

# Governing Board

Grossmont-Cuyamaca Community College District

Telephone: 644-7682

Information

Subject: INCOME ALLOCATION MODEL

Date: DECEMBER 15, 1998

## 1. PROPOSAL

Consider a new Income Allocation Model developed and recommended by the District budget Planning Committee.

## 2. INFORMATION IN SUPPORT OF PROPOSAL

### a. Summary of Issue

The Vice Chancellor-Business Services participated in the development of the new Income allocation Model, and the Chancellor has accepted the Vice Chancellor's recommendation to implement the model for the 1999/00 fiscal year.

The Income Allocation Model consists of three components: 1) Criteria; 2) Process; and 3) Formula. The description of the model is presented as Attachment A.

The formula component that actually distributes the District's income is referred to as the *Eight-Year Economy of Scale Model*. An example of how that formula would have looked if it had been used in 1998/99 is Attachment B. The formula is very simple, and the basic calculation fits on one page—page two displays supporting and comparative calculations.

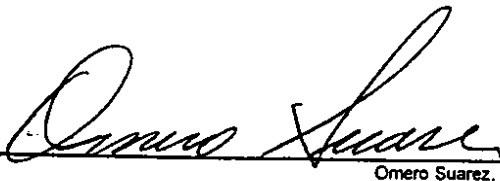
Following is an outline of how the formula works:

- 1) Full-Time Equivalent Students (FTES) goals are set for each College by the FTES Task Force defined in the Process component of the model. The Resident FTES is used to distribute income. The total FTES percentages is used to distribute Districtwide costs back against the income.
- 2) The total projected District income is divided by the total Resident FTES goal to produce an average \$/FTES.
- 3) The average \$/FTES is multiplied times each College's Resident FTES goal to produce its Program Based Income.

Fiscal Review:

Approved for Consideration:

  
James E. Austin, Vice Chancellor-Business Services

  
Omero Suarez, Chancellor

Docket Item No.

602.1

# Governing Board

## Grossmont-Cuyamaca Community College District

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- 4) To the Program Based Income is added Dedicated Income and Prior Year Balances to produce Total Funds Available for each site. Dedicated Income is detailed on Page 2 of 2 of the formula.
- 5) Districtwide expenditure budgets are detailed on Page 2 of 2, and those expenditure budgets are charged back against the Colleges' gross funds available based upon each College's share of total FTES.
- 6) For the 1998/99 year, an Economy of Scale factor is calculated to adjust the smaller College budget to the Adoption Budget. In future years, that Economy of Scale factor reduces each year for eight years, at which time it becomes zero.

The model distributes funds to four budget centers—the two Colleges, District Services, and Districtwide Budget Items. The amounts distributed to the two Colleges are based upon FTES goals and the Economy of Scale factor as described above. The allocation for the two Districtwide sites are determined as follows:

- 1) Districtwide Budget Items: This site contains fixed-cost items such as interest expense and labor agreements. This category is zero-based budgeted each year based on projected actual costs of the commitments.
- 2) District Services are the operating departments that serve the entire District, such as the Governing Board, Payroll, and Accounting. The Model includes a process for the evaluation of what services should be provided on a Districtwide basis. Once the Chancellor acts on the process' recommendation, the scope of District Services for the budget year is set. Given that scope, the District Services costs are budgeted in two ways:
  - a) Regular salaries and benefits are budgeted based upon projected actual costs; and
  - b) The balance of the budgeted accounts are increased by the District's COLA.

If the formula had been used in 1998/99 without the \$1,459,972 Economy of Scale factor, the Grossmont College budget would have been \$1,459,972 larger, and the Cuyamaca College budget \$1,459,972 smaller. That \$1,459,972 factor becomes a base amount for the calculation of income allocations for the next eight years. The \$1,459,972 is reduced to zero by the eighth year. Exhibit C is a graphic illustration of the reduction of the Economy of Scale factor.

**b. Background**

In any multi-college district, the question of how to allocate resources is always under discussion. The Grossmont-Cuyamaca Community College District is no different. Since 1993, there have been three different allocation formulae used. When a formula has been used for more than one year, it has been modified each year.

