



UNIVERSITY
of HAWAII®
SYSTEM

KALBERT K. YOUNG
VICE PRESIDENT FOR BUDGET & FINANCE
CHIEF FINANCIAL OFFICER

October 26, 2023

DTS 23708C

TO: Alapaki Nahale-a
Chair, Board of Regents

Gabriel Lee
Chair, Committee on Institutional Success, Board of Regents

VIA: David Lassner
President

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FROM: Kalbert K. Young
Vice President for Budget & Finance/CFO

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SUBJECT: FISCAL YEAR 2024-2025 SUPPLEMENTAL OPERATING BUDGET
REQUEST FOR THE UNIVERSITY OF HAWAII

SPECIFIC ACTION REQUESTED:

In conformance with Regent Policy 8.204, it is recommended that the Board of Regents approve the submission of the Fiscal Year 2024-2025 ("FY24-25" or "FY25") Operating Budget Request of the University of Hawai'i ("University" or "UH") to the Governor and the Legislature. This request is to include major budget additions (or reductions) to the University's appropriated operating budget. The primary component of this request is for additional State general funds for program support or new initiatives of the University. With approval, this proposed FY24-25 Operating Budget Request will represent the official request for all operating programs of the UH System. The University will submit the proposal to the State Department of Budget and Finance ("State B&F") for consideration to be included as part of the Governor's budget proposal to the Legislature. The University will also send this budget request directly to the Legislature, in accordance with Chapter 37-68, Hawai'i Revised Statutes (HRS).

The FY24-25 budget request for capital improvement projects (CIP) is also to be deliberated by this committee. Both the operating budget request and the capital budget request are anticipated to be approved by the Board of Regents at its November 16, 2023 meeting.

RECOMMENDED EFFECTIVE DATE:

Upon approval of the Board of Regents.

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An Equal Opportunity/Affirmative Action Institution

BACKGROUND:

Annually, State departments submit budget requests to the Executive Branch via State B&F for consideration of inclusion into the proposed Executive Budget of the Governor to the Legislature for the next Legislative Session. The University also submits its Board approved budget request directly to the Legislature. Every two years, the Executive Branch proposes a biennium budget and in the subsequent year proposes a supplemental budget. This year is a supplemental budget year.

General Fund Outlook

At its September 7, 2023 meeting, the Council on Revenues (COR) decreased its general fund tax revenue projections for FY24 from 4.0% to 1.3%. The Council increased its forecast for FY25 from 3.5% to 5.2% and maintained its forecast of 3.5% growth for FY26 through FY30. The COR cited the economic impacts of the Maui Fires as affecting tourism revenues and other economic activity.

Recovery efforts and federal assistance will mitigate some of the loss of tourism revenues and the increase in FY25 was to account for recovery construction spending in response to the fires. The COR also noted the relative strength of the U.S. dollar compared to foreign currencies, which negatively impacts international visitor arrivals.

Additionally, the University of Hawai'i Economic Research Organization (UHERO) issued a forecast on September 22, 2023 which included information regarding the economic disruption on Maui caused by the wildfires. Visitor arrivals to Maui dropped precipitously and are expected to reach 80% of 2022 levels by the end of 2024. The forecast notes that depending on federal funding, Hawai'i will incur substantial recovery costs for at least the next half-decade.

BUDGET PROPOSAL:

Considering the issues stated above as well as other matters relevant to the operations of the University and the sustainability of any University request for public funds, the Administration hereby proposes consideration of the following request for funding. The FY24-25 Operating Budget request is summarized below, showing requested Full-Time Equivalent (FTE) position counts and funds (\$\$\$) for FY25. The table below shows the entire general fund request for additional funds in several categories:

Category	Pos FY25	\$\$\$ FY25
Restoration of General Funds	-	\$ 21,126,848
Full year funding of prior appropriations	-	\$ 749,177
Enacting prior legislation	16.00	\$ 2,131,555
Hawai'i Promise Program	-	\$ 22,006,406
Wildfire Response	2.00	\$ 500,000
Mental Health Support	6.00	\$ 510,000
Workforce Development	22.50	\$ 4,166,763
Priority Campus Support	64.00	\$ 5,152,173
Total	110.50	\$ 56,342,922

