

UNIVERSITY OF HAWAII

COMMUNITY COLLEGES POLICY

UHCCP # 8.000 General Fund and Tuition and Fees Special Fund Allocation

September 2013

I. Purpose

This policy documents the operating budget allocation process at the UH Community Colleges (UHCC). The intent of the operating funds allocation process is to provide a fair distribution of resources to support campus operations and meet UHCC strategic plan goals. This process includes the distribution of new funding and reductions, allocation of performance-based funding, internal funding reallocations, and distribution of restrictions and assessments during the course of a fiscal year.

II. Related University Policies

- A. Board of Regents Policy, Chapter 4 Planning
<http://www.hawaii.edu/offices/bor/policy/borpch4.pdf>
- B. Board of Regents Policy, Section 8-3 Biennial Budget (Operating and Capital Improvements)
<http://www.hawaii.edu/offices/bor/policy/borpch8.pdf>
- C. UH Executive Policy, E6.204 Student Financial Aid Assistance Program
<http://www.hawaii.edu/apis/ep/e6/e6204.pdf>

III. Responsibilities

- A. Vice President for Community Colleges shall have the responsibility to:
 - 1. Work and consult with the UHCC Associate Vice President for Administrative Affairs, UHCC Chancellors, and others relating to the methodology and allocation of funds.
 - 2. Consult with UH System administrators and be aware of the UH System allocation methodology.
 - 3. Allocate funds to the campuses in accordance with this policy.
- B. Chancellor shall have the responsibility, in consultation with appropriate campus administrators and others, to develop a methodology to allocate funds to the campus units consistent with budget planning and resource allocation standards of the accrediting commission.

IV. Description of Allocation Methods

A. General Funds

In accordance with the State of Hawai'i budgeting system, the General Fund allocation for the community colleges begins with the current service base for the community college system. The current service base budget is based on the prior year General Fund appropriations, plus any prior year collective bargaining augmentations, minus budget reductions, plus/minus adjustments for changing requirements, and plus newly funded initiatives. These newly funded initiatives are referred to as program change requests.

While the General Funds are appropriated by the Legislature at the UHCC level (UOH 800), the Legislature reviews and considers campus level budgets when determining the final appropriation. This campus budget allocation process attempts to maintain a balance between preserving Legislative intent for these new funded initiatives while ensuring that Community College campuses maintain the operating funds needed to operate effectively, and further providing financial incentives to promote strategic objectives.

Campus General Fund allocations are based on the following general parameters and finalized by the Office of the VP for Community Colleges (OVPCC) after consultation with the campuses.

1. Campus General Fund Base

- a. Description: The historic General Fund budget allocated to the campus, similar to the current service base for the UHCC System.
- b. Distribution: The historic campus current service base is allocated to the campus, subject to the adjustments below.

2. New Program Change Requests

- a. Description: Funds appropriated by the Legislature for a specific campus-based program.
- b. Distribution: If fully released by the Governor and the UH President, the new funds are allocated to the designated campus. Adjustments may be made to the allocation if needed to offset other budget reductions or shortfalls in the allocation process.

3. Outcomes Funding

- a. Description: The outcomes funding model used by the UHCC is directly linked to the University's established strategic outcomes. The

measures adopted are directly from the strategic plan and the targets are those identified in the strategic outcomes adopted by the University. Each campus must meet 100 percent of all of its outcome targets to receive its full campus share of funds earmarked for strategic initiatives.

- i. The measures incorporated into the formula include the following:
 - (a) Degrees and certificates awarded (35 percent);
 - (b) Degrees and certificates awarded to Native Hawaiian students (10 percent);
 - (c) Degrees and certificates awarded to students in Science, Technology; Engineering, and Math (STEM) fields (5 percent);
 - (d) Number of low-income students participating in the Federal Pell program (10 percent);
 - (e) Number of transfers from the community colleges to UH baccalaureate campuses (40 percent).
 - ii. The outcomes formula has the following characteristics:
 - (a) Each outcome is weighted to establish its relative importance;
 - (b) Baseline value for each outcome is the value set by the strategic outcomes for FY 2010 and the target is the value set for the prior fiscal year;
 - (c) Targeted goals increase each fiscal year, requiring continuous improvement to earn the maximum allocation;
 - (d) Each outcome is independent of each other. Campuses can only achieve their full outcomes funding if they meet or exceed the targeted outcomes for each of the measures; and
 - (e) If a campus does not meet the targeted outcome, unused funds are used for other UHCC strategic initiatives.
- b. Distribution: Each campus earns the maximum amount if the established goals are met. Once the outcomes evaluation is completed, the appropriate dollar amounts are allocated. Campus Tuition and Fees Special Fund (TFSF) dollars are also pooled and subsequently allocated back to the campuses for this purpose.

4. Enrollment Growth Funding

- a. Description: The enrollment growth funding is designed to provide Community College campuses with the resources needed to meet student demand for instruction and respond to the State's changing workforce needs in a timely manner. Since tuition revenue alone is insufficient to cover the costs of additional classes, the enrollment

growth fund was established to provide the cost differential needed to fund these new classes.

- b. Distribution: Enrollment growth funds in the Community Colleges Systemwide Support (CCSWS) General Fund budget are distributed based on approved requests for credit courses that are prepared by the campuses in the fall and spring of each year. Campus requests are validated using Institutional Research and Analysis Office (IRAO) metrics and are allocated accordingly. Campus TFSF dollars are also pooled and subsequently allocated back to the campuses for this purpose.

