

Act 188 Task Force – University Funding Formula
Meeting Summary

Date: October 30, 2008

Time: Meeting called to order by Co-Chair Morton at 9:30 a.m.

Place: Bachman Hall Conference Room 110

Attending:

Task Force Members: Gene Awakuni, Chancellor, University of Hawai'i,
West O'ahu, designated by Act 188
Virginia Hinshaw, Chancellor, University of Hawai'i,
M_noa designated by Act 188
John Morton, Vice President for Community Colleges,
designated by Act 188
Norman Sakamoto, Senator, appointed by the Senate
President
Debra Fitzsimmons, Vice Chancellor for
Administration for Rose Tseng, Chancellor,
University of Hawai'i, Hilo, designated by Act
188
Carol Ann Van Camp, appointed by the Speaker of
the House

Other Attendees: Mary P. McKeown-Moak, Senior Partner, MGT of
America, Inc.
Howard Todo, Vice President for Budget and
Finance/Chief Financial Officer
Linda Johnsrud, Vice President for Academic
Planning and Policy
Kathleen Cutshaw, Vice Chancellor for
Administration, Finance and Operators
James Nishimoto, Executive Assistant
Joanne Taira, Special Assistant for Planning and
Policy

Introduction of Consultant

Co-Chair Morton announced that the procurement process to hire a consultant for the Task Force had been completed. In accordance with the Task Force's decision, MGT of America had been retained as a consultant. He introduced Dr. Mary McKeown-Moak, Senior Partner of MGT.

Discussion with Consultant

Dr. McKeown-Moak thanked the Task Force for selecting MGT as its consultant. She explained that the Task Force was engaging her as well as all other MGT partners.

Dr. McKeown-Moak outlined her approach to the project - get to know the campuses; become familiar with the political atmosphere; learn what is going on in the State of Hawai'i, and learn how higher education is funded, the goals of higher education, and the mission, in particular any uniqueness or special needs.

In the course of developing an understanding of how higher education is currently funded, she will look at peer and benchmark institutions, as well as aspirational peers. Total funding will be examined that includes state funding, tuition and other sources of funding. When examining the current student body, data will be needed on what they are enrolled in and associated credit hours. The conditions of building and the need for buildings will be taken into consideration. Other data that will be examined: expenditures, revenues, current expenses, cost of instruction per credit hour, and cost comparisons between undergraduate and graduate students.

With respect to adequacy, Dr. McKeown-Moak will look nationally at credit hours per program at other institutions, look at peer institutions and take into consideration the cost of living and past money distributions with respect to equity and adequacy. She explained that she will rely on the Task Force to identify measures to be used to examine equity, such as federal ratios, and to identify which of the four generally accepted methodologies will be used to examine adequacy. She noted that some may assert that if funding is provided like that provided to peers, some may erroneously expect the same output or outcomes. She noted that possible performance measure may include recruitment, retention, graduation, employer satisfaction and report cards.

Mrs. Van Camp asked that given Dr. McKeown-Moak's comment that the mid-November benchmark was not attainable, how delayed is the Task Force? Dr. McKeown-Moak responded that she thought the Task Force's schedule was delayed by a couple of weeks.

Co-Chair Sakamoto said that he did not want to spend too much time on facilities. He explained that the Legislature was already trying to work on the facilities issue, which will vary from campus to campus. He wanted more time and effort spent on performance. The goal is not to validate each program, but rather develop a process that helps to evaluate and allocate limited resources to diverse campuses, e.g., UHH is growing and UHWO is emerging.

Co-Chair Morton asked Co-Chair Sakamoto to provide more background information regarding the evolution of the legislation establishing the Task Force. Co-Chair Sakamoto said that there is a push-pull between the University wanting greater autonomy and the Legislature's involvement in allocating resources. Co-Chair Sakamoto said that he would like to see a process that leads to decision-making that is reason based. Co-Chair Sakamoto added that he was not looking for macro answers or merely validation of previously done reports and analyses such as those done by Vice President Johnsrud. He would like to see if there are concerns with the faculty staff ratio. From a small business perspective, he explained that if salary increases are provided as an incentive, then the business would expect immediate improved performance. Co-Chair Sakamoto thought that the cost of living argument is not as significant given that everyone in Hawai'i is subject to the same cost of living. He explained that he did not want to see a study that recommends "a new irrigation system" for watering purposes but rather "how cups of water" might be distributed. While not wanting to spend much time on facilities, he recognized that the operating costs of facilities should be considered.

