

Committee on Administration & Budget Draft Minutes Part II

Meeting Date March 27, 2024

Summary of Discussion with UHM Chief Budget Officer Sandy French based on questions submitted by CAB

- **Q: We would like to know more about the budget, process allocations. Please explain about General Funds, Tuition and Special Funds, RTRF allocations. Are formulas publicly viewable. Can units request changes to the funding formula?. We know some seem informed by Student Semester Hours (SSH), but...**
- **A: General funds appropriated roughly \$300m/year, which are used for permanent personnel costs.**
- **The Manoa Budget Office has Tuition and Special Funds (TSF) which is approximately 2-210 Million dollars out of \$16 M. . TSF is mostly for temporary position funding. Then the rest of it gets allocated among the various units for the campus including what you might consider strictly administrative units, and support units.**
 - The Budget office also oversees temporary personnel costs and other operating costs,
 - This costs \$200-210m/year.
 - First of all, there's at least a \$100m of tuition funds that just comes off the top for certain system assessments like workers comp, and our share of the banner costs, etc.
 - Another +\$32/million for OC (16m for, extension programs, about 16m for summer).
 - These are not assigned by any mathematical formula.
 - In the past we allocated funds using what's often called the "spaghetti diagram" from around the mid-2010s until around 2017. The formula counted factors such as numbers of majors, graduates, SSH. This formula was stopped because it was based on increasing revenues, which was no longer the reality. We obviously could no longer reward whatever criteria had been selected. With tuition revenue shrinking, we needed to make budgets full for units in order to keep them alive (or make them full). That model

was put aside. We first had a hybrid model, and then the pandemic hit and everything was changed. We got a \$36m cut from the state legislature and basically just had to manage as best as we could.

- For FY22 we started over by re-baselining. all permanent personnel costs at that time. Then allocated tuition funds – roughly \$100m, of which \$40m goes for utilities, and another \$40m goes for Scholarships.. Then goes to various admin and support and academic and research units on the chart. In FY22 we allocated based on currently filled positions that were tuition-based. Because we were still in the pandemic.
-
- So, to be able to proceed with hiring to replace a position we have a challenge because we don't have that count anymore, so we're taking it from somewhere. That's why we sweep the vacancies, we put them in a pool. And then we make these prioritized decisions on a once a year basis. So basically we're keeping all the funding for positions and people. And then, because we were still in the pandemic, the school was still using that methodology. We'll talk a bit later about the faculty, hiring prioritization process.
- FY21-22 took FY19 budget as the allocation. We took an average of F18 and F19 and other operating costs and took 90% of that as the allocation.
- We're still using that approach. Later we'll discuss the faculty hiring process. We then started sweeping salary positions and 85% of the last salary paid to fund hiring which gives us resources when we make commitments for new hires through that prioritization process.
- Regarding hiring permanent faculty lines, you might not be aware of major one complexity: UH doesn't create position numbers. UH gets them from the state. This state operates in a different way than a lot of other states.
- Back in spring 2020 the state swept 300 campus permanent positions. They're just gone. We can't get them back without asking for them and we'll certainly never get any traction asking for 300 positions back. Many of these 300 were vacant positions, but others were not, and for some an offer had already been made. This caused a lot of problems.

- In the faculty hiring prioritizing process, as mentioned we have several positions which were in the process of making an offer. The problem is that we have to take any hiring from our limited number of position numbers. This is a challenge, unique to our state. We have to match the position numbers.

Q: What units are down from the swept list? Deans used to have a better idea of how many swept and re-allocated positions. How many of those were actually lost? *This reminds me of what the military was saying that they're making a huge cut to the number of positions, but they just swept unfilled positions that had been unfilled for years. I understand that limits growth, but I'm just curious if that was what it was like. Really taking away positions that were intended to be filled or that had been sitting vacant for many years.*

- A: I don't have the percentage. There were a fair number that were sitting vacant for a long time.
- If it would be helpful, I can look up that percentage, just don't know it off the top of my head.
 - (Yeah, and I think from a transparency perspective, maybe this is something that. Your office doesn't want to show, but it would be useful to know how many positions are swept into the general pool and then how many of those are reallocated. Some of the units I mean like I'm at iFA and we're down like 10 faculty from where we were 10 years ago.
 - We got good allocations this time in the prioritization process for which we're very thankful, but We're still gonna be down. I don't think anyone understands. Globally what's happening to all the positions that are being swept, whereas before the deans and directors kind of had control of that and so knew where they stood.
 - A: Yeah, it's definitely a different landscape.
 - I understand it would be a good piece of information to share – basically looking at numbers swept and reallocated. I know Provost had pulled together one time and, the UHM Budget Office was going to update it. To give a kind of a picture of where the colleges at schools Were and are in terms of numbers., I understand that the approach is

usually to look and say what you had several years ago. However, this might not include decisions based on growth when administration and Dean's and faculty work together

To advance areas that are needed to grow even though we are lacking a large new pot of money, so growth has to be accompanied by some shrinkages.

