

The logo of the University of Hawai'i System is a circular seal. It features a central torch with a flame, set against a background of a globe. The text "UNIVERSITY OF HAWAII" is written along the top arc of the seal, and "MĀLAMALAMA" is written along the bottom arc. The year "1907" is positioned at the bottom center of the seal. The entire seal is rendered in a light, semi-transparent gold color.

**FISCAL YEAR 2014-15
SUPPLEMENTAL BUDGET REQUEST
University of Hawai'i System**

**FIN-WAM Briefing
January 14, 2014**

Briefing Topics

- ❖ **Review FB13-15 Budget Request**
(Presentation by UH Interim President)
- ❖ **Review BOR Responses to Accountability Task Group Report (Oral Report from BOR)**
- ❖ **Respond to Committees' Questions**



Fiscal Biennium 2013-2015

BOR Operating Budget Summary

Initiative/Description	2013-2014 Request		2013-2014 Results		2014-2015 Request		2014-2015 Results	
	Dollars	(FTE)	Dollars	(FTE)	Dollars	(FTE)	Dollars	(FTE)
Outcome Based Funding (Systemwide)	20,000				30,000			
<i>Outcome Based Funding (Community Colleges)</i>			4,000				2,000	
Distance Learning & Educational Technology	1,000	4	0	0	1,500	7	0	0
Engineering Consortium	1,200	12	0	0	2,900	28	0	0
Indigenous Serving University	2,500	42	0	0	2,500	42	0	0
Statewide Longitudinal Data System	200	2	100	0	400	4	200	0
West O'ahu Campus Build-out Support	984	22	3,000	10	984	22	3,000	10
Hawai'i Innovation Initiative	5,875	6	0	0	13,960	20	0	0
<i>Guigni Archives</i>			400	5			400	5
<i>STEM Programs</i>			1,500	9			1,500	9
<i>Academy for Creative Media</i>			2,086	10			2,086	10
<i>Center for Okinawan Studies</i>			30	1			60	1
<i>Native Hawaiian Center for Excellence</i>			560				560	
<i>Mānoa Campus Reduction</i>			(7,000)	(100)			(7,000)	(100)
TOTAL Operating	31,759	88	4,676	(65)	52,244	123	2,806	(65)
<i>Italics = Legislative Initiatives</i>								
Amounts in Thousands of Dollars								

Fiscal Biennium 2013-2015 BOR CIP Budget Summary – By Funding Type

Initiative/Description	<i>2013-2014 Request</i>	<i>2013-2014 Results</i>	<i>2014-2015 Request</i>	<i>2014-15 Results</i>
Special Funds (B)	<i>4,100</i>	<i>4,100</i>	<i>350</i>	<i>0</i>
General Obligation Bonds (C)	<i>373,632</i>	<i>173,994</i>	<i>346,081</i>	<i>31,500</i>
Revenue Bonds (E)	<i>64,500</i>	<i>23,500</i>	<i>20,000</i>	<i>0</i>
Federal Funds (N)	<i>2</i>	<i>0</i>	<i>0</i>	<i>0</i>
TOTAL CIP	<i>442,234</i>	<i>201,594</i>	<i>366,431</i>	<i>31,500</i>
Amounts in Thousands of Dollars				

Fiscal Biennium 2013-2015 BOR CIP Budget Summary – By Project Type

CIP Category	FY2014 Request	FY2014 Results	FY2015 Request
Repair and Maintenance	\$86.0	\$78.0	\$83.2
Backlog Elimination	\$73.6	\$-0-	\$212.0*
Renovation and New Construction	\$214.0	\$96.0	\$164.4
Total CIP	\$373.6	\$174.0	\$247.6

