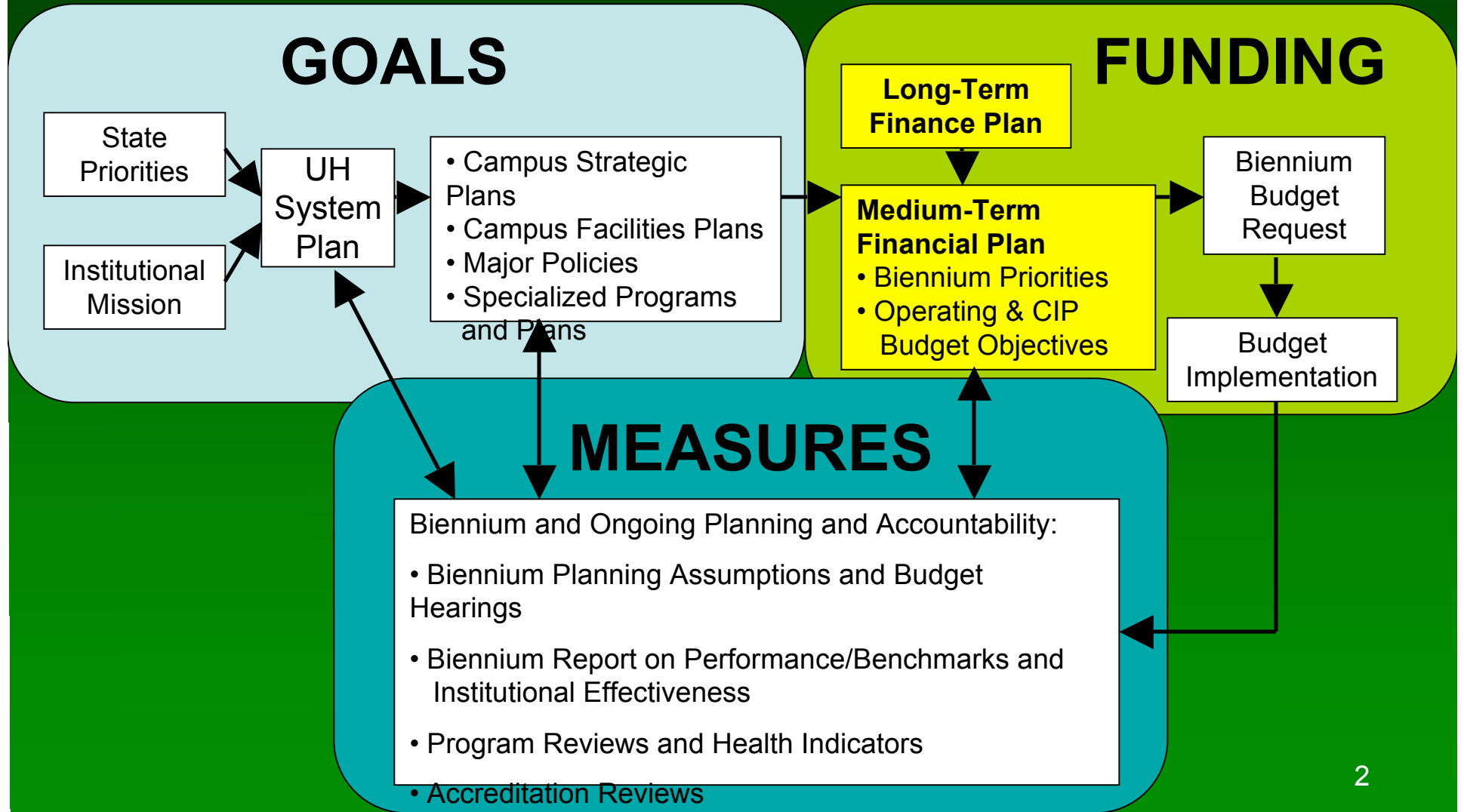


Financial Planning

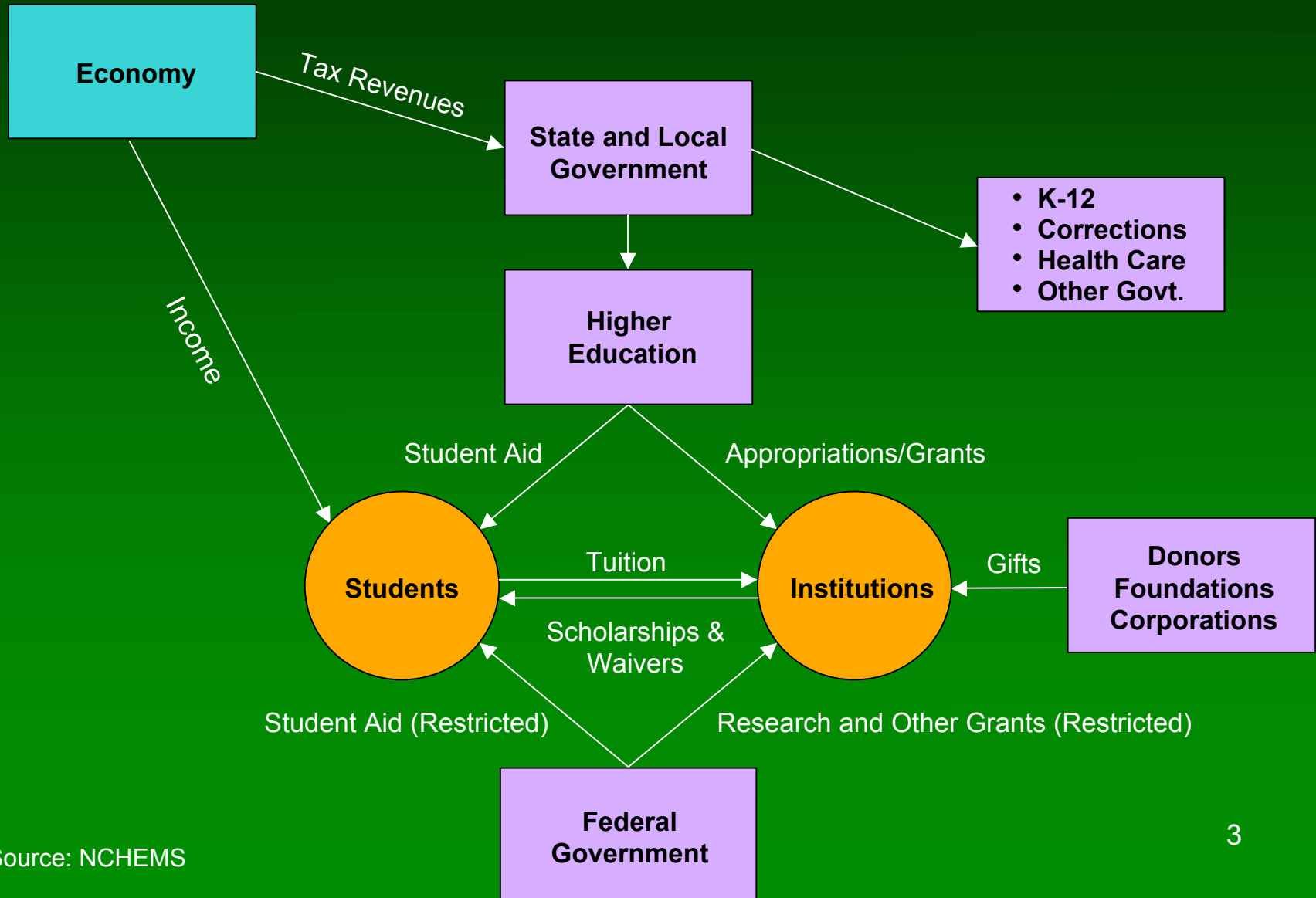
Presented to:
Board of Regents
October 2007

Howard S. Todo, VP for Budget and Finance
Linda K. Johnsrud, VP for Academic Planning & Policy

