

BEST PRACTICES IN COMMUNITY COLLEGE BUDGETING

PRIORITIZE SPENDING TO ENACT THE STRATEGIES & ALLOCATE RESOURCES

4B – Allocate Funds Based on the Results of the Prioritization Process

SUMMARY

Key Points:

- A college's allocation of funds reflects its college-wide strategies to improve institutional effectiveness and student learning. The allocations of funds to subunits make clear which division or department is responsible for implementation of each element of the strategy and what resources are available to them.
- When identifying its subunits/cost centers, a college should use a level (departmental, divisional, etc.) of depth in the budgeting process that is comparable to the level of depth the college uses to conduct program reviews.
- In allocating funds to its subunits, a college is defining the responsibility and available resources for each subunit to implement the college's strategies. Thus, it is important to account for all resources, including full- and part-time personnel, and all funds to the extent possible, including those outside of the general fund. At a minimum, the allocation should include those resources over which the subunit has decision-making authority or control.

Related Award Program Criteria:

- Criterion 4.B.1: Budget to Programs. The Applicant allocates monies to Programmatic Elements or other units of budgetary analysis that make it clear what service the monies are being used to provide, as is evidenced in the Budget Document.
- Criterion 4.B.2: Alignment of Funding with Strategy (Mandatory). The Budget Document shows how all of the Applicant's funding aligns with the Applicant's strategies. The Budget Document should show how resources have been allocated to achieve the goals at a college-wide level as well as how resources have been allocated to subunits in order to achieve the strategies in a manner consistent with the Applicant's spending priorities.

INTRODUCTION

The college-wide strategies to improve institutional effectiveness and student learning should be reflected in the budgets for individual subunits of the community college (the "college"). The allocations of funds to subunits make clear which division or department is responsible for implementing each element of the strategy and what resources are available to them. The budget should be presented so that the resources provided to/for various elements of the Action Plan are clear, showing how money will be spent to achieve the college's goals, which subunits contribute to working toward those goals, and how resources are allocated accordingly.

This Best Practice addresses the following topics:

- I. Defining the subunits to which funds will be allocated.
- II. Allocating resources to the subunits.
- III. An example of an allocation by subunit in Appendix 1.

I. DEFINING SUBUNITS/COST CENTERS

Background. The definition of a college's hierarchy of subunits will vary depending upon how the college is structured. For example, multi-campus college districts will identify the district office and by individual campuses as the first level of subunits. On each campus or college, subunits may include academic divisions or schools (such as tech, arts and sciences, etc.), as well as non-academic divisions or departments (such as advising, registration, bursar, etc.). Beyond the division level, colleges may budget by individual departments.

Recommendation. The GFOA recommends that the depth of levels of subunits to use for budgeting purposes should be, at a minimum, at least as detailed as is comparable to the level at which the college conducts program reviews. For example, if the college completes program reviews of the counseling center, the math department, and the English department, the level of detail should be to the department level. On the other hand, if program reviews are done at the level of the "Division of Health Professions" and "Student Affairs," then the subunits would be at the division, not the department level.

II. ALLOCATING RESOURCES

Background. Colleges will need to allocate resources to subunits in order to carry out its strategies. For each subunit, the budget should identify the resources associated with carrying out the college's strategies.

Recommendation. While colleges should develop an allocation system that fits its particular needs and that is compliant with its legal environment, the GFOA recommends that the allocation should account for all resources associated with that subunit to the extent possible. Particularly, resources for all full- and part-time personnel should be allocated at the subunit level. For example, the use of adjunct instructors should be clearly defined in the budget. However, requirements of a state-mandated chart of accounts at some colleges may make it difficult to break out all resources by subunit. For instance, some colleges may be able to account for salaries by subunit, but be required to budget centrally for pensions or workers compensation insurance costs.

At a minimum, the allocation to the subunit level should include those resources over which the subunit has decision-making authority or control. For example, a department can have some discretion over the amount of copying or mail that it uses. Resources for those types of activities should be shown at the subunit level. Also included should be resources for costs that are exclusive or nearly exclusive to a service that the subunit provides. Examples of this might include maintaining a science lab or providing for lab assistants for science or nursing departments, or materials associated with vocational training courses. Allocating resources to purchase services from other units of the college (e.g., central services like payroll or information technology) also may be necessary, if the college operates a chargeback system.

The budget should allocate all resources and funds associated with the college's strategies, not just those resources associated with the general fund, to the extent possible. This will encourage a comprehensive consideration of the implementation of the strategies. For example, if the strategy is to increase the number of faculty lines, the ongoing annual costs of maintaining those positions is a concern, but there may also be capital fund implications if classroom and office space would require expansion to accommodate the increase in personnel.

See Appendix 1 for example of an allocation by subunit.

APPENDIX 1

EXAMPLE OF ALLOCATION BY SUBUNIT

EXAMPLE UNDER DEVELOPMENT BY GFOA