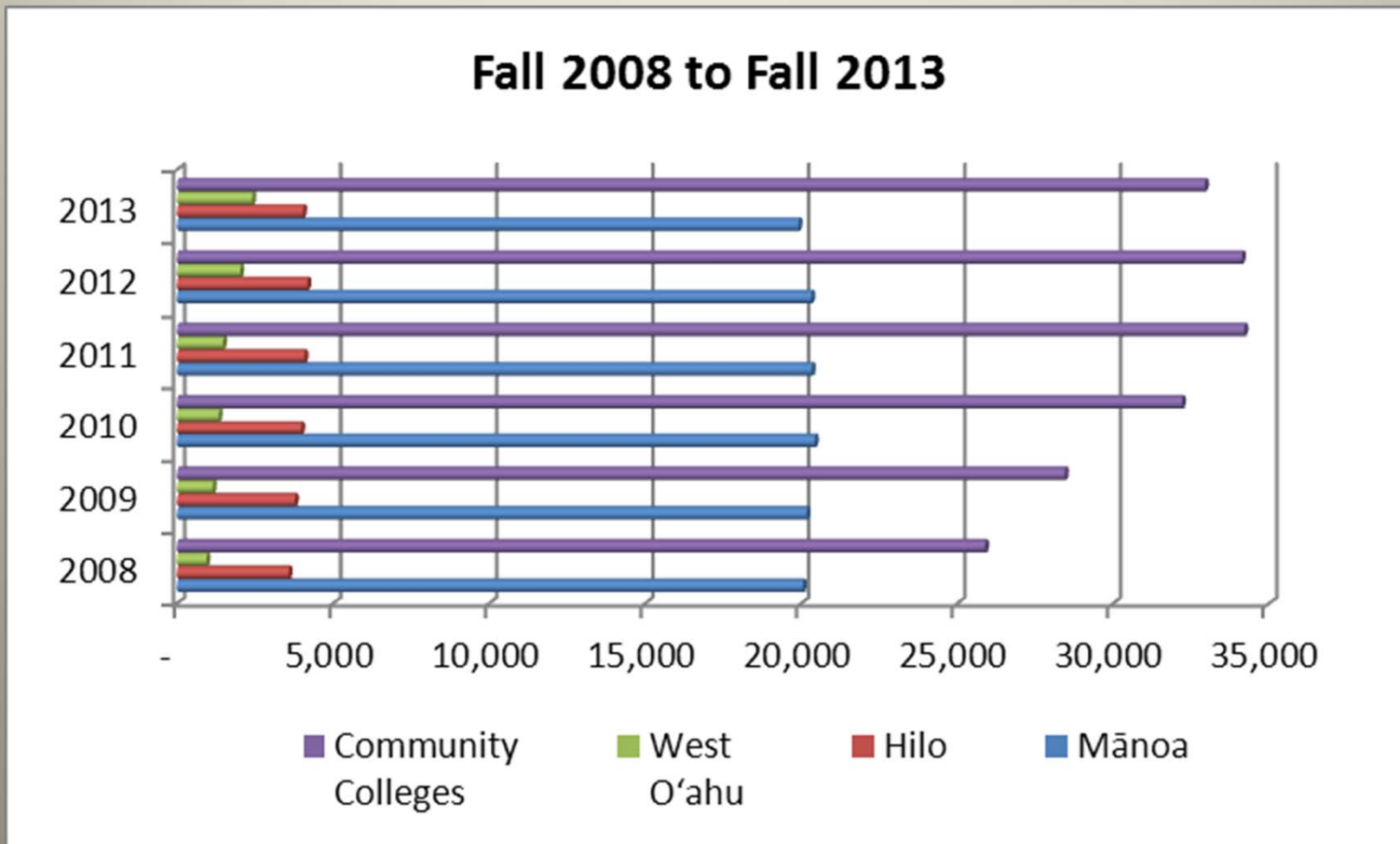
\$ = Millions in General Obligation Bond Funds