Linking Goals and Measures to Funding



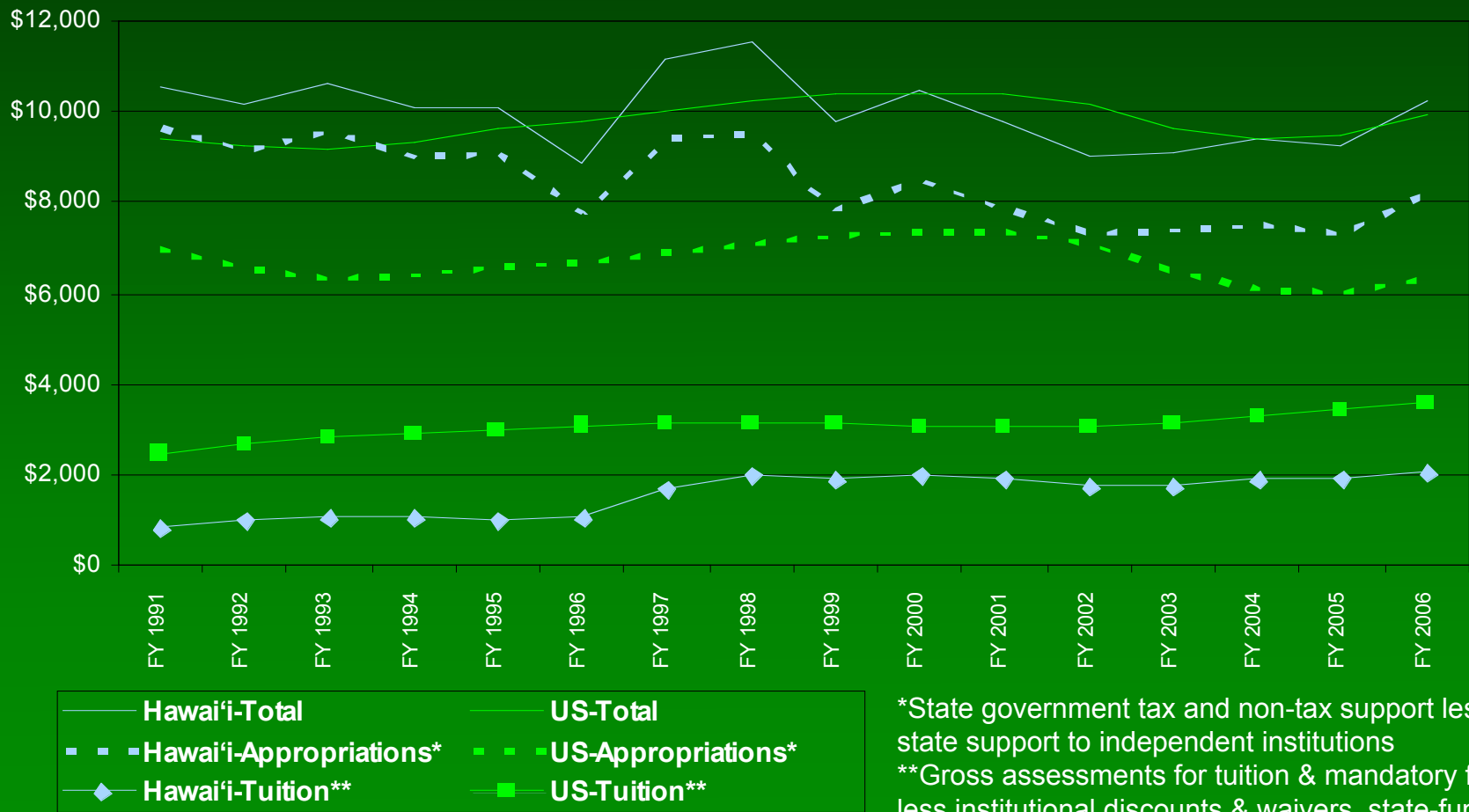
Flow of Funds



UH Share of State General Funds

	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
UH % of State General Fund	9.2%	8.4%	8.1%	8.4%	8.1%	8.5%	8.1%
Additional Funds if FY 2000-01 % Held Constant (<i>millions</i>)		\$25.2	\$38.1	\$29.7	\$43.5	\$30.7	\$51.8