Docket Item No.

**602.2**

# Governing Board

Grossmont-Cuyamaca Community College District

Telephone: 644-7682

Subject: INCOME ALLOCATION MODEL

Date: DECEMBER 15, 1998

The Income Allocation Model presented in this docket is a three component model consisting of Criteria, Process, and Formula. This model results from almost two years of particularly intense interest in the District's allocation of resources. The shared governance body that developed the recommendation was the District Budget Planning Committee (DBPC). Additionally, several additional faculty members were active participants in the DBPC process. Much of the ground work was done last year by a subcommittee of the DBPC, the Budget Detail Subcommittee. Based upon a consensus in DBPC, the Vice Chancellor-Business Services has recommended the *Eight-Year Economy of Scale Model* to the Chancellor, and the Chancellor has approved its implementation for the 1999/2000 fiscal year.

The new model is not a panacea. It will not magically create more income to the District, nor will it meet all the interests of all the individuals in the District. What it will do is meet the majority of the interests of the many constituencies who have been constructively involved in the process, document an open and participatory process for the future, and it appears to have the potential of equitably funding the components of the District within the limited resources available. As presented to the Board in September, it also addresses putting students first. Attachment D is the September 28, 1998, memo to the Board concerning how the model, "Puts students first."

c. Options Considered

Many, many options were considered. If no option had gained consensus and approval, the 1998/99 formula would have been used for 1999/00.

d. Support of District Values

Conduct District operations in an efficient and effective manner;

Practice sound fiscal management, fiscal stability, and accountability;

Uphold a commitment to continuous process improvement; and

Maintain a commitment to shared governance and interest-based decision making.

e. Fiscal Impact of Proposal

None

3. BOARD ACTION

This item is presented for information only.

Docket Item No.

602.3



GROSSMONT-CUYAMACA  
COMMUNITY COLLEGE DISTRICT

VICE CHANCELLOR-BUSINESS SERVICES

**MEMORANDUM**

**TO:** District Budget Planning Committee  
**FROM:** Jim Austin  
**DATE:** September 28, 1998  
**SUBJECT:** Definition of "Income Allocation Model" — **REVISED, FINAL VERSION**

I. Introduction — The District's Income Allocation Model, *the Model*, consists of the following three components:

- A. Criteria
- B. Process
- C. Formula

II. Criteria

A. The Model, "Puts Students First", defined as:

1. College and District planning processes prioritize the needs of and service to the students
2. The plans resulting from those planning processes drive the budgeting process, not vice versa
3. The plans resulting from the planning processes are funded to the maximum extent possible within the resources of the District
4. The planning and budgeting processes are open and include the appropriate constituencies
5. "Appropriate constituencies" by definition includes students appointed by the Associated Students organizations from each College
6. The model includes an evaluation of the three components of the model: criteria, process, formula
7. Yearly, the chancellor provides a status report to the Board regarding the budget planning process

- B. The model will reflect Governing Board policy and related budget allocations.
- C. There is a mechanism for funding strategic needs or projects at one site that have been identified by a Districtwide shared governance process as being in the best interest of the District, but which are beyond the ability of the site to fund from its formula allocation.
- D. Recognizing that Scheduled Maintenance is a high priority item, there is a mechanism for funding all State approved Scheduled Maintenance projects which have been identified by a Districtwide shared governance process.
- E. The Contingency Reserve shall be 5% of prior year expenditures.
- F. The Model will address the mechanism for funding District Office and Districtwide services.
- G. Any formula included in the model is simple and easy to understand.

