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ABSTRACT

The results of a 1977 assessment of the value of uniform financial data for the Oregon community college system are described. The utility of both programmatic data and auditable accounting data is also addressed. Business managers, presidents, and governing board chairmen at four community colleges and representatives of six different state agencies were interviewed to determine the perceived need for uniform financial data and views of data formatted in accordance with the Oregon Community College Classification of Accounts. This set of uniform reporting guidelines were derived in large part from the expenditure and revenue categories and definitions outlined in the "Higher Education Finance Manual" of the National Center for Higher Education Management Systems (NCHEMS). The characteristic of the uniform reporting guidelines that almost every user group in Oregon regarded as most important was the capability they provide to generate uniform financial data. Many felt that the ability to compare uniform data would make their tasks easier, while some believed that the ability of community colleges to provide uniform data would result in better management. NCHEMS' observations concerning the design and implementation of a uniform account structure for the community college system in Oregon are presented. The Classification of Accounts format and interview results for each of the user groups are included. (SW)

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National Center for Higher Education
Management Systems

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Douglas J. Collier

1980

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Preface

This case study describes the results of an assessment of the value of uniform financial data for the Oregon community-college system. While the assessment focuses on a particular type of institution (that is, locally controlled community colleges), the case study itself has been written to serve the needs and interests of anyone concerned with the collection and use of uniform financial data. In addition to the value of uniform financial data, the utility of both programmatic data and auditable accounting data is also addressed.

The case study has been reviewed by representatives of the Oregon Department of Education and the Oregon Educational Coordinating Commission and by the business officers at each of the community colleges that participated in the assessment.

Acknowledgments

This case study represents the efforts of many individuals. First and foremost, the author would like to thank Richard Allen of the NCHEMS staff, who assisted in conducting each interview and provided considerable input in drafting the case study. In Oregon, all individuals cited in the case study as interviewees gave generously of their time and ideas; those ideas represent the substance of this document. The following persons were interviewed:

Lane Community College—	Catherine Lauris
	Eldon Shafer
	Tony Birch
Mt. Hood Community College—	Joann Connall
	Steven Nicholson
	Bob Scott
Rogue Community College—	Larry Monihan
	Henry Pete
	George Kurtz
Southwest Oregon Community College—	Leonard Farr
	Jack Brookins
	Harvey Crim
Oregon Department of Education—	Robert Hamill
	William Loomis
	Clifford Eberhardt

Oregon Educational Coordinating Commission—Robert Stevens
Executive Budget Office— Betty Hands
Legislative Fiscal Office— William Barrows
Audits Division— William Miles
Department of Revenue— Donald Hillman

The author wishes to acknowledge the major role each played and to thank them all for their efforts. William Loomis and Clifford Eberhardt of the Oregon Department of Education deserve special thanks for their time and effort in identifying the interviewees, scheduling the interviews, and assisting in the development of the case study. Appreciation is also extended to Alan Dalton of Northwest Area Systems Incorporated for his advice on the reporting guidelines.

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Introduction

In the fall of 1977, an assessment of the utility of a set of uniform financial reporting guidelines for the community-college system was carried out in Oregon. Business managers, presidents, and governing-board chairmen at four community colleges in addition to representatives of six different state agencies were interviewed as part of the assessment. These interviews were conducted to determine, in general, each interviewee's perceived need for uniform financial data, and in particular, his or her assessment of data formatted in accordance with the Oregon Community College Classification of Accounts (the format developed in Oregon to facilitate the reporting of uniform financial data).

In response to a legislative mandate for uniform financial data, the Oregon community-college business managers (working with the State Department of Education) developed a set of uniform reporting guidelines that were adopted by the State Board of Education in December, 1976. These guidelines (known as the Oregon Community College Classification of Accounts and referred to throughout this case study as the Guidelines) were derived in large part from the expenditure and revenue categories and definitions outlined in the NCHEMS *Higher Education Finance Manual* and the NACUBO *College and University Business Administration*[1], thereby ensuring that the Oregon expenditure

1. The revenue and expenditure categories outlined in the NCHEMS *Higher Education Finance Manual (HEFM)* are identical to the categories described in *College and University Business Administration.* Throughout this case study, however, they will be referred to as the *HEFM* revenue and expenditure categories.

categories were consistent with the categories recommended as part of generally accepted accounting principles.

NCHEMS staff was asked to assist the Oregon community-college system by (1) assessing the kinds of financial information needed by community colleges and by those state agencies working with community colleges and (2) evaluating the Guidelines as a mechanism for providing such information. It was felt that an assessment of the utility of the Guidelines would help all involved to better understand both the capabilities and the shortcomings of Guidelines-formatted data. Such an assessment would assist the business managers in understanding the needs that could be met with their existing accounting data as well as those that would require collection of additional information. It would also help state agencies and other users of community-college financial data to better understand the kinds of questions and policy issues that could be addressed using uniform accounting data as well as the limitations of the data for certain other uses.

It was agreed that NCHEMS staff would interview representatives of each of the state agencies directly involved with community colleges as well as the business manager, the president, and a member of the governing board at each of four community colleges. The interviews were designed to focus on the financial information that the interviewees felt was essential to their jobs and, in certain cases, their perceptions of the needs of others for financial information. In each interview, NCHEMS staff attempted to determine:

1. The extent to which interviewees felt that *uniform financial data* are useful in the conduct of their jobs
2. The relative degree to which each interviewee uses, or prefers to use, *accounting data* rather than alternative types of financial information, such as estimates or projections
3. The extent to which each interviewee felt that *program-based* (or *function-based*) *financial data* are useful and needed, and the purposes for which they are needed.

It was agreed that the results of the assessment should be documented and widely disseminated. Therefore the results of that assessment have been documented as a case study in the hope that users and providers of financial data throughout postsecondary education may also learn from the experience in Oregon.

As might be imagined, in interviewing such a diverse group of data users, no single response was found. The case study describes the range of findings and discusses how they differ by type of user and user perspective. For example, while all interviewees considered the creation of uniform data to be one of the primary functions of the Oregon Guidelines, they both welcomed and feared such data. The community-college presidents welcomed uniform financial data for their own internal use but expressed considerable concern about the potential for misuse of those data by parties outside the institution. Meanwhile, state agencies (and, in particular, the state legislature) were not so much interested in actually using uniform data as in ensuring that community colleges could provide it.

The case study documents the viewpoints of each of these various user groups. The author also attempts to sift out the meaning of this variety of opinions. Further, he describes the impact that the development of a set of uniform guidelines for reporting financial data has had on the Oregon community-college system—the impact not only of uniform data but also of the process used in developing the Guidelines.

Oregon's experience with uniform financial data, while still in the early stages, has already resulted in an increased understanding of both the strengths and limitations of such data in the planning and management process. The impacts of the Guidelines have been variable, as we will see in the following pages. The author believes that the more realistically they are employed, the more uniformly they will meet expectations.

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The Oregon Community-College System

The Oregon community-college system is composed of 13 independent community colleges. Its enabling legislation, when adopted 20 years ago, provided for comprehensive institutions emphasizing occupational programs. The key characteristic of the system is local control and local autonomy. For each community college, a locally elected governing board sets programmatic priorities and develops budgets. While the state currently supports about two-thirds of each college's construction costs, it provides somewhat less than 50 percent of each college's operating budget (an important symbolic choice emphasizing local control). About 22 percent of each college's operating budget is derived from tuition (each college has the power to establish its own tuition rate), while the remainder comes primarily from local property taxes. (Most colleges go to the local electorate every year, or in a few colleges every two or three years, for voter approval of some portion of their operating budgets. This provision of Oregon law has led to a number of electoral defeats for the colleges.) However, several colleges do have a tax base that supports them on a continuing basis. The tax base in these instances is not a millage but rather a limited amount that the college can raise from property taxes. Obviously, unless the limit is set well above current college needs, it is soon overtaken by inflation.

State support for each community college is appropriated annually in block-grant form. The amount of each appropriation is determined by a formula based on the number of full-time-equivalent (FTE) students in each college ($X/FTE for enrollment up to 1,100 FTE and $Y/FTE for enrollment over 1,100 FTE, with X being greater than Y).

The Oregon Department of Education (ODE) is the primary interface between the state and the community-college system. The ODE administers the state's block-grant appropriations to the community colleges and, as a related responsibility, collects most of the data that the colleges provide to the state. The ODE has the legal authority to approve new programs but shares this responsibility with the local governing board for each college. Therefore local autonomy is well established in Oregon, with the primary state role historically that of monitoring expenditures. While the state's formula budget for determining appropriations has not been used to date for achieving accountability, there are signs that the legislature is becoming more concerned about how the colleges use their money.[1]

The fact that each community college is considered first and foremost to be a "municipal corporation" has proved to have particularly important implications for financial reporting. Each Oregon community college is subject to a particularly stringent set of procedural and reporting requirements—the same requirements that govern such other municipal corporations as water districts, school districts, cities, counties, and park districts. These requirements are intended to provide useful information to citizens for the annual budget elections. Each community college in Oregon is therefore subject to the reporting requirements of two different audit guides. As a municipal corporation, each community college must report in accordance with the audit guide for municipal corporations. However, the Oregon Department of Education and federal agencies look upon the community colleges as educational institutions and therefore expect them to report financial data in accordance with the audit guide for colleges and universities.

Financial Reporting for Oregon Community Colleges

Currently the ODE collects quarterly estimates of annual expenditures from the colleges (coincident with the quarterly allocations of state support) to monitor expenditures and to determine the state allocation to each institution. More detailed financial reports are collected annually at the end of the fiscal year. A substantial portion of the information in these reports is used as a basis for requests for federal support of vocational-technical programs as well as for substantiation of each college's reimbursement-formula request. Serving as a feedback mechanism, the ODE also distributes to the community colleges published reports of the data it receives from them.

