Report of the Budget Execution

Task Force

August 30, 2005

UNIVERSITY OF HAWAII
KAPIOLANI
COMMUNITY COLLEGE
Budget Execution Task Force

Memorandum

Date: August 30, 2005

To: Leon Richards
Acting Chancellor

From: Frank Abou-Sayf
Chair

Subject: Task Force Report

Attached please find two copies of the report dealing with the study, review, and recommendations to improve the College's budget-execution process.

The Task Force thanks you for the opportunity to be of help to the College.

Report of the Budget Execution Task Force

Background

On July 12, 2005, Acting Chancellor Leon Richards issued a memo announcing the formation of a Budget Execution Task Force to be composed of:

- Frank Abou-Sayf, Chair
- Carol Hoshiko
- Dennis Kawaharada
- Carol Masutani
- Louise Pagotto
- Trude Pang

The Task Force was charged with studying, reviewing, and making recommendations on budget execution, including conducting an in-depth analysis of programmatic deficits by departments to determine causes and solutions. This memo was followed by several others (see all the Chancellor's memos in Appendix A). Subsequently and based on the Chancellor's directives, the Task Force identified, in a July 19 memo to the Chancellor, its plan of action to cover the following issues (Appendix B):

A. Program-specific issues, dealing with individual-unit performance.

B. Umbrella issues, impacting the College as a whole, which were identified to be:
   1. Accuracy of financial reports
   2. Appropriateness of financial reports
   3. Adequacy of the allocation process
   4. Effectiveness of consequences of financial performance

This report highlights the Task Force's findings to date and includes recommendations for subsequent plans of action.

Findings

The Task Force reviewed several financial reports for FY 2003 through 2005 and held 7 meetings between the period between July 18 and August 30. The Task Force's review was limited to credit and non-credit instructional programs. The broad findings can be summarized as follows:

- Financial performance varies substantially by program, with some programs significantly under-performing.
- The current state and timelines of the financial reports contribute to the inability to manage programs efficiently.
- The current budget-allocation process does not seem to be based on empirical evidence, nor is it performance-driven.
- There is a perception that no rewards or punishments for programs that over- or under-perform exist at the College.
- With two exceptions, the non-credit programs' ability to generate revenues has been steadily declining over the past three years. Currently, the non-credit component of the College has become a major source of financial under-performance.

In the following analysis, the status quo is presented and implementable recommendations are advanced.

A. Program-Specific Issues

In this section of the report, results of individual-unit financial performance are reported.

➢ Arts and Sciences

The Current Situation
The Arts and Sciences programs are running in the black. International Programs and the Summer Session are major revenue contributors to the program . Two non-credit programs were in the red: *Exercise and Sport Science* and *ASL Interpreter Education.* For *Exercise and Sport Science,* enrollment is expected to pick up in the Fall 2005 when a certificate for coaches will be offered and a conference will held in September 2005. *ASL Interpreter Education* is currently being reviewed for cost control. The cost of the program assistant accounts for most of the deficit.

Recommendations
- ***No action is recommended at this point for*** **Exercise and Sport Science.** ***The program should be monitored during AY 2005-6. If it continues to under-perform, a plan of action will be put in place to remedy the situation.***
- ***The cost of the*** **ASL Interpreter Education** ***assistant needs to be built into the program's pricing structure; if the structure cannot sustain this expense either through its own revenues or through external funds for the next fiscal year, then the position should be eliminated effective FY 2007.***

➢ Hospitality Education

The Current Situation
In non-credit programs, activity in Hospitality, especially at the Waikiki Lifelong Learning Center (WLLC), is declining. The WLLC is located in the Waikiki Towne Center, which belongs to the Queen Emma Foundation. Approximately one year ago, the Foundation announced its plans to renovate and upgrade the entire Centre. No commitment was made by the Foundation to provide free space for the WLLC. As such, programs and activities at the WLLC have either been relocated or will be phased out by December 2005. At this point, it appears that the WLLC is not likely to generate revenues in the near future.

Another non-credit program within Hospitality Education which has experienced declines in enrollment and revenues is *Interpret Hawai`i*, which was established through legislative action and is financed with G funds.

In Culinary, high operational, repair and maintenance expenses are draining the program's financial resources. Start-up costs at the John A. Burns School of Medicine (JABSOM) have placed additional pressure on the budget. Despite projections, circumstances beyond the program's control resulted in operational delays and lessened revenues so that location did not realize any profit. The Business Plan for this operation is being reviewed for financial break-even. Another expense on the Culinary Program budget has been the planning costs for the Culinary Institute of the Pacific (CIP), with no courses being offered to offset these costs. The CIP was initially a KCC initiative but was later declared a system-wide initiative. KCC's Culinary program covered the additional salaries of Fern Tomisato and Kelvin Ro, who are assigned to work part-time for the Culinary program and the CIP statewide.

A current review is being conducted in Culinary to control expenses under revolving funds and to generate additional non-credit activities. Measures to increase enrollment that were specified in the program's Tactical Plan are being implemented.

Recommendations

- ***The Waikiki Lifelong Learning Center will be phased out. The WLLC Coordinator position has been converted to a Hospitality non-credit coordinator.***
- ***A review and reformulation of the enrollment projections and pricing structure for*** **Interpret Hawai'i** ***public classes will be conducted. Efforts of the non-credit coordinator will be redirected to generate more customized training contracts.***
- ***The JABSOM business plan will be re-examined and revised to reflect a realistic and accurate picture of the JABSOM culinary program's revenue-generating potential. Should this operation continue to under-perform, a plan of action will be put in place during FY 06 to remedy the situation.***
- ***Positions supporting credit instruction that are currently charged to the program's vocational-education special fund will be moved onto TFSF where they belong. This transfer will eliminate the excessive benefits that are currently being charged to the department.***
- ***The College should request to pay no more than its proportionate share of Fern Tomisato's and Kelvin Ro's salaries. For that share, Ms. Tomisato will be assigned to teach credit culinary classes and Mr. Ro his work raising funds for the program.***
- ***The Business Office should generate a separate financial report for the CIP effective Spring 2006 and work with the Culinary Education program to identify the components of that report.***

➢ Health, Nursing and EMS

The Current Situation

The Health programs nearly broke even last year, though it is expected that they may not next year, mostly due to an increase in Nursing faculty salaries. The Health Education unit (EMS, Health Sciences and Nursing) had $30,000 deficit in FY 2005, on a budget of about $4.3 million. The deficit was about the same as FY 2004. So at the end of the FY 05, Health Education was about $60,000 in deficit. The deficit could probably be made up by improving enrollment and retention in the programs overall. Most of the programs are experiencing an increase in enrollment due to efforts by program coordinators and counselors.

Specifically, The MEDAS program is working on a more efficient intake process with Student Services. On the other hand, OTA continues to be under-enrolled (8 new students this year).

Recommendations

A number of options are being currently considered:

- ***Increase enrollment through stronger recruitment efforts.***
- ***Redesign the OTA curriculum to meet 21st Century needs using Title III and HRSA funds.***
- ***Investigate the possibility of offering credit and non-credit short-term OTA certificates.***
- ***Design a plan for fund-raising to support operational needs in OTA and other Health Sciences.***

➢ Business Education

The Current Situation

The Business Education programs are running a deficit in both the credit ($100,000 on a $1.1 million budget) and the non-credit ($70,000 on a $300,000 budget) sides. The way out of this deficit is to bring in more students and to improve the operational efficiency of the non-credit programs.

