



UNIVERSITY *of* HAWAII®

**Senate Committee on Higher Education
and
Senate Committee on Ways and Means
Informational Briefing**

December 19, 2018
State Capitol, Room 211



Agenda

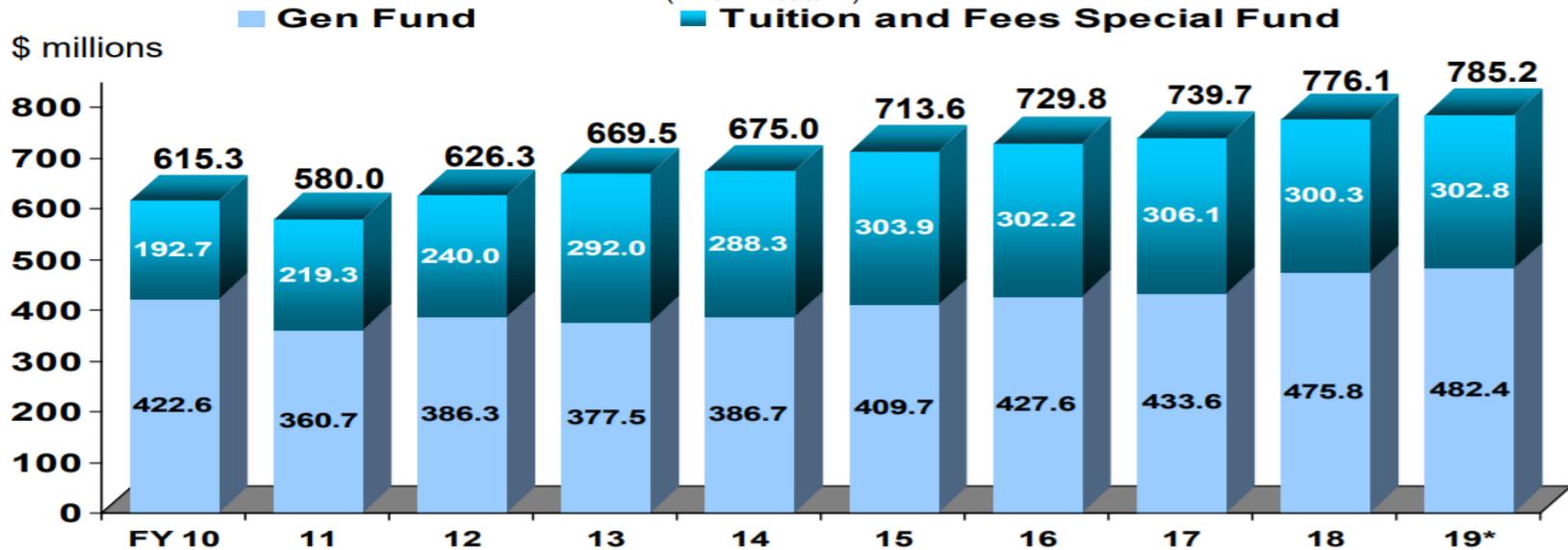
- An overview of the university's finances, including its base budget
- Alternative budgetary models that the university has looked into and considered
- Carrying capacity in relation to buildings and facilities and its effect on the university's budget
- Teaching capacity of tenured faculty
- Cost reduction and revenue enhancement opportunities
- Administrative positions and determining the appropriate ratio of administrative officials to student/faculty
- Student tuition and enrollment
- Update on the Hawai'i Promise Program



An overview of the university's finances, including its base budget

University of Hawaii Operating Appropriations Net of Fringe & Debt Svc

(DB&F 12/05/17)



Enrollment – Full Time Equivalent (Thousands)**

Manoa	16.3	16.2	16.4	16.7	16.5	16.2	15.9	15.2	14.8	14.7
Hilo	3.5	3.6	3.6	3.7	3.6	3.5	3.4	3.2	3.1	3.1
West Oahu	0.7	0.8	0.9	1.2	1.5	1.7	1.8	2.0	2.1	2.1
Comm Coll	18.5	19.8	19.5	19.3	18.8	17.8	17.3	16.3	15.8	15.7
Total	39.0	40.4	40.4	40.9	40.4	39.2	38.4	36.7	35.8	35.6

