Report from LRBPC
Understanding a high level campus budget process

At its June 2, 2016 meeting, the Board of Regents is to review the UH FY2017 Operating Budget for approval.

UH Hilo's operating budget proposal is at the campus level. It is constructed to balance projected expenditures (personnel, scholarships, utilities, other) with projected revenues (general fund and tuition & fee revenues).

By instruction, the operating budget includes the operations of the Small Business Development Center and Summer Session; the operating budget excludes any projection for Governor restrictions.

Changes for FY 2017:

- The revenue and expenditure projections are to be on a quarterly basis, a change from last year's annual projections.
- Act 236 is to be implemented; five percent of FY 2016 expenditures, per board policy on reserves, is to be withheld from the campus TFSF balance in a system level account for the benefit of UH Hilo. The campus will not have access to those amounts, unless in the event of disaster deemed sufficiently disruptive/destructive.
- All campuses are to transfer funds into a central vacation pool account; vacation benefit payouts are to be made from the central pool. This applies to general funded and tuition funded positions that accrue vacation benefits.

Commentary: The campus fiscal state is dynamic and so is managing the campus budget process. Because the campus is directed to balance its revenues and expenditures, what the campus can expend is determined by its revenues.

By way of example, for campus operations in FY 2016 UH Hilo received general funds in the amount of \$31.3m. This included \$1m for collective bargaining, \$75,000 for a Title IX coordinator, and Governor restrictions of \$850k.

Campus allocations set in September 2015 were based on an annual tuition revenue projection of \$35.7m. By Spring 2016, the tuition revenue picture was clearer but lower. We were looking at a \$400k tuition revenue shortfall compared to the September projection. Fortunately, partial release of the Governor restriction in the same amounts allowed the campus to avoid mid-year reductions.

Over time UH Hilo's primary revenue sources, the state general fund appropriation and UH Hilo tuition and fee revenues have grown, but not at rates sufficient to maintain the infrastructure that's been built. Revenues are growing but costs are growing faster. We've accommodated this through reductions except such items as employee payroll. Going forward, UH Hilo will need to identify how best to mold what's existing and how best to add, in order to generate enrollment growth and the tuition stream to better support the cost of what we do.