

DRAFT

TO: Chancellors
System Senior Management
All Campus Council of Faculty Senate Chairs
Pukoa Council
UH Student Caucus
Systemwide Groups

VIA: David McClain, President

FROM: Howard Todo, VP for Budget and Finance/Chief Financial Officer
Linda Johnsrud, VP for Academic Planning and Policy

SUBJECT: Instructions for Stocktaking and Preparation of the University of Hawai'i
2009-2011 Biennium Budget Proposal

The purpose of this memorandum is to initiate and provide instructions for the University of Hawai'i budget preparation for Fiscal Biennium 2009-2011. The budget process includes a "stocktaking" to involve the University's constituency in the development of the University of Hawai'i budget for Fiscal Biennium 2009-2011. The budget is based on the principles and policies set forth in the memorandum, approved by the Board of Regents, dated March 14, 2008, regarding the 2009-2011 Biennium Budget Proposal Development (Attachment 1).

General Overview

The budget process calls for the preparation of a three biennium financial plan (i.e., 6 years) rather than a single biennium period budget. The first biennium will be focused on reducing the University of Hawai'i's deferred maintenance backlog and renewing its current physical plant. New facility construction requests will not be considered for Fiscal Biennium 2009-2011; however, new facilities may be budgeted in fiscal biennia 2011-2013 and 2013-2015.

Pursuant to the March 14, 2008 Biennium Budget Proposal Development memorandum, the biennium budget development strategy focuses on the following priorities:

1. Repair, Renewal, and Replacement
2. Collective Bargaining
3. Energy and Other Non-Personnel Cost Increases
4. Performance-Based Budget Requests

Please refer to the March 14, 2008 memorandum regarding the criteria used for each of the budget categories listed above.

Budget Documents

Budget requests for Fiscal Biennium 2009-2011 must be accompanied by standardized documents for review and consolidation by the University System's offices of Budget and Capital Improvements.

Repair, Renewal, and Replacement – Physical Plant

The Repair, Renewal, and Replacement priority emphasizes the upgrade and modernization of our existing facilities with the complete elimination of our maintenance backlog by June 30, 2015. We foresee the Health and Safety and Capital Renewal and Deferred Maintenance projects as the only two facility components in this category for Fiscal Biennium 2009-2011.

Health and Safety: Please refer to CIP-Attachment 1 for the request format for Health and Safety Requirements projects. Please prioritize all projects that are requested in this category. Additionally, please complete a Capital Project Information and Justification Sheet (Table R) for each project on the Health and Safety Requirements list. The Table R is furnished as CIP-Attachment 2.

Health and Safety Requirements is limited to projects that address critical health and safety issues to ensure the safety of the campus community. Examples of critical health and safety projects include asbestos removal/mitigation, installation of fire sprinkler and/or alarm systems, and mold abatement projects through the upgrade of air conditioning systems.

Capital Renewal and Deferred Maintenance: Please refer to CIP-Attachment 3 for the request format for Capital Renewal and Deferred Maintenance. Please prioritize all projects that are requested in this category. The budget preparation for Fiscal Biennium 2009-2011 will institute a new classification system for repairs and maintenance projects, which is detailed below:

Routine Maintenance – Building improvements that are necessary to maintain the expected lifecycle of major building subsystems. An example of this category includes the patching and/or maintenance of a roof to maintain the capital lifecycle of the roof.

Capital Renewal – The replacement and/or upgrade of a major building subsystem. Examples of this category include the complete reroofing of a building, exterior painting, or the replacement/upgrade of air conditioning equipment, which are at or approaching the end of its lifecycle.

Modernization – Renovations to meet changes in building and/or program requirements. An example of this category includes interior renovations to maximize program space efficiencies.

Major Renovation – This category consists of the complete renovation of a building, including interior renovation, exterior repairs and repainting, and the replacement/upgrade of major building subsystems. Major renovation projects shall consist of facilities that would otherwise be considered as part of the maintenance backlog.

Backlog of Renewal – Capital Renewal projects that have exceeded its normal lifecycle and are considered “deferred.”

If your campus cannot completely eliminate the maintenance backlog by June 30, 2015, please contact the University of Hawai‘i System Office of Capital Improvements to jointly develop a strategy to do so within this time period.

The budget preparation for Fiscal Biennium 2009-2011 will assume that our current Health and Safety Requirements and Capital Renewal and Deferred Maintenance project requests, which are in the University’s Capital Improvements Program (CIP) budget request for Supplemental Year 2008-2009, will remain unfunded by the 2008 Legislature. Therefore, please ensure that the forms on CIP-Attachments 1 and 3 are prepared accordingly

New CIP Projects

As previously noted, the Fiscal Biennium 2009-2011 budget shall not include new construction projects. Therefore, all requests for new buildings, regardless of prior appropriations, are to be included in Fiscal Biennia 2011-2013 and 2013-2015. Each campus is required to provide its prioritized CIP listing of projects for Fiscal Biennia 2011-2013 and 2013-2015.

