



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Finance
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by
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HB 1700 – RELATING TO THE STATE BUDGET

Chair Luke, Vice Chairs Nishimoto and Johanson, and members of the Committee:

Thank you for the opportunity to testify in support of our Fiscal Year (FY) 2015 Supplemental Budget Request. Representing the University of Hawai'i System are members from our Board of Regents (BOR), our System-wide leadership team, and our Campus leadership team. In developing our FY2015 request, we focused on critical base budget funding issues, and aggressively addressed our deferred maintenance backlog throughout our 10-campus system.

Restoration of General Fund Reduction Beginning in FY2012

In the 2011 legislative session, the source of funds to support \$14M in salary costs related to the University of Hawai'i Professional Assembly (UHPA) furlough restoration was changed from general funds to special funds. Thus, since FY2012, the University has been using tuition revenues to support the \$14M in collective bargaining cost for which general funds were provided for all other public bargaining units. We request that the \$14M in general funds be restored.

Additional General Funds to Sustain Higher Education System

The University System requests an additional \$19.5M in general funds to supplant tuition revenues that are also currently being used in FY14 and will be needed in FY15, for faculty salary increases negotiated in the current UHPA collective bargaining contract. Absent the \$19.5M in general funds, the University System will be forced to continue to tap tuition revenues for these salary costs. Given the critical role of higher education as part of the State's commitment to civic engagement and economic development, we believe that the Legislature's re-investment in higher education is prudent and sends a positive message to our students and their families during these times of the increasing costs of higher

education. While the restoration of general funds to support fiscal sustainability of the University is our highest priority, we have specific targeted initiatives that have both the support of the Board of Regents and Governor in our FY15 supplemental operating request.

Outcome Based Funding

- Several years ago, with the encouragement of the Legislature, we adopted an outcome-based initiative to award additional general funds for achievement of our performance goals. Through the Community College's Pilot Program the incentive programs have resulted in achievement exceeding their performance goals. Therefore, we are requesting that the Legislature commit \$800K, which the University will match, to support and continue the community college system's successful outcome-based incentive program. .

21st Century Education

- To re-focus our efforts to enhance our delivery of distance learning and broaden our support of faculty to collaborate and innovate using distance technologies, our Board of Regents requests \$800K.

Hawai'i Innovation Initiative

- The Hawai'i Business Roundtable is one of our partners supporting our efforts to expand our research enterprise and broaden the University's economic impact. Our request for \$800K will be used to increase our data-intensive sciences capacity, which will also be supported through the commitment of our own research funds and other State funds to secure additional extramural research projects' funding. .

Pūko'a Council

- The Pūko'a Council has developed a systemwide plan to expand support for native Hawaiian students in partnership with Nā Pua No'eau, a program that the Legislature has supported to help build greater academic capacity for K-12 Native Hawaiian students and their readiness for college. Our request for \$600K is being requested to continue to expand these services systemwide.

As reflected in the Executive Budget, we are asking the Legislature to make an additional investment of **\$37.5M in general funds in FY2014-15** to sustain and improve our statewide system of public higher education.

On behalf of the BOR, we want to mention that the BOR's FY2015 Operating Budget Request also contained several additional priority items, including:

Mānoa Campus Facility Maintenance – Additional Core Staff

- To address the Mānoa campus deferred maintenance backlog, an additional contingent of 22 core facilities maintenance and grounds staff, at a cost of \$1.4M, is needed to ensure the backlog is aggressively addressed and that future maintenance projects are executed in a timely manner to avoid further backlogs.

West O'ahu Campus -- Base Budget Adjustment

- The West O'ahu campus' operating budget is heavily reliant upon tuition revenues for core staff and facility expenses, whereas on other campuses within the University System these operating expenses are paid with general funds. The request for \$3.5M in general funds and 89 FTEs will provide a fiscally sustainable base budget to allow continued growth as projected for West O'ahu in the coming fiscal year and next fiscal biennium.

Enterprise Risk Management Implementation

- To provide continued implementation Whistleblower provisions of Act 87, Session Laws of Hawai'i 2013, and to provide additional staff necessary to support to the BOR to conduct enterprise risk assessments as identified by the BOR Accountability Task Group Report of 2013, we are requesting \$250K and two FTEs.

Capital Improvement Project Program -- Stewardship of Facilities

Our University System capital improvement project (CIP) budget request, acknowledges that the University must "put some skin in the game". We are committed to using University funds to pay for revenue bonds while leveraging state funds so that our long deferred repair and maintenance backlog will be addressed.

- We are asking for a total of **\$73M in General Obligation Bonds, along with \$212M in revenue bonds to address our deferred repair and maintenance backlog system wide.** We will commit \$14M in tuition revenues to support the debt service on the revenue bonds, should the legislature restore the \$14M reduction in general funds made in FY12. Of note, in the Executive Budget the Governor approved an additional \$54M in cash financing for health and safety and capital renewal projects, which will be a priority for us.
- At their November 2013 meeting, the Board of Regents approved a [moratorium](#) on new construction projects, pending legislative review of any new projects requested in the FY15 supplemental request. However, to meet accreditation requirements, the BOR has authorized a leveraged approach to pursue the construction of the Daniel K. Inouye College of Pharmacy at our Hilo campus. In recognition of the importance to the UHH Campus and to the community at-large, the campus commits **\$5M to support revenue bonds** and seeks a state investment of **\$28M in general obligation bonds.**
- To ensure that all University System Capital Renewal and Construction Project appropriations are executed in a timely manner, we are also asking for an additional 17 FTEs at a cost of \$1.2M. These additional positions will help to avoid costs associated with delays in project contract development and execution, construction and post-construction activities.

Conclusion

Today, we ask for your help and your support for:

- our students, whether they stay in Hawai'i or work elsewhere in our global economy – they will build our future based on what they have learned at the University of Hawai'i; and
- our faculty and staff, who are educating and supporting our students in creating a better tomorrow for Hawai'i.

You only have to look amongst yourselves to see the importance of the University of Hawai'i to our State, our alumni include two members of Hawai'i's congressional delegation, our Governor and Lt. Governor, 13 of 25 state Senators, and 34 of 51 state Representatives.

We appreciate your past support and we look to you for your future support of the University of Hawai'i System.