### III. Process

- A. District and Colleges' planning processes shall precede and drive District and Colleges' budget planning processes
- B. The Allocation Model will be continuously reviewed and evaluated by the District Budget Planning Committee, and modifications will be recommended to the Vice Chancellor-Business Services, who shall recommend to the Chancellor.
- C. The total District and College resident goal FTES shall be determined by the Chancellor based upon a recommendation from the FTES Task Force. The FTES Task Force consists of:
  - Chancellor
  - Vice Chancellors
  - College Presidents
  - College Vice Presidents
  - Academic Senate Presidents
  - United Faculty
  - Resource: Director of Intergovernmental Relations  
and Public Information
  - Resource: Controller
- D. Based upon the District resident FTES goal approved by the Chancellor, the Vice Chancellor-Business Services shall estimate State revenues in consultation with the District Budget Planning Committee.
- E. There shall be a documented process for the review of Districtwide Services activities (see attachment for current process).
- F. The criteria, process, and formula in place as of February 1 each year shall be used for the following fiscal year unless specifically modified by the Chancellor due to extraordinary fiscal urgency.

- G. The intent of all processes is to be open, collegial and involve the appropriate shared governance constituencies.
- H. The goal of the process is to reach consensus, but it is understood that total consensus may not be reached and that any recommendations may have both majority and minority opinions.
- I. Prior actions of the District Budget Planning Committee will be respected and researched before being modified. If a prior recommendation is modified, it will be documented in the minutes.
- J. Minutes shall reflect both the recommendation of the District Budget Planning Committee and the action taken by the Vice Chancellor-Business Services in relation to the recommendation.
- K. At Tentative Budget and Adoption Budget there will be an assessment of the criteria and an assessment of the impact of the Formula on the Colleges and District plans within the resources available and, if necessary, adjustments will be made.
- L. Each site will be responsible for offering programs and services within the resources allocated by the Formula.

#### IV. Formula

- A. The intent of the District Budget Planning Committee is to develop a formula that:
  - 1. Over time, reduce the differential in \$/FTES between the Colleges
  - 2. Maintains a consistent and appropriate Districtwide level of student, educational services and environments
  - 3. Funds Districtwide Services
- B. Any formula shall strive to be:
  - 1. Simple
  - 2. Easy to understand and explain
  - 3. Short
  - 4. Self explanatory

EXAMPLE  
8 YEAR ECONOMY OF SCALE FORMULA

FTES CALCULATION

FTES - Resident Students (Goal FTES)  
FTES - Nonresident Students  
Total FTES

	Grossmont College	Cuyamaca College	District Services	Districtwide Budget Items	Total
	11,418	4,170			15,588
	747	53			800
	12,165	4,223			16,388
College % of Total Goal FTES (to distribute DW costs)	74.23%	25.77%			100.00%
College % of Goal Resident FTES (to distribute income)	73.25%	26.75%			100.00%

College % of Total Goal FTES (to distribute DW costs)  
College % of Goal Resident FTES (to distribute income)

INCOME

State Program Based Income ave= \$ 3,391  
Total State Income \$ 52,854,161  
College Resident FTES X Average \$/FTES  
Equals the College's Program Based Income  
Dedicated Income (see next page)  
Federal Income

\$ 3,391	\$ 3,391				\$ 52,854,161
\$ 38,714,961	\$ 14,139,200				\$ 3,464,388
\$ 2,441,780	\$ 207,465				\$ 1,000
\$ 41,156,741	\$ 14,346,665		\$ 815,143		\$ 56,318,549
\$ -	\$ -		\$ 1,000		\$ 4,418,407
\$ 41,156,741	\$ 14,346,665		\$ 2,687,516		\$ (2,647,034)
					\$ 58,090,922

Beginning Balances (would be actual prior year balances)  
Less: Contingency Reserve

TOTAL FUNDS AVAILABLE

DISTRIBUTION OF FUNDS AVAILABLE

Funds Available From Above  
Adjustments to Gross Allocations  
DBPC Agreements, Funding  
DBPC Agreements  
Dist. Services, Cont. Salaries  
District Services, Other

41,156,741	14,346,665	0	2,587,516		58,090,922
(558,744)	(193,282)				0
146,223	62,667		750,028		0
(3,408,019)	(1,183,142)	4,591,161	(208,890)		0
(2,111,386)	(732,997)	2,844,383			0
(5,929,926)	(2,046,754)	7,435,544	541,136		
35,226,915	12,299,911	7,435,544	3,128,652		58,090,922
(1,459,972)	1,459,972				
33,766,843	13,759,883	7,435,544	3,128,652		58,090,922
33,766,843	13,759,883	7,435,544	3,128,652		58,090,922
(0)	0				