Restoration of General Funds

In response to the significant decline in General Fund revenues to the State as a result of the COVID-19 pandemic, the Legislature reduced the budget in its 2021 Session for FY22 and FY23 by \$60.1 million. Simultaneously, the Legislature added back \$17.5 million and designated those amounts as “non-recurring.” This resulted in a net reduction of \$42.5 million. In the 2022 Legislative Session, the Legislature restored that \$42.5 million for FY23 to return UH’s General Fund appropriation back to pre-pandemic levels. However, because the Legislature did not change the “non-recurring” designation, the State B&F reduced the “non-recurring” \$17.5 million from UH’s base budget going into the new biennium.

In the last Legislative Session, UH requested restoration of this \$17.5 million for FY24 and FY25. However, the Legislature only restored these funds for FY24. This request seeks to restore those funds for FY25 and beyond.

Similarly, \$3.6 million was requested last Session to continue the General Fund subsidy for Athletics programs at the Mānoa (\$3.2 million) and Hilo (\$400,000) campuses. Again, the Legislature restored those funds for FY24 only, and these amounts are again requested for FY25 and beyond.

In total, the return to pre-pandemic levels of funding to UH and to the Athletics programs totals \$21.1 million.

Full Year Funding for Prior Appropriations

In the 2022 Legislative Session, funds were provided to the Kapi’olani Community College’s Culinary Institute of the Pacific for personnel and operating costs. However, only half of a year’s funding was provided as the Legislature anticipated some lead-up time would be necessary before the Institute became fully operational. Now with

ongoing and continuing needs, \$389,245 is requested to pay for the operations of the Culinary Institute of the Pacific.

Similarly, the Legislature provided funds for a Value Added Product Center (VAPC) at Leeward Community College but only provided half-year funding. As such, \$359,932 is requested to pay for the continued operations of the VAPC.

Enacting Prior Legislation

Act 141, Session Laws of Hawai'i (SLH) 2022, required UH to establish K-12 expanded teacher cohort programs in each county for students pursuing undergraduate degrees in education. However, there was no funding provided in the Act and no funding was provided through the budget. In order to effectuate this requirement, UH is requesting seven (7) positions (five (5) faculty and two (2) academic support) and \$625,000 to boost enrollment and to offer distance programs on the neighbor islands.

Senate Bill (SB) 1586 from the 2023 Legislative Session provided positions and funds to UH for two (2) extension specialists and three (3) extension agents at the College of Tropical Agriculture and Human Resources (CTAHR). The bill created these positions as Administrative, Professional, and Technical (APT) positions. However, pursuant to section 304A-1002, HRS, extension specialists and extension agents are part of the faculty classification. As a result, the Governor vetoed the bill. In an effort to implement the legislative intent in SB1586, UH is requesting five (5) faculty positions and \$506,555.

Act 76, SLH 2023, made various provisions to expand protection for victims of sexual and domestic violence at UH. However, the Office of Equity Assurance does not have adequate resources to implement all of these requirements. As a result, UH is requesting four (4) positions and \$1,000,000 to provide the resources necessary to effectuate the requirements of Act 76.

Hawai'i Promise

The Hawai'i Promise Program is a "last dollar" scholarship for qualified UH Community College students who need financial help to pay for college. The scholarship addresses the unmet need to cover direct costs of education – including tuition, fees, and an allowance for books and supplies.

The program has proven to be very successful at the Community Colleges. This success has been evidenced in Community Colleges utilization of the program has exceeded their base appropriation of \$1.8 million. UH is requesting an additional

\$3.7 million to help cover the increased cost of the program that has otherwise come from the Community Colleges' Tuition and Fees Special Fund (TFSF).

Additionally, UH is requesting an additional \$18.3 million to expand the Hawai'i Promise Program to the four-year institutions – Mānoa, Hilo, and West O'ahu (UHWO). A breakout of these funds is provided below:

Campus	\$\$\$ FY25
Mānoa	\$ 12,500,000
Hilo	\$ 1,800,000
West O'ahu	\$ 4,000,000
Community Colleges	\$ 3,700,000
Total	\$ 22,000,000

Wildfire Response

Any direct impacts to UH facilities from the August wildfires have been minimal. UH is anticipating that most, if not all, costs associated with disaster response efforts related to the wildfires will be reimbursed by the federal government. Because of this, there are no budget requests for direct and immediate impacts from the August wildfires.

