Financial Planning

Presented to:
Board of Regents
October 2007

Howard S. Todo, VP for Budget and Finance
Linda K. Johnsrud, VP for Academic Planning & Policy
Linking Goals and Measures to Funding

GOALS

- State Priorities
- Institutional Mission

UH System Plan

- Campus Strategic Plans
- Campus Facilities Plans
- Major Policies
- Specialized Programs and Plans

Biennium and Ongoing Planning and Accountability:
- Biennium Planning Assumptions and Budget Hearings
- Biennium Report on Performance/Benchmarks and Institutional Effectiveness
- Program Reviews and Health Indicators
- Accreditation Reviews

MEASURES

FUNDING

- Long-Term Finance Plan
- Medium-Term Financial Plan
- Biennium Budget Request
- Budget Implementation

- Biennium Priorities
- Operating & CIP Budget Objectives
Flow of Funds

- Economy
  - Tax Revenues
  - Income

- State and Local Government
  - Student Aid
  - Appropriations/Grants

- Higher Education
  - Tuition
  - Student Aid
  - Scholarships & Waivers

- Institutions
  - Gifts
  - Research and Other Grants (Restricted)

- Federal Government
  - Student Aid (Restricted)

- Donors
  - Foundations
  - Corporations
  - K-12
  - Corrections
  - Health Care
  - Other Govt.

Source: NCHEMS
## UH Share of State General Funds

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UH % of State General Fund</strong></td>
<td>9.2%</td>
<td>8.4%</td>
<td>8.1%</td>
<td>8.4%</td>
<td>8.1%</td>
<td>8.5%</td>
<td>8.1%</td>
</tr>
<tr>
<td><strong>Additional Funds if FY 2000-01 % Held Constant (millions)</strong></td>
<td></td>
<td>$25.2</td>
<td>$38.1</td>
<td>$29.7</td>
<td>$43.5</td>
<td>$30.7</td>
<td>$51.8</td>
</tr>
<tr>
<td><strong>Cumulative Difference (millions)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$63.4</td>
<td>$93.1</td>
<td>$136.6</td>
<td>$167.3</td>
<td>$219.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Revenue per FTE, Adjusted for Enrollment Mix and Cost of Living in Constant 2006 Dollars

*State government tax and non-tax support less state support to independent institutions
**Gross assessments for tuition & mandatory fees less institutional discounts & waivers, state-funded student financial aid, and medical student tuition revenues

Source: SHEEO SHEF
Revenue per FTE as compared to Peers and Benchmarks

MANOA BENCHMARKS
- UNIV OF CAL-LOS ANGELES
- UNIV OF HAWAII-MANOA
- UNIV OF CAL-DAVIS
- UNIV OF CAL-BERKELEY
- UNIV OF FLORIDA
- UNIV OF MINN-TWIN CITIES
- SUNY AT BUFFALO
- UNIV OF IOWA
- UNIV OF ARIZONA
- UNIV OF WISCONSIN-MADISON
- UNIV OF MARYLAND-COLL PARK
- UNIV OF MISSOURI-COLUMBIA
- MICHIGAN STATE UNIV
- UNIV OF MICH-ANN ARBOR
- UNIV OF WA-SEATTLE
- UNIV OF IL-URBANA-CHAMPAIGN
- INDIANA UNIV-BLOOMINGTON
- UNIV OF OREGON
- UNIV OF COLORADO-BOULDER

MANOA PEERS
- UNIV OF N CAROLINA-CHAPEL HILL
- UNIV OF TENNESSEE
- UNIV OF HAWAII-MANOA
- UNIV OF CAL-DAVIS
- UNIV OF KENTUCKY
- UNIV OF GEORGIA
- UNIV OF UTAH
- IOWA STATE UNIV
- LOUISIANA STATE UNIV & A&M
- UNIV OF MISSOURI-COLUMBIA
- OREGON STATE UNIV
- UNIV OF VIRGINIA-MAIN
- COLORADO STATE UNIV

Source: NCHEMS NCES Finance Dataset, 2005-06
Revenue per FTE as compared to Peers and Benchmarks (cont)

<table>
<thead>
<tr>
<th>Source: NCHEMS NCES Finance Dataset, 2005-06</th>
<th>Appropriations per FTE</th>
<th>Tuition and Fees per FTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>UH Hilo</td>
<td>$9,484</td>
<td>$2,669</td>
</tr>
<tr>
<td>Hilo Benchmark Avg</td>
<td>$8,725</td>
<td>$3,252</td>
</tr>
<tr>
<td>Hilo Peer Avg</td>
<td>$7,563</td>
<td>$3,619</td>
</tr>
<tr>
<td>UH West O'ahu</td>
<td>$7,826</td>
<td>$2,451</td>
</tr>
<tr>
<td>West O'ahu Peer Avg</td>
<td>$9,230</td>
<td>$4,109</td>
</tr>
<tr>
<td>UH CC</td>
<td>$6,638</td>
<td>$2,159</td>
</tr>
<tr>
<td>CC Peer Avg</td>
<td>$6,747</td>
<td>$2,526</td>
</tr>
</tbody>
</table>