*\$ = UH System Revenue Bond Funds

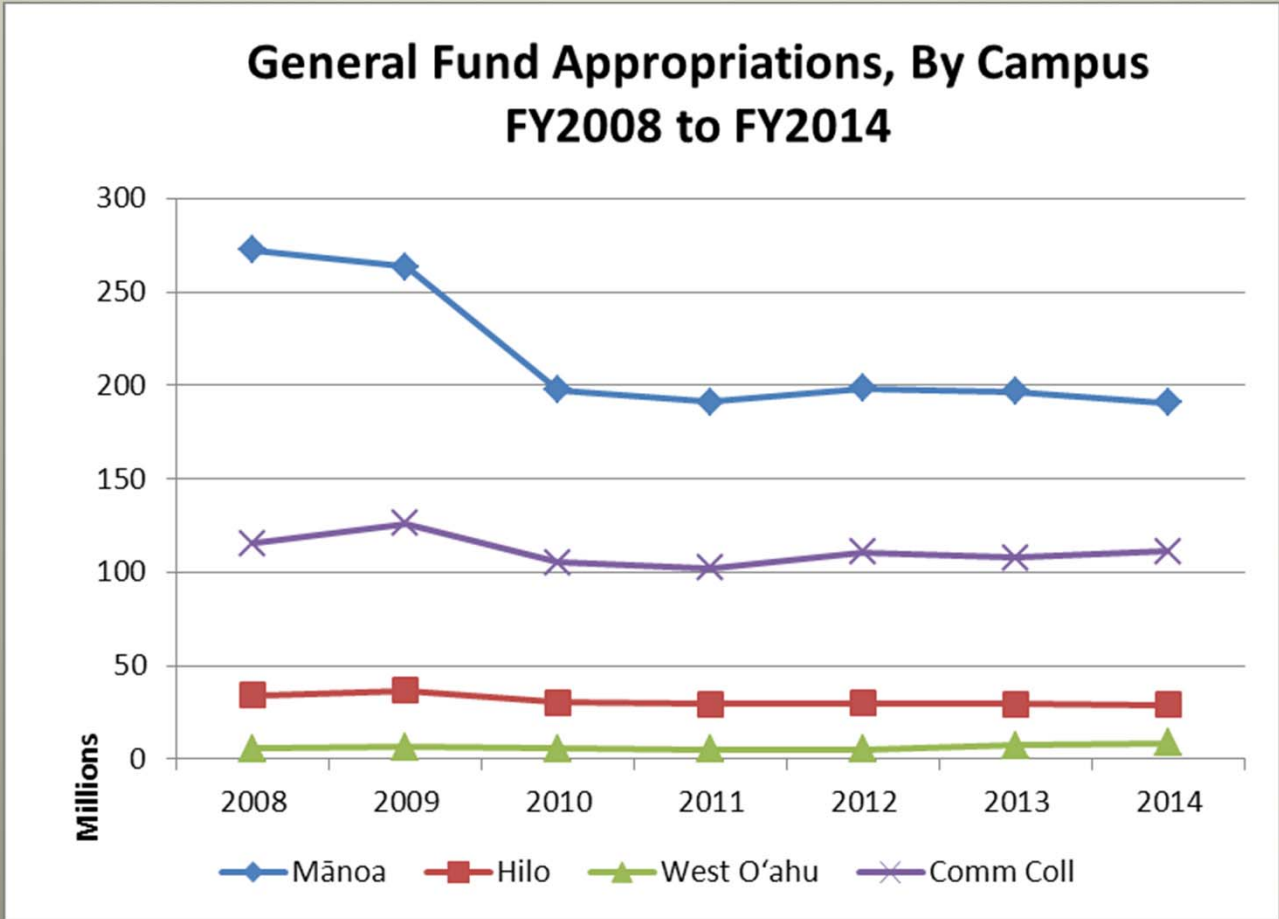


**Updated Context:
FY15 Supplemental Request**

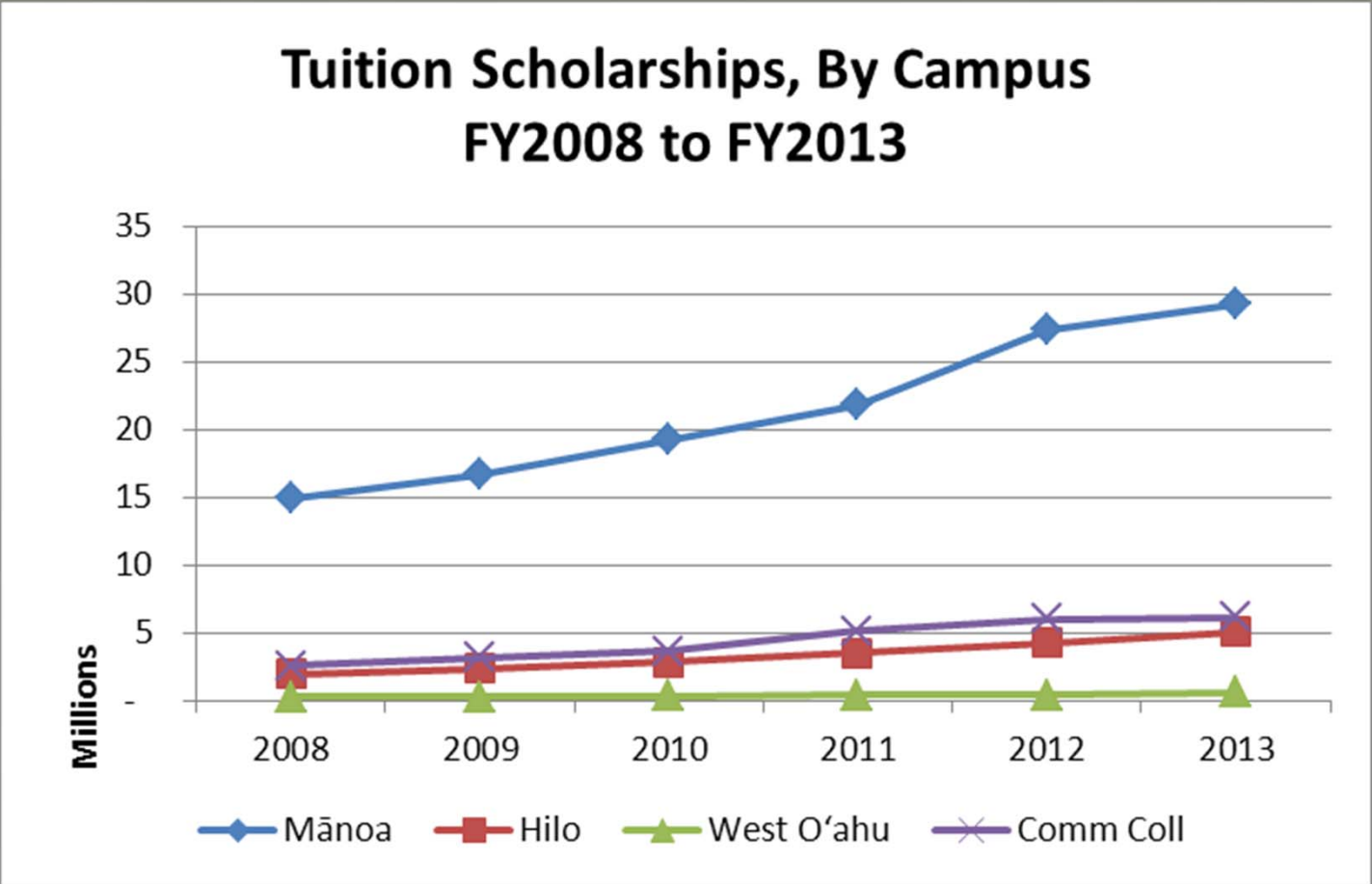
Enrollment Remains Strong With Particularly High Growth at West O'ahu