Cumulative Difference (<i>millions</i>)			\$63.4	\$93.1	\$136.6	\$167.3	\$219.0

Revenue per FTE, Adjusted for Enrollment Mix and Cost of Living in Constant 2006 Dollars

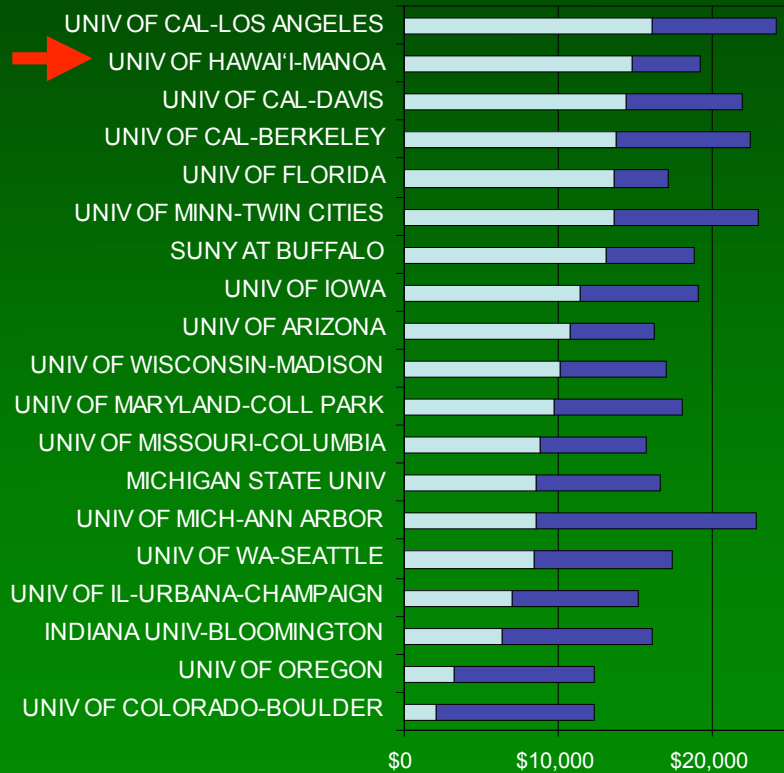


Source: SHEEO SHEF

*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

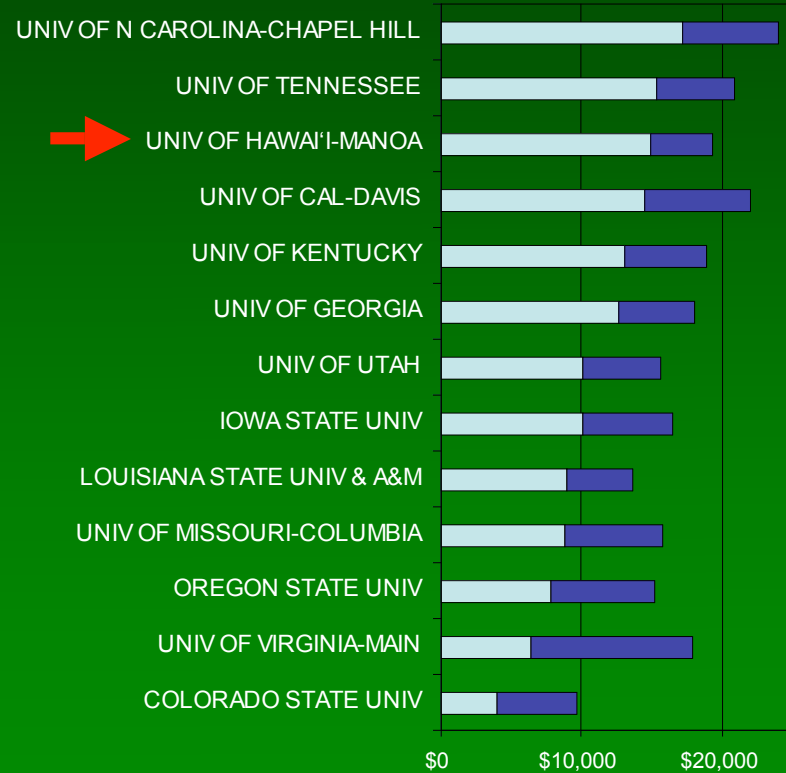
Revenue per FTE as compared to Peers and Benchmarks