The format for collecting accounting data from the community colleges historically paralleled the structure for collecting data from K-12 institutions. In addition, there was early interest in cost data, although highly aggregated (total expenditures/FTE students), as a basis for state support to community colleges. In fact, the first state-level interest in a different kind of community-college financial

1. See OECC role on p. 47.

data focused on better cost data. Such data were considered important, if not essential, in improving the state's ability to assess the appropriateness of the support provided to colleges on a formula basis. Therefore Oregon was among those states first to implement the costing guidelines set forth in the NCHEMS Information Exchange Procedures (IEP) documents. All those involved in the planning and management of Oregon's community colleges, including the legislature, hoped that IEP cost data would improve the uniformity of the data used to reimburse colleges for their costs. They also believed that the IEP cost data of the various colleges would be more comparable if they were generated using uniform accounting structures. In 1975, the Oregon legislature directed the State Board of Education to begin development of uniform cost data *and* uniform expenditure-reporting guidelines. A primary resource for the development of the uniform reporting guidelines was the NCHEMS *Higher Education Finance Manual (HEFM)*. (The Oregon community colleges had a set of uniform reporting guidelines before the development of the new guidelines. However, those guidelines were designed to interface with the Oregon municipal reporting structure and did not necessarily align with the nationally accepted reporting structure outlined in *HEFM*. Therefore one of the goals in developing the guidelines was to reconcile the *HEFM* and municipal structures.)

A characteristic of the Oregon Guidelines to be examined in this case study is the programmatic nature of the categories for classifying expenditure data (that is, the categories relate expenditures to the programs of the institution—instruction, research, public service, and so forth[2]). While the Oregon account structure includes both revenue and expenditure categories (and recommends both programmatic and object expenditure categories), it is programmatic expenditure categories that will receive the most attention in this study, primarily since programmatic focus was also built into the nationally recommended *HEFM* expenditure categories. However, this emphasis on programmatic expenditure data does not imply that the Oregon Classification of Accounts structure fails to clearly identify functional and object costs. Since programmatic data represent a relatively new tool for most decisionmakers, the value and utility of the program framework were assessed as part of this case study.

While the Oregon Guidelines incorporated a program structure for collecting expenditure data, historically there has been little interest in programmatic expenditure data in the state, since funding is based on an FTE-driven formula.

2. The phrase *programmatic expenditure data* must be distinguished from the phrase *program cost data*, which applies to data resulting from the use of such analytical procedures as the NCHEMS Information Exchange Procedures (IEP). *Programmatic expenditure data* have been collected and/or reported in such programmatic categories as instruction, research, and public service (usually in accordance with guidelines similar to those set forth in *HEFM*). *Program cost data*, on the other hand, result from application to data of a set of analytical procedures so that the *total* resources used to accomplish a particular objective (such as an instructional or research objective) are combined. Since the expenditure categories used in both *HEFM* and the Oregon Guidelines are *related to* programs, the terms *programmatic* or *program-related* expenditure categories are used in this case study when referring to those categories. However, these expenditure categories are not the same as *program cost data*, because they do not portray the total resources used to meet a program objective.

(However, one interviewee in this case study suggested that the legislature wanted programmatic expenditure data in order to "feel comfortable" about community-college programs, even though it does not appropriate dollars along program lines.) While the community colleges were willing to provide more *uniform* revenue and expenditure data to satisfy state-level concerns for accountability, they were (and still are) opposed to programmatic funding in lieu of a block grant. In fact, most community colleges believe that the primary role for uniform data should be in selling the community-college case to the legislature, thereby staving off programmatic funding. The use of a programmatic structure as the model for the Oregon Community College Classification of Accounts was due more to the desire of the community colleges to bring their own reporting into compliance with higher-education accounting and the requirements of federal reporting than to any preconceived need for program information. Since the accounting profession and federal reporting requirements endorsed a programmatic format for expenditure data, the Oregon community colleges used a similar format in their new reporting guidelines.

The Oregon Community College Classification of Accounts

The Oregon Community College Classification of Accounts (the Guidelines) was developed by the community-college business managers in cooperation with the Department of Education in response to the 1975 legislative mandate for uniform revenue and expenditure data. (The Oregon Guidelines are reprinted in appendix 1.) The staff of the Educational Coordinating Commission, the Legislative Fiscal Office, and the Community College Presidents' Council reviewed drafts of the document and suggested changes. Thus the Guidelines were developed through a broadly representative process in which a wide diversity of viewpoints and data needs were considered. As noted above, the functional expenditure categories in the Guidelines were modeled after those in *HEFM*. A comparison of the functional expenditure categories in the Oregon Guidelines to those in *HEFM* shows the following:

OREGON CATEGORY		*HEFM* CATEGORY
Instruction	=	Instruction
Special Research	=	Research
Instructional Support Services	=	Academic Support (Provost)
Student Services	=	Student Services
College Support Services	=	Institutional Support (Provost)
Plant Operation and Maintenance	=	Operation and Maintenance of Plant
Financial Aid	=	Scholarships and Fellowships
Plant Additions	=	—
Reserves	=	—
Public Service	=	Public Service
—	=	Mandatory Transfers
—	=	Auxiliary Enterprises

As shown in this comparison, the expenditure categories in the Guidelines reflect an *adaptation* of the *HEFM* categories—an adaptation made to better serve the needs of financial reporting for the Oregon community colleges. The Oregon account structure was intended only to guide the reporting of accounting data to the state. Specifically, both the *Budget Document* and the *Audit Report* for the community colleges are prepared using the Guidelines. No requirements for collecting and maintaining accounting records are implied by the Guidelines, as long as the institution can reformat its accounting data into the categories in the Guidelines. While some institutions did change their accounting systems to collect transactional data directly using the Guidelines, others continue to crosswalk data from their existing accounting systems to the Guidelines format.

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Oregon's Overall Assessment of the Guidelines

The Oregon Community College Classification of Accounts represents a set of categories and data definitions possessing three characteristics. Those characteristics give the Oregon community colleges some specific capabilities, which have both advantages and limitations, that the user groups in Oregon tended to focus on in assessing the Guidelines. This chapter summarizes the various assessments of the Guidelines based on these three characteristics:

1. The Guidelines give Oregon's community colleges the capability to report and exchange *uniform financial data*
2. The Guidelines provide a framework for *programmatic expenditure data* (See the discussion of "programmatic expenditure data" in the footnote on p. 7.)
3. The Guidelines are tied to a nationally accepted set of *auditable financial-accounting standards*

Uniform Financial Data

Since the Guidelines include concise definitions that were agreed to by all of the Oregon community colleges, they can serve as a mechanism for the collection, reporting, and exchange of uniform financial data. This capability was perhaps the

NOTE: A full description of the interviews is provided in appendix 2.

aspect of the new account structure most discussed. It was a capability that was both welcomed and feared.

The community-college *presidents* welcomed uniform financial data for their own internal use but expressed considerable concern about its external use. The presidents felt that uniform data would help them better manage their institutions, because they could compare their institutions with other peer community colleges. While they were comfortable with their own abilities to use comparable data, they were concerned that external users would not understand the limitations of the data. They were particularly concerned that external users would apply uniformly collected data simplistically without considering the unique characteristics of each of the various institutions.

The presidents felt that uniform data would allow them to better communicate with external users (in particular, they felt that uniform data would allow them to communicate more effectively with the state legislature concerning the needs of the community-college sector for funding support). However, this positive feeling was offset in most instances by the fear that state agencies might use uniform data as a mechanism for removing some of the local autonomy that the institutions currently possess. In summary, the presidents liked the concept of uniform data if use could be restricted to the exchange of data for internal comparisons. However, they feared that uniform data, once available, could be misused by persons unfamiliar with the uniqueness of each institution.

The *local governing boards* apparently had not been exposed to uniform data as a tool prior to the interviews. However, once the interviewers mentioned comparative analysis, the governing-board members voiced interest.

The assessments by community-college *business managers* of uniform data varied, depending upon how they viewed data exchange. Those who regarded their institutions as isolated management entities felt that uniform data were not very valuable. On the other hand, those who considered their institutions as part of the community-college sector in Oregon or who wanted to use comparative analysis as a management tool felt that uniform data were important. The business managers were not as concerned about the misuse of uniform data as were the presidents, but they did doubt the ability of institutions to report financial data in a truly uniform manner. In fact, they believed that the biggest problem would be that while the data would continue to be reported differently (even with the more detailed definitions), users would assume that they were uniform. This might lead users to be less sensitive to the lack of uniformity that still exists.

The *state legislature* requested uniform data apparently for its own purposes as well as to assist the Department of Education and the Educational Coordinating Commission in functioning more effectively. While the legislative fiscal staff believed that the legislators did not feel the need for uniform data themselves, the OECC found that legislators enthusiastically used comparisons of uniform data in their consideration of the OECC budget presentation. Regardless of whether or not the legislature itself wanted uniform data, all interviewees agreed that the legislature believed that the Department of Education and the Educational Coordinating Commission ought to have uniform data. The legislature also thought that as a spin-off benefit uniform data would help the institutions better manage themselves.

Representatives of the two *state education agencies* (the Department of Education and the Educational Coordinating Commission) were probably the most enthusiastic supporters of uniform data. They both considered uniform financial data not only desirable but essential to their operations. These agencies have to deal with the community-college system as a whole, and for them, uniform reporting of data is a prerequisite to systemwide planning and coordination.

Finally, the *state budget office* was concerned that the financial data it used in its budget analyses reflect real differences among institutions rather than differences in the way the data are reported. Therefore, uniformly reported data are a high priority.

Programmatic Expenditure Data

A second characteristic of the Guidelines is that they incorporate programmatic expenditure categories (that is, the expenditure categories are related to the programs that the institution carries out to achieve its objectives). While the expenditure categories recommended by the Guidelines are not pure program categories, they do reflect a direct application of a set of programmatic categories—the expenditure categories recommended in the NCHEMS *Higher Education Finance Manual.* Since programmatic expenditure data provide a specific type of information to users, the interviewers asked the various user groups to describe the value of programmatic data for their needs.

The *business managers* had mixed reactions to programmatic expenditure data. On the one hand, one business manager felt that programmatic data were not as useful for managing his institution as organizational-unit data. For him, programmatic categories represent a meaningful format for planning but are considerably less useful for management. On the other hand, several business managers said that programmatic categories aided them in communicating about their institutions as educational entities. (This comment was seen by the interviewers as a direct result of the frustration that several business managers seemed to feel regarding the Oregon budget-law requirement that community colleges report as municipal corporations.) Finally, several of the business managers thought that the programmatic categories recommended in the Guidelines would help them in more easily and accurately reporting IEP cost data (which also use a program-based reporting structure).

