Update on Financial Status and Reshaping UH: Navigating to the Future

Presentation to University of Hawai‘i Board of Regents
January 7, 2021
Overview of Presentation

➢ Update on Financial Status
  • Vision for the Destination
  • Planning to Get Us There
  • The Journey Ahead
FY21 Fiscal Update and Control Measures

Expenditure controls and cash preservation beginning in Spring 2020
• Travel restrictions
• Contract renewals and equipment purchases restrictions
• Hiring freeze on all vacant positions
• EM salary reductions

Revenue Concerns
• Q1+Q2 FY21 tuition revenues down but less than anticipated (-5%)
• Q1+Q2 FY21 general fund support has thus far matched appropriation – which, is better than earlier forecasted levels (-10%).
• Auxiliary and enterprise service revenues down

Reserves
• No use of reserves in FY21 to support operations
The State’s Financial Condition Remains Grim

• Through November, State General Fund tax revenues are down 7.8% from the same time period for FY20
  • At its September 9, 2020 meeting, the Council on Revenues (COR) had projected a state revenue decline of 11% for FY21. The COR is scheduled to meet on January 7, 2021.

• State has borrowed $750m to cover FY21 operating budget – this will need to be paid back over next 5 fiscal years

• Hawaiʻi’s seasonally adjusted unemployment rate for November 2020 was 10.1%, tied for highest in the country (with Nevada)

• Executive budget plan for next biennium and beyond includes furloughs AND extensive budget reductions for all agencies
  • Estimated annual general fund revenue shortfall is $1.4 billion

• Return to FY19 revenue levels not expected for at least 4-5 years
August 2020
- Presented financial scenarios and budget planning strategy to the Board for both short term (FY21) and future (FY22 & beyond).
  - Early financial forecasts modeled declines in available state appropriations, potential drops in tuition revenue, and COVID-impacted auxiliary revenues

October 2020
- Board of Regents approved Budget Policy Paper for the fiscal biennium and beyond

November 2020
- Board of Regents approved a flat general fund budget request for FYB21-23 for operating and capital improvement project funding (CIP) request
  - Per HRS, request submitted to both Gov and Legislature
• No new general funds requested

• Transfer positions associated with Nā Pua No‘eau from UOH900 (Systemwide Support) to the various campuses

• Transfer positions associated with Human Resources from UOH100 (Mānoa) to UOH900

• Request continuation of $4,000,000 in General Funds for Athletics programs at Mānoa and Hilo (these funds were appropriated in Act 264, SLH 2019)

• Non-general funds ceiling increase for RTRF in UOH900 and a transfer of ceiling from UOH100 to UOH900 to reflect reorganization of Office of Research Compliance
## FB21-23 Operating Budget – Gov Proposed

<table>
<thead>
<tr>
<th>Campus</th>
<th>Act 9/SLH 2020</th>
<th>CB (prior)</th>
<th>Transfers</th>
<th>Adds</th>
<th>Reduction</th>
<th>Total (GOV)</th>
<th>% diff</th>
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<td>Manoa</td>
<td>$238,158,774</td>
<td>$9,294,328</td>
<td>$-402,885</td>
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<td>$87,631</td>
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<td>SBDC</td>
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<td>Community Colleges</td>
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<td>Total</td>
<td>$526,487,152</td>
<td>$19,535,563</td>
<td>$-4,700,000</td>
<td>$(78,478,080)</td>
<td>10.3%</td>
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- $78.5 million reduction to current (FY21) base budget for general funds – spread equally across UH Level 3 programs
- Act 9 (2020) appropriations, with additions for collective bargaining, other separate appropriations, and transfers.
UH Budget Planning – Timeline (cont.)