On the credit side, the deficit was due to three main factors: declining enrollments, over-scheduling of courses, and discretionary assigned time for full-time faculty requiring lecturer replacement. As a result, discretionary assigned time was put on hold for this academic year. The chair was advised to limit the number of under-enrolled classes to those that were essential to programs (fill rates are higher this fall than they were last spring). To build enrollment and retention, BE faculty are meeting using Perkins funding to redesign curriculum and course strategies.

On the non-credit side the deficit was due to having 3.5 FT coordinators, with courses not bringing in enough revenues to cover salaries of the coordinators, program expenses and college assessments. As a result, a 1.0 coordinator was not rehired in summer 05, bringing the non-credit coordination team down to 2.5 members.

Recommendations
A number of options are being currently considered:

- ***Put on hold discretionary assigned time for this year.***
- ***Put on hold one of the three full-time non-credit coordinator positions until further need can be assessed.***
- ***Convert a faculty member who was hired on an 11-month contract and is no longer on 11-month duty back to a 9-month contract.***
- ***Set up budget procedures that will allow the BE department to begin tracking its credit and non-credit expenses and revenues more efficiently.***
- ***Meet with the BE non-credit coordinators to go over a budget plan and directions for non-credit with a possible increase in contract training.***
- ***Redesign the BE programs with a goal of meeting industry needs and attracting more students.***

➢ Legal Education

The Current Situation
The Legal Education program is not in a position to break even mostly due to a relatively large proportion of assigned time, high operational costs and low enrollment. In addition, there is little or no non-credit activity and summer classes. The program has been in deficit for the last three years, about $90,000-$100,000 per year; currently, the program is $293,841 in deficit.

This deficit is due to (1) inadequate G-fund allocation; (2) relatively weak enrollments in its two programs (paralegal and legal secretary); (3) no significant non-credit income; (4) no significant summer school income.

The department has relatively high administrative and support costs. Although it is relatively small (two FT teaching faculty, 15-17 credit classes per semester; 3 classes during the summer), it has an 11-month department chair (6 credits per semester) and program coordinator (3 credits per semester), a full-time secretary; and a full-time counselor.

It appears that non-credit programming and summer school in Legal Education are not likely to generate significant revenue, as the legal profession does not require continuing professional development and the department does not offer transfer courses that attract summer school students. Summer school is run as a break-even operation to maintain the presence of the legal program during the summer, not to generate a profit. Looking into whether the College is able to run revenue-generating non-credit or summer school legal programs might produce some ideas on generating revenues. If this has already been done without any potential revenue sources being uncovered, there is not much hope of generating operational funds from non-credit programming or summer school.

Recommendations

A number of options are being currently considered:

- ***Increase the G-fund allocation to the Legal Education program to cover its instructional costs.***
- ***Add a subsidy to cover the program's operational expenses.***

If the college will not continue to support the program with more funding, the following options might be considered as alternatives to having the program incur a deficit every year:

- ***Combine the secretarial and counseling needs of business and legal into a single unit so that secretarial and counseling staff might be shared.***
- ***Place the legal program under the business department, so that while it would require a program coordinator, it would not require a chair.*** Before making such a move, we should consider whether or not the program could be run at the high level of quality it now does without a chair to manage its operation.

➤ Holomua

The Current Situation

The G-fund allocation to the Holomua program seems to be adequate, as the program has been able to operate within this allocation.

Recommendations

No action is recommended at this point. Program-review data should continue to be monitored to determine whether Holomua could operate more efficiently.

B. Umbrella Issues

This section of the report deals with issues that are common to all units.

❖ Accuracy of Financial Reports

The Current Situation

A survey initiated by the Accreditation self-study team will be conducted within the next few weeks to assess the perception of deans, chairs and directors about the accuracy of the financial reports. However, several discrepancies and errors have been found by Task Force members while examining the 2003, 2004 and 2005 financial reports. Another complaint about the financial reports is the inability to correct promptly errors that are identified and reported. This situation has led more than one dean to undertake the time-consuming task of developing and running their own parallel financial reports.

A sizable source of financial-report errors could be attributed to coding errors in information submitted to the Business Office. Since these front-end errors are at least in part due to the lack of familiarity of users with the codes and their meanings, improved knowledge of these codes is likely to minimize this type of errors.

On the other hand, the Task Force deems that one way to ensure increased accuracy of financial reports is to allow the user to cross-check financial information from different sources. A number of recommendations below are derived from this principle.

Recommendations

- ***The Business Office will continue to maintain reports on the Financial Management Information System (FMIS) and will provide during Fall 2005 the necessary training for managers and department chairs to access this system.*** The availability of the FMIS reports will allow managers to double-check information against those Business Office reports. (Please see below for additional discussion on FMIS.)
- ***The College's Fiscal Officer will prepare an Account Code dictionary and train managers and others on its use.*** The dictionary will be made up of a comprehensive list of account numbers and their use.
- ***A budget analysis report will be issued for the College, to be prepared on a quarterly basis by either the Fiscal Officer or the Vice Chancellor for Administrative Services.*** The report will address such issues as the development of college-wide and program-specific budgets, program allocations, revenue and expense projections, the identification of over- and under-performing units, the implementation of budget revisions, etc. Of

equal value is the fact that this report will serve as a document that will allow for cross-validation, verification and hopefully rapid correction of errors that may exist in other financial reports, thus contributing to an increase in the overall financial-report accuracy.

- ***The Business Office will develop forms that will allow users to identify and report financial errors and temporary status changes with some positions (such as positions loaned out inter-departmentally). Effective Spring 2006, these forms will be used to correct within 30 days errors that are reported.***

❖ Appropriateness of Financial Reports

The Current Situation
A survey initiated by the Accreditation self-study team will be conducted within the next few weeks to assess the perception of deans, chairs and directors about the appropriateness of the financial reports. However, the Task Force and those who were interviewed expressed at least some dissatisfaction with the appropriateness of the current financial reports. The dissatisfaction was mostly in two areas: the format and type of the reports, and the frequency with which they are issued.

Recommendations
The Business Office is to work with deans, chairs and directors to solicit their feedback to generate reports that cater to their needs both in format and frequency. Notable among the possible revisions is the "Assessment" line item, whereby a relatively large theretofore unknown dollar amount is assessed to each program at year-end, a situation that is not satisfactory to most programs. ***The new reports will be issued effective Spring 2006.*** Two examples of a desirable financial-report format from the deans' perspective are presented in Appendix C.

❖ Adequacy of the Allocation Process

The Current Situation
For several years, the budget-allocation process has been based on a formula derived by former Chancellor John Morton. The basis of the allocation process was a set of "factors" used to differentiate between programs based on the programs' running costs. Upon further inquiry and investigation, the Task Force came to the realization that these factors are not empirically based, nor is the current budget-allocation process performance-driven. Instead, the current formula is static, relying on the same factors to allocate costs year after year with no consideration for program financial efficiency or the lack thereof.

