



UNIVERSITY
of HAWAII®
SYSTEM

UNIVERSITY OF HAWAII
BOARD OF REGENTS

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

17 NOV -9 12:01

REVISED

RECEIVED

November 9, 2017

'17 NOV -9 11:35

TO: Jan N. Sullivan
Chairperson, Board of Regents

UNIVERSITY OF HAWAII
PRESIDENT'S OFFICE

Wayne Higaki
Chair, Committee on Budget and Finance, Board of Regents

VIA: David Lassner
President

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

SUBJECT: FISCAL YEAR 2018-2019 SUPPLEMENTAL 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 Year 2018-19 Supplemental Operating Budget Request of the University of Hawai'i ("University" or "UH") to the 2018 Legislature. With approval, this proposed FY2018-19 Supplemental Operating Budget Request for the UH will represent the official request for all operating programs of the UH System. 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 proposed FY 2018-19 budget requests 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 21, 2017 meeting.

A proposed budget for funding of capital improvement projects (CIP) will also be submitted to comprise the total UH budget proposal. UH Regents will deliberate the CIP proposed budget request via separate transmittal.

RECOMMENDED EFFECTIVE DATE

Pursuant to operational and logistical deadlines for gathering requests of all State departments by the State B&F, the UH must expeditiously communicate its budget requests. Therefore, in consideration of the procedural requirements of the Board of Regents, UH Administration will consider the "FY2018-19 Supplemental Operating Budget Request for the University of Hawai'i" effective immediately upon approval of the Board of Regents. Transmittal of the proposed budget requests to State B&F will occur immediately upon Board of Regents approval. UH Administration requests that Board of Regents process and approve this request as expeditiously as procedures and process will allow.

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 The process to allow State departments to request budget consideration into the proposed executive budget of the Governor is provided in Chapter 37, Hawaii Revised Statutes, and as determined by the State B&F.

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. Every two years, the executive proposes a biennium budget and in the subsequent year proposes a supplemental budget. In 2017, State departments are constructing requests to be included in the proposed supplemental budget which will be deliberated at the convening of the 2018 Legislature.

The University has an internal process to solicit, vet, and comprise its specific budget requests. At its September 21, 2017 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 for campuses to pursue with 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:

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."

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

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 as part of this proposal represent those items that Administration believes would most significantly advance the University's strategic directions.

State departments were provided budget instructions from State B&F. These instructions also provided insight as to the landscape from which requests would be considered by the Executive. State B&F has highlighted a number of factors that would affect general fund requests in the supplemental budget. FY17 general fund tax revenue collections finished at only 2.0% more than FY16, which missed the Council on Revenues' projection of 2.5%. Additionally, State B&F notes that *"...the State's expenditures are expected to outpace revenues for the next few years until FY21."* Finally, State B&F provides guidance by stating that *"Due to the many ongoing and upcoming demands on the State's limited resources and in light of uncertain revenues, very limited funding will be available for FY19 supplemental budget requests."*

In this context, the request totals ~~154~~ 157 FTE position counts and \$16,120,439 \$16,821,507 in additional General Funds. In contrast, the biennium budget request totaled \$28.7 million for FY18 and \$29.6 million for FY19. The following table provides a breakout by campus:

Campus	FTE FY19	\$\$\$ FY19
Mānoa	63.00	\$ 8,698,848
Hilo	12.00	\$ 864,427
Hilo	4.00	\$ 580,495
UHWO	23.00	\$ 1,907,364
CCs	63.00	\$ 5,134,800
System	4.00	\$ 500,000
Total	165.00	\$ 17,105,439
Total	157.00	\$ 16,821,507

BUDGET PROPOSAL

This request follows the major themes outlined in the Policy Paper. The following chart lists those themes and the FTE position count and funding requests associated with each item:

Theme	FTE FY19	\$\$\$ FY19
Hawai'i's Promise	-	\$ 700,000
"Insourcing" due to Konne	42.00	\$ 1,487,691
Groundskeeping & Security*	34.00	\$ 1,203,759
Investment at UHWO	16.00	\$ 1,126,364
Specific Student Populations	41.00	\$ 4,612,936
Student Employment	2.00	\$ 3,585,000
Facilities Maintenance	17.00	\$ 5,093,448
Public-Private Partnership	4.00	\$ 500,000
Mānoa Athletics	43.00	\$ -
Totalw	165.00	\$ 17,105,439
Total	157.00	\$ 16,821,507

