

## District Recommendation 1

**The team recommends that in order to improve its resource allocation process, the District should expedite development of a financial allocation model, including the following (Standards III.C.1, III.D.1a, III.D.2a, III.D.3, IV.B.3c):**

- a) the model as a whole;**
- b) funding for adjunct faculty in a way that will support the District and college intentions to increase student enrollment; and**
- c) technology funding.**

In response to the team's recommendation to expedite development of a financial allocation model, the District began a modification of its allocation process using the Chancellor's Cabinet as the task force working with the District finance department. The visiting team clearly suggested that an overall fiscal resource review and allocation process be formalized by the college and linked into the District process and that the District improve its resource allocation processes.

For many years, the District had determined the level of funding for each of the colleges through the use of separate classified, adjunct faculty, and operating funding formulas. However, formulas were not used for the allocation of management, full-time faculty positions, District Office and District wide services. Additions and reductions for positions in all employee groups were determined by the Chancellor's Cabinet.

Realizing that more consistency, equity and transparency were needed in the allocation formulas, District leadership began to review and revise the budget policies and procedures, including funding formulas, for the 2005-06 academic year. In 2006, SB 361 was passed by the state legislature; it provided a base allocation for each college and center, as well as per FTES funding by credit, non-credit, and CDCP FTES (Career Development College Placement). Following the implementation of SB 361 in 2007, the formulas for college operations and classified staff, other than what was covered in the original Business Procedure 18.03, were codified (Exhibit 1a). The District codified college operations (Business Procedure 18.02) and other operational staff (Business Procedure 18.03). Not since the late 1990s had the District undertaken a comprehensive review of the allocation formulas.

With the change in leadership of the finance area at the District Office, work on the allocation formulas resumed in the fall of 2008. The following areas were identified as problems because the allocation model at that time was:

- difficult to understand due to the number of formulas;
- not transparent;
- patriarchal in approach, with the District bearing all responsibility;
- not funding colleges appropriately in the adjunct faculty allocation; and
- lacking in management and maintenance and operations funding formulas.

In renewed efforts to develop an improved allocation model, the Chancellor's Cabinet took into consideration those areas addressed in the accreditation standards at that time:

- technology support (Standard III.C.1);
- integration of financial planning that supports institutional planning (Standard III.D.1a);
- appropriate allocation and use of financial resources to support student learning programs and services (Standard III.D.2a);
- assessment of the effective use of financial resources and use of the results as a basis for improvement (Standard III.D.3); and
- fair distribution of resources that support effective college operations and the strategic directions of the District and the colleges (Standard IV.B.3c).

The Chancellor’s Cabinet reviewed various principles and fundamentals for allocation models and chose the following guiding principles for development of its new allocation model:

1. simple and easy to understand;
2. fair;
3. predictable;
4. consistent;
5. uses quantitative, verifiable factors;
6. minimizes internal system conflict;
7. efficient to administer;
8. provides for financial stability;
9. protects the integrity of base funding;
10. provides for appropriate reserves;
11. responsive to planning processes, goals and objectives;
12. recognizes cost pressures;
13. efficient use of District resources and provides sensible use of public funds;
14. flexible enough to allow for decisions to be made at the local level;
15. allows for colleges to initiate, implement, and be responsible for new program initiatives;
16. provides transparency for District Office and District wide expenditures in support of college operations;
17. matches resources with service levels using objective standards or measures;
18. adequate and sufficient to sustain operations;
19. does not adversely impact any college; and
20. recognizes individual contributions of the colleges and District wide services to the overall mission to serve of all the communities in the CCCCDC.

After reviewing a presentation and concepts of how other multi-college districts allocate resources, the Chancellor’s Cabinet chose a “College First” approach that links a whole model to revenues, with an emphasis on a clear delineation between college and District roles. This model was selected as most appropriate based on the autonomous culture of the colleges and historical funding patterns. Further, this model allows for the financial decisions at the college level to meet student and community needs, while taking advantage of the centralization of services where economies of scale can be achieved.

After modeling the SB 361 allocation funding for all three colleges for fiscal years 2007-08 and 2008-09, it became clear in May 2009 that adopting a pure SB 361 model would not meet the principles adopted by the Chancellor's Cabinet, in particular the principle of not having an adverse impact on any college. Variations of SB 361 (Exhibit 4) were explored, with the intent that a revenue-driven SB 361 model to allocate growth, coupled with considerations for student population and historical funding patterns, would best serve all three colleges. Using SB 361 as the metric would acknowledge any subsidies or shortages for all the colleges.

During April 2009, budget forums were conducted throughout the District during which the concept of SB 361 funding and a College First model were presented. The budget forums were held at all three colleges and the two centers, and at the District Office. All employees were invited to attend the forums -- participation ranged from approximately 45 participants at Contra Costa College to 70 participants at Los Medanos College. On April 29, 2009, the Governing Board's annual study session on the budget focused on "Considerations for a New Allocation Model".

