PRIORITIZE SPENDING TO ENACT STRATEGIES AND ALLOCATE RESOURCES

4A

Prioritize Spending to Enact Strategies

SUMMARY

Prerequisites

- Best Practice in Community College Budgeting, 3A — Research Proven Strategies and Practices
- Best Practice in Community College Budgeting, 3B — Develop Strategies

Key Points

- Before a college prioritizes its spending, it should identify its current expenditures and any potential new expenditures. The expenditures should, at a minimum, be expressed as budgetary units that place inputs (e.g., personnel, dollars) into categories that can be clearly associated with a service provided by the college.

- When prioritizing its spending, a college should first define the evaluation criteria it will use to prioritize programs. Key evaluation criteria should include alignment of a program with the college’s strategies and goals and cost effectiveness of the program. Common methods to evaluate the cost effectiveness include cost-effectiveness measures, per unit cost, and performance measures.

- To successfully prioritize spending, a college should build support with stakeholders, evaluate the relative priority of new programs, and review existing programs with the objective to improve the performance or to discontinue the program in favor of other uses of the resources.

Related Award Program Criteria

- **Criterion 4.A.1: Sunset Programs (Mandatory).** The applicant has submitted documentation with its supplementary materials that shows the results of its evaluation of its services to determine if any of them might be sunset in order to free resources for its institutional priorities. The applicant can explain its approach to evaluating the potential for sunsetting a service and any important conclusions reached in the award application.

- **Criterion 4.A.2: Finding Efficiencies. (Mandatory).** The applicant has submitted documentation with its supplementary materials that shows the results of its efforts to find efficiencies in its existing services. The applicant can describe the efficiencies found in the award application.
Introduction

An essential feature of a budget that optimizes resource use for maximizing student achievement is that all activities/services are evaluated for:

- Alignment with the college’s strategies and goals.
- Their effectiveness and cost-effectiveness relative to achieving the college’s goals.

This best practice document describes:

I. Prioritizing expenditures, including developing an inventory of the college’s current and proposed programs and identifying the key criteria for prioritization.

II. Additional special issues that colleges should address in the design of their prioritization process.

I. Prioritizing Expenditures

Background. As a prerequisite to prioritization, a college should conduct an inventory of its current expenditures and also make sure it is fully aware of potential new expenditures that stakeholders may wish to propose. Ideally, these expenditures will be articulated as a unit for decision making that brings together a set of related activities intended to produce a desired outcome for a defined student group or other clientele. This type of decision-making unit is often called a “program” in public budgeting.

However, in some cases, it may not be practical for a college to articulate its expenditures only in this way, primarily due to state-mandated chart of account structures. Even in this case, a college should go beyond conventional object of expenditures (e.g., salaries, benefits, contractual services, etc.) for defining its outlays. At a minimum, a college should develop budgetary units that place inputs (e.g., personnel, dollars) into categories that can be clearly associated with some service provided by the college (referred to as a “programmatic element” in the Best Practices in Community College Budgeting). Examples of programmatic elements might be “assistance for remedial math students” or “advising students on college pathways.”

The particular design of a prioritization process should be customized to the college, but any prioritization process should begin with a clear definition of the evaluation criteria that will be used to prioritize programs. This allows all stakeholders to understand how programs will be prioritized.

Recommendation. Colleges should make the following two evaluation criteria the lynchpins of the prioritization process:

- Alignment of the program with the college’s strategies and goals. One of the two most important criteria is the potential for a program to help the college carry out its strategies and achieve its goals. The college should first determine which of its goals, if any, are associated with a given program. It should then determine if the given program helps the college make progress toward achieving that goal. Finally, the evaluation should ask if the program fits into a coherent, coordinated approach to best achieve the goal, as has been articulated by the college’s strategies. In other words, a given program might help achieve the goal, while at the same time be inconsistent with other strategies the college is pursuing.

- Cost effectiveness of the program. The second important evaluation criterion is the cost effectiveness of the program. A college should always seek to obtain the best value for the dollar, especially in an environment of stagnant or declining resources.