MANOA BENCHMARKS



■ Appropriations per FTE ■ Tuition and Fees per FTE

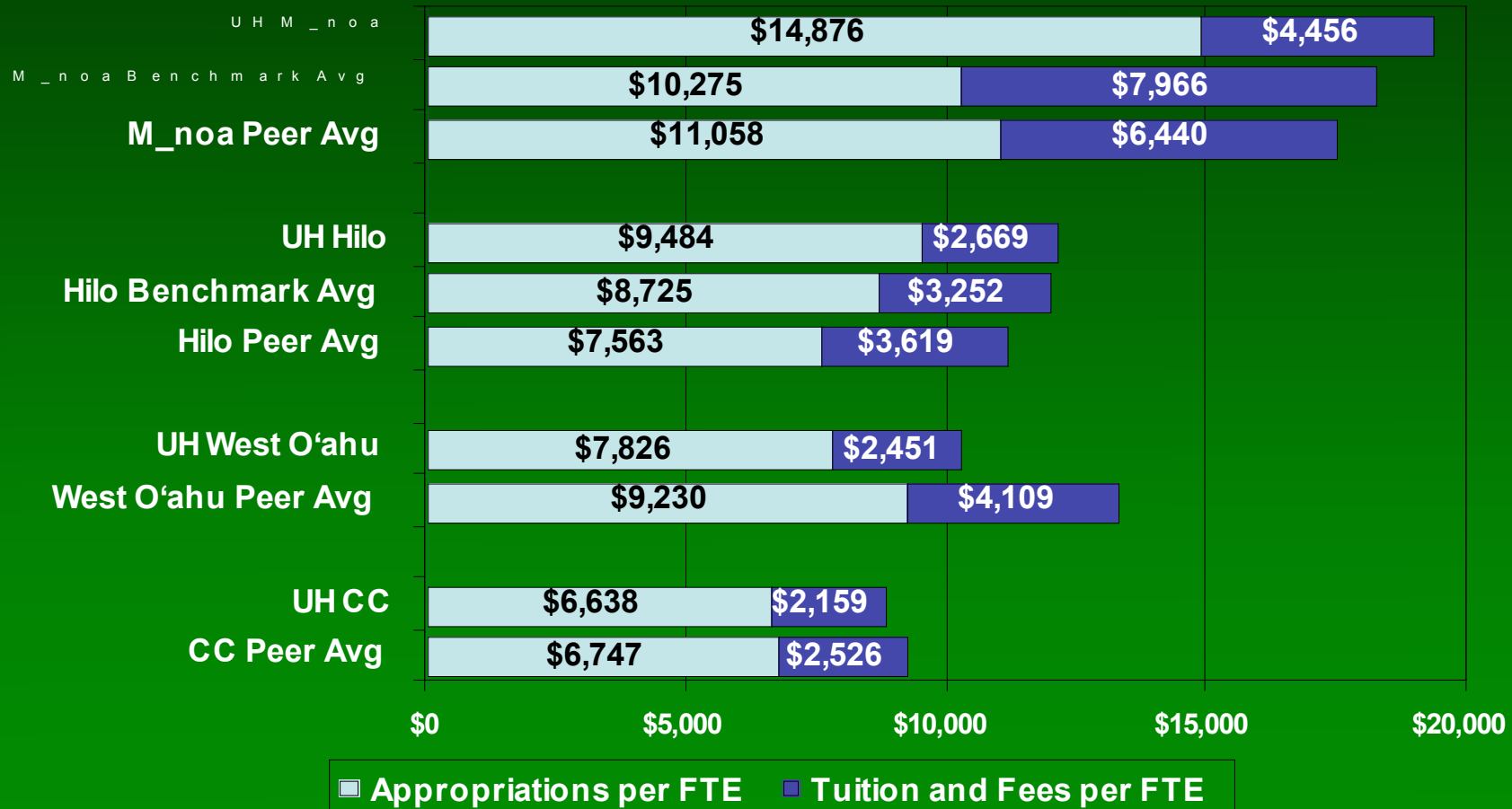
MANOA PEERS



■ Appropriations per FTE ■ Tuition and Fees per FTE

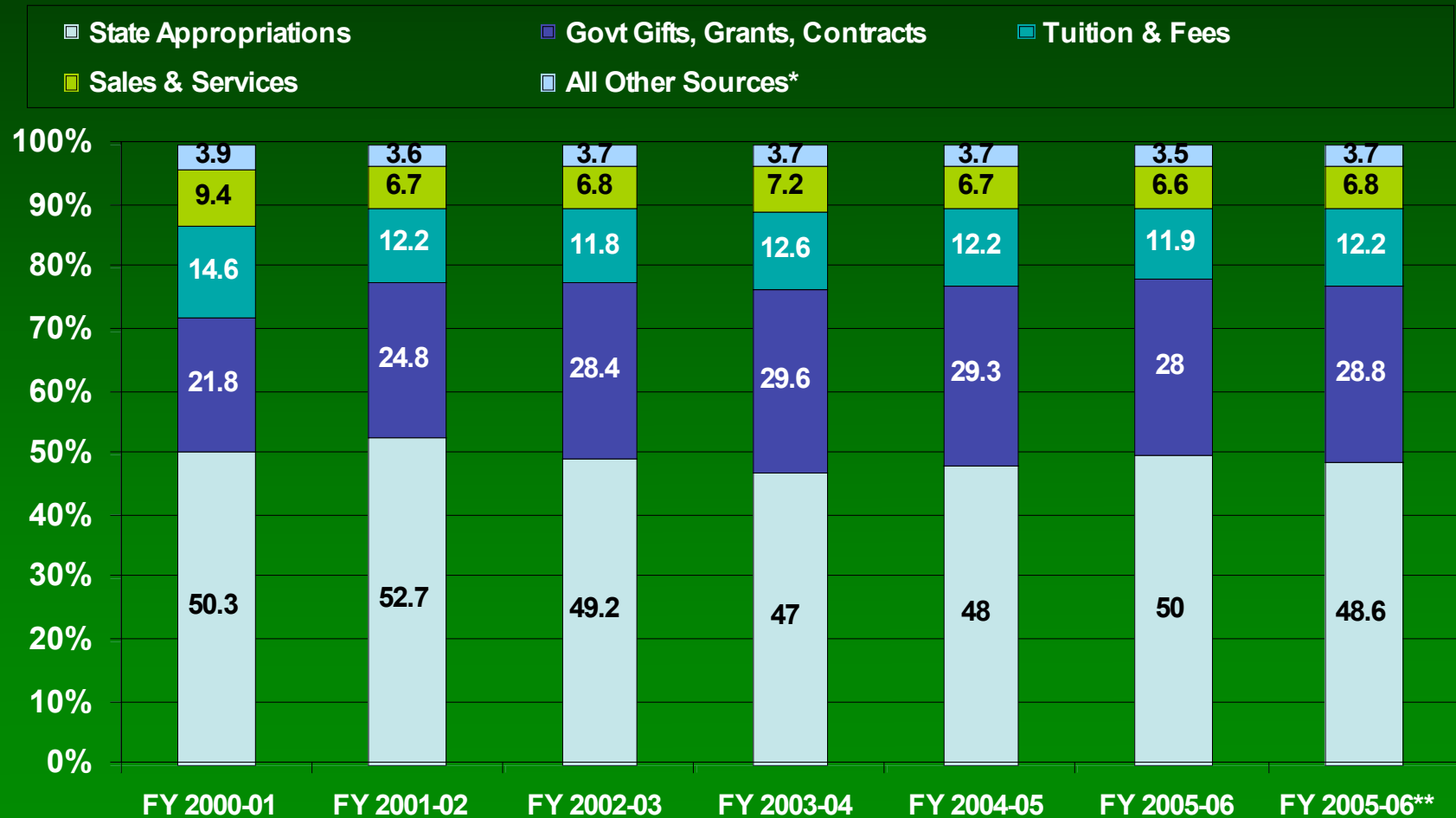
Source: NCHEMS NCES Finance Dataset, 2005-06

Revenue per FTE as compared to Peers and Benchmarks (cont)



