

# Program Service Review for Budget 2005-06

## **1. Service Description:**

The Budget is a legal document through which the Board of Trustees delegates authority to the President who in turn delegates authority to the Budget Managers to carry out the business of the college. (*Education Code Section 70902(b)(5) and California Code of Regulations Title 5, 58300 and the Chancellors Office Budget and Account Manual (BAM )see appendix A- Legal Support of the Budget.*

## **2. Service Scope**

The preparation of the budget is the responsibility of the Business Office. A first cut of the budget is done in March based on the Governors January Budget on the revenue side and any known increases or decreases in expenditures. Budget managers are then asked to assess their staffing levels and identify vacant positions. Budget managers' review their department budgets and request increases or decreases. Based on this, the Tentative Budget is prepared prior to the end of the spring term so that faculty have a chance to see the budget before summer break. In order to meet the summer break deadline the Governor's May Budget revisions are usually not included in the Tentative Budget but are presented as part of the budget presentation. This budget is what allows the District to operate until the State Budget is passed. The final budget is prepared on any items that come from additional review, year end close and the Final State Adopted State Budget. (*see appendix B – District Budget Documents*)

## **3. Data Gathering and Analysis**

The review was based on:

- Utilization of the “Learning College” model (*See appendix C – Learning College Defined*),
- College Councils desire to understand how it should best participate in the process and
- The need to link strategic plans and goals to the budget allocation process.

The review entailed: a review of the legal requirements; research and review of what a learning college is; request for and review of budget ideas from other community colleges in California; a survey of the entire campus on budget planning improvements and a budget monitoring effectiveness survey.

## Legal Review

1. A budget calendar must be developed and presented to the Board of Trustees on or before March 31.
2. A Tentative Budget must be in place before July 1<sup>st</sup>.
3. A Public Hearing is required prior to the adoption of the Final Budget
4. The Final Budget must be approved by the Board of Trustees on or before September 15<sup>th</sup>
5. Subsequent reports must be made to the Board of Trustees' on a quarterly basis and filed with the Chancellors Office 45 days after the end of the quarter(311Q)
6. A yearly budget and financial report must be filed 3 months after the year end (311)

The above requirements are met through the publication of the Budget Calendar. This document goes through the shared governance process and is adopted by the Board. The desire is that it be taken through the process in February rather than waiting until the March deadline.

Besides the timeline listed above, *the General Operating Budget of the District shall support the District's master plan and educational plan.* Our budget process is tied to these plans but specific references are not

made that actually link the two processes. A matrix has been developed over the last few years to try to acknowledge the different funding sources that support the strategic plan.

*The budget document must be based on documented assumptions that are presented to the Board for review.* For both the Preliminary and the Tentative budgets, the revenue assumptions are developed on the basis of the Governors January budget proposal, estimated FTES (full time equivalent students) and other revenue sources based on experience and projected future trends. Expenditures are developed based on what is known at the time. For example: the number of employees, step and column movement; benefit costs; fixed cost like energy, facility rental; any events or large one time expenditures; and required District support for categorical programs.

*The budget must contain a 5% contingency reserve that requires a Board resolution to utilize the reserve and a plan to restore it.* Over the last 10 years the District has not proposed a budget that had less than 5%. In fact over the last 3 years the District has increased the reserve by \$800,000 under the Rainy Day Reserve provision in the Districts Fiscal Policies to help cushion the effects of uncertain state funding.

In addition to these requirements the *Board shall also establish policies for, and approve, current and long range facility plans and submit them to the Board of Governors.* The District does this through the submittal of the 5 year facility master plan which is maintained by Facilities.

The District has fulfilled its legal obligations through the formal budget process. For the rest of the report the focus will be on what the internal processes are that provide those outcomes and how well they are working for the campus as a whole.

WASC Accreditation Standards require that all of the legal requirements mentioned above are met, but the standards further require a documented budget philosophy. It should indicate that budget planning supports institutional goals and should be linked to other institutional planning efforts. While the District has been working toward this there is not a written or formal philosophy.

