

REVISED  
NO

Rancho Santiago  
Community College District

# Budget Allocation Model



**Part 1:**

**Budget  
Allocation  
Model**

Rancho Santiago Community College District

## Budget Allocation Model

Developed 1998-99

### **Purpose**

A formal resource allocation model defines the steps in the district-wide budget development process. The model provides the guidelines, information, and formulas necessary to develop a district budget for two comprehensive community colleges and district operations.

### **Description**

The budget is the financial plan for the district. It implements the district's vision and mission statements, district and college master plans, and other planning activities.

The Board of Trustees of RSCCD has clear statutory authority and responsibility for the budget and makes all final decisions. However, the budget development recommendation process resides with district and college staff.

### **Goal**

The major goal of the budget development process is to establish revenue and expenditure benchmarks so that cost centers may use resources in a manner that is consistent with the following principles:

- 1 maximize services to students,
- 2 provide flexibility yet hold cost centers accountable,
- 3 provide resources for growth and innovation,
- 4 stimulate productivity
- 5 provide quality and cost-effective central services,
- 6 encourage collegiality, teamwork, and cooperation among all cost centers,
- 7 provide the chancellor and the board of trustees with the best possible budgetary recommendations.

**Rancho Santiago Community College District  
Budget Allocation Model**

**Revenue**

All revenue is district revenue because the district is the legal entity authorized by the State of California to receive and expend income and to incur expenses. However, the majority of revenue is provided by the taxpayers of California for the sole purpose of providing educational services to the communities served by the district. Services such as classes, programs, and student services are, with few exceptions, the responsibility of the colleges in the district. It is the intent of the budget development process to allocate the majority of funds to/for the colleges in order to provide those educational services and meet the vision of the board of trustees and the mission of the district.

**Budget Analysis**

To implement the budget allocation model, a thorough analysis of all revenue and fixed expenditures must take place.

All revenue, actual and/or projected district income, must be calculated, including:

- 1 apportionment
- 2 tuition and fees
- 3 categorical programs
- 4 lottery revenue
- 5 grants
- 6 rental income
- 7 interest income
- 8 special state and/or federal income (i.e., Partnership for Excellence, Basic Skills)
- 9 contract education
- 10 miscellaneous minor income

Actual and/or projected fixed expenditures and obligations need to be determined, including:

- 1 full-time employees' salaries and benefits
- 2 on-going classified employees' salaries and benefits
- 3 utilities
- 4 insurance
- 5 district reserve
- 6 other - for example: self insurance, capital outlay, rents and leases

Rancho Santiago Community College District  
**Budget Allocation Model**

**General Model Guidelines**

1. The Budget Allocation Model will be reviewed on an annual basis by the Budget Allocation and Planning Review Committee, and the chancellor may authorize adjustments as necessary.
2. Adjustments to cost center budgets can be made throughout the year resulting from changes in revenue.
3. The cost centers will have maximum flexibility for budgeting and expenditures within their revenue limits, as long as they operate within the board-approved missions of the district and of the colleges.
4. The district reserve level is established by the board of trustees.
5. Mandatory obligations (see "Allocation Process" section, no. 2) will be excluded from the cost center revenue distribution.
6. For the initial year of implementation, district operations will receive a percentage-based allocation. In each ensuing year, the allocation to district operations will be the prior year's dollar allocation, plus the applicable COLA.
7. An FTES target, assuming a level of productivity, will be determined for each college each year.
8. FTES-based revenue split between colleges may be adjusted to include factors such as small college equalization and relative cost of programs.
9. Revenue will be assigned to each college based on FTES generated by each college. Within the budget year, adjustments to revenue will be formula driven.
10. Full-time and on-going classified employees will be assigned to each cost center.
11. Salary and benefits increases will be absorbed by the cost centers, resulting in budget adjustments determined at the college level.
12. Carryover and/or other one-time money will not be used for hiring on-going part-time or full-time employees.
13. The ending balances of the cost centers will affect the following year's allocation. In the event there is a cost savings in any cost center-controlled budget, that savings will accumulate to the cost center in a specially designated account. Savings and cost overruns will be aggregated to this special account. Net cost overruns will be deducted from the cost center's allocation in the following year.