*Note: Groundskeeping & Security will be added to Facilities Maintenance

Hawai'i's Promise Program

	FTE FY19	\$\$\$ FY19
Community Colleges	-	\$ 700,000

This request would seek full funding in support of Hawai'i's Promise Program, which serves as a "last dollar" scholarship to students with financial need attending UH Community Colleges. The 2017 Legislature appropriated \$1,829,000 for this program, although the original request was for \$2,500,000. A total of \$1,600,000 was issued for the Fall 2017 semester, and it is anticipated that this number will grow as awareness of the program grows and additional scholarships are issued in the future.

"Insourcing"

Description	FTE FY19	\$\$\$ FY19
Security @ Hilo	8	\$283,932
Grounds @ Hilo	3	\$120,495
Security @ CCs	31	\$1,083,264
Total	42	\$1,487,691
Total	34	\$1,203,759

~~As a result of *Konno v. County of Hawai'i*, State agencies, including UH, must seek to eliminate contracts with private providers who perform tasks that were traditionally handled by civil servants. In other words, UH must strive to "insource" these services that can no longer be provided by contractors.~~

UH has identified security services at the Hilo and Community Colleges campuses that will need to be "insourced." Two additional janitors and an additional groundskeeper are requested for UH Hilo for maintenance and upkeep of the new Daniel K. Inouye

College of Pharmacy Building. ~~Because of the *Konno* decision, these services must be performed by civil service employees.~~

Investment at UH-West O'ahu

Description	FTE FY19	\$\$\$ FY19
Academic Affairs	10.00	\$ 680,000
Student Affairs	6.00	\$ 446,364
Total	16.00	\$ 1,126,364

As the West O'ahu campus grows and evolves, various infrastructure and direct instructional needs grow as well and necessitate additional resources. Additional resources related to academic affairs and student affairs are requested, as well as equipment costs related to the movement of the Dental Hygiene program from Mānoa to West O'ahu. It should be noted that additional facilities-related resources for UHWO are requested in the Facilities Maintenance and Upkeep section below and are intended to maintain the new facilities in prime condition.

Support for Specific Student Populations

Description	FTE FY19	\$\$\$ FY19
Student Success @ Mānoa	7.00	\$ 575,000
Apprentice @ CCs	-	\$ 260,000
Pamantasan @ CCs	6.00	\$ 614,920
Veterans @ CCs	7.00	\$ 473,108
NHA Action Plan @ Mānoa	4.00	\$ 700,000
HPOKA @ Hilo	1.00	\$ 260,000
Native Hawaiian @ CCs	16.00	\$ 1,729,908
Total	41.00	\$ 4,612,936

The Hawai'i Graduation Initiative seeks to increase the "participation and completion of students, particularly Native Hawaiians, low-income students, and those from underserved regions and populations." The University has identified several specific student populations that are not well-served due to lack of specialized services and is seeking additional resources are being requested to provide such support.

To assist underserved students, Mānoa is requesting additional resources for Student Services Specialists and Psychologists. These positions would provide support services for Filipino students, Pacific Island students, Veterans, and students with disabilities. Additionally, the psychologists would support the Counseling and Student Development Center in providing high demand mental health, developmental/wellness, and prevention services to Mānoa's diverse student population.

At the Community Colleges, additional resources are requested to help address the increasing lecturer cost for the Apprenticeship program, counselors to assist Filipino students, and counselors and support staff for Veterans.

In summer 2017, the inaugural Native Hawaiian Affairs Program Officer position was created and hired in the Office of the Chancellor at UH Mānoa, establishing the Office of Native Hawaiian Affairs. Additional resources are requested to assist in enacting this

Office's Action Plan which would seek to increase retention and graduation of Native Hawaiian students and strengthen the Hawaiian sense of place at Mānoa. Positions will be established to promote community and student-faculty engagement, campus environment, co-curricular programming, and graduate and faculty development.

Additionally, Hilo is requesting resources to assist in implementing its Hawai'i Papa O Ke Ao plan, which complements the UH system HPOKA plan. This request would seek to improve the recruitment, retention, and graduation of Native Hawaiians through student support services and high impact applied learning experiences such as internships, community-based/service learning, undergraduate research, and work-based learning.

