VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

DISTRICTWIDE RESOURCE BUDGET ALLOCATION MODEL
GENERAL FUND – UNRESTRICTED BUDGET

Fiscal Year 2010-11

Background

Effective in fiscal year 2003-04, the District set aside the then-existing budget allocation model, which had been used to distribute district resources for the prior six years.

The model was primarily revenue driven while providing for college base allocations and other fixed costs which did not necessarily equate directly to FTES generations. As such, the model relied both on revenue (FTES) and expenditure elements (dual characteristics) to serve as the mechanisms to produce the colleges and district level budget allocations. The model was, however, primarily FTES driven, with no cap placed on the funding of growth. As the colleges evolved over time, the shift of resources favored the college(s) growing most rapidly and disadvantaged the college(s) growing more slowly, and the movement happened in an uncontrolled fashion. As a result, the model had been adjusted several times during its six-year period, and was believed to no longer meet the needs of the district and its colleges.

In 2003-04 when we set the model aside we distributed resources using the fiscal year 2002-03 allocation as a base, increased or decreased proportionately based on changes in available resources. That process continued over the past four years. Although today we have a method to distribute funds, we do not have an agreed-upon budget allocation model. Distribution of new resources does not consider how the colleges have evolved since 2003-04. Our current method of distributing funds does not reflect how we receive our funding from the state, the uniqueness of our colleges, nor the priorities of the district. In addition, the lack of an agreed-upon allocation model has been cited in the accreditation reports and will be a major issue if not resolved soon.

For the past several months the District Council on Administrative Services (DCAS) and the Cabinet have been working simultaneously toward identifying the features of a model that would reflect the unique characteristics of each college, while recognizing how we are funded by the state, and be perceived as more equitable than the current arrangement.

In accordance with the commitment to the Board to regularly review the model components to ensure a more sustainable model that incorporates variables that are meaningful, readily defined, easily measured, and consistently reported, the District Council of Administrative Services (DCAS), reviewed the model during the first part of 2009 and recommended modifications to the Class Schedule Delivery Allocation and the FTES Allocation segments of the model. The Board of Trustees approved the recommended changes at its March 2009 Meeting.

Elements of the Model

The district recognizes the value in developing a model with dual characteristics, i.e. one that includes elements based on both revenue (FTES), as well as expenditures. The model must consider how the colleges have evolved, and be responsive to changes that will occur in the future. The model must also consider how we are funded from the state. The model must be objective based, formula-driven, readily understood, reasonably applied, flexible and responsive, widely communicated, adequately documented, and perceived as equitable.

The proposed allocation budget model addresses the distribution of resources, and is not prescriptive in how funds are to be spent at the various locations (colleges and district office). The district acknowledges differences between its colleges and recognizes the colleges' needs to direct their resources based on their own plans and objectives in meeting the needs of their diverse populations and constituencies. The colleges have separate and specific budget development processes unique to each college, reflecting their organizational culture and priorities. It is at this level that the budget must be tied to each college's strategic plans and address accreditation requirements. DCAS will consider processes/templates to be used for this purpose.

Revenue

The proposed budget allocation model is designed for the distribution of general fund-unrestricted revenue only. Other sources of funding are allocated either by the state directly to a specific college or the district has agreed on a separate allocation method for those funds.

All general fund – unrestricted revenue will be distributed through the model, including, but not limited to, state apportionment for FTES, local revenues such as lottery, non-resident tuition, interest income, and miscellaneous revenue traditionally accounted for in the general fund – unrestricted.

Districtwide Support

The district recognizes that it is fiscally prudent to provide some services centrally through the operation of a district office (District Administrative Center – DAC). These services should primarily represent those functions that can be most effectively and efficiently administered in a centralized fashion.

The allocation model will continue to provide a pool of resources to support expenditures required to meet general Districtwide obligations such as property and liability insurance, legal expenses, local match for scheduled maintenance programs, governing board expenses, financial and compliance audits, central technology hardware, software and management services, and other activities which support the district as a whole and cannot be conveniently or economically assigned to the other operating locations.

The district will continue to account for utilities at a central location, so as to mitigate the significant differences in utilization due to building size, construction, age, and climatic conditions affected by college locations.

Although no funding is being proposed in the initial year, the district is allowing for future consideration/funding of college initiatives that may require special start-up funding or other special allocations which will be made through the model.

College Allocations

In an attempt to develop a model that would be accepted as fair and equitable, areas of differences or unique characteristics between the colleges, as well as similarities, were identified. A model that considers and reflects these differences is consistent with the objective of equitability.

The differences, unique characteristics, and similarities identified include, but are not limited to:

- Facility constraints/classroom capacity on each campus
  How many rooms hold 25, 35, 100, etc. students?
  How will capacity change over the new few years?

- Program Mix - mix of general education and vocational programs
  Does each college have the same proportion of vocational/career tech to general education classes?
  Does the difference in program costs impact the college's decision on what programs to maintain or develop?

- Students’ level of educational preparedness

  Does each college have the same proportion of students who are prepared to take college level classes? Are needs for basic skills classes the same? (Some of the additional requirements/services of these students are to be met through special funding, such as categorical, not necessarily general fund – unrestricted dollars distributed through this model)

- Does each college have the same proportion of senior faculty (salary schedule placement)?

- How do fulltime / part time ratios of faculty compare?

