



UNIVERSITY OF HAWAI'I SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on Ways and Means
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by
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HB1700 HD1 – RELATING TO THE STATE BUDGET

Chair Tokuda, Vice Chair Dela Cruz, and members of the Committee on Ways and Means:

Thank you for this opportunity to testify on HB 1700 HD1, Relating to the State Budget. The University of Hawai'i (UH) has significant concerns regarding the operating and capital improvement program budgets as presented in the HD1.

Provided below is a table showing the Board of Regents (BOR) approved general fund request, the amount requested by the Governor as reflected in HB1700, and the House Draft (HD1) of the budget for Fiscal Year (FY) 2017.

<u>Campus</u>	<u>Description</u>	<u>BOR Approved</u>		<u>GOV Request</u>		<u>HD1</u>	
		FTE	\$\$\$	FTE	\$\$\$	FTE	\$\$\$
Mānoa	CTAHR Cooperative Extension	4.00	350,000	-	330,000	-	-
Mānoa	ORC General Fund Salary Restoration		306,168		-		-
Mānoa	EHSO General Fund Salary Restoration		1,093,832		-		-
Mānoa	Cancer Center		5,000,000		4,000,000		-
Mānoa	Intercollegiate Athletics		3,000,000		-		-
Mānoa	Change Funds from GF to Fed Funds						(50,000,000)
Hilo	Student Athlete Success & Travel	3.00	560,000		-		
Hilo	Conversion of Security from Contracts	37.00	420,000	27.00	-	-	-
UHWO	West O'ahu Campus Evolution	12.00	728,020	12.00	728,020	-	-
CCs	Equipment Funds		1,250,000		1,250,000		1,250,000
Sys Support	Hawai'i Research & Innovation Initiative	20.00	3,500,000	20.00	3,500,000	-	-
Sys Support	Graduation Pathways to Success (GPS)						1
Sys Support	Repair & Maintenance						50,000,000
Total		76.00	16,208,020	59.00	9,808,020	-	1,250,001

We are appreciative that HD1 provides support for one BOR and Governor's request:

- Community Colleges Equipment Fund – Establishes an equipment fund to allow the Community Colleges to flexibly manage and prioritize expenditures for much needed equipment.

However, we are very concerned that HD1 does not provide any funding for key BOR requests vital to the future of Hawai'i, some of which are also supported by the Governor:

- Cancer Center – The Cancer Center is the only National Cancer Institute (NCI) designated program in the Pacific and provides substantial health and economic benefit to the people of Hawai'i. Additional financial support from the State is required to help address the funding gap created by the decline in cigarette tax revenue.
- Athletics – UH Mānoa and UH Hilo – funds are requested for Athletics programs at these two campuses to help offset costs that are higher at UH than other comparable institutions. UH athletic programs are Hawai'i's athletic programs and are a source of pride and opportunity for the entire State.
- Hawai'i Research and Innovation Initiative – This request will support the development of a third economic sector for Hawai'i in addition to tourism and military spending. This three-part initiative will: 1) develop capacity and workforce in strategic areas of opportunity such as cybersecurity and sustainable water resources; 2) establish a Center for Commercialization to help develop private sector jobs associated with UH research and innovation; and 3) establish a Strategic Grants Development Office to increase the flow of federal dollars into Hawai'i.
- UH West O'ahu (UHWO) Campus Evolution – Funding and positions will provide for instruction and support services as UHWO continues to grow. This support is critical to ensure that evolution of UHWO can continue to meet the demand of students and the plans for its growing campus.
- College of Tropical Agriculture and Human Resources (CTAHR) – Agricultural Extension Service – HD1 does not provide continued funding that was appropriated as a legislative initiative in Act 105, Session Laws of Hawai'i 2015. The Legislature had previously appropriated funding and positions, but only for a single year. This is not practical or realistic to meet the needs and demands of funding community extension positions by funding them for only one year.
- UH Hilo Security – Additional positions and funds are required to enable security services currently externally contracted to instead be provided by campus personnel. The civil service statutes and recent lawsuits by public worker unions

will force the state and the University to move services like these previously performed by external contracts into internal operations.

- Mānoa – Office of Research Compliance (ORC) and Environmental Health & Safety Office (EHSO) General Fund Restoration – These two programs have sustained general fund reductions over the last several years. These essential services are currently supported with revenues from other sources, which is not sustainable.

In addition to those requests listed above, the BOR budget includes various transfers also approved in the Governor's version, but not included in the HD1:

- Transfer of 0.50 FTE from UH Mānoa to John A. Burns School of Medicine (JABSOM) – a housekeeping measure for which no funds are involved. This position serves as the Cultural Competency Curriculum Coordinator for the Native Hawaiian Center for Excellence and is paid by JABSOM. Is it therefore appropriate that this position be placed permanently within JABSOM's budget.
- Transfer of various positions and funds from UOH900 (Systemwide Programs) to Mānoa, Hilo, West O'ahu and the Community Colleges – these transfers will properly reflect the realignment of resources that currently occurs. As long as these instructional positions are budgeted at UOH900, they will fail to receive tenure, which will have an adverse effect on recruitment and retention. While the University can transfer these positions during budget execution, to avoid any adverse impacts it is necessary that these positions be permanently budgeted at the campus level.

