

## **DEVELOPMENT MODEL**

### **THE FINAL BUDGET PROPOSAL**

All the work that's gone on before culminates in the final budget proposal that is submitted to the college district's Board of Trustees for review and action. The technicalities associated with this process are prescribed in the Education Code and Title 5 regulations and will not be repeated here. Rather, the focus of this section will be on the content and presentation of the budget proposal document itself.

First in this regard is to understand that **this document is meant to communicate. To be effective, one must know one's audience.** When it comes to the district budget, few are truly conversant with the subject matter. And that includes most faculty and staff, not just the Board, the press and the general public. The CBO and business office staff live in this world, but others do not. The latter are typically not familiar with the language, the vagaries of State funding, the myriad details of a district's budget, etcetera, and it's not their job to know these things.

Thus, **great detail in terms of numbers and narrative, despite done with good intentions, are best avoided.** Otherwise, many may get lost in the data, or worse yet, they may simply avoid perusing the document at all. Additionally, the more detail, the greater the likelihood that misinterpretations and misunderstandings will ensue. (Think, here, about the oft-cited analogy of missing the forest for the trees.) Should that happen, it can lead to reduced transparency, confidence in the budget, the administration and sometimes, even the Board...and possibly the district itself, as there will never be enough time to address successfully every issue that might arise.

It is therefore best to **KEEP IT SIMPLE. Keep the focus on the key variables and assumptions** so that the discussion does not veer off onto the trail of trivial pursuits. A prime example of the latter occurred when the University of Colorado presented its budget request to the legislature's powerful Joint Budget Committee many years ago. The University brought up the issue of tuition policy, a not-insubstantial matter for a high tuition state, but the discussion quickly turned to why the University wanted a few more janitorial positions. The

problem, here, was that the legislators understood what janitors do, but they didn't understand the intricacies associated with tuition policy...so they went to the familiar. Unfortunately, however, the familiar is typically inconsequential in such situations, as traveling on the trivial trail will have one looking at the trees while missing the condition of the forest.

Use visual aids, such as pie charts and graphs to facilitate communication, deliberation and understanding. In this sense, a picture does convey a thousand words. It provides focus. Also keep it light via the judicious use of humor. In this regard, think of the humorous moment that pops up in the middle of a tense sequence in a movie. This is done purposefully, as the filmmakers know they need to let the audience up for air once in a while when the action becomes too intense for a long period of time. Otherwise, they will lose the audience's attention.

For those who are critical that there isn't enough detail, that one must be hiding something and that there may be some nefarious reason (which is never specified) for doing so, one must first recognize that such folks may have a particular agenda. Again, know your audience. Additionally, there may also be some of ill will who might be trying to play the gotcha game. However, the CBO can't be familiar with every last detail of the budget, nor can anyone else. The hands of many are involved in the development of the budget. It is, after all, a product of the entire institution. If the budget document is properly constructed, one can try to deflect negative comments by steering the discussion back to the bigger issues of the institution, the destiny stuff, which the budget is designed to address. Here again, the budget narrative and visual aids come into play. And never be afraid to redirect a question to one who is more familiar with the subject matter of the question...or to simply say "I don't know, but I'll get back to everyone tomorrow." (And make sure that happens.)

Over time, one can, in a sense, train the institution to focus on strategies and tactics designed to further the great aims of the district. It's a more stimulating endeavor for most. However, simply recognize that there will always be naysayers, second guessers and the like. That's reality, but you now will have allies including Board members and members of the district's budget advisory committee, who wish to focus on those matters that make a difference rather than endlessly be engaged in trivial pursuits. And don't fear reaching out to those

you suspect will attempt to divert attention. **Some advance work** can be a good thing in this regard. (Once upon a time, there was a faculty union president who wanted to know more about the budget and a cbo who was willing to assist him. The two spent a great deal of time together. Trust was built. The faculty leader had a grasp of factors affecting or which might affect the district's budget. They got to a point where one could start a budget-related sentence and the other could finish it. It's not often one can get to the point reached by these two, but it's a worthy goal for any cbo in working with leadership of the various constituencies on the campus.)

Finally, as regards presentation and communication, **keep in mind that the presentation of the budget proposal is a BIG DEAL!!** **Never, ever forget that.** You can put together the finest budget development process and budget proposal document ever seen, only to lose it all without proper preparation. In commerce, if your windows are dirty, the customer will think your product inferior. Never let those at a Board meeting look through dirty windows. **PREPARE!!!**

The actual content of the budget proposal document can and will vary by district. Each district has its own history, culture and past practices that will govern how this final stage of budget development will play out. Nonetheless, there are certain key elements that should be included. It's a situation where you could provide more information, though preferably not much more given the above discussion...but you should not have less.