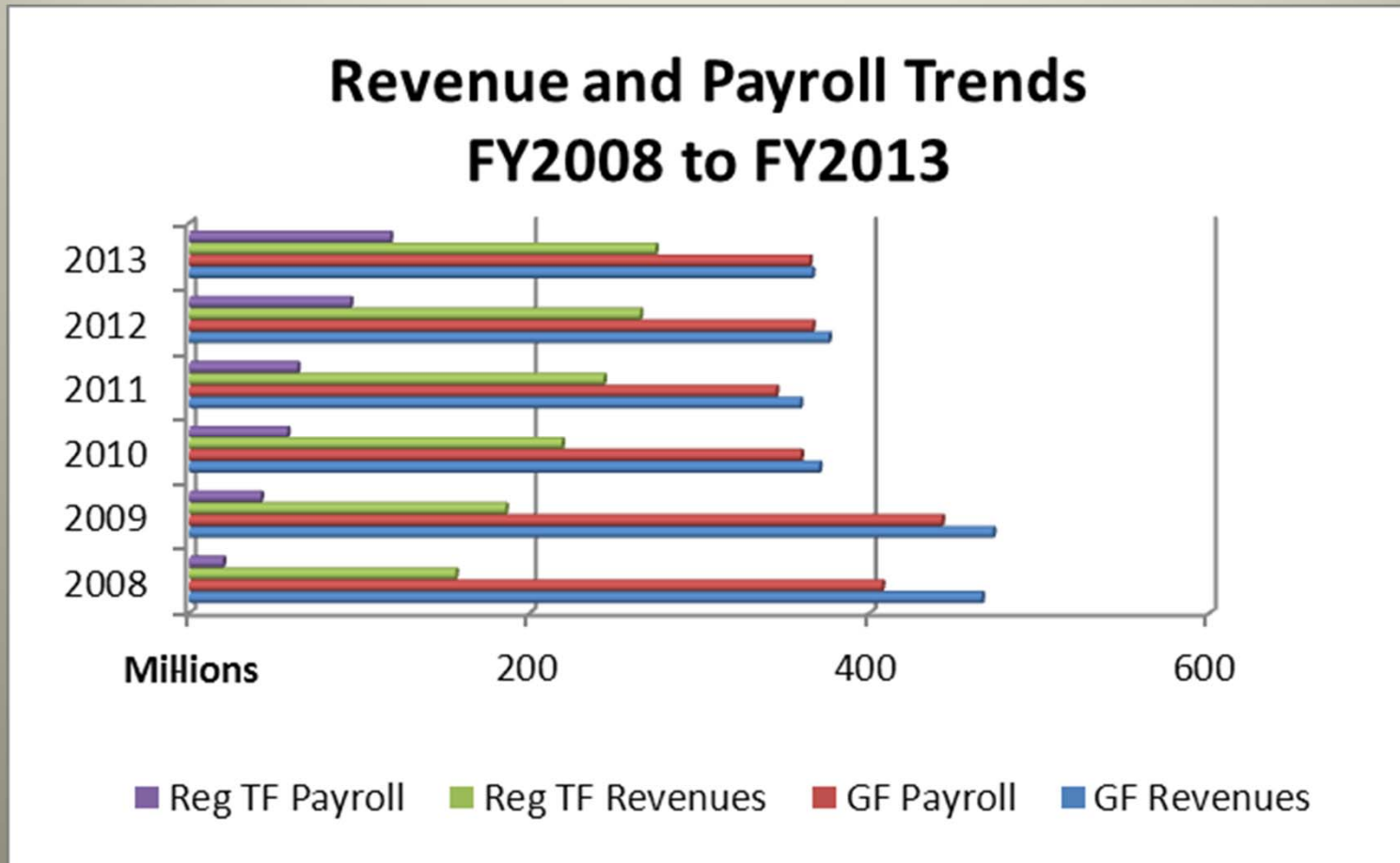
Declining General Funds – Especially Mānoa



Increased Financial Aid from Tuition Revenues Advances Accessibility and Affordability



