Best Practices in Community College (College) Budgeting

The Government Finance Officers Association GFOA has issued a guidance on developing a budget that best aligns resources with student achievement goals.

The budgeting process advocated for by the Best Practices in Community College Budgeting is focused on optimizing student achievement within available resources. It encompasses a complete cycle for long-term financial planning and budgeting, including planning the budget process, developing a budget, evaluating how the budget process worked and adjusting accordingly. Throughout this cycle, the community college's institutional goals serve as the overarching guide for decision-making and resource allocation.

GFOA recommends that all community colleges go through the following steps as part of their planning and budgeting process.

Step 1. Prepare and Develop Inputs to the Budget Process.

The planning and budgeting process begins with establishing principles and policies to guide the budget process and gaining a better understanding of the sources that shape the budget.

   a. Adopt/Re-Affirm budgeting principles and policies to guide the budget process. Budget principles and policies set standards for how the college manages its resources.
   b. Examine internal and external forces that impact the budget. Analyzing academic and financial performance and also external factors is key to understanding their impact on a college's budget.

Step 2. Define Goals and Identify Gaps.

Well-developed goals are vital to the budget process and should be coupled with a gap analysis of current state academic achievement.

   a. Develop goals for the college and its sub-units. Thoughtfully developed goals that are realistic and measurable provide a strong foundation for the budget process.
   b. Determine the gaps between the goals and current state, and identify the root causes of the gaps. Conducting a root cause analysis to determine gaps between current performance levels and desired future levels that will aide in focusing solutions to achieve goals effectively.

Step 3. Develop Strategies to Close the Gaps.

Strategies should be adopted and implemented to achieve goals by closing identified gaps.

   a. Research proven practices. If possible, apply already proven strategies to achieve goals.
   b. Develop strategies. A college should adopt strategies that address root causes of the challenges the college faces, that align with the college's budgeting principles and policies, that are consistent with proven practices and that provide a coherent set of action steps for implementation.

Step 4. Prioritize Spending to Enact the Strategies and Allocate Resources.

A well-crafted budget document results from prioritization and allocation of expenditures that align with the college's goals.

   a. Prioritize spending to enact the strategies. Current and new expenditures need to be prioritized so that the college's limited resources are directed towards the most cost-effective expenditures for reaching the college's goals.
   b. Allocate funds based on the results of the prioritization process. Funds should be allocated to the same programmatic areas or subunits that are responsible for the achievement of corresponding goals.
   c. Create a budget document that communicates how resources have been allocated to enact the strategies. A budget document should tell the story of the challenges the college faces and how the college is using its resources to address its challenges.

Step 5. Check Performance.

Performance should be regularly checked to see if progress towards goals is being made.

   a. Monitor and evaluate outcomes from budgeting decisions. Establish a system to regularly check progress of budgeted priorities and make adjustments as necessary.

Step 6. Other Integrated Budgeting Practices.

Defining roles, measures of success and allocation methodologies increases transparency and accountability in the budget process.

   a. Establish criteria and measures for success of the budget process. Defining measures of success and owners of the process keeps the budget process focused and accountable.
   b. Allocate costs of shared support services to sub-units to better understand the true cost of offering services. Using a model to allocate resources for support services (e.g. administration and technology) promotes transparency and equity across the college and helps reduce ambiguity.