Act 188 Task Force – University Funding Formula
Meeting Summary

Date: December 11, 2008

Time: Meeting called to order by Co-Chair Morton at 11:05 a.m.

Place: Teleconference: Bachman Hall Conference Room 113; University of Hawai‘i at Hilo, Chancellor’s Conference Room; and Offices of HGT of America

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
Rose Tseng, Chancellor, University of Hawai‘i, Hilo, designated by Act 188

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
Debra Fitzsimmons, Vice Chancellor for Administration
James Nishimoto, Executive Assistant
Joanne Taira, Special Assistant for Planning and Policy

Consultant Comments

Co-Chair Morton distributed extra copies of documents originally distributed electronically to Task Force members: Cost Per Weighted Credit Hour, 2006-2007; State & Local Appropriations and Tuition & Fees Per Student; Percentage of Benchmark’s Mean State & Local Appropriations and Tuition & Fees Per Student at HCC Campuses; and Tables for Each Campus of Benchmarks and Peers (as appropriate) Listing the Number of Students, Tuition & Fees Per Student, Federal Appropriations, Local Appropriations, Total Appropriations, Federal Appropriations Per Student, State Appropriations Per Student, Local Appropriations Per Student, Total
Appropriations Per Student, and State and Local Appropriations and Tuition & Fees Per Student.

Dr. McKeown-Moak reviewed the reports, explained the content and how the elements were calculated. She noted that MGT downloaded IPEDS information for peer and benchmark institutions identified by UH. For community colleges benchmarks State & Local Appropriations and Tuition & Fees Per Student were compared as a system; UHM was compared with peers and benchmarks while UHWO compared to peers only. She explained that no evaluation had been made regarding the identified peer and benchmark institutions, whose funding levels varied and therefore such was an issue when making comparisons. For comparative purposes, state and local appropriations and tuition and fees were converted to a per student rate. Chancellor Awakuni asked about local appropriations. Dr. McKeown-Moak replied that some peers receive local government funding.

Co-Chair Morton explained that UH had determined peers and benchmarks with benchmark institutions being those institutions that the University aspires to become, and peer institutions being those institutions that UH feels are similar to UH. Vice President Johnsrud explained that peer and benchmark institutions were identified a number of years ago by a consultant and may have changed since their original identification. Dr. McKeown-Moak explained that peer and benchmark institutions were taken as a given and not evaluated. She further noted that Hawaii has special conditions different from all peer and benchmark institutions.

Co-Chair Sakamoto asked if an explanation could be provided explaining how peers and benchmarks were identified. He suggested that the system could provide an explanation how peers and benchmarks were identified, along with the criteria used. Dr. McKeown-Moak stated that peers and benchmarks were being used as a starting point. Vice Chancellor Fitzsimons noted that UHH had been working with Vice President Johnsrud to change UHH’s benchmark institutions. Co-Chair Morton suggested that peers and benchmarks may need to be reexamined. Vice President Johnsrud agreed that at least an explanation how and when peer and benchmark institutions were identified may be helpful. Dr. McKeown-Moak asked if UHH had a different list. Vice President Johnsrud said that a revised list was under review; however, the revised list included comparison with different types of institutions. Therefore, more dialogue was needed with UHH on peers and benchmarks.

Vice Chancellor Fitzsimons said that the updating of the listing of peers and benchmarks depends on how important the listings are in determining if they are critical in the allocation of resources. Dr. McKeown-Moak said that it is unlikely that any formula would be based on comparison with peers. Dr. McKeown-Moak added that there were too many things in Act 188 that need to be taken into consideration thereby precluding simple comparison to peers.
Dr. McKeown-Moak returned to a review of documents noting that the weighted credit hours are credit hours by discipline by level time a weight determined by the “average pricing” of producing the credit hours with average price being based a 2006-2007 study of costs in Texas. The “cost” was calculated as the total 2006-2007 operating expenditures, minus auxiliaries, minus independent operations, and minus depreciation, as reported to IPEDS. She explained that she did not consider cost of living. Dr. McKeown-Moak noted that the most expensive cost per weighted credit hour could be found at Kaua’i Community College due to the many programs being offered to a small study body. UHM’s high cost per weighted credit hour probably associated with the costs of research and public service.

