Memorandum

TO: Randolph G. Moore  
Chairperson, Board of Regents

VIA: David Lassner  
President

FROM: Robert Bley-Vroman  
Interim Chancellor

SUBJECT: Materials for the Board Committee Meeting on Budget and Finance

Please see the attached slides on UH Mānoa's budget to be discussed at the Board Committee Meeting on Budget and Finance meeting on Wednesday, November 4, 2015.
UH Mānoa Budget Process
Overview of Proposals
November 2015
Budget Allocation Spectrum

Centralized

Last year plus/minus and whatever one can argue for (“History plus Pleading”)

Want some middle point with its associated allocation mechanism

Decentralized

Every tub on its own bottom (RCM)

What is that point?

How do we get there?
UH Mānoa Budgeting Principles

1. Strategy
2. Student focus
3. Transparency
4. Authority and responsibility
5. Incentives
6. Balance
7. Simplicity
8. Financial stability
UH Mānoa Budgeting Principles

1. **Strategy:** While addressing immediate, short-term fiscal issues, the budget process must ensure academic integrity and furtherance of the university’s mission. Academic strategic priorities must guide and influence resource allocation, and be reflected in the allocation decisions.

2. **Student focus:** The impact on students is a primary consideration in all budgetary decisions.

3. **Transparency:** The budget process will be conducted in a participatory and transparent manner.

4. **Authority and responsibility:** Authority aligns with responsibility; responsibility is commensurate with authority. The effective distribution of responsibility and authority requires accountability.
5. **Incentives**: The budget process contains incentives to promote academic quality, academic innovation, and operational efficiency.

6. **Balance**: The budget process aligns units’ resource allocations and their performance and contribution.

7. **Simplicity**: The budget process is relatively simple to understand, explain and maintain.

8. **Financial stability**: Responsible planning requires a consistent and predictable financial environment.
Revised Budget Model
October 2015

General Funds
UG Tuition → Waivers → UH System
Grad Tuition → Waivers
Course/Program Fees → UH System → OVCR
Extramural Indirect
Other Funding Sources → (Includes funds generated through Outreach College, RCUH, UHF, and Extramural Direct)

S/C/O: School, College, or Organized Research Unit

Funding Pool
UG & Grad Instructional Returns → Mission Support

Strategic Investment
Infrastructure, Services & Common Good (Not Assessed)
Infrastructure, Services & Common Good (Assessed)

To Generating Unit if earmarked, otherwise to Budgetary Authority
Revised Phase II Budget Model
Unit Chart

Funding Pool
- Mission Support
- Strategic Investment

UG Tuition
- UG & Grad Instructional Returns

Grad Tuition

Extramural Indirect

Other Funding Sources

S/C/O: School, College, or Organized Research Unit

Note: Not all units will have all flows

Personnel & Other Direct Expenses
- Utilities
- Facilities Maintenance
- Administrative Support
- Student Services
- Academic Support
- Research Support
- Others

Direct Expenses
Assessments: Infrastructure, Services & Common Good

Sample Criteria
- Actual use, amount & type of space
- Staff FTE, expenditure level
- SSH, # Majors
- Student headcount and FTE
- Level of extramural funding

Note: Not all units will have all flows
Student data in Banner:
1. Tuition charged, tuition waived, and tuition billed
2. Course registration

Calculate effective tuition rates per student
(Tuition billed/credits taken)

Calculate tuition & waivers per course

Undergraduate
Aggregate courses by Department & college

Graduate
Aggregate students by Program & college
<table>
<thead>
<tr>
<th>Academic (Direct Providers)</th>
<th>Non-Academic (Other Units)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Activity-Based</strong></td>
<td></td>
</tr>
<tr>
<td>• Instructional Units</td>
<td>• Athletics</td>
</tr>
<tr>
<td>• A&amp;H</td>
<td>• Health Services</td>
</tr>
<tr>
<td>• Architecture</td>
<td>• Campus Services</td>
</tr>
<tr>
<td>• CTAHR</td>
<td>• Student Activities</td>
</tr>
<tr>
<td>• Education</td>
<td>• CCB</td>
</tr>
<tr>
<td>• Engineering</td>
<td>• SAPFB</td>
</tr>
<tr>
<td>• KSHK</td>
<td>• GSO</td>
</tr>
<tr>
<td>• LLL</td>
<td>• ASUH</td>
</tr>
<tr>
<td>• Natural Sciences</td>
<td>• BOP</td>
</tr>
<tr>
<td>• (and the rest)</td>
<td>• UH Press</td>
</tr>
<tr>
<td>• Outreach</td>
<td>• Auxiliary enterprises</td>
</tr>
<tr>
<td>• ORUs</td>
<td>• Residence Halls</td>
</tr>
<tr>
<td>• Clinical Practice</td>
<td>• Parking</td>
</tr>
<tr>
<td></td>
<td>• Food services</td>
</tr>
<tr>
<td></td>
<td>• Conference center</td>
</tr>
<tr>
<td><strong>Centrally Budgeted</strong></td>
<td></td>
</tr>
<tr>
<td>• MCO, VCAA, VCR</td>
<td>• VCAFO</td>
</tr>
<tr>
<td>• Instructional support (eg, OFDAS)</td>
<td>• Facilities and grounds</td>
</tr>
<tr>
<td>• Research Support (eg, ORS)</td>
<td>• Advancement Office</td>
</tr>
</tbody>
</table>
Annual Budget Review

- Financial performance
  - Tuition actual from UHM
  - Cost estimates from unit
  - Mission support request

- Operational efficiency
  - Standard data from UHM
  - Discussion from unit

- Performance quality
  - Discussion from unit

- Strategic importance
  - Discussion from unit
Recommendations

1. Adopt Budgeting Principles
2. Separate undergraduate and graduate tuition and begin allocating actual tuition revenues to the appropriate schools and colleges.
3. Return as large as possible percentage of the graduate tuition to the schools and colleges in which the students are enrolled. Account for GA waivers so that tuition can be billed if desired and units will see a return; separate graduate tuition from the 20% institutional scholarship tax.
4. Begin a detailed analysis of the cost of infrastructure and common goods with the goal of being able to determine which can be assessed to units and how to do so.
5. Modify the annual budget review process, moving from making adjustments to last year’s allocation, to determining mission support.
Necessary Actions

1. Analysis using fiscal year 2015 data of the feasibility of the percentages in the budget model
2. Assessment of infrastructure & common good
3. Revision of, or additions to, information technology support systems (Banner & KFS)
4. Development of standard formats for annual financial reviews/requests
5. Detailed analysis of implications for the assigning monetary value to tuition waivers for graduate assistants, and an analysis of the use of undergraduate waivers.
Necessary Actions (continued)

6. Development of metrics for operational efficiency across types of units.

7. Development of metrics for service quality and benchmarks for support units

8. Analysis of how best to incorporate funds from other funding sources, such as, Outreach College, extramural direct, RCUH, and UHF, into the budget process.
Areas of Recommendations

1. Budgeting Principles
2. Separation of graduate from undergraduate tuition
3. Return of tuition; principles, treatment of scholarships and waivers
4. Infrastructure and common goods
5. Process to allocate mission support (modification of annual budget review process)
6. Changes to information systems (Banner & KFS)