5. Collective Bargaining

- a. Description: Negotiated collective bargaining (CB) funds are provided as augmentations to original campus appropriations during budget execution.
- b. Distribution: The University Budget Office (UBO) allocates lump sum CB funds to the Community Colleges. The UBO allocations are verified using PeopleSoft data and are then distributed to the campuses based on this detailed analysis. Any CB shortfalls (difference between CB allocations and estimated CB requirements) are distributed to the campuses on a pro-rata basis. If the CB augmentation includes the use of tuition and fees to offset salary increases, the VPCC may reallocate general funds if campus tuition revenues are insufficient to meet the collective bargaining requirements.

6. Budget Reductions

- a. Description: Budget reductions are imposed by the Legislature during budget preparation to balance the State financial plan. Recently, the Legislature has made lump sum budget reductions in the University System budget (UOH 900) and has given the University the flexibility to distribute the reductions to the University units. These reductions are subsequently transferred from the University System Administration to the University units and become permanent reductions to unit base budgets.
- b. Distribution: The UBO typically distributes budget reductions based on proportions of General Fund appropriations plus tuition and fee revenues generated by the respective University units. These reductions may be distributed among the UHCC campuses using a similar methodology or may be allocated through a programmatic reduction in campus budgets.

7. Budget Restrictions

- a. Description: Budget restrictions are temporary reductions imposed by the Executive Branch during budget execution to address immediate budget shortfalls in specific fiscal years. Restrictions are imposed at the University level by the Department of Budget and Finance. Restrictions are then distributed by the University System Administration as one-time adjustments to the University units.
- b. Distribution: The UBO typically distributes budget restrictions based on proportions of General Fund appropriations plus tuition and fee revenues generated by the respective University units. These reductions are in turn distributed to the UHCC campuses based on their ability to absorb one-time cuts in that particular fiscal year. As such, methodologies to distribute these funds often include calculations that are based on cash reserves that exceed UHCC reserve policy thresholds.

B. Tuition and Fees Special Funds

In 1995, the Legislature authorized the establishment of the TFSF and permitted the University to retain and expend revenues from tuition and fees to cover programs and operations. Prior to this action, tuition revenues were retained by the State and the University received General Fund appropriations for all of its operating expenses. However, in allowing the University to retain tuition revenues, the Legislature also reduced the General Fund appropriations to the University. The TFSF funds are retained by the respective campuses to cover a significant portion of operating costs.

As a guiding principle, each campus retains its tuition and fee revenues to ensure that successful recruitment and retention programs are rewarded with increases in available resources. The budget allocation process attempts to maintain a balance between preserving the aforementioned guiding principle, ensuring that Community College campuses maintain the operating funds needed to operate effectively, and providing financial incentives to further strategic objectives.

TFSF allocations and assessments are made for the following purposes:

1. Strategic Initiatives

Strategic initiative funding is used to address critical needs identified in the strategic planning and program review processes to improve key outcome measures. The funding is used to augment General Funds for Enrollment Growth, address identified equipment needs, and establish an innovation

fund (e.g., expand financial aid support, improve remedial/developmental education, and augment the Achieving the Dream initiative, etc.).

2. Financial Aid

Pursuant to UH Systemwide Executive Policy, E6.204 Student Financial Aid Assistance Program, a minimum of 8.8 percent of TFSF revenue generated in the previous fiscal year is reserved to address need-based financial aid throughout the community college system. The tuition dollars needed to fund shared need-based financial aid are reallocated between the campuses each year.

3. Risk Management Special Fund Assessment

The Risk Management Special Fund was created by Act 186, SLH 2003, to finance a self-insurance program at the University of Hawai'i. The fund pays for expenses associated with the administration of the risk management program, including insurance premiums, retention payments, and judgment payments. The program is funded by annual assessments to each campus.

4. University of Hawai'i Foundation Assessment

The UH Foundation (UHF) is a private corporation designated as a 501(c)(3) organization by the Internal Revenue Service. It is a legally separate entity from the University but works closely with individuals and other organizations for the benefit of the University. The University enters into a contract with the UHF to provide fundraising, stewardship, and alumni relations services. The contract is funded by annual assessments to each campus.

5. Banner/Kuali Financial System/Information Technology Services (ITS) Building Assessment

The Banner Student Information System was financed by annual assessments to each campus until FY 2011. From FY 2012 to the present, the annual assessments have been used for the new Kuali financial system and to finance the new ITS building.

6. UHCC Marketing Assessment

The UHCC Marketing and Communications Unit works cooperatively with community colleges to communicate the mission, values and news of the UHCC through systemwide marketing, branding and public relations strategies. These efforts increase interest, support, and enrollment in the colleges; strengthens the reputation of the colleges locally, regionally, and

nationally; and enhances the public's knowledge and understanding of the seven community colleges. These activities are financed by annual assessments to each campus.

C. Reporting

Allocation documents are posted on the OVPCC website to provide greater transparency and understanding. Cost, revenue, and efficiency data are also provided to guide data-driven budget decisions.

V. **Review of Current Service Base**

The OVPCC will conduct a periodic review of the current service base and may make reallocations among the campuses based on the analysis.