Source: NCHEMS NCES Finance Dataset, 2005-06

UH Sources of Revenue

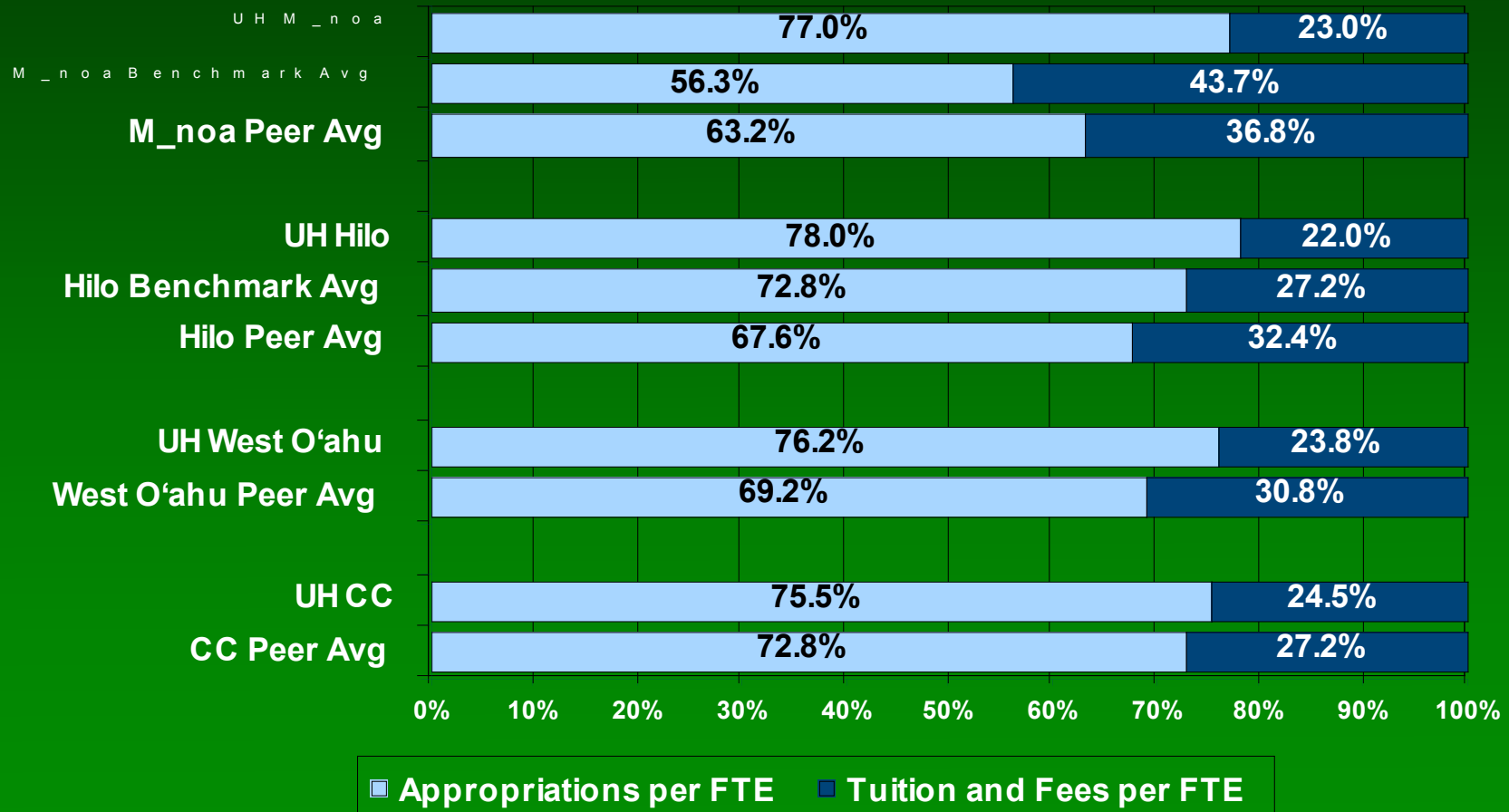


*Includes Federal Appropriations, Private Gifts, Grants and Contracts, Endowment Income, and Other Sources

