Current Budget

One important function of the budget and planning work group is for the members to communicate key messages on the budget to their constituencies.

There are two main sources of revenue: general funds, which are appropriated by the legislature and tuition and fees, which is funded through enrollment. For FY2014, the general funds allocation was approximately $22 million and the tuition and fees was $18 million. The fiscal year ends on June 30, 2014. Our projected expenditures are approximately $1.4 million over our revenue. In FY2013, we had a deficit of $2.4 million, which was covered by the tuition and fees reserve fund. This account is nearly depleted. To cover this year's deficit, the college will need to tap into other special funds. However, these kinds of losses are not sustainable. Salaries account for the largest expenditure with utilities the second highest.

In the past, positions were funded entirely by general funds. Now, there are general fund positions that are funded by tuition and fees. In 2007, it was decided that the campuses could maintain the tuition and fees they collected. Therefore, the balance of the salaries and operating costs are paid from the tuition and fees account. Fringe benefits are paid by the system, which can cost 40%-50% of the salary. The system takes a portion of the tuition and fees for maintaining campus-wide software systems such as Banner, marketing, risk management, UH Foundation and others. Last year, the cost was $3.379 million. Kapi'olani CC was one of four campuses that met all it's performance initiatives, which means the college will not lose any of its allocated funding.

At the 2014 legislative session, the Board of Education and UH Board of Regents submitted their budget requests and the Governor stated what he suggests for funding. The legislature then decided what will be allocated. The bottom line is there are no additional funds being appropriated.

The tuition and fees account is funded by enrollment. The fall enrollment on this date is down 12.2% in comparison to last year at this time. All the community
colleges are experiencing the same trend. A 12% drop in enrollment equals a drop in $2.3 million in revenue for the college.

Budget Cycle Update
The budget cycle through the Chancellor’s Advisory Council (CAC) asked for budget requests from all departments and units. Requests were only considered if they addressed imminent health and safety issues, or if they were identified in the Course Learning Reports (CLRs), Annual Report of Program Data (ARPDs) or strategic plan. The Allocation Request Forms (ARFs) were sent to the Authorized Governance Organizations (AGOs) to rank in order of priority to the college. There were 53 requests including 9.5 positions with a total cost of $3.905 million. One request received all high rankings from each AGO and that was an inventory management software system for the college’s IT. The second highest request was for staffing to support activities of the Single Parent Program.

There was a question on the role of the Budget and Planning Work Group. It is a subcommittee of the CAC. The work group members are not acting as a representative from their departments or units. The members are a group of individuals recommended by the AGOs from across the campus. This group of people considers the ramifications to the entire campus and offers perspectives from their areas. The purpose is for communicating what is happening at the college.

A comment was made that out of the four AGOs, the faculty senate’s rankings should have more weight. The AGO rankings are recommendations that are vetted by the budget subcommittee and, subsequently, the full CAC. The last step is the CAC gives their final recommendation to the Chancellor. He and the administrative staff will discuss the budget priorities and will communicate their decisions back to the CAC. The Chancellor can decide on allocations counter to the CAC’s recommendation, if he feels there are mitigating circumstances.

At this point, with no additional funds available, do we want to fund these requests? Funding can be allocated for the requests but the resources would need to be reallocated from another area or program.

Another concern was that there were important funding decisions to be made to continue vital programs at the college such as the EMS program. The State is low on EMTs and it is a priority for the college to provide the training. The budgetary process needs to look at what is most needed instead of what is popular. The faculty should be making the decisions on what is important.

There was a discussion on possible reallocation scenarios such as moving counselors out of KISC as we move toward a more automated system. Also, as there are no students in the interpreter program, should the program continue? Will there be a system by which areas to cut expenses can be addressed? It may increase
enrollment if resources were allocated to growth areas. Are there areas that are in
great need of funding to sustain their programs or accreditation?

**5-Year Budget Plan**

With the current budget environment, it will be increasingly important to be able to
plan for larger expenses. The ARFs are for requests not included in the budget. The
5-year budget plan will estimate when larger expenses will be expected in a
program or unit such as program accreditation or equipment needs. The request
will be for each department and unit to provide detailed projections on expenses for
FY 2015 and FY 2016 and a general projection for three additional years. This will
be the most important tool for the college to get through the next several years. In
the past 8 months, $700,000 was spent on unplanned expenditures, which should
not be happening. There will be budget planning training sessions for department
chairs and unit heads in the summer.

After the discussion of the ARFs and 5-year budget cycle, we will be in a better
position to make decisions about the budget. There is a need to have a vision on
where we are going as an institution. The members were encouraged to participate
fully in the strategic planning process as it is integral to the budgeting process.

A question was, is there a need for austerity measures? We are not at that point
although the work group should educate others on the budget status. The college is
no longer in a spend mode. We will need to discuss cutting our utilities and other
expenses such as teaching equivalencies. However, there is also a need for
professional development and other important initiatives. The focus will be to find a
balance.

**Assignment for the Next Meeting**

At the next meeting, the work group will determine if and how the ARFs will be
funded. These are college resources and positions, not department’s positions and
resources. We need to take a hard look at every expense.

Next meeting: Thursday, June 5 at 11:00 to 12:30 pm.

Submitted by: Joanne Whitaker