December 2020
• Governor submitted proposed operating budget to Legislature with $78 million in general fund reductions to UH in each year of FYB21-23

January 2021
• Legislative Budget Briefings begin in January, pre-session
• Legislative session opens January 20

April/May/June 2021
• Legislative approves Biennium Budget
• Budget enacted

July 2021
• Administration reports to BOR on State Budget and UH Plans

August 2021 (if possible)
• Administration proposes UH FY22 Operating Budget to BOR
Federal COVID-19 Relief Funding – Higher Ed Relief

Coronavirus Response & Relief Supplemental Appropriations Act of 2021

• $82 billion total for education - all levels, public and private
  • $22.9 (28%) billion for New HEERF, ~1.6 times the CARES HEERF amount
  • $4.05 (5%) billion for New Governors Ed Relief Fund, <1.4 times the CARES GEERF amount

• New Higher Ed Emergency Relief Fund (HEERF) structured similar to CARES HEERF
  • $20.4 billion allocated to public and non-profit IHEs by formula; Unlike CARES, includes weighting for headcount enrollment as well as FTE
  • $1.7 billion allocated to HBCUs and Minority-Serving Institutions

• New HEERF funding may be used for
  • Direct aid to students - Must provide at least the same amount of funding in emergency financial aid grants to students as was required under CARES.
  • Coronavirus expenses including lost revenue, technology, faculty/staff training
  • Student support activities that address needs related to coronavirus

• Remaining CARES funding may also be used for these purposes – other than CARES funds required to be dedicated to direct student aid
Federal COVID-19 Relief & Budget Act - Other

• Other helpful provisions for Higher Education and UH
  • Small increase in maximum Pell Grant
  • Long-awaited FAFSA simplification (108 questions to 36)
  • Increases in funding for MSI programs, TRIO, GEAR UP
  • Funding for numerous specific UH research programs

• No direct support to state & local governments, but:
  • Funding for testing, tracing, vaccination
  • Significant support for K12 education
  • Support for broadband
Summary of UH Financial Situation

• Outlook for basic operations in current fiscal year remains stable
  • Furloughs not anticipated
  • Freezes remain in effect
• New federal relief sufficient to address direct COVID-19 impacts on operating costs with provision for more emergency aid to students
• Extramural funding outlook is highly positive
• Philanthropic funding outlook is positive
• Tuition revenue outlook mixed across units but declines less than anticipated
• Outlook for General Fund appropriations across the state remains unfavorable given state financial and budget conditions
  • General Funds comprise roughly 60% of UH basic operating budget
Overview of Presentation

• Update on Financial Status
  ➢ Vision for the Destination
• Planning to Get Us There
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Vision for Hawai‘i and UH

Hawai‘i is a special place where diverse people and communities live, work, learn and play together in a sustainable manner. Hawai‘i’s economy is vibrant and globally competitive, characterized by engaging living-wage jobs. Inspired by its host culture, Hawai‘i treasures and protects its amazing environment as it promotes a high quality of life for all its people.

The University of Hawai‘i system is the single most important contributor to the future of Hawai‘i. The people of Hawai‘i appreciate the excellence throughout UH, understand its value to the state and show their pride in their university system. UH campuses are recognized for their quality and value and are destinations of choice within Hawai‘i and beyond. The UH System is the premier integrated higher education system in the country.

Integrated Academic and Facilities Plan for the UH System
Approved by the Board of Regents, April 20, 2017
What Must UH Do Now For Hawaiʻi: Priorities for Recovery and Beyond

- Hawaiʻi needs a more educated citizenry that addresses our challenges and opportunities
- Hawaiʻi needs more of our residents prepared and qualified to fill the jobs Hawaiʻi needs
- Hawaiʻi needs to grow healthy new economic sectors and develop new approaches to existing sectors
- UH research and innovation must become more substantial economic and intellectual drivers
Post-Pandemic UH is Not a Return to the Past But a Leap to the Future: What Must We Look Like

