
- The project should tie to the Kern Community College District Strategic Plan.

1. NAME OF STRATEGIC INITIATIVE PROJECT:

2. CONTACT INFORMATION

- Initiator/Primary Contact _____
- Title _____
- District Location _____
- Phone _____
- E-mail Address _____
- Supervising Administrator _____
- Other individuals working on initiative _____

_____

_____

_____

_____

APPLICATION FOR PROPOSED STRATEGIC INITIATIVE PROJECT

(Items 3 through 9 must be attached as part of the application as separate documents)

3. EXECUTIVE SUMMARY

4. PROJECT DESCRIPTION

The project description must include a statement of need, the purpose of the project and associated activities. The description should also contain objective data and linkage to District Strategic Plan and college plans where applicable.

5. PROJECTED TANGIBLE/MEASUREABLE OUTCOMES

Please include a description of expected measurable project outcomes.

6. TIME LINE

Please include a detailed project timeline, including when the project ends and associated assessment. If it is to become part of ongoing college or district office operations explain how this will occur.

7. FINANCIAL ANALYSIS

The project financial analysis must include the following components specifically linked to the project time line:

- **Implementation costs**
  - Facilities & Equipment
  - Services
  - Materials & Supplies
  - Classified labor (including benefits)
  - Instructional Labor (including benefits)

- **Incrementally new ongoing operating revenue (or cost savings) and costs**
  - Equipment
  - Services
  - Materials & Supplies
  - Classified labor (including benefits)
  - Instructional Labor (including benefits)
  - Revenue (or cost savings)

8. PROJECT ASSESSMENT

Please include a plan for assessing the proposed outcomes of the project including quantifiable data sources for the assessment.

9. EVALUATION PROCESS

- Completed contact information, application documents and approvals forwarded to the Vice Chancellor of Educational Services – February 13, 2009.
- Subcommittee meets to review/select strategic initiative proposals for funding – Early March
- Chancellors Cabinet reviews/discusses proposals in March of each year
- Approved/funded project team members and manager are notified by Vice Chancellor of Educational Services – March
- Strategic Initiative budgeted according to approved project time line.

** Please note there are no guarantees that any projects recommended to the Chancellor will be approved for funding.

10. FUNDED PROJECT EVALUATION

- Status Report – Due February 1
- Strategic Initiative Final Report – Due April 15

Kern Community College District

Office of Educational Services

Initiator/Primary Contact: **Institution:**

Name of Strategic Initiative Project:

Rubric for evaluating Strategic Initiative Project Proposals. Reviewers will multiply the rubric value by the weighting to determine the points for each criterion. The total score is the number of points received for all criteria. The rubric is being used to score each application for potential funding by the Chancellors Cabinet.

Preliminary Strategic Initiatives Project Review							
	Rubric Value = 0	**Rubric Value = 1**	**Rubric Value = 3**	**Rubric Value = 4**	**X Weighting**	**Points**	**Comments**
Description of Activity	Missing or incomplete	Activities minimally address Strategic Initiative Program objective	Activities address objective; needs, purpose, and links to planning are evident	Completely describes the needs, purpose, & activities; strongly links to appropriate plans	2		
Projected Tangible/Measureable Outcomes	Missing or incomplete	Outcomes are included and are minimally measurable	Outcomes are included, measurable, and appropriate	Outcomes are included, measurable, appropriate, and strongly integrated with activities	2		
Time Line	Missing or incomplete	Complete, but lacking detail	Complete with appropriate detail;ongoing operations minimally addressed	Appropriate detail; ongoing operations strongly addressed; realistic	1		

	Rubric Value = 0	Rubric Value = 1	Rubric Value = 3	Rubric Value = 4	X Weighting	Points	Comments
Financial Analysis	Missing or incomplete	Minimally addresses financial analysis components; minimally linked to time line	Addresses financial analysis components; linked to time line	Strong financial analysis evident; shows outcomes commensurate with dollar amount	3		
Project Assessment Plan	Missing or incomplete	Minimally addresses proposed outcomes and data sources	Addresses all outcomes and identifies data sources	Comprehensively addresses all outcomes and data sources	2		

Recommendation to Fund SI Project **Yes:** **No:** **Total Points (40 pts. max.):**