Budget Workgroup (BW) & Chancellor’s Advisory Committee

Summary Points of Meeting
July 31, 2009
Hawai‘i Hall Room 309
8:00 am – 10:00 am

Attendees: Virginia Hinshaw, Gary Ostrander, Kathy Cutshaw, Francisco Hernandez, Reed Dasenbrock, Pat Cooper, Marla Acosta, Vance Roley, Annette Chang, Gregg Takayama, Mary Tiles, Martin Raynor, Barry Weinman, Tom Bingham, Nancy Foster, Carl Clapp, Debra Ishii, Ross Christensen, Carlos Andrade, David Duffy, Leon Richards, Gregg Geary, Myrtle Ching-Rappa, Mangmang Brown, Ann Sakuma

This meeting with the Chancellor’s Advisory Committee and the Budget Workgroup is to compare notes since there are overlaps taking place between finding solutions to the budget situation and the prioritization process.

Budget Update: The budget situation remains at a standstill with no further progress. HGEA is going through arbitration which is expected to last till December 2009.

Overview and Recommendations of the Budget Workgroup:
May 2009 – A $36.7M cut was issued to UH Manoa of which 58% has been met via central savings (not filling positions) and projected tuition revenues. The BW also looked at efficiencies, many of which can be implemented only in the intermediate and long term. Thus, to meet the immediate budget cut, $11.6M (4%) was taken from units. UH Mānoa is still $4M short.

June 2009 – An additional budget cut of $52M was issued to UH system – $30M for UH Mānoa. As of today, we are still no closer to knowing whether UH will be getting stimulus monies, the collective bargaining negotiations are still ongoing, and UHPA has not yet reached a decision regarding payroll lag or furloughs. The Unions are scheduled to meet on Monday, August 3, 2009.

If no movement and/or progress are made after Monday’s meeting between the unions, the BW would recommend UH Mānoa to issue budget instructions to the field. If no stimulus monies come through, it will mean an additional $15M for Mānoa. The BW recommends assigning cuts to VCs and to have the respective VC units figure out what to trim under each of their areas. The group is not comfortable in waiting any longer.

The BW will continue to meet weekly to review and implement efficiencies the campus can undertake in the intermediate and long term by streamlining operations, such as:

- Position control to allow for strategic investment (Lead - Tom Bingham)
• RTRF distribution – currently 25% kept by system offices, 25% goes to OVCRGE, and 50% is returned to units. Will need to review the possibility of having RTRF cover overhead costs (utilities). $23M in utility costs is currently covered by tuition funds.

• Revenue sharing opportunities and models – like Outreach College and RTRF. Will review ways to reward units for teaching.

• Aggressive retirement program – major issue is the gap in funds and liability. Working with system office for a possible plan. There is approximately 207 faculty with 30+ years at Manoa. This option needs to be negotiated and will take time.

• Revenue generation – push for more autonomy to enable revenue generation to be easily secured. For example, the operations of the Conference Center under Auxiliary Enterprises and resolving the 144 different prices students pay to attend UH Mānoa.

In the meantime, options to meet the immediate budget cuts are limited, including:

• Retrenchment - the only way to come out of this current budget situation.

• Negotiating pay lag. There would be a $6.5M in savings if an agreement is reached with UHPA.

• Furloughs - There will be a $24M savings if two (2) furlough days per month is implemented. If one (1) furlough day per month, the savings will be $12M.

NOTE: $3M is held as contingency funds to strategically invest to keep campus operations moving forward.

Some Deans thought executive programs and classes held after 4pm needs to go thru Outreach College. Credit programs under Outreach College are making money. Those losing money, the non-credit side, are undergoing reorganization. The College is working to develop efficiencies and formalize procedures. In addition, the Conference Center is being moved to Auxiliary Enterprises. The current challenge is understanding how the moneymaking side of Outreach College will impact campus units based upon the proposed changes. What would be the better model for summer and evening classes/activities? Who are the players involved? Under the current structure, fees are being charged to units by Outreach and needs to be better managed.

The campus required an audit of the “cant’s” that arise in our work. In the monthly Talk Story sessions, AOs discuss the problems and “cants” that come up and reviews options to resolve issues.

UPW employees report to the governor – civil service positions. UH is pushing to get full delegated authority for employees under the University.
Formula funding committee – redoing numbers to come out with data this summer. Advantage is position control in formula funding. Introduced by Norman Sakamoto who co-chairs the committee. Getting processes to be more efficient.

Having to divert tuition funds to meet budget cuts is taking away from investments in students. VC recommends removing enrollment caps currently in place, including international students, undergraduates, etc.

The BW proposes cuts to g-fund subsidies for revolving fund operations (UH Press, Outreach, etc.) This will be in addition to the 4% cut to units implemented earlier. Some units may have minimal support retained in g-fund. The group is also reviewing historical allocation of g-funds to international education, student housing, etc.

UH Foundation raised $50M yearly of which 90% goes to Mānoa for scholarships, etc. Are we really using all the monies and in an appropriate manner? Francisco will be looking into this matter. UHF can find the donors but needs assistance in identifying where to put the money. UHF is generating funds for scholarships for enrollment. Donors who contributed a total of $89K were recommended and introduced to Deans to work together to build relationships to foster scholarships for increased enrollment. Alumni donations reached 18%, one of the highest in the nation.

As we seem to get beat-up, there are also up-beat things happening on the campus which are important to remember. Also important is investment in our retirees who are potential revenue generators and knowledgeable resources.

Need to identify high visibility/high impact programs for potential investment.

System is working with the Governor’s office on the mechanics of the stimulus funds.

The worst case scenario: 11% cut to units if no stimulus, no furloughs, and nothing gets confirmed by the unions. Recommend that the Chancellor communicates with faculty as they return to campus. Unless there is no agreement on furloughs, the campus should prepare for a 5% -6% cut. If no stimulus funds, there will be more cuts to be had. Recommend to give a 5.5% cut to each VC area now for them to figure out how best to meet the reduction in their respective areas.

In September, if the Council on Revenues comes back with a reduced projection, we’ll be in for another cut.
The group recommends going out with only one (1) hit to the units instead of hitting them continuously over and over again.

Eligible for retrenchment or reorganization: What is the future of the University and where are the obsolete units that need to be identified so planning and potential savings can be realized? Important to identify these areas so that retirement, etc. can also be planned.

A message needs to be sent out to the campus community clearly highlighting the severity of the situation. From past experience, it is important to keep communication open with the campus and to have a clear process outlined.

Vertical cuts committee: This report identified when a graduate program should exist – late 1990s – David Duffy to provide report.

What is our strategy going forward?
  - Review the previous criteria and see if they apply this round – for deans/directors to use this criteria to review their units to make decisions
  - Ensure that criteria on minimum enrollment is addressed to enable D/D’s to cut courses with low enrollment
  - Chancellor’s Message: reality of the financial situation and status of prioritization

Recommend that the cuts that need to be made be in line with the prioritization committee. Come out with a vision of the campus so that units know where NOT to invest. A recommended list of the programs that will be reviewed with clear criteria and rationale attached. There may be immediate savings realized thru temp cuts and retirements of these units. Provide options for employees in these units for them to consider. Have a counselor and outplacement service available.

What is a program? A list of programs first needs to be compiled in order to figure out which ones should be cut. Recommend to get agreement with the respective unions.

The VCs will meet every Monday and will put together a list of programs. Definition of a program is in board policy.

Prioritization committee to provide list of units recommended for reorg/mergers. Pat Cooper to look for the two reports mentioned.

Next Meeting: Friday, August 7, 2009 at 8:00 am in Hawai‘i Hall 309.