May 20, 2009

TO: CHANCELLORS
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    Helen Cox
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    Michael Rota (Interim)
    Leon Richards
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SUBJECT: FB 2009-11 Operating and CIP Budget – Conference Budget

FB 2009-11 Operating Budget

The Conference recommendation on the FB 2009-11 Operating budget is generally based on the 20% discretionary general fund budget reduction for the Community Colleges, which included a combination of general fund expenditure reductions ($2,338,830) and a transfer of program expenditures to funding by the Tuition and Fee Special Fund ($3,968,871). The Conference budget specifically recommended the following:

- Agreed with the Community College Systemwide Support (CCSWS) program reduction of $500,000 from the Enrollment Growth funding.

- Agreed with the 10% electricity appropriation reduction ($854,446) from all campuses.

- Agreed with the Community College Systemwide Support (CCSWS) program reduction of position vacancy funding of $285,946 (reduction in support staff and other expenditures) but reinstated $51,350 for the Emergency Repair/Security position for a net reduction of $234,596.

- Agreed with the remaining general fund budget reductions of $698,438, prorated to the campuses.

- The non-specific general fund budget reduction, described as “Reduce funds due to fiscal constraints”, was reflected as a lump sum of $660,000 for each year of the biennium.

- Increased the TFSF non-general fund cost transfer amount for the Community Colleges, set for $3,968,871 at the 20% reduction level.

The Conference budget did not recommend any additional funding for the Governor’s Initiatives included in the Executive budget:

- No funding was approved to maintain/expand the Creative Academies at Kapiolani Community College.

- No funding was approved to continue the Music and Entertainment Learning Experience (MELE) at Honolulu Community College.
The Conference budget included “Educational Stabilization Funds” reflected under the American Recovery and Reinvestment Act of 2009 (coded as “V” funds) for the UH Community Colleges. No details on the policies and procedures for the administration of the funds were provided.

- The non-specific additional funding was reflected as a lump sum of $6,960,000 for each year of the biennium.

The specified recommended actions to reduce our general fund budget results in a decrease of general fund support for the Community Colleges totaling to $6,916,351 in each year of the biennium. However, with the Educational Stabilization funds set at $6,960,000, the Conference budget provides for an increase of $43,649 in each year of the biennium.

Allocation of the Educational Stabilization funds will be discussed at our next Chancellors’ meeting.

The Conference budget recommended approval of our request for a Special fund ceiling increase:

- The Tuition and Fee Special Fund ceiling increase was submitted based on the most recent TFSF revenue projections (9/30/08) which considered campus projections of enrollment growth. The request also included expenditure ceiling adjustments to cover current shortfall situations due in part to the conversion of most of the UHCC tuition waivers to scholarships in FY 2008. The Special fund ceiling increases of $5,568,262 in FY 2010 and $10,352,965 in FY 2011 were approved as requested.

There were two other bills passed with budget implications for the Community Colleges:

- The Office of Hawaiian Affairs (OHA) Appropriations Act (HB 900 CD1, SLH 2009) includes a provision (Section 8) for a general fund appropriation of 3.00 FTE and $87,768 in each year of the FB 2009-11 to establish the Achieving the Dream Initiative for Native Hawaiian students at Hawaii Community College. The funding has to be matched on a 1:1 basis by a trust fund expenditure by OHA.

- SB 1665 CD1, SLH 2009 appropriates $2,400,000 in FY 2010, out of the unemployment trust fund, to be expended by the Department of Labor and Industrial Relations, to assist in the establishment and start-up of the skilled worker and business development center and the development of a skills-based program under the Community Colleges. To the extent possible, appropriated funds shall be from Reed Act funding. Each Community College of the UH system is to be appropriated $200,000 to implement skills-based programs on each campus consistent with the skilled worker and business development center. It is still unclear as to how these funds will be made available to the Community Colleges.

**FB 2009-11 CIP Budget**

The Conference CIP budget includes the following projects funded through general obligation bonds:

- Health, Safety and Code budget for the entire University of Hawai‘i system is $8.840 million in FY 2010 only, the amount originally requested by the University. This includes project
requirements for Honolulu CC ($5,420,000), Leeward CC ($1,500,000) and Maui CC ($630,000) in FY 2010.

- Capital Renewal and Deferred Maintenance for the entire University of Hawai‘i system is $107.000 million in FY 2010 and $27.285 million in FY 2011. The UH Community College allocation will be determined based on the appropriated level of UH system funding.

- Maui CC Science Facility equipment ($3,157,000) approved in FY 2010.

- Windward CC Library and Learning Resource Center equipment ($1,578,000) approved in FY 2011.

- Maui CC Molokai campus land acquisition ($500,000) was added as a Legislative initiative in FY 2010.

- Leeward CC Waianae Education Center land acquisition and renovation ($3,000,000 – plans, land acquisition, design, construction, equipment) was added as a Legislative initiative in FY 2011.

- Hawaii CC East Hawaii Manono campus building renovation and West Hawaii campus development requirements were combined ($10,000 million – plans, design, construction, equipment) and added as a Legislative initiative in FY 2010.

- The Honolulu CC Advanced Technology Training Center (Science & Technology Facility) design funds of $3.494 million was not identified for lapsing.

- CIP funding to repair and modify facilities at Maui CC to further the value added agricultural industry was appropriated under the State Department of Agriculture budget (AGR 141). General obligation bond funding of $125,000 in FY 2010 and $1,100,000 in FY 2011 was appropriated under the condition that “...no funds shall be made available unless matched dollar-for-dollar in cash or by in-kind donations by the private sector. This project is deemed necessary to qualify for Federal aid financing and/or reimbursement.” Details on the execution of this project need to be addressed with the State Department of Agriculture.

Legislative Conference budget worksheets are available on the State Legislative website http://www.capitol.hawaii.gov/session2009/worksheets/worksheetsindex.asp. After reviewing reductions taken at other University campuses and other State departments, we should be thankful that the Community Colleges were not impacted with severe reductions. We sincerely believe that both the House and Senate legislators recognize the value of the Community Colleges, and this is clearly reflected in the budget recommendation. Should you have any questions, please call me at 956-6280 or Michael Yoshimura at 956-5148.

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   Vice Chancellors of Administrative Services
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