

May 12, 2016

Kern Community College District

District-wide Budget Allocation Model Evaluation III Committee

Report to the Chancellor and Consultation Council

Introduction:

In the summer of 2015 the Chancellor asked the District Consultation Council to assemble a workgroup (see Attachment A) to conduct a third evaluation of the District-wide Unrestricted Fund Budget Allocation Model (BAM). The current BAM has been used by the District to allocate the majority of its general purpose (unrestricted) funds since the 2007-08 fiscal year.

The BAM Evaluation III Committee ("BEC") had its initial meeting November 15, 2015 and met several times during the spring semester of 2016. After a review of the BEC's scope of assignment, the BEC reviewed the current model and how its various mechanisms work and how the model fits into the overall budget process of the District. In addition, the BEC discussed the initial BAM and reports from the first two model follow-up evaluations. The BEC members then proceeded to identify from stakeholder input the following BAM topics for evaluation:

- 1. District-wide Budget Committee**
- 2. Growth Allocations**
- 3. Cost drivers for DO chargeback mechanism**
- 4. Banked FTES allocation to Colleges**
- 5. Reserves**
- 6. Stabilization mechanism**

Model Evaluation Process:

The BEC broke into groups assigned to review and evaluate each of the six topics. Each group returned with their analysis and recommendation for changes. The reports and recommendations were then discussed by the entire BEC and final recommendations were made accordingly (See attachment B Meeting Minutes).

Evaluation and Recommendations

1. District-wide Budget Committee

There was extensive discussion about establishing a District-wide Budget Committee. The BEC believes that the primary advantage of a District-wide Budget Committee would be enhanced communications and input about the District budget premises and assumptions used to guide the development of the Colleges' budgets. In addition, the District-wide Budget Committee would provide for better understanding and vetting of the District Office operational budget. A survey and analysis of other multi-college districts was conducted to determine whether other districts utilize such a committee and how they operate. The study found many multi-college districts have a separate, standing district-wide budget committee. These committees operate to make fiscal recommendation to Chancellor and Consultation Council (See Attachment C).

Recommendation No. 1:

The BEC recommends the establishment of a District-wide Budget Committee. The District-wide Budget Committee's responsibilities shall include:

- Propose recommendation for District-wide budget development processes;
- Review of the District Office provision of services in relation to program review
- Review annual District-wide budget development premises;
- Review long-term trends in District-wide fiscal health; and
- Evaluate and propose recommendations for District Office operational budget;

The composition of the Committee would be:

Chair: Chief Financial Officer (non-voting)

Vice Chancellor, Human Resources (non-voting)

6 Classified Staff: Appointed by CSEA (two from each college)

6 Faculty: Appointed by Academic Senate (two from each college)

3 Vice Presidents of Instruction (one from each college)

3 Vice Presidents of Student Services (one from each college)

3 Vice Presidents of Finance and Administrative Services (one from each college)

3 Students (one from each college)

Recommendation No. 2:

The BEC recommends the District Consultation Council:

- Review and make recommendations regarding the District Office process for unit plan development; and
- Review annually and evaluate the District Office service unit plans

2. Growth Allocations

The BEC evaluated approaches to allocating growth funding within the District using the State's current growth model as well as the model used to allocate Equity funding (See Attachment D). An in-depth analysis, including simulations, was conducted. The BEC had extensive discussion regarding the different approaches compared to how growth is currently allocated utilizing FTES targets established for each college based on projected funded growth caps. The BEC concluded that the current approach meets the needs of the colleges.

Recommendation: There are no recommended changes to current process of allocating growth.

3. Cost drivers for DO chargeback mechanism

The BEC evaluated the possibility of modifying the Budget Allocation Model for the District Office cost chargebacks. Currently, allocations of the District Office chargebacks are made using funded FTES. A report (See Attachment E) was presented that included a survey of several multi-college districts, the introduction of several cost allocation models that could be reviewed, and hypothetical examples of different allocation approaches. The study also identified several consultants that offer evaluation services of this topic. The BEC had extensive discussion of this topic and the findings in the report.