As a result and following the Chancellor's directive, the Task Force developed a new budget-allocation formula that could replace the current one. This formula is presented in Appendix D, along with a step-by-step explanation of the various calculations involved. The formula uses student-semester hours (SSH) as the basis of the allocation. The allocation of each program's Tuition and Fee Special Fund (TFSF) is driven by its SSH. To these funds is added a share of the General Funds to complete the total operating-cost need of the program.

This approach allows for several scenarios to be generated based on varying occupancy rates and instructor pay per class to determine the amount of General Fund that is needed to subsidize the TFSF. Built-in incentives in this model include the possibility of allowing the program to keep additional funds by increasing occupancy rates, and to keep part or all of the revenue generated from other sources such as Non-Credit and Summer Sessions. Also, by allocating the tuition revenues on the basis of resident tuition only, this approach encourages programs to increase their share of non-resident enrollees in order to keep the additional tuition differential that they generate. Adjustments may need to be made since some programs, like Health Education, are constrained from enrolling non-resident students. With this approach, the breakdown of TFSF and G-funds could be used to emphasize that G-funds are subsidies, making it clear that the College may not necessarily have an obligation to keep subsidizing every under-enrolled programs year after year.

Recommendations
A new performance-driven budget should be implemented and used effective Fiscal Year 2007. FY 2006 should be used to fine-tune and pilot the model. An example of this allocation process is presented in Appendix D. Different approaches to developing a performance-driven budget need to be considered before selecting the final one. ***Once the model is finalized, offer workshops for deans, directors and chairs on its use.***

❖ Effectiveness of Consequences of Financial Performance

The Current Situation
A survey initiated by the Accreditation self-study team will be conducted within the next few weeks to assess the perception of deans, chairs and directors to assess whether they know of any consequences to financial reports. However, from discussions with several program directors, it appears that no incentive is perceived by instructional-program managers to encourage sound fiscal management. This perception is all the more reinforced by the actions that took place during the last few years, whereby programs that realized surpluses did not get to reap the benefits as promised, while those programs that under-performed were simply bailed out with no negative consequences. This perception is also reinforced by the conviction of some program managers that their allocation of the budget is insufficient to run their programs, hence the futility of attempting to run in the black.

Recommendations

Effective FY 2007, programs which under-perform will be monitored and consequences to their underperformance will be determined on a program-by-program basis, using the College's Mission and Strategic Plan and the program's Tactical Plan as the gauge for determining these consequences.

Performance indicators will be largely obtained from the annual Program-Review Reports. Sufficient warning (at least one fiscal year) will be provided to under-performing programs before any adverse action is taken. These consequences may vary depending on the program's role in the College's Mission and its Tactical Plan. On one end of the spectrum could be the institutionalization of a permanent subsidy plan whereby the under-performing program will receive college funds annually to continue its operation with the understanding that it is not expected to break even. On the other end of the spectrum is the possibility of scaling down of the program's operations or stopping the program out entirely.

The link between budget decisions and mission and strategic plans is a link that has long been advocated by the Accreditation Commission, and a link that has eluded the College so far.

C. Other Issues

A number of issues with college-wide implications have been identified by the Task Force in the course of its deliberations and are presented below.

1. The Non-Credit Situation

The Current Situation

As of several years ago, a model that consists of embedding non-credit programs with their credit counterpart was put in effect at the College. This decentralization, coupled with the proper financial incentives, was expected to allow the credit and non-credit programs to articulate courses and be supportive of each other's needs. This situation does not seem to be happening consistently across the campus, nor does it seem likely that most non-credit programs will generate a profit under the current structure. The time has come to re-examine the model under which the non-credit programs now operate.

The re-examination of the non-credit programs is an issue that transcends structural centralization versus decentralization. A large number of operating models are available, and the determination of the proper structure under which non-credit course would operate would best be determined by an objective, external assessment process. To redesign the non-credit programs with existing resources will be costly –requiring investing a significant amount of time from senior administrators– and may not be perceived as objective.

Recommendations

The College should seek the consulting services of LERN to support with the re-examination of the non-credit situation on campus, at a cost not to exceed $5,000 plus expenses. This organization is to be contacted as soon as possible with attempts to have it complete its assignment by the end of Fall 2005. Former clients of this organization, of which KCC is a member, have been contacted and were found to be positive. In order to cut costs, the College will try dovetailing the consultants' expense with other colleges in the system. Attached is a brochure about LERN (Appendix E).

2. The Summer Session

The Current Situation

Presently, the Summer Session operates much the same way as the academic-year programs. The course offerings are initiated by each program with little or no overriding authority from any other college entity. Financially, the Arts and Sciences program generates the most revenues, while other programs do not cover their costs. Typically, the Arts and Sciences revenues are used to cover any deficits that other programs generate. However, it may be argued that the success of the Summer School is as much a result of the efforts of its organizers as it is a function of the types of courses housed in each department. Overall, the Summer Session is an important source of revenue for the College.

Recommendations
Maintain the operational structure of the Summer Session as it currently exists, while developing an allocation formula that would reward the revenue generators and control the revenue spenders.

3. Improvements in the Business Office

The Current Situation
The College has grown substantially over the last few years and management of its finances has become increasingly complicated. In recognition of the increasing complexity of the College's finances, a new Grants Management position has been created and is being filled. Some vacant positions are also being recruited. The possibility that the Business Office would have the authority, along with the deans, to sign off on grants that need not go to the UH's Office of Research Services (ORS) is being considered. This authority would contribute to a speeding up of paperwork and a lessening of red tape in transactions related to a large number of grants at the College.

Currently, the office is caught up in terms of invoice processing, and plans to continue this up-to-date performance. The office is also re-examining its current procedures and is considering using a college-wide survey to solicit user feedback.

Another issue deals with the management of extra-mural funds in co-operation with the Research Corporation of the UH (RCUH). Currently, RCUH declines to offer fiscal advice to the Business Office in related matters such as the daily processing of POs, while the UH maintains that this advice should be provided by RCUH. Meanwhile, the processing of POs and other grant-related documents is generally slow due to the absence of support.

Recommendations
- ***Ensure that the Business Office is involved at the start-up when procedures impacting its operations (e.g., new contracts, non-credit invoices, ...) are being planned.***
- ***Provide the Business Office with the authority to sign off on grants that do not need to go through ORS, if such decision is within the College's authority to make.***
- ***Clarify with the system the role of RCUH in providing fiscal advice to the Business Office, and identify the entity that is responsible to provide such advice to the Business Office.***

4. Access to FMIS

The Current Situation

FMIS reports seem to be sparsely used by managers outside of the Business Office. These reports provide valuable detailed information that complements other available reports and could provide an avenue for verifying the accuracy of and fine-tuning the programs' financial reports. It is in the College's interest to expand access to and use of these reports: more access to and use of these reports by authorized personnel will provide easy access to the various accounts.

Recommendations

- ***The Business Office continue to maintain reports on the Financial Management Information System (FMIS) and will provide the necessary training for managers on how to use this system during Fall 2005.***
- ***To expand access to and use of FMIS, deans are to provide a list of FMIS users to the Business Office by September 30 so that the Business Office can assign the proper level of clearance and access to these users, in consultation with the Deans. This assignment is to be completed by the end of Fall 2005.***

5. Faculty Assigned Time

The Current Situation

Examination of the financial reports has led to the realization that insufficient control is exerted over faculty assigned time, leading in some cases to unnecessary instructor-replacement costs. The discontinuation of the Workload Report has deprived deans and chairs from one important source of information that allows for the control of assigned time.