- When the freeze went into effect it was the very same time that when the university was hiring. And so, we've had a prioritization process in the last couple of years.
- The Manoa Budget office was going to issue a summary of where schools and colleges are and were in terms of lost positions. However, the old usual approach was to look at positions a few years ago. However, as we (deans, faculty...) make decisions on growth, without large new pots of funds growth has to be supported by some shrinkages in other faculty units.
- A: We don't have a secret pot of positions. When we made the announcement about which schools and colleges could go forward, we didn't have the number of positions available. We didn't know the actual number of departures yet. We're trying hard to manage resources. I have an idea of a presentation on what changed over time so it can be easily understood.
- A: FY23 allocation changed because the state used to pay fringe benefits for some positions on tuition. (S397). Basically, we had a deal that the Legislature would pay fringe benefits because we never had enough general funds for all of our permanent positions. With S397, that was stopped. For units that had positions financed using that, we had to backfill those positions. We allocated based on currently filled temporary positions that had been charged to tuition. We also restored the 10% restriction on the tuition operating funds for just the operations.

Q: Can you tell us more about the RTRE formula.

- A: The vice president for research and innovation takes a certain amount of things off the top to pay for central system expenditures. Then 25% for the Vice President's office. The vice provost for research and scholarship office keeps 25% so that they can provide for startup

packages, matches, and some of their own office operations and also for equipment. So, 50% goes back to the unit that generated the indirect costs. The old model was that each unit could come up with its own procedures for sharing revenue. Some went directly to the faculty. Depends on each unit.

- For what would happen next. In some units the Dean keeps the majority, in some units there's an agreement that a certain percentage goes to the departments or even directly to the faculty who generated those indirect costs.
- A: Tuition and fees are a category of special funds. Different units on campus have other special and revolving funds. These are not commonly held by support units. The athletics special fund, for example. Other examples of revolving funds would be some of our auxiliary services operate on revolving funds. So those are not commonly held by most academic and research units. It's more the support units that have those.

Q: Can a unit request more G-funds? Is there a procedure to ask for change in the allocation?

- A: It wouldn't be G-funds, but would be the tuition funds allocation. A dean or director can make a request. The UHM Budget office will work with the fiscal office and review changes. Tuition funds are stable, so realistically there is little wiggle room with this. So there's no large secret bucket here either.

Q: The tradition has been an annual budget report to the MFS. This was tradition before COVID-19. We understand that this will resume at the May MFS meeting. Please confirm.

- A: I Would be happy to do one.
 - Would have to be invited. (Sarita: We will ask the SEC to invite you for the May meeting. She doesn't believe she was invited).
- A: I do have sort of in the back of my mind. A Presentation needs to be developed and what changed over time. So that it can be easily understood.

Q: Can you explain to us about speeding the purchasing systems? It seems to be extremely bureaucratic and time consuming. We have gotten a lot of requests

and I'm sure you hear complaints a lot of grumbling about the purchasing system and the challenges that people have purchasing equipment and other things. Is this inside your offices? And is there something you can do about the administrative hurdles?

- A: Not inside the UHM office. It is handled by the UH System office.
- *There's a system office of procurement management, but I can give you some context.*
- *The university is required by state law to follow the state model procurement code. That's the first problem.* State laws have a lot of issues with the State Procurement code.
- We don't have our own purchasing procedures. Certain things have loosened up in recent years. You used to need quotations for something that cost \$2,500 or more. Now it's 5,000. For this quotation system called SuperQuote you need to write a scope of work and put it on the SuperQuote system to get the quotation. It's the official way to get quotations.
-
- Complicated procurement issues take extra review if only one vendor or the like, especially if the vendor is from out of state and doesn't know how to deal with paperwork related to our labor law. Large dollar items have \$25K. Amounts over that go to the procurement management office. These take extra review, so it takes longer.
- There are a couple of other hold ups. One is unique to our state, which is, a requirement that the quotes over \$2,500 purchase over that amount require the vendor be registered with this website called the state compliance. And vendors have to be certified as having been compliant with certain regulations, including that they file their state and federal taxes. And that they're complying with labor law. And this applies to out of state vendors. Some out of state vendors will never have heard of such a thing as they don't do it in their state And they suddenly need to become compliant because we cannot issue a purchase order until they are. So that is one major hurdle. Another is that for large dollar items: fiscal administrators in your unit have signing authority up to \$25K but above that goes to the Office of Procurement Management.