Please refer to CIP-Attachment 4 for the request format for new CIP projects. Please complete a Table R for each new CIP project. The Table R is furnished as CIP-Attachment 2.

CIP-Attachment 5 is a summary of budget requests that will be furnished to stocktaking participants. This form will be compiled by the Office of Capital Improvements.

The Repair, Renewal, and Replacement and New CIP Projects forms noted above are due to the University of Hawai‘i System Office of Capital Improvements by April 21, 2008.

Repair, Renewal, and Replacement – Equipment

Any requests for the repair, renewal and replacement of equipment should be limited to instructional or research equipment. Please complete a Form A for each campus summarizing the request, however, providing details of the equipment and the justification. Please note that individual Form A’s may later be required based on instructions from the State Department of Budget and Finance.

Collective Bargaining

Funds needed to cover any new collective bargaining costs. These amounts will be provided by Budget and Finance

Energy and Other Non-Personnel Cost Increases

Funds needed to cover non-personnel related inflationary cost increases on the base operating budget. The University Budget office will prepare inflation adjustment amounts for regular non-personnel operating expenses. However, should there be areas where the inflation rate is higher and can be documented, such as utilities, additional funds may be requested. Please use the Form A (Attachment 1) to request and include appropriate justification and support information for specific items where additional amounts are being projected.

Performance-Based Budget Requests

Each campus is allowed to propose a maximum of three Performance-Based Budget Requests for general funds. The Form A format may be used or you may develop an alternate of your choosing. In either case, a justification for each request shall include:

- (1) Description of the request and how it will contribute to meeting strategic outcomes;
- (2) Amount (positions and dollars) and the source of funding for the request;
- (3) Performance measures to assess the successfulness of the request, including the timeframe for measurement;
- (4) Proposed consequence of not meeting the performance measures (what does the program propose with regard to the additional funding being requested if the measures are not achieved?).
- (5) Current resources being applied to this area (positions and dollars);
- (6) Expenditures made for this or similar efforts in prior years;
- (7) Description of and effect on current workload as it pertains to this request;
- (8) Other relevant factors.

Each Performance-Based Budget Request will be evaluated similar to a business plan. The more complete and thorough the plan is, the more realistic and realizable, the more congruent to the strategic outcomes, the more measurable and the more concrete the consequences, the better the chances will be for its approval. As there will likely be no more than \$10 million in total recommended across all campuses, a more specific and targeted request would have a greater chance of successful funding, and conversely,

unrealistic requests will likely be evaluated unfavorably. Entrepreneurial thinking is encouraged.

Other Considerations

Current Supplemental Budget Requests

For purposes of preparation for the stocktaking, the budget preparation for Fiscal Biennium 2009-2011 will assume that our Supplemental Budget requests for the fiscal year 2008-2009, which are currently before the 2008 Legislature, will remain unfunded. Any necessary adjustments to account for the final results of the legislative session will be made after those results are known.

New Programs and Reallocations

Reallocations of funds within Program IDs are the prerogative of the responsible Chancellors and Vice Presidents. In the 2009-2011 fiscal biennium, new programs outside of the proposed operating budget program change requests may be funded through reallocations of funds. Other alternatives for funding include tuition and fees and cost savings from other areas. Such reallocations and use of tuition and cost savings shall be maintained by the campuses as documentation of funding for new programs.

Tuition Increases

Projected tuition increases shall be reflected in Part III of UH Form B (Attachment 2) and should be considered as part of the proposed Six Year Financial Plan which is being proposed. Please complete Parts II and III of UH Form B. The University Budget Office will provide the information in Part I.

Stocktaking Meetings

All Chancellors and Vice Presidents are required to participate in the stocktaking process before the Biennium Budget Advisory Committee, President, and interested members of the University community. The presentation shall include the following:

- Description of Repair, Renewal and Replacement needs;
- Identification of collective bargaining requirements;
- Description of inflationary adjustment requirements; and
- Explanation and justification of program change requests.

Systemwide coordinating groups are invited to participate in the stocktaking process; however, coordinating groups' budget requests should be coordinated with each campus. If the coordinating groups' requests are priorities of the campuses, and approved by the

respective chancellor, the requests may be incorporated with the campus request. In addition to the standard stocktaking questions, systemwide groups are expected to distinguish their budget requests between those at the campus level or at the System level. For those initiatives requested at the System level, requests are to be coordinated with the appropriate System Vice President.

The stocktaking meetings are scheduled to begin on the week of April 28, 2008. Therefore, your presentation material and all Forms A and B are due to the University Budget Office on April 21, 2008.

Please note that the forms referenced in these instructions are for University internal stocktaking purposes. It is anticipated that the formal budget instructions from the State Department of Budget and Finance will be issued this summer; therefore, you may be required to prepare additional forms to meet State budget requirements. Upon receipt of those instructions, the University Budget Office will contact your budget offices to coordinate the preparation of budget tables and forms.

Should you have any questions regarding the operating budget portion of these instructions, please call Glenn Okimoto, University Budget Office, at 956-7323. Should you have any questions regarding the CIP portion of the instructions, please call Brian Minaai at 956-7935.

Attachments

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