

**Program ID and Title: UOH- 900/ University of Hawaii Systemwide Programs
Supplemental Budget Request for Fiscal Year 2004-2005**

I. Introduction:

The objectives of the UOH-900/University of Hawaii Systemwide Programs are: 1) to facilitate the operation of the institution as an organization by providing executive management, fiscal, logistical, career and technical education, student assessment, and other related student/academic/administrative support services across the ten-campus University of Hawaii System as well as (2) to plan and administer certain statewide postsecondary education programs funded by the Federal government.

The major activities include policy formulation; Statewide planning and coordination; Statewide management of financial, budgeting, personnel, and information technology services, public relations, and all administrative, logistical, and technical services needed to support students, faculty, staff, and facilities.

Also included are the Educational Improvement Fund for the purpose of improving instruction; the Alternative Delivery Fund which provides alternative instructional delivery systems; management information support including a common Systemwide enrollment database and benchmark reporting; tuition analysis; institutional assessment; legal services; workers' compensation and unemployment insurance compensation programs; technology transfer and economic development; Statewide planning and implementation of career and technical education services pursuant to the Carl D. Perkins Vocational and Technical Education Act of 1998; the State Student Incentive Grant Program (SSIG); and participation in the Western Interstate Commission Higher Education (WICHE). The SSIG program provides financial aid to economically disadvantaged resident students, while WICHE provides admissions preference for Hawaii students in other participating states' academic programs which are not available in Hawaii.

II. Program Performance Results:

The University of Hawaii continues to make strides in advancing instruction, research, administration and public service through the use of information technologies.

In February 2002 the University began a major two-year project to convert its ten separate student information systems into a single consolidated system. The project was designed to create an environment where students would be able to register, make payments, obtain grades and other academic information, and receive financial aid through a single on-line environment regardless of which campuses they desired to attend. At the same time, the academic and financial aid integrity of each UH campus was maintained to preserve accreditation and federal financial aid compliance.

As of Fall 2003, all ten campuses are in production on the new system. This \$20M implementation project is being funded internally by committing new revenue from the modest increases in the current 5-year tuition schedule. The overall project has been executed on time and on budget.

Other notable recent achievements include:

UH implemented a new procurement system that integrates the State's first online bidding system with web-based purchasing to support a paperless sourcing and purchasing process.

UH has implemented the first phase of its financial data warehouse. It is already being used to support new management reports that help Senior Executives and the Board of Regents execute their oversight responsibilities.

Site Licensing. The University's special-funded system-wide software site license program is estimated to save participating units over \$1m/year.

Videoconferencing. The University has implemented Internet-based videoconferencing at all campuses to reduce travel costs and time in the post-9/11 world.

Distributed Learning: The University of Hawaii has continued to expand its strong hybrid distance learning program, which leverages the most appropriate instructional technologies for different student populations throughout the State.

Internet Capacity: In partnership with the US Dept of Defense, UH again increased the capacity of its connection to the Internet to keep ahead of the ever-increasing demands of the University campuses as well as the State of Hawaii.

Intra-state Connectivity: UH has increased the capacity of the network connections to all campuses and education centers throughout the State in order to ensure that the access is available on all islands to distributed learning opportunities, increasingly critical UH information infrastructure, videoconferencing and global information networking environment.

Maui High Performance Supercomputing Center (MHPCC) – The University of Hawaii has strengthened the operational management of MHPCC to address all prior concerns and compliance issues. UH has now achieved the performance level necessary to maintain management of MHPCC for the maximum 10-year term possible under the performance – based contract.

III. Problems and Issues:

Information and Technology Services. The University of Hawaii adopted a new Strategic Plan for Information Technology in 2000. While this plan is guiding the very real progress being made, full implementation would require a system-wide funding increase of over \$20m per year. The University's ability to support its core operations as well as to enhance teaching & learning, research, administration and public service is impeded by the limited information technology infrastructure and support currently available.