- *(So is there any way to undo this? Do we need to go legislators for change?) UH does its own internal Construction. So can we get an exemption for this?)*
 - We have an exemption for that. Yeah.

Q: Is there a way we can petition the Legislature for workarounds? We often have issues that sometimes mean we can't spend research funds.

- A: Many units are also chronically understaffed. This has been since the pandemic. Somehow the employment environment has changed and it has become more difficult to recruit locally and nationally. We're trying to fill our business office vacancies and other types of vacancies.
- This makes it difficult to be timely in filling requests. Many units complain that things are slowing down. There are some proposed reforms to the state reform that might improve things.

Q: When UHM became autonomous weren't we supposed to have our own procurement process? What happened? We were supposed to devise our own, right? But we never got around to doing it.

- A: We had our own purchasing procedures for a few years, but that was later removed.
- I believe that we did have our own purchasing procedures for some years. And that was disallowed. This has been quite some time. There are a lot of things that we were supposed to be able to do under autonomy that we don't have.
 - *(The rules are so complicated you need a ton of staff so that just increases costs there's no cost savings to these complicated rules and it just slows everything down. So if you could simplify the rules, then you could potentially get by with the staff that you have today and everyone would be happier.)*
 - A: I hear you. There was an effort a couple of years ago, specifically about this \$2,500 Rule. But anyway, I will bring it up with the Office for procurement and see if they have thought about how that could be discussed with state offices.
 - *(Let us know if there's something we can do as CAB or Faculty Senate. I think What we've seen is that a lot of times things happen in administration and get passed to us and there are also opportunities*

like this where we would be happy to support the administration pushing on the legislature or One admin office pushing on another item in office.

- *I think we're happy to try and make things better together rather than you working in a vacuum or us working in a vacuum and we'd like to see more of that true consultative work with the faculty going forward. I know sometimes it feels like we're oppositional, but actually we're trying to work together to make the university work better for everybody).*

■ A: I greatly appreciate that and it's a very good point.

Q: What is the relationship between UH System and UHM Budget offices? Do we have any control over the UHM allocation?

- So the university budget office serves as the sort of conduit between the state office business and finance. Basically, the legislature appropriates. The governor releases funds means that the state budget and finance director releases to the university and releases to the university by campus.
- So then the university budget office gives us our general funds. But sometimes the legislature does a little sneaky thing where they appropriate something for a campus to the system.
- And the system has consistently given it to the campus that that was for unless it was truly for a system initiative shared across campus or something like that.
- We are in charge of our UHM tuition funds. That's completely within the UHM Budget Office.
- Sometimes the Legislature makes something available from the system budget.
- The “off the top” things are not from the budget. System financial offices. We also have to pay a share of foundation costs (based on the ratio of funds raised per campus).. Other shared costs all have some formula that determines payment.
- The System does not receive tuition funds, only G-funds.
- Beyond this, the UHM budget office projects budget. We monitor and balance fund allocations.

- The University budget office does coordination of submission of budget then up through the chain to governor to legislature they assist with gathering responses to questions during legislative session like right now. They help with technical advice, all that sort of stuff. But they don't interfere in any way.
- It's our share. The off the top stuff is not from. The budget office. So, much as the system financial office.
- What we're doing is we're providing advice to the units. We're allocating to the units like we were talking about at the beginning of the meeting. We're forecasting the tuition revenue for the year with input from enrollment management. We're monitoring to make sure nobody's going over or balancing the general fund allocation at the end of the year, that kind of thing. Analyzing requests.

Q: Please provide information on faculty hiring permission systems (approval process and who has the authority to give a go ahead – does it now have to go through your office for funding?)

Hiring authority has not been clarified. Are these still under the President's proclamation during the hiring freeze? We assume the policy was lifted, but the procedures do not seem to have returned in terms of giving colleges and units authority to make hiring decisions. Faculty are anxious to see the criteria for hiring positions so they can plan their requests.

