MINUTES

BOARD OF REGENTS’ JOINT MEETING OF THE

COMMITTEES ON BUDGET & FINANCE AND PLANNING & FACILITIES

May 13, 2014

I. CALL TO ORDER

Joint Committee on Budget and Finance and Planning and Facilities Chairs Jan Sullivan and Barry Mizuno, respectively, called the meeting to order at 12:34 p.m. on May 13, 2014, at University of Hawai‘i, Bachman 113, 2444 Dole Street, Honolulu, Hawai‘i 96822.

Committee on Budget and Finance members in attendance: Committee Chair Jan Sullivan, Vice Chair Carl Carlson, Regents Jeffrey Acido and Barry Mizuno.

Committee on Planning and Facilities members in attendance: Committee Chair Barry Mizuno, Vice Chair Jan Sullivan, Regents Carl Carlson, Benjamin Kudo, John Dean, and Jeffrey Portnoy.

Committee members excused: Coralie Matayoshi

Others in attendance: Regents Chair, John C. Holzman (ex officio committee member); Interim President, David Lassner, Ph.D.; Vice President (VP) for Budget & Finance/Chief Financial Officer, Howard Todo; Vice President for Community Colleges, John Morton, PhD; Associate Vice President for External Affairs and University Relations, Lynne Waters; Executive Administrator and Secretary of the Board of Regents, Cynthia Quinn; and others as noted.

I. APPROVAL OF MINUTES

No minutes to approve.

II. PUBLIC COMMENT PERIOD

Secretary Quinn announced that no written testimony was submitted and no people signed up to provide oral testimony.

III. AGENDA ITEMS

Discussion of the Legislative Session wrap-up on operating budget, capital improvement projects, and impacts to the UH Budget
VP Todo presented an overview of the budgets passed at the Legislature and a schedule that provides a summary of both the upgrading and the CIP budgets. Budgets are expected at the beginning of July and the budget worksheets from the Legislature have not been posted yet. The FY15 supplemental budget operating results highlight the Board’s approval of the $53.5M general fund request and 206 positions that the governor in turn proposed in his executive budget to the Legislature for $37.5M in general funds and 90 positions. The Legislature allocated $24.7M in general funds that break down into $19.5M for the faculty collective bargaining for 3% increases in salary, $4M and 89 positions for University of Hawai’i West Oahu (UHWO), and $1M and 50 positions for the Community College System. On the CIP side, the Board approved a request for $475M of revenue bonds for deferred maintenance, of which the governor included $346M in his executive budget, and the Legislature approved an additional $156M that includes $142M in general obligation bonds and $11M in revenue bonds.

Regent Kudo asked if the authorized 17 positions for the Office of Facilities and Grounds are to be paid out of the operating budget and what the total cost was. VP Todo answered they would and the estimated total cost would be $9.4M. Interim President Lassner clarified this would cost the university 30 to 40% more per position due to the fringe benefits created by “B” funds, also known as special funds. He also stated that special funds were primarily tuition.

VP Todo explained that the university did not get $14M in general funds to be used to replace the tuition the university is currently spending. The university also did not receive the authority to use $212M of revenue bonds to use for deferred maintenance. To address the costs of deferred maintenance requesting general obligation bonds from the Legislature was considered, but now other sources of funding are being looked at.

The committee discussed what caused the lack of legislative support and whether it was a philosophical issue about using tuition and revenue bonds to address deferred maintenance, or the lack of confidence in the university’s ability to implement. The committee concluded that the major impacts were the unexpected warning from the Council of Revenues to cut back on spending and the $40M settlement for land preservation at Kualima, O’ahu. It was also discussed that demonstrating that UH can implement by selecting a pilot project to test the new system would show the Legislature it should allow UH to use revenue bonds, as tuition is the only source of revenue.

Interim President Lassner shared his observations on the Legislature session and believed it yielded a good outcome. Their high priority requests, such as the University of Hawai’i at Hilo College of Pharmacy and the UHWO building, were met. From the operating budget perspective, the $19.45M to cover the 3% raises, the $4M for UHWO, and $1M for the Community Colleges, were all met and expected to aid a great deal. The CRDM was received was slightly more than requested and totaled about $89M, which ensures that the backlog at least will not grow. Lastly, although not reflected in the budget, there were a lot of bills that negatively affected UH that were not passed. He concluded that there is a lot to be grateful and satisfied about. He concluded by
thanking the regents for their presence in taking an active role in advancing the UH agendas in the Legislature.

The committee discussed concerns about lack of positions needed to move forward with eliminating the deferred maintenance. Administration will look at vacant, general fund, unfunded positions that can still be filled while the benefits are paid for the state, and hiring can begin immediately.

Going forward, the committee agreed that administration needs to bring the Board scenarios to adopt and prepare a stronger package, with specific uses identified for tuition monies to show a clear link between what was done and what it cost.

The committee agreed that funding permanent hires gamers greater confidence and shows a stable commitment to move forward. Clear and logical steps, with specific action using specific funds are also necessary. Raising tuition is difficult to undo and revenue must be spent wisely, as well as managing reserves without dipping into reserves to fund positions. The committee concluded that administration report back to the committee to identify projects that are moving forward, projects which fell into the moratorium, and alternative financing options.

IV. ADJOURNMENT

There being no further business, upon motion by Regent Mizuno and seconded by Regent Kudo, and with no objections, the meeting was adjourned at 1:25 p.m.

Respectfully submitted,

Cynthia Quinn
Executive Administrator and
Secretary of the Board of Regents