Recommendations

The Human Resources Office will be assigned the responsibility to ensure that the Workload Report is issued on a regular basis effective Spring 2006. The Human Resources Office will also be responsible to provide the necessary training for managers during Fall 2005 on how to use the report. In this context, it appears that Harriet Miyasaki would be a key person to consult for this purpose. Ms. Miyasaki has already developed a Banner-based workload report at Honolulu Community College.

6. Positions Loaned Out

The Current Situation

Positions loaned out are positions whose costs the College incurs and whose duties benefit another campus or a system-wide function of which this College is part. Positions loaned out lead to an excessive financial burden on the College. A review of these positions and their purpose needs to be conducted to determine whether the College is contributing more than its fair share of these positions.

Several levels of positions loaned out to the system were identified:

- Positions loaned out for Banner: these include Judith Buffington, Charles Aoki and part of Harriet Miyasaki.
- College Advancement: the College Advancement pays for 50% of Marla Musick's salary, clerical and operational expenses, in addition to the assessment that is levied by the system for the UH Foundation.
- Culinary Institute of the Pacific: As mentioned above, the College is paying for the personnel cost of starting up the CIP, which is a system-wide initiative. At the same time, no tuition is being generated to offset this cost. This excessive contribution constitutes a financial drain on the College, and particularly on the two-year Culinary program budget.

Recommendations

- ***The College should request financial compensation from the system for a contribution to Banner that is larger that the College's share.***
- ***The College should request from the UH Foundation either payment of Ms. Musick's salary's entirely or a drop in the amount it is being assessed for the same purpose.***
- ***The College should request to pay only its proportionate and fair share of Fern Tomisato and Kelvin Ro's salaries.***

Appendix A

Chancellor's Memos

From leon richards <lr24@hawaii.edu> Add Sender

Sent Tuesday, July 12, 2005 6:35 pm

To abousayf@hawaii.edu, masutani@hawaii.edu, dennisk@hawaii.edu, pagotto@hawaii.edu, hoshiko@hawaii.edu, trude@hawaii.edu

Cc debn@hawaii.edu, floo@hawaii.edu, ikaneshi@hawaii.edu

Subject Fwd: Budget Exec Task Force - Deficit Memo

Attachments BgtExecTaskForce.doc 798K

ALOHA ALL,
per my discussion with some of you and based on the recommendations of others,i am appointing you to the Budget Execution Task Force.one of the major purposes of this Task Force is to study,review and make recommendations on budget execution including doing an in-depth analysis of programmatic deficits by tracking net gain(+/_) deficts/surplus from FY 2003 to FY 2005 by departments to determine the causes and solutions.please see the attached memo for details.
i am asking Frank Abou-sayf to convene and chair this Task Force.
thank you,
lr

University of Hawai'i
KAPI'OLANI COMMUNITY COLLEGE
Office of the Chancellor

July 13, 2005

MEMORANDUM

TO: Carol Masutani
InterimVice Chancellor for Administrative Services

Carol Hoshiko
Dean, Hospitality, Community Programs and College Advancement

Dennis Kawaharada
Interim Dean, Health, Legal Education and Business Education

Louise Pagotto
Assistant Dean, Arts & Sciences and CELTT

Frank About-Sayf
Director Institutional research

Trude Pang
Coordinator of Workforce Development

FROM: Leon Richards
Acting Chancellor

SUBJECT: Budget Execution Task Force

In FY 2002, year-end deficits were zeroed out to enable departments to start FY 2003 without a deficit balance. These departments had recorded "IOUs" that were to be repaid when funds became available. Departments with a positive carryover balance were recorded with "credit memos" to document the IOUs.

However, since FY 2003, several departments have either continued or began to incur deficits. We, as a College, cannot and will not allow departments to continue operating at a deficit as this has negative repercussions throughout the entire College. To resolve this ongoing and serious issue, we need to determine the reason why some departments continue to operate at a deficit while other departments are able to manage their allocations and reflect positive balances.

To address this problem, an in-depth analysis of programmatic deficits by tracking net gain (+/-) deficit/surplus from FY 2003 to FY 2005 by departments to determine the cause is needed. This analysis should focus on:

- Course offerings and personnel;

- Causes and solutions;
- Inefficient/ineffective policies/procedures; and
- Internal fund mix and percentage...are enough of General funds being allocated based on mission, directions and availability of General Funds?

Your recommendations should reflect action plans for:

- Determining incentive/basic principles to prevent deficit expenditures for FY 2006 and beyond;
- Providing the necessary tools (including clear and simplified reports, etc.) and training for department chairs, deans, office managers, and clerical support to enable them to understand and effectively manage their budget allocations;
- Specific examples or actions necessary to correct the problem and to sustain ending the fiscal year by breaking even and eventually with a surplus; and
- Developing a budget execution policy.

Based on your expertise and role in the College, I am appointing all of you to be on the Budget Execution Task Force to accomplish the above-mentioned items. I am relying on you to help Kapi'olani Community College move forward in a positive manner and direction.

I will inform the College through the PPAC of your appointment and charge and ask that they fully cooperate by providing information and insight as requested. Your role and task will benefit each department and the College as a whole.

It is requested that your draft outline and plan to address this issue be sent to me by Friday July 29, 2005. Then I would appreciate receiving the final report by Tuesday, August 30, 2005, to enable sufficient time for review and implementation of your recommendations.

- LR:fm

c

From leon richards <lr24@hawaii.edu> Add Sender

Sent Thursday, August 11, 2005 6:11 pm

To abousayf@hawaii.edu, pagotto@hawaii.edu, Dennis Kawaharada <dennisk@hawaii.edu>, trude@hawaii.edu, hoshiko@hawaii.edu

Cc floo@hawaii.edu, janeenn@hawaii.edu, debn@hawaii.edu, administrators: ;

Subject Budget Executive Task Force...

ALOHA ALL,
THANK YOU very much for the work that you are
doing to help make our budget process,allocation
and expenditures more transparent...
however after several discussions with several of you,
faculty,staff and a couple of department chairs,i do
want redirect the focus and directions of your task force.

i need you to work with all deans,several dept. chairs
and AES unit heads to re-design several of budget documents to
reflect best principles and practices.
for examples,i do want our Business Office to send monthly budget status
reports on each revenue-generating unit and each AES unit to the
appropriate deans.
i want your task force to work with with our Business Office to redesign these
reports to make them more useful in monitoring expenditures,revenues,etc...
also i need the Task Force to help clean-up budget reports which
still contain expired accounts and/or
accounts that still carry a deficit even after we have zero'ed out
all deficits.

i am working on a BUDGET EXECUTION PAPER.in this paper,i will define
and delineate
specific work that i need your task force to do.

thus for now,i am re-directing the work of your task force as
detailed in my July 15 ,2005 and in Frank Abou-Sayf's July 29,2005
memo. i will send amended directions and specific work to be done in
my BUSINESS EXECUTION PAPER by August 22,2005.
Aloha,
lr