- A: We do this as a larger group. All the vice provosts and the director of NHPOL together review all annual requests for faculty hiring. This group reviews all requests. French makes recommendations on a reasonable number of positions possible to fund. She also guides which positions are funded. Provost gives authorization in Sept. Reviewing this in June–July. We are including this based on the number of retirements on June 31st, to project Dec. 31st and consider sweeping 85% of the vacancies, and looking for flex in tuition funds.
- French also makes decisions on APTs and Specialist faculty positions such as Advisers etc positions. She also works on Spousal hire requests that are treated as off-cycle requests. Off-cycle requests are essential hires that cannot wait for the annual review.

Q: Is there any planning to change the, actually written policies from what got implemented during COVID regarding hiring and prioritization? Will we go back to pre-COVID policies?

- A: The president's restrictions for COVID were pulled back July 23. At that time the campus reiterated that the prioritization process would continue for a faculty review. It also provided templates for the APT requests and that kind of thing. That was formalized in a memo, but I can't speak to the future.

When we made the announcements regarding which colleges/ schools could go forward with hiring last year. We did not at that moment have sufficient positions in hand. I offer that as proof that we're not hoarding positions. We knew that there's a certain amount of separations, whether from retirement or whatever else and that it takes at least a year to hire. We knew that we would be fine. But we're trying very hard to carefully manage those resources.

- **Q: At what point are positions swept.**

So it's your office. Looking at those requests also to see which make the most sense or some kind of decisions on funding on which are you telling like Mike Bruno's office. This is how much money we have so they and that's how they figure out which positions they can offer. What's the interplay between the prioritization and the funding of those positions?

- We do this as a larger group, all of the vice presidents also the Director of the Native Hawaiian Place of Learning Office. I think that's the full group. This is the group that reviews all of the requests for faculty hiring. The annual request, there are some off cycle requests that go through a different review. So this whole group sits and reviews all of the requests.
- What I do is provide some guidelines as to what would be a reasonable number of positions. Based on where we sit with counts and funding. And then. The prioritization guides which positions are released. So, what I'm looking at is like what we're going to and we're doing this in real time this year, right?
- So we're deciding. Provost is giving out author regulations and maybe. September timeframe, but we're reviewing in June, July. And what my team is looking at is how many retirements do we think we're gonna have on July 30 first Because that helps inform how we can move forward

and then how many additional separations might we have on December 30 first. And what are we going to take in when we sweep the 85% of the vacancies?

- On August first. So we're balancing all of that. We're looking at what Flex we might still have in our tuition funds. So we work as a team. Michael isn't making decisions separate from me and when we're looking at off cycle hires, we do that together along with Laura Lyons' office.
- Requests for APT and civil service go to me and that happens any time of year we don't have a prioritization process for that.
- And what else? Occasionally there are spousal hire requests. Those are treated the same way as off cycle. Obviously we can't wait for an annual process for that kind of thing. And off cycle are something that is Unique and essential to proceed with that cannot wait for the annual hiring Review.

- A: We sweep positions on August first. So we're basically then. We're taking the July 30 first August first retirements. And then we're also taking the December 30 first retirements and any other separations that happen along the way.
- If a unit received permission to hire the same position in the annual, then it would stay with the unit. Otherwise it may be given a new position number. Sometimes there are types of positions, like student advisor (specialist) that are made a priority / mid-cycle, but otherwise almost all positions have to be made as a new request. The old position number is gone.
- A: There is no permanent process for the university at least now. We might change. We were not doing prioritization a few years ago, but had to do this. It might not be the same way in the future.
- We wish there was a way of showing which positions are vital. We know there are different types of positions and maybe we should have a different way of dealing with community issues.
- If a unit were to receive approval to hire that same position. In the annual. Prioritization process. Then the position would. Stay with that unit. But otherwise we're going through the review process and allocating probably a different position number. At the time that it's approved to continue. Sometimes there are types of positions like

perhaps a faculty advisor Position, or a specialist. Where there would be an off cycle request because of the impact to fill that position and not wait for the annual review process.

Q: So I just so in other words what you're saying is that regardless of what happens those positions are swept out of the units. And the units have to go back and request those positions in the future. No matter what.

A: If they're faculty positions, that is the case. And basically that position number is completely lost from the unit. And they have to re. Imagine the position number and all of that stuff. So I guess, you know, that, so that's kind of a big concern. I mean, that's not really efficient for the units to have to do so continually.

Q: Is this the permanent Process now for the university?

A: I would say there are no permanent processes for the university. Things often change. We weren't doing this kind of prioritization 4 years ago and maybe in 3 years we won't be doing it anymore.

