Chair Eugene Bal called the meeting to order at 11:07 a.m. on Thursday, November 7, 2019, at University of Hawai’i at Hilo, ‘Imiloa Astronomy Center of Hawai’i, Moanahoku Exhibit Hall, 600 ‘Imiloa Place, Hilo, Hawai’i 96720.

Committee members in attendance: Chair Eugene Bal; Vice-Chair Wayne Higaki; Regent Simeon Acoba; Regent Randy Moore; and Regent Alapaki Nahale-a.

Others in attendance: Board Chair Ben Kudo; Regent Kelli Acopan; Regent Michael McEnerney; Regent Michelle Tagorda, Regent Robert Westerman, Regent Ernest Wilson; (ex officio committee members); President David Lassner; Vice President (VP) for Administration Jan Gouveia; Interim VP for Community Colleges Erika Lacro; VP for Legal Affairs/University General Counsel Carrie Okinaga; VP for Academic Planning and Policy Donald Straney; VP for Research and Innovation Vassilis Syrmos; VP for Information Technology/Chief Information Officer Garret Yoshimi; VP for Budget and Finance/Chief Financial Officer Kalbert Young; University of Hawai’i at Mānoa Provost Michael Bruno; University of Hawai’i at Hilo Chancellor Bonnie Irwin; University of Hawai’i – West O’ahu (UHWO) Chancellor Maenette Benham; Executive Administrator and Secretary of the Board of Regents (Board Secretary) Kendra Oishi; and others as noted.

II. APPROVAL OF MINUTES

Regent Moore moved to approve the minutes of the September 5, 2019, meeting, seconded by Regent Acoba, and the motion carried unanimously.

III. PUBLIC COMMENT PERIOD

Board Secretary Oishi announced that the Board Office did not receive any written testimony, and no individuals signed up to provide oral testimony.

IV. AGENDA ITEMS

A. Committee Goals and Objectives

Chair Bal made reference to the list of committee goals and objectives contained in the materials noting that they were generally contained in the Board bylaws. Special mention was made of the last goal and objective to increase integration of budget components such as the Research and Training Revolving Fund into the purview of the Committee, noting that discussions should continue on this matter.
Regent Moore commented that at some point the Committee should look at the Board bylaws and policies and whether they were aligned with the goals and objectives of the Committee to determine whether the Committee is doing what is required under the bylaws and policies and whether these policies were appropriate.

B. Recommend Board Approval of Fiscal Year (FY) 2020-2021 Supplemental Operating Budget Request for the University of Hawai‘i

VP Young provided an update on, and overview of, the supplemental operating budget request for FY 2020 – 2021. VP Young noted that UH was already late in submitting this request to the Executive Branch for review and submittal to the Legislature. He further noted that projections by the Council on Revenues (COR), while remaining relatively stable at 4 percent growth, showed expectations of economic uncertainty in the upcoming year and that the Administration took this into account when crafting the supplemental budget.

VP Young highlighted several items with regard to the supplemental budget request stating that the Administration requested budget items from all campuses and considered them in relation to initiatives that were strategic in nature or related to supporting system-wide initiatives. Some of the highlights included a request for an additional $27,515,160 to fund operating costs including: approximately $17.7 million for the Hawai‘i Promise Program; $2.65 million for mental health initiatives; $1.9 million for UHealthy (a new effort to advance healthcare initiatives statewide including expansion of JABSOM to Maui); $1.047 million for student success; $1.426 million for existing or new facilities scheduled to be brought online, particularly for ongoing maintenance; and $622,000 for new program initiatives (e.g. the BS in Aeronautical Sciences Program at UHH). The Administration is also requesting the conversion of certain positions from special funds to general funds, as well as general funds and position counts in several areas across all campuses.

It was noted that the Board resolution adopted at the November 6th meeting contained budget items regarding Maunakea and that the supplemental budget did not contain placeholders for these items. The Administration is expected to add these items to the supplemental budget request to be considered by the Board at its next meeting at KauCC on November 21, 2019.

Vice-Chair Higaki commented that the budget items regarding Maunakea should be prioritized to address the concerns that have been raised and to allow action to occur as soon as possible.

Regent McEnerney questioned the cost estimates of some of the position counts that were provided and whether these figures included items other than personnel costs. VP Young stated that some figures also contained other operational costs.

Board Chair Kudo noted that the resolution adopted by the Board included two capital improvement project (CIP) budget items and one operating budget item regarding Maunakea and asked whether the CIP budget items would be added to the supplemental CIP budget. VP Young responded that the Board had previously approved the CIP budget request and that he would consult with the Board Secretary and General Counsel to determine a mechanism to add the request to the CIP budget.
Board Chair Kudo reiterated the importance of securing funds for the relocation of the teaching telescope at Hale Pohaku. VP Young suggested that it would be ideal to submit a Board-approved budget request to the Governor but that it would need to be done soon due to time constraints. He added that the Administration would still work through the legislative process on getting Board-approved items in the budget even if the request is not made in time for Governor’s consideration.

Regent Moore moved to recommend approval of the supplemental operating budget request for FY 2020 – 2021 with consideration being given to the operational and CIP budget items related to Maunakea as discussed with the understanding that the full Board will have a chance to review these items at the next Board meeting. The motion was seconded by Vice-Chair Higaki.

