University of Hawaiʻi
Supplemental Operating
Budget Request
for Fiscal Year 2022-2023

November 4, 2021
Committee on Budget and Finance
State General Fund Revenue

FY21 revenues were slightly higher than FY19.*

Growth expected to continue for several years.

* Income Tax deadline was pushed back from April 2020 to July 2020, resulting in a shift of $308M from FY20 to FY21
General Fund Situation

• Fiscal recovery is underway, but the extent and sustainability is unknown.

• While overall State General Fund revenues look strong, the State is expected to prioritize certain areas of need in the overall State budget that were cut in the past few years:
  • Debt Service ($300M+)
  • OPEB ($300M+)
  • Critical positions in public safety
  • Recurring costs funded in FY22 only
The American Rescue Plan Act (ARPA) included a “Maintenance of Effort” provision regarding the Elementary and Secondary School Emergency Relief Fund (ESSER) moneys.

- Requires State support for elementary, secondary, and postsecondary education in FY22 and FY23 at levels proportionate to overall spending averaged over FY17, FY18, and FY19.

- For FY22, overall State spending was considerably reduced and UH was reduced proportionately.

- For FY23, State appropriations for the DOE and UH should grow in proportion to overall State spending.

- This Maintenance of Effort provision will not apply for FY24 and beyond and no expectation regarding State support should be made.
Budget Request: General Fund Restoration

• Restore General Fund cuts to all campuses
  • $30.0 million for Mānoa
  • $1.2 million for JABSOM
  • $2.28 million for UH-Hilo
  • $1.08 million for UHWO
  • $4.6 million for Community Colleges
  • $3.4 million for Systemwide Support
  • Total of $42.5 million

• Restore General Fund subsidy for Athletics
  • $3.6 million for Mānoa and $400,000 for Hilo
Budget Request:
Other Items

- 4 General Funded positions and funds for operational expenses for PISCES ($550,000)
- Transfer positions associated with Nā Pua Noeau from UOH900 (Systemwide Support) to the various campuses
- Transfer 1 position for Maunakea stewardship from UOH900 to UOH210 (Hilo)
- 5 positions for UHWO Creative Media ($282,000)
- 10 temporary position counts for Small Business Development Center
- Trade-off ceiling from Community Colleges Special Fund to Community Colleges Revolving Fund ($25 million in non-General Fund ceiling)
Next Steps

• Recommendation for Committee on Budget and Finance to approve this supplemental operating budget request for subsequent approval by the full Board at its November 18 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 accord with Chapter 37-68, HRS.
October 26, 2021

TO: Randolph G. Moore
   Chairperson, Board of Regents

   Robert Westerman
   Chair, Committee on Budget and Finance, Board of Regents

VIA: David Lassner
     President

FROM: Kalbert K. Young
     Vice President for B&P/CFO

SUBJECT: FISCAL YEAR 2022-2023 SUPPLEMENTAL OPERATING BUDGET REQUEST FOR THE UNIVERSITY OF HAWAI'I

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 2022-2023 (FY23) 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 budget. With approval, this proposed FY23 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 FY23 budget request for capital improvement projects (CIP) is to be deliberated by the Board of Regents Committee on Planning and Facilities. Both the operating budget request and the capital budget request are anticipated to be approved by the Board of Regents at its November 18, 2021 meeting.

RECOMMENDED EFFECTIVE DATE:

Upon approval of the Board of Regents.
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.

The ongoing global COVID-19 pandemic has substantially impacted the public health and economy worldwide. Although there are already signs that recovery has begun, there is also still considerable uncertainty with Hawai‘i’s near-term economy and state finances. General fund collections for the fiscal year ending June 30, 2021 (FY21) were 8.3% higher than collections for the prior fiscal year. However, it is important to note that $308 million in income tax collections were deferred from FY20 to FY21 as a result of the filing deadline being pushed back from April to July in 2020. The Council on Revenues is projecting that revenues for FY22 will be 6.3% higher than FY21 collections.

While this growth is generally positive, it is important to note that budget cuts made in the 2021 Legislative Session have proven to be unsustainable and will need to be addressed in the upcoming Session. These include reductions in appropriations for State General Obligation debt service payments in excess of $300 million and payments for Other Post-Employment Benefits (OPEB) also in excess of $300 million. Additionally, many departments’ general funds appropriations were reduced in FY22 compared to FY21. The University was reduced for more than $38 million in general funds during FY22 compared to FY21. There are numerous reductions throughout State government that will need to be addressed.

