Testimony Presented Before the
Senate Committee on Ways and Means
March 28, 2011 at 9:00 a.m.
by
MRC Greenwood
President, University of Hawai‘i

HB 200 HD1 – RELATING TO THE STATE BUDGET

Chair Ige, Vice Chair Kidani and Members of the Committee:

First let me say that the University understands the fiscal realities within which the administration and legislature are operating. While decisions on priorities for funding are never simple, I believe that in these economic times, higher education is critical to the future and investing in UH has immediate returns. I believe that there is no better investment for short term gains and long term benefits for the citizens of Hawai‘i. Investing in UH is investing in the people and the future of our state.

The House Committee on Finance in HB 200, HD 1 has proposed a $16 million reduction for the University of Hawai‘i. This reduction is in addition to the University’s general fund appropriations reduction of $98 million in FY 2009-10; and in FY 2010-11, the reduction was increased to $108 million, representing a 23% decrease in the University’s general fund budget from FY 2008-09. That level of reduction in funding is one of the largest in the nation among public universities.

With an all-time high enrollment exceeding 60,000 students in Fall 2010, as compared to approximately 50,000 students in Fall 2007, the University is serving many more students with far fewer general funds. We have managed this by various means, e.g., wage cuts, but with no reduction in instructional days, enrollment management, etc., throughout our campuses.

In addition, the $22 million annually of American Recovery and Reinvestment Act (ARRA) fiscal stabilization funds for education provided by the legislature has been instrumental in filling some of the reduction. However, this funding ends in FY 2010-11 and its replacement is critical. Currently HB 200, HD 1 only includes restoration of $15.4 million of the $22 million. Therefore part of our request approved by the Board of Regents is for the remaining $6.6 million. This was included in the executive budget request, but is not in HB 200, HD 1.
Instead, the House recommendation provides a $1 placeholder for the Community Colleges in lieu of $6.3 million general fund request to restore funds temporarily covered with American Recovery and Reinvestment Act (ARRA) funding for them, and another $1 placeholder in lieu of the $0.3 million requested for UH Hilo. The University of Hawai‘i Community Colleges (UHCC) has experienced unprecedented growth over the past four years, expanding enrollment by over 35%. UH Hilo’s enrollment increased by 19% over that same period. We have relied heavily on the ARRA funding provided by the Legislature to serve these additional students. Continuation of this funding, slated to expire at the end of FY 2011, is essential for the Community Colleges and Hilo to maintain the classes needed to meet increased student demand.

The loss of $6.6 million for ARRA funding restoration in the House draft of the budget is further compounded by the $3.8 million general fund reduction (House budget adjustment) for Community Colleges, and $0.9 million reduction for Hilo. These reductions will come on the heels of cuts previously made for FY 2010 and FY 2011. The cumulated impact of these reductions will coincide with the escalating requirements created by the rapid growth in enrollment. These reductions will make it extremely difficult to sustain course offerings and meet planned outcomes established through the strategic planning process.

For UH, the $300,000 in ARRA funds received in the FB 2009-2011 was used to fund salaries for lecturers, instructors and professors to teach courses in the physical sciences such as physics, mathematics, biology, and chemistry. If the $300,000 funds are not restored into UH Hilo’s budget, we will not be able to continue with the same level of class offerings which would impact many of our students in the STEM field. This could potentially delay our students from graduating and entering the workforce.

Another item in the executive budget which has been replaced in the House draft of HB 200 with a $1 placeholder is $3.4 million for strategic outcome funding. As you will recall from our budget briefing presentation to this committee, this is funding to increase the number of graduates produced by the University which will be provided based on actual performance against established quantified goals. Despite the greater than $200 million reduction in the University’s general fund budget in the current biennium, we are not simply asking for restoration of funds. We are continuing to pursue quantified goals that were established before the economic downturn. These goals increase the human/educational capital of the state. These funds would be provided to the University only if and to the extent that we meet those quantified goals. Despite the reductions to our budget, we are still committed to these goals, but we ask that we be provided funding for meeting these goals so that we can continue to pursue achieving the further levels established in our strategic outcomes. This is investing in people, and we believe there is no better investment for the citizens of Hawai‘i.

Of critical importance is the University’s commitment to strengthen the State’s economy. Hawai‘i’s economy remains at a critical juncture, impacting virtually every State program and every resident. The University and all of its campuses and community colleges play a strategic and fundamental role in supporting economic growth by improving the competitiveness of existing industries through workforce enhancement, by diversifying
the economic base through initiatives that support new and emerging industries, and by creating opportunities for individuals to improve their employment through education. As stated earlier, not only does the House budget not include the items described above which were in the executive budget request, but it also reduces our general funds by an additional $16 million over the more than $200 million reductions the University has already borne.

As an example of the impact of the further cuts proposed by HB 200, HD 1, at UH Hilo, the additional reduction will require significant reductions in course offerings which will jeopardize our students’ ability to fulfill their degree requirements. Support services which are critical to student academic success will be curtailed. With this additional cut, we may require that 25-30% of lecturer positions not be filled, resulting in a loss of approximately 1,000-1,200 seats in classes. Finally, UH Hilo is still a growing, developing campus. Our enrollment reached an all-time high of 4,079 in Fall 2010 – a 55% increase since Fall 1997. Increases in student population generate increased demand for amenities, activities, programs and services particularly given UHH’s large proportion of students who are economically disadvantaged, first generation in college, and/or from underrepresented minority groups. The need for these services is great. If the current economic climate continues, the quality of UHH instructional and student support services will be impeded, and our commitment to excellence and ability to graduate our students in a timely manner will be difficult to maintain.

With regard to the capital improvement budget, the House draft of the University’s CIP budget provides a total of $133 million in general obligation bonds of which only $52 million is for our capital renewal and deferred maintenance program (CRDM). Based on the University’s current CRDM program, unless a minimum of $142 million is appropriated for CRDM, our current $310 million backlog will increase accordingly. The House draft also includes authorization for $30 million in revenue bonds for CRDM. We currently do not have available sources of revenue to pay for the debt service on such bonds were they to be issued and used for CRDM.

Also, the House did not provide any general obligation bond funding for the University’s Project Renovate to Innovate requests that total $198 million. As I have stated before, these high priority projects would provide not only much needed construction jobs and attract additional eminent, productive researchers and staff who would bring more research dollars into the state, but they would also increase federal indirect overhead payments from grants.

The UH Board-approved CIP budget request also included over $150 million in shovel ready projects of which the House budget provides only $9 million for two community college renovation projects. The House budget did not include the Governor’s recommended funding for the Education classroom building at Leeward Community College. This building is shovel ready and is critical to meeting the needs of the more than 400 students enrolled in education at Leeward. Your consideration of this and the remainder of these projects, and the other requests in the Board-approved CIP budget would be greatly appreciated.
In sum, the University, systemwide, has already sustained over $200 million in general fund budget reductions in the current biennium. We believe that it is in the best interest of the state to invest in its future through the University of Hawai‘i. The additional reductions proposed by HB 200, HD 1 will make it very difficult to maintain services for our students, sustain course offerings and meet our planned outcomes. This will have a negative impact on programs. While I understand the difficult situation that the legislature faces, as I stated at the beginning, I believe that there is no better investment for short term gains and long term benefits for the citizens of Hawai‘i. Investing in UH is truly investing in the people and the future of our state.

Finally, if the decision is that the University must make its contribution to addressing the State’s economic situation by having its budget reduced, the University requests that such reduction be made in total at the system level with the understanding that the University shall be provided maximum flexibility in determining the most appropriate distribution of budget reductions within the University.

Thank you for the opportunity to provide comments on this measure.