Regent Acoba raised questions regarding COR projections and whether the projected reduction in growth over the next two fiscal years would have an impact on UH. VP Young stated that he expects every agency across State government to be impacted because there would be increased competition among state agencies for limited revenues. He added that it has been about 10 years since the State faced a recession where it experienced negative growth and there were reductions in general fund appropriations and that UH is in a better position now to address financial issues than it was during the last recession.

President Lassner added that a large portion of the budgets of state agencies and departments, including UH, are labor costs associated with collective bargaining. When the economy is strong, labor unions attempt to get the best financial package for their members. He noted that during the last recession, many unionized and non-unionized UH employees experienced mandatory pay reductions.

Regent Acoba commented that the conversion of the means of financing for athletic personnel from special funds to general funds has been attempted in the past. VP Young stated that UH has put in this same request for two years and that this is not a new concept. However, UH has had some difficulty in acquiring legislative support for this idea.

Regent Nahale-a raised questions regarding obtaining support from funders such as Kamehameha Schools (KS) for initiatives such as the Hawai’i Promise Program and whether UH collaborates with funders in determining the use of the funds. President Lassner replied that the KS program explicitly focuses on the full cost of attendance which is extremely rare. However, most other private scholarships are non-specific and the money awarded is generally based on the size of the endowment.

Regent Nahale-a asked whether UH was working with groups such as the Hawai’i Community Foundation to try to leverage additional funds. President Lassner stated that this would go a long way to helping UH meet its financial needs and is hoping to get to that point. UH has made an inquiry recently as to obtaining funding for food insecurity for UH students and there are some private funders interested in assisting with this endeavor. Regent Nahale-a brought up the issue of perception and observed that endeavors with partners to meet the needs of students, such as the food insecurity initiative, need to be better communicated with the public.
Questions were raised regarding the request for full-time, facility-related positions that are about long-term efficiency and whether it would help to address the deferred maintenance backlog. VP Young replied that positions are not characterized to address deferred maintenance, although there may be some indirect benefits from the increase in positions to help address the issue.

Regent Nahale-a questioned the decision and need to change the security force at UHH from private security positions to civil service positions. VP Young noted that this has been an issue for the past two years and stems from a public worker union lawsuit that prohibits the privatization of jobs that were historically and customarily performed by public employees.

There having been a motion that was moved and seconded, the Committee voted to recommend Board approval of the supplemental operating budget request for FY 2020 – 2021 with consideration being given to the operational and CIP budget items related to Maunakea as discussed, and the motion carried unanimously.

C. Request Board Approval of Declaration of Intent for Use of Private Donations Towards Construction of Kapi'olani Community College Culinary Institute of the Pacific, Pursuant to Treasury Regulation Section 1.141-4(c)(3)(v)

VP Young reported that in 2017, the Legislature appropriated a total of $30 million over the fiscal biennium for the construction of the Culinary Institute of the Pacific at Kapi'olani Community College (KapCC), but stipulated that KapCC would have to raise $5 million in private contributions in each fiscal year to access $10 million in general obligation bond funds appropriated in each fiscal year. To date, KapCC has either raised the necessary funds or secured commitments from private donors for these funds. However, the U.S. tax code requires that certain conditions be met when tax exempt general obligations of a public agency are comingle with private donations for a capital project. This includes requirements that the governing entity of the agency receiving the funds make a formal declaration acknowledging that private and tax exempt funds will be comingle in the capital project and that the private funds raised be used for the capital project itself and not be used to pay back any tax exempt funds.

VP Young also noted that part of this request, in addition to the declaration of intent for the use of private donations towards construction of the Culinary Institute, is to authorize the President and/or Chief Financial Officer to execute, on behalf of the Board, any financial and funding documents related to this project and execution of this declaration.

Regent Acoba moved to recommend Board approval of the declaration of intent for the use of private donations towards construction of the Culinary Institute, seconded by Vice-Chair Higaki, and the motion carried with unanimous approval.


VP Young provided the financial report for the first quarter of FY 2019-2020. He noted that although revenues through the first quarter were $40.1 million, or 5.6% higher than projected, the year-over-year difference for all non-general fund types was minimal. He also noted that expenditures were $19.1 million, or 7.3% higher than projected, but much
of this could be attributed to timing issues in fund transfers. VP Young stated that currently, University finances appear to be satisfactory through the first quarter and overall, but that it was still too early to determine trends for the rest of the fiscal year and that the Administration will continue to monitor the fiscal situation of the University.

Regent Moore questioned whether monies collected in June for tuition for the fall semester are counted towards the fourth quarter or first quarter revenues. VP Young answered that UH tries to account for that in the fourth quarter, but that as the fiscal year continues it is usually treated on a cash basis. He reiterated that this was mainly a timing issue which accounts for some of the variances in the financial report. President Lassner added that it is essentially considered deferred revenue.

Regent McEnerney noted that government accounting systems were very different from private sector accounting systems and that it is important to look at trends.

V. ADJOURNMENT

There being no further business, Vice-Chair Higaki moved to adjourn the meeting, Regent Moore seconded the motion, and with unanimous approval, the meeting was adjourned at 12:15 p.m.

Respectfully Submitted,

/S/

Kendra Oishi
Executive Administrator and Secretary of the Board of Regents