University of Hawai'i
KAPI'OLANI COMMUNITY COLLEGE
Office of the Chancellor

MEMORANDUM

August 26, 2005
(Revised)

TO: Carol Masutani, Vice Chancellor for Administrative Services
Mona Lee, Dean of Student Services
Carol Hoshiko, Dean of Hospitality and College Advancement
Louise Pagotto, Interim Dean of Arts & Sciences and CELTT
Dennis Kawaharada, Interim Dean of Health, Legal and Business Education
Trude Pang, Special Assignment
Bob Franco, Director of Grants and Resource Development
Frank Abou-Sayf, Director of Institutional Research and Assessment
Kelli Goya, Coordinator of Title III
Conrad Nonaka, Director of CIP
Pohaku Stone, Malama Hawai'i
Harry Davis, Chair of Faculty Senate
Gene Phillips, Chair of Faculty Senate

FROM: Leon Richards
Acting Chancellor

SUBJECT: Budget Execution and Related Matters for FY 2006

Overall, FY 2005 was a good year with summer session and Tuition & Fees from International and Non-resident students being major revenue streams for the College.

Several departments and Administrative and Educational Support (AES) units did a very good job of managing their budget allocations and engaging in entrepreneurial activities to produce surpluses. However, several departments and AES units did not do a good job, resulting in deficits.

In the spirit of making our operating policies and procedures transparent, consistent and implementable, please permit me to share some draft guidelines and criteria for budget allocation and management. Some operating principles and assumptions:

1. Budget requests, allocations and management must be linked to key planning and assessment documents such as our Strategic Plan, Tactical Plans, Perkins Achieving Standards and program reviews. If budget requests are not tied directly to these documents, more than likely they will not be approved.

2. We must re-examine the base budget; we must continue to function and operate as a single entity. This re-examination of existing base budget allocations must take into consideration the mission, institutional goals and objectives of KapCC.

The Budget Execution Task Force will re-examine our current budget allocation process and make recommendations to me. If this taskforce finds that there is a need to change the current formula/logarithm, then they are to develop and recommend a new budget allocation process taking into consideration the mission, institutional goals and objectives and the need for transparency. This taskforce will research and study "best practices" in providing leadership and management of budgets and related financial matters.

3. We must institute incentives and strict and enforceable budget operating principles:
   a. first, all revenue generating and non-revenue generating units' deficits must be covered from FY 2005 budget surplus.
   b. second, for revenue generating and non-revenue generating units showing recurring losses for the last three fiscal years – this an operational issue or whether their base-budget needs to be adjusted in some fashion. Require all units which have shown losses for the last three fiscal years to develop and implement a plan of action taking into consideration their Tactical Plans and program reviews, and Perkins Achieving Standards, etc. to address issues and problems which are resulting in recurring deficits and to mandate stricter oversight and budget management by the dean and the Business Office.
   c. no revenue generating unit and/or AES non-revenue generating unit shall be allowed to operate at a deficit from quarter to quarter without justification and explicit plans for dealing with these deficits. The appropriate dean with the assistance of the Business Office will be required to take necessary action to prevent deficit spending.

The Budget Execution Task Force will be enlarged to include Faculty Senate and Staff Council representatives. This task force will work with appropriate deans and department/AES unit heads to study and assist the appropriate dean and his/her faculty/staff in developing and implementing a plan of action to address issues and problems relating to recurring deficits. The Budget Execution Task Force will be charged with the task of developing and recommending guidelines and elements of a plan of action as well as making recommendations to the appropriate dean on the need to review and adjust the unit's Tactical Plan in light of budget allocations, revenues, etc.

   d. reward revenue generating and non-revenue generating departments/units that produce a profit and/or show a surplus.
      1) create incentives for those units that generate a profit and/or show a surplus to continue to work harder;

2) develop a plan for the distribution of excessive profits and surpluses; profits and surpluses may be viewed as both institutional and departmental in terms of redistribution;
3) consider redistribution of carry-over funds to these units which generate the profits and surpluses. This is for FY 2005 only.

> The Budget Execution Task Force will work with the Business Office to create a Memorandum of Understanding (MOU) to effect the transfer of funds to cover deficits of the revenue generating units. Over time, surpluses generated by the departments receiving the fund transfers will be used to reimburse the departments funding the transfers.

4. We must improve budget planning, execution and monitoring of General funds

   In order to provide the deans with timely and more useful budget information, the Business Office will provide monthly status reports and will meet with the deans on a quarterly basis on budget allocations, expenditures and revenues. Each dean will coordinate and communicate with their department chairs, AES unit heads, etc. in a timely and appropriate manner.

> The Budget Execution Task Force will survey and gather data on how to make the monthly budget status reports more useful, timely and sufficient to the deans in managing their budget allocations, expenditures, etc. Based on their findings, the Budget Execution Task Force shall work with the Business Office in the re-design and reformatting of its budget status reports. In addition, the Budget Execution Task Force will work with the Business Office to clean-up and eliminate accounts which are no longer in use, accounts which still carry deficits even though all units/departments begin the FY 2005 with zero-based budgets, etc.

5. We must improve budget planning, execution and monitoring of non-credit activities

   Non-credit activities need to become more of a major revenue stream for the College. Therefore, there is a need for the College to review and study non-credit operations, productivity and outcomes especially in those units where non-credit is neither efficient nor productive in terms of revenue.

> Therefore, the Budget Execution Task Force is being tasked with the job of reviewing and studying non-credit operations and revenues by departments and to make recommendations on best practices for overhauling non-credit activities, operations, and management.

6. We must improve budget planning, execution and monitoring of extra-mural funds

   Since grants and related resource development are becoming a major revenue stream for the college, especially in fostering creativity and innovation, there is a need for more focused communication between and among the grants' Principal Investigators, project directors and the Business Office in the financial management of grants.

Therefore, I am requesting that the Business Office hold monthly meetings with PIs, co-PIs, project directors, the director Grants and Resource Development, etc. Possible agenda items are:

- financial status and updates
- financial recordkeeping
- requisition information
- overload pay issues
- moving funds within an account
- fringe benefits and calculations
- using indirect costs
- equipment inventory tracking
- summer salary allocations
- stipends vs. fellowship
- student help

The Budget Execution Task Force will work with the Business Office in doing a needs assessment and assist in organizing the workshop and assessing Learning Outcomes of these monthly workshops.