The Chancellor's Cabinet developed a strategy to complete work on the model as a whole (District Recommendation 1a) during 2009, with a planned implementation date of fiscal year 2010-11. During 2009-10, the existing allocation formulas were adjusted to better fund the colleges by creating management, maintenance, and operations formulas, in addition to addressing a phased-in approach for stable technology funding. The adjunct faculty formula documentation and issues were addressed through:

1. Reflecting the actual cost of adjunct faculty payroll hours per FTEF from the existing 540 hours per FTEF to 605 hours for CCC, 589 hours for LMC, and 571 hours for DVC;
2. adjusting FTES/FTEF productivity assumptions to match targets; and
3. formalizing the elements for calculating the adjunct faculty formula noted in Business Procedure 18.02. (Exhibits 6a-6d)

A presentation on the allocation model was given to the District Governance Council on August 25, 2009. It included a discussion about the progress on the allocation formula at that time in a paper on "Revenue Allocation in Multi College Districts" and a paper called "Allocation Model – August 18, 2009." The information contained in the "Allocation Model" provided the DGC with the background on the work to date, as well as the principles developed by the Cabinet for creating a new allocation model. Dates were set at the September 1, 2009, DGC meeting for expanded meetings for October and November 2009 to provide input on the Allocation Model.

During the October 13, 2009 DGC meeting, a presentation was given outlining community college funding in relation to the entire state budget process. This led into a discussion about collaborative working relationships between constituencies and finally into goals and principles specific to the proposed new SB 361 allocation model. The principles of fairness, equity and transparency were discussed at length and the definitions for these principles were articulated. It was determined that future meetings would be needed to further understand the process and the principles that would guide the SB 361 allocation model.

On November 10, 2009 DGC met again during an expanded session to discuss the SB 361 allocation model. The goal of the meeting was to develop four to five principles to guide the model. A list of principles previously discussed at the Chancellor's Cabinet was presented to DGC for review and refinement. With approximately 20 individuals participating from management, classified, faculty and students, DGC developed a list of 17 principles to be discussed and combined into higher-level principles in further meetings. The meeting concluded with a presentation from management on why a revenue-based model was preferred. Discussion and questions about this presentation were eventually halted due to time constraints; it was then decided to incorporate future discussions of the SB 361 model into the regular DGC agendas in order to maximize attendance.

The December 1, 2009 DGC meeting resulted in agreement on the values and principles of the model: transparency, flexibility, accountability, local control, simplicity and shared governance. With the goal of implementing the new model by July 2010, it was agreed that DGC's role would be to provide input and feedback on the model as it developed. Also, with several individuals at DGC having missed last meeting's presentation on the rationale behind developing a revenue-based model, it was presented again for everyone's benefit.

The agreed upon budget principles were reviewed and passed by motion in the January 26, 2010 DGC meeting. Notwithstanding the approval, DGC's various constituencies also brought up a number of issues that were of concern. Since many of these issues were yet to be resolved or were still being considered at the Chancellor's Cabinet, it was agreed that the DGC meeting in May would have a report addressing the concerns.

After receiving input from all constituencies regarding the principles and values the SB 361 revenue allocation model should adhere to, the Chancellor's Cabinet and college business directors worked on fine-tuning the model within the approved framework. Thus, in February 2010, administration began the process of creating and/or amending policies and procedure to codify the new funding model. This resulted in Business Procedure 18.01, The Contra Costa Community College District General Fund Budget, being approved on July 28, 2010, and Business Procedure 18.02, Parameters for Budget Development and Preparation, being approved on June 22, 2010. Both procedures went through the shared governance process for approval.

Over the next few months, Chancellor's Cabinet and the college business director's worked on implementing the SB-361 model for fiscal year 2010-11. Giving updates to DGC at each of their next four meetings (March 2010 through June 2010), administration was able to keep all constituencies aware of, and involved with, how the new funding model was taking shape.

As hoped, the model was ready to be utilized for fiscal year 2010-11 and was ultimately approved by the Chancellor's Cabinet, DGC, Faculty Senate and the Board of Governors through Business Procedure 18.01

The final rendition of the model for fiscal year 2010-11 ultimately achieved success in including all five principles:

- Transparency – This was achieved in the process leading up to the formulation of the model and within the model itself. The numerous meetings that were held and the openness of administration in not only explaining what was happening but also in asking for feedback and guidance during the developmental process was critical for District wide buy-in. In addition, the inner workings of the model were easy to understand and were explained to each constituency’s representatives on an on-going basis.
- Flexibility – The model itself provided great flexibility to the colleges. District wide costs -- such as utilities, legal, technology and the District Office operations itself -- were taken off the top before any allocations were made to the colleges. This allowed the colleges to receive their annual allocations and make all local decisions without having to set aside monies for unavoidable costs. The decisions on how best to utilize their allocation were up to the colleges to make.
- Accountability – Alongside the flexibility to make decisions comes the accountability to live with them. There were incentives built into the model to make certain that colleges would meet their FTES goals; not meeting those goals could result in loss of funds to a sister college. Moreover, the colleges were allowed to carry forward their own fund balances which incentivized rational spending and got rid of the “use it or lose it” mentality which had existed previously.
- Local control – Perhaps the greatest change brought by the revenue allocation model was the local control that the colleges now had with their budget and decision-making. The model allowed for the colleges to be responsible for their actions and to make decisions quickly when opportunities arose. This change created a sense of entrepreneurialism at the colleges.
- Shared Governance – The implementation process was done through shared governance from beginning to end. In addition, unlike most business procedures, Business Procedure 18.01, The Contra Costa Community College District General Fund Budget, requires consultation at all shared governance levels in order for any changes to be made. This means that any future revisions to the model will necessitate approval of Chancellor’s Cabinet, DGC, Faculty Senates Coordinating Council and the Governing Board. The procedure has a built-in shared governance mechanism.

The District and colleges have responded to the visiting team’s recommendation to expedite development of a financial allocation model to address the model as a whole (District Recommendation 1a), funding for adjunct faculty in a way that will support the District and college intentions to increase student enrollment (District Recommendation 1b); and funding for technology (District Recommendation 1c).

The District developed a strategy to implement the whole model in 2010-11. The whole model linked the following elements with the revenues received for apportionment funding:

- classified funding formula;
- adjunct faculty funding formula;
- operating funding formula;
- management funding formula;
- buildings and grounds funding formula;
- technology funding formula; and

- full-time faculty funding.

During 2009-10, the District provided an adjunct faculty formula which was more equitable for funding the colleges, implemented a management formula and addressed maintenance and operations funding. The adjunct faculty formula was reworked to adjust hours per FTEF and productivity assumptions (Exhibits 6a-6d). The elements of the formula were also documented in the proposed revisions to Business Procedure 18.02 (Exhibit 9).

The District also implemented a phased-in approach to stabilizing funding for District wide technology. A multi-year budget was created to identify all technology-projected costs that is being implemented over several years through adding money each year to the budget. The first phase of this approach began with the added allocation of \$982,133 in the unrestricted general fund in budget year 2009-10, which included \$276,285 for all Microsoft licensure costs, Datatel Colleague hardware maintenance fees, Wide Area Network (WAN) frame relay costs and an additional portion of the Datatel Colleague software licensure costs. These costs had previously been funded with one-time monies. The budget reduction noted between fiscal years 2008-09 and 2009-10 is the result of one-time funding for hardware replacement resulting in server virtualization in 2008-09. Total annual funding projections across the multi-year technology budget fluctuate based on planned needs for replacements and upgrades.

Through the shared governance process, it was decided that the revenue allocation model would incorporate all the various funding formulas into one allocation methodology. Thus, the formulas that had been used previously for funding various positions (adjunct, management, full-time faculty etc.) as well as District wide technology and several other Districtwide costs were eliminated. In its place were “assessments” taken off the top to pay for regulatory, contractual or committed costs. After these obligations were met, all sites would receive an allocation and would have to cover its personnel costs with it -- no more separate formulas, just an overall annual allocation with which to cover its commitments.

The Chancellor’s Cabinet continued to work to condense the various funding formulas into one formula based upon revenue received by the District. The expectation is that new policies and procedures reflecting a one-formula allocation model based upon revenues received were approved through the shared governance process and put in place for fiscal year 2010-11.

The following chart summarizes the action agenda that was approved by the Chancellor’s Cabinet and reported previously to ACCJC:

Time Period	Process
Fall 2009	<ul style="list-style-type: none"> <li>• Explore and dialogue appropriate centralized services.</li> <li>• Begin to build assumptions and develop a new allocation model, based on revenue received, that best reflects the culture of Contra Costa Community College District.</li> <li>• Develop assumptions for appropriate expenditures for District Office/Districtwide and college size.</li> <li>• Test assumptions against established principles for new formula.</li> </ul>
Winter 2009-10	<ul style="list-style-type: none"> <li>• Vet proposed allocation model through accepted shared governance processes.</li> </ul>
Spring 2010	<ul style="list-style-type: none"> <li>• Write appropriate policies and procedures and initiate the shared governance approval process for District policies and procedures.</li> </ul>
Summer 2010	<ul style="list-style-type: none"> <li>• Submit for Governing Board Approval</li> </ul>
Fiscal Year 2010-11	<ul style="list-style-type: none"> <li>• Implement new allocation model District wide.</li> </ul>

The planning agenda listed above was all completed. The District used the participatory governance process in 2013 to recommend revisions to Business Procedure 18.01, The Contra Costa Community College District General Fund Budget, which was adopted by the Governing Board in 2014.

Since the District has responded fully to this recommendation, no additional action plans are necessary.

*Evidence:*

Board Policy 5033, Budget Development

Business Procedure 1801, The Contra Costa Community College Budgeting System

Business Procedure 1802, Guidelines for College Operating Budget Allocations

Business Procedure 1806, Budget Preparation