The thought is that it became necessary during the pandemic. And that it continues to be necessary because we're looking at resources.

You do raise a good point about whether it would be possible to determine which positions. Were vital like they there is always a continuing need versus which ones could be looked at on a prioritized basis every year.

Q.: There are issues for replacing some positions that are essential, but different from other positions.

For example, we had a livestock agent position on Kauai for 40 some years. The person left the position right before COVID. And then for the last 4 years, we haven't had that position filled and we only just got it back and the way that was made to us was that the position no longer existed. Well, if you take something that existed for 45 years and continued to be important. Why doesn't it still exist, right? You know, it's really challenging and we have a whole community on Kawai that aren't getting served for 4 years and that causes problems for the university in the long run because it looks bad as they're not getting the service that they, you know, had received for so long. It's just not really efficient. At the unit level to have to go back

and request those positions every time somebody leaves it when they continue to exist and or continue in terms of importance.

- A: You make a good point that there are different types of faculty positions. And maybe for these community based positions there should be some other way of looking at things. I can raise that with the provost next time I speak with them.

That would be, that would be great.

Q: Is there any plan to bring policies closer to pre-COVID in terms of budget requests.

When the pandemic hit, the hiring authority kinda got changed around. Was this legally or by policy, I guess, technically in the president's office, right? The president has the final hiring authority, but The decisions used to be made more at the unit levels, but now with this prioritization process, it's entirely. We can see what we want, but we can even rank things one through 10 from our 10 positions that we want and we don't even necessarily get 1, 2, 3.

- A: President restrictions were pulled on July '23, but the admin asserted that prioritization for hiring will continue based on a memo. We don't know about the future

Q: What are the contingency plans if there is a state legislature imposed budget cut. We also want to know if cuts will be passed on to units on the same process (would there be across the board cuts or what would the process be for any differences?). Is there sort of a contingency plan for dealing with that? Or are we or is it just going to be okay every unit?

- A: Will depend on how large a cut is. \$36m took in 2021, but then it was partly restored. We have to request \$6m each year for this campus. We might be able to cover cuts with our reserves. However, if it was a larger one and long-term shortage, we're going to have to do something else. We're either going to have to postpone some hiring or we're going to have to look at where we can tease out some savings.
- Of course the entire country is being impacted by this crunch. We've been lucky enough to get in good student numbers over the last couple of

years, especially first. We're also closely watching our tuition revenue forecast. I don't know if you've heard about the impact of FAFSA issues decreasing our admissions and SSH, that would impact our tuition revenue. That's the fiasco with the federal government rolling out the FAFSA. So, we've extended our deadline to apply for admissions.

- There are other issues like electricity, which costs increased by \$10m in the last couple of years. I think about how many positions we could fill with just that.

Time incoming fresh people and that will keep revenues steady or slightly growing, but if it tanks, then we're gonna need to really take some close looks at things.

Q: When will the prioritization list for current positions be made available ?

- *the memo will come out in a week or so, as it did last year. It's, I think we're just like final tweaks of review. I saw a draft just recently. So I would say probably within a week or so it'll come out.*
And the criteria will be very, very similar to last year. I don't think that any substantive changes were made.

We get occasional updates from VP Kalbert Young on the Legislative impact, but they are far too detailed, and in the weeds for faculty to comprehend. Your explanations were much more clear and help faculty and students to understand what is happening and the impact of legislative decisions. We think your answers have been actually generally very clear about the way that the chief funds are allocated things like the positions being swept. It would really benefit the university and the faculty, and maybe even the students and staff if you could make such reports. It would also help the faculty to be able to do advocacy at the Capitol for reforms that might improve things for all. It would prompt potentially more political action from the constituents. I know it's challenging to keep everyone informed at a basic clear level because there's a lot of complexity. But I think that would really help the faculty feel that the officers are being transparent. It would

remove some people's impressions that Sandy French or Michael Bruno are simply being mean and taking positions. We need to see that we're being externally downsized, for instance.

CONCLUDING COMMENTS:

Thank you Sandy. You have been very very helpful in all of this and answering all of our questions in all of this and answering all of our questions. And I second everybody that requests that we actually have this pretty much out there open QA type of a thing and write it up and have it available for faculty to better know what the Manoa and the system Budgets offices are doing. Frankly, your office is sometimes blamed for hogging the positions and faculty wonder why you are not giving them out, So, if we know more about this it'll be a lot easier.