I. BACKGROUND

UHM budget policy for FY 2018 will continue most of the measures in place for FY 2017. Tuition carryover balances as of June 30, 2017 may not be expended in FY 2018. Hiring procedures have been modified to eliminate the requirement for VC approval for personnel actions other than recruitment of faculty and executive/managerial personnel. Tuition funds will continue to be assessed for vacation pool charges for permanent leave-accumulating employees paid from general funds or tuition funds. Minor changes have been made to the procedures for entering of budgets into KFS.

Initial allocations have been released by University Budget Office (UBO) to the campus. However, the allocations do not yet include Collective Bargaining (CB) augmentations; updated allocations including CB will be released at a later date.

The tuition rates for Academic Year 2018 are unchanged from Academic Year 2017. Fall 2017 enrollment has decreased by 2.5% from Fall 2016 enrollment; Spring 2018 enrollment is also expected to decrease from the prior year. Tuition revenue is expected to be lower than in FY 2017; however, the impact of changes in the enrollment mix is not yet known. Tuition allocations to UHM units are not expected to be adjusted in future quarters.

II. SCOPE AND APPLICABILITY

These policies provide guidance in implementing the operating budget for FY 2018.

The budget execution policies apply to all general, special, federal (excluding extramural) and revolving funds appropriated to UH Mānoa, including prior year balances. Expenditure of these funds is subject to the applicable policies and procedures stated herein and to specific policies and procedures issued by the Governor, the Board of Regents, the UH President, and the Mānoa Chancellor.

The policies and guidelines are subject to modification should any of the officers listed above change existing policies or implement new policies. The Mānoa Budget Office will issue revised guidelines and instructions to implement changes as appropriate.

III. GENERAL STATEMENT OF POLICY

A. Governor’s Restriction

Per the FY 18 Interim Budget Execution Policies and Instructions issued by the Governor in Executive Memorandum No. 17-01, a restriction has again been
imposed on discretionary general fund appropriations. The restriction is already reflected in each UHM unit’s FY 2018 allocation.

B. Budget Planning Meetings

Vice Chancellors held budget planning meetings with UHM units in August-September 2017. Follow up meetings may be held as necessary in Spring 2018.

IV. ALLOCATIONS

A. General Fund / Tuition Allocations

The Governor’s restriction taken on the FY 2017 total allocation has not been restored. The planning allocation amounts were calculated by taking the final FY 2017 allocation amounts, removing one-time augmentations, adding full funding for FY 2017 unbudgeted commitments that carry into FY 2018, and adding an adjustment for recurring collective bargaining costs. The initial allocation amounts were calculated at 97% of the resulting planning allocation in order to plan for lower tuition revenues in FY 2018 and to provide for strategic investments.

Course and program fees were handled separately for FY 2018 and were added to the allocation after the application of the shortfall reduction.

Performance funding allocations were added in the first allocation adjustment. UHM received $2 million in performance funding from the system-wide pool. These funds have been allocated to teaching units based on metrics measuring percentage change in degrees and certificates awarded, graduation rates, and transfers in from Community Colleges.

Funding for collective bargaining increases has been approved but has not yet been allocated by UBO. Augmentation for CB will be included in a subsequent allocation. In the event that increases for Executive/Managerial employees are approved by the Board of Regents, these increases will also be included in a subsequent allocation.

B. Expenditure of General Funds

General Funds may only be used to pay for permanent positions (BJ1 positions) and budgeted temporary positions (BT1 positions) that were originally appropriated as General-Funded positions (Means of Financing = A). In addition, only these two types of positions may be paid from S397 funds. Mānoa units are requested to fully expend their General Fund allocations no later than June 20, 2018. Only minimal correcting adjustments should be made after that date, in order to allow sufficient time to meet year-end recording and reporting requirements.
C. **Expenditure of Performance Funds**

Performance Funds are allocated as General Funds. If units require TFSF performance funds (for temporary personnel or non-personnel expenditures), this will be accommodated via an internal swap within the unit’s allocation. In order to avoid lapsing funds, performance funds must be fully expended by May 31, 2018. See Attachment 1 for detailed budget execution policies applicable to performance funds.