Rancho Santiago Community College District  
**Budget Allocation Model**

**Allocation Process**

1. Revenue is projected for the following year (includes apportionment, tuition and fees, categorical programs, lottery revenue, grants, rental income, interest income, special state and/or federal income, contract education).
2. Allocation from gross revenue is made to offset mandatory obligations:
  - a. district reserve
  - b. permanent salaries and benefits
  - c. utilities, insurance, rents, leases, district-wide capital outlay, and interfund transfers
  - d. district operations' allocation
3. Net revenue is allocated on an FTES basis to the two colleges.
4. There will be special consideration for growth and for the small college factor.
5. Other unrestricted income is allocated according to the model guideline.

**Part II:**

**Budget  
Model  
Assumptions**

Developed 1999-2000  
To be implemented 2000-2001

## Budget Model Assumptions

Developed in 1999-2000

To be implemented 2000-2001

1. The model is a dynamic document.
2. These assumptions are built from the *Model Guidelines*, board approved January 25, 1999.
3. The model is modified to exclude non-FTES apprenticeship and redevelopment revenues and expenses.
4. The model addresses general fund unrestricted revenue only. (Restricted revenue will be reviewed on a program-by-program basis.)
5. FTES,\* LHE,\* and WSCH\* formulas/ideals:

### Full-time equivalent calculations:

1 LHE = 1 FTES ideally

(Assumes that the LHE equals 30 student contact hours per week for a standard term)

30 WSCH = 1 FTES (15 hrs/wk x 2 semesters x 17.5 weeks = 525 hrs)

1 FTEF\* = 15 LHE (per semester)

1 FTEF = 20 hours x 17.5 weeks x 2 semesters (for non-credit)

33 seats/1 classroom/full-time = 1 FTES per unit

3 hours = 3 FTES

\*FTES - Full-time equivalent student

\*WSCH - Weekly student contact hours

\*FTEF - Full-time equivalent faculty

\*LHE - Lecture hour equivalent

6. All unrestricted revenues will be allocated.
7. Rents/leases will be treated as fixed costs.

Rancho Santiago Community College District  
Budget Allocation Model  
Budget Model Assumptions for 2000-2001

8. Focus of the model will be major sources of revenue and expenditures. The workgroup will offer recommendations for future refinements.
9. The model will display credit and non-credit separately.
10. The budget model will establish and support a district operations allocation.
11. Fixed costs are expenditures that must be met independent of revenue production in any fiscal year.
12. Fixed costs for purposes of the model:
  - a. full-time employee salaries and benefits
  - b. on-going classified employee salaries and benefits
  - c. utilities
  - d. Insurance
  - e. district reserve
  - f. rents and leases
  - g. Interfund transfers (self insurance, scheduled maintenance, etc.)
  - h. district match for equipment grants