It is important to note that the American Rescue Plan Act (ARPA) included a Maintenance of Effort provision that requires state governments to not disproportionately reduce funding levels for elementary, secondary, and postsecondary education. State governments must determine the proportion of the overall state budget that was spent to support public education in FY17, FY18, and FY19 as a baseline. For FY22 and FY23, the proportion of the state budget spent on support for public education must not be less than the average of those three baseline years.

The effect is that general fund increases in state departments that are not the DOE or UH will have a corresponding affect to trigger budget adjustments of over 40% (of the amount of the increase) to the DOE and UH (approximately 30% for DOE and 10% for UH). While this should provide substantial general fund resources to UH for FY23, it is vital to note that the Maintenance of Effort provision does not extend beyond FY23 and that no expectation for future State support should be made.
BUDGET PROPOSAL:

This FY23 Supplemental Operating Budget request primarily consists of restoration of general fund appropriations to the various campuses. These amounts were reduced in last year’s budget bill (FY22) and the following table shows the amounts requested by campus for FY23:

<table>
<thead>
<tr>
<th>Campus</th>
<th>$$$ FY23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mānoa</td>
<td>$30,000,000</td>
</tr>
<tr>
<td>JABSOM</td>
<td>$1,200,000</td>
</tr>
<tr>
<td>Hilo</td>
<td>$2,280,000</td>
</tr>
<tr>
<td>West O'ahu</td>
<td>$1,080,000</td>
</tr>
<tr>
<td>Community Colleges</td>
<td>$4,600,000</td>
</tr>
<tr>
<td>Systemwide Support</td>
<td>$3,391,232</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$42,551,232</strong></td>
</tr>
</tbody>
</table>

The following items detail the specifics of the budget initiatives that comprise the Administration’s recommendations to the Board of Regents for the FY23 Supplemental Budget request:

1. Additionally, $4 million in total is requested to restore the general fund subsidy to the Athletics programs at Mānoa and Hilo. General funds have helped to subsidize operations for UH’s Athletics programs since FY17. These were eliminated last year and UH is requesting its renewal.

2. Administration of the Pacific International Space Center for Exploration Systems (PISCES) was transferred from the Department of Business, Economic Development and Tourism (DBEDT) to UH Hilo in Act 1, Special Session Laws of Hawai‘i 2021. In legislating the transfer of administration, no funds were appropriated within the budget. As such, a request for 4 FTEs and $550,000 in general funds and $500,000 in special fund ceiling is included in this proposal to allow UH Hilo to continue to administer the program.

3. To support the operations of the recently opened Creative Media facility at the University of Hawai‘i – West O‘ahu, 5 FTEs and $282,000 in general funds is requested for technically skilled employees to assist with the operations of the building as well as support for growing creative media instruction at the campus. These new positions help to foster growth in the UHWO Academy of Creative Media (ACM) curriculum and build resources with the newly constructed ACM facility on campus.
4. Ten temporary position counts are requested for the Small Business Development Center to support its operations. Currently this support is provided by Research Corporation of the University of Hawai‘i (RCUH) employees. This request would create positions within the UH system and use funds that already fund RCUH employees to fund the newly created positions.

5. The first transfer reflects the distribution of positions associated with Nā Pua Noʻeau. In 2012, the Legislature provided six FTE counts and the associated salaries to UOH900 (Systemwide Support). However, these positions work at the campus level, and UOH900 has consistently transferred the associated positions and funds to the appropriate campus. This transfer is a net neutral result on the overall University budget.

6. The second transfer will transfer the Director of Maunakea Stewardship from UOH900 to UOH210 (Hilo). This will be a more appropriate budgetary reflection of the position’s duties and responsibilities. This transfer is also net neutral to the overall University budget.

7. Finally, $25 million in special fund ceiling will be traded off for $25 million in revolving fund ceiling. This is the result of Act 9, Special Session Laws of Hawai‘i 2021, which converted the Community Colleges Special Fund into the Community Colleges Revolving Fund.

ACTION RECOMMENDED:

University Administration recommends the Board of Regents approve the Administration’s proposal for a FY22-23 Supplemental Operating Budget Proposal 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 2022 State Legislature. In accordance with Chapter 37-68, HRS, the University will also submit the approved budget request directly to the Legislature.