The community-college *presidents* were unenthusiastic about programmatic expenditure data, because they believe that reporting such information will lead to the legislature's eventual adoption of program funding. They believe that when legislators get information about the community college's programs, those legislators will seek to manage those programs through the appropriation process.

The *governing boards* as well as the *Department of Revenue,* whose major concern is that the average citizen be able to understand the community college's financial reports, felt that programmatic categories were more understandable.

Finally, the *Oregon Educational Coordinating Commission* was a major supporter of programmatic data because of its need to conduct long-range planning. Commission staff pointed to the close relationship between the goals and objectives of an institution and its long-range plan. Therefore, programmatic expenditure data is a natural outgrowth of the need to plan for the future and to have data relevant to planning.

Auditable Accounting Data

A third characteristic of the Guidelines is that they are based on generally accepted accounting principles (GAAP). As such, use of the Guidelines results in data that satisfactorily meet national audit standards (as modified by Oregon law) for colleges and universities. While this fact was important to several user groups in Oregon, it was actually considered a drawback by others.

The state *Audits Division* focused primarily on the relationship between the Guidelines and generally accepted accounting principles for colleges. In fact, the Audits Division staff would not have found the Guidelines acceptable for use by the community colleges if they had not been consistent with GAAP. The state *Department of Revenue,* while not as concerned about the Guidelines' compliance with GAAP, nonetheless wanted the resulting data to be auditable. Auditability and compliance with audit standards then were characteristics of the Guidelines that could *not* have been omitted when the uniform account structure was developed.

The community-college *business managers* viewed the auditability and compliance of the Guidelines with GAAP primarily in a positive way. The fact that the Guidelines comply with local budget law alleviates the business managers' concern that financial data not be reported according to two sets of standards. In addition, most of the business managers liked the fact that the Guidelines allow them to report on their community colleges as educational institutions rather than as municipal corporations (as required by local budget law).

The *state agencies* liked the auditability of the Guidelines, because they believed it would improve the quality of the data they receive from the community colleges. They felt that accounting data were best for their purposes, because those data would most likely be reported uniformly.

The governing boards and presidents viewed the auditability characteristic of the Guidelines in a slightly different way. The *governing boards* were concerned that use of the Guidelines would mean that most of the information they received would be audited accounting data. They found this undesirable for two reasons. First, most board members professed confusion in reading and interpreting fund-accounting data. They did not want to be given fund-accounting data every time they wanted financial *information.* Second, the board members thought that undue reliance on audited accounting data would adversely affect the timeliness of the financial information provided to them by the institutions' administrations. The board members stressed that the timeliness of data (that is, how recently the data were collected) was so important that they would prefer timely estimates to less recent audited accounting data.

The *presidents* also voiced concern that the auditability of the Guidelines might encourage users to focus on accounting data to the exclusion of other, more descriptive *information.* The presidents believed that accounting data were too limited and should be combined with other types of data to create information that could shed real light on a situation.

Summary

The characteristic of the Guidelines that almost every user group in Oregon regarded as most important was the capability they provide to generate uniform financial data. Many felt that the ability to *compare* uniform data would make their tasks easier, while some believed that the ability of the community colleges to *provide* uniform data would cause them to be better managed. Those persons and agencies concerned with planning found the programmatic focus of the Guidelines useful, others found it more understandable, while still others found it less useful than other data formats. Finally, the auditability of the Guidelines was lauded primarily because users thought that it would ensure better data. On the other hand, concern was voiced that, as a result of the Guidelines, accounting data would be overemphasized, to the exclusion of nonaccounting financial data.

In summary, the Oregon user groups found more pros than cons in assessing the Guidelines. Most of the pros reflected what users thought *ought to* happen or *should* happen. The cons reflected users' fears about what *might* happen.

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The Oregon Experience: NCHEMS Observations

This final chapter reports the author's observations regarding the design and implementation of a uniform account structure for the community-college system in Oregon and therefore reflects biases regarding the use of data in postsecondary education. Primary among these is the belief that meaningful communication between the state educational agencies and the public and private institutions in a state (as well as among the institutions themselves) is essential in today's postsecondary-education environment. Therefore the observations in this chapter lead the reader to the position that more communication is better than less communication. The observations also reflect the belief that accurate information is a more desirable focus for communication than information that misleads or obfuscates the facts. Finally, the author is biased toward the belief that comparisons of data for similar institutions can be a useful management tool if those comparisons are made with an appreciation of the strengths and limitations of the data. It is hoped that these observations will not only provide a better understanding of the Oregon experience but that they will also serve as a catalyst for the reader's own assessment of the extent to which Oregon's experiences apply to his or her own situation.

The original goal of the project was to assess the state-level applicability and utility of a set of uniform reporting guidelines that were based on the NCHEMS *Higher Education Finance Manual.* However, early in the project, it became apparent that the interviewees not only wanted to evaluate Oregon's reporting guidelines, but also wanted to express their views on the value of uniform data, programmatic data, and auditable financial data. Such a broad focus resulted in a case study that addresses questions beyond the simple issue of how a specific set of reporting guidelines serves the needs of the community-college sector in one particular state. The case study and the observations in this chapter address the question of whether or not the collection of *programmatic expenditure data,* the reporting of *uniform data,* or the use of *auditable data* are good—do the pros of such data collection outweigh the cons? The case study and observations also examined the *process* by which state-agency and community-college representatives were brought together to develop uniform financial reporting guidelines as well as to begin a dialogue about mutual problems and concerns.

The Need for Uniform Reporting Guidelines

The need for uniform reporting guidelines was determined by the legislative mandate for uniform financial data. It is considered significant that the legislative fiscal staff saw the legislators as wanting uniform data not for themselves but for others. The fiscal staff suggested that the legislature wanted uniform data for the Department of Education and the Educational Coordinating Commission to help these two agencies respectively better monitor expenditures and carry out educational planning. The legislature also wanted uniform data for the community colleges so that the colleges could better manage themselves. However, this interpretation of the legislature's motives must be balanced with the Coordinating Commission's picture of the legislature as wanting and using comparative data among institutions for its own budget considerations.

Regardless of the interpretation of the motives of the legislature, no one suggested that the new uniform data would be used as input into the formula by which the state supports the community colleges. While all interviewees affirmed that the legislature assumed that the data would be used, no one specified precisely what that use would be. In many states, such a major expenditure of time and effort to develop and implement new reporting guidelines when the only goal is to ensure that uniform data *exist* might seem foolhardy and wasteful. However, just such a strategy—developing the capability to provide uniform data without any real plan for using the resulting data—seems quite appropriate in Oregon, given the state's history and current situation. In Oregon, the history of strong local autonomy in the community-college sector makes the strategy an effective way of ensuring that state money is being spent wisely (that is, the state has the data to exert more control if needed), while at the same time allowing the community colleges the autonomy that they want (that is, the more detailed data are not used either in controlling the colleges or in determining appropriation support levels).

The community colleges in Oregon believe that their most important mission is to serve the educational needs of their local community. They believe that in order to serve those needs effectively, they must have freedom from state controls. They do not believe that state agencies can plan or manage programs that are responsive to the needs of the various local constituencies around the state. Therefore they want state support on a block-grant basis, with freedom to design the programs needed to serve their particular constituencies. They consider themselves accountable primarily to their local governing boards, rather than to the state. The way in which Oregon has apparently chosen to go about implementing statewide uniform reporting guidelines (that is, collecting financial data primarily to ensure that it exists rather than specifying any particular use for the data) seems quite appropriate, given the situation just described.

If the community colleges report their financial data in strict accordance with the Guidelines, the state should have a uniformly reported picture of how its funds are being spent in the individual community colleges. If the community colleges use the uniform data they report in the Guidelines format, they should be able to make their cases accurately and consistently. If the data are reported uniformly, all users (at the state level and in the colleges) can be assured that data differences reflect real differences among the colleges rather than differences in how the data are reported.

However, not only the advantages but also the problems associated with uniform data should be understood. Not the least of these problems is the cost of collecting and reporting uniform data. For many institutions these costs are prohibitive. While costs do not necessarily negate benefits, they may well override the benefits, the benefits have not been identified and shown to exceed the costs. A second problem with uniform data is the potential for misuse—a concern expressed by every community-college president interviewed in the study. The benefits of uniform data collection can be virtually nullified if the data are misused in such a way that real damage is done to an institution or set of institutions. Finally, unless data will be used, the cost to collect and report them, and the anguish of those who believe they will be misused, is not justified.

In studying why the Oregon legislature wanted uniform data and why the community colleges were willing to assume the costs of supplying uniform data, one concludes that all parties in Oregon understand that there is no real alternative to uniform data. Comparisons among institutions will be made, and decisions will be influenced by those comparisons. If comparisons are based on uniform data, equitable decisions may not be assured but will be at least more probable.

The Need for Programmatic Expenditure Data

The Oregon Community College Classification of Accounts recommends a set of program-oriented expenditure categories. As noted in appendix 2, at least one business manager felt that program categories were not the best format for managing his institution. It is agreed that programs are not always the best framework for institutional management and should be supplemented by an organizational-unit structure. However, a program-oriented framework encourages managers to examine institutional objectives and to consider how to combine resources to attain those objectives, which is especially important in a postsecondary-education enterprise constrained by limited resources. Information formatted around the programs of the institution might encourage the user to consider several aspects of those programs—their organization, performance, growth or decline, and future prospects. Furthermore, since programs transcend organizational lines, classifying an institution's operational records in a programmatic format usually requires some analysis. This analysis often yields a great deal of valuable management information.

Beyond the value of programmatic expenditure data for management purposes, programs are probably the only good format for the reporting of data by multiple institutions and therefore are the best format for a *common* account structure. While institutions manage themselves on the basis of organizational units, each institution has a unique organizational structure. Therefore, it is impossible to base a common reporting structure, which must serve many different institutions, on organizational units. If programs are the basis of a reporting structure, then institutions can be compared, since every institution carries out essentially the same programs, or at least some mix of the same programs. Finally, programs are the best format for long-range planning and budgeting because they relate activities to objectives. This characteristic of a programmatic format also makes it desirable for collecting data at the state level.