A Learning College is an organization that values learning and realizes that it does not learn or advance except through its members. This is an organizational structure that thrives on human interaction and growth rather than the mechanistic model of efficiency and effectiveness. It constantly strives toward creativity and innovation rather than faster, harder and smarter. The leaders of this organization are designers, stewards, and teachers rather than the decision makers, problem solvers, and experts. (*see Appendix C*)

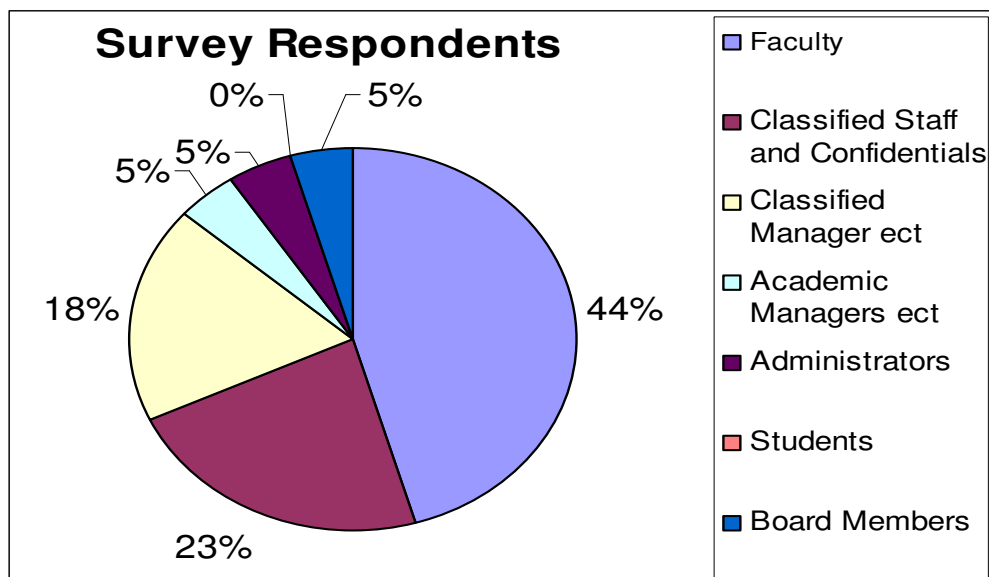
Document request from other community colleges resulted in several processes that assisted in the formulation of the surveys. The respondents were all preparing budget calendars and Merced, Mira Costa, West Hills and Monterey Peninsula all had additional planning processes that provided a basis for some of the recommendations. (*see appendix D for documents*)

Survey results provide some basis for the recommendations. The single most important result was how pervasive the desire for training is. High percentages of participants were interested even in the most mundane of topics.

Conclusion: While the District is fulfilling its legal obligations, there is room for more participation and further desegregation of the budget process.

### Budget Process Survey April 2006

There were a total of 22 valid responses: 10 faculty, 7 from management, and 5 classified. Of the respondents: 23% did not know there was a process, 27% knew but had not participated, and 50% had actually participated at some level.



### Budget Processes that are fair and equitable

Respondents indicated that what would make the budget process more fair and equitable include the following:

- Focus on the mission and values of the college
- Allocation based on need not ability to spend
- Provide honest and open communication
- Ensure that there are processes at the local levels
- Include more classified staff
- Once input is requested feed back on what actually happened and why
- Good budgets come from the big picture
- Local strategic plans would help in the assessing needs

### Additional Sources of Fund

Respondents gave suggestions of ways of increasing the efficiency of current funds as well as outside opportunities.

Outside opportunities:

- Define fund raising opportunities
- Hire a grant writer or reassign staff

Increased efficiency of current funds:

- Increase the scrutiny of large expenditures
- Develop an understanding of what is occurring in other departments so that funds could be shared
- Really implement New Ways to Work with input from classified staff
- Venues for sharing ideas e.g. electronic bulletin board
- Do joint department planning to prioritize needs and cost savings
- Look at the assets we have before we invest in new ones

### **Different Allocation Models**





Suggestions here were varied:


- Consider potential growth areas
- Address the use it or lose it concept in favor of need based
- Increase communication
- Provide lump sums instead of line items, let the departments decide
- Maintenance for departments that are equipment intensive
- Involve additional people in the spending decisions
- Review what we have in stock before we spend more
- Provide training so there is an understanding of what is possible


### **Program Service Review**

One respondent feared that using the Program Service Review to provide budget input was seen as too political and no matter how much improvement, no acknowledgement is made. Most felt that it should include staffing, material and capital request and be used to allocate resources. The other area that was addressed was non-performing programs.