Looking ahead, it is imperative for the redevelopment and reconstruction of Lahaina to consider everyone in the community. As such, UH is requesting two (2) positions and \$500,000 to deploy Maui College Huluhia staff to do community outreach with those impacted by the Lahaina wildfire. Staff will generate a report based on that feedback for different models to redevelop Lahaina and will engage with the Community Design Center at UH Mānoa to come up with a conceptual plan of redeveloping Lahaina.

Mental Health Support

In response to a growing demand for mental health services that was exacerbated by the August wildfires, UH is requesting six (6) Mental Health Counselor positions for \$510,000 to help address this demand. One counselor would offer initial assistance to students to assess their behavioral challenges and to provide additional information and resources as to counseling or psychological services. This position would also help to provide long-term mental health services support in a coordinated way across the UH System.

Two counselors would provide the next level of care, which is providing counseling to help students change their behavior or emotional responses in order to restore or enhance their capacities for personal and interpersonal functioning. Two more

counselors would provide higher level individual or group counseling services and psychosocial programming for student developmental needs. There would also be one full time Mental Health Counselor located at Maui College to provide direct mental health support to students, especially those impacted by the recent wildfires.

Workforce Development

Description	Campus	Pos	\$\$\$
UH Mānoa & UHWO Nursing Collaboration	Mānoa	6.50	\$ 1,068,821
Pre-Nursing Program Support	UHWO	3.00	\$ 322,032
Neighbor Island Health Access & Pathway Extension	JABSOM	4.00	\$ 925,000
M.A. in Counseling Psychology – Clinical Mental Health Specialization Program	Hilo	3.00	\$ 210,000
Total - Healthcare Workforce		16.50	\$ 2,525,853

To help address the current nursing shortage in the state, the Nancy Atmospera-Walch School of Nursing (NAWSON) at Mānoa has established a Pre-Nursing Pathway with UHWO, with 24 qualified applicants beginning in Spring 2024. This request will expand the program, with UH requesting 6.5 positions (four (4) Instructors and two (2) APTs) and \$1 million.

To strengthen the pre-nursing program at UHWO, three (3) positions (two (2) Instructors and 1 APT) and \$322,032 is requested. These positions will assist students in the program with counseling and academic advising, coordinate the pre-nursing curriculum, facilitate relationships between clinical sites and NAWSON, and provide technical, analytical, and instruction support services to the Pre-Nursing Pathway from UHWO to UHM NAWSON.

In order to continue the efforts of the John A. Burns School of Medicine (JABSOM) to expand access to care for rural and underserved populations, a total of four (4) positions and \$925,000 is requested. These positions and funds will create and expand pathways to recruit and retain medical students and physician residents across the state.

The MA Program in Counseling Psychology (Clinical Mental Health Specialization) at Hilo is the only program of its kind in the UH System. This request for three (3) positions and \$210,000 will increase the capacity of the program to 30 graduates per year. This program is a hybrid distance education program that serves students across the state.

Description	Campus	Pos	\$\$\$
Early Childhood Education Support	UHWO	2.00	\$ 180,910
Bachelor of Science in Education Studies Program Support & Expansion of Kahuawaiola Indigenous Teacher Education Program	Hilo	4.00	\$ 285,000
Total - Education Workforce		6.00	\$ 465,910

UHWO is requesting two (2) positions and \$180,910 for one faculty each in Early Childhood and Special Education teaching. These positions will expand the capacity of UHWO to train new early childhood educators for both general and special education.

To expand teacher education on the island of Hawai'i, UH Hilo is requesting four (4) positions and \$285,000. This request would establish the BS in Education Studies degree program by the Fall 2024 semester and would expand the Kahuawaiola Indigenous Teacher Education program.

Please note that these two requests are in addition to the seven (7) positions and \$625,000 already noted in the "Enacting Prior Legislation" section to effectuate Act 141, SLH 2022.