The Need for Auditable Data

The Guidelines provide a mechanism for collecting and reporting auditable financial data. Since the revenue and expenditure categories recommended in the Guidelines are based on the *HEFM* categories, they incorporate what are currently viewed as generally accepted accounting procedures for postsecondary education. While some interviewees (in particular, representatives of the Audits Division and the Department of Revenue) found the auditability of the Guidelines valuable, others thought that auditability was a less desirable characteristic (in particular, representatives of the governing boards thought that timeliness and information content should be given a higher priority than auditability).

This dilemma cannot be taken lightly. Does comparative analysis require auditable data, or will nonauditable data suffice? At what point does the ability to compare (or even rely on) financial data break down if the data are not auditable? Since the Guidelines improve the possibility of uniform data, should *only* Guidelines-formatted data be used when financial information is needed for decisionmaking?

There are probably no right answers to these questions, although experience in using comparative analysis should make the lack of answers less significant. Each decision requiring financial data may necessitate trade-offs between auditability, timeliness, and information content. No single dimension of the data will be most important in all discussions. In some, assurances that the data have been provided consistently by all sources will place the emphasis on auditability. In others, timeliness will be so important that even estimates can be tolerated. In still others, information content (such as cost data) will be so essential that both timeliness and auditability will be given a lower priority.

An advantage of the Guidelines is that they can accommodate all of these different data needs. Auditability can be provided, the Guidelines can be a starting point for cost analyses (or other types of financial information), and estimates can be made in the framework of the Guidelines as well as in any other framework. However, users of the Guidelines should recognize that auditability is only one characteristic of financial data and that it must be used with discretion.

The Development Process

The process used in Oregon to develop its uniform account structure can best be characterized as (1) lengthy, (2) iterative, and (3) broadly representative of user groups. Although the nationally accepted *HEFM* format was the primary reference for the Guidelines, the development process still consumed more than a year. In the process, the *HEFM* format was successively revised, each revision reflecting better the needs and preferences of both the state agencies and the community colleges. Several state agencies, the legislature, and a wide range of community colleges were represented and participated in developing the final product.

The process in Oregon was probably optimal. It provided for a wide diversity of input, ensuring that the final product would be accepted by all. In addition, inclusion of a wide variety of perspectives should improve the prospects that data will be reported more accurately by the institutions (because they will better understand definitions that they helped develop) and that the limitations of the reported data will be better understood by the users (because their dialogue with the institutions during the development process will aid in their understanding of the problems in reporting data uniformly).

That the Oregon task force modeled the Guidelines after the definitions and categories in the *Higher Education Finance Manual* not only resulted in reporting guidelines consistent with national standards but also spared the task force considerable time and effort. Since the *HEFM* categories have been agreed upon nationally and adopted for reporting by most states and the federal government, they were more readily acceptable to all the various user groups in Oregon. Since little time had to be devoted to the basic format, most of the effort of the task force could be spent in refining the *HEFM* categories to meet Oregon's specific needs.

Finally, and perhaps most important, the Oregon developmental process resulted in a network of personal contacts (both between the state agencies and the colleges and among the colleges themselves) that will serve the state long after the work on the Guidelines has been completed. Most interviewees believed that the fact that community-college business managers and state-agency representatives were able to discuss financial reporting together for more than a year will help all concerned with reporting and using uniform data and with other tasks in the future. In addition, a mutual appreciation of state needs and community-college needs was gained by all of the participants. This understanding will greatly improve future communications.

The *HEFM* Guidelines and the Community-College Sector

One of the original goals of NCHEMS staff in undertaking this case study was to determine whether or not the expenditure and revenue categories outlined in the *Higher Education Finance Manual* could be applied to financial data in the community-college sector. On the basis of the Oregon experience, there is no question that they can be applied. While not all of the *HEFM* categories are applicable to community colleges, the *HEFM* format is sufficiently comprehensive that the needs of community colleges can be accommodated by selecting those categories that do apply while ignoring those that do not. In developing the Guidelines, the Oregon task force deliberately selected certain *HEFM* categories while rejecting others. Hence, although not all of the *HEFM* categories were used in the Oregon Guidelines, almost all of the categories incorporated into Oregon's structure are part of the *HEFM* format.

Data Reporting in the Future

There is considerable concern in Oregon regarding how the new reporting guidelines and the resulting uniform (or nonuniform) data will affect the community colleges. However, everyone with whom the NCHEMS staff talked was at least aware of the potential for misuse of data. Those in the institutions seemed to realize that there would be an increased need to explain the differences highlighted by the data. Those at the state level seemed to understand (1) that uniform accounting data may not be as uniform as one might first expect and (2) that the reported data will require considerable additional supporting data before real information emerges. These understandings do not imply that Oregon will experience no future problems in interpreting and using uniform data. However, given the lack of any real history in Oregon of data-reporting to the state, one may expect many of the concerns to be alleviated once all parties have become accustomed to the situation.

In addition, basing the Guidelines on *HEFM* has provided Oregon colleges with the capability to report in the format in which most national reporting requirements will be required in the future, thereby potentially easing their future reporting burden as well.

Summary

In summary, it would seem that the development of the Guidelines has created a potential for more effective and more meaningful communication within the community-college sector in Oregon. The process by which the Guidelines were developed increased the amount of communication by putting institutional data providers in contact with state-level users of such data. The increased understanding of the needs and interests of each group has created a potential for improving the level of communication as well. The state agencies have a greater appreciation of the problems of the community colleges, while the community colleges (at least those business managers involved in developing the Guidelines) better understand the roles of the state education agencies. While the Guidelines themselves cannot be credited with the seeming improvement in communication (both among the institutions and between the institutions and state agencies), the development of the Guidelines appears to have been a catalyst for such improvement. In fact, the improved level of interaction between the state and the colleges may well have justified in itself the time and cost spent on the Guidelines.

Second, because of the Guidelines, the various user groups are becoming increasingly aware of both the strengths and the limitations of comparative analysis. Many in Oregon seem concerned that the problems associated with misuse of data (particularly in conducting comparisons) will overshadow any benefits to be gained from uniform data. However, since most seemed aware that uniform data were not a panacea, there is reason to believe that these worst fears will not be realized. On the positive side, there is a recognition for the first time among some of the user groups (in particular the institutional governing boards) that comparative analysis is a useful tool. If this recognition proves true, the Guidelines may well be a first step in increasing the ability of each of these groups to assume a more meaningful role in working with the community colleges as they enter an uncertain future.

Appendix 1

Oregon Community College Classification of Accounts

Organization

I. Introduction

A. Overview. These guidelines *detail* the statewide classification of accounts for Oregon community colleges as *adopted* by the State Board of Education pursuant to ORS 294.356. These guidelines shall be in effect until such time as the State Board approves modifications. It is the responsibility of each Oregon community college to present local budgets, maintain accurate records, and supply information to the Department of Education in accordance with the format and definitions presented herein.

B. Definition. It is generally accepted that a complete "accounting system" includes:

1. Definitions
2. Structure
3. Process

Definitions are an essential element of good communications. *Structure* is only a format for presentation; it is a way to present information based on the predetermined definitions. *Process* includes all of the practices and procedures used to complete the accounting cycle (e.g., files design, bookkeeping procedures, inventory control measures, data processing methods, etc.) within each college.

These guidelines deal with common *Definitions* and *Structure* as a basis for good statewide communications concerning fiscal matters. The *Process* is generally left to local district discretion. A broad level of account categorization to provide for comparability in fiscal analysis is hereby established. This account structure alone will not establish a full "accounting system," as this is deemed inadvisable due to the wide variance among operating environments among the colleges. The only exception to this is in the basis of accounting (see definitions). The outcomes of full implementation of this effort—combined with the standardized definitions, formats, and procedures of the Oregon Information Exchange Procedures (OIEP)—will yield a higher degree of comparability in the data submitted in reports by the colleges without unnecessarily infringing on local practices and procedures. Once in full operation, the data submitted in the annual state reports and local budgets shall be prepared consistently with the format and definitions of these guidelines.

C. Legal Basis. ORS 294.356 charges the State Board of Education with developing a "classification of revenues and expenditure accounts." To meet these requirements, the State Board has resolved to implement a statewide costing system, a state-level information system, and this account classification guideline (for comparable *reporting of* revenues and expenditures, *budget documents, and audit reports*).

D. Implementation. Full implementation of this structure and definitions is scheduled to be *completely* phased in *by the 1979-1980 fiscal year.*

1. At the community colleges, the following schedules are applicable:
   FY 77-78: All colleges will be expected to participate in the use of the revised structure and definitions in preparing their *1978-79 budget.* Updates in these guidelines, based on trial use, will have been made by the time all colleges begin instituting the revised accounts structure. Departures from these guidelines may be made during the implementation phase as special circumstances arise.
   FY 78-79: All colleges will be expected to be fully operational in the use of the *structure* and *definitions* for the 1979-80 fiscal year. Any special circumstances and/or revisions to the guidelines should be incorporated by this time.
2. At the Department, the records and reports submitted by the community colleges will be adapted to this revised structure and definitions during this same time period. This should eliminate the necessity of maintaining one set of books to satisfy state agency needs and another for local use. The extent to which the local and state requirements align with *other* needs, such as national/federal reports, will also be a consideration.

E. Relationship to Overall Reporting System. The account structure presented herein, and as improved in the future, will be a significant element of the updated community college information system at the Department of Education. The adopted account structure will directly improve the following components of that community college information system.

- Costing & Data Management (OIEP)
- Statewide Funding Approaches (Resource Model)
- Database and Access System
- State-level Budget Planning

Use of the material set forth in these guidelines will result in less local effort in the preparation of state reports as all fiscal report formats will be aligned with the structure and definitions outlined herein.

II. Statewide Account Structure

A. Detail Required. The categories and definitions listed herein establish the broad structure. Each college may expand the detail under these elements as needed; however, expansion shall be done in a manner allowing summarization to the major categories and formats listed herein. *Categories need not be used by a college if they are not applicable.*

In budget documents, colleges are to provide the following summaries:

- within each fund the revenue sources
- within each fund expense functions by object classifications
- within each expense function within fund-organizational units by object classification
- and any other such summaries as prescribed by Budget Law.