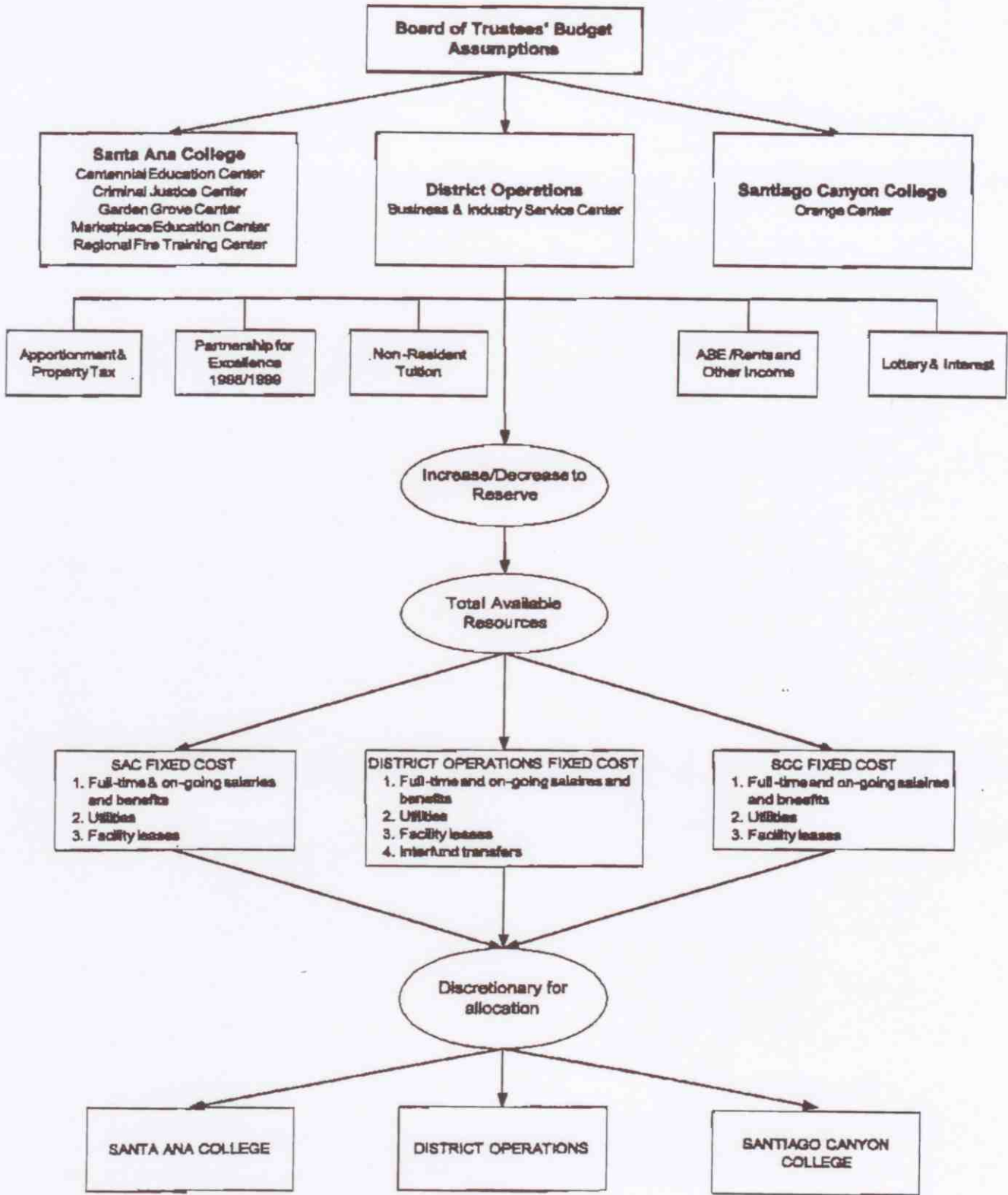
Object Codes:

1100	Instructional, regular salaries
1200	Non-instructional, regular salaries
2100	Non-instructional, regular salaries
2200	Instructional aides, regular full-time
2300	Non-instructional, non-regular salaries, on-going
2400	Instructional Aide, non-regular salaries, on-going
3100-3900	Employee benefits
5400	Insurance
5500	Utilities
5605	Lease agreements - facilities
6400	Match for equipment grants only
7390	Interfund transfers out
7900	Reserve for contingencies (ending fund balance)