D. **Vacation Reserve Assessment**

Beginning in FY 2017, UH System established a terminal vacation payout pool to pay for accrued vacation balances. A 1.77% fringe rate is being assessed on payroll costs for all leave accrual eligible employees in FY 2018. For employees on imposed accounts, the fringe rate assessment is charged directly to the account. For employees on non-imposed accounts, UHM will recharge units for the assessment.

After the last payroll date for each quarter, MBO will initiate a distribution of income (DI) document to assess each unit its 1.77% vacation assessment based on actual amounts for their employees on non-imposed accounts. The account charged will be the same as last year’s account unless a new account code is provided to MBO. Units are reminded to plan and budget accordingly.

E. **Carry-over Balances: TFSF**

In order to balance the Mānoa Campus FY 2018 TFSF budget, units are once again instructed to maintain/increase FY 2017 carry-over balances in TFSF (Regular, Summer, and Outreach Credit).

F. **Reserves**

In accordance with BOR policy, Executive Policy E8.210 (System-Wide Financial Reserves) mandates a 5% minimum operating reserve for all special and revolving funds, including TFSF (Regular, Summer, and Outreach Credit). The 5% requirement is calculated as a percent of prior year expenditures (for TFSF, the calculation is based on general fund and tuition fund expenditures). All units are required to meet or exceed this requirement for applicable funds.

V. **POSITION MANAGEMENT**

A. **FY 2018 Procedure**

Vacant position counts will continue to be swept for approved redistribution. The 75% sweep of the dollars associated with the counts is paused for FY 2018.
Faculty and Executive/Managerial Positions:

For all Mānoa units, approval from the unit’s cognizant VC and the VCAFO must be obtained in order to hire faculty and executive/managerial positions (permanent and temporary) funded with General Funds, TFSF (Regular, Summer and Outreach Credit), and RTRF. Approval should be obtained in writing prior to the commencement of recruitment, and positions must be accommodated within current year FTE and funding allocations. The Fall 2017 planning meetings provided the first opportunity to request approval for hiring. Subsequent requests to recruit and fill faculty and/or executive/managerial positions should be submitted via action memo to the unit’s cognizant VC and the VCAFO.

Special Salary Adjustment requests for faculty may be funded with General Funds, TFSF, and RTRF with adequate and reasonable justification; prior advance approval to initiate SSA’s will no longer be required. Salary adjustments must be accommodated within current year funding allocations.

All Other Position Types:

Deans/Directors are delegated the authority to hire, within current year FTE and funding allocations, the following types of employees: APTs, civil service, lecturers, graduate/teaching assistants, student help, and casual hires. This delegation extends to both permanent and temporary positions. Deans/Directors may initiate APT salary adjustments (SCAs) on all fund sources with adequate and reasonable justification; prior advance approval will no longer be required. Salary adjustments must be accommodated within current year funding allocations.

B. Temporary Positions

The provisions of Section 96, Act 49, SLH 2017 require written notification to the Hawaii State Legislature and State Budget and Finance within five days of filling temporary unbudgeted positions. See Attachment 2 for Section 96 procedures.

VI. ENTERING BUDGETS IN KFS

The Board of Regents approved the FY 2018 budget for all campuses on August 24, 2017. This approved budget will be used as the basis for budget-to-actual comparison reporting throughout the fiscal year. The approved budget, including the worksheets for each UHM unit, may be viewed at the following link:


As the BOR-approved budget was constructed before actual general fund appropriations were known, the BOR-approved budget may differ from current budget projections.
MBO, VCR, and/or Outreach College, as appropriate, will enter the following actual FY 2018 budget allocation and carryover amounts into KFS: GF allocations; Regular TFSF allocations and carry-over amounts; Outreach Summer and Credit estimated allocations and carry-over amounts; and RTRF allocations and carry-over amounts.

UHM units are requested to enter budgets in KFS for revenues, expenditures, and transfers using both the Current Amount and Base Amount columns. Expenditure budgets for General Funds and Tuition Funds cannot exceed the unit’s current FY allocation. Units may update the budget amounts throughout the year by making adjustments to the Current Amount column only.

