

UNIVERSITY OF HAWAI‘I SYSTEM LEGISLATIVE TESTIMONY



UNIVERSITY OF HAWAI‘I SYSTEM BUDGET BRIEFING

Testimony Presented Before the
House Committee on Finance

January 20, 2010

by

M.R.C. Greenwood
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Chair Oshiro and members of the House Finance Committee: First and foremost, mahalo for your long and continuing support for and partnership with the University of Hawai'i. I appreciate the opportunity to speak with you about the University's ten campus system. With 58,000 students this past fall - the highest enrollment in the history of our system, an 8.25% increase from fall 2008 - UH continues to serve Hawai'i well. One hundred years ago the founders of the University had the foresight to build a system of higher education that has transformed countless lives in Hawai'i, and continues to do so. But today, in these unprecedented times, we face some truly tough choices.

The UH budget for FY 2009-10 was reduced by \$98M. These cuts were sudden, and repercussions are evident throughout the system. Our chancellors are doing their very best to maintain current services in these difficult times.

As your public higher education system, UH has developed strong strategic direction grounded in the long term interests of the state of Hawai'i. We see progress toward objectives that are critical to the future of Hawai'i – increasing the number of educated citizens, meeting workforce shortages, contributing to research and innovation. Our decisions to allocate or reallocate resources are, and will continue to be, guided by our strategic plan and what is important to the state of Hawai'i. But right now, in this economy, what Hawai'i needs is more jobs.

There are three ways for any state to increase the jobs available to its citizens. One, businesses within the state can increase their workforce. Two, businesses outside the state can choose to do business in Hawai'i. Three, new businesses and ventures can be generated in Hawai'i.

All three of these ways to create jobs depend on the University system. If companies and industries within the state are to grow, they must have citizens with the education, training, and skills needed in their businesses. To ensure that this occurs, our programs confer with community advisory councils to stay current with the needs of local employers and ensure that students are trained with the latest equipment and technologies used in the field.

New companies will come to Hawai'i to establish businesses if they know that they can hire the workforce they need; our ten campuses provide the education and training to attract these new businesses. As you know, the Legislature created an enrollment growth fund, and community colleges responded with hundreds of new classes for nearly 8,000 new students. In addition, a rapid response fund allowed community colleges to subsidize the enrollment of workers laid off during this recession and to meet training needs at Pearl Harbor and in small businesses. These needs will continue for the foreseeable future.

And finally, new business is generated in Hawai'i by the creativity and innovation that is the lifeblood of a first-rate research university. The \$400M + for research and training – more than \$1M a day - brought into the state of Hawai'i last year by our faculty not only creates high quality jobs, but underwrites research that leads to new breakthroughs, new

discoveries that can be translated into start-ups, companies that add to the quality of life in Hawai'i and employ our best and brightest. The possibilities are limitless and include innovations critical to the future in alternative energies, the environment, physical sciences, health care, and technology.

Even in these tough times, we believe that the state can help us to help ourselves as we create research and jobs. Recognizing the importance of facilities in these critical efforts, the Board of Regents approved our supplemental capital improvement budget of \$373M which includes our highest priority, \$31M in construction funds for the new Hawaiian Language Building at UH Hilo, which is shovel-ready; \$18M for health and safety related projects; and \$235M in repair and maintenance funding to reduce our backlog in five years. Only the Hawaiian Language Building project was included in the Executive Supplemental Budget to the Legislature.

We understand the fiscal realities within which the administration and legislature are operating. While decisions on what to restrict are never simple, I believe that in this fiscal crisis, higher education is critical to the future, and that investing in UH has immediate returns. For example, I ask you to restore the funding for the health and safety and sorely needed repairs and maintenance projects. These infrastructure improvements are required to attract and retain the quality of faculty and students needed for a first rate university; moreover, investment in UH facilities has a bearing on the costs we can recover to maintain support for extramurally funded research. Federal indirect cost rates (earned overhead) are negotiated, and the UH rate of 36.7% is low. The University of California Davis rate, for example, is 48.5%, and the University of Washington rate is 58%. Many factors influence indirect cost rates, but a major component is the level of investment in repairs and maintenance and new facilities. Thus, the poor condition of our facilities has a far-reaching effect on UH's ability to leverage external funds and produce even greater levels of research. And finally, monies provided for repairs, maintenance, and construction lead directly to jobs for Hawai'i's construction workers.

Another example of the return on your investment is the \$2.1M we are seeking for the continued stewardship of Mauna Kea. These monies are essential to ensuring that Hawai'i's bid for the Thirty Meter Telescope is successful. This project alone promises to bring nearly \$2B into our state. Beyond this one operating item, we did not request any changes to the budget you appropriated to UH in the last legislative session. We request, however, that you consider the long-term negative impact of the \$54.7M reduction in the proposed executive budget on our operations and our students, and urge you to place a high priority on higher education in your deliberations on the overall budget of the state.

And finally, the legislative package that we have put forth is to make the University more nimble. We know that the budget is incredibly tight, and we ask that, through legislation, you allow us to move more quickly to respond to opportunities that may arise. We want to have new mechanisms to fast track projects to get the jobs and facilities that the state needs.

We are committed to demonstrating that trust in UH is well placed; we believe that there is no better investment for short-term gains and long-term benefits for the citizens of Hawai'i. Investing in the UH is truly investing in the future of our state.

Thank you for your thoughtful attention. The chancellors and system vice presidents will be happy to assist me in answering any questions that you may have.