Finally, the Community Colleges are requesting permanent sources of funding for successful programs funded by Title III grants from the U.S. Department of Education whose funding is expiring or may have already expired in addition to some funding for new requirements. Specifically, this request would fund support, coordinator, outreach, academic advancement, immersion, counseling, and instructional positions with the specific positions varying based on the needs of the specific campus.

Student Employment

Campus	FTE FY19	\$\$\$ FY19
Hilo	-	\$ 200,000
Mānoa Grad Asst	-	\$ 2,850,000
Mānoa Undergrad	2.00	\$ 535,000
Total	2.00	\$ 3,585,000

Evidence shows that working on campus contributes to student success. To this end, Hilo is seeking additional funding to employ students as both students and advisors. Peer mentoring and advising are key components of Hilo's strategy to increase retention rates. This request would expand pilot projects that have already demonstrated positive outcomes.

The Legislature has previously shown support for graduate student employees who have not seen structural raises for many years. As a result, Mānoa is requesting an additional \$2.85 million to raise the base salary for its graduate assistants.

Additional funding is also sought for Mānoa for student research and innovation projects and support and personnel services such as workshops and an undergraduate research showcase. This initiative will not only support Mānoa's research mission but also provide an opportunity for increased engagement by undergraduate students.

Facilities Maintenance and Upkeep

Campus	FTE FY19	\$\$\$ FY19
Mānoa	7.00	\$ 4,038,848
Community Colleges	3.00	\$ 273,600
West O'ahu	7.00	\$ 781,000
Total	17.00	\$ 5,093,448

As a result of inadequate capital investment, Mānoa’s facilities have been neglected and now faces a severe maintenance backlog. In addition to capital funding, however, staffing and funding for ongoing maintenance and upkeep has also been lacking. Therefore, \$3 million is requested for ongoing special repair and maintenance projects at Mānoa that would not be appropriate in the capital portion of the budget. Seven positions are also requested to be facilities zone managers to oversee specific portions of the campus to be more responsive to facilities related issues. Finally, funding for an access control computerized card system to ensure the safety of students, faculty, and staff is included in Mānoa’s request.

The Community Colleges are requesting three additional architectural/engineering positions to adequately staff their Facilities Office. Currently this office has only four FTE architectural/engineering positions to manage over three million gross square feet of classrooms, labs, shops, and office spaces located on seven major campuses and numerous satellite education centers statewide.

West O’ahu’s portion of the facilities request is for additional positions related to security and janitorial duties. There is also some additional funding for utilities cost and equipment for 21st century classrooms. Although still a relatively new campus, providing a base level of funding for facilities and upkeep will maintain these new facilities in their current condition and avoid the maintenance backlog situation seen on other campuses.

Office for Strategic Development and Partnerships

	FTE FY19	\$\$\$ FY19
Office @ Systemwide	4.00	\$ 500,000

This request would establish a small office at the Systemwide Administration level which would oversee strategic development and partnerships for the University. The office is necessary to increase specialized expertise and resources of the University to develop public-private partnerships to more effectively deliver university services and to activate UH’s objectives to increase utilization of real estate assets as prudently responsible and consistent with the Integrated Academic and Facilities Plan. This office and approach is also consistent with the objectives identified by the Regents’ task group on real estate development and the recently established Regents’ task group on public-private partnerships.

Position Counts for Mānoa Athletics

Forty-three (43) 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 in excess of \$1.1 million in fringe costs.

Additional - The overall UH request will also include the addition of ten (10) temporary positions for UH-Hilo SBDC which are currently provided via RCUH. This conversion will allow for the positions and functions to be done by UH employees.

ACTION RECOMMENDED

University Administration recommends the Board of Regents approve the Administration's proposal for a FY2018-19 Supplemental 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 2017 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 Year 2018-2019 Supplemental Operating Budget Request.
For presentation to the Board of Regents Committee on Budget & Finance.
November 1, 2017.

DTJ 10551



UNIVERSITY of HAWAII SYSTEM

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

UNIVERSITY OF HAWAII BOARD OF REGENTS

17 OCT 26 11:18

RECEIVED

October 25, 2017

'17 OCT 25 10:19

TO: Jan N. Sullivan Chairperson, Board of Regents

UNIVERSITY OF HAWAII PRESIDENT'S OFFICE

Wayne Higaki Chair, Committee on Budget and Finance, Board of Regents

VIA: David Lassner President

David Lassner (signature)

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

(signature)

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