

BEST PRACTICES IN COMMUNITY COLLEGE BUDGETING

ENHANCED BUDGETING PRACTICES

6A – Establish Criteria & Measures for Success of the Budget Process

SUMMARY

Key Points:

- Because the budgeting process is a strategic activity to align scarce resources with student achievement, it must feature a partnership between the finance/budget officer and academic officer. The finance/budget officer “owns” the budget process, but the academic officer is the one responsible for ensuring a clear student performance strategy. They will need to work together to translate the strategy into dollars.
- The process also involves other key participants, such as executive leaders from different functions within the college. A college should develop a governance system that brings these participants together so that they will have a greater stake and role in achieving success.
- Together the key participants should establish criteria against which to judge the success of the budget process, such as time, cost, and quality. This also helps the governance committee to maintain focus on what is most important in the budget process.

Related Award Program Criteria:

- Criterion Enhanced A.1: Finance-academic partnership. The Academic Officer is a key participant in the budget process as evidenced by the Academic Officer's co-signing of the Award Application and participation in Award Interviews.
- Criterion Enhanced A.2: Criteria for success of the budget process. The Applicant has described in its Award Application the measures it uses to evaluate the timeliness, cost, and quality of the budget process.
- Criterion Enhanced A.3: Budget Post-Mortem. In the Award Application, the Applicant describes the Applicant's post-mortem process on the budget process and the conclusions reached with regard to lessons learned.
- Criterion Enhanced A.4: Adjusting the Budget Process for Next Year. In the Award Application, the Applicant describes the plans for what will be done differently next year based on the result of the post-mortem.

INTRODUCTION

As part of initiating the budget process, a community college should identify criteria to evaluate the success of the budget process itself. Are budgeting decisions timely? Is the cost and effort required to go through the budget process reasonable? Are goals and associated budgets realistic in light of resource constraints? Are the decisions produced of high quality? And, ultimately, does the budget process help produce positive results in student achievement? If these questions cannot be answered in the affirmative as the process proceeds and ultimately concludes, adjustments will clearly be needed for the next year's budget process.

This Best Practice document describes:

- I. Establishing the governance and ownership over the budget process as a prerequisite to establishing criteria for success of the budget process.
- II. Establishing criteria and measures for success of the budget process.

I. GOVERNANCE AND OWNERSHIP OVER THE BUDGET PROCESS

Background. Typically, the finance officer or budget officer is considered the “owner” of the budget process. Where the budget process was just a financial exercise to allocate dollars to line items, limiting the governance of the budget process to this simple arrangement may have proven adequate. However, where the budget process is seen as a strategic activity to optimally align scarce resources with student achievement, the governance structure will need to be expanded. Specifically, the budget process must become a partnership between the finance/budget officer of the college, the academic officer, and the president or chancellor. The academic officer is responsible for making sure that the student performance improvement strategy is clear and coherent and must work with the finance/budget officer to clearly translate this strategy into dollars.

Recommendation. Colleges can take a variety of approaches to creating a close working relationship between the academic and finance/budget officer, but the GFOA recommends that colleges observe the following guidelines.

- **Maintain a single owner of the process.** While the academic officer must be involved closely in the budget process, the budget process must also produce a budget by the required deadlines. A single process owner helps make sure the process moves forward on schedule.
- **Develop a governance structure to help the process owner.** A governance structure is a system of management processes and structures that help “steer” how the budget process operates, with managing the process directly. A governance system helps give key participants (e.g., the academic officer) a greater stake in the success of the budget process and role in achieving that success, without asking participants to micro-manage the budget process. A committee bringing together executive leaders from different functions within the college is a typical governance structure. Committee members may help the process owner make key design decisions for the budget process. For example, how will other stakeholders be involved, what methods will be used to identify the college’s student performance goals, how will budget requests be gathered and prioritized? Involving key members of the college’s executive team in these design decisions up-front creates a basis of support for the budget process when the hard resource allocation choices must be made.
- **To the extent possible use existing committee structures.** Developing a governance structure should not entail the creation of new management committees, if it can be avoided. If existing committees and meetings can be used for budget process governance, it will reduce the time and effort required of all participants.
- **Define decision-rights and accountabilities.** The participants in the governance structure should have a clear understanding of their roles, what they have decision-making authority on, and what they are expected to accomplish. For example, academic leaders may be responsible for making sure deans or unit heads understand the college-wide strategy for improving learning and how they are expected to report it, while it is the responsibility of the budget/finance officer to make the allocation formulas and methods that allocate resources to support those strategies fair and transparent.
- **Show how the budget process will make the organization more effective.** If the participants in the governance structure understand how the budget process is intended to help them get better results, they likely will be more enthusiastic participants. The finance/budget officer should also find sources of dissatisfaction with the old budget process and show how those problems can be solved using a new budget process.

II. ESTABLISH CRITERIA AND MEASURES FOR SUCCESS OF THE BUDGET PROCESS

Background. The governance committee should jointly identify a limited number of criteria against which to judge the success of the budget process, including measures to determine if the criteria are being met. Establishing criteria for success helps the governance committee maintain focus on that which is most important in the budget process.

Recommendation. The GFOA recommends that colleges define a limited set of measures within the three broad categories below.

- **Time.** “Time” relates to the timeliness of the budget process and budget decisions. Did the budget process start and end on time and was the budget adopted on time?
- **Cost.** “Cost” addresses the time and effort spent on the budget process. Do the participants in the process perceive that the time and energy spent in the budget process was worthwhile? Was the total time and effort spent on the budget process acceptable or was it seen as excessive?
- **Quality.** “Quality” addresses the extent to which the budget process fulfilled its intended purpose. There are multiple dimensions to quality that a college might consider:
 - *Financial.* Did the budget produce financially sustainable decisions? For example, was the budget balanced without using reserves or one-time revenues for ongoing expenditures? Is the college trending in the right direction on measures of financial health such as level of reserves, budgetary balance (revenues vs. expenditures), and bond ratings? If trends are negative, has the budget process resulted in a plan to restore fiscal health in following years?
 - *Engagement.* Did the process substantively engage a wide variety of stakeholders? For example, was there a wide breadth of participation in the budget process? Do participants understand how and why decisions were made? Do they feel budget decisions were made with adequate input and deliberation? Can the directors of the college’s subunits explain their budget allocations and how they were determined? Do they feel the process was fair, even if they don’t like some of the final allocation decisions?
 - *Decisions.* Perhaps most importantly, were good decisions made? Measures of student performance and achievement provide a “bottom line” measure on the quality of decisions, but colleges could also ask questions like: do all of the college’s subunits have a clear set of goals and Action Plans? Are budget discussions characterized by a high-percentage content of strategic issues, rather than minutia? Is the budget process characterized by heavy use of performance and cost-effectiveness data to make decisions, rather than just cost data? Does the college understand the root causes of problems that are preventing it from reaching its goals and are those root causes used as the basis for action? Is there evidence of resources being allocated or re-allocated to more closely align with desired student outcomes?