$14,876 $10,275 $11,058 $7,966 $6,440 $9,484 $8,725 $7,563 $7,826 $9,230 $6,638 $6,747
UH Sources of Revenue

*Includes Federal Appropriations, Private Gifts, Grants and Contracts, Endowment Income, and Other Sources

**$31 million for Manoa flood expenses excluded

Source: UH Budget Office
Revenue per FTE as compared to Peers and Benchmarks (cont)

Source: NCHEMS NCES Finance Dataset, 2005-06
## State Higher Education Needs

<table>
<thead>
<tr>
<th>Higher Education Needs</th>
<th>Possible Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase the educational capital of the state</td>
<td>Enrollment, retention rate, transfer rate, number of graduates</td>
</tr>
<tr>
<td>Expand workforce development initiatives</td>
<td>Number of graduates by major</td>
</tr>
<tr>
<td>Contribute to the state’s economy</td>
<td>Research and training grants, inventions disclosed, patent applications filed, patents issued, licenses consummated, licensing income, number of commercial products produced and sold</td>
</tr>
<tr>
<td>Address underserved regions and populations of the state</td>
<td>Enrollment, retention rate, transfer rate, number of graduates by region or population</td>
</tr>
<tr>
<td>Renew and expand infrastructure</td>
<td>Deferred maintenance backlog</td>
</tr>
</tbody>
</table>
UH Degrees & Certificates of Achievement Earned
GOAL: 3% INCREASE PER YEAR

Fiscal Year

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Actual</th>
<th>Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>95–96</td>
<td>7,746</td>
<td>7,746</td>
</tr>
<tr>
<td>96–97</td>
<td>7,636</td>
<td>7,636</td>
</tr>
<tr>
<td>97–98</td>
<td>7,144</td>
<td>7,144</td>
</tr>
<tr>
<td>98–99</td>
<td>7,128</td>
<td>7,128</td>
</tr>
<tr>
<td>99–00</td>
<td>7,238</td>
<td>7,238</td>
</tr>
<tr>
<td>00–01</td>
<td>6,811</td>
<td>6,811</td>
</tr>
<tr>
<td>01–02</td>
<td>6,640</td>
<td>6,640</td>
</tr>
<tr>
<td>02–03</td>
<td>7,076</td>
<td>7,076</td>
</tr>
<tr>
<td>03–04</td>
<td>7,246</td>
<td>7,246</td>
</tr>
<tr>
<td>04–05</td>
<td>7,537</td>
<td>7,537</td>
</tr>
<tr>
<td>05–06</td>
<td>7,917</td>
<td>7,917</td>
</tr>
<tr>
<td>06–07</td>
<td>8,155</td>
<td>8,155</td>
</tr>
<tr>
<td>07–08</td>
<td>8,399</td>
<td>8,399</td>
</tr>
<tr>
<td>08–09</td>
<td>8,651</td>
<td>8,651</td>
</tr>
<tr>
<td>09–10</td>
<td>8,911</td>
<td>8,911</td>
</tr>
<tr>
<td>10–11</td>
<td>9,178</td>
<td>9,178</td>
</tr>
<tr>
<td>11–12</td>
<td>9,453</td>
<td>9,453</td>
</tr>
</tbody>
</table>

Source: UH Institutional Research Office
UH Graduation Rates
GOAL: MATCH PEER LEVELS IN 6 YEARS

Note: For UH Mānoa and UH Hilo, Fall 1=1991 cohort, Fall 9=1999 cohort. For UH Community Colleges, Fall 1=1994 cohort, Fall 9=2002 cohort.
UH West O’ahu data are excluded due to limited cohort years. UHCC goal based on benchmark data.
Source: UH Institutional Research Office
Transfers from the UHCCs into UH Upper Division/4-Year Campuses

GOAL: 2% INCREASE PER YEAR

Note: Does not include students who transfer to institutions outside of the UH system.

Source: UH Institutional Research Office
Long-Term Financial Plan

SCR 137 Requesting the University of Hawaii to design a long-term comprehensive financial plan

- Survey of long-term comprehensive financial plans of other states’ universities or systems
- Analysis of adequacy of funding in relation to present and future university/state needs and priorities
- Preferred balance of sources of revenue
- Alignment of university’s allocation of state general funds to current and future needs and priorities of the State
- Linking of resources to program objectives
Linking Funding with Performance Goals

SCR79 Requesting the University of Hawaii to report on the linking of funding for individual campuses with performance goals

• Performance goals of each campus as they relate to short-term and long-term funding priorities
Higher Education Compact

- Define long-term goals to address the State’s major challenges and align higher education to the achievement of these goals
- The University accountable for meeting performance standards in exchange for budget predictability and reduced regulatory and bureaucratic burdens
- Governor and legislature provide clear direction on expectations and priorities, and commit to guaranteed funding levels as well as increased flexibility in exchange for meeting the compact’s goals
**What Other Institutions Are Doing**

SHEEO Survey: Does your State/System have a long-term (beyond the current or next year) financial plan?