- UH is a hybridized environment in which work & learning occur both online and in-person
- Innovative instructional approaches -- online & distance, non-credit, micro-credentials-- increase students reached and maximize student retention.
- UH is a prudent steward of public fiscal, human, and physical resources.
- The UH System understands the missions of its major units and collaborates across all units and islands to realign and share resources in service to the entire state
- UH has accepted that the State can no longer afford to support attempts to be all things to all people
  - Hawaiʻi is a small state with limited resources – some students will need to leave their island or Hawaiʻi to pursue some specific programs
- UH is investing in areas critical to the future of Hawaiʻi, sustaining and advancing excellence
- UH is more resilient in the face of economic fluctuation because it has diversified its revenue sources for operations beyond state general funds and tuition revenue

Refer especially to the UH Integrated Academic and Facilities Plan
• Strong coherent statewide pathways are thriving, particularly in high need academic program areas:
  Unique programs on a campus embrace statewide responsibilities;
  Greater use of hub & spoke approaches including with University Centers
  • Health Care & Social Welfare; Education; Agriculture/Aquaculture; Sustainability/Resilience/Energy/Conservation/Green Jobs; Computer Science and Engineering
• UH Enrollment has increased through expansion to new learners
  • Online & distance education serve Hawaiʻi and beyond
  • Non-credit micro-credentials and certifications support training and retraining of Hawaii’s workforce
• UH extramural funding has grown both in areas of research strength...
  • Ocean, atmosphere, earth & water; Astronomy and space; Environmental microbiology; Climate change & resilience; Energy; Disaster management; Study of Asia and the Pacific (all disciplines); Hawaii and its people
• ...and Areas of Opportunity
  • Health sciences; Agri/Aquaculture; Computer science and engineering; Pacific initiatives
• Data-informed change is routine, not just crisis-driven
  • Small Class Policy, Small Program Policy & Workload Template inform academic decision-making
  • Efficient and effective administrative service delivery is the norm
  • High-quality UH facilities are utilized through the week and year; others are shed

• Revenue sources are strengthened and diversified
  • Extramural funding continues to grow each year, particularly in target areas
  • University real property assets generate revenue to support campus operations
  • Philanthropy increases and is even more targeted to university priorities and community needs
  • Modern enrollment management practices increase recruitment, retention and transfer

• Hybridity is routine
  • Work from home is embraced where appropriate
  • Online education serves both campus-based and off-campus learners
  • Facilities are reconfigured to recognize new patterns of working and learning

Post-Pandemic UH is Not a Return to the Past But a Leap to the Future: Some Specific Examples of Desired End State (2/2)
Overview of Presentation

• Update on Financial Status
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• Identify space that can be abandoned to reduce lease, energy and/or maintenance costs

• Reorganize administrative and support services on and among campuses/system to increase efficiency and effectiveness of support services

• Realign, consolidate, terminate programs - using transparent criteria:
  • What is most essential to Hawaiʻi’s recovery and future
  • What is aligned with mission, what can another UH campus do
  • Data on size, growth/contraction, efficiency, excellence

• Implement and enforce measures on small course sections

• Utilize workload template to implement faculty collective bargaining agreement

• Encourage retirements to reduce payroll and operating footprint
Strategies for Structural Rebalancing & Rightsizing – Revenue Opportunities

- Monetize UH real-estate
- Increase philanthropy
- Protect current and strengthen promising sources of extramural funding
- Reach new learners through:
  - Non-credit / professional education; Military education
  - More robust online and adult-oriented program offerings
- Increase general enrollment
  - Increase going rate from Hawaii high schools
  - Increase transfers from UH CCs to UH universities
  - Increase numbers of non-resident/international students
  - Continue to improve retention
- Develop new approach to financing of graduate assistant tuition waivers
- Identify opportunities with auxiliaries
- Increase community utilization of available UH facilities and resources

**Investments in revenue opportunities will be slower to materially improve operating budgets, but are critical now**
Work Done Toward Post-Pandemic Planning