- Are the contractual obligations, such as reassigned time and leaves, disproportionately distributed?

- What are the similarities/differences in core services?

- How does the size of each student body compare? (FTES)

Year - end Balances

The allocation model recognizes the incentive in allowing budget locations to maintain their unexpended funds for future needs.

Mechanism of the Model

Revenue

All projected general fund – unrestricted revenue will be included. Projected restoration and growth revenue will not be included until the year after it is earned.

Districtwide Support

Districtwide Services (DWS)

The definition of DWS will be reviewed regularly. Components and specific line item budgets will be considered each year by DCAS for inclusion in this budget category.

Utilities

The budget for utilities will be based on historical and projected rates and usage, and presented to DCAS for review and concurrence.

District Administrative Center (DAC)

The District Administrative Center will receive a percentage (initially 5.8%) of projected revenue. If, after review, it is determined that specific budget items are reassigned between DWS and DAC, the percentage of revenue will change accordingly, maintaining the same effective rate.

As part of the FY07 Tentative Budget, costs were redirected and the DAC's proportionate percentage was increased to 6.4% as a part of the implementation of the Model.

College Initiatives

There is no specific recommendation for funding this line-item for 2007-08; however, the line item will be retained for future consideration.

College Allocations

Class Schedule Delivery Allocation

Using each college's productivity factor (as defined below) and FTES from the current year, derive a Full Time Equivalent Faculty (FTEF) number for the budget year. The college will receive an allocation for the actual cost (salary and benefits) for the full time classroom faculty currently employed. This allocation will be adjusted to reflect non-teaching assignment for these faculty, such as those on leave or reassigned time, and planned additional full-time faculty for the budget year. The balance of the allocation will be distributed based on the average cost of a non-contractual FTEF.

The productivity factor (which is the college's average weekly student contact hours (WSCH) taught by a full time faculty equivalent (FTEF)) reflects, among other things, differences in class sizes (and subsequently costs) due to facility limitations, program mix, and educational preparedness of the student population of each college. Effective FY10, the model utilizes an average of a budget year productivity factor (i.e. the goal) and the prior year actual productivity factor.

The productivity goal for a budget year will be independently set for each college, and will be based upon historical data and take into consideration a college's unique circumstances and the economic environment. Because a portion of funding to a college will be based on that goal, it is essential that the productivity goal-setting process be thoughtful and have integrity. It is therefore recommended that each college's goal-setting team, which may include not only the college president, but also the instructional and business vice presidents as well as the academic senate president, establish a process to project a realistic and attainable goal.

The college president will then meet with the chancellor and the chancellor will set the goal.

Base Allocation (Fixed Allocation)

Each college will receive an equal dollar amount that recognizes the fixed expenses/core services associated with operating a college regardless of the size of its enrollment.

This base allocation is established at 15% of revenue available for distribution, divided equally among the colleges. This will result in an increasing base allocation as revenue increases.

FTES Allocation

The remainder of the available revenue is allocated to the colleges proportionate to their FTES (%) actually earned in the prior year, and recognizes how the District receives the bulk of its revenue through SB361.

Colleges will be funded proportionate to their FTES (%) for their actual growth up to the maximum percentage that the District was funded. Each college may then carry unfunded FTES (as does the District as a whole), and be entitled to use that excess if and when the District does. By using a blended average in the productivity factor as recommended above, colleges are not penalized for “overgrowth” if attained through efficiencies, i.e. less costs.

Transition/Implementation Funding

As implementation of the new allocation model may shift resources, the district recognizes the need to provide for stability during the transition for colleges to gradually move towards full implementation of a model.

During the implementation year, FY08, $2 million of total revenue will be allocated 50% each to Oxnard and Ventura colleges. In FY09, $1 million of available resources will be allocated 50% each to Oxnard and Ventura colleges. Once applied, the amount of transition/implementation funding will then be assessed to ensure the colleges are able to transition without undue financial hardship.

Carry-over

In addition to the allocation derived through the mechanism of the model, the colleges and district office will be allowed to carry-over any unexpended funds as of June 30 into the new budget year, up to a maximum of 1% of their respective prior year budgets. (There is no maximum for carryover from June 30, 2007 to July 1, 2007). These amounts will be placed in a designated reserve as of June 30, to be distributed for expenditures as of July l of the budget year.

In Summary

The Districtwide resource budget allocation model must be complex enough to reflect the unique characteristics of our colleges and the needs of a multi-college district while recognizing how the district is funded from the state, yet simple enough to be readily understood, easily maintained, and transparent. Finally, it must be driven by factors which command accountability, predictability, and equity.

Overall, the model addresses the Basic Principles for a budget allocation model previously adopted by the board. It utilizes formulas and variables that have been meaningfully studied, readily defined, easily measured, and consistently reported. As with the budget itself, no model will ever be perfect and it is doubtful that the district will ever achieve complete consensus as to how its resources should be distributed; however the model as proposed comes as close to that consensus as we can reasonably expect. DCAS and Cabinet have independently reviewed this proposed model and concur that it meets the budget principles established by the board and is “fair and equitable” for all colleges and the district operational units. Annually, the model will be reviewed by DCAS and Cabinet and revised consistent with the requirements identified and agreed upon at that time. Any proposed revisions to the model will be presented to the board for approval with the budget assumptions document.