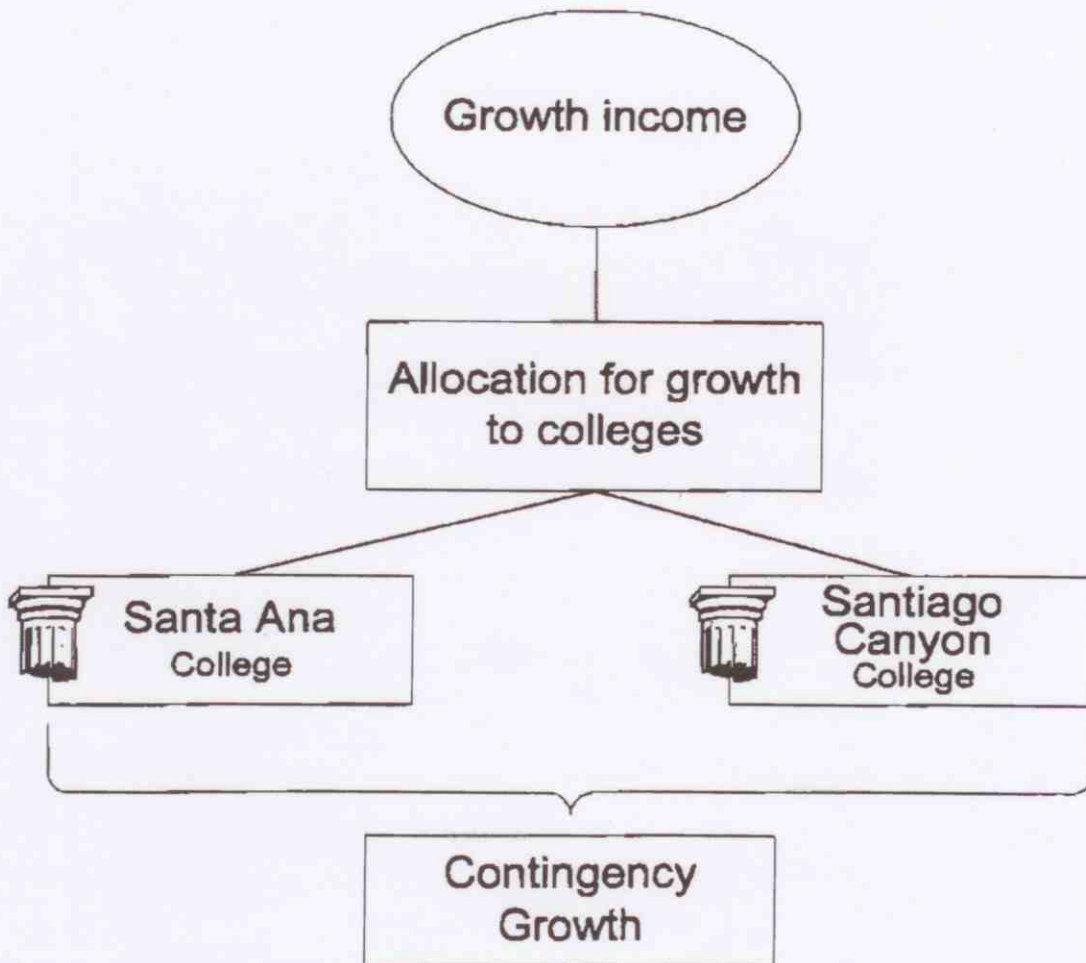
Rancho Santiago Community College District  
Budget Allocation Model  
Budget Model Assumptions for 2000-2001

13. If the fixed cost ratios for full-time and on-going part-time staffing are different from the ratios used to allocate discretionary resources, then a transition plan to move toward parity will be considered.
14. Growth allocation will include consideration for:
  - a. Increased sections - credit, non-credit mix
  - b. instructional agreements, e.g., academies
  - c. instructional supplies, additional costs, etc.
15. FTES goals will be established.

