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UNIVERSITY of HAWAI'I SYSTEM

Kalbert K. Young Vice President for Budget and Finance Chief Financial Officer

UNIVERSITY OF HAWAII BOARD OF REGENTS

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RECEIVED

October 25, 2018

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TO: Lee Putnam Chairperson, Board of Regents

UNIVERSITY OF HAWAII PRESIDENT'S OFFICE

Randolph Moore Chair, Committee on Budget and Finance, Board of Regents

VIA: David Lassner, President

Handwritten signatures of David Lassner and Kalbert K. Young

FROM: Kalbert K. Young Vice President for Budget and Finance/Chief Financial Officer

SUBJECT: FISCAL BIENNIUM 2019-2021 OPERATING BUDGET REQUEST FOR THE UNIVERSITY OF HAWAII

SPECIFIC ACTION REQUESTED

It is recommended that the Board of Regents approve the submission of the Fiscal Biennium (FB) 2019-21 Operating Budget Request of the University of Hawai'i ("University" or "UH") to the Governor and 2019 Legislature. With approval, this proposed FB2019-21 Operating Budget Request for the UH will represent the official request for all operating programs of the UH System. This request represents only that portion of the UH operating budget which would be additive to the already established "base budget" of the University or revisions to the "base budget." The University will submit the proposal to the State Department of Budget and Finance ("State B&F") for consideration to be included as part of the Governor's budget proposal to the Legislature. The University will also send this budget request directly to the Legislature, in accord with Chapter 37-68, HRS.

The proposed FB 2019-21 budget request seeks additional General Fund resources for the University to advance priority initiatives throughout the entire system of campuses. These priorities were outlined in the Budget Policy Paper approved by the Board of Regents at its September 20, 2018 meeting.

The proposed budget for funding of capital improvement projects (CIP) for FB 2019-21 was approved by the Board of Regents at its August 16, 2018 meeting.

RECOMMENDED EFFECTIVE DATE

In consideration of the procedural requirements of the Board of Regents, UH Administration will consider the "Fiscal Biennium 2019-21 Operating Budget Request for the University of Hawai'i" effective immediately upon approval by the Board of Regents.

PURPOSE

In accordance with Regent Policy 8.204, the Administration requests that the Board of Regents approve a proposed budget request for additional operating funds (via general funds).¹

BACKGROUND INFORMATION

Annually, State departments submit budget requests to the Executive Branch via State B&F for consideration of inclusion into the Proposed Executive Budget of the Governor to the upcoming Legislature. The University also submits its Board approved budget request directly to the Legislature in accord with Chapter 37-68, HRS. Every two years, the executive proposes a biennium budget and in the subsequent year proposes a supplemental budget. In 2018, State departments are constructing requests to be included in the proposed biennium budget which will be deliberated at the convening of the 2019 Legislature.

At its September 20, 2018 meeting, the Board of Regents approved a Biennium Budget Policy Paper in conformance with Regent Policy 8.204. The Policy Paper helped provide guidance and established a framework from which campuses would align their budget requests. Budget instructions were distributed to campuses after approval of the Policy Paper.

The Policy Paper outlined several initiatives, or categories, for campuses to conform their budget requests, although campuses were allowed to submit other requests of their own volition. In crafting this budget request, Administration was mindful of the University's Integrated Academic and Facilities Plan and its four strategic directions:

- Hawai'i Graduation Initiative (HGI)
- Hawai'i Innovation Initiative (HI2)
- 21st Century Facilities
- High Performance Mission-Driven System (HPMDS)

¹ Regent Policy 8.204, III.D.3. The UH Board of Regents shall approve a proposed biennial budget as the designated "Board of Regents' Budget."

Requests from units that were aligned with Budget Policy Paper directions and were supported by the unit head were evaluated by UH Administration along with all other requests. The items that are presented in this proposal represent those items that Administration believes would most significantly advance the University's strategic directions while also remaining cognizant of the overall fiscal condition of the State.

State departments were provided budget instructions from State B&F in Finance Memorandum No. 18-16. These instructions also provided insight as to the landscape from which requests would be considered by the Executive and notes they will "continue a cautious approach in developing the FB 2019-21 Executive Budget. All budget requests must be sustainable and reasonable."

