

Budget Workgroup (BW)

Summary Points of Meeting

March 13, 2009

Hawai'i Hall Room 309

8:00 am – 9:30 am

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

Budget Update:

The Council on Revenues met Thursday, January 12th, revising their January forecast downward from a -3% to a -5% projected revenues for this fiscal year. This projection results in an additional \$90M shortfall for the State this fiscal year and going forward into the biennium. The Governor plans to provide a revised financial plan in the coming weeks.

The House Finance Budget has been posted. House Finance concurred with the Governor's budget recommendations for UH Mānoa which included:

- \$3M reduction for utility savings
- \$2.3M in deferred filling of vacant positions
- \$2.6M to meet 10% reduction

Plus, they cut Mānoa an additional:

- \$25M by converting means of financing from G to tuition funds
- \$696K and 13 FTE in vacancy savings in general funds

This equals a \$33.6M cut to our general fund budget representing a 13% cut in our state supported budget (G funds). The Senate Ways & Means Committee deadline for budget submittal is April 9th. Crossover is April 16th.

There are many legislative bills still alive, including a bill proposing to sweep various special and revolving funds such as the Cancer Center, RTRF, and tuition funds - SB 292 SD 1 – Relating to Funds (lapses excess balances from special and revolving funds to the general fund).

The Council on Revenues meets again in May.

State Stabilization Fund:

Based on a formula, the Governor will receive federal stimulus monies to be invested in DOE, higher education, and pre-K. The amount for Hawai'i is around \$158M. Of this amount, 82% (\$129M) will be directed towards operational costs and the remaining towards CIP. While

discussions are on-going between UH and DOE regarding the appropriate split, the Governor has not yet released guidelines.

This money is a one-time non-recurring injection of funds intended to help keep the state's base budget for education close to the FY08 and FY09 levels.

Process Committee:

Mānoa will not be able to manage the magnitude of the proposed budget cuts within our current resources and expenditure patterns. To date, the efforts of the Budget Workgroup (BW) have resulted in identification of about \$10M in proposed reductions or increased revenues. These cuts will significantly impact Mānoa. However, it is now clear that this is less than 1/3 of the projected shortfall. It will now be necessary, in the absence of across the board cuts, to identify strategic cuts in programs and/or services in order to accommodate the projected budget shortfall.

There was much discussion on the prioritization process and agreement that it will be a valuable tool to assist us in decision making. Specifically, it will help us in making strategic decisions rather than across-the-board cuts. The BW also recognizes that the prioritization process has limitations and likely will not provide all the information needed to make optimally informed budget decisions before July 1, 2009. Parenthetically, it is also important to note that proposed budget cuts will not be delayed as the state will simply reduce our funding effective July 1, 2009. It was recognized that stimulus monies might provide short-term relief that would allow us the necessary time to implement longer term prioritization process recommendations. Without stimulus monies, we would have to recommend more non-strategic ways to meet our budget cuts.

The prioritization process conversation naturally lead to the question of what steps UH System was taking to address the University's budget cuts. UH has a 10-campus system which has historically exercised across-the-board cuts. The BW noted that this is an opportunity for the UH System to likewise consider strategic realignments rather than formulaic across-the-board budget cuts. For example, Mānoa is considering the reorganizing, closing, and merging of major academic (i.e. schools or colleges) and research units and the reduction of administrative structures. The UH System might consider the continued rationale of co-location of a baccalaureate institution and community college or the planned expansion/development of West O'ahu in terms of the potential impacts on other campuses or the costs of administration. The group reiterated the need to have a hard target budget reduction number to work toward planning additional cuts that may need to be made by the field in order to meet the July 1 date. There is a time-sensitive need to identify the short-term and intermediate-term options to allow deans/directors to review and plan accordingly.

Given the new budget reductions as submitted by House Finance, the BW strongly recommends that a “hard freeze” be placed on all hiring until such time as we have a better picture of the budget realities. In order to strategically make decisions within existing constraints, the BW stresses the need to examine actions that can be taken now and use available information from the prioritization process to determine which areas (vertical and otherwise) Mānoa may need to eliminate.

It was agreed that if UH Mānoa has not received definitive confirmation regarding receipt of stimulus monies by Friday, March 27th, the BW would make budget recommendations based on the House Finance budget. Fall 2009 registration begins April 29th and Schools/Colleges need to be able to plan now.

KEY AREAS FOR REVIEW:

****Outreach College**: Given the shortfall on the non-credit side, a suggestion was made to invite the Dean of Outreach to talk with the BW.

****Tuition Waivers and Exceptions** = \$34M not collected in tuition due to waivers and exceptions (GAs and others). Not associated with the ability to pay. After further review, Francisco’s sub-group will provide recommendations.

** **4 Day Teaching Week** is being reviewed by Peter Quigley’s sub-group.

** **Remove Non-Resident Cap** - Requires board approval.

****Sabbatical Leaves** - Should these be a “pause” for the upcoming biennium budget period? Would there be concerns by the union?

The members of the BW felt that it would be beneficial to the campus if there was an increase in public outreach related to the budget situation from the Chancellor and campus administrators. These are very uncertain times and the campus constituents are voicing concerns. Given the budget uncertainties, it is especially important to continually focus on the strategic direction that UH Mānoa is moving toward and to provide the necessary updates and guidance on the budget issue. Given that the Faculty Senate was meeting Wednesday, March 18th, it was suggested that the Chancellor be asked if she would address the Senate to give them an update on the budget situation.

Next Meeting: Friday, March 19, 2009 in Hawai‘i Hall 309 at 8:00 am.