B. Funds.
- General Fund
- Service Units Fund
- Debt Service Fund
- Plant Fund
- Special Projects Fund
- Auxiliary Fund
- Agency Fund
- Financial Aid Fund
- Endowment Fund
- Reserve Fund

C. Balance Sheet Categories. (applicable to each fund)

Assets
- Cash
- Short-Term Investments
- Accounts and Notes Receivable
- Allowance for Uncollectable Receivables
- Inventories
- Prepaid Expenses
- Long-Term Investments
- Institutional Plant
- Interfund Loans

Liabilities
- Accrued Wages Payable
- Accrued Taxes Payable
- Accounts Payable
- Interest Payable
- Student Deposits
- Deferred Revenues
- Notes, Mortgages, Contracts, and Bonds Payable
- Interfund Loans

Fund Balance
- Inventory
- Receivables
- Reserve for Receivables
- Contributions from General Fund
- Encumbrances

- Investment in Fixed Assets
- Balance Available for Operations

D. Revenue Sources. (applicable to each fund)

State Sources
- Operational Reimbursement
- Capital Aid
- Grants & Contracts
- Other

Federal Sources
- Grants & Contracts
- Capital Aid
- Other

Local Sources
- Current Taxes
- Prior Year's Taxes
- Tax Offsets
- Grants & Contracts
- Other

Tuition & Fees
- Tuition & Fees
- Special Fees
- Other

Other Sources
- Net Working Capital (or Available Cash on Hand*)
- Transfers In
- Sales of Goods and Services
- Interest Income
- Other

E. Expense Functions. (applicable to each fund)
- Instruction
- Special Research
- Community Service
- Instructional Support Services
- Student Services
- College Support Services
- Plant Operation & Maintenance
- Financial Aid
- Plant Additions
- Reserves

F. Object Classifications.
- Direct Personnel Services

*Use if revenues are predominantly on a cash basis.

- Other Payroll Expense
- Materials & Services
- Materials for Resale
- Financial Aid
- Equipment Repair & Replacement
- Capital Equipment/Plant Additions
- Transfers Out
- Contingency
- Special Fees Holding

III. Account Structure Definitions

ACCOUNTS PAYABLE

Liabilities for goods and services received and other expenses incurred for which disbursements have not been made as of the date of the report.

ACCOUNTS AND NOTES RECEIVABLE

Amounts owing on accounts from private persons, other agencies, firms, or corporations for goods and services furnished by the college.

ACCRUED TAXES PAYABLE

Employer portion of payroll tax expense due at the end of an accounting period and paid in a subsequent period.

ACCRUED WAGES PAYABLE

Personnel Services expenses due as of the end of an accounting period and paid in a subsequent period. This includes employee tax and voluntary withholdings on hand at the end of an accounting period which are to be remitted in a subsequent period.

AGENCY FUND

Monies held by the college as a fiscal agent (thus, monies it does not own). These monies are restrained by legal or contractual requirements.

ASSETS

Tangible or intangible items with an economic value held by the college which are of current or future benefit. For accounting purposes an asset must be capable of quantitative expression in monetary terms.

AUXILIARY FUND

A fund established for entities which exist to furnish goods or services to students or staff for which charges or fees are assessed directly related to the cost of the service.

AVAILABLE CASH ON HAND

Includes cash on deposit in banks or the treasurer's office and investments as well as cash actually in possession of the college. Outstanding checks or warrants are to be deducted to determine available cash.

BALANCE SHEET CATEGORIES

To identify the nature of the account for the college's financial statements.

BALANCE AVAILABLE FOR OPERATIONS

Includes cash and other balances available for operations in a subsequent period.

BASIS OF ACCOUNTING

College accounts should be maintained and reports prepared on the modified or full accrual basis of accounting as defined in *Audits of Colleges and Universities,* AICPA.

CAPITAL AID

Monies received for major capital acquisition, plant additions, and remodeling.

CAPITAL EQUIPMENT/PLANT ADDITIONS

Items of an initial purchase cost of $50 or greater or that have a material or significant cost as determined by the college. Items that have a life expectancy or service expectancy of two or more years. Items that when damaged are more feasible to repair than to replace. Items that when components become inoperative or missing it is more feasible to replace components than whole units. Components used to build a piece of equipment that conform to the above. Equipment may include items whose unit cost is below $50 providing the units comprise a set and are identifiable within a case that can be marked or inventoried or identified. Chairs, tables and desks are considered equipment and are inventoried by building and room even though they are individually identified by serial number. Library books not purchased for replacement are considered as equipment. Includes also plant additions; i.e., major remodeling, new construction, etc.

CASH

Cash on hand, petty cash, and cash in bank accounts associated with each fund group.

COLLEGE SUPPORT SERVICES

Expenditures for activities whose primary purpose is to provide operational support for the on-going operation of the college, excluding physical plant operations. Activities include, for example, executive management, fiscal operations, administrative services, logistical services, and community relations.

COMMUNITY SERVICES

Expenditures for activities established primarily to provide non-instructional services beneficial to groups external to the institution. One such activity is concerned with making available to the public various resources and unique capabilities that exist within the institution.

CONTINGENCY

Provides for expenditure authority for unanticipated items at the time budgets are prepared. Monies in this object classification must be transferred to some other object classification prior to expenditure.

CONTRACTS PAYABLE

Amounts due on contracts for goods and services received by the college.

CURRENT TAXES

Taxes levied and anticipated to be received during the current fiscal period.

DEBT SERVICE FUND

Monies used to retire principal and meet interest costs of funds borrowed by the college for major capital purchases and facilities/plant expansion (generally through the issuance of bonds). These monies are restrained by legal or contractual requirements.

DEFERRED REVENUES

Payments made to the college in advance of the reporting period to which they apply for services to be rendered in a subsequent reporting period.

DIRECT PERSONAL SERVICES

All compensation paid directly to employees under the direction and control of the college for services rendered.

ENCUMBRANCES

Obligations in the form of purchase orders, contracts, or salary commitments which are chargeable to an appropriation and for which a part of the appropriation is reserved.

ENDOWMENT FUND

A fund whose principal must be maintained in accordance with the endowment agreement but whose income may be expended. Monies received as interest or other return resulting from the holding of endowment assets directly by the college. Does not include capital gains and losses. These monies are restrained by legal or contractual requirements.

EQUIPMENT REPAIR AND REPLACEMENT

Expenses incurred in returning capital equipment to an operational condition or the replacement of obsolete or deteriorated equipment with items of a similar function.

EXPENDITURES AND TRANSFERS

All expenses incurred, determined in accordance with the generally accepted modified or full accrual methods of accounting, with the omission of depreciation. Includes also expenditures for repairs and replacements of equipment and amounts transferred to other funds as required. Expenditures should be reported when materials or services are received.

EXPENSE FUNCTION

An information element that groups expenditures according to the purpose for which costs are incurred. Each fund will use expense functions as appropriate.

FEDERAL SOURCES

Monies received or made available to the college by the federal government wherein the federal government has stipulated their use for construction, or support of other specific programs. This item also includes grants and contracts. Includes monies stipulated for a particular use by a federal agency although the funds may be administered by the state.

FINANCIAL AID

Expenditures for loans or outright grants or trainee stipends to students enrolled. Includes student fee remissions.

FINANCIAL AID FUND

A fund established for the provision of loans, grants, stipends, or other aid to enrolled students. Includes student fee remissions, GEOG, NDSL, SEOG, and CWS. These monies are constrained by legal or contractual requirements.

FUND

An independent fiscal and accounting entity with one or more self-balancing sets of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Each fund is either totally constrained by legal or contractual requirements or it is not constrained.

FUND BALANCE

The excess of the assets of a fund over its liabilities.

GENERAL FUND

This fund includes all of the activities directly associated with carrying out those operations related to the college's basic educational objectives. All monies not included in some other specific fund are included in the General Fund.

GRANTS AND CONTRACTS

Monies from governmental agencies which are received or made available for specific projects.

INSTITUTIONAL PLANT

The physical property owned by the college and used for college purposes; i.e., land, buildings, improvements, and equipment.

INSTRUCTION

Expenditures for all activities which are part of the college's instructional program. Includes expenditures for departmental and divisional administrators and their support.

INSTRUCTIONAL SUPPORT SERVICES

Expenditures for activities carried out primarily to provide support services that are an integral part of the college's instructional programs. This category includes the media and technology employed by these programs as well as the administrative support operations that function within the various instructional units. It includes the retention, preservation, and display of materials. This will also include expenditures for chief instructional officers and their support where the primary assignment is administration.

INTEREST INCOME

Monies received as interest on funds invested by the college or the amount of interest due the college, prorated to the accounting period.

INTEREST PAYABLE

The amount of interest due prorated for the accounting period for any borrowings of the college.

INTERFUND LOANS

The amounts of funds loaned temporarily between fund groups.

INVENTORIES

Merchandise for sale including supplies and stocks in stores.

INVENTORY

The value of supplies on hand and items for resale.

INVESTMENT IN FIXED ASSETS

Amount to represent the investment in fixed assets including equipment.

LIABILITIES

Debt or other legal obligations arising out of transactions in the past which must be liquidated, renewed, or refunded at some future date.

LOCAL SOURCES

Monies received or made available to the college from taxes levied under authority granted by the Legislature.

LONG-TERM INVESTMENTS

Marketable securities, real estate, patents, copyrights, royalties, etc. anticipated to be held by the college at least twelve months.

MATERIALS AND SERVICES

Includes all types of current operational expenditures except those delineated under other object classifications. Includes supplies, communications, travel and staff development, and outside services.

MATERIALS FOR RESALE

Supplies and materials purchased for resale to others.

NET WORKING CAPITAL

The sum of cash and investments, accounts receivable, taxes receivable (if used), inventories, supplies, and prepaid expenses, less current liabilities and reserves for encumbrances (if used).

NOTES, MORTGAGES, CONTRACTS, AND BONDS PAYABLE

Liabilities for outstanding notes, bonds, contracts, and mortgages.

OBJECT CLASSIFICATIONS

The classification of college expenditure according to the type of goods or services received in return for the expenditure.

OPERATIONAL REIMBURSEMENT

Monies received for the general operation of the college to meet its mission.

OTHER

All other types of income not provided for in a specific income source category.