Chancellor Hinshaw said that she had been in other higher education system with formula funding. For example, California uses a funding formula based on enrollment. She noted that develop of a formula takes time. Co-Chair Morton said that he did not expect to have a complete study done in the time allotted for the Task Force's study. He wanted quality recommendations and expected that the study would take more than six weeks.

Co-Chair Morton asked Chancellor Hinshaw what she hoped would be the outcome of the study for M_noa. Chancellor Hinshaw said that because UHM is a research university, it has special needs. UHM has already spent time on developing performance outcomes for its WASC accreditation report and studied its facility needs. She would like to see a "roadmap" developed identifying what is to be rewarded, the criteria that will be used in any evaluation, and would like to see a clearer picture of what to invest in. She noted that in California there are three different student-based reimbursement rates depending on the type of institution. As a research institution, UHM is more complex and would require a different rate than a community college. Vice Chancellor Cutshaw added that said that for M_noa she would like to have tools to use when looking at the budget.

Co-Chair Morton asked how the current negative economic situation would affect the study versus a study conducted in a growing economic environment. Dr. McKeown-Moak said that as a general rule, "If there are no new dollars it is difficult to revamp a funding mechanism." It may be possible to develop a plan, to identify where you want to go, and to figure out how much it will costs to get to where you want to go.

Ms. Van Camp said that the university is currently dependent upon the state for funding. She thought that other funding initiatives should be identified such as seeking other source of funding. Chancellor Hinshaw said that she did not think that the university could depend as much on the state, but needed to look to other resources. Ms. Van Camp said that she had spoken to a new UHH faculty member, who said he came from a college whose funding ratio went from 70% state funding and 30% funding from other sources to a ratio of 30% state funding and 70% from other sources. Dr. McKeown-Moak said that the level of state funding for higher education ranges 20% to 80% with varying degrees of financial aid. For example, she said that Michigan has high tuition with middle of the line financial aid whereas another state has low tuition with very little financial aid. The individual state has to decide how to fund higher education based on its philosophy about higher education as being either a state or individual responsibility.

Chancellor Hinshaw said that higher education is in competition with prison for limited state resources. She would like clarity on priorities as it is not possible to change a university on a dime. A research institution is expensive and cannot change overnight.

Co-Chair Morton asked Chancellor Awakuni what he would like to see as outcomes from the study. Chancellor Awakuni said that given the timeframe he looked to seeing a study that was equitable and reasonable. He would like to see a vision for the shared costs of higher education between the state versus individual. He asked what is the balance what the state versus individual should pay? He noted that some see higher education as an entitlement. He would like to see what are the best practices currently being employed by other universities. He explained that when looking at higher education, consideration is also needed on the is happening at K-12 and the relationship to higher education. He would like to know what is the state's role is regarding support of STEM education realizing that STEM course are more expensive? Chancellor Awakuni said that Principal Gayle Awakuni at Campbell High School was able to change the number of her students going to college from 6% to 76%. He cited Principal Awakuni as an example of creating a culture that say you can go to college as the result of the change attending college became a possibility.

Co-Chair Morton asked Vice Chancellor Fitzsimmons what she would like to have considered in the study from the UHH perspective. Vice Chancellor Fitzsimmon would like consideration of the characteristics of each campus its mission, location, difference from community college, diversity of students, difference from UHM and the difference in students. Chancellor Hinshaw added that she would like to see distance education taken into consideration to ensure

that there are no duplication and maximum use of technology across the system and state.

Co-Chair Morton asked Co-Chair Sakamoto what he thought the Legislature expected from the Task Force relating to a baseline analysis and preliminary recommendations by January. Co-Chair Sakamoto said that he thought that if by January the Task Force was able to report the best practices along with a range of tools could be provided, the Legislature would be happy with the Task Force's progress. Co-Chair Morton said that he thought that in 6 weeks it may be possible to get baseline data and develop some understandings. Co-Chair Sakamoto said that agreed that a baseline be developed and asked that information be provided on what others have done. Co-Chair Morton suggested that the best practices could possibly be provided to the Task Force even before consideration of the economics. Co-Chair Sakamoto agreed that it would be very helpful if MGT were to provide information on other states' best practices. He suggested that he was looking at the present situation as a triage process to identify the most likely successful options offering the greatest potential in order to allocate limited resources.