Payroll Consumes Most General Funds, and Increasingly, Tuition Revenues

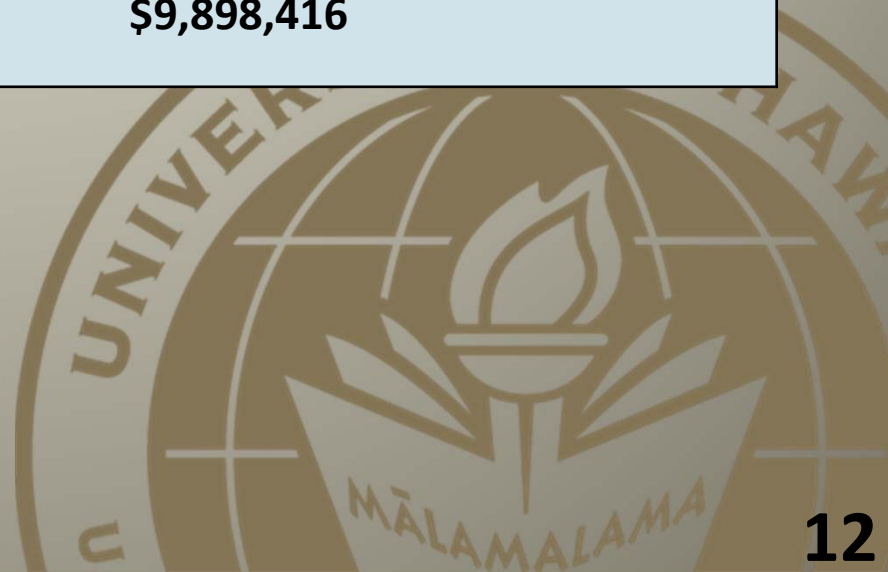


The background features a large, semi-transparent gold-colored seal of the University of Hawai'i. The seal is circular and contains a central torch with a flame, set against a globe. The text "UNIVERSITY OF HAWAII, I" is visible at the top, and "1907" is at the bottom. The Hawaiian text "MĀKAŌHOMOKU" and "EA O KA 'ĀINA I KA LOMI" is also present.

**University of Hawai'i System
Deferred Maintenance Backlog
Has Reached \$487 million!**

Major Issue – UHPA Salary Liability

Cost Item	Amount
Base Salary Restoration	\$14,000,000* *(Reduction in UH general fund base budget beginning in FY11-12)
FY14 -- 3% Increase	\$9,629,528
FY15 -- 3% Increase	\$9,898,416





**Updated Approach:
FY15 Supplemental Request**

FY15 Supplemental Budget Request: Approach & Process

- ❖ Review FB13-15 Budget Request
- ❖ Refresh for Updated Context
- ❖ Address New Challenges and Opportunities



Proposed Approach to Eliminating Deferred Maintenance Backlog Involves Operating and CIP Budget Requests

- ❖ **Revenue bonds financed with tuition that will be freed up by UHPA salary restoration**
- ❖ **Dedication of portion of tuition increases for additional revenue bonds (Mānoa)**
- ❖ **Ongoing State support for annual capital renewal, renovations and modernization**
- ❖ **Investment in capacity for ongoing maintenance and capital renewal**



FY15 Supplemental Budget Operating Request

FY15 Operating Request BOR vs Exec Summary

Initiative/Description	BOR FY14-15		GOV FY14-15	
	Dollars (\$)	FTE (#)	Dollars (\$)	FTE (#)
UHPA Salary Restoration	14,000		14,000	
UHPA Salary Increases	19,500		19,500	
System wide Staffing for Ongoing Campus Capital Renewal	1,200	17	0	0
Community College Outcomes Initiative	2,000		800	
West O'ahu Campus Support	3,500	89	0	89
Mānoa Campus Support	5,810	29	0	0
21 st Century Education Initiative	1,500	7	800	0
Indigenous Serving University (Pukoa Council)	2,500	42	600	0
Hawai'i Innovation Initiative	3,500	20	800	0
Enterprise Risk Management	250	2	0	0
<i>GOV Initiative - Global Studies Program</i>			500	
<i>GOV Initiative - Hawai'i Science Fair</i>			250	
<i>GOV Initiative - Kid Savings Project</i>			277	1
TOTAL Operating	53,760	206	37,527	90
\$= Thousands of Dollars				

UHPA Salary Restoration to Address Deferred Maintenance Backlog

- ❖ Seek Restoration of \$14M general fund cut (FY12)
- ❖ Seek \$19.5M in general funds for UHPA collective bargaining increases (FY14 & FY15)
- ❖ \$14M in restored general funds will allow us to commit \$14M in tuition revenues to debt service for revenue bonds to address Deferred Maintenance Backlog (details in CIP Request)

FY15 Request:

\$14.0 M + \$19.5 M



Outcomes Based Funding

- ❖ Legislative Initiative - Act 188, Session Laws of Hawai'i, 2008
- ❖ “UHCC Strategic Plan 2002-2010 Update, Strategic Outcomes and Performance Measures, 2008-2015” aligns with Hawai'i Graduation Initiative.
- ❖ Strategic outcome measures, targets and funding model directly linked to Systemwide Strategic Plan.
- ❖ Community Colleges achieve results through implementation of various policy changes and initiatives.
- ❖ Funds allocated from within existing base.