FY 2018 instructions for entering budgets into KFS are found at the following link:


A. Allocation and Revenue Budgets

General Funds – MBO has distributed the initial general fund allocations to the budget control account for each unit’s budget plan as an expenditure budget using both the Current Amount and the Base Amount columns.

Regular Tuition – MBO has distributed the initial tuition special fund allocations to the budget control account for each unit’s budget plan as an allocation budget using both the Current Amount and the Base Amount columns.

Outreach Credit and Summer Tuition – Outreach College will distribute the projected allocations to the budget control account for each unit’s budget plan as an allocation budget using both the Current Amount and the Base Amount columns.

RTRF – Office of the VC for Research will distribute the allocations to the budget control account for each unit’s budget plan as an allocation budget using both the Current Amount and the Base Amount columns.

Other Special and Revolving – Units with other special and revolving funds must load current revenue budget projections at the Budget Plan ID level using both the Current Amount and the Base Amount columns. Units are asked to update their respective revenue budgets as needed throughout the year by making adjustments to the Current Amount column only.

B. Expenditure Budgets

General Funds – Since general fund allocations are distributed as expenditure budgets, no further action is required by Mānoa units unless they wish to push down expenditure budgets to program accounts below the Budget Plan ID level. If this is done, changes should be done using the Current Amount column.
Regular Tuition, Outreach Credit and Summer Tuition, RTRF and all other Special and Revolving Funds – Units are responsible for loading their current expenditure budget projections at the unit’s Budget Plan ID level using both the Current Amount and the Base Amount columns.

Units are asked to update their respective expenditure budgets as needed throughout the year by making adjustments to the Current Amount column only.

C. Expenditure Budget Object Codes

The Mānoa Campus will use the following list of Object Codes to enter FY 2018 expenditure budgets in KFS:

- B100  Regular Employee Payroll
- B200  Non-Regular Employee Payroll
- B300  Lecturer Payroll
- B400  Student Help Payroll
- B500  Other Personal Services
- B600  Other
- B610  Utilities & Communications
- B620  Scholarships, Tuition & Stipends
- B700  Equipment
- B800  Motor Vehicles

D. Transfer Budgets

All Funds – Units are responsible for entering current projections for transfer budgets using both the Current Amount and Base Amount columns. Units are asked to update their respective transfer budgets as needed throughout the year by making adjustments to the Current Amount column only.

E. Carry-over Budgets

Carry-over budgets for TFSF have been entered in KFS; however, as noted above in Section IV.E, carry-over balances are restricted and must be either maintained or increased in FY 2018. Units that have received written authorization to expend TFSF carry-over funds should enter expenditure budgets in the approved amount.

VII. DEADLINES

- September 26, 2017  Enter revenue, expenditure and transfer budgets in KFS
- May 31, 2018  Final date for expenditures of performance funds
- June 20, 2018  Final date for expenditures on GF
PERFORMANCE FUNDING: BUDGET EXECUTION POLICIES

Background

UHM received just under $2 Million in General Funds performance-based funding in FY 2018. Funding was allocated to the campuses based on Academic Year 16 – 17 performance on the following measures:

- Degrees and certificates awarded
- Degrees and certificates – Native Hawaiian
- Degrees and certificates – STEM
- Degrees and certificates – Pell Recipients
- Graduate Rate 150%
- Transfers in from UH Community Colleges

The funding is being allocated to UHM units based on the above measures and for activities directed towards student success, retention, and recruiting.

Funds must be fully expended by May 31, 2018. In order to avoid lapsing funds, units are requested to provide an expenditure plan detailing anticipated expenditures by month through May 2018. See Attachment 1 for expenditure plan format; plans must be submitted to MBO by COB September 15, 2017. Funds that cannot be expended will be swept and reallocated.

Units receiving performance-based funding will be required to report on how the funds were spent as well as the outcomes realized from these expenditures. There is no guarantee of future allocations of these funds either to the Manoa campus or to specific campus units.

Expenditure Policies

The following policies apply to the expenditure of performance-based funding.

