UH Mānoa Budget Process
Overview of Proposed Changes

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The current legacy budget process is not producing desired outcomes

Legacy

Last year plus/minus and whatever one can argue for

Incentive Based

Every tub on its own bottom (RCM)

Want some middle point with its associated allocation mechanism

What is that point?

How do we get there?
A set of eight UH Mānoa Budgeting Principles can guide the budget process

1. Strategy
2. Student focus
3. Transparency
4. Authority and responsibility
5. Incentives
6. Balance
7. Simplicity
8. Financial stability
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.
The principles can best be met by changing the budget culture.
UHM Revised Budget Model

State Funding

UH System

Student Aid

Revenues

Funding Pool

Mission Support

Strategic Investment

Infrastructure & Common Good

Direct Expenses

Revenue-Based Allocation

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

Move from a single, central allocation to two allocation flows
Example revenues that units directly impact

- Tuition
- Fees
- Extramural grants
- Other

100% of fees go directly to appropriate units

RTRF allocated according to existing 25%/25%/50% formula

Tuition allocation depends on type of tuition
Allocation of Tuition & Fees

UG Tuition
- Waivers
- Net
- UH System
- Scholarship Pool
- Tuition Pool
- Funding Pool
- S/C/O
- Mission Support
- UH System

Grad Tuition
- Waivers
- Net
- Tuition Differential
- S/C/O
- School, College, or Organized Research Unit

Net

Campus Wide
- By College

Course/Program Fees
How does the new model promote improved fiscal management?

- Full transparency of funds generated by units and amount of mission support provided
- Explicit link between a unit’s performance and its budget allocation
- Greater accountability
- Incentives to graduate and recruit students
- Incentives to raise funds to support graduate students
- Incentives to improve operational efficiency
What do the numbers look like?
Allocation of Tuition & Fees

UG Tuition
Campus Wide

Grad Tuition
By College

Course/Program Fees

Scholarship Pool

Funding Pool

Mission Support

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

Tuition Pool

Tuition Differential

Net

UH System

Waivers

4%

20%

60%

40%

30%

70%

100%

100%
First Year: Mission Support to set total allocation equal to previous year’s allocation

Then adjusted in an annual budget process
The budget process needs to evolve in stages

1. We have begun to implement instructional return
2. A common data set that brings together fiscal (KFS) and academic (Banner) data
3. Method for adjusting mission support on an annual basis and linking mission support to strategic initiatives
4. Method for tracking and reallocating general funds to ensure proper expenditure
5. Analysis of the cost of infrastructure & common goods with goal of being able to assess operational efficiency & quality of service
A significant first step toward a new budget model

✓ A budgeting process driven by *budgeting principles*
✓ *Full transparency* of revenues and mission support
✓ Clear links between unit *performance* and allocations
✓ Greater *accountability* and alignment of authority & responsibility
✓ Ability to incorporate *strategic* plans
✓ A process everyone can *understand*

Will continue to consult, refine, and address implementation issues
Mahalo

Questions & Discussion