Co-Chair Sakamoto asked what was included in public service. Co-Chair Morton explained that service is an IPEDS category and includes outreach activities. He did not think that the data reported was “clean,” as different institutions included different components, (e.g. apprentice programs, radio and television programs) not related to instruction. Co-Chair Morton suggested that there was a need to check with IPEDS submitters and ask what data was submitted or excluded. Dr. McKeown-Moak explained that in her calculations she did not run delete research and public service and that such significantly affects UHM and may affect UHH. Chancellor Awakuni asked if we were required to follow national guidelines when submitted data as are peers and benchmarks institutions. Dr. McKeown-Moak responded in the affirmative that all institutions were to follow the same guidelines when reporting data.

Chancellor Awakuni asked how operating expenses, facilities got incorporated. Dr. McKeown-Moak explained that the cost of administrative overhead was not spread out and that the purpose of cost per weighted credit hour was to create a basis for comparison.

Vice President Johnsrud commented on the fact that faculty salaries at UH are differentiated across institutions and disciplines. Co-Chair Morton noted that UH probably pays adjuncts 2-3 times more than Texas. Dr. McKeown-Moak explained that the Texas formula did take into consideration the number of adjuncts and fact that one institution, (e.g., Abilene) may use more full-time rather than part-time faculty. Co-Chair Morton stated that Hawaii will be an “outlier” on what paid to adjuncts

Dr. McKeown-Moak explained that the data provided is for only an initial comparison purposes using cost per weighted credit hour. Co-Chair Morton asked if the cost per weighted credit hour was different from Illinois when comparing by discipline. Dr. McKeown-Moak explained that other states aggregate and differentiate differently. She suggests that Hawaii had a number of institutions that were not able to work at efficiency. Chancellor Tseng commented that UHH needed to provide expensive services, (e.g., astronomy). Co-Chair Morton asked if comparisons could be made between Texas and UH. Dr. McKeown-Moak Texas explained that Texas has an additional permanent fund source based on oil and that while a total appropriations per
credit hour could be calculated for Texas, there would have to be recognition that Texas included an additional revenue source.

Chancellor Tseng noted that Hawaii doesn’t have a separate medical program and therefore nursing is included among other instructional programs. Dr. McKeown-Moak said that she had not pulled nursing out, but did note that Texas funds separately a health sciences program and that she planned to pull out nursing and look at difference in weighted credit hour costs. Based on the revised calculations she would make tentative recommendations; have questions for the members of the Task Force to address, and planned to ask how to incorporate incentives component. Co-Chair Morton noted that incentives were part of Act 188’s charge. Chancellor Awakuni added that it may be necessary to look at base, as well as incentives with respect to such issues as servicing workforce needs. Dr. McKeown-Moak explained that in refining her calculations she would be looking at utility costs, funding for native Hawaiian programs and costs of nursing.

Co-Chair Sakamoto asked if there was a way to break out administrative costs separately from the costs of instruction. Dr. McKeown-Moak said it was possible to separate costs. She explained that some states have separate base costs and cited Illinois having a $1 million based in comparison to Texas with a $750,000 base. Co-Chair Sakamoto asked how detailed can data be provided below community college campus level. Dr. McKeown-Moak said that she planned to provide credit hours per discipline; cost of administration, cost of utilities, and cost of student services. Co-Chair Sakamoto said that there was some criticism of what was included in the base and he hoped that the formula being developed would take into consideration what other states, (e.g., Texas and Illinois) were doing. Dr. McKeown-Moak said that it was her intent to identify how much it costs and not how much it should be. Vice President Johnsrud stated that while comparison of costs relative to Texas are helpful, Hawai‘i needs to know what it costs and determine incentives. Dr. McKeown-Moak said that she would be developing data to show where Hawai‘i is currently and where it should be. Hawai‘i will have to decide what it is going to do. Co-Chair Sakamoto stated that a funding formula had been developed for K-12 schools. Small schools wanted protection with a larger guaranteed base.

Co-Chair Morton asked Dr. McKeown-Moak if she needed any further feedback from Task Force members. Dr. McKeown-Moak asked that Vice President Johnsrud and Vice Chancellor Fitzsimons continue to talk more about peers and benchmarks and to apprise her of any changes. Vice President Todo said that he would like to see the spreadsheet used to calculate the cost per weighted credit hour. Co-Chair Morton said that he would ask those submitting IPEDS data to see how UH reports astronomy as public service or instruction and also how athletics expenses are report, e.g., student services or other category.
Next Meeting

The next Task Force has been scheduled for December 18, 2008 at 10:30 a.m. in Bachman Hall 113. Dr. McKeown-Moak is to attend in-person.

Adjourn

The Meeting was adjourned at 12:10 p.m.