OTHER PAYROLL EXPENSE

Distributed college costs of social security, PERS, medical, dental, life and disability insurance, unemployment insurance, State Industrial Accident insurance, and other fringe benefits accruing to an employee.

OTHER SOURCES

Other revenues not from specifically state, federal, or local sources or tuition and fees.

PLANT ADDITIONS

Expenditures for land, land improvement, buildings, and major remodeling and renovation. Not a part of normal plant operation and maintenance.

PLANT FUNDS

Monies to fund new construction, major remodeling projects, or major equipment purchases. Also includes all of the college's physical-plant assets.

PLANT OPERATION AND MAINTENANCE

Expenditures for the operation and maintenance of the physical plant. It includes services and maintenance related to campus grounds and facilities, utilities, and property insurance.

PREPAID EXPENSES

Includes that portion of operating expenditure properly chargeable in a period subsequent to the date of the balance sheet.

PRIOR YEAR'S TAXES

Taxes levied for fiscal periods preceding the current one. This also includes receipts from foreclosed land sales, interest and penalties, and 4th quarter taxes.

RECEIVABLES

Amounts owed the college.

RESERVE FUND

Monies to provide for a specific reserve such as for insurance. These monies are restrained by board action.

RESERVES

A budget account (not for expenditures) to provide for contingencies and unanticipated items, or to be held for further distribution by the Governing Board. This account may also be used to provide expenditure authority for obligations created but not expended in previous fiscal years.

REVENUE SOURCES

An identification used to group monies received by the college as income.

SALES OF GOODS & SERVICES

Monies received such as that received by college bookstores, etc. for goods and services provided.

SERVICE UNITS FUND

A service unit is an entity which exists primarily to provide goods or services to other instructional or administrative units of the college. Examples may include printing, computing support, etc. The cost of providing the service may be passed on to other funds, thus care should be taken to ensure that these funds are not counted twice in certain reporting activities.

SHORT-TERM INVESTMENTS

To include investments with a life less than one year.

SPECIAL FEES HOLDING

An optional designation by a college to provide expenditure authority for special fees charged such as for certain instructional materials or services. Expenses would not be charged (only budgeted) to this object, thus, they would subsequently have to be transferred to another object code prior to expenditure.

SPECIAL PROJECTS FUND

A fund established for the performance of grants and contracts, noncredit workshops, and other activities not applicable to other funds. These monies are restrained by legal or contractual requirements.

SPECIAL RESEARCH

Expenditures for those activities specifically organized to produce research outcomes either commissioned by an agency external to the college or separately budgeted by the college. This does not include staff training or curriculum development programs.

STATE SOURCES

Monies received or made available to the college through acts of the State Legislature which provide for state share of cost of instruction or instructional aid. Also includes state grants and contracts and capital aid.

STUDENT DEPOSITS

Receipts for various purposes which a college may be required to repay in whole or in part; i.e., deposits for breakage, reservations for admission, etc.

STUDENT SERVICES

Expenditures for admissions, registrar activities, and activities whose primary purpose is to contribute to the students' well-being and to their development outside the context of the formal instructional program.

TAX OFFSETS

Monies received in lieu of taxes.

TRANSFERS IN

Monies transferred in as revenue to a fund from some other fund.

TRANSFERS OUT

Monies transferred to another fund.

TUITION AND FEES

Monies assessed students for college services. Tuition offsets or remissions should be shown as revenue and corresponding costs shown in an expense account. A portion of *Tuition and Fees* may be budgeted as a transfer out by the college board to support specific activities in other funds.

Appendix 2

The Interview Results

Nineteen interviews were conducted to assess the utility of uniform accounting data and the Oregon Community College Classification of Accounts. This appendix summarizes the findings for each user and provider group, including the following:

1. Community-college data users/providers
   - Governing-board members
   - Presidents
   - Business managers
2. State-level data users
   - Board of Education
   - Educational Coordinating Commission
   - Executive Budget Office
   - Legislative Fiscal Office
   - Audits Division
   - Department of Revenue

Institutional Governing Boards

It was assumed that among the primary institutional users of the data compiled under the Oregon Community College Classification of Accounts would be members of the various community-college governing boards. Therefore

NCHEMS staff interviewed board members from each of four community colleges (in three of the four colleges, the board chairperson was interviewed). The goals of each interview were (1) to identify the kinds of data the particular governing board used in carrying out its responsibilities; (2) to determine what role, if any, comparative and programmatic data play in the board's deliberations; and (3) to obtain the board member's assessment of the Guidelines. The following four board members were interviewed: Catherine Lauris, Lane Community College; Joann Connall, Mt. Hood Community College; Larry Monihan, Rogue Community College; and Leonard Farr, Southwest Oregon Community College.

As might be expected when interviewing representatives of four different institutions, responses varied in large part on the basis of variations in the role of each board member and his or her respective board in the institution's decision-making process. The primary functions of all four governing boards seemed to be (1) financial and budgetary oversight and (2) linking the institution to the community. However, in the two smaller institutions, budgetary oversight was detailed, while in the larger institutions, oversight was broader. In addition, the community linking role of the board varied considerably from college to college. In fact, in one college, the board seemed to exercise a fairly limited community linking function.

First, the data that board members used in carrying out their responsibilities varied widely. All boards used financial information in conducting their financial-oversight role; in fact, every board member interviewed indicated the use of financial data in budgetary control. However, the type of budgetary control exercised, and therefore the type of financial data used, varied from one board to another. In the two small colleges, the board reviewed the list of checks paid each month, while in the larger ones budgetary control was exercised at the broad, total-cost-of-program level.

Almost every board compared its institution's financial data with data from peer institutions, at least in special situations (the most common of these being collective bargaining). The boards compared cost data (in every case, supplied by the Oregon Department of Education) primarily to identify problem areas. Those board members whose colleges ranked well according to comparative costs took pride in their ranking, while those whose costs were higher than average were familiar with, and quick to explain, the factors that caused their higher costs.

While the governing board members tended to rely heavily on *accounting data* in certain situations (such as in developing revenue needs for the budget process), some seemed uncomfortable with the complexity of the fund-accounting principles used to collect and report accounting data. One member complained that accounting data made it difficult to raise relevant and timely questions. Several felt that cost data were more valuable than accounting data because they were easier to understand.

The board members tended to view the Guidelines as a means to provide them with uniform financial data rather than as a new type of information (that is, programmatic data). The board members noted that they would like to be able to compare data about their institutions with data about other colleges (although all were convinced that their own institutions were sufficiently different from all others that only broad comparisons could be made). They saw the Guidelines as a mechanism for obtaining the uniform financial data to make such comparisons.

Although most wanted to compare data, one board member did not care whether or not the data used by the boards were auditable (one of the key attributes of data based on the Guidelines). That board member felt that if the data were given to the board at a timely point in the planning process, estimates would be as valuable as audited data. This board member placed much more emphasis on timely financial data and future projections than on auditable accounting data. Therefore while the auditability characteristic of the Guidelines was of no importance to the board member, she did prefer the format of the Guidelines to the format previously used by the college. (In this board member's institution, the Guidelines had been used in the preparation of the most recent budget.)

In summary, the Guidelines provide more detailed information than those community-college board members who exercised a broad oversight role felt necessary. However, for those board members who are involved in a more detailed oversight function, the Guidelines provide accounting data that are both auditable and comparable. All of the board members felt that the Guidelines would allow them to cautiously compare their institutions with others, an ability that they all welcomed. Considering community linking, one board member found comparisons of financial data particularly useful as a publicity tool in conducting the annual budget election. The Guidelines should facilitate such comparisons. For purposes unrelated to budgetary oversight, board members wanted special-study data (such as cost data), future-oriented data (they were perfectly willing to use the administration's best estimates), and timely data (even if the data were not audited).

Community-College Presidents

In order to better understand the need for financial information felt by community-college presidents and to obtain their assessments of the Oregon Community College Classification of Accounts, the presidents of four Oregon community colleges were interviewed: Eldon Shafer, Lane Community College; Steven Nicholson, Mt. Hood Community College; Henry Pete, Rogue Community College; and Jack Brookins, Southwest Oregon Community College.

The findings of these four interviews can perhaps be summarized best as encompassing:

- The need for financial data to serve presidents in their roles as institutional managers
- The role of financial data as a mechanism for providing information to external parties (including state agencies and the legislature)

The presidents' assessments of comparable accounting data in general differed considerably from their assessments of the Guidelines in particular. On the one hand, each president was concerned about the potential impact of comparable data on local autonomy and therefore questioned use of the Guidelines for external reporting. However, as the top managers in their institutions, the presidents affirmed the value of the Guidelines for internal purposes. A more detailed description of their comments follows.

Managerial Oversight. Much of the body of financial data used by the presidents is directly related to their tasks of managerial oversight and guidance in the operation of the institution. Examples of the kinds of financial information they use include financial projections for budgetary control, special studies related to such issues as the institution's tax base, and aggregate cost data (for example, cost/FTE student), often provided on a time-series basis. While the majority of the presidents interviewed use monthly financial statements, they were more concerned with management information than with accounting data.

Perhaps because of their bias toward management information, the presidents tended to see the most important role of the Guidelines as a link in the provision of uniform cost data. One president pointed to what he felt was a real danger in using accounting data alone. This president felt that the Guidelines, and the increased consistency in reporting that they promise, might build people's confidence in their reliability to the point that they would be tempted to study accounting data in isolation rather than in some sort of informational context.

The presidents voiced almost universal support for comparative data for internal use. While they were concerned about the utility and wisdom of external comparisons of uniform data, the presidents all agreed that their internal needs could be better met with uniform financial data, in particular, uniform cost data. They felt that the cost data reported each year by the Department of Education were not sufficiently consistent at detailed levels of disaggregation to be of real use for managerial oversight. Therefore they believed that if the Guidelines would aid them in obtaining more consistent detailed cost data (which they could compare to the same data for peer institutions), the structure could have real value for them.

External Reporting. The overall feelings of the four presidents regarding the use of the Guidelines for external reporting can be characterized best by saying that they were "hopeful, but at the same time they were very concerned." They were hopeful that the provision of consistent and uniform financial data might help the community-college sector better sell its case for support to the legislature. At least, providing uniform financial data would show the legislature that the community colleges recognize state information needs and are willing to make reasonable efforts to provide uniform data in an understandable format.