**\$31 million for Manoa flood expenses excluded

Source: UH Budget Office

Revenue per FTE as compared to Peers and Benchmarks (cont)



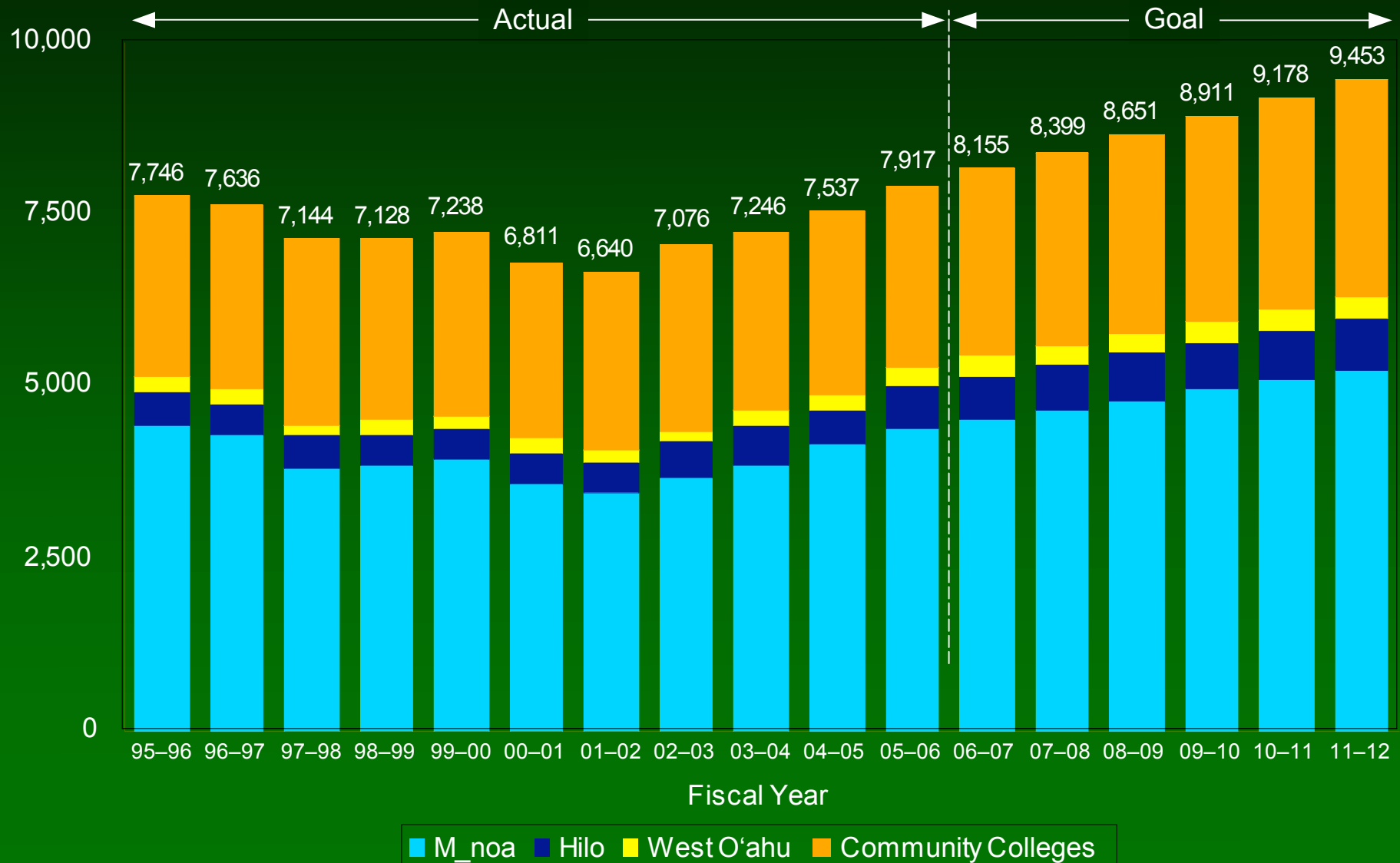
Source: NCHEMS NCES Finance Dataset, 2005-06