### **Possible roles of the College Council should be in the budget development process?**

Develop an understanding of the College's revenue and expenditures as a foundation for the budget process.:	17	
Prepare recommendations for budget development, including priority lists for distribution of additional income beyond that in the adopted final budget.:	12	
Review the draft budget in its development stages as presented by staff.:	16	
Serve as a forum for dialogue on on-going fiscal activities such as quarterly fiscal reports to the Board. :	13	

Identify strategies which may be implemented to make the fiscal environment more 'user friendly': 18 

Educate members of the College community, and receive feedback from them, on the process for developing the budget.19 

Review and share information on the State Budget.: 14 

Serve as a conduit for communicating the Council's activities to their representative constituencies.: 17 

Other possible roles include providing a more varied classified voice, defining the college council constituencies, identifying the plans that should feed into the strategic plan, and a venue for the review of new courses to identify new needs.

The second survey was designed to ascertain a baseline for campus understanding and for how well the department was doing in getting budget transfers done and responding to budget questions.

**Budget Monitoring Program  
Review 2005-06**

<b>Q1</b> <b><u>Survey respondents</u></b>	<b><u>Survey</u></b> <b><u>Participants</u></b>	<b><i>As a % of</i></b> <b><i>the total</i></b> <b><u>Population</u></b>
Faculty	25%	47%
Classified	46%	42%
Management	29%	10%

**Budget monitoring  
climate**

	<b><i>Yes</i></b>	<b><i>Somewhat</i></b>	<b><i>less than</i></b> <b><i>adequate</i></b>	<b><i>not at</i></b> <b><i>all</i></b>	<b><i>Total</i></b> <b><i>Answers</i></b>
<b>Q2</b> Do you feel you have the skills to monitor the budget?	40.7%	29.6%	18.5%	11.1%	27
<b>Q3</b> Can you access needed budgets on Colleague?	7.4%	33.3%	25.9%	33.3%	27
<b>Q4</b> Do you know how to do budget transfers?	66.7%			33.3%	27

	<i><b>Yes</b></i>	<i><b>I guess right</b></i>	<i><b>Completely confusing</b></i>	<i><b>Don't do them</b></i>	<i><b>Total Answers</b></i>
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**Q5** Do you understand the difference between a budget transfer and redistribution of expenses?

33.3%      14.8%      40.7%      11.1%      27

	<i><b>Yes a big help</b></i>	<i><b>I know about it but do not use it</b></i>	<i><b>I did not know the report existed</b></i>	<i><b>N/A</b></i>	<i><b>Total Answers</b></i>
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**Q6** Do you use XPAY?

22.2%      7.4%      40.7%      29.6%      27

**How are we doing?**

	<i><b>Always</b></i>	<i><b>I think so but do not know how to tell</b></i>	<i><b>Usually</b></i>	<i><b>Rarely</b></i>	<i><b>Never</b></i>	<i><b>N/a</b></i>	<i><b>Total Answers</b></i>
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**Q7** Are budget transfer posted

timely?      29.6%      29.6%      22.2%      7.4%      0.0%      11.1%      27

**Q8** Are you able to get budget questions answered easily?

40.7%      33.3%      18.5%      0.0%      7.4%      27

	<i><b>As needed initiated by you</b></i>	<i><b>Regularly Scheduled</b></i>	<i><b>email is enough</b></i>	<i><b>Total Answers</b></i>
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**Q9** What type of interaction would you prefer with the finance office?

56.0%      16.0%      28.0%      25

**General process questions**

	<i>There is always enough budget</i>	<i>Sometimes there isn't enough</i>	<i>Frequently there isn't enough</i>	<i>almost always there isn't enough</i>	<i>Depends on the time of year</i>	<i>N/A</i>	<i>Total Answers</i>
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**Q10** How often does lack of budget affect Purchase Orders?      14.8%      44.4%      14.8%      0.0%      22.2%      3.7%      27

**Q11** How often do you find lack of budget affects Payment of Invoices?      22.2%      40.7%      7.4%      0.0%      14.8%      14.8%      27

**Q12** How often does lack of budget affect travel or expense reimbursements?      18.5%      29.6%      0.0%      0.0%      11.1%      40.7%      27

<i>Yes</i>	<i>Maybe not sure</i>	<i>No</i>	<i>N/A</i>
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**Q13** Would on line budget transfers benefit you?      65.4%      23.1%      0.0%      11.5%      26