BUDGET PROPOSAL

The highlighted summary of the budget request includes a total of 72 FTE position counts and \$26,716,176 in additional General Funds for Fiscal Year 2019-20 (FY20) and 74 FTE position counts and \$27,246,419 in additional General Funds for Fiscal Year 2020-21 (FY21). The following table shows the requested General Fund increases by campus:

Campus	FTE FY20	\$\$\$ FY20	FTE FY21	\$\$\$ FY21
Mānoa	37.00	\$ 3,154,960	39.00	\$ 3,651,203
Hilo	15.00	\$ 1,036,816	15.00	\$ 1,070,816
West O'ahu	8.00	\$ 1,300,000	8.00	\$ 1,300,000
Community Colleges	8.00	\$ 1,524,400	8.00	\$ 1,524,400
Systemwide Admin	4.00	\$ 19,700,000	4.00	\$ 19,700,000
Total	72.00	\$ 26,716,176	74.00	\$ 27,246,419

The budget request proposal follows the major categories or themes specified in the Policy Paper. The following chart lists those themes and the FTE position count and funding requests associated with each item:

Theme	FTE FY20	\$\$\$ FY20	FTE FY21	\$\$\$ FY21
Hawai'i's Promise Program	-	\$ 19,700,000	-	\$ 19,700,000
Student Employment	1.00	\$ 4,581,360	3.00	\$ 5,186,603
Other Miscellaneous	71.00	\$ 2,434,816	71.00	\$ 2,359,816
Total	72.00	\$ 26,716,176	74.00	\$ 27,246,419

Hawai'i's Promise Program

The largest category by far is a request to expand the Hawai'i's Promise Program that is currently in place at the Community Colleges to the entire UH System, including the Mānoa, Hilo, and West O'ahu universities. The concept of this Hawai'i's Promise expansion is to utilize the same qualifying criteria for the program currently in place at the Community Colleges, but apply them to 4-year campus degrees. For example, the program would include criteria: minimum of 6 credits, GPA of 2.0 or higher, and Hawai'i resident or qualified for exempt status.

An analysis using those criterion and applying them to historic averages over the past four years, concluded that an amount of \$19.0 million was estimated as the cost to expand the program to the four year institutions (Mānoa, Hilo, and West O'ahu). An additional \$700,000 is being requested to be placed in the budget to continue funding provided in Act 14, Session Laws of Hawai'i 2018, which appropriated funding only for Fiscal Year 2018-19.

For strategic reasons, the funding is proposed to be administratively placed in UOH900 (Systemwide Administration) so that the funds can be deployed in a responsive manner, as the Administration will be able to allocate the resources to the campuses depending on enrollment and utilization of the program.

Student Employment

Description	FTE FY20	\$\$\$ FY20	FTE FY21	\$\$\$ FY21
Learning Assistants (LA) & Peer Mentoring @ Mānoa	1.00	\$ 956,600	3.00	\$ 1,408,876
Raise Graduate Assistants (GA) Stipend @ Mānoa	-	\$ 2,198,360	-	\$ 2,242,327
Meaningful Work Experiences (LA & GA) @ Hilo	-	\$ 122,000	-	\$ 231,000
Learning Assistants @ UHWO	-	\$ 300,000	-	\$ 300,000
Student Mentors & Teachers @ CCs	-	\$ 1,004,400	-	\$ 1,004,400
Total	1.00	\$ 4,581,360	3.00	\$ 5,186,603

Evidence shows that working on campus contributes to student success and retention. As a result, a focus was placed on student employment at both the undergraduate and graduate levels across all campuses. This emphasis should have a two-fold impact on student achievement: not only will more students be employed on campus, but their work as tutors and mentors will also help other students succeed.

A Learning Assistant (LA) is an undergraduate student who facilitates discussion and engagement in class by working in small groups to guide students toward

understanding through active participation. Peer Mentors and Peer Advisors help incoming students transition academically and socially to college life by advising and guiding them through the array of available campus resources. These Peer Mentors and Peer Advisors also develop their own leadership skills, which helps them to succeed well beyond college. Additional funding is requested at all campuses to either expand or continue LA and/or peer mentoring programs that assist undergraduate student achievement.