Outcomes-Based Funding Model

- ❖ Performance funding component aligns Community Colleges with economic needs of the State.
- ❖ Performance measures weighted according to specific attributes of each campus.
- ❖ Targeted goals increase each fiscal year, requiring continuous improvement to earn maximum allocation.
- ❖ Programs must meet or exceed all performance measure targets to earn 100% of available funds.

FY15 Request: \$800K



21st Century Education Initiative: Goals and Outcomes

- ❖ **Increase strategic offerings of degrees and certificates for students who cannot attend traditional classes on the offering campus - via distance and online delivery**
- ❖ **Focus on individualization and high-quality teacher interaction to increase student engagement and learning via “flipped classrooms” and “emporium courses”**
- ❖ **Support faculty initiatives to enable UH to increase educational capacity without linear increases in resources, e.g., hybrid courses make more efficient use classrooms**
- ❖ **Increase system wide collaboration, sharing and efficiencies among faculty across campuses**

21st Century Education Initiative: Implementation Strategy & Investment

- ❖ Statewide needs assessment (all educational centers and campuses) to identify highest priority programs for statewide delivery: (1 FTE)
- ❖ Design and development of priority programs for statewide delivery: (4 FTE), student assistants, faculty release time, academic resources, travel
- ❖ Educational Technology Innovation Fund to support faculty innovation through pilots with technologies that increase access, improve student outcomes and/or reduce resource needs: (1 FTE) faculty release time, travel, student assistants, technology
- ❖ Support increased online tutoring and mentoring statewide: (1 FTE) student assistants, software

FY15 Request: \$800K

Indigenous Serving University

- ❖ Support strategic outcome for UH to become the model indigenous serving institution
- ❖ Promote college success for Native Hawaiians from K-12 through UH
- ❖ Expand faculty participation and student support for Native Hawaiians throughout the UH System

FY15 Request: \$600K



Hawai'i Innovation Initiative Goals and Outcomes

- Double the Hawai'i research sector to \$1B within 10 years
- Create great jobs for the next generation
- Diversify and strengthen Hawaii's economy beyond tourism and defense
- Address our communities' challenges and opportunities
- Create spinoffs and complementary businesses



**Based on the recommendations
of the Hawaii Innovation Council
and National Research Council**

Hawai'i Innovation Initiative General Fund Investment

Initial focus on capacity in data-intensive science and its application across the research and scholarship portfolio

- ❖ **Growth area for governmental and private research, investment and jobs**
- ❖ **Opportunity for strong federal match through NSF EPSCoR program**
- ❖ **Increases capacity for research in all HI2 identified areas of strength: Oceans, Astronomy, Health, Energy and more**
- ❖ **State funds to be used for investment in faculty investigators, research support staff, and startup funds**

FY15 Request : \$800K

Routine Operating Budget Adjustments

Non-General Fund Ceiling Increases

Fund Type	Current FY15 Authorization	FY15 Increase Request	Total FY15 Increased Authorization
Special Funds	\$550,608,454	\$58,793,000	\$609,401,454
Revolving Funds	\$94,250,860	\$11,350,000	\$105,600,860

Routine Operating Budget Adjustments

Administrative Position and Fund Transfers

Transferring From Program Id	Transferring to Program Id	TOTAL Funds Transferred
52.63 FTE from UOH100	25.5 FTE to UOH100	\$7,427,795

FY15 Operating Request Summary

Initiative/Description	BOR FY14-15		GOV FY14-15	
	Dollars (\$)	FTE (#)	Dollars (\$)	FTE (#)
UHPA Salary Restoration	14,000		14,000	
UHPA Salary Increases	19,500		19,500	
System wide Staffing for Ongoing Campus Capital Renewal	1,200	17	0	0
Community College Outcomes Initiative	2,000		800	
West O'ahu Campus Support	3,500	89	0	89
Mānoa Campus Support	5,810	29	0	0
21 st Century Education Initiative	1,500	7	800	0
Indigenous Serving University (Pukoa Council)	2,500	42	600	0
Hawai'i Innovation Initiative	3,500	20	800	0
Enterprise Risk Management	250	2	0	0
<i>GOV Initiative - Global Studies Program</i>			500	
<i>GOV Initiative - Hawai'i Science Fair</i>			250	
<i>GOV Initiative - Kid Savings Project</i>			277	1
TOTAL Operating	53,760	206	37,527	90
\$= Thousands of Dollars				



**FY15 Supplemental Budget
Capital Improvement Project
(CIP) Request**

CIP Budget Request Elements

- ❖ **Elimination of Deferred Maintenance Backlog**
- ❖ **Health, Safety and Code**
- ❖ **Capital Renewal**
- ❖ **System Priorities**
- ❖ **Campus Priorities**
- ❖ **Special Projects**



