UNIVERSITY OF HAWAIʻI SYSTEM
LEGISLATIVE TESTIMONY

UNIVERSITY OF HAWAIʻI SYSTEM
BUDGET BRIEFING

Testimony Presented Before the House Committee on Finance

January 15, 2009

by

David McClain
President
University of Hawaiʻi System
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Chair Oshiro and members of the House Finance Committee: Mahalo for your ongoing support of the University of Hawai‘i, and for this opportunity to present to you the Biennium Budget request approved last fall by our Board of Regents. I will also be providing testimony on the Executive Budget. Joining me today are the chancellors from each of our 10 campuses, along with several other members of my leadership team, as well as the directors of the Aquarium and the Small Business Development Center.

Per the 2009 Budget Briefing Instructions issued jointly by you and Senate Ways and Means Chair Kim, I will focus my remarks on how the current economic and fiscal conditions are affecting UH’s operations. In part in response to the downturn, enrollment at our 10 campuses increased by nearly 3,000 students in fall 2008 from fall 2007 levels, to over 53,500 students, the highest enrollment of degree-seeking students the University has ever served in its 101-year history. Since fall 2000 enrollment is up by some 9,000 students. At the same time, we’ve absorbed a $3.9 million restriction (about 0.5%) in general funds available for our fiscal 2009 operating budget, and we’re coping with higher energy costs.

Serving more students with fewer general funds available for operations means that our campuses have adapted in some cases by increasing section sizes, and in others by taking a closer look at whether to hold classes with small enrollments. We have looked to save funds via energy conservation measures, by not filling vacant positions, by deferring some discretionary spending such as equipment replacement, and of course we have employed tuition, research overhead, and other special & revolving funds to take up some of the fiscal slack.

In our centennial academic year of 2007-2008, the University reviewed the UH mission and strategic plan, and the Board of Regents approved the adoption of a small number of related strategic outcomes and performance goals. Some of these goals are: producing more graduates (from just under 8,000 currently to over 10,500 in 2015); growing our production of graduates in key workforce occupations such as teaching and nursing by 40% by 2015; increasing educational attainment in underserved regions (e.g. West O‘ahu and West Hawai‘i) and populations (e.g. Native Hawaiians); diversifying the economy by growing our $400-million research and scientific enterprise; and decreasing our deferred maintenance backlog by 2/3 by 2015.

These outcomes have driven our biennium budget preparation process, from stocktaking to review by the biennium budget advisory committee to review by the council of
chancellors and then the Board of Regents. Similarly, as we adjust to a diminished flow of general funds revenue, these outcomes and goals connected with them will guide us in where to downsize.

Our operating budget request for FY 2010 and FY 2011 mirrors the Governor’s request that we prepare budgets with three scenarios: a $13.5 million reduction in general funds; a $22.0 million reduction, and a $30.6 million reduction. Because of the rising demand for our services, we’ve proposed to offset these reductions partially by drawing on our tuition, research overhead, and other special and revolving funds. The offsets range from 1/3 of the smallest reduction scenario to slightly more than 2/3 of the largest reduction requested.

The Executive Budget includes a $13.5 million reduction in general funds for the University. Also included in the Executive Budget are $5.5 million in additional funding for a number of programs in science education.

The University’s capital improvements budget as approved by the Board of Regents emphasizes in its first three priorities some $350 million in health and safety, capital renewal and deferred maintenance, and equipment for new buildings coming on stream. The budget includes planning and design funds for a number of new buildings (priority #4), a UH System information technology building to be co-funded by UH and the State (priority #5), and four new buildings (priority #6 -- one each at UH Mānoa (a new classroom building), UH Hilo (College of Hawaiian Language building), Honolulu Community College (science building) and Leeward Community College (innovation instruction building)). Priority #7 is authorization for special purpose revenue bond funding of a research facility and faculty and student housing at UH Mānoa.

The Executive Budget supports our #7 priority, and priorities #1-#3. However, funding for our first three priorities is capped at $75 million in each year, “to be allocated at UH’s discretion.” Assuming we fund all of our priority #1, health and safety, at $11 million, a cap at this $75 million level means that we will make no headway at all on our deferred maintenance backlog.

To turbocharge this spending and shorten implementation delays, we’re requesting more flexibility in procurement from the Governor and Legislature. We’re also requesting $250 million in authority to issue our own bonds, funded by our own revenues, principally to build more student and faculty housing.

The people, projects and programs of the University of Hawai‘i are providing a bridge across the valley of recession to a brighter, more productive future for Hawai‘i. As I recently stated in an op-ed in the Honolulu Advertiser, UH is part of the solution to Hawai‘i’s current economic problems. We’re giving more Hawai‘i residents the skills they need to be employable, create new businesses, and lessen our dependence on imported energy; and our capital renewal and deferred maintenance program of nearly $350 million will help pump-prime the economy and directly create or preserve several thousand jobs. I hope you’ll agree that now is the moment for bold action in support of
public higher education in Hawai‘i. Mahalo for your attention, and for your continuing support.