State Higher Education Needs

Higher Education Needs	Possible Measure
Increase the educational capital of the state	Enrollment, retention rate, transfer rate, number of graduates
Expand workforce development initiatives	Number of graduates by major
Contribute to the state's economy	Research and training grants, inventions disclosed, patent applications filed, patents issued, licenses consummated, licensing income, number of commercial products produced and sold
Address underserved regions and populations of the state	Enrollment, retention rate, transfer rate, number of graduates by region or population
Renew and expand infrastructure	Deferred maintenance backlog

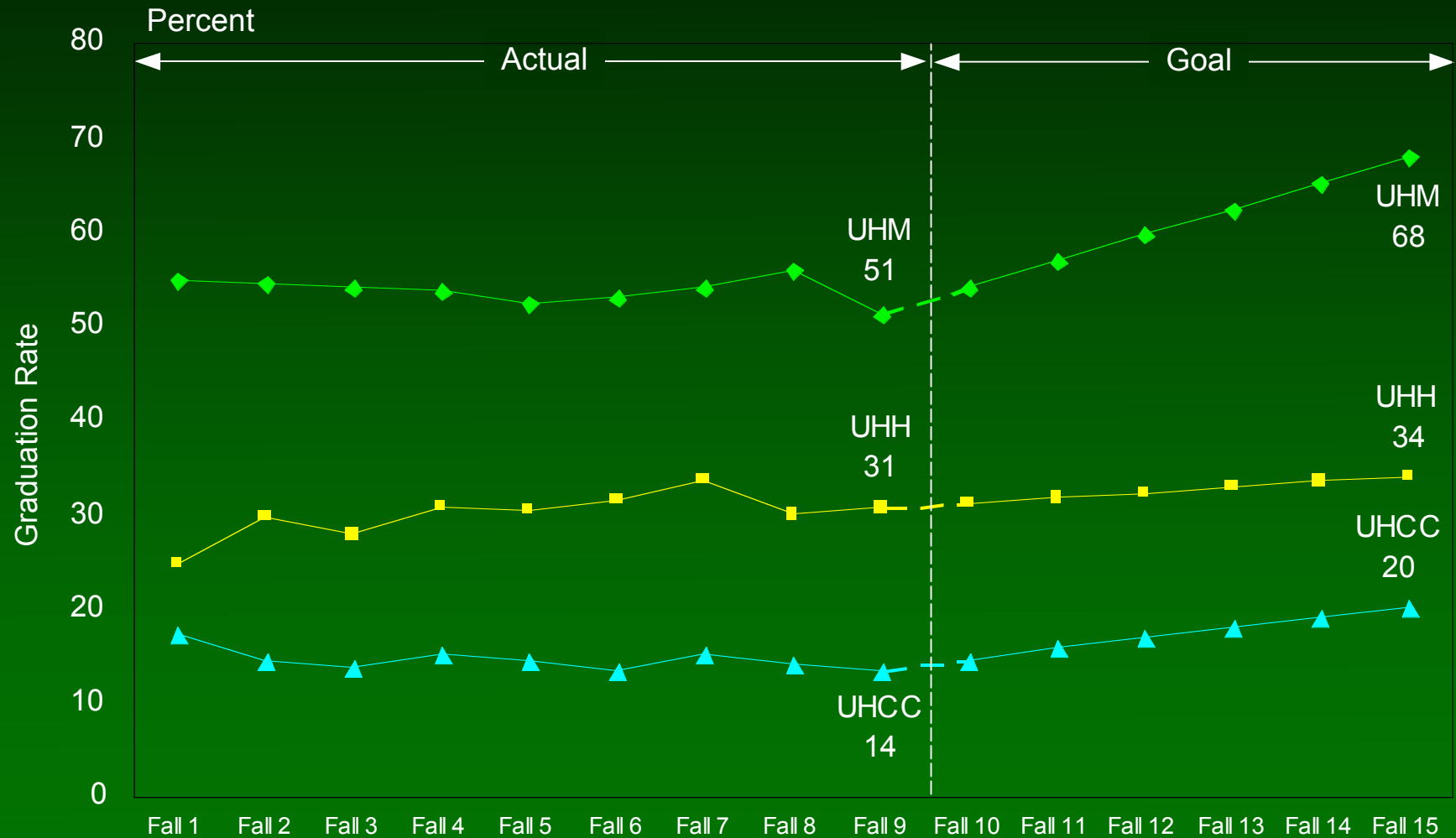
UH Degrees & Certificates of Achievement Earned