**Q14 Any other interaction you would like with the finance department or any comments you would like to add?**

Help with Colleague reports they are very difficult to understand  
 Our problems are not with the finance office, but with departments that do not track their own budgets and can not reimburse us when promised  
 Should be training at least one time a year  
 Need to return calls and email  
 informal get togethers  
 Can funds be relaxed?  
 Need a list of who to call  
 Need training for new managers  
 Would like department to send out budget reports to all of the departments via email  
 email confirmation of deposits and

payments  
 Notify when a change  
 is made  
 Colleague print outs are impossible to  
 read

**Q15 If additional training were offered would  
 you be interested in:**

	<u><b>% of total respondents</b></u>
How to retrieve reports from Colleague	57.1%
What reports are available on Colleague	67.9%
How to read budget reports	57.1%
How to manage budgets more effectively	42.9%
Budget management in a complex environment	14.3%
Legal requirements	25.0%

**Recommendations:**

1. Develop a budget planning philosophy that meets WASC guidelines and provisions for carry over
2. Identify a budget committee that is a cross section of constituencies
3. Define new position resource planning process
4. Utilize a cross functional committee to:
  - Define processes that can be used for new or one time funding, including campus wide forums
  - Initiate campus wide capital planning
  - Develop strategies that will encourage and incorporate innovation
5. Implement the budget module so that distributed online budget transfers are possible
6. Explore other budget models with management such as lump sum budgeting for implementation in 07-08
7. Develop training programs both in person and online
8. Work with managers to develop planning processes that will include input from faculty and staff
9. Utilize research data that will support linkages from the program review to the budget
10. Develop additional analytical tools for program review that will provide documented support for need based budgeting.

**4. Measuring Program Success**

Program success would be a process that allowed more flexibility at the department level while meeting the legal requirements without creating cumbersome processes that hinder both outcomes. That process should include known processes that can be accessed when needed. The allocation model should include some form of need basis rather than just an ability to spend all of what is allocate.

A successful budget monitoring process would be one where the departments have the tools that they need to manage their budgets, opportunities to provide innovation, opportunities to share budget and just enough contact with the business office to support those goals.

The business office should be an open and flexible organization where most budget customer questions can be answered by most of the staff so that point of entry is not critical but fluid.

**5. Measuring Satisfaction with the Service**

The monitoring survey indicated that the department was doing well with budget transfers and being available but communication could be improved once a transaction was completed. While budget transfers are done quickly, online transfers would allow all of the processes to occur more easily from Purchase Orders to vouchers to reimbursements. The participation in the process leading up to monitoring could be improved as noted by the process survey

**6. Review of Recommendations from the Previous Program Review**

This is the first review

**7. Strengths and Areas of Improvement**

The current model with the senior accountant, VP of Business and the Dean of Business developing the budget is very streamline and meets all of the legal requirements, but it does not foster participation, or encourage innovation. While a more distributed model requires more work on the part of the campus it will yield a better allocation model to get the resources to where they really need to be. It should also encourage interdepartmental collaboration.

**8. Review Team**

**College Council**

**9. Recommendations and Timelines**

Recommendations	Timeline		Cost
	Begin	Complete	
Develop a written budget philosophy	Spring 07	Spring 07	
Identify a budget committee that is a cross section of constituencies	Complete The College Council is serving in this capacity		N/A
Define new position resource planning process	Fall 06	February	N/A
Define a cross functional committee Define processes for one time funding Develop campus wide capital planning Incorporate Innovation	Fall 06	Spring 07	N/A
Implement the budget module so that distributed online budget transfers are possible	Spring 07	Fall 08	N/A

Explore other budget models with management such as lump sum budgeting for implementation in 07-08	<b>Spring 07</b> <b>Summer 07</b>	<b>N/A</b>
Develop training programs both in person and online	<b>Start Spring 08 but new ones will be developed on going</b>	<b>May need additional software for on line training</b>
Work with managers to develop planning processes that will include input from faculty and staff	<b>Fall 07</b> <b>Summer 07</b>	<b>N/A</b>
Based on the outcomes, restructure the Finance Office to include a Department Systems Analyst to support all of the technical needs related to these outcomes as well as other program areas.	<b>Hire now</b>	<b>No additional cost, reconfigure a vacant position</b>
Utilize research data that will support linkages between budget and program review	<b>Spring 08</b>	<b>N/A</b>
Develop analytical tools that well identify criteria for need based budgeting	<b>Spring of 08</b>	<b>Fall of 08</b>

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