Co-Chair Morton asked and Dr. McKeown-Moak responded that she thought she would be able to provide an overview of national best practices prior to Thanksgiving on or about November 20th. She further stated that she thought she could provide a preliminary report on the data received. She said that she would include background information on what being done by others nationally with respect to performance measures. Dr. McKeown-Moak agreed that in conjunction with her next visit she would like to visit campuses and their leaders. Co-Chair Sakamoto said that if there are other performance measures but data is lacking then need to identify what data need to be collected.

Co-Chair Morton said that for community colleges, he would like to see considered the fact that among community colleges there is a diversity among campuses, e.g., Honolulu – highly technical versus Windward – liberal arts. Vice President Todo said that he values the views of the independent third party consultant by saying "here's what makes sense." He agreed that it is harder to apply changes when there is no money. It is harder to reduce money from one program to give to another program.

Vice President Johnsrud said that the Task Force's outcome needs to address the sense of unfairness and distrust in of the existing system. She want to look at many variables that will be helpful in decision-making. She would like to see turf wars avoided and cited for example distance education as an example. Chancellor Hinshaw said that individuals or groups go to the legislature and create a sense of unfairness when a subject that is being lobbied for is funded and other requests are not. Chancellor Hinshaw said she views the legislature

as the “biggest donors” to the University. She said she thought that the legislature has problems getting clear priorities.

Vice President Todo said that he thought that there’s a sense that people feel they are not getting their fair share as the distribution is not equitable. MGT can add value to address the issue of equity. It would be nice if the Legislature gave the University one number (lump sum) but he said that he didn’t think this would go over well with the Legislature. The old way of 205 Program Change Requests (PCR) submitted as the University’s budget request just opens the flood gates, allows for advocacy by special interest and leads to unusual things in the budget. It would nice to have reasons why the money is appropriated, but realizes that there will always be a push-pull between competing interests. Chancellor Hinshaw added that she wants a better sense of trust with the Legislature and that there is a need to make clear what the University’s priorities are.

Dr. McKeown-Moak said that she would share some guiding principles. She noted that some of the guiding principles are the same as those in Act 188. She said that as the Task Force proceeds that there will trade-offs citing unique campus needs adds complexity and therefore may be lost, if simplicity is made a priority. If a priority is to recognize special need students, then it will be necessary to track such students.

Co-Chair Morton asked Dr. McKeown-Moak to report to the Task Force at its next meeting “best practices” being observed by other universities and also note some of the pitfalls that the Task Force should be aware of in conducting its study. Dr. McKeown-Moak said that formula funding works, but in down economies the formula cannot be relied upon to provide adequate funding. Vice President Todo added that he thought that in down economies formula funding do not work.

Co-Chair Morton said that he hopes that the Task Force would result in a more equitable distribution of available funding, point out “what should be” as it relates to higher education, provide recognition that an enrollment increase will not automatically mean increased funding. Co-Chair Morton added that the formula will not necessarily be limited to general funds plus tuition. Vice President Todo said there is a need to figure out how incentives are going to work. Co-Chair Morton said that incentives would be more effective, if a pot of new money were made available. Chancellor Hinshaw said that most places rely on reallocation of funds to implement change, for example generate from savings a pot of funds to fund future changes. Unfortunately in Hawai’i, when one tries to create a pot of funds, it becomes a target for sweeping. Co-Chair Morton said that a recommendation may be to treat the University differently by allowing the accumulation and preservation of funds.

Vice President Todo said that the line-by-line budgeting and position control is burdensome, but such is not likely to change as long as state funds were involved. Dr. McKeown-Moak said that position control is still used by many states for budgeting.

Co-Chair Morton said that Dr. McKeown-Moak is available to visit campuses. He asked Vice Chancellor Fitzsimmons if she wanted to try to arrange to have Dr. McKeown-Moak visit UHH following the meeting of the Task Force. Vice Chancellor Fitzsimmons said that she would immediately check with her campus.

Next Meeting

The next Task Force meeting was tentatively scheduled for November 20, 2008 at 9:30 am in Bachman Hall 113.

Adjourn

The Meeting was adjourned at 11:30 a.m.