

A New Allocation Model

The Do's and Don'ts



Kindred Murillo, Vice Chancellor
Serena Muindi, Associate Vice Chancellor
Judy Breza, Director of Fiscal Services

Agenda

- History
- Why a New Allocation Model
- Culture Shift
- Process
- Implementation Issues and Challenges
- What We Learned
- Results
- Future



FY 2005-2006

- Analysis of Financial System - Mike Hill
 - District's financial condition
 - Issues of productivity
 - District not following allocation formulas
 - Poorly understood allocation models
 - Need to “develop a budget allocation model that is understood, fair and encourages proper behavior”



Why Develop a New Model

- Allocation formulas not aligned to revenues
 - FTE for faculty, management – historical FTE
 - Classified formula = per FTES
 - Part-time (C-hourly formula) = FTES, productivity
 - Operating formula = FTES
 - Buildings & Grounds historical – rolled over
- Need to provide linkage between revenues and expenditures
- Fiscal stability and accountability
- Accreditation recommendation



Accreditation Recommendation

- Self identified
- 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.



Culture Shift

- Old Culture in the District
 - District Office patriarchal control
 - The District Office took care of things
 - Culture of autonomy at the colleges in the educational and student services area



Culture Shift

Moving to a new funding model required

- District Office role moved more to accountability and legal entity role
- Increased accountability/responsibility/authority for colleges
- Transparency and more local control of college allocations and expenditures
- Negotiations implications
- Transparency and accountability for District Office and Districtwide Services



Exploration of Options

- Roy Stutzman and Mike Hill – Experience
- Decision to Use Senate Bill (SB) 361 as Foundation
 - Worked with the Chancellor’s Cabinet, District Governance Council and the Governing Board to familiarize with principles of SB 361
 - Developed simulations for each college
 - Results indicated that one college had been over allocated



Developed Principles

- Is the model perceived to be fair
- Is it easily understood
- Does it provide the proper performance incentives
- Does it work in good times and bad
- Financial stability



Transition Strategies

- Developed four transition strategies to move the colleges to a SB 361 allocation:
 - Shift of FTES from one college to another
 - Use of international student tuition to provide transitional dollars or provide permanent revenue to reduce apportionment deficits
 - Consolidate cosmetology program under one Contra Costa College (CCC) which would increase the base FTEs
 - Equalize base funding



Implementation Strategy

- Chose the shift of FTES transition strategy
 - Required an investment to transition the District to a new model
 - Required a step down strategy for two colleges to reduce funding
 - Contra Costa College – \$1.7M – 4 years
 - Los Medanos College - \$464k – 3 years
- Recommending Strategy #1
 - Shift 182 FTES to CCC to build base allocation up \$830K
 - Allow DVC first allocation of growth funding to recoup the \$830K



Participating Effectively

- Developed timelines and strategy to implement – GOAL – July 1, 2010
- Open and transparent process with District's governance structure to vet the model
 - Governing Board
 - Cabinet
 - District Governance Council
 - Budget Forums
 - Academic Senate



Implementation Issues

- State regulatory requirements
 - 50% Law
 - Full-time faculty obligation (FON)
 - Goal of 75/25%
- Requirements of collective bargaining agreements
- Public investment of physical plant and maintaining facilities
- Support services staffing levels



Implementation Issues

- District Office and Districtwide Services assessments
 - Service document developed and shared
- Reserves and deficits – accountability
 - 7% reserves
 - Accountability for over expending
- Allocation of new revenues
 - COLA
 - Growth
- Long-term planning
 - Aligning strategic plans



Challenges

- Budget reductions while trying to implement a new model
- Shifting of resources between colleges
- Training and tools provided to colleges to execute their new responsibilities
 - Budget development process
 - Communication



Results

- Expenditures aligned to revenues
- Culture shift in transition
- District Office as service provider and legal entity
- Colleges assessed for services
- Shared accountability for finance
- Bruises, tears.....



What Did We Learn

- This is a once in a career activity for a CBO
- Communicate, communicate, communicate
- Plan ahead, but willing to take the detour if necessary – Flexibility
- Stay close to your documentation
 - During the process
 - Implementing



Future

In accordance with the Accreditation Standards, the District will conduct a periodic review of the model and procedures (Business Procedure 18.01)

- 1 year after implementation
- 3 year review



<http://www.4cd.edu/business/allocationmode/Forms/AllItems.aspx>