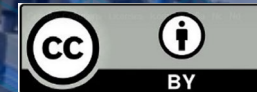


COMMUNITY COLLEGE LEAGUE
OF CALIFORNIA

EFFECTIVE BUDGETING MULTIYEAR MODELING AND ADAPTING TO FISCAL UNCERTAINTY

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INTRODUCTION

What We've Discussed So Far

- Board/CEO Relations
- CEO Leadership Skills

Topic for This Podcast: Effective Budgeting

- Construction and Preparation of a Budget
- Strategic Resource Allocation



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Retired Chancellor, Chabot-Las Positas CCD



ESTABLISHMENT OF THE DISTRICT'S BUDGET PHILOSOPHY

- As publicly funded institutions, California community college budgets are entirely interdependent with the state's economy.

- A strong budget philosophy that is known to all, developed through participatory governance and adopted by the board is an invaluable mainstay for stability because:

- The board adopts the budget policy/philosophy through a rational and inclusive process within the clear parameters of the mission, vision and values of the institution.
- Budget emergencies require immediate action within an atmosphere that may be clouded by chaos and, in many cases, politics.

ESTABLISHMENT OF THE DISTRICT'S BUDGET PHILOSOPHY CONTINUED

Excerpt from the San Jose/Evergreen Community College District (SJECCD) “Principles for Budget Development”:

“The San Jose/Evergreen Community College District is ... predominantly, for budgetary purposes, an organization of human resources. ... periodic and unpredictable variations in funding pose a challenge. ... This continuing challenge necessitates the establishment of a District budgetary philosophy that establishes the core values of this organization ... every attempt will be made to adhere to the Board of Trustees priority of offering the highest level of services to student possible and ensuring student success. To accomplish this goal, it will be a high priority to work to preserve all employees, faculty, staff, and administrative personnel to the extent possible. It is further agreed that the District Budget Committee supports honoring all provisions of several collective bargaining agreements ... and will ... identify possible areas of savings and those areas available for appropriate budget reductions ... all of these decisions will be reached in such a manner as to minimize the negative impact on both colleges and their primary mission to our students.”



ESTABLISHMENT OF THE DISTRICT'S BUDGET PHILOSOPHY CONTINUED

The SJECCD statement of philosophy provides a useful and legitimate framework for decision-making, establishing the following assumptions:

- Budget actions will be consistent with board policy and mission, vision and values statements.
- The District is a “people dependent enterprise.” Nothing is more critical to the success of students than to have the necessary faculty, staff and administrative support required to ensure their success.
- The District will clearly adhere to collective bargaining requirements.
- Given established priorities, areas of savings and reductions will be identified.
- All decisions will be reviewed to minimize the negative impact on students.





ADOPTION OF STANDARDS AND BEST PRACTICES

- Establish the vision for student success as the "student-centered" framework for budget allocations and decision making.
- Use data to inform decision making (growth goals; productivity measures in compliance with state mandates, including Fifty Percent Law, full time/part time faculty obligation, attendance accounting, etc.).
- Ensure compliance with accreditation standards – Standard III.D Financial Resources ([Accrediting Commission for Schools/WASC](#)).
- Distinguish between ongoing vs. one-time savings and needs.
- Manage all resource allocations or funding reductions systematically to maximize student equity and success.
- Seek efficiencies and revenue opportunities.

ADOPTION OF STANDARDS AND BEST PRACTICES CONTINUED

- Establish and maintain an employee salary and compensation structure that is competitive within the region.
- Maintain a minimum unrestricted General Fund reserve of 5% to 7% (this percentage is generally recommended in fiscal auditing guidelines).
- Establish a District Stabilization Fund, which is an agreed-upon savings that is set aside to be accessed in times of economic downturn.
- Develop and utilize long-term revenue and expenditure forecasts, enrollment experience, and financial risk analysis.
- Seed student opportunity and access revenue (i.e., land-lease proceeds, facilities rentals, etc.)
- Adopt a District Budget Allocation Model.



MULTIYEAR BUDGET MODELING

- Defined as a budget development process that provides a system of expenditure programming and forecasting that allows us to place the budget into a multiyear perspective.
- Provides a longer-term operating horizon that helps us plan further out on each of our programs and services and provide justification for revenue and expenditures.
- Particularly well-suited for community colleges. Most colleges use three- to five-year budget planning cycles that are based on priority goals and expenses (e.g., building reserves, increasing staffing, serving more students).
- Projecting a budget over multiple years allows us to establish a layer of stability as we navigate the rough waters of change.



ESTABLISHMENT AND ADOPTION OF BUDGET CALENDAR

A budget calendar is a tremendously useful tool for purposes of transparency that serves various functions:

- Enables budget discussions to occur throughout the year in an incremental and periodic fashion.
- Parallels and anticipates major funding cycles from state, federal and local sources.
- Allows for mid-point corrections as they become necessary.



Establishment and Adoption of Budget Calendar Continued

The first step in your budget preparation calendar should be to schedule and conduct a **board study session on the budget**. This session should include a comprehensive presentation about the District's financial State of affairs that includes:

- An economic forecast or budget outlook for the District.
- A look at current local property tax projections.
- A review of the governor's proposed budget for the following fiscal year.
- Evaluation of local economic factors.
- Local budget trends and needs, including employment demographics.
- Status of full-time faculty obligation numbers.
- The District's fund balance in relation to comparable district fund balances throughout the region and the state.
- Review of the District's multiyear budget modeling process, including financial insight and guidance relative to fiscal analyses, trends, and budget issues or opportunities that may be forthcoming.
- Review, reaffirmation or changes to the board's Budget Policy Principles.



