Yosemite Community College District

Proposed Resource Allocation Model

Draft #2

1/13/2020

District Mission: The Yosemite Community College District is committed to responding to the needs of our diverse community through excellence in teaching, learning and support programs contributing to social, cultural, and economic development and wellness.

Columbia College Mission: Centered in the Sierra foothills, Columbia College offers students of diverse backgrounds many opportunities for discovery and success. Through a supportive and engaging learning environment, students master foundational skills, explore their passions, attain degrees and certificates, and pursue career and transfer pathways. We collaborate with surrounding communities to cultivate intellectual, cultural and economic vitality. Columbia College inspires students to become inquisitive, creative, and thoughtful life-long learners.

Modesto Junior College Mission: MJC is committed to transforming lives through programs and services informed by the latest scholarship of teaching and learning. We provide a dynamic, innovative, undergraduate educational environment for the ever-changing populations and workforce needs of our regional community. We facilitate lifelong learning through the development of intellect, creativity, character, and abilities that shape students into thoughtful, culturally aware, engaged citizens.

Background: The District Fiscal Advisory Council has been meeting first once and now twice a month during the Fall semester, 2019, to learn about the current resource allocation model (RAM), research other multi-college districts' resource allocation models and ultimately develop a new model for YCCD. This document represents the first draft of the proposed model. This model allocates budget to the 2 colleges, Central Services and for institutional needs. This model only addresses Fund 11, the unrestricted general fund.

The Council developed lists of characteristics, behavioral and data driven elements that would be considered as part of the RAM. Those lists are available on the DFAC website.

One of the stated values was the desire to tie the allocation of resources to the outcomes that generate much of those resources. This means tying the allocation to the Student Centered Funding Formula (SCFF) that drives the funding from the state to the district. However, the SCFF is still undergoing changes at the state level, and the data coming from the state does not match the local data submitted to the state, that is, the state has not been transparent about how they derive the data elements from each district's MIS submissions. Nonetheless, the data from the state is data that is used for the state funding, and so it makes sense to use it to drive the local allocations.

Much as the state does for credit FTES, the proposal includes 3-year averaging for all metrics. This allows a decline to be managed over time, and growth to be rewarded over time as well. In addition, growth funding will be allocated in the year after it is earned, again based on 3-year averages.

Another area of discussion has been that of institutional costs. Institutional costs are defined as those costs currently charged to Central Services that benefit the institution as a whole and are not controlled at the District level. A list of those costs is also available on the DFAC website. These costs are assumed to be taken off the top, and there is no question about funding them. Central Services will consist of those expenses more closely attributable to the District functions such as the Chancellor's Office, Human Resources, Finance, etc. Institutional costs include amounts transferred to fund future liabilities, such as the Total Cost of Ownership (TCO) for IT equipment and facilities, as well as transfers to fund medical benefits for retirees. The TCO and retiree benefits have been a subject of much discussion. The TCO transfers ensure that there are funds to replace IT equipment (such as parts of the network as well as computers used in student laboratories). The TCO also funds needed maintenance and repair to buildings. The latter use could be deferred but not eliminated should the District obtain approval for a facilities bond. The retiree benefits transfer covers medical benefits for retirees whose contracts specified that they would receive them.

This RAM allocates ongoing dollars. One-time allocations are added after the budget is balanced, and are assumed to either come from carryovers (such a ending balances or encumbrances) or from one-time revenue sources.

Resource Allocation Model

Step 1: The first step established the base funding for each of the four entities (Columbia, Modesto, Central Services and Institutional Costs). This is the prior year allocation less any one-time allocations included in the prior year.

Step 2: In order to address perceived inequities in the funding between Columbia and Modesto, the percentage split between the two colleges is compared to the funding split based on 3-year averages of the metrics and the SCFF values for those metrics. The college which is under funded receives an additional allocation. Depending on the total difference, this allocation may have to bring the funding to parity over a period of several years. Note that the college that is "over funded" does not lose any funding.

Step 3: Add any changes (increases or decreases) to the institutional costs for the upcoming budget year. These budgets are usually estimated by the Fiscal Office, but should be reviewed by DFAC.

Step 4: Add prior year growth. This step looks at the SCFF and adds any growth achieved in the prior year and allocates that to the two colleges and a portion to Central Services.

Step 5: The base allocation does not include budgeted expenses to match the budgeted revenue for select revenue streams such as non-resident and baccalaureate tuition, PT and FT faculty state allocations, etc. Each college is allocated an expense budget to match the budgeted revenue.

Step 6: Increased compensation costs are added to each site. This includes: movement on column and step, longevity increases, changes to employer rates for PERS/STRS/Workers Comp, changes to medical benefits and any negotiated increases to total compensation. An estimate will be made for the increases to PT faculty and overload costs, which will be trued up at the end of the year. The intent of this step is to hold the sites harmless from any increases not in their control. This step does not include new positions or reclassifications (unless negotiated).

Step 7: This is the step that adds any items that aren't in the budget that have been agreed upon. Decisions on what is to be added should be made in the Chancellor's Cabinet.

Step 8: The next step is to balance the budget. After all of the allocations are made and summed with the base, the total is compared to the ongoing revenue available. If there is budget remaining, it is divided between the sites according to their percentages identified in Step 1. If there is a shortfall, that is also divided similarly. Institutional costs are not changed.

Step 9: The final step adds the one-time allocations for carryforwards, encumbrances and any one-time funds received that are passed on to the sites. Ending balances shall first be used to augment the Fund 11 ending balance to the percentage of expenses specified in Board Policy x.xx. Ending balances from institutional needs shall not carryforward, but will be used first to address the need to augment the Fund 11 ending balance.

Issues still to be considered:

1. A procedure for an annual review of institutional costs needs to be written and implemented. Criteria should be developed for what constitutes an institutional cost to guide additions to the list in the future.
2. A discussion should be held both at DFAC and ultimately at the Board level as to appropriate levels of reserves, the appropriate uses of the reserves, and how and when they are replenished. This should include reserves such as the PERS/STRS Rate Change Reserve and the various reserves for TCO. These discussions should result in new or clearer policies.
3. As the SCFF changes, the RAM will need to mirror those changes to be used in determining the relative splits between the colleges.
4. DFAC should review the costs incurred by Central Services to understand and be aware of the services provided. Periodic increases to Central Services may be necessary and there should be a procedure for approving those, presumably by Chancellor's Cabinet.