Total Gross Allocations

Economy of Scale Factor

Total Net Allocations

98/99 Adoption Budget  
(net of site balances)  
Compare New Model to Adoption

EXAMPLE  
8 YEAR ECONOMY OF SCALE FORMULA

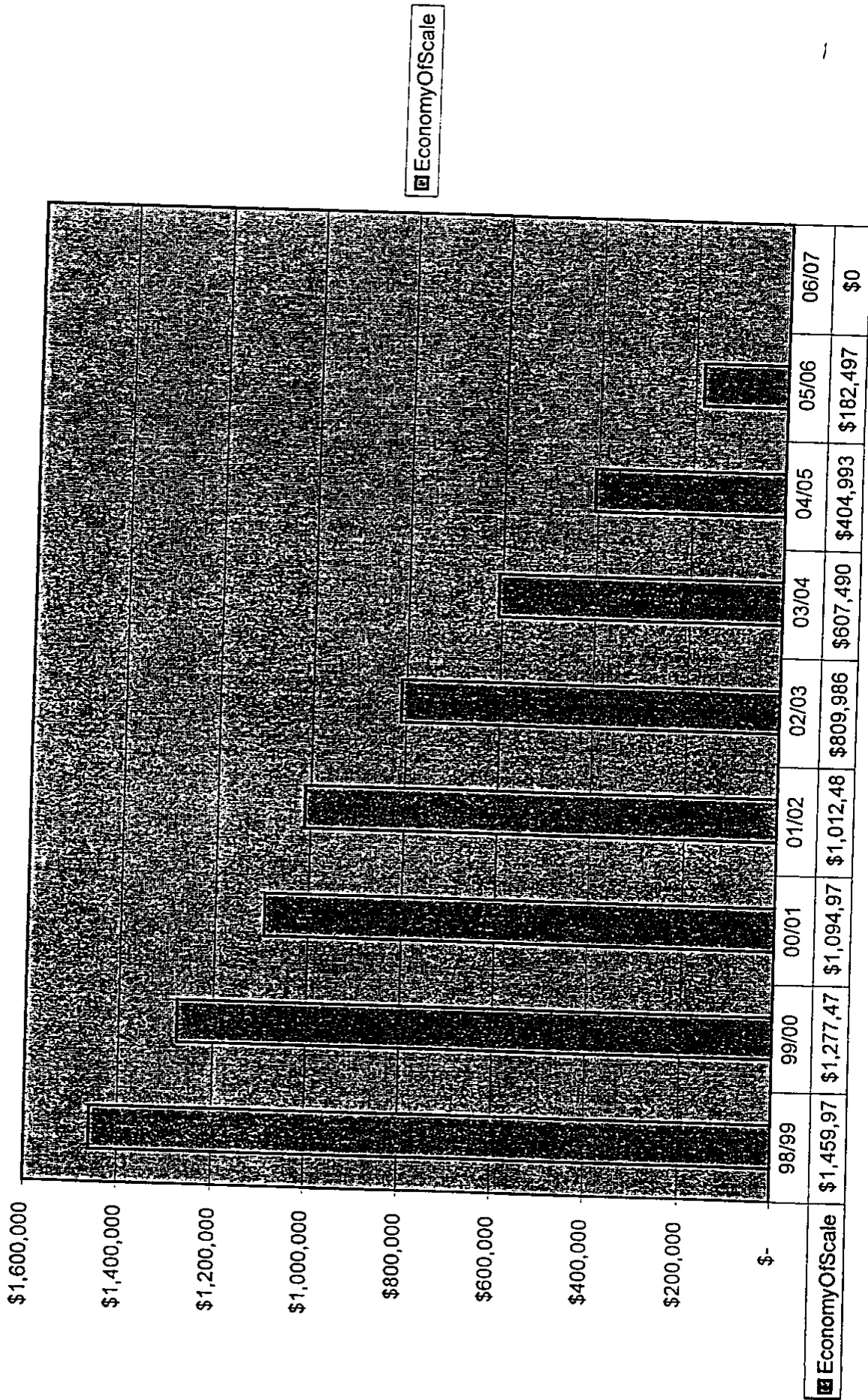
Dedicated Income detail	Grossmont	Cuyamaca	D.W.S.	D.W. Budget	
Donations	\$ -	\$ -	\$ -		\$ -
Rentals	\$ 8,500	\$ 2,000			\$ 10,500
Interest, including Gross TRANS				\$ 702,000	\$ 702,000
Transcripts	\$ 64,000	\$ 12,000			\$ 76,000
Out of State Tuition	\$ 481,000	\$ 81,440			\$ 562,440
Enrollment Fee (2%)			\$ 67,143		\$ 67,143
Foreign Tuition	\$ 1,862,000	\$ 90,000			\$ 1,952,000
Other Student Fees (8889)	\$ 14,500	\$ 18,000		\$ 40,000	\$ 72,500
Other Local (8890)	\$ 680	\$ 125		\$ 4,300	\$ 5,105
Telephone Commissions ( 8895)	\$ 11,100	\$ 3,900			\$ 15,000
Sales (8912)	\$ -	\$ -		\$ 1,700	\$ 1,700
Total Dedicated	\$ 2,441,780	\$ 207,465	\$ -	\$ 815,143	\$ 3,464,388