THE BUDGET CALENDAR

January

- Review and analyze the impact of the Governor's proposed Budget.
- Estimate District revenues.
- Attend State Chancellor's Budget Workshop.

February

- Schedule Board Budget Study Session, and review board and chancellor budget priorities.
- Validate position control and set preliminary salary and benefit assumptions.
- Update Property Tax information from the county.

March

- Allocate, evaluate and review change requests from base budgets submitted by all cost centers.

April

- Receive final budget request submittals from cost centers.





THE BUDGET CALENDAR CONTINUED

May

- Update property tax information from the county.
- Finalize proposed Tentative Budget including governor's May Revise.

June

- Board of Trustees approves Tentative Budget.

July

- Final review and submittal of data by cost centers.

August

- Receive and update property tax information from the county.
- Prepare Proposed Budget (including testing to meet Fifty Percent Law).

THE BUDGET CALENDAR CONTINUED

September

- Submit Proposed Adopted Budget to board of trustees.
- Board of trustees conducts public hearing and approves Adopted Budget.

October

- Adopted Budget is forwarded to State Chancellor's Office.

December

- Independent financial audit is completed and submitted to the board.



STRATEGIES DURING TIMES OF PLENTY AND TIMES OF SCARCITY

Behavioral Strategies

- Maintain respect for others' opinions.
- Avoid favoritism.
- Minimize “painful” actions.
- Plan for expansion in areas that support basic mission and areas of potential growth.

Scheduling Principles

- Pay attention to efficiency measures such as Weekly Student Contact Hour/Full Time Equivalent Faculty (WSCH/FTEF).
- Maintain a balanced instructional mix that affirms our primary mission of transfer, vocational and basic skills education.
- Avoid cutting classes that are feeder courses for sequences.
- Maintain/expand instruction and student services that are most critical to preserving student access, retention and success.
- Make scheduling decisions with a long-term view.



STRATEGIES DURING TIMES OF PLENTY AND TIMES OF SCARCITY CONTINUED

Administrative Strategies

- Examine growth goals, using productivity measures to determine efficiency and compliance with state mandates.
- Review all categorical programs for relationships with the General Fund to ensure that all funds are effectively and equitably used.
- Take advantage of vacant positions, retirements, resignations, etc., to capture savings.
- Review organizational frameworks for short and long-term savings/growth; eliminate redundancies.
- Suspend rather than eliminate services where possible.
- Respect existing workloads and the impact of position vacancies.
- As much as possible, minimize expenditures such as travel, conferences and banquets.
- Position district services to effectuate well-planned growth patterns and, when necessary, quick recovery from an economic downturn.
- Mitigate construction disruptions and other barriers that negatively impact enrollment.
- Proceed carefully on new initiatives and candidly assess their relationship to existing programs.





ACCOUNTABILITY

- Establish and detail a budget accountability process that adheres to federal, state and local budget allocation standards and their respective requirements, including the utilization of systemwide reporting mandates and assessment tools.
- Schedule an independent internal audit culminating in a report to the board of trustees.
- The State Chancellor's Office College Finance and Facilities Planning Division is a great resource — in particular, their Fiscal Standard and Accountability Unit (fiscalstandards@cccco.edu).

RESOURCES

- [The Budget and Accounting Manual \(BAM\), 2012 Edition](#) – Ensures compliance with Education Code Section 70901, which enumerates the responsibilities of the board of governors to establish, maintain, revise and update uniform budgeting and accounting structures and procedures.
- [Contracted District Audit Manual \(CDAM\) 2020-2021](#) – Outlines requirements for mandatory community college district audits designed to promote efficient and effective use of public funds for education.
- [Student Attendance Accounting Manual](#) (revised December 2020) – Clarifies provisions of Title 5, the Education Code and other statutes in the areas of attendance accounting and reporting for apportionment purposes, including those relating to student residence classification and academic calendars.
- [Auxiliary Organization Manual](#) – Provides rules and regulations to establish and maintain auxiliary organizations, including requirements for accounting, auditing and reporting pursuant to the Education Code.



FISCAL RESPONSIBILITY

Community colleges must strive to:

- Adhere to the CCC Sound Fiscal Management Standards.
- Utilize of the California Community Colleges Sound Fiscal Management Self-Assessment Checklist.
- Conduct District's Independent Audit Reviews. In case of significant difficulty, be prepared to request help.

In the event of significant fiscal difficulties, seek the assistance of the Fiscal Crisis Management Assistance Team (FCMAT), which will:

- Provide a complete fiscal health analysis of the District.
- Work with the college to develop a multiyear financial projection for the current and two subsequent years.
- Establish a set of community colleges in the region with similar demographic and economic base profiles to be used for benchmark comparison.



SUMMARY

Community colleges must strive to:

- The work of the CEO is a fine-tuned, balanced combination of “know-how/skills” and “wisdom/art.”
- There are countless resources, manuals and standards of compliance that are easily accessed — the important element here is the support and ongoing communication of a great chief business officer.
- The overarching element of success is the CEO's ability to apply, interpret and adhere to the clear budget policy adopted by the board of trustees with a constant true-north destination prescribed by the vision, mission and values of the institution.





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