**Rancho Santiago Community College District  
Budget Allocation Model Flowchart  
General Fund - Unrestricted Only**

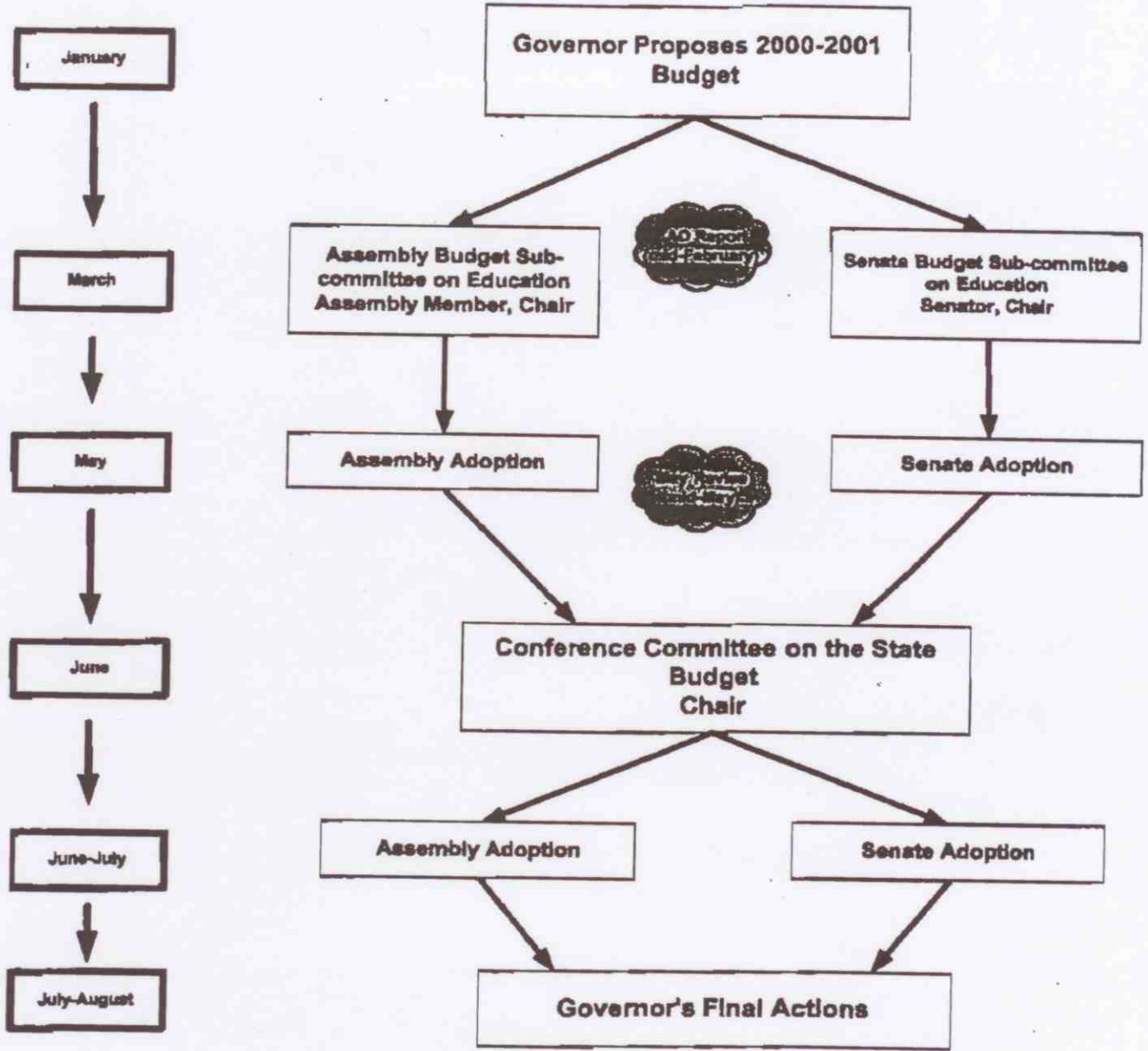


# Growth



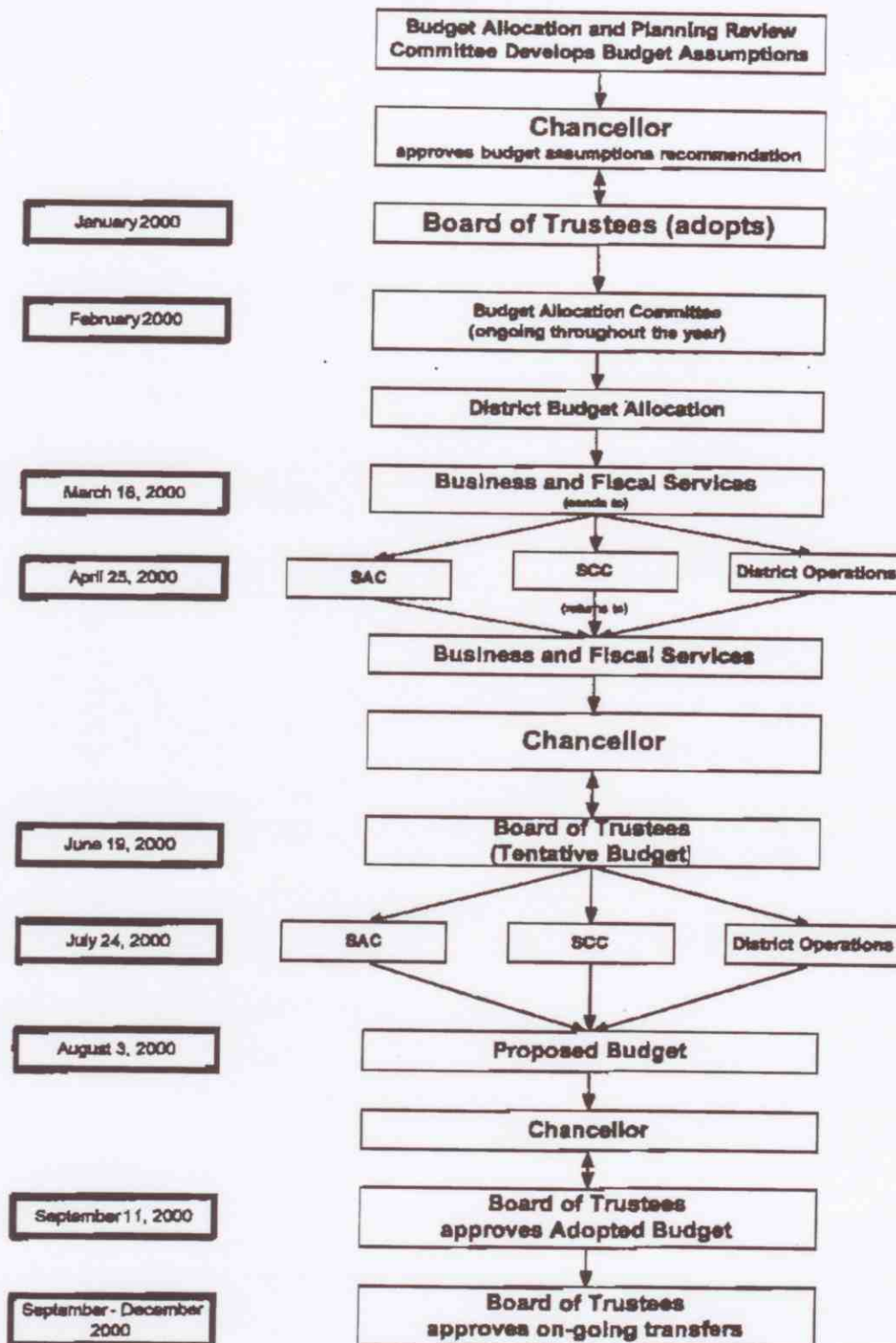


# Significant Steps of the State Budget Cycle



# District Budget Calendar

2000-2001



### Issues for Future Study and Refinement

1. Full-time faculty (1110) and part-time faculty (1320) ratio distribution  
Because the ratio of part-time and full-time faculty is different at SAC and SCC, there is concern that the college that relies more on part-time faculty will have fewer discretionary funds left to pay for other operational costs. Therefore, analysis, thoughtful discussion, and planning must occur in this area. In the past two years, efforts have been made toward parity in this area in regard to providing SCC with 50% of new district faculty, but continued analysis is needed in the future.
2. College operational support  
Similar to the disparity noted in 1 above, is the disparity in college operational support. Therefore, analysis is also required in the following areas:
  - a. staffing - classified support (2000 object codes)
  - b. non-salary operational support, e.g., supplies, contracts, etc. (4000, 5000 object codes)
3. Unrestricted/restricted funds  
Although the model addresses only unrestricted revenue, there is an impact on colleges' resources because of the supplementary support provided by restricted revenue. Due to the accreditation of SCC, it is anticipated that in 2000-2001, certain grants will be allocated to each college based on the populations served, as well as continued grants awarded to the district as a whole. The distribution of district-wide grants to the sites will be analyzed in the future.