Graduate Assistants (GA) are graduate students who provides academic and program support to various units of the university and whose duties may include teaching, research, or administrative functions. Graduate assistantships allow research universities to recruit top graduate students to their programs, and GA contributions are far reaching, particularly in the areas of teaching and research. Both Mānoa and Hilo are seeking additional funding to raise the base salaries of GAs on their campuses.

All of these requests to fund various student positions in support of student employment is expected to directly help on a number of levels for student enrollment, retention, and improve efficiencies.

Other Miscellaneous Requests

Description	FTE FY20	\$\$\$ FY20	FTE FY21	\$\$\$ FY21
Athletics Positions @ Mānoa	30.00		30.00	
Facilities Positions @ Mānoa	6.00		6.00	
Facilities Positions @ System	4.00		4.00	
Custodial and Maintenance @ Hilo	5.00	\$ 228,576	5.00	\$ 228,576
Security @ Hilo	8.00	\$ 311,240	8.00	\$ 311,240
Wayfinding Education @ Hilo	2.00	\$ 375,000	2.00	\$ 300,000
HINET Program @ CCs	8.00	\$ 520,000	8.00	\$ 520,000
Distance Ed, Faculty Support, Student Success @ UHWO	8.00	\$ 1,000,000	8.00	\$ 1,000,000
Total	71.00	\$ 2,434,816	71.00	\$ 2,359,816

Thirty (30) General Funded position counts are requested for Mānoa Athletics. This would convert positions that are currently funded by the Athletics Special Fund to the State General Fund, which would provide savings to the University an estimated \$1.5 million in fringe costs. Similarly, six (6) General Fund position counts are requested at Mānoa and four (4) General Fund position counts are requested at Systemwide Support for facilities and infrastructure support.

Hilo is requesting additional custodial, maintenance, and security staff to properly maintain a safe and healthy environment for their campus and community. There is

also a request to develop a Wayfinding Education Program at Hilo to be based out of the 'Imiloa Astronomy Center. This program will integrate Hawaiian perspectives and modern science and will include a Traditional Master Navigator-in-Residence.

The Hawai'i Nutrition and Employment Training (HINET) program is a partnership between the State Department of Human Services' (DHS) Supplementary Nutrition Assistance Program (SNAP), the Community Colleges, and various community-based organizations (CBO) to develop a comprehensive and holistic workforce education program for the State. HINET leverages the Colleges' strengths in employment training with DHS and CBO addressing nutrition, childcare, housing, and more. By mutual agreement, DHS has waived SNAP requirements to allow HINET students to focus on college career pathways as a fast track to self-sufficiency.

The program began with funding from DHS in 2015, but DHS can no longer continue to fund the positions that assist students in receiving their DHS benefits. This request for 8 positions and \$520,000 would institutionalize this program at the Community Colleges that has already served hundreds of students.

Additional funding is requested at West O'ahu for investments in distance education, faculty support, and student success. This requests includes 2 positions and infrastructure equipment to support growing distance education program needs. Funding is also requested for 5 additional Instructors for critical gateway courses such as English or high-demand areas such as Finance/Accounting, Sustainable Community Food Systems, and STEM education. Finally, because many of West O'ahu's degree programs are taught by active industry professionals who serve as part-time lecturers, additional funding is requested to expand this lecturer pool.

Transfers and Non-General Fund Requests

In addition to these requests for additional General Fund resources, there is a housekeeping transfer to move legislatively initiated funding for the Ant Lab from Hilo's budget to Mānoa's, which is more appropriate. Another housekeeping transfer would move positions associated with Nā Pua No'eau that are currently appropriated in UOH900 (Systemwide Administration) to the various campuses where they perform their duties. Additional internal transfers of a housekeeping nature will also be requested. All of these transfers have zero net effect on the University's bottom line.

Additional revolving fund ceiling is also being requested for the John A. Burns School of Medicine (JABSOM) and the Community Colleges. JABSOM is requesting \$1,021,453 of additional ceiling because of increased use of their Real Property and Facilities Use Revolving Fund as a result of parking fee increases and additional special events. The Community Colleges are requesting an additional \$1,000,000 of ceiling in anticipation of increased utilization of the Research and Training Revolving Fund (RTRF) and the Commercial Enterprises Revolving Fund (CERF).