Description	Campus	Pos	\$\$\$
Expand Apprenticeship Training	Maui College	-	\$ 250,000
Equipment for Sustainable Agriculture Program	Leeward CC	-	\$ 925,000
Total - Other Workforce		-	\$ 1,175,000

The request for \$250,000 will expand apprenticeship training at Maui College to support various construction trade areas. It is expected that there will be an increase of workforce demand due to the cleanup, restoration, and reconstruction on Maui as a result of the recent wildfires.

Leeward Community College is seeking to complement its Sustainable Agriculture Program with a request for \$925,000 for equipment to automate and modernize its program. This request will provide various greenhouse equipment to be used by the program, including a pruning robot, aquaponics equipment, robotic harvesting equipment, and fertilization systems.

Priority Campus Support

Description	Campus	Pos	\$\$\$
Community Event Support	Mānoa	6.00	\$ 709,000
ACM Facilities & Core Support Services	UHWO	4.00	\$ 252,648
Campus Safety - Security Position	UHWO	1.00	\$ 61,800
Water Quality Lab	Maui College	2.00	\$ 160,000
Stabilize Athletics Operating Budget	Mānoa	43.00	\$ 3,136,642
CTAHR Cooperative Extension Support	Mānoa	5.00	\$ 581,555
Incarcerated Students Program	Windward CC	3.00	\$ 250,528
Total		64.00	\$ 5,152,173

As a result of the closure of Aloha Stadium and the Blaisdell Arena, many other public events such as high school graduation ceremonies and high school football championships have been forced to request use of the Clarence T.C. Ching Athletics Complex and Stan Sheriff Center. In order to accommodate this increased demand by public organizations, UH is requesting six (6) positions and \$709,000 for event staffing and equipment rentals or purchases.

To provide facilities and core services support to enable broad use of the new system Academy for Creative Media (ACM) facility at the UHWO, four (4) positions and \$252,648 for their salaries are requested. These positions are a Facilities Manager position, an Auxiliary and Facilities Officer support staff position, a Custodian, and a General Laborer.

As a result of the opening of the Skyline rail station and development at Ho'opili and the increased on-campus and nearby foot traffic, one additional security position is requested for UHWO to help address its security needs.

The UH Maui College Water Quality Lab was established in the Fall of 2019 after requests were made by community partners to have such a facility on Maui to meet the needs of local constituents. The lab plays a critical role in helping to determine that Maui's water is safe and compliant with health and environmental standards, and UH is requesting two (2) positions and \$160,000 to institutionalize the lab.

To help stabilize the operating budget for the Athletics program at Mānoa, 43 positions and \$3.1 million is requested. The positions reflect a conversion of 35 FTEs from the Athletics Special Fund to the General Fund and eight (8) new positions to provide mental and physical health needs including the requirement to meet recent NCAA rules changes regarding Athletic Trainers. The conversion of positions from special to general funds will protect athletics from the dramatic increases in the state's fringe benefit rates over which the program has no input or control and also enable the department to keep up with other ever-escalating costs associated with operating the

only major (Division 1) athletic program in the only state other than Alaska for which professional athletics is also completely inaccessible.

In addition to the five (5) Extension Agents requested previously in response to the veto of SB1586, UH is requesting another five (5) positions and \$581,555 for Extension Agents and associated startup and travel costs to support CTAHR's mission of extending research-based innovation and support to the agriculture industry across the state.

The Pu'uhonua Program at Windward Community College serves incarcerated students and works with the Women's Community Correctional Center, the Hawai'i Youth Correctional Center, and the Halawa Correctional Facility. This successful program is currently funded using grant funds which will expire in April 2024. This request for three (3) positions and \$250,528 seeks to make this program permanent.

Other Miscellaneous Requests

There are also transfers of positions and funds within UH to effectuate the budgetary changes needed to reflect actual practices. This involves transferring six positions for Nā Pua No'ēau that are funded in UOH900 but who work at various campuses; transferring one position from Hilo to Mānoa College of Social Sciences; and transfers between Community College campuses for nursing education and security positions. These transfers are internal to UH and do not change UH's total appropriation levels.

The University will be working with State B&F, the Governor's administration, and the Legislature on this FY24-25 supplemental budget request as necessary.