- Articulated priorities for planning – as adopted in BOR-approved Budget Policy Paper for FB21-23 and beyond
- Identified the types of actions needed – also communicated in Budget Policy Paper
- Gathered and promulgated data on faculty/student ratios, number of programs, size of programs, number of administrative units, staff/student ratios, exec/student ratios, program review findings
- Upon return of faculty and students to campuses in Fall 2020, conducted intensive campus conversations, planning meetings, open forums, and strategic discussions – inviting all stakeholders

- Principles
  - Open to all ideas
  - Relentless focus on what Hawaiʻi needs
  - Consultation is essential and must be expeditious
  - Respect for Collective Bargaining Agreements
UH Mānoa has focused on making strategic changes to its organizational structure, its educational offerings, and its use of campus and off-campus facilities to position the university to much more effectively contribute to a thriving Hawai‘i with an educated citizenry and a diversified economy that is sustainable and that supports the entire population.

Many of the recommendations in both the Post-Pandemic Planning and the final Phase 2 administrative reorganization are intended to achieve cost savings. Many are also intended to strengthen academic programs and support services with the aim of increasing enrollment and student success. And some are intended to increase revenue opportunities, including contracts & grants, philanthropy, and monetization of real property assets.
April, 2020 to present
Phase 2 of the Mānoa Administrative Reorganization adapted for budget and EM position reduction rather than neutrality in realigning all academic support functions under four Vice Provost offices.

April, 2020
Unit-by-unit budget scenario planning. Each Dean, Director, and VC-level unit lead was asked to provide their approach to possible cuts to their budget of 10%, 15%, and 20% to their unit’s appropriated General and Tuition funds.

May–August, 2020
Planning for Post-Pandemic Hawai’i begins. Executive level Mānoa Budget Team (MBT) assembled to work during the summer to prepare for open program-level review for each academic unit. Data gathered and reviewed to suggest changes and facilitate discussion regarding appropriate program changes.

August, 2020 – present
Initial meetings held with unit leadership (Deans/Assoc Deans). MBT recommendations shared, and unit leaders asked to begin internal discussions with their department chairs and faculty to review the MBT recommendations provide responses, counter-proposals, etc. All data and MBT recommendations publicly published to guide ensuing discussions and brainstorming with faculty, staff, students, and administrators. Consultation has included two rounds of one-hour meetings with each unit leadership team, 56 one-hour meetings with faculty and staff in units; two campus-wide Town Halls; 14 meetings with the academic department Chairs; frequent (at least bi-weekly) meetings with the Mānoa Faculty SEC; three meetings with ASUH; three meetings with GSO; four meetings with all consultative bodies (SEC, Staff senate, ASUH, GSO, Kuali’i Council, UHPA, HGEA, UPW); monthly meetings with Kuali’i Council and the UHPA Executive Director; and a December meeting with the full Mānoa Faculty Senate. These discussions have already led to multiple revisions to the MBT’s original recommendations and to a number of entirely new recommendations. This work will continue well into the Spring, 2021 semester.

UH Mānoa Planning (2/3) - Process
Future campus decisions regarding the eventual relaxation of the hiring freeze, and the development of future budget allocations, will be guided by state needs and priorities articulated in the BOR-approved Budget Policy Paper, campus data, the ongoing consultative discussions, and the work of a recently-formed Prioritization Indicators Committee (PIC).

Members of the PIC include 6 faculty members recommended by the SEC, 3 staff members recommended by the Staff Senate, 1 member recommended by Kuali‘i Council, 3 members of the Mānoa Budget Team, 5 Deans, a student representative from ASUH, and a student representative from GSO.

Process is described at:
https://manoa.hawaii.edu/provost/planning-for-post-pandemic-hawaii/planning-process/
UH Hilo has focused on those elements of its identity that are consider essential to its mission and its role within the UH system:

• Programs that serve Native Hawaiian and Pacific Islander students;
• Programs that engage meaningfully and well with the rich natural and cultural environment of Hawaiʻi Island;
• Programs that address the island’s unique needs.

The institution seeks to embrace its diversity and individual attention to student needs, and to serve the entire island with updated, relevant, and accessible academic programs.