<table>
<thead>
<tr>
<th>Yes - 1</th>
<th>Developing - 3</th>
<th>No - 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>ND</td>
<td>AZ, WA, WV</td>
<td>AR, CA, CT, DE, GA, LA, MA, MN, NE, NV, OH, PA, TN, UT, WY</td>
</tr>
<tr>
<td></td>
<td>Currently working on developing a long-term strategic plan which will have a long-term financial component</td>
<td></td>
</tr>
</tbody>
</table>

*Survey currently in process, additional responses pending*
# States with Long-Term Financial Plans

<table>
<thead>
<tr>
<th>North Dakota</th>
<th>Kentucky</th>
<th>Virginia</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Three key components: base operating, capital asset, incentive</td>
<td>• Build financial models to determine annual costs to implement Top 20 strategy within 6 categories</td>
<td>• Four components: institutional narrative, academic, finance, enrollment</td>
</tr>
<tr>
<td></td>
<td>• Project revenues based on assumptions</td>
<td>• Finance—estimated revenues, expenses, financial aid, tuition and fees under 2 scenarios: 1) assuming no general fund increase 2) assuming incremental increases in general fund support</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Campus</th>
<th>State</th>
<th>Student</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>Master’s</td>
<td>65%</td>
<td>35%</td>
</tr>
<tr>
<td>4-Year</td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>2-Year</td>
<td>75%</td>
<td>25%</td>
</tr>
</tbody>
</table>
Minimum Level of Support Example
California

HIGHER EDUCATION COMPACT
2005-06 TO 2010-11

• FY 2006-FY 2007
  – 3% General Fund increase
• FY 2008-FY 2011
  – 4% General Fund increase
• FY 2009-FY 2011
  – Additional 1% increase for core academic support needs

PERFORMANCE MEASURES

• Efficiency in graduating students
  – Degrees awarded, average undergrad time-to-degree, persistence and graduation rates, etc.
• Utilization of systemwide resources
  – Student-faculty ratio, instructional activity per faculty, percent of total salary and benefit expenditures for instruction, etc.
• Student-level information
  – Enrollment, new CC transfers and new freshmen, etc.
Funding Formula Example Georgia

Total Funding Base + Other Expenditures - Revenue = Funding Request

Total Formula Requirement

Instruction based on credit hours LD/UD/Grad for 5 program groups
Research=total graduate instruction expenditures
Instruction+Research = Total Funding Base

Academic Support = 17.4% Total Funding Base
Student Services & Institutional Support = 23.1% Total Funding Base
Regular Operations = Sq Ft x cost per Sq Ft
Utilities = Sq Ft x cost utilities per Sq Ft
Fringe Benefits = projected
Public Service/Community Education
Technology Enhancement Program

Revenue
Tuition & Fees = 25% Total Requirement, excluding Public Service/Community Education, Research, MRR and Desegregation Programs
Grad Assistant Fee Reduction
Other Revenue

STATE APPROPRIATION REQUEST
Performance Incentives Example
Texas

Governor Rick Perry’s 2007 proposal: $350.2 million for incentive funding

Legislature approved $100 million

Universities
• Degrees awarded with additional weight for students considered at-risk, majors in engineering, math, physical science, nursing, computer science, allied health, math/science teacher education
• Master’s, doctoral and professional degrees awarded
  – Proposal’s average incentive funding estimated to be $2,229 per graduate

Community Colleges
• Certificates earned in approved programs and associate degrees completed
• Students completing at least 30 hours with a GPA of 2.5 or higher who transfer to a 4-year state college
• High scores on a general education or licensure exam
• Additional weight for majors in engineering technology, computer science, math, physical science, allied health and nursing
  – Proposal’s average incentive funding estimated to be $1,216 per certificate/degree/transfer student
Barriers to Effective Use of Funding

- Program Change Requests (PCR)
- Position counts
- Budgeting by object of expenditure
- Purchasing policies
UH Long-Term Finance Plan Concepts

- Keep it Simple
- Base Funding for Operations
- Funding for Capital Asset R&M
- Incentive Funds to Achieve Initiatives
- Agreed-upon Goals and Measures
- Operational Flexibility for the Effective Use of Funds
- Joint Commitment of UH, Legislature & Governor
UH Medium-Term Financial Plan

- To Achieve the Updated Strategic Plan
- Based on Measurable Goals
- Cover a 3 Biennium Period
- Begin with the Biennium Budget for FB July 1, 2009 – June 30, 2011 and Extend to 2015 (same period as updated Strategic Plan)
- Campuses Develop Together with Biennium Budget, Based on Strategic Plan Update and Stocktaking, for BOR approval in August 2008