ACTION RECOMMENDED:

University Administration recommends the Board of Regents approve the Administration's proposal for the Fiscal Year 2024-2025 Operating Budget Request for the University. Upon approval, the proposal will be transmitted to the State B&F as the approved Board of Regents' budget request. The proposal is to be considered for inclusion as part of the Governor's Executive Budget Proposal to the 2024 State Legislature. In accordance with Chapter 37-68, HRS, the University will also submit the approved budget request directly to the Legislature.



University of Hawai'i Supplemental Budget Request for Fiscal Year 2024-2025

November 2, 2023

Committee on Institutional Success



State General Fund Situation

- Lower than previously anticipated growth
 - Maui Wildfires
 - Relative strength of U.S. Dollar vs. foreign currencies
- Some downside risk/uncertainty
 - Inflation and Federal Reserve monetary policy in response to inflation
 - High oil/commodity prices and energy costs
 - Supply chain disruptions, labor shortages
 - War in Ukraine and Middle East
 - Possible federal shutdown



Total Budget Request

Category	Pos FY25	\$\$\$ FY25
Restoration of General Funds	-	\$ 21,126,848
Full year funding of prior appropriations	-	\$ 749,177
Enacting prior legislation	16.00	\$ 2,131,555
Hawai'i Promise Program	-	\$ 22,006,406
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Priority Campus Support	64.00	\$ 5,152,173
Total	110.50	\$ 56,342,922



Restoration of General Funds

- Funds to restore General Fund support to pre-pandemic levels were included for FY24. UH seeks to include those funds for FY25 and beyond:
 - \$5.6 million for Mānoa
 - \$1.8 million for JABSOM
 - \$3.4 million for Hilo
 - \$1.6 million for West O‘ahu
 - \$5.1 million for Systemwide Admin
- Restore General Fund subsidy for Athletics
 - \$3.2 million for Mānoa
 - \$400,000 for Hilo



Continuation of Current Budget

- Full-Year Funding of Prior Appropriations
 - \$389,245 for Culinary Institute of the Pacific at Kapi'olani Community College
 - \$359,932 for Value Added Product Center at Leeward Community College
- Enacting Prior Legislation
 - \$625,000 and 7.00 FTEs for Expansion of Teacher Cohort on Neighbor Islands (*Act 141, SLH 2022*)
 - \$506,555 and 5.00 FTEs for CTAHR Extension Agents (*SB1586 CD1 from 2023 Session*)
 - \$1.0 million and 4.00 FTEs for Increased Campus Safety (*Act 76, SLH 2023*)



Hawai'i Promise

- “Last dollar” program to address the unmet direct cost needs for in-state students who meet certain eligibility criteria
- Expansion of Hawai'i Promise Program to Four-Year Institutions:
 - \$12.5 million for Mānoa
 - \$1.8 million for Hilo
 - \$4.0 million for West O'ahu
- Continued Funding for Community Colleges
 - \$3.7 million additional requested (\$1.8 million already in base)
 - Community Colleges were already making up the difference from their own Tuition and Fees
- Total: **\$22.0 million** per year



Wildfire Response

- While no UH campus or facility was directly impacted by the Maui Wildfire, additional resources are being used primarily at Maui College
 - We anticipate adequate reimbursement for any direct disaster related costs
- 2.00 FTEs and \$500,000 for Community-based Planning for Redevelopment of Lahaina through Huluhia Center for Sustainable Systems and Community Design Center



Mental Health Support

- Looking to expand access to students across UH System
- 6.00 Mental Health Counselors at \$85K each for a total of \$510,000:
 - 1 Counselor to offer initial assistance to students
 - 2 Counselors to help students change their behavior to restore or enhance their capacities for personal functioning
 - 2 Counselors to provide higher level individual or group counseling services
 - 1 Counselor at Maui College to provide direct mental health support to those impacted by the wildfires



Workforce Development

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Details can be found in the For Action memorandum.



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Total		64.00	\$ 5,152,173

Details can be found in the For Action memorandum.



Next Steps

- Recommendation for Committee on Institutional Success to approve this operating budget request for subsequent approval by the full Board at its November 16 meeting.
- Following approval by the full Board of Regents, the budget request and associated forms will be transmitted to the Governor and the Legislature, in accordance with Chapter 37-68, HRS.