Strategic investments of CARES funding allowed for classroom upgrades (which enable more hybrid courses), increased opportunity for student aid and student employment, and training of faculty in online teaching modalities.
Chancellor reconstituted the dormant Long Range Budget Planning Committee (LRBPC), which includes staff, faculty and student representation.

LRBPC met weekly from July to December, analyzing data, discussing options, and reviewing scenarios with Chancellor and VCs.

i/VCA and VCAA met with all academic units and i/VCA with all major administrative units.

Two discussions with full Faculty Congress, in October and November.
  - Academic program data shared with campus prior to the November session.

Chancellor and VCs held several open campus Zoom sessions for faculty and staff to ask questions and offer ideas.

Chancellor and VCAA met with all small academic programs to discuss options.

The LRBPC website contains data, process, deliberation document and includes a suggestion portal.

https://hilo.hawaii.edu/lrbpc/
Further discussions will be held with academic units throughout the spring semester with an eye toward interdisciplinary, cross-college cooperation and possible consolidation. These changes will lead to more efficiency, administrative cost savings, and, most importantly, a richer academic experience for students.

General reductions in operating expenses
• Reduce numbers of small classes
• Reduction in administrative and athletic travel expenses
• Separation of temporary employees
• Intentional and continuous communication
  • Weekly bulletins and monthly newsletters to the campus
  • Weekly meetings with campus leaders, monthly meetings with campus units (faculty, staff, and students).
  • Multiple open forums to share and gather information from faculty, staff, and students (September-October)
  • Active website with all documents about planning, data, reports, communications, etc.

• Transparent and inclusive process to engage all campus stakeholders
  • Campus leadership and Division Chairs (who work over summer) were involved in preparations for Fall 2021
  • Utilized a Task Force process to provide multiple avenues for full campus participation

• Commitment to Responsible Stewardship
  • Engaged faculty and staff across all units in cross training efforts to strengthen our student recruitment and retention efforts.
  • Invested in student employees (using CARES funding) to support tutoring, IT needs
  • Continue to maximize facility savings, e.g., energy, janitorial services, etc.
August-September 2020

- August Convocation Chancellor: Presented Updates on Budget/Planning efforts over the summer and Task Force to be established.

October -November 2020

- Budget/Planning Task Force established with students, staff, faculty, union representation.
- Task Force Operating Agreements—all voices equal, okay to disagree, listen as an ally, etc.
- Task Force Work Teams Established—
  - Work Team 1 Facilities and Resource Efficiencies
  - Work Team 2 Maximization of Course Delivery and Offerings,
  - Work Team 3 Cost-center Review.
- Task Force Review of Work Teams’ findings and recommendations to campus.

December 2020

- Task Force Recommendations being reviewed by Campus Leadership.

Spring 2021

- Planning for processing and implementation of Task Force Recommendations.

[Link](https://westoahu.hawaii.edu/about/leadership/planning-process/)
1) Conducted open forum meetings at every campus with presentations by OVPCC and CC AVP of Admin Affairs - Sept 2-15, 2020.

2) Chancellors led budget / planning governance groups in discussions regarding possible cost savings, program and department consolidations, alignment and elimination. Feedback was provided through a campus report of recommendations.

3) A CC-wide Organization and Resource Plan took into account all campus input and was posted for campus and individual feedback followed by a second set of campus wide forums - October 16-27, 2020.

4) Cross-campus work groups were assembled, led by Chancellors and other administrators, to review the proposed actions and provide scenario recommendations based on increasing levels of fiscal austerity.

Governance groups have been engaged at the campus and CC system level and remain active in work groups providing recommendations.
5) Using campus and work group feedback, a second Organization and Resource Plan was updated and posted for comment.

6) Next step moving forward will take this plan and work with Community College constituents during Spring 2021 semester on specific organizational and programmatic actions and changes that are needed to prepare for changes planned for Fall 2021. This is expected to be an ongoing process.