The presidents, however, were concerned that providing uniform data to state agencies might well lead to uniformity of funding and programs and to increased state intervention—intervention that might threaten their local autonomy. Each president felt that such autonomy must be preserved if the colleges are to fulfill their mission of serving the unique needs of their communities.

The presidents' assessments of the Guidelines were based in large part upon how they perceived that the new account structure would affect their dealings with the state. One president pointed out that he has intentionally avoided using detailed financial data as a lobbying tool, because he does not want the legislature to change its support from block-grant funding to categorical funding. He believes that the use of uniform financial data might well lead the legislature to think in terms of categorical aid.

The other presidents, while not voicing quite the same concerns, did fear that comparable financial data might lead external parties to use the data without fully appreciating those differences among the colleges that cannot be expressed in purely financial terms. Indeed, they believed that the legislature and other state officials may already lack understanding of the unique qualities of the various community colleges.

In summary, the community-college presidents feel that the Guidelines can potentially aid them in their managerial responsibilities by giving them a tool for comparative analysis. They voiced the hope that adoption of the Guidelines will signal to the legislature their willingness to provide needed information to the state while at the same time better telling their story. However, they are concerned that a simplistic use of data formatted in accordance with the Guidelines might be detrimental to them, particularly if it leads to changes in the way they receive state financial support.

Institutional Business Managers

Business managers of the various community colleges will probably be most directly affected by the Oregon Community College Classification of Accounts. Therefore the case-study staff interviewed the business manager at each of four community colleges. The purpose of those interviews was to determine how each business manager feels about standardized financial data and how he values the newly developed account structure as a mechanism for achieving uniform financial data. The four business managers interviewed were: Tony Birch, Lane Community College; Bob Scott, Mt. Hood Community College; George Kurtz, Rogue Community College; and Harvey Crim, Southwest Oregon Community College.

The business managers interviewed represented institutions with highly computerized accounting systems as well as one institution that maintains its financial records manually. While differences exist in the cost and difficulty of changing the historical data-collection methods in each college, such differences were not the focus of the interviews. Rather the business managers were asked to discuss how they evaluated uniform financial data in general and the Guidelines in particular.

Opinions about the value of uniform financial data ranged from not valuable to significantly valuable. One business manager saw uniform data as a starting-point for improving communication, which he feels is increasingly important in Oregon. This manager stressed that until now, the community colleges have not had to compete for a single pool of funds. However, now comparisons are being made. While he recognized that the Oregon community colleges are still working on ensuring that their data are consistent, he hoped that they would soon be able to focus their efforts on identifying and interpreting differences among the colleges, using consistent data as the mechanism.

On the other hand, two business managers saw little value in uniform financial data. One believed that financial data do not allow for the description of the institution's multiple dimensions and should not therefore be compared—even if the data are collected and reported consistently. The other, while conceding that state agencies might find some utility in comparing uniform financial data as a means of uncovering real and potential problems, believed that users might become overconfident in the comparability of the data and begin using them without fully understanding the real differences among individual colleges.

The business managers, unlike any other institutional user, were concerned about the two reporting philosophies with which they must deal. All but one felt that community colleges should be viewed as educational organizations, although they are required by Oregon's local budget law to report as municipal corporations. One business manager liked the Guidelines in part because they provide a framework for viewing community colleges as educational institutions rather than as municipal corporations. However, another considered his primary reference group to be the business enterprises in the community. Therefore he was somewhat indifferent to the distinction between educational institution and municipal corporation.

Finally, the business managers were asked to assess the Guidelines. Once again, responses varied, although they tended to correspond to the individual assessments of the value of uniform data. One business manager felt that the Guidelines were neither better nor worse than previous systems, although he acknowledged that they did provide additional detail. He believed that the Guidelines in one sense would actually be worse than previous formats, because users would believe that they assure perfect data, while the data are actually imperfect. A second manager saw the Guidelines as a positive change in financial reporting, primarily because they so closely approximate the nationally accepted data-reporting format. He thought that the ability to crosswalk data easily from the institution's format to the national format would facilitate communication with other institutions both inside and outside the state of Oregon.

A third business manager's major concern in assessing the Guidelines was that their framework is programmatic rather than organizational unit-based. He felt that programs are not an effective framework for managing an institution. Moreover he feared that reporting programmatic data might well lead to a program-based funding formula, which he believed would significantly affect local autonomy.

However, he conceded that the Guidelines should help the community colleges to better communicate with the state.

Two business managers suggested that perhaps the most valuable aspect of the Guidelines was the process Oregon used to develop them. That process brought the community-college business managers and representatives of state agencies together to listen to each other's concerns. These business managers believed that the Guidelines would improve community-college/state-level communication, not only because they represent a consensus, but also because the interpersonal relationships developed while working on the Guidelines would make future interaction easier and more effective for all concerned.

In summary, the business managers' feelings ranged from optimism about the new capabilities provided by the Guidelines to concern that data based on the Guidelines might be misused to the detriment of the community colleges. However, several agreed that the developmental process itself was a valuable exercise, with one manager suggesting that if the dialogue could be maintained over time, the Guidelines could serve as a meaningful mechanism for communication among the community colleges as well as between the colleges and the state.

Oregon Department of Education

The Oregon Department of Education (ODE) monitors and reports to the state legislature the use of state funds by the community colleges. Therefore the ODE has the authority to gather any kind of data from the colleges that it deems necessary to effectively carry out that responsibility. Because of the ODE use of financial information and its consequent interest in the Oregon Community College Classification of Accounts, Robert Hamill, William Loomis, and Clifford Eberhardt of the ODE were interviewed for this study.

All three ODE representatives emphasized at the beginning of the interview that local autonomy is an important principle for the community-college sector in Oregon. Therefore while the ODE has legal authority for both data collection and program review/approval, the Department's relationship with the community colleges has traditionally been one of mutual cooperation rather than managerial oversight. They pointed out that the legislature uses a formula budget (based on FTE students) to determine the level of state support for the community colleges. However, the appropriation process is not considered a means of achieving accountability. Rather, the legislature appropriates funds on a block-grant basis and then depends on the ODE to oversee and monitor the use of those funds.

The ODE representatives pointed out that the emphasis on uniform data in a programmatic format is relatively recent in Oregon. Historically, since state funding for the community colleges is provided by block grant, information about the institutions' programs received little attention. However, legislators have become increasingly interested in more detailed, program-related information in recent years, according to the ODE, "so that they can feel comfortable about the colleges' use of state funds." In addition, they have become more interested in the uniformity of the data with which they monitor the use of state funds. The ODE representatives believe that the legislature wants the colleges to be able to report uniform revenue and expenditure data (1) because it will aid the colleges in better managing themselves, and (2) because such data will aid the colleges in better communicating with the legislature. Therefore the ODE representatives believe that the legislative mandate of uniform financial data (which provided the impetus for developing the guidelines) reflects concern for good institutional management as much as a need for analytical data. In fact, the ODE representatives perceive that the legislature is more concerned that the community colleges (and, in turn, the Department) have uniform data available to be used if needed than that any particular state use be made of those data. Furthermore, the ODE believes that if the community colleges are able to report data in accordance with the Guidelines, they can also more easily prepare cost data using the NCHEMS Information Exchange Procedures (IEP). (The ODE feels that IEP cost data, which are currently collected by both the community colleges and the four-year colleges and universities in Oregon, are an important tool for obtaining state support for the community colleges.)

The Department of Education feels that the Guidelines are valuable for carrying out its own monitoring responsibilities. First, the ODE representatives noted that the process for developing the Guidelines (in which the Department worked closely with the community-college business managers) was invaluable. That process provided an opportunity for the Department to better understand the concerns and needs of the community colleges, while at the same time allowing the business managers to gain insight into the needs of the ODE. They also feel that the dialogue that took place during the development of the Guidelines will result in better, more consistent financial data. Second, and more important, the ODE feels that uniform financial data will allow the community colleges to more effectively communicate with the legislature. Specifically, they believe that the ability to compare uniform financial data across institutions (as well as across states) that the Guidelines give community colleges will allow the ODE to better sell the community-college sector's case for state funding.

In summary, the ODE representatives feel that the legislature wants the community colleges and the Department to have uniform data, because such data allow the legislature to feel more secure about the use of state monies. As long as the legislature feels that the Department is using such data effectively, it will probably not make use of the data itself. The ODE believes that the Guidelines will facilitate such effectiveness.

Oregon Educational Coordinating Commission

The Oregon Educational Coordinating Commission (OECC) in 1975 succeeded the earlier Oregon Educational Coordinating Council and was given planning responsibility for all of education (K-12 and postsecondary) in Oregon. (NOTE: In Oregon, the community colleges are under the Board of Education, along with elementary and secondary schools. The four-year public institutions are under the Board of Higher Education.) The Coordinating Commission has responsibility for making recommendations to both the governor and the legislature concerning not only long-range planning, but also the education budget and any special topics that may arise. Specific responsibilities of the Commission include budget review, program review (of both existing and new programs), and overall planning. While the efforts of the OECC to date have focused most heavily on budget review, the Commission is now putting an increased emphasis on short- and long-range planning. The Commission itself comprises seven lay persons with a supporting staff. Robert Stevens, fiscal analyst with the OECC staff, was interviewed for this study to determine the value for OECC of the Oregon Community College Classification of Accounts.

Mr. Stevens addressed the value of uniform financial data by noting that a comprehensive data base was articulated as the top priority of the Commission's first chairman. He believes that this priority has remained unchanged. He pointed out that the Commission not only considers consistent data to be important but that its members also use comparisons of financial data in their deliberations. As one example, he described how staff of the Commission used comparisons of financial data in their 1977 budget presentation for the Legislative Ways and Means Committee and how the Chairman of the Committee referred to those figures several times during the budget review. In addition, the other members of the Committee also used the comparative figures to establish a context for their consideration of the education budget. In that review, OECC presented comparative financial data (1) for institutions within educational segments, (2) for institutions between segments, and (3) for institutions from other states.

Mr. Stevens suggested that program review, which has not been to date as significant a portion of OECC efforts as budget review, would also rely quite heavily on comparable data. In particular, OECC assumes that IEP cost data will be important in future program review. Finally, he pointed out that long-range planning is becoming an increasingly important function of the Commission and its staff; in fact, they are now beginning development of a comprehensive plan for education. Mr. Stevens feels that uniform financial data will play an integral part in this planning.