7. The following expenditures must be funded

   - College Operations
     a) electricity/utilities/repair and maintenance
     b) promotion and tenure
     c) collective bargaining
     d) special salary adjustments
     e) federal mandates – student service i.e. college work study, financial aid
     f) assigned time (maybe)
     g) records storage (archived records)
     h) work compensation assessment
     i) retirement/vacation payoffs
     j) marketing
     k) maintenance/licensing/upgrades (Banner, etc.)
     l) service charge (credit card charges, waste management)
     m) payroll lag
     n) institutional equipment and supplies

   - Executive Administration
     a) salaries
     b) TPRC committees
     c) Cost of advertising positions

d) Memberships and subscriptions
e) Faculty Senate and governance
f) supplies and equipment
g) travel, especially neighbor island
h) Staff Council and governance
i) faculty and staff professional development funds
j) Curriculum Management – salaries, supplies, equipment

- <u>Human Resources (Personnel)</u>
  a) salaries
  b) supplies and equipment
  c) staff development

- <u>Business Office</u>
  a) salaries
  b) supplies and equipment
  c) credit card charges

- <u>Auxiliary Services</u>
  a) salaries
  b) supplies and equipment and repairs
  c) Freeman Guard contract (security contract) – increased focus and funding

- <u>College Advancement</u>
  a) salaries
  b) supplies and equipment
  c) marketing/advertising
  d) paper cost/printing
  e) publication cost – Catalog, Schedule of Courses
  f) duplication service
  g) mail service

- <u>CELTT/IMTS</u>
  a) salaries
  b) KISC
  c) supplies and equipment
  d) salaries reclassification
  e) professional development
  f) cross-discipline emphases

- <u>Library</u>
  a) salaries, including tutoring
  b) supplies and equipment
  c) new library system
  d) electronic periodicals

e) salaries/position reclassifications
f) placement testing

- <u>Student Services</u>
  a) application and forms
  b) postage – report cards
  c) supplies and equipment
  d) student health
  e) student housing
  f) license i.e. Classware
  g) interpreters – deaf services (sub-account code)

- <u>International Education</u>
  a) salaries
  b) supplies and equipment
  c) SEVIS
  d) travel and recruitment
  e) translation
  f) assigned time

8. We must institute a Contingency Fund – there is a need to cover a variety of unexpected externally and internally health and safety generated expenses to our College. I am recommending that one or two per cent of the College's budget be set aside as a contingency fund.

   The Budget Execution Task Force shall research and make recommendations on the use of this contingency fund.

I am requesting that each dean and vice chancellor monitor expenditures and revenues in each of their revenue generating accounts and AES units. Since they know their programs and budget best, they have the responsibility and authority to manage their budgets and programs. The Business Office should minimize the use of The All Campus Freeze to control expenditures. The Business Office will review requisitions for compliance with State and University of Hawai'i policies and procedures. They, as the dean, will have the authority and responsibility for managing their budgets within their allocations.

I am counting on each of the deans and/or vice chancellors to hold the line on expenditures by approving only necessary and very essential purchases of goods and services. As a rule of thumb – recommended/approved requests must include "how and where" funds will come from in order to cover this request.

I do want to build into the budgeting process motivation, incentives and appropriate actions for managing your budget efficiently and effectively.

LR:fm

c: Executive Asst Debbie Nakagawa

Appendix B

Task Force Chair's Memo

UNIVERSITY OF HAWAII
KAPI'OLANI
COMMUNITY COLLEGE
Budget Execution Task Force

Memorandum

Date: July 29, 2005

To: Leon Richards
Acting Chancellor

From: Frank Abou-Sayf
Chair

Subject: Outline and Task Force Plan

At your request, I am submitting this memorandum on behalf of the Budget Execution Task Force.

The Task Force has met twice so far and has reviewed a number of financial documents. We have defined our plan of action to cover the following issues:

A. Specific Issues

We will study the individual-unit performance reports in terms of revenues and expenditures. Based on your directives, we will attempt to determine ways to prevent deficits from reoccurring.

B. Umbrella Issues

We have identified four issues that are pertinent to our assignment and that apply to all budget issues. These are:

1. Accuracy of financial reports
   We will determine whether the current financial reports are accurate enough to permit their use with confidence.

2. Adequacy of the allocation process
   We will explore whether the current campus allocation process for the various academic and support-service units is adequate. If not, we will attempt to recommend an alternative allocation formula.

3. Appropriateness of financial-management reports
   We will study the usefulness, timeliness and sufficiency of the current information that is provided to the various units and the extent to which these reports allow for proper fiscal management of each unit.

4. Effectiveness of consequences of financial performance
   We will explore the extent to which managers perceive the existence of consequences to either under- or over-performance.

In all of these issues, we will provide you with implementable recommendations in addition to a study of the current situation. We will provide you with a final report by August 30, 2005, as you requested.

Thank you.

Budget -FY 06

Personnel Expenses	BE	HE-EMS	HE-HS	HE-Nursing	HE-Total	LE	Library
Faculty (FY 05 + 2% raise)	$ 783,183.00	$ 549,589.00	$ 975,085.00	$1,365,428.00	$2,890,102.00	$ 242,738.00	?
Overload (FY 05 + 2% raise)	$ 98,838.00	$ -	$ 168,004.00	$ 56,584.00	$ 224,588.00	$ 87,642.00	
Lecturers (FY 05 + 2% raise)	$ 226,396.00	$ 2,164.00	$ 75,703.00	$ 104,734.00	$ 182,601.00	$ 10,305.00	
Casual Hires supporting Credit Program	$ -	$ 213,046.00	$ 15,010.00	$ -	$ 228,056.00	$ 30,000.00	
Operational Expenses	Not allocated	Not allocated	Not allocated	Not allocated	Not allocated	Not allocated	?
Equipment							
Supplies							
Student Help							
Mandatory Travel							
Other (e.g. discretionary assigned time, travel)							
Total Expenses	**$ 1,108,417.00**	**$ 764,799.00**	**$ 1,233,802.00**	**$1,526,746.00**	**$3,525,347.00**	**$ 370,685.00**	**$ 935,256.00**

Revenue Sources	BE	HE-EMS	HE-HS	HE-Nursing	HE-Total	LE	Library
G-Funds	$ 644,006.00				$3,275,260.00	$ 282,782.00	$ 669,646.00
Tuition Revenue (Projections Based on FY 05 Revenues)	$ 693,389.00				$ 596,208.00	$ 78,844.00	$ 265,610.00
58% System and College Assessment	$ 404,520.00				$ 347,825.00	$ 45,997.00	Not Applicable
Tuition Revenue after Assessment	$ 288,869.00				$ 248,383.00	$ 32,847.00	Not Applicable
Total: G-Fund + Tuition Rev. after Assessment	$ 932,875.00				$3,523,643.00	$ 315,629.00	
Revenue-Generating Activities							
Summer School	Unknown				Unknown	Unknown	Not Applicable
Non-Credit Revenues	Unknown				Unknown	Unknown	Not Applicable
(Faculty Off Loads Grants) minus (Lecturer Replacement Cost)	Unknown				Unknown	Unknown	Not Applicable
Grants: Supplies and Equipment Moneys	Unknown	$ 275,000.00	Unknown	Unknown	Unknown	Unknown	Not Applicable
HE Program Fees (portion that can be spent on operations)	Not Applicable				Not Applicable	Not Applicable	Not Applicable
Total Revenues	**$ 932,875.00**				**$3,523,643.00**	**$ 315,629.00**	**$ 935,256.00**

