Resource Allocation Models

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Every multi-college district has some sort of resource allocation model that allocates the resources received by the district to the colleges and to the district office. Some also note district-wide, central services or institutional costs that are taken off the top. A few college districts are now working on a resource allocation model that reflects the SCFF formula. Los Rios, San Diego and San Mateo also allocate an amount of resources for compensation in agreements that have been negotiated with the collective bargaining units. The amount set aside for compensation may cover increases in salaries (movement on column and step) and benefits (including increases in PERS and STRS) as well as necessary increases in staffing due to growth (both classified and faculty, including as a result of the increase in the Faculty Obligation Number or FON.) The use of what is remaining is usually determined by the collective bargaining units.

Most of the resource allocation models use a calculation of the state-determined revenue for each college. For SCFF, this involves a lot of data and may or may not be better than using Full-Time Equivalent Students (FTES) as the base. 70% of the SCFF allocation is based on the old formula, SB361. This includes a base amount per district that includes a base amount derived from the total FTES and number of colleges; and a rate per FTES (with different rates for Career Development/College Prep or CDCP FTES, Dual Enrollment and Non-Credit FTES). 20% of the SCFF allocation is based on metrics such as the number of Pell awards and the remaining 10% is based on outcomes metrics such as degrees, transfers, etc.

Other revenues are typically allocated to the colleges based on a flat percentage, with the remainder going to the district office. Some districts allocate all of the resources to the colleges, and then charge back the amounts needed for institutional costs and the district office.

Another way that resources are allocated is to allocate amounts needed for “fixed costs” up front. Many districts allocate amounts for permanent staffing costs (salaries and benefits) to each site, and then have a formula for the remaining funds. Some colleges also allocate amounts for adjunct faculty in order to reach the FTES goals set in the budget, but they also set productivity goals. Colleges that exceed the productivity goals and the FTES goals (ensuring that there is revenue backing this allocation up!) are allowed to keep the resulting savings.

Districts that allocate the revenues typically do not determine the allocation of the budget within the sites. That means that the colleges will have to determine the best allocation to both cover their fixed costs and reach their agreed-upon goals. Each site will have to cover any overspending, often out of the succeeding year’s budget.

Other Issues

Reserves: Each district will set its own policy for maintaining adequate reserves. There is no regulation or law that governs community college reserve levels, but both the Chancellor's Office and the Accreditation Commission for Community and Junior Colleges (ACCJC) regularly review each district's review and will require a district to respond if the trend is negative or the reserve drops below 5% of expenditures. Any allocation method needs to account for maintaining the reserves specified in the policy. This will include augmentations to the reserves as the budget grows from year to year. Reserves may be used to stabilize funds in a dropping economy or for other reasons, but there must be a plan to replenish them.

Carryovers: Some districts sweep unused budget at the end of the year and reallocate those funds for one-time purposes. Others believe that this promotes a use-it-or-lose-it behavior that is not healthy, and allows some or all of the unused funds to be retained at each site. Other districts allow savings in unspent adjunct funds only if certain goals are achieved. Some districts tightly control the savings from vacant permanent positions (known as float), and require permission to use the funds for other purposes.

Goals: Most districts set goals for FTES and productivity. With the new SCFF formula, districts are having to project increases in the SCFF metrics such as Pell awards, degrees, transfers, etc. It is essential that the goals set have budgets attached whether in the resource allocation or in the site budget process. In addition, these goals are usually tied to metrics identified in the college and district strategic plans. As plans are updated, especially to reflect the SCFF, funds will need to be diverted from other activities in order to achieve these goals, as districts seldom if ever have the funds to add all new activities without ceasing any of the old ones.

Institutional Costs: Institutional costs are ones that are for the entire district, or often are not controllable by the district office. These may include: retiree benefits, utilities, trustee elections, interest expense, districtwide shared software, negotiated or agreed upon released time and professional development, audit expenses, legal expenses, general liability and other insurance, banking costs, etc. There needs to be agreement on what the costs are that fall into this group, how the budgets are determined, and how new costs are added.

Small College/Center: The old SB361 formula included an amount in the base allocation for rural colleges and for small colleges. Some resource allocation models also include an additional allocation to a smaller site to account for economies of scale. This may be a consideration when colleges differ by a significant amount in size.