As in most of the state-level interviews, Mr. Stevens discussed the possibility of future changes in the formulas for determining the level at which the state supports community colleges. Although the Commission has not yet decided whether to recommend a new funding formula, it is currently considering alternatives that differ from the present $/FTE basis of funding. Most of the alternatives now being considered depend heavily on comparative financial data.

As might be expected from an organization primarily concerned with planning issues, the OECC is quite dependent upon, and enthusiastic about, uniform data. Therefore it regards adoption of the Guidelines as a major step for community colleges in collecting and reporting financial data.

Executive Budget Office

The level of state support for community colleges in Oregon is determined by a formula based on FTE students. Once this formula has been calculated, the state appropriates a block grant in the prescribed amount—an amount tending to equal somewhat less than 50 percent of the total revenues of each community college. In determining the adequacy of state support for the community-college system and in budget recommendations, the governor uses the analysis of the Budget Division/State Executive Office. Therefore to obtain an assessment of the Oregon Community College Classification of Accounts in the budgeting process, Betty Hands, Senior Budget Analyst in the Budget Division, was interviewed.

Ms. Hands views the job of the Budget Division as focusing on the adequacy of *overall* subsidy patterns rather than on the details of institutional operations. Her first priority is to assess the total state support for all community colleges, then the state support to each college. This first level of analysis focuses on such a high level of aggregation that data formatted in the expenditure categories recommended by the Guidelines are of little, if any, use. In her second level of analysis, she examines program-related data to determine if the costs of any particular community college deviate widely. (These data, collected by the Oregon Department of Education, are provided to the Budget Office by the Oregon Education Coordinating Commission as part of its budget recommendations.) To the extent that the Guidelines are used by the Coordinating Commission to present data in their budget-assessment report, the new account structure will be used by the Budget Division. Ms. Hands emphasized that her primary concern about the data she now uses is nonuniformity and inaccuracy. She assumes that the differences she currently encounters in the data reflect differences in data collection rather than in the operations of the institutions. Therefore she is less concerned about the categories used to format the data than she is about data uniformity. She feels that if the definitions and procedures set forth in the Guidelines will help eliminate dirty data, the Budget Division will consider it a valuable tool.

In summary, the Budget Division is primarily concerned with overall subsidy patterns rather than with the details of institutional operations, and monitors costs strictly on a red-flag basis. Therefore the Budget Division is primarily interested in accurate and comparable data. To the extent that the Guidelines can improve data reliability and can be used as a mechanism for red-flagging expenditures, they will be valuable in assisting the Budget Division in its work.

Legislative Fiscal Office

The Oregon state legislature, in its budget notes, in effect mandated that the community colleges develop and use a standard account structure and a set of uniform costing procedures. As a result, the Oregon community-college system began using the NCHEMS Information Exchange Procedures (IEP) to generate standardized cost figures, and they developed the Oregon Community College Classification of Accounts for the formatting of financial accounting data. To assess the legislature's needs for uniform accounting data, William Barrows, Legislative Fiscal Analyst, was interviewed as part of this case study.

Mr. Barrows emphasized at the outset that the legislature does not expect to save money simply by using standard cost and accounting data nor does it expect that better data will necessarily mean better policy. However, this does not mean that the legislature ignores cost data. While it "takes a look at" the cost data published by the Oregon Department of Education (with the intention of monitoring widely discrepant costs), the legislature primarily needs more aggregated financial data than are provided by either IEP or the Guidelines. For example, the legislature examines the M.M. Chambers state funding support indicators published each year in the *Chronicle of Higher Education* to compare Oregon's overall financial support for postsecondary education with that of other states. Beyond this need for an overview of how well the state is financing postsecondary education, the legislature depends upon the Oregon Department of Education and the Oregon Educational Coordinating Commission to represent the state's interest.

It was Mr. Barrows's contention that the legislature mandated both the use of IEP and the development of the Guidelines because it thought that the Department of Education and the Coordinating Commission needed such data to function effectively. The legislature believes that its basic role is to set policy; the role of the Department of Education is to manage the community-college system and implement the legislature's policy decisions; and the role of the Coordinating Commission is to deal with educational planning issues. If the legislature is assured that the Department of Education and the Coordinating Commission are effective, it does not need to directly use either IEP cost data or uniform accounting data.

While he discussed the fact that state funding levels for community colleges are determined using formula budgets, Mr. Barrows pointed out that those formulas are not currently based on cost data nor were they originally developed using cost analysis. While the formula used in allocating state support to community colleges may be altered (possibly based on cost data), Mr. Barrows feels that no changes will be made in the current formulas or the process of administering state support in the foreseeable future. Therefore neither IEP cost data nor uniform accounting data will be used explicitly by the legislature in determining levels of state support for community colleges.

Even though the legislature requested both IEP data and the uniform account structure, Mr. Barrows feels that such actions may actually be producing almost as many negative results as positive ones (although he believes that uniform data can and should produce positive results). His gloomy assessment is based on his perception of widespread concern among the community colleges about how the legislature will use uniform data. He believes that he represents the legislature in feeling that such apprehension among the community colleges is unfounded. However, he does believe that the "rosy bloom is off higher education" in Oregon. He says that the legislature feels, in general, that higher education is being adequately financed in Oregon for the time being. Therefore, while it certainly does not want to injure higher-education institutions by overly stringent funding levels, the legislature is no longer *seeking* ways to expand the roles of those institutions. He suggests that in the future the community colleges will have to present a strong case, as well as meaningful documentation of the costs to be incurred in serving any further identified need. While the legislature is highly sensitive to the fact that it mandated both IEP and the Guidelines, it is hopeful that the spinoff benefits of its actions may include better local management of the community colleges as well as an improved capability to sell the community-college sector's case for legislative support in the future.

Audits Division

The Audits Division of the Department of the Secretary of State has the legal authority to oversee the financial reporting of all political subdivisions in the state. As a branch of local government, each of the community colleges in Oregon falls within the purview of Audits Division authority. Therefore William Miles, Assistant Audits Supervisor, was interviewed to determine his reaction to the Oregon Community College Classification of Accounts.

To begin, Mr. Miles pointed out that while the State Auditor has the legal authority to mandate a particular kind of financial reporting, the usual procedure is to require that institutions comply with generally accepted accounting principles (GAAP) as they pertain to their particular type of organization. However, he acknowledged that the accounting profession and Oregon law have placed community colleges in the awkward position of having to follow two different sets of accounting guidelines. By law, as a municipal corporation (as they are considered in Oregon), the community colleges must comply with municipal reporting guidelines prescribed by the Oregon local budget law. However, the community colleges felt that generally accepted accounting principles (GAAP) for educational institutions, set forth in *Audits of Colleges and Universities*, a 1973 publication of the

American Institute of Certified Public Accountants, are more appropriate to them. (The Oregon Guidelines were based upon that set of generally accepted accounting principles.) Dealing with two sets of prescribed guidelines can pose real problems for the community college. For example, local budget law focuses on organizational units and object-of-expenditure data, while GAAP for educational institutions specifies function and fund data. Naturally, auditors place first priority on the community college's compliance with local budget law, while placing secondary priority on its compliance with GAAP for educational institutions. Although Mr. Miles believes that the local budget law needs revision, he is pessimistic that anything other than piecemeal changes will be made in the near future. Therefore the community colleges' dual-reporting dilemma will probably continue for some time.

Mr. Miles did describe one possible development that might help resolve the discrepancies between local budget law and GAAP for educational institutions: the move toward consolidated financial statements for the entire state. He pointed out that Oregon is under a legislative mandate to publish a state financial report by FY 79. Pressure for consolidated statements is becoming particularly intense from the financial lending institutions, spurred in part by the problems of New York City. Therefore while he is unsure how such a consolidated statement will be prepared for Oregon, he foresees that it will certainly force a serious discussion of the relationship between the local budget law and GAAP for educational institutions.

Basically, comparability and program-related data are irrelevant issues to the Audits Division. However, Mr. Miles had no problems with the Oregon Community College Classification of Accounts. Insofar as the Guidelines result in auditable financial statements that conform to generally accepted accounting principles, the Guidelines meet the needs of the Audits Division.

Department of Revenue

Since the Oregon Community College Classification of Accounts affects the way in which community colleges report their budget data to the public, the Oregon Department of Revenue must approve the account structure prior to its implementation and use. This is because the Oregon Department of Revenue has responsibility for monitoring the compliance of local agencies with local budget law (a set of laws specifying minimum standards for the documentation and publication of budget data for the public's benefit). Donald Hillman, of the Department of Revenue, was interviewed for this study.

Mr. Hillman pointed out that the responsibility of the Department of Revenue, as it relates to the Guidelines, is to ensure (1) that budget information formatted in accordance with the Guidelines complies with local budget law (that is, that the information presented is at the needed level of detail) and (2) that budget information, presented in accordance with the Guidelines, is sufficiently simple and readable so that the average citizen can understand it.

In discussing the Department's assessment of the Oregon Community College Classification of Accounts, Mr. Hillman emphasized that while local budget law is rigid about the steps for publishing a budget (for example, advertising, holding hearings, publishing budget documents), it is more flexible about the information format to be used in budget documents (other than specifying the funds and objects of expenditure). Therefore in reviewing the Guidelines, the Department of Revenue sought to ensure technical compliance with the local budget law and attempted to eliminate jargon and unnecessary complexity in the resulting formats.

The Department of Revenue assessed the Guidelines as generally in technical compliance with the local budget law (although while the interview was in progress, the Department of Revenue was negotiating with the Department of Education several minor points in the Guidelines that were not, in the view of the Department of Revenue, in compliance with the local budget law). The Department of Revenue foresaw no significant problem in approving the Guidelines as a framework for the publication of community-college budget data (once the minor problems have been corrected). Moreover, Mr. Hillman felt that the Guidelines would result in budget data that would be more understandable (that is, he felt that program-related data would be more understandable) than the format used earlier by the community colleges. In summary, Mr. Hillman felt that the Guidelines could easily be brought into compliance with local budget law and that they would also facilitate understandable budget data for citizens.