ACTION RECOMMENDED

University Administration recommends the Board of Regents approve the Administration's proposal for a FB2019-21 Operating Budget Proposal for the University. Upon approval, the proposal will be transmitted to the State B&F as the approved Board of Regents' Budget request. The proposal is to be considered for inclusion as part of Governor's Executive Budget Proposal to the 2019 State Legislature. In accord with Chapter 37-68, HRS, the University will also submit the approved budget request directly to the Legislature.

Attachment

1. Presentation: Fiscal Biennium 2019-2021 Operating Budget Request. For presentation to the Board of Regents Committee on Budget & Finance. November 1, 2018.



Fiscal Biennium 2019-2021 Operating Budget Request

November 1, 2018

Committee on Budget and Finance



General Fund Situation

- At its September 7 meeting, the Council on Revenues maintained its forecast for FY19 at 5.0% growth.
- Through September, General Fund revenues are up 0.4% compared to the same period from the prior year.
- Administration was cognizant of this modest growth in crafting a fiscally responsible budget request.



Budget Request by Campus

Campus	FTE FY20	\$\$\$ FY20	FTE FY21	\$\$\$ FY21
Mānoa	37.00	\$ 3,154,960	39.00	\$ 3,651,203
Hilo	15.00	\$ 1,036,816	15.00	\$ 1,070,816
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Budget Request by Theme

Theme	FTE FY20	\$\$\$ FY20	FTE FY21	\$\$\$ FY21
Hawai'i's Promise Program	-	\$ 19,700,000	-	\$ 19,700,000
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Total	72.00	\$ 26,716,176	74.00	\$ 27,246,419



Hawai'i's Promise Program

- \$19,000,000 to expand Hawai'i's Promise Program to all institutions in UH system
- Additional \$700,000 to integrate funding from Act 14/SLH 2018 into the budget for Community Colleges (plus \$1,400,000 already in their budget)
- Budgeted in UOH900 (Systemwide Administration) to allow flexibility in responding to student enrollment and eligibility
- Same criteria: 6 credit minimum, GPA of 2.0 or higher, Hawai'i resident or qualified for exempt status, etc.



Student Employment

Description	FTE FY20	\$\$\$ FY20	FTE FY21	\$\$\$ FY21
Learning Assistants (LA) & Peer Mentoring @ Mānoa	1.00	\$ 956,600	3.00	\$ 1,408,876
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Learning Assistants @ West O'ahu	-	\$ 300,000	-	\$ 300,000
Student Mentors & Teachers @ Community Colleges	-	\$ 1,004,400	-	\$ 1,004,400
Total	1.00	\$ 4,581,360	3.00	\$ 5,186,603

- Student On-campus Employment contributes to student success and retention.
- Peer Mentors and Advisors help incoming students transition to college life.
- Learning Assistants facilitate discussion and engagement with students in small groups.
- Graduate Assistants provide significant contributions to teaching, research, and administration.



Other Miscellaneous

Description	FTE FY20	\$\$\$ FY20	FTE FY21	\$\$\$ FY21
Athletics Positions @ Mānoa	30.00		30.00	
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Total	71.00	\$ 2,434,816	71.00	\$ 2,359,816

- General Funded positions will defray fringe costs to the State General Fund from the current Special Fund.
- Custodial and Security staff at Hilo will help to maintain a safe and healthy campus.
- Wayfinding Education program will integrate Hawaiian perspectives and modern science and will include a Traditional Master Navigator-in-Residence.
- Hawai'i Nutrition and Employment Training (HINET) program assists students to achieve self-sufficiency.
- Distance Education expansion, additional instructors, and lecturer pool expansion will address some of the high-demand needs at West O'ahu.



Housekeeping and Non-General Fund

- Transfer Nā Pua No‘eau positions from UOH900 to various campuses
- Transfer Ant Lab appropriation from Hilo to Mānoa
- Revolving Fund ceiling increases for:
 - JABSOM – Real Property and Facilities Use Revolving Fund and RTRF
 - Community Colleges – Commercial Enterprises Revolving Fund and RTRF



Next Steps

- Recommendation for B&F Committee to approve this operating budget request for subsequent approval by the full Board at its November 15, 2018 meeting.
- Following approval by the full Board of Regents, the budget request and associated forms will be transmitted to the Governor and Legislature, in accordance with Chapter 37-68, HRS