CALCULATION OF DBPC AGREEMENTS LINE ITEM

	Grossmont College	Cuyamaca College	District Services	Districtwide Budget Items	Total
Technology Infrastructure				60,000	60,000
Information Systems Maintenance				180,000	180,000
Telecommunications systems (previously at colleges)				162,000	162,000
Employee Benefits, included in site allocations					
Districtwide Debt					
Classroom/Lab Maintenance	146,223	62,667		800,000	800,000
Districtwide Memberships				34,000	208,890
Scheduled Maintenance Match				498,951	34,000
Strategic Planning Options				225,000	498,951
Retiree Costs				837,701	
Compensation and Retirement Holding Account				78,000	78,000
CSEA Development Fund				6,500	6,500
CSEA Scholarships				5,000	5,000
CSEA Books				500	500
Admin Asso., Fees & Books				500	500
Admin Asso, In-service				9,000	9,000
Admin Asso., Professional Enhancement				22,000	22,000
Supv. & Conf. Tuition				500	500
Supv. & Conf. Technical Training				9,000	9,000
Wk. Comp. Reserve					
ADA Accommodation Fund					
Board Elections				95,000	95,000
Load Banking				30,000	30,000
Revolving Cash & Stores				75,000	75,000
Districtwide Beginning Balance and Dedicated Income				(2,587,516)	(2,587,516)
Totals carry above to DBPC Agreements	146,223	62,667		541,136	750,028



Economy of Scale from Grossmont to Cuyamaca



Model\_Sliding\_Economy\_of\_Scale(9a)


EconomyOfScale



GROSSMONT-CUYAMACA  
COMMUNITY COLLEGE DISTRICT

VICE CHANCELLOR-BUSINESS SERVICES

MEMORANDUM

**TO:** Governing Board, Grossmont-Cuyamaca Community College District  
**FROM:** Jim Austin   
**DATE:** September 28, 1998  
**SUBJECT:** Follow-Up to Board Request — How Does the District's Income Allocation Model  
"Put Students First?" **FINAL VERSION**

The shared governance District Budget Planning Committee (DBPC) feels strongly that any Income Allocation Model the District uses should, "Put students first". The DBPC has recommended that the criteria to be used to evaluate whether a model puts students first should be:

- College and District planning processes prioritize the needs of and service to students;
- The plans resulting from those planning processes drive the budgeting processes, not vice versa
- The plans resulting from the planning processes are funded to the maximum extent possible within the resources of the District
- The planning and budgeting processes are open and include the appropriate constituencies
- "Appropriate constituencies" by definition includes students appointed by the Associated Students organizations from each College
- The model includes an evaluation of the three components of the model: criteria, process, formula
- Yearly, the Chancellor provides a status report to the Board regarding the budget planning process

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ATTACHMENT D