GOAL: 3% INCREASE PER YEAR



UH Graduation Rates

GOAL: MATCH PEER LEVELS IN 6 YEARS

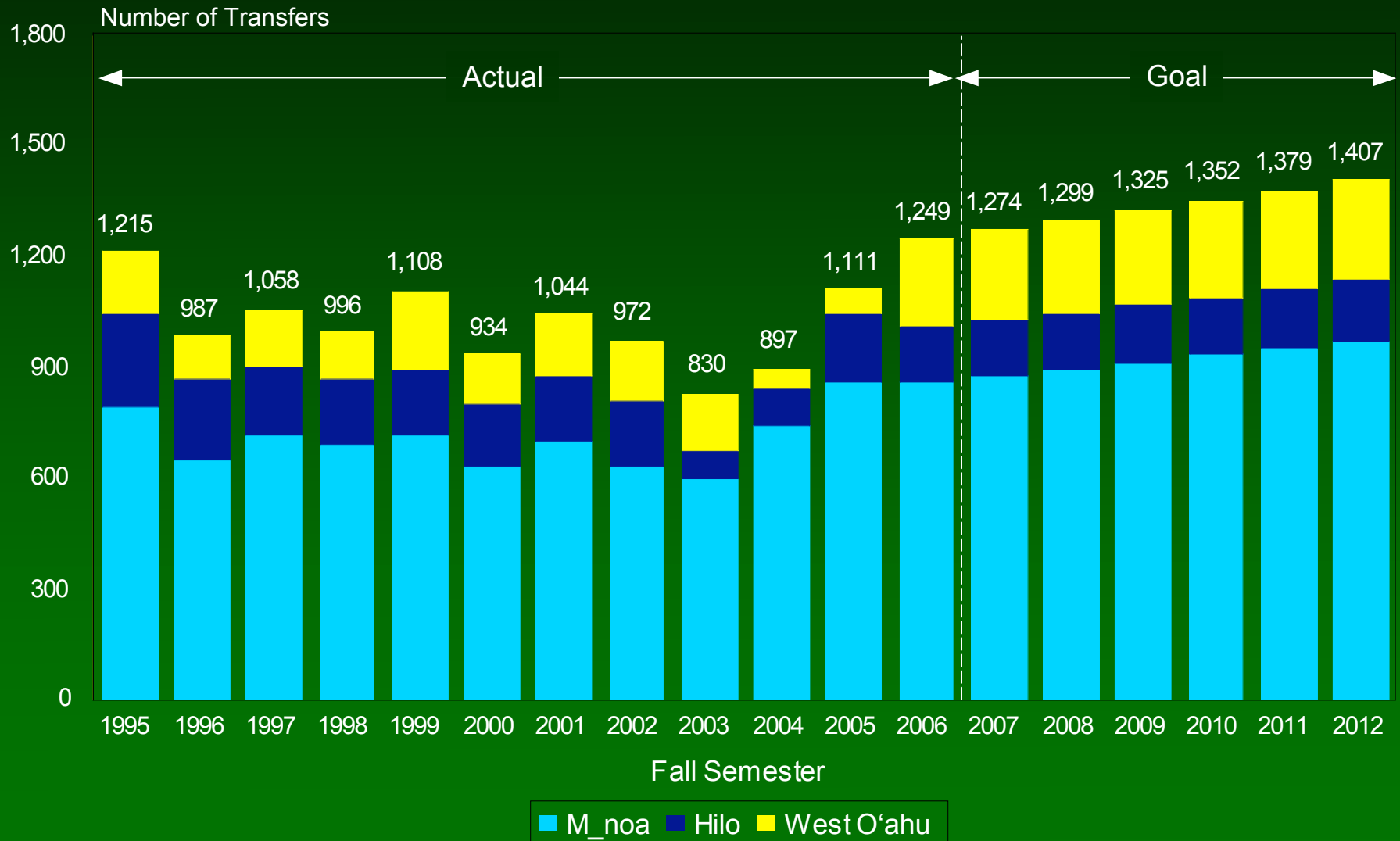


Note: For UH Mānoa and UH Hilo, Fall 1=1991 cohort, Fall 9=1999 cohort. For UH Community Colleges, Fall 1=1994 cohort, Fall 9=2002 cohort.

UH West O'ahu data are excluded due to limited cohort years. UHCC goal based on benchmark data.

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?

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

Survey currently in process, additional responses pending

States with Long-Term Financial Plans

North Dakota			Kentucky	Virginia													
<ul style="list-style-type: none"> •Three key components: base operating, capital asset, incentive 			<ul style="list-style-type: none"> •Build financial models to determine annual costs to implement Top 20 strategy within 6 categories •Project revenues based on assumptions •Funding gap to be met with either appropriations or tuition increases 	<ul style="list-style-type: none"> •Four components: institutional narrative, academic, finance, enrollment •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 													
<table border="1"> <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>	Campus	State			Student	Research	60%	40%	Master's	65%	35%	4-Year	70%	30%	2-Year	75%	25%
Campus	State	Student															
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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

$$\text{Total Funding Base} + \text{Other Expenditures} - \text{Revenue} = \text{Funding Request}$$

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