Appendix C

Examples of Desirable Financial Reports

BE Budget Analysis FY 05

CREDIT				
FT	$	767,826.00		
		($46,000.00)	Dale removed from credit	
Overload		$7,189.00		
Lecturers	$	214,769.00		
	$	96,900.00		
Student Help	$	28,484.00		
Lab Coordinators				
Hongkham Quanesisouk	$	6,770.00		
Keith Okado	$	34,612.00		
Operations Credit	$	2,685.00	More from Noncredit account?	
TOTAL CREDIT	$	1,069,168.00		
NON CREDIT				
Coordinators				**Summer Expenses**
Ed Valdez	$	56,057.00		
Aki Shimizu	$	39,632.00		
Dale Nakasone	$	2,555.00		$ 81,389.00
	$	46,000.00		
Angela Franco	$	13,494.00		
Overload				
	$	657.00		
	$	503.00		
	$	370.00		
Casuals	$	114,578.00		
Non credit supplies	$	113,963.00	Includes $46,000 assessment 04	
			some of these expenses belong to credit?	
Equipment	$	9,249.00		
Student Help	$	43,943.00		
	$	(28,484.00)	Student Help:Credit	
Total Non-Credit	$	412,517.00		

Appendix D

Example of a Performance-Driven Budget

Instructional Costs Based on SSH
FY 2005 Estimates
80% Occupancy

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
2				Actual	Actual	Average			Expected	Actual	Standard		Expected	
3			Avg Max	Classes	Total	Credit Hr	Actual	Class Size	Classes	Instr Pay	Instr Pay/		Total	Needed
4	Dept	SSH	Class Size	Offered	Instr Pay	Per Class	TFSF	80% Full	Offered	Per Class	3-cr Class	Factor	Instr Pay	GF Subsidy
5	BUS	9,751	27.76	161	1,163,559.10	2.94	458,297.00	22	151	7,227.08	5,700.00	1.3	1,091,288.35	632,991.35
6	**EMS**	**1,159**	**17.63**	**16**	**542,464.66**	**8.31**	**54,473.00**	**14**	**10**	**33,904.04**	5,700.00	2.1	**339,040.41**	**284,567.41**
7	Culinary	4,649	24.09	66	910,203.22	4.00	218,503.00	19	61	13,790.96	5,700.00	1.8	841,248.43	622,745.43
8	**Holomua**	**11,665**	**21.33**	**164**	**1,147,017.12**	**3.57**	**565,752.50**	**17**	**192**	**6,994.01**	5,700.00	1.0	**1,342,849.31**	**777,096.81**
9	HOSP	3,050	24.98	50	451,826.53	3.06	143,350.00	20	50	9,036.53	5,700.00	1.6	451,826.53	308,476.53
10	**Health**	**5,924**	**19.40**	**219**	**1,068,635.06**	**2.26**	**278,428.00**	**16**	**164**	**4,879.61**	5,700.00	1.1	**800,256.39**	**521,828.39**
11	LEGL	1,503	27.13	29	361,923.15	3.00	70,641.00	22	23	12,480.11	5,700.00	2.2	287,042.50	216,401.50
12	**LBRT**	**81,358**	**25.90**	**1,267**	**7,251,533.29**	**3.01**	**##########**	**21**	**1,287**	**5,723.39**	5,700.00	1.0	**7,366,001.06**	**3,542,175.06**
13	NURS	4,488	26.42	38	1,521,440.58	4.74	210,936.00	21	45	40,037.91	5,700.00	4.4	1,801,705.95	1,590,769.95
14													Total	**8,497,052.43**
15				Total	14,418,602.71		5,824,206.50						Total available GF	**11,600,382.78**
16													Reserve	3,103,330 35

FY 2005 tuition per credit: 47.00 **holomua** = 48 50

Actual Tot Instr Pay	from Carol M
Actual TFSF	SSH times $47 ($48.50 for Holomua)
Class Size 80% Full	80% of Avg Max Class Size
Expected Classes Offered	SSH over 80% full, divided by Average Credit Hr Per Class
Act. Inst. Pay / Class	Actual Tot. Inst. Pay / Actual Classes Offered
Exp. Tot. Inst. Pay	Actual Instr. Pay per Class multiplied by Exp. Classes offered
Needed GF Subsidy	Exp. Tot. Instr. Pay - Actual TFSF (subsidy over and above TF revenue)
Factor	(Actual Inst. Pay per class/5,000)*(3/Avg Cr Hr per Class), all divided by the Lib Art Factor.

Assumptions and Caveats:

1. Some data include the end-of-year assessment and some don't.
2. Labs are counted the same as classes.
3. Hospitality and Culinary: The TF was proportioned out to each program using the GF ratio.
4. Tuition per credit = $47 for all classes except Holomua, where it is = $48.50.

Worksheet Description

This worksheet uses the complete FY 2005 data. Its purpose is to provide a retroactive view of the financial situation in the past fiscal year, should the model advanced herein have been implemented.

In the worksheet, the data in columns B through F have been obtained either from Banner or from the financial statements. Column E, Actual Total Instructor Pay, is composed of only the total of GF and TFSF that were used for instruction. The data in column G reflect the amount of tuition collected by each program, and is calculated on the basis of $47 for each SSH for all programs except Holomua, where the actual tuition was $48.50 per SSH. Thus, for the Business Education program, a total of 9,751 SSH generated $458,297.00 at the rate of $47 per SSH.

Column H presents one scenario whereby funds would be allocated to programs based on an 80% occupancy rate. In Column H, 80% of Column C, the maximum class size, is presented. Thus, the average class size of Business Education programs would be 22, which is 80% of the average maximum class size of 27.76 after rounding. For this program, if that occupancy rate was the actual one used in FY 2005, the total number of classes would have been about 151, shown in column I, instead of the actual 161 classes offered during that year. Should that number of classes been offered instead of the actual 161 classes, the total cost of instruction per class would have been $7,227.08. This figure was obtained by dividing the total instructors' pay, $1,163,559.10 for the Business Education program, by the 151 expected number of classes.

It should be noted that the figures in column I should be provided by each program as the best estimate for its target performance. This figure will dictate the TFSF that will be allocated to this program and consequently the GF subsidy amount that the program will receive. Should this expected number of classes fall short of the program's estimate, the TFSF that the program will receive will be smaller than expected, while a larger number of classes will allow the program to collect more TFSF in addition to the flat GF subsidy that will be allocated to the program at the beginning of the semester. It is recommended that the final figures related to the TFSF and GF subsidy be reconciled following the period at which students can withdraw from the courses with a 50% tuition refund.

The data in column J can be "normalized" using the overwhelmingly largest program, Liberal Arts, and a standard instructor pay for a 3-credit class, as being equal to $5,700, to which a factor would be applied to reflect the program variations in instructors' cost. These calculations are presented in columns K and L. Thus, for the Business Education program, the instructors' cost in FY 2005 was 1.3 times that of Liberal Arts for the same 3-credit class, while Legal Education instructors' cost was 2.2 times that of Liberal Arts under the same conditions.

The data in column M indicate the expected total instructor cost based on the actual instructor costs shown in column J (or the equivalent combined data in columns K and L). Thus, for the Business Education program, the figure of $1,091,288.35 was derived by multiplying the actual instructor pay per class, $7,227.08, by 151 expected classes to be offered. Since the actual cost of instructors was $1,163,559.10 for this program, it follows that an additional dollar amount would have been needed in FY 2005 to cover the cost of instructors for the Business Education program. This amount is simply the difference between the expected pay, $1,091,288.35 (column M) and the actual pay, $1,163,559.10 (column E). This difference, $632,991,35, shown in column N), would have been advanced in the form of a GF subsidy.