4. Credit/non-credit ratios  
The state funds non-credit FTES at a lower rate than credit FTES. Historically, it has been advantageous for the district to have a large non-credit program because of lower costs in the production of non-credit FTES. That has been changing in recent years, and further analysis on the ratios will be performed.
5. Leased facilities  
The district has the highest level of leased facilities in the state. Because of the magnitude of this dependence and its impact on growth, efficiencies of leased space need to be analyzed and tied to plans for FTES growth.

Rancho Santiago Community College District  
Budget Allocation Model  
Budget Model Assumptions for 2000-2001

6. Cost for growth beyond faculty salaries  
There is a cost for growth beyond faculty salaries in the form of instructional support, student services, and institutional support. The Budget Allocation Model Workgroup and the Budget Allocation and Planning Resource Committee have agreed on a cost rate per credit FTES and non-credit FTES based on 1998/99 actual expenditures. Further assessment of these rates will occur in the future.
7. Cost centers  
Further review needs to occur regarding the allocation of expenditures to various cost centers. Expenditures such as publications, postage, and utilities have been allocated in different ways. A decision needs to be made as to whether these expenditures will be allocated as in the past.
8. Miscellaneous income  
Areas of miscellaneous income such as transcript fees, library fines, and student identification will need further discussion as to allocation.
9. Planning link  
Work will continue to strengthen the link between budget, master planning, and other planning.