Approach to Eliminate Deferred Maintenance Backlog

- ❖ Dedication of \$14 million enables UHPA salary restoration in FY 2015 to issue \$212 million in revenue bonds
- ❖ Dedication of ~25% of net tuition increase (Mānoa) to completely eliminate the deferred maintenance backlog in six years
- ❖ Request matching General Obligation Bonds to fund the University's ongoing:
 - ❖ Health, Safety & Code projects
 - ❖ Annual Capital Renewal requirements, and
 - ❖ Renovation and modernization projects
- ❖ Request General Funds for managing ongoing capital renewal requirements and maintenance (included in Operating Budget request)

Revenue Bonds to Eliminate Backlog

Campus	Backlog GF		Annual Revenue Bond Issuance By Campus								Total
	\$Mil	%	UHPA%	FY15	FY16	FY17	FY18	FY19	FY20	FY21	Rev. Bonds
Mānoa	\$306.7	81.4%	63.5%	\$134.6	\$36.9	\$40.0	\$40.7	\$38.4	\$38.4	\$33.8	\$362.9
Hilo	\$16.8	4.5%	8.5%	\$18.0							\$18.0
West O'ahu	0	0.0	0.0								
HawCC	\$4.4										
HonCC	\$11.7										
KapCC	\$6.2										
KauCC	\$4.9										
LeeCC	\$17.6										
MauiC	\$2.2										
WinCC	\$5.9										
CC Sys	\$0.5										
Total CCs	\$53.4	14.2%	28.0%	\$59.4							\$59.4
TOTAL	\$376.9	100%	100%	\$212.0	\$36.9	\$40.0	\$40.7	\$38.4	\$38.4	\$33.8	\$440.3

- Notes: 1. WO has no backlog -- no bonds to be issued for WO this purpose
 2. After FY2015, only Mānoa has backlog. Hilo and CCs projected to eliminate their backlog.
 3. Assumes future health & safety, current renewal needs, and major renovations continue to be funded with GO Bonds

Eliminating the Backlog Over Time

Total GF Backlog	\$376.9	100.0%	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
less Revenue Bonds			\$212.0	\$36.9	\$40.0	\$40.7	\$38.43	\$38.43	\$33.82
plus 3rd Party PM fees		5%	\$10.6	\$1.8	\$2.0	\$2.0	\$1.9	\$1.9	\$1.7
plus inflation of	5%		\$8.2	\$9.2	\$7.9	\$6.4	\$4.8	\$3.2	\$1.5
Unfunded Backlog Balance			\$183.8	\$157.9	\$127.87	\$95.56	\$63.83	\$30.51	\$(0.09)

Numbers do not match current backlog data because this plan:

- 1) only includes backlog for General Funded facilities
- 2) includes inflationary adjustments for future years
- 3) does not include maintenance backlog in buildings planned for major renovations: Kuykendall, Holmes, Dean, Keller, Snyder, BioMed (portion), Hamilton, Coconut Island (portion), Stan Sheriff Arena (portion), Bilger (portion)

New Tuition Committed to Revenue Bond Debt Service

Bond Interest Rate: 5%

Term of Bonds: 30 years

Fiscal Year	Issuance Amount	Debt Service (per year)
FY 2015	\$211,986,100	\$13,790,000
<i>FY 2016</i>	\$36,893,882	\$2,400,000
<i>FY 2017</i>	\$39,968,373	\$2,600,000
<i>FY 2018</i>	\$40,736,995	\$2,650,000
<i>FY 2019</i>	\$38,431,128	\$2,500,000
<i>FY 2020</i>	\$38,431,128	\$2,500,000
<i>FY 2021</i>	\$33,819,392	\$2,200,000
Total Issuance	\$440,266,997	\$28,640,000

