

Budget Workgroup

Summary Points of Meeting

January 20, 2009

Hawai'i Hall Room 309

2:30 pm – 3:50 pm

Attendees: Kathy Cutshaw, Christine Sorensen, Klaus Keil, Annette Chang, Krystyna Aune for Tom Bingham, Ross Christensen, Gary Ostrander, Alan Teramura, Bruce Liebert for Peter Crouch, Peter Quigley, Francisco Hernandez, Maenette Benham, Marla Acosta, Ann Sakuma

Chancellor's charge for the Budget Workgroup (BW):

- Recommend budget allocation strategies to the Chancellor which will allow the campus to respond to potential short and long term budget reductions and/or internal reallocation opportunities.
- Recommended budget strategies should be consistent with our campus-wide principles as stated in the University of Hawai'i at Mānoa Strategic Plan and the WASC Institutional Proposal Themes. The budget strategies should incorporate, but not be limited to, the prioritization process established by the Process Committee.
- The BW should critically consider all options.

At a minimum, the BW has agreed to meet every Friday at 8:00 am for two (2) hours to fulfill the Chancellor's charge. Additional meetings will be scheduled as necessary to provide the Chancellor with an initial report by Friday, March 6, 2009. Although it was agreed that the deadline is an aggressive one, it was also agreed that this schedule is critical in order to allow time for the Chancellor to respond to budget decisions for the Biennium FY2010-11 implementation or sooner, if additional reductions are required for this fiscal year (FY09).

It was agreed that there would be no substitutes allowed for subsequent meetings. If possible, we will set up conference call-in capability for members who will not be able to attend in person. Ann will research and advise instructions for call-in.

Given the time constraints in responding to potential budget reductions, a major challenge for the BW is to effectively communicate the deliberations, progress, and recommendations of the committee in a clear and concise way to the campus community and to provide for feedback and comments as the process evolves.

The BW website is available at: <http://www.manoa.hawaii.edu/ovcafo/newbdgtwkgrp/index.html>

The web site will host minutes for all meetings and reference documents/data used in discussions. It is important to emphasize in these challenging times that each member of our community is responsible for communication. Representatives of BW will schedule regular budget status update meetings with SEC, CAB, the Council of Chairs, MET, the Chancellor's Executive Staff and any other interested groups. Each of these groups should be reminded of their responsibility for appropriately disseminating budget update information to their respective constituents. To ensure widespread communication coverage, it was recommended that the BW utilize e-mail blasts and notices in the Kaleo to help ensure that the campus community is updated on the discussions and has the opportunity to comment as the process goes along.

Principles and Prerequisites

The BW agreed to adopt the principles and prerequisites as developed by the Process Committee.

Overarching Principles

- Ensure transparency and openness at all stages of the process.
- Ensure adequate feedback loops in the process and that feedback actually occurs.
- Build for flexibility, responsiveness, efficiency and sustainability.
- Strategic cuts are preferable to across-the-board cuts.
- Eliminate duplication.
- All programs and units, without exception, will be examined objectively.

Prerequisites

- Ensure that the core needs of students are met.
- Preserve the health and safety of all members of the campus community.
- Continue facilities repair, maintenance, and investments in cost-saving initiatives.
- Enhance the integrity and quality of academic programs, research infrastructure and capacity in areas highly aligned to the UHM vision.
- Enhance programs that serve the current and future needs of the state and/or nation.

In addition, it was agreed that the role of each committee member was to represent the Mānoa Campus as a whole which may/or may not represent the specific interests or individual units of the individual committee members. This will be a very difficult process and it is crucial that committee members address issues in an analytical and unbiased manner, making recommendations that protect our institution as a whole.

Brief Overview of Budget Situation

We are uncertain what the final budget outcome will be for the FY 2009-11 Biennium years or if there will be further restrictions this fiscal year (FY09). In September 2008, the Governor asked all State Agencies to prepare budget reduction plans addressing a 10%, 15%, and 20% reduction

in discretionary budgets (defined as public service and institutional support). Part of the Governor's calculation included assessing instruction, research, academic support, and student services a one percent (1%), two percent (2%), and three percent (3%) cut.

For the University of Hawai'i System, this discretionary budget cut amounted to \$13.5M, \$22.0M, and \$30.6M respectively. The UH System then allocated the campuses' share of the cuts based upon "our ability to pay." Thus, the final reduction was based on carry-forward balances and projected tuition revenues. Given this methodology, Mānoa's share of the cuts would be \$7.9M (58%), \$13.6M (62%), and \$19.4M (64%).

On January 5, 2009, the Governor's budget was presented to the Senate Ways and Means Committee and the House Finance Committee. The Governor recommended a ten percent (10%) reduction in discretionary funds for the University of Hawai'i. For Mānoa, this means a general fund reduction of \$7.9M.

At this 10% reduction level (\$7.9M), the campus has committed to try to cover it centrally by reducing electricity (\$3.0M), deferring vacant positions (\$2.3M), and using a portion of FY2010 tuition revenues (\$2.6M).

At the 20% reduction level, the campus would need to identify \$11.5M in additional cuts.

Some general budget discussion points: General fund payroll for UH Mānoa is currently \$1M per day. Many campus units are already short on operational funds. Bookstore, dorms, and parking are self-supporting operations funded by revenues. Projected net tuition revenues for the biennium period: FY10 = \$12.5M and FY11 = \$12.9M. This is projected new revenue and does not take into account the fixed costs which have already been committed to be paid from this revenue, such as increased utility costs.

Strategies Going Forward:

The Committee's approach for upcoming meetings is to develop a list of all potential discussion items which may be candidates for decreasing expenditures or increasing revenues. This list will continue to be refined at each meeting and will be expanded to include financial impact, operational impact, and implementation timeline issues. In addition to continuing to develop the list, the BW will focus on two (2) or three (3) items to be discussed in depth at subsequent meetings.

Next Meeting: January 23, 2009, Hawaii Hall 309, 8:00 a.m. – 10:00 a.m.

Agenda:

1. Continue to work on possible areas for consideration
2. Discuss
 - a. Non-contract employees
 - b. Services
 - c. Critical mass of schools/colleges