II. Special Issues in Prioritizing Programs

Background. In addition to defining clear criteria for prioritizing programs, colleges will need to address other issues in order to successfully prioritize spending. These issues include building support with stakeholders for prioritization, prioritizing new programs versus existing programs, and reviewing existing programs with the objective of discontinuing spending that is not achieving desired results.
**Recommendation.** Colleges should consider and address the following issues in the design and execution of the prioritization process.

- **Support of stakeholders.** The prioritization process should extend beyond the finance department and engage the major subunits (e.g., divisions/schools/departments) of the college. The subunits should not only have an important role in performing the prioritization, but also their input in developing the process should be sought. Further, the prioritization process should not overemphasize financial metrics at the expense of student outcome metrics. Finally, the methods and results of the prioritization should be made as transparent as possible, including the reasons behind prioritization rankings or scorings. Such an approach not only will result in a more well-rounded perspective on prioritization, but will also facilitate wider acceptance and support of the prioritization process by both business and academic leadership.

- **Evaluate the relative priority of new programs.** While existing services can be prioritized according to their proven cost-effectiveness or performance, new programs, by definition, will not have an established track record. The projected performance of a new program could be considered during prioritization, but performance projections are often overly optimistic. Hence, new programs should also be evaluated on other factors, such as:
  - **Alignment with the college’s strategies.** The proposal should show how the new service will advance one or more of the college’s strategies. Ideally, the need for a new program would have been documented in a formal planning process that complements the college’s strategies.
  - **Support in an outside research base.** The proposed program should be convincingly proven to work in other colleges, or at least in other contexts that are relevant to the college.
  - **An implementation plan.** Programs should have documentation of a solid implementation plan that shows, convincingly, how the new program will realize its promised benefits.
  - **Scalability.** Programs should be able to start small, in a pilot or experimental format, and then be scaled up if the pilot is successful.
  - **Reversibility.** If the new program doesn’t work as expected, the college should be able to easily discontinue it with minimal disruption to other operations.

- **Review of underperforming programs.** In order to realize the best value from its available dollars, colleges should identify underperforming programs and either improve the performance of those programs or discontinue the programs in favor of other uses of the resources. A college’s existing program review process could be used to identify low priority and underperforming programs, assuming that the review process is sufficiently rigorous to provide information for budgetary decision making.

Even in the absence of a sufficient institutional program review process, the budget prioritization process should be able to identify programs that are of lower priority (either existing or proposed programs). Low-priority programs should be examined carefully to determine whether changes are possible that might move a program up the priority list, and how such an investment might rate against other possible uses of the funding. As important, however, is the possibility of discontinuing programs in order to free up resources for other purposes. Discontinuing programs will always be a challenge, especially in cases that affect full-time employees. A budgeting process that strives to create a culture in which finite resources are allocated in a manner that maximizes student achievement can help make a difficult decision somewhat easier. Also, including underperforming programs in the prioritization process will make the tradeoffs explicit — decision makers may find it more palatable to discontinue a program if the consequence is to free up resources to support a program that holds the promise of having a greater impact on student achievement.

**Performance measures.** A performance measure provides information or data to help understand or make decisions on a particular topic or issue. Performance measures can be used to track how much of a service was “produced” (e.g., number of students served), assess the efficiency of how well a service was executed (students served per $), and evaluate to the extent that anyone is better off (learning gain). Measures can also be used to track environmental conditions that help colleges understand overall challenges or opportunities. It is rare that a single measure will provide sufficient information to base a decision on. Colleges are encouraged to track data on a variety of factors or conditions related to a specific program or programmatic element to best understand the
situation, obtain necessary feedback, and ultimately inform decision making. Most colleges already track performance data as a component of good management. However, from GFOA’s experiences, a more limited number have organized efforts to track, share, and use performance measures in a way that provides sustained benefits. Colleges that have been successful with performance measures have approached the topic in a variety of ways. However, most include common themes or principles such as 1) having the support of top executives, 2) developing a culture that asks tough questions and relies on data to back up claims and 3) develops a common-sense approach to measurement that balances both the added value of having performance data with the costs of collecting and storing the data. The use of technology, however, can assist in reducing the administrative burden. Performance management systems or dashboards can be valuable tools used throughout the organization to help track, store, analyze, and display information to relevant audiences.

Endnotes