Perhaps the most serious concern in HB1700 HD1 is its approach to decrease funding, which would result in the end of academic research at the University. We would like to note particular objection to the House Draft of the budget where the bill proposes to change \$50,000,000 in personal services from general funds to federal funds. HB1700 HD1 proposes to reduce \$44,800,000 and \$5,200,000 in general funds to UH Mānoa (UOH100) and JABSOM (UOH110), respectively, and instead replaces the appropriation with "N fund" ceiling. This will have a severe negative effect on the operations of UH Mānoa and JABSOM. There is no possibility that this reduction in general funds can be made up with "N funds" or federal funds on July 1. Federal grants and research grants will typically require matching funds, are reimbursable after expenditures are made, and/or fund only portions of the total cost of research. This reduction will result in immediate reductions in force and would signal the complete lack of support of the Legislature for research in Hawai'i and the economic, social, and community benefits it brings. Current state funding to the university that is used in the area of research is leveraged to generate over \$400 million annually in extramural funds. While the House Draft adds \$50 million in general funds to help to address maintenance and the deferred maintenance backlog, it should not come at the expense of devastating Hawai'i's major research enterprise and economic driver.

Finally, we note that Governor's Message No. 11 includes \$2,560,282 in general funds in FY17 to support the collective bargaining agreement with Unit 8. In the interest of transparency and in order to reduce the number of "moving pieces," we respectfully request that this funding be included in the funding measure for Unit 8 (HB2013). It should be noted that SB2835 SD1 HD1 includes this funding.

Capital Improvements Program (CIP)

Provided below is a table showing the BOR approved request for FY17 and the amount requested by the Governor as reflected in HB1700. All MOF are General Obligation (BO) bonds:

<u>Project Title</u>	<u>BOR Request</u>	<u>Gov's Decision</u>	<u>HD1</u>
Lump Sum CIP for Higher Education	131,342,000	-	
CIP Staff Costs	300,000	-	
Mānoa - Snyder Hall Renovation	2,500,000	2,500,000	2,500,000
Mānoa - Dean Hall Renovation	2,000,000	-	
Mānoa - Softball Stadium Renovations			2,950,000
Mānoa - Lump Sum, Athletics Facilities			15,000,000
Mānoa - Warrior Recreation Center Repairs			1,000,000
West O'ahu - New Creative Media Facility	38,800,000	-	-
West O'ahu - Admin & Allied Health Building			(18,000,000)
Community Colleges - Minor CIP	10,000,000	10,000,000	10,000,000
Kapi'olani CC - Kokio Building Repair			655,000
Kapi'olani CC - Naio Construction			750,000
Honolulu CC - Parking Lot			4,320,000
Hawai'i CC - NHERC			9,500,000
Hawai'i CC - Palamanui			300,000
Maui College - Food Innovation Center			7,000,000
Kaua'i CC - Imu			2,000,000
CCs - Lump Sum for CRDM			25,000,000
Capital Renewal and Deferred Maintenance		60,000,000	60,000,000
Total	184,942,000	72,500,000	122,975,000

- Lump Sum CIP – This funding will provide UH the flexibility to prioritize improvements to existing facilities and construction of new facilities to address health, safety, and code requirements in addition to decreasing the deferred maintenance backlog through a comprehensive strategy.
- CIP Staff Costs – Funding for CIP-related positions to implement projects.

- Snyder Hall Renovation – Design funds for a total renovation of this 50 year old building with teaching labs, classrooms, and office space in the heart of the Mānoa campus.
- Dean Hall Renovation – Design funds for a complete renovation and modernization of this historic structure.
- UHWO – Creative Media Facility – This will provide construction money for classrooms, production facilities, and offices for a new Creative Media Facility.
- Community Colleges – Minor CIP – Funding for improvements to various campuses to meet current operational and instructional requirements.
- Capital Renewal and Deferred Maintenance (CRDM) – Funding to help address the deferred maintenance backlog.

There are a number of new projects in the HD1, for which UH is appreciative of legislative support. Despite the fact that these projects were not specifically included in the BOR approved budget, additional funds will support ongoing infrastructure and modernization needs.

We are concerned that the HD1 reduces funding for the Administration and Allied Health Building at the West O'ahu campus from \$24 million to \$6 million. At present, \$7 million has already been released by the Governor for the Allied Health and Administration building project which is already underway. We therefore respectfully request that this appropriation be no less than \$7 million. Furthermore, the original intent of this appropriation in the biennium budget was to settle an outstanding EB-5 loan. The University requests that the appropriation be preserved for the EB-5 loan repayment.

The greatest concern to the University regarding the CIP Budget is that it does not provide a comprehensive path forward for the elimination of the excessive deferred maintenance backlog. Currently, this deferred maintenance backlog for UH exceeds \$500 million, with annual needs of approximately \$70 million. The House Draft of the budget provides a total of \$100 million for CRDM through three line items: \$15 million for UH Mānoa Athletics Facilities, \$25 million for Community Colleges, and \$60 million for Systemwide Support. UH is very appreciative of this level of support for our deferred maintenance needs. However, moving forward we respectfully request an increased allocation of general obligation bonds and/or revenue bond authority so that we can implement a multi-year program to modernize UH facilities across the state to support 21st century teaching, learning and research.

Thank you for your time and consideration.