



UNIVERSITY
of HAWAII
SYSTEM

10974
M.R.C. Greenwood
President

October 2, 2009

MEMORANDUM

TO: Howard Karr
Chairman, Board of Regents

FROM: M.R.C. Greenwood *M.R.C. Greenwood*
President

SUBJECT: Supplemental Budget for Fiscal Year 2010-2011

UNIVERSITY OF HAWAII
PRESIDENT'S OFFICE

09 OCT -5 P2:30

RECEIVED

ACTION REQUESTED:

The Board of Regents is requested to approve the university's Capital Improvement Program (CIP) and Operating budget requests for the Supplemental budget year July 1, 2010 to June 30, 2011. After Board approval, the budgets will be finalized in formats prescribed by the Department of Budget and Finance and transmitted to the Governor and the Legislature in accordance with Section 37-68, Hawaii Revised Statutes.

EFFECTIVE DATE:

Upon Board of Regents approval.

PURPOSE

The purpose of this request is to submit recommended Capital Improvement Program and Operating budgets for the Supplemental budget year July 1, 2010 to June 30, 2011 to the Board for its review and approval.

BACKGROUND:

As described at the Board of Regents meeting on August 27, 2009 at Windward Community College, given the severe downturn in the economy and the resulting reduction in general fund appropriations by the Legislature and further restrictions by the Governor, it is incumbent upon the University to put forth a realistic budget request that recognizes the financial condition of the state. Accordingly, we are maintaining the focus of our budget requests on our capital improvement program. Consistent with our biennium budget request, our priority is to reduce our deferred maintenance backlog. This not only addresses a critical need, but also would reduce rather than add to future facilities operating and maintenance costs, would help stimulate the economy, can be started more quickly than new construction projects, and does not require state general funds. Since the funding provided by the Legislature for this purpose was insufficient to provide for any reduction in the backlog, we have adjusted our request to eliminate the backlog over the next five years, thus maintaining the same result as planned for in the biennium budget request, which was to eliminate the backlog by the end of the 2014-2015 fiscal biennium. This amounts to a capital renewal and deferred maintenance request of \$235.5 million. The critical need for these funds has been emphasized by the recent finding, in the course of performing planning and design for the renovation of Gartley Hall, that the building is

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unsafe, necessitating its closure. The CIP budget request includes \$13.5 million for the renovation of Gartley Hall. This amount will likely need to be increased as Manoa's consultants determine the full extent of the problem and what is needed to resolve it.

In order to emphasize and focus on this critical need to reduce our deferred maintenance backlog, other than health and safety requirements (\$18.6 million) and a modest amount (\$3 million) for long-term planning needs systemwide, the only other CIP projects being recommended are several projects where general obligation bond funding will be leveraged with external funding sources such as Federal Stimulus funding and the College of Hawaiian Language Building on the University of Hawaii at Hilo campus. I have decided to add \$31 million for the construction of the UH Hilo College of Hawaiian Language Building to the CIP budget request previously provided to the Board for its September 17, 2009 meeting as it supports the University's mission, as the only provider of public higher education in Hawaii, embracing its unique responsibilities to the indigenous people of Hawaii and to Hawaii's indigenous language and culture. In addition, it is the project most immediately ready for construction and thus will support economic development, providing jobs in the near future. The total resulting supplemental budget request is for \$336.6 million in general obligation bond funds and \$36.6 million in authorizations to spend federal and special funds. A summary of the CIP request being recommended and further descriptions are provided in CIP Attachments 1 and 2 to this memorandum.

With regard to the operating budget request for the supplemental year 2010-2011, in the context of a \$46 million reduction by the Legislature and a restriction of \$54 million by the Governor for that fiscal year and a further reduction in revenues forecast by the Council on Revenues at its August 27, 2009 meeting, we are limiting our request to one item. We are recommending a request for funding for the Office of Mauna Kea Management (OMKM) in order to implement and enforce the comprehensive management plan which is essential for the development and operation of astronomy research programs on Mauna Kea. The CMP is required under a Circuit Court ruling for future development projects on Mauna Kea. It was approved by the Board of Land and Natural Resources in April 2009 and the 2009 Legislature granted the University statutory authority to develop, implement and enforce administrative rules governing its managed lands on Mauna Kea. With the sweeping of \$5.1 million of the University's research and training revolving funds by the 2009 Legislature and the \$100 million of reductions and restrictions in general funds mentioned above, the University now needs funding to carry out the Comprehensive Management Plan, without which further development on Mauna Kea will not be possible. The request for the supplemental budget year 2010-2011 for this purpose is \$2.18 million. Further details regarding this request are provided on Operating Budget attachments A and B to this memorandum.

ACTION REQUESTED:

The Board of Regents is requested to approve the attached CIP and Operating budget requests for the University of Hawaii for the supplemental budget year July 1, 2010 to June 30, 2011.

Attachments