7) To ensure continued interaction, info sharing and transparency, another round of open campus meetings are scheduled for January 2021.

8) Planning for specific recommendations around curriculum alignment and organizational improvement will take place during Spring 2021 as the CCs prepare for FY2022 and beyond.

All resources are posted online:

uhcc.hawaii.edu/ovpcc/uhcc-planning
Planning Process for FY21
1. Analysis of past 5 years of annual spending trends compared to Systemwide (UOH900) allocated budgets by vice-president organization.
2. Analysis indicated that based on 10-month spending trends, budget allocations between VP’s could be adjusted to minimize system-wide disruption of current service levels.
3. However, revised allocations (above) are inadequate to absorb projected general fund reductions possible in FY22 and beyond.

Planning Options for FY22 and Beyond
• Consider elimination of “pass-through” funding appropriated to UOH900
  • Performance funding, up to $6.4 million
  • Scholarship funding, up to $1 million
• Review WICHE expenses for PSEP program (Hawai‘i students who study elsewhere)
• Renegotiated downward large multi-year vendor contracts
• Additional reductions to each VP organization to stimulate additional ideas to absorb reduced funding.
Initial Ideas for Re-programming
1. VPs have proposed ideas of how to absorb permanent base reductions to budgets.
   • Ideas range from tactical to mechanical.
   • Some reductions are permanent effects on positions.
   • Reductions do include serve eliminations.
2. Ideas now need to be vetted and categorized strategically.
3. There are also areas of cross-consolidations (across multiple VP organizations) to achieve efficiencies
   • These ideas require additional dialogue and planning between different units about how to execute consolidations.
4. Need to develop revenue generating opportunities

Conclusions
• UOH900 is prepared to absorb appropriate level of general fund reduction
• Strategy can not be completely implemented and achieved in FY22; estimated timeframe for some changes may be up to 3 years
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➢ The Journey Ahead
What Happens Next – Changes to Programs and Structures

- Many promising new program and structure ideas arose during the conversations on campuses and in systemwide conversations
  - Provide health education in a more integrated and systemwide manner across the state
  - Educate teachers and education professionals in a more integrated and systemwide manner across the state
  - Coordinate and focus agriculture programs across the campuses to serve all islands
- Many of the ideas that arose, including some of the counter-proposals from faculty who recognize we are in a crisis, are just plain good ideas.
- There are a number of areas on which more work needs to be done
  - Facilities
    - Deeper understanding of trends telework and online learning on facilities needs
    - Means and methods to intensify use of high-quality facilities and shed those in poorest condition
    - Any opportunities for energy savings
  - Specific Program Challenges and Opportunities
    - UH Mānoa Athletics
    - Student Housing
    - Auxiliaries
While developing revenue sources is a multi-year process, it needs to be supported now even as other areas see disinvestment. More work needs to be done to develop specific plans around:

**Educational Revenue**
- Enrollment Management, especially systemwide strategies
- Online programs to reach new learners
- Non-credit / Micro-credentials / Training & ReTraining

**Real Estate Revenue** – with focus on the most promising properties
- UHWO
- UH Press
- Leahi area parcels
- Hangar 111
- PBS / Lab School / College of Ed
- Hilo Vulcan Village
Planning Timeline Moving Forward

Spring 2021
• Continue all post-pandemic planning as outlined, including in areas that need attention
• Begin to move forward with positive actions that do not involve formal layoffs or retrenchments, in accord with applicable policies and consultation practices.
• Communicate to Legislature the importance of a strong UH to Hawaiʻi’s future and defend UH budget

May/June 2021
• Upon enactment of Budget Bill, plan for implementation across UH

July 2021
• Administration reports to BOR on State Budget and UH Plans

August 2021 (if possible)
• Administration proposes UH FY22 Operating Budget to BOR in context of multi-year plan with consideration of actions that require BOR approval
The Dim State Budget Outlook Challenges Us, But Need Not Dim What the University of Hawai‘i Must Do for our People and our Islands