- Personnel Costs
  - Units may charge Graduate Assistants with General Funded BT1 positions to General Fund performance-based funding.
  - If temporary positions, including Lecturers, are included in the unit’s expenditure plan for these funds, MBO will do an internal swap to ensure units have sufficient performance based TFSF funds budgeted for temporary positions. TFSF funds will be used in lieu of General Funds to avoid placing temporary employees on General Funds.
Position management practices outlined in the FY 2018 Budget Execution Policies apply to hiring on these funds.

- Other Costs
  - Units may expend general funds on non-personnel costs that fulfill the purpose of the performance-based funding.

- Expenditure Deadlines
  - Units must expend their performance-based funding allocation by May 31, 2018.

Account Code Structure

Separate Budget Plan IDs and Budget Control accounts for performance-based funds have been established at the campus level. General Fund Budget Plan IDs will contain performance-based activity with the exception of temporary personnel. TFSF Budget Plan IDs and Budget Control accounts have been created for temporary personnel costs.

The Budget Plan IDs were created only at the campus level in order to facilitate reporting to the legislature. Units will be responsible for creating accounts against these campus Budget Plan IDs. Manoa Budget Office will push the respective expenditure budgets to the General Fund accounts, and will push the respective allocation budgets to the TFSF accounts associated with these activities. To ensure that the allocation of these funds is reflected in KFS in a timely manner, units are requested to establish the necessary accounts by September 15, 2017.

When establishing accounts, units should use the following Budget Plan ID references to align the allocations to the correct type of performance-based funding:

- General Funds
  - BPID 001437 – MA PERF GF – Student Success
  - BPID 001438 – MA PERF GF – Student Recruitment

- TFSF Funds
  - BPID 001441 – MA PERF TFSF – Student Success
  - BPID 001442 – MA PERF TFSF – Student Recruitment

In addition, units should use their respective FO code and Org code. This will allow units to see their total allocation when the eThority budget-to-actual reports are used. Units may create as many accounts as needed to assist in tracking their share of the performance-based funding.

Any expenditures incurred before the new accounts are created must be transferred to the performance-based fund accounts for reporting purposes.
Reporting Implications

When running reports, units will see multiple Budget Plan IDs in the respective fund and for the respective type of performance-based funding. For example, if a unit receives General Funds for Student Success, they will see their typical Budget Plan ID for General Funds, as well as the campus Budget Plan ID for General Funded Student Success performance-based funds. Filtering the report for the unit’s FO code or Org code hierarchy will ensure that the unit will only see their share of the performance-based funding in the campus Budget Plan.

Deadlines

- September 15, 2017  Create accounts in KFS
- September 25, 2017  Enter expenditure budgets in KFS;
  submit monthly expenditure plans to MBO
- May 31, 2018  Final date for expenditures
FILLING OF TEMPORARY POSITIONS

Effective July 1, 2017, all state agencies are required to provide notification to the Hawaii State Legislature and State Budget and Finance within five days of the filling of temporary unbudgeted positions (per Budgetary Proviso, Section 96 of Act 49, SLH 2017). This proviso applies to positions on any fund source, including appropriated federal funding and extramural funding. With the following exceptions, the proviso applies to all temporary positions INCLUDING civil service positions.

Exceptions – the following types of positions are not subject to this requirement:
- appropriated temporary positions (as listed on BT Tables);
- Lecturers;
- Graduate Assistants and Student Hires;
- Casual Hires; and
- RCUH positions.

Mānoa programs must complete an SF-1 Request for Position Action form prior to commencing recruitment for any temporary position. The original SF-1 forms should be retained at the program offices, with the exception of SF-1 forms for Executive/Managerial positions which should instead be forwarded to Mānoa Human Resources.

On a weekly basis, as applicable, programs must complete the Section 96 Worksheet (contact the Mānoa Budget Office for the Excel form) listing non-BT temporary positions for which position is filled within the week of the submittal. The worksheet and copies of the SF-1 forms for the positions listed on it must be sent to the Mānoa Budget Office via email to sergent@hawaii.edu with copies to comuro@hawaii.edu and kikuchis@hawaii.edu each Friday by 4:00 p.m.