Note: FY2016-2021 for Mānoa only



FY15 CIP Request Summary

FY15 CIP Request Summary – Page 1 of 2

Category	Priority	Campus	Project Title	BOR FY15	EXEC. FY15	MOF	Criteria
HEALTH & SAFETY							
	1	SYS	Health & Safety	\$9.23	\$9.23	C	System Priority
	2	SYS	Capital Renewal System wide	\$74.04	\$25.78	C	Prevention of Backlog Increase
				\$0	\$25.00	A	
	3	SYS	Revenue Bond Serviced Backlog	\$211.99	\$197.99	E	Proposed bond financing
REPAIR & RENOVATION							
	1	UHM	Kuykendall Hall Renovation	\$32.00	\$32.00	C	Model sustainable (net zero) renovation, financially leveraged, Governor's support
				\$8.00	\$8.00	E	Financially Leveraged
	2	UHM	Marine Center Relocation	\$6.00	\$0	C	Time Sensitive relocation
				\$0	\$6.00	E	
	3	CCS	Minor Renovations CC System	\$10.00	\$0	C	Upgrade/renew CCS facilities
	4	CCS	Leeward CC, Theater Renovations	\$8.00	\$0	C	Renovation, shovel ready, regional facility
	5	UHM	Marine Fisheries Bldg. Renovations	\$3.00	\$0	C	Transfer of old bldg. to UH, imminent, new research space for innovation
	6	UHM	Holmes Hall Renovation	\$2.00	\$0	C	Design of renovation will advance research & innovation
	7	UHH	Food Engineering & Safety Lab	\$.20	\$0	C	Renovation supports research
	8	CSS	Kapi'olani CC, Info, Media, & Tech Center	\$4.00	\$0	C	Shovel ready renovation, IT upgrades support innovation
	9	UHH	Old Bookstore Renovation	\$.35	\$0	C	Renovation will eliminate off-campus office space lease

FY15 CIP Request Summary – Page 2 of 2

Category	Priority	Campus	Project Title	BOR FY15	EXEC. FY15	MOF	Criteria
ACCREDITATION & ACADEMICS							
	1	UHH	College of Pharmacy; New Instructional Fac.	\$28.00	\$28.00	C	Academic accreditation, shovel ready, financially leveraged, and
				\$5.00	\$5.00	E	Governor's support
	2	UHWO	New Administration Bldg.	\$19.07	\$0	C	Shovel Ready, frees up needed academic space for enrollment growth
	3	UHM	DK Inouye Library	\$5.00	\$5.00	C	State funds to be expended only when matched, financially leveraged, Governor's support
				\$1.50	\$1.50	S	RTRF
				\$1.00	\$1.00	P	Private funds
	4	UHWO	New Allied Health Bldg.	\$9.70	\$0	C	Support key academic programs for region. Can support STEM
	5	UHM	College of Ed/New Classroom Bldg.	\$30.00	\$0	C	Academic needs, provides surge space during campus renovations.
	6	UHWO	New Science, Tech & Creative Media Bldg.	\$2.00	\$2.00	C	STEM program support, innovation, Governor's support
	7	UHM	Law Library Center	\$3.00	\$0	C	Renovation & expansion of space
	8	UHH	Student Events Center, Ph. II	\$.35	\$0	B	Student Activities Fee Special Fund (B)
	9	UHM	Campus wide Master Planning	\$2.00	\$0	C	Long term Planning to be incorporated into campus renewal planning
		SYS	Health, Safety Act 134, SLH 2013	\$0	\$(29.00)	C	Change in MOF, GO bonds to general funds by Governor
		SYS	Health, Safety Act 134, SLH 2013	\$0	\$29.00	A	Change in MOF
			Total CIP Request, by MOF	\$247.58	\$73.00	C	GO Bonds
				\$0	\$54.00	A	General Funds
				\$224.99	\$216.99	E	Revenue Bonds
				\$1.50	\$1.50	S	Revolving Funds
				\$1.00	\$1.00	P	Private Contributions
				\$0.35	\$0	B	Special Funds
			TOTAL CIP Request , All MOF	\$475.42	\$346.49		All Funds



BOR Report to Joint Committee

BOR Responses to Advisory Task Group Report

- ❖ Review Major Findings of [ATG Report](#)
- ❖ UOH Actions in Response to ATG Report
 - CIP Process Improvements
 - Procurement Process Improvements
 - Vice President of Administration



New Requirement for Enterprise Risk Management

- ❖ Mandated by Act 87, SLH 2013
- ❖ Recommended by BOR's
Advisory Task Group



New Requirement for System wide Operating Reserve

- ❖ November 2013 -- Board of Regents adopted a mandatory system-wide financial reserve policy.



FY15 Budget Conditions from BOR Joint Committee

1. Provide information to verify that the revenue bond issue will be structured so as not to contribute to further increases in tuition.
2. Provide revenue, expense and debt service projections over the life of the bond issue to analyze how the debt will be covered to avoid future impacts to the delivery of academic services.
3. Provide verification that revenue bonds may be used for all of the intended purposes without jeopardizing current IRS regulations, and verifying that such uses will not negatively affect the university's bond rating.
4. Evaluate and provide a cohesive plan and wholistic approach to remedy all of Manoa's deferred maintenance – whether these have been historically categorized as deferred maintenance or “new/renovation” projects.
5. Provide a comprehensive plan to ensure that public monies are spent in a responsible, efficient and cost effective manner. This would include, among other things:
 - a. Establishing “best practices” and policies for procuring and executing all construction projects
 - b. Establishing metrics and processes that will be published on a regular basis to provide transparency into all major aspects of this process
6. Provide simplified revenue/expense financials for campuses that are requesting operational support in this biennium budget request.

Moratorium on New Construction Projects

- ❖ November 2013 -- Board of Regents approved a [moratorium](#) on new construction projects, pending legislative review of FY15 CIP supplemental request





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Questions?