Regarding **the budget document**, first must come **the institution's mission** statement. This gets at the "why are we here" question. That question is huge, as it encompasses who we are going to serve, who we won't be serving, and why, and when and how we will be providing educational and support services. This information should also be shown at the beginning of any presentation of the final budget proposal. Everything that comes later in the budget proposal is framed by these broad statements of institutional purpose. Think of them as describing the agreed-upon destiny of the college. One need not comment further about them other than a few introductory remarks that tell the readers (or audience) what they're seeing and why.

This should be followed by **a section summarizing, in brief, the district's strategic plan.** It's already been set forth, as noted above, "why we are here," so now it's

time to shift the focus to the “what are we gonna do about it” phase. As with the mission statement, keep in mind that one is merely recounting those strategies that have been established through institutional processes. **The budget is not a forum for debate on the strategies themselves.** That debate belongs elsewhere.

**Next will come the assumptions which underlie the budget.** The assumptions are best presented as an enumeration. They need not be defended in the budget narrative. That is more appropriately left for the budget presentation, if even needed then. After all, if the budget development process has proceeded in good order up to this point, then there has been ample opportunity to debate the assumptions along the way. One or more assumptions might still be challenged at the end, but that is best left to open discussion at the Board meeting and anywhere else the final budget proposal is presented and discussed.

The assumptions will be of three types. First will be those that relate to the district’s budget development policies and focus on adherence to or departure therefrom. For example, one might state as an assumption that a balanced budget is being proposed pursuant to board policy. Alternatively, one might note that it’s a difficult financial time, and it is therefore being proposed that the district’s reserve policy of a 12% ending balance be reduced to 8% for the new budget year to give the institution a little more time to adjust to a leaner fiscal outlook. The other two types of assumptions would concern revenues and expenditures, with a focus on the kinds of things mentioned in previous sections of this paper.

Now, we’re down to the final three components of the budget proposal document. Please also keep in mind that these three are also critical components of the budget presentation.

**Enrollments** will be the next component. Here again, one need not provide endless detail on this subject. As with any set of data, one can slice it and dice it in many ways, so what is important is to think about the best way enrollment data should be presented in terms of the district’s final budget proposal. It is suggested that one element should involve time, with a **five-year array** (i.e. the four previous years plus the budget year) providing not too much and not too little in the way of enrollment trends.

Additionally, FTES is a must and should be looked at and reported in terms of residency, credit/non-credit and funded/unfunded on a districtwide basis. If a district is multi-college, multi-campus or single college with one or more centers, then it might disaggregate the data by college, campus or center as well. In such instances, however, keep in mind that this is a district budget; hence, district-level reporting is imperative. Again, too much data points the reader/audience in the direction of the trivial trail. As regards any narrative about enrollments, try to keep it in the context of “who are we going to serve within available resources.” This is what is important, not the numbers themselves. Are you adding or reducing enrollments? Are you starting a new program? Those kind of things are what matters.

The discussion of enrollments will also be focused on the “how are we going to serve them.” This represents the tactical side of the earlier discussion of “what are we gonna do about it.” Here one gets into specifics. What are we going to do with the resources that are available, and perhaps what aren’t we going to do? What might we be doing differently, either operationally, to a greater or lesser degree and/or via resource reallocation?

Of special importance, here, is to note what we’re doing in terms of implementing long-term strategy and as a result of program review. Thus, as one focuses on “how are we going to serve them” in the budget proposal narrative, one is likewise noting, operationally, how one is linking strategic planning and budget. In a short term sense, then, the overarching question of “how do we move (i.e. growth, stability, downsize) the district” is addressed in terms of tactical and budget planning.

Finally, the budget narrative should conclude with a section that might be titled “Looking Ahead.” This narrative should be brief and based on available research. On one level, for the cbo, it will help avoid the question of “why didn’t you tell us.” Now there’s no magical crystal ball for this kind of thing, but some things are fairly evident. For example, it was known for some time that the employer contribution to retirement systems would go up. However, it was not known with certainty when that would happen and by how much. Nonetheless, such things should be noted in this section. It is more narrative than numbers. Think of it as a place where you can put up a “yellow light” to denote “proceed with caution.”

You can stretch even a bit further, though how you handle such things narratively will be exceedingly important the greater the level of speculation. For example, the State budget crisis of the early 1990s could be seen before it hit the State, though the timing and extent were not clear. The window into the future in that instance was simple. The rate of increase in housing prices declined over a multiyear period. This suggested the housing market could become problematic, and with that, so would property tax revenue for any entities reliant on that source of funding, such as the CCC. In that instance, a yellow cautionary light would have been helpful, since the housing market did crash, taking the State along with it in what turned out to be a multiyear budget crisis.

Bottom line, this section of the budget narrative also helps to link the longer term direction for the institution with current budget conditions and near term prospects for change in the external environment. Hence, **it is yet another linkage between strategic planning and budget.** And as a final observation, this should be an important component of budget proposal presentations. Simply stated, the more who are aware of what might be coming, the better prepared for the future the institution can be.