Unfunded Legal Services. Act 115, SLH 1998 authorized the University of Hawai'i to hire or contract independent legal counsel. However, with the exception of an initial appropriation in each year beginning in FB 1999-2001, which has been subject to Executive restrictions, no funds were appropriated to the UH for its Office of the General Counsel in recognition of the workload transfer from the State Department of the Attorney General to the University of Hawai'i. This has left the University with an appropriation shortfall, excluding the cost of contracted legal services for workers' compensation cases. In addition to legal services, the costs of legal settlements have now been internalized through Act 186, SLH 2003 authorizing the establishment of the University of Hawaii risk management special fund. Settlements that were formerly part of state awards and settlements are now paid for out of the University of Hawaii.

Unfunded Workers' Compensation Costs. Effective July 1, 1997, the Governor delegated budgetary responsibility to the University of Hawai'i for payment of its employee claims for workers' compensation. The Executive FB 1997-1999 budget request transferred funds to the University from the State Department of Human Resources Development for workers' compensation costs. However, the final appropriations to UOH-900/UH Systemwide Programs, which were intended to fund all ten campuses' claims, have been inadequate based on loss experience.

To cope with the inadequate appropriations to the University for workers' compensation and to reduce such costs in the long run, the University has engaged independent contractors to provide professional claims management services beginning in FY 2000. Contracted claims management services have generated savings in payments to medical providers, and resulted in the acceleration of efforts to close outstanding workers' compensation cases. However, because closing cases results in settlement costs and increased short-term cash outlays, significant savings have yet to materialize. It is critical, therefore, that our cost containment efforts include a greater emphasis on loss prevention.

Vocational Education. In the area of career and technical education, President Clinton signed into law on October 31, 1998 the Carl D. Perkins Vocational and Technical Education Act of 1998. This Act provides a five-year authorization from July 1, 1999 through June 30, 2004. The Carl D. Perkins Act is up for reauthorization again this year. One issue facing vocational education at the State level is the "maintenance of effort" language in the Federal law which stipulates that not more than five percent of the Federal funding may be used for administrative activities, and that Federal funds must be

matched by the State on a dollar-for-dollar basis. Another issue relates to accountability provisions which require that the State demonstrate a high rate of return on investment for vocational and technical education dollars, and that Hawai'i students attain the academic and technical skills necessary for emerging technologies. It is becoming an increasingly costly endeavor to develop and maintain mechanisms for data collection and reporting which would meet accountability requirements. With the Federal legislation revitalizing vocational and technical education, it is important that State funding support not be diminished.

IV. Expenditures for Fiscal Year 2003-2004:

	Act 200/03 FY 2004	Collective Bargaining	Transfer In/(Out)	(Restriction)/ Specific Apprn	Net Allocation	Est Total Expend
Personal Services	(336.00) 19,763,797				(336.00) 19,763,797	(336.00) 19,763,797
Current Expenses	171,970,420				171,970,420	171,970,420
Equipment	235,000				235,000	235,000
Motor Vehicles						
Total	<u>191,969,217</u>	<u> </u>	<u> </u>	<u> </u>	<u>191,969,217</u>	<u>191,969,217</u>
Less						
Special Funds	(4.00) 6,368,128				(4.00) 6,368,128	(4.00) 6,368,128
Federal Funds	(4.00) 457,667				(4.00) 457,667	(4.00) 457,667
Revolving Funds	(5.00) 13,157,802				(5.00) 13,157,802	(5.00) 13,157,802
General Funds	(323.00) 171,985,620				(323.00) 171,985,620	(323.00) 171,985,620

Transfers

None.

Restrictions

None.