For all programs, the GF subsidy required to run the College at FY 2005's cost would have been $8.497,052.43 (the sum of column N). For that year, the total available GF *for instruction only* was about $11.6 million. Thus, based on this model, there would have been a total surplus of $3,103,330.35, which would have remained in the College's reserves.

It can be seen that the model illustrated in this worksheet uses the number of student-semester hours (SSH) as the driving force behind the fund allocation: the larger the SSH the larger the funds allocated to the program. There are two moving parts to this model that can be controlled or tweaked to allocate funds. These are shown in Columns E and H. This illustration was run using the actual cost of instructors' pay in FY 2005, thereby awarding more to programs that cost more, whether due to a program that is costlier by its very nature or due to fiscal inefficiency. A case could be made that, for example, the pay of Culinary-program instructors need not be 1.8 times that of Liberal Arts instructors (column L), in which case this factor could be changed to, say, 1.5 instead.

The other moving part to the model is the occupancy rate. The data in this example are based on an 80% occupancy rate. Varying this rate indicates a simple rule of thumb, namely that every 5% change in occupancy rate results in a 5% change in the reserve amount. Thus, basing this worksheet on a 75% occupancy rate instead of 80% would reduce the total reserves to $2 million instead of $3 million.

Appendix E

LERN Brochure

Learning Resources Network

PO Box 9, River Falls, Wisconsin 54022

800-678-5376 • info@lern.org • www.lern.org

Learning Resources Network (LERN)

The Learning Resources Network (LERN) is the leading association in continuing education programming, offering information and consulting expertise to providers of continuing education programs. Begun in 1974, LERN serves more than 6,000 professionals every year by providing practical, how-to information on marketing, finances, management, and product development. It is information not available anywhere else. Our slogan is *"Information That Works!"* For more information on LERN visit our web site at *www.lern.org*

Lifelong Learning: 21st Century

The continuing education environment is more competitive than ever. There are increasing fiscal demands, new management challenges, more organizations becoming competitors, and learners' demands are shifting. These are probably the most stressful times that continuing education programs have ever faced

Amidst the changes is also an unprecedented opportunity for growth, recognition and visibility. We are in the century of lifelong learning. The challenges are great, and the possibilities are enormous and exciting.

Lean on LERN

Hourly, LERN members are contacting LERN for help making the transition into the 21st century. LERN staff provides practical strategies and techniques that continuing education staff can use to diversify marketing efforts, increase the success rate of courses/events, grow the level of staff productivity, and improve a program's bottom-line.

LERN staff provides expertise by phone, fax, e-mail, online, etc. Many more continuing education programs are asking LERN to provide consulting expertise specific to their individual programs. They are also asking to be measured against continuing education benchmarks for success.

LERN

Implementing new strategies and techniques can be challenging. Continuing and community education providers shoulder many responsibilities, and having the time for analysis, testing and execution is not always a reality.

The LERN Management Group exists to help your organization achieve the benefits of LERN strategies and techniques.

Partner with LERN

LERN is providing you the opportunity to partner with The LERN Management Group by contracting for 3 years of LERN expertise, services and support.

A contract with the LERN Management Group differs in several ways from consulting. With a contract with the LERN Management Group:

- Staff training is added.
- Ongoing review and monitoring is added.
- Direction is provided over a 3-year period for long-term success.
- Outcomes are quantified for ROI and improvement.

LERN's 7-Stage Improvement Model

The consulting will be customized and tailored to your organization's needs. However, based on our 30 year leadership in continuing and community education, we have developed a 7-Stage Improvement Model that has consistently made a significant impact for continuing and community education programs.

The model, which can be adjusted to your needs, includes:

Year One —

Stage 1. Initial Review.
Evaluation for a) long term proposed changes and b) immediate or short term enhancements.

Stage 2. Short-term Enhancements.
Review, suggestions for improvement:

- Brochure/promotions
- Web site
- Pricing
- Programs and activities offered
- Promotion and marketing

Stage 3. Planning Tools.
Provide models, training and support:

- Visioning
- Needs assessment
- Market segmentation
- Budgeting
- Market plan

Year Two —

Stage 4. Transition to Internet-based Business Operations.
Provide tools and methods:

- Online registration
- Internet-based business operations software
- Online learning options

Worksheet Description

This worksheet uses the complete FY 2005 data. Its purpose is to provide a retroactive view of the financial situation in the past fiscal year, should the model advanced herein have been implemented.

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It should be noted that the figures in column I should be provided by each program as the best estimate for its target performance. This figure will dictate the TFSF that will be allocated to this program and consequently the GF subsidy amount that the program will receive. Should this expected number of classes fall short of the program's estimate, the TFSF that the program will receive will be smaller than expected, while a larger number of classes will allow the program to collect more TFSF in addition to the flat GF subsidy that will be allocated to the program at the beginning of the semester. It is recommended that the final figures related to the TFSF and GF subsidy be reconciled following the period at which students can withdraw from the courses with a 50% tuition refund.

The data in column J can be "normalized" using the overwhelmingly largest program, Liberal Arts, and a standard instructor pay for a 3-credit class, as being equal to $5,700, to which a factor would be applied to reflect the program variations in instructors' cost. These calculations are presented in columns K and L. Thus, for the Business Education program, the instructors' cost in FY 2005 was 1.3 times that of Liberal Arts for the same 3-credit class, while Legal Education instructors' cost was 2.2 times that of Liberal Arts under the same conditions.

The data in column M indicate the expected total instructor cost based on the actual instructor costs shown in column J (or the equivalent combined data in columns K and L). Thus, for the Business Education program, the figure of $1,091,288.35 was derived by multiplying the actual instructor pay per class, $7,227.08, by 151 expected classes to be offered. Since the actual cost of instructors was $1,163,559.10 for this program, it follows that an additional dollar amount would have been needed in FY 2005 to cover the cost of instructors for the Business Education program. This amount is simply the difference between the expected pay, $1,091,288.35 (column M) and the actual pay, $1,163,559.10 (column E). This difference, $632,991,35, shown in column N), would have been advanced in the form of a GF subsidy.

For all programs, the GF subsidy required to run the College at FY 2005's cost would have been $8.497,052.43 (the sum of column N). For that year, the total available GF *for instruction only* was about $11.6 million. Thus, based on this model, there would have been a total surplus of $3,103,330.35, which would have remained in the College's reserves.

It can be seen that the model illustrated in this worksheet uses the number of student-semester hours (SSH) as the driving force behind the fund allocation: the larger the SSH the larger the funds allocated to the program. There are two moving parts to this model that can be controlled or tweaked to allocate funds. These are shown in Columns E and H. This illustration was run using the actual cost of instructors' pay in FY 2005, thereby awarding more to programs that cost more, whether due to a program that is costlier by its very nature or due to fiscal inefficiency. A case could be made that, for example, the pay of Culinary-program instructors need not be 1.8 times that of Liberal Arts instructors (column L), in which case this factor could be changed to, say, 1.5 instead.

The other moving part to the model is the occupancy rate. The data in this example are based on an 80% occupancy rate. Varying this rate indicates a simple rule of thumb, namely that every 5% change in occupancy rate results in a 5% change in the reserve amount. Thus, basing this worksheet on a 75% occupancy rate instead of 80% would reduce the total reserves to $2 million instead of $3 million.