Update on UHM budget process

Committee on Administration and Budget
Subcommittee on Budget

Presented to the Faculty Senate
University of Hawaiʻi at Mānoa
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Update

• CAB proposing **responsibility center model**.
• Developed by Ann Sakaguchi and David Chin.
• Allocations made from single funding pool directly to Schools/Colleges/Organized governed by committees.
• CAB’s model differs from Chancellor’s model\(^1\)
• CAB model presented to BOR on 2/11/16.
• CAB will meet w/Chancellor on 2/24/16.

\(^1\) [http://www.hawaii.edu/offices/bor/finance/materials/201602111230/Item_IV.A.3.\_Handout\_Update\_on\_UHM\_Budget\_Allocation\_Model.pdf](http://www.hawaii.edu/offices/bor/finance/materials/201602111230/Item_IV.A.3.\_Handout\_Update\_on\_UHM\_Budget\_Allocation\_Model.pdf)
CAB Budget and Planning Alignment Model (BPAM)

**FUNDING SOURCES**
- G-Funds
- S-Funds
- RTRF
- Etc..

**FUNDING POOL**
- Strategic Investments

**S/C/O**
- School (S)
- College (C)
- Organized research unit (O)

**DEDICATED REVOLVING FUNDS**
- Athletics
- Bookstore
- Etc..

**COST CENTERS**
- Infrastructure & utilities
- UHM Chancellor Admin.
- UH System Admin.
- Etc..
Process for allocating funds: Committees

Funding Sources

- Exceptions Committee
- Strategic Investments Committee
- Strategic Investments

FUNDING POOL

- S/C/O Committee
- Cost Center Committee

S/C/O

COST CENTERS

- Athletics
- Bookstore
- Parking
- Etc..

DEDICATED REVOLVING FUNDS

Campus Budget Allocation Review Committee
Future pathway

• Obtain input from campus community (students, staff, faculty).
• Address students and obtain their feedback (e.g. ASUH).
• Need **YOUR** help!
  • Complete: Departmental needs based assessment and send to uhmfs@hawaii.edu
  • Send questions/comments/concerns on budget allocation principles and procedures (supplemental materials at the end of this presentation) to uhms@hawaii.edu

THANK YOU!
Supplemental materials
II. UHM Budgetary Allocation Principles

• Ensure adequate funding for the teaching/research/service mission of UHM
  • First and foremost, sufficient funding must be allocated to ensure quality teaching, which includes teaching related research and student support services. Serving the educational needs of our students should be the first and foremost goal of UH-Mānoa.

• Provide transparency and accountability by clearly linking the allocation of UHM revenues to the teaching/research/service mission of UHM
  • Clear evidence must be demonstrated that the allocation of UHM generated revenues to all entities, including administrative offices of UH system, UHM chancellor, offices of deans and directors and Outreach College, are essential to the teaching/research/service mission of UHM.

• The budget allocation process should include all funds in the UHM formal operating budget including:
  • TFSF (UG Tuition, Grad Tuition, Course fees, Outreach College Tuition and Fees)
  • RTRF
  • State G-funds

• Faculty and student consultation in budget allocation decisions
  • As part of shared governance, UH-Mānoa faculty should be actively engaged in academic development planning, biennial and supplemental budget preparation and annual budget implementation.
III. Budget Incentives

This budget model has *built-in* incentives, some of which are diametrically the opposite of current incentive structures. Here are the built-in incentives of this budget model and how they compare with current incentives.

- **Increase Research Dollars.** The allocation of RTRF proportionally back to the generating SCO gives incentives to SCOs to obtain more grants to increase their portion of RTRF. This is how it works now.

- **Increase Enrollment.** The allocation of TFSF proportionally to number of majors gives incentives to SCOs to increase enrollment. This is the opposite of current incentives, which are to reduce the number of majors to reduce the workload of faculty in the SCO.

- **Increase Graduation.** The allocation of TFSF proportionally to number of graduates gives incentives to SCOs to increase graduation rates. There are no current incentives regarding graduation.
III. Budget Incentives, Cont’d

• *Increase Number of Students Taught.* The allocation of TFSF proportionally to number of SSH gives incentives to SCOs to increase the number of students taught. This is the opposite of current incentives, which are to reduce the number of students taught in order to reduce the workload of faculty in the SCO.

• *Reduce Space Usage.* Since SCOs have to pay for their utilities based on space usage, there is an incentive to reduce space usage. This is the opposite of current incentives, which are to hoard unused space just in case the SCO might need the space in the future.

• *Increase Energy Efficiency.* Since SCOs have to pay for their own utilities, there is an incentive to reduce energy usage. SCOs may even be willing to invest in photovoltaic systems to reduce future costs or more efficient a/c systems to reduce future costs. This is the opposite of current incentives, which are to maintain the status quo because that is the easiest thing to do, nothing.

• *Reduce Administrative Costs.* The Cost Centers Committee will try to reduce the costs of administration because the less that goes to pay for administration, the less the SCOs have to pay out. This is the opposite of current incentives, which are to increase administrative bloat to reduce the workload of the administrative cost center and to increase the sphere of influence of the administrators. Also currently administrators themselves determine how much they skim from the top of the UHM budget with no checks or balances.
IV. Faculty Participation in Budget Allocation

- S/C/Os Budget Committee. Responsible for reviewing and advising the S/C/O leadership in determining annual budget allocations to departments to ensure fair distribution and to achieve equity. Comprised of chairs of the department and S/C/O MFS representatives.

- Cost Centers Committee. Responsible for reviewing and advising the UHM administration on formulae that can be regularly applied in computing annual budget allocations to cost centers, that is, various UHM support and administrative units and UH System administration. Comprised of faculty from each SCO appointed by its respective Dean and Director/Chairs and number of representatives to be determined by college faculty count (e.g. LLL would appoint more representatives than TIM) and 2-3 Cost Center representatives who will be serving in an advisory capacity. Staff Support from UHM VCAFO’s Office and UH Institutional Research Office.

- Exceptions Committee. Responsible for reviewing and advising the UHM administration to modify the formulae for distribution of funds to the SCOs from the funding pool. Limited to faculty knowledgeable in governmental accounting, higher education administration and public administration. Committee should be no larger than 8-10 members chosen by UHM Faculty Senate. Members will be required to attend training workshops/seminars on budget and finance. Staff Support from UHM VCAFO’s Office and UH Institutional Research Office.
IV. Faculty Participation in Budget Allocation (cont’d)

- **Strategic Investments Committee.** Responsible for reviewing and advising the UHM Chancellor’s Office on guidelines for funding from the Strategic Investments pool and the size and funding source of that pool. Comprised of faculty representatives from SEC, CAB, COR, and CSA. *Staff Support from UHM VCAFO’s Office and UH Institutional Research Office.*

- **Campus Budget Allocation Review Committee.** Responsible for reviewing biennial and supplemental budget recommendations of the UHM chancellor prior to submittal to the BOR. Committee with broader campus membership representing faculty, students, APT and civil service staff and administrators. Committee make-up weighted towards faculty (e.g. CAB, COR, CSA, CAAP) recommended by SEC and students (ASUH, GSO) and appointed by Chancellor. *Staff Support from UHM VCAFO’s Office and UH Institutional Research Office*

- **Budget Process Progress Monitoring.** CAB would be assigned the task of periodically reviewing UHM administration’s progress in developing and formalizing UHM transparent and Responsibility Center Management type of budgetary process.