V. Supplemental Budget Requests for Fiscal Year 2004-2005:

	<u>Act 200/03 FY 2005</u>	<u>Budget Adjustment FY 2005</u>	<u>Executive Supplemental Request FY 2005</u>
Personal Services	(336.00) 19,763,797	(43.50) 1,706,239	(379.50) 21,470,036
Current Expense	192,329,837	(941,436)	191,388,401
Equipment	235,000	25,000	260,000
Motor Vehicles			
Total	<u>212,328,634</u>	<u>789,803</u>	<u>213,118,437</u>
Less:			
Special Funds	(4.00) 6,368,128	2,000,000	(4.00) 8,368,128
Federal Funds	(4.00) 457,667	200,000	(4.00) 657,667
Revolving Funds	(5.00) 13,157,802		(5.00) 13,157,802
General Funds	(323.00) 192,345,037	(43.50) (1,410,197)	(366.50) 190,934,840

General Funds

	Item/Description	MOF	Cost Category	FY 2005
1.	Reduce G.O. Bond Debt Service Repayments	A	A-Personnel Costs	
			B-Current Expenses	(3,652,580)
			C-Equipment	
			TOTAL	(3,652,580)

This request is to reduce the general fund appropriation for debt service repayment pass through to Budget & Finance. Budget and Finance annually calculates the amount of debt service and informs the University of the amount to include in its budget request. In the first quarter of the fiscal year, the appropriated amount is transferred to Budget & Finance.

	Item/Description	MOF	Cost Category	FY 2005
2.	DAGS Risk Management Cost Allocation	A	A-Personnel Costs	
			B-Current Expenses	613,976
			C-Equipment	
			TOTAL	613,976

This supplemental budget request is to increase the appropriation in general funds to cover the DAGS Insurance cost allocation pass through cost. The amount due DAGS in FY 2004-2005 is \$2,868,829 while the current appropriation is \$2,254,853 in each year of the biennium. DAGS allocates to each agency its

share of the expected cost of annual insurance premiums. The amount included in the appropriation is transferred to DAGS similar to the transfers made to Budget & Finance.

	Item/Description	MOF	Cost Category	FY 2005
3.	Transfer of Office of Research Services (ORS) to Systemwide Program	A	A-Personnel Costs	(43.50) 1,628,407
			B-Current Expenses	
			C-Equipment	
			TOTAL	(43.50) 1,628,407

The purpose of this request is to reflect the transfer of the Office of Research Services to the Systemwide program from Manoa. The transfer of ORS is in accordance with the reorganization approved by the Board of Regents to establish the Office of the Vice President for Research. The UOH 100 supplemental budget request reflects a corresponding reduction of positions and funds related to this transfer.

Special Funds

	Item/Description	MOF	Cost Category	FY 2005
4.	Implement Risk Management Special Fund	B	A-Personnel Costs	

			B-Current Expenses	2,000,000
			C-Equipment	0
			TOTAL	2,000,000

The purpose of this request is to increase the Special Fund authorization by \$2,000,000 to implement Act 186, SLH 2003. Act 186 created the University of Hawaii Risk Management Special Fund from which the University will pay for settlements and judgments against the University, insurance premiums and other expenses related to managing its risks and exposures. The University is responsible to provide revenues to the fund from other sources to cover expenses of the fund. The enabling legislation did not include an increase in the Systemwide special fund expenditure ceiling to carry out the purposes of this Act.

Federal Funds

	Item/Description	MOF	Cost Category	FY 2005
5.	Increase Federal Funds Expenditure Ceiling	N	A-Personnel Costs	
			B-Current Expenses	175,000
			C-Equipment	25,000
			TOTAL	200,000

The purpose of this request is to increase the Federal Funds expenditure ceiling for additional other current expenses and equipment costs to be incurred during FY 2004-2005. Changes in Federal legislation that requires drafting of a new state plan for Career and Technical Education is expected to increase program activity and costs for the upcoming fiscal year. The equipment authorization is for replacement of office equipment.

Transfers

A transfer of \$77,832 of General Funds from the Other Current Expense category to the Payroll category is required to meet projected payroll needs for Systemwide Academic Support Program (UOH-901).

VI. Program Restrictions

None

VII. Capital Improvements Program (CIP) Requests for FY 2004-2005

None

VIII. Proposed Lapses of Capital Improvements Program Projects

None