* FY 19 reflects the Executive Supplemental Budget request

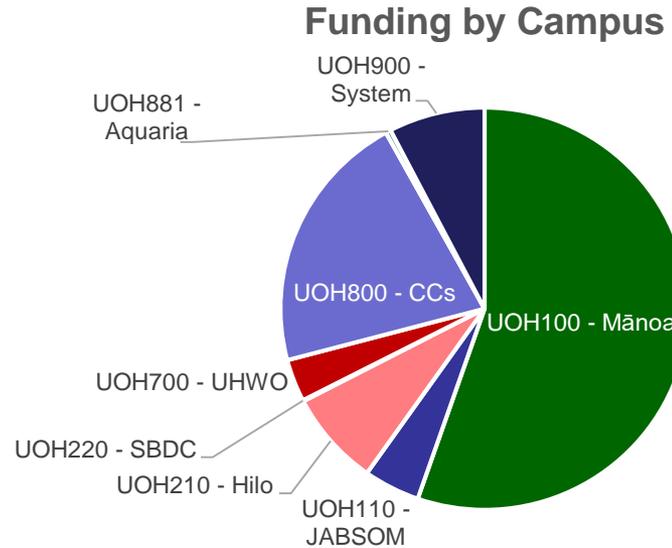
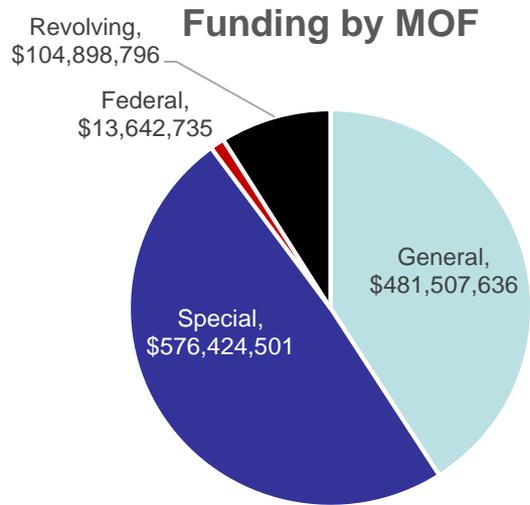
**FY 17, FY 18 & FY 19 reflect projected enrollment as of January 2017

Source: FY2019 Executive Supplemental Budget, Budget in Brief, December 18, 2017. Page 130.



FY2019 Operating Budget

By Program ID and Means of Financing (MOF)



Program ID	General	Special	Federal	Revolving	Total
UOH100 - Mānoa	\$ 217,736,513	\$ 361,029,929	\$ 6,873,565	\$ 65,039,713	\$ 650,679,720
UOH110 - JABSOM	\$ 18,207,870	\$ 27,758,949		\$ 6,603,547	\$ 52,570,366
UOH210 - Hilo	\$ 35,109,961	\$ 46,643,094	\$ 443,962	\$ 7,418,843	\$ 89,615,860
UOH220 - SBDC	\$ 978,941				\$ 978,941
UOH700 - UHWO	\$ 16,414,196	\$ 20,778,810	\$ 802,037	\$ 2,063,139	\$ 40,058,182
UOH800 - CCs	\$ 138,154,777	\$ 99,952,476	\$ 4,428,296	\$ 5,538,182	\$ 248,073,731
UOH881 - Aquaria	\$ 714,962	\$ 3,117,141		\$ 996,499	\$ 4,828,602
UOH900 - System	\$ 54,190,416	\$ 17,144,102	\$ 1,094,875	\$ 17,238,873	\$ 89,668,266
Total	\$ 481,507,636	\$ 576,424,501	\$ 13,642,735	\$ 104,898,796	\$ 1,176,473,668

Source: Act 53, SLH 2018

Note that appropriation ceilings are higher than projected expenditures and the budget bill does not include Collective Bargaining increases



FY2018 vs. FY2019 Operating Budget By Major Fund Type



FY19 Budget vs. FY18 Actual Comparison (\$ Millions)

Type of Fund	Revenues			Expenditures & Net Transfers			Rev less Exp/Trf	
	FY19 Proj.	FY18 Act.	Diff	FY19 Proj.	FY18 Act.	Diff	FY19 Proj.	FY18 Act.
General Funds	\$ 501.89	\$ 485.17	\$ 16.73	\$ 501.89	\$ 485.17	\$ 16.73	\$ 0.00	\$ 0.00
Tuition & Fees	\$ 342.73	\$ 340.54	\$ 2.19	\$ 345.79	\$ 320.94	\$ 24.85	(\$ 3.06)	\$ 19.60
RTRF	\$ 52.04	\$ 50.55	\$ 1.49	\$ 56.32	\$ 50.41	\$ 5.91	(\$ 4.27)	\$ 0.14
Other Special Funds	\$ 134.70	\$ 134.65	\$ 0.05	\$ 153.99	\$ 22.29	\$ 31.70	(\$ 19.29)	\$ 12.36
Other Revolving Funds	\$ 37.50	\$ 39.04	(\$ 1.54)	\$ 39.10	\$ 33.94	\$ 5.17	(\$ 1.60)	\$ 5.10
Appropriated Federal Funds	\$ 9.22	\$ 8.20	\$ 1.03	\$ 9.07	\$ 7.98	\$ 1.08	\$ 0.16	\$ 0.21
Total	\$ 1,078.09	\$ 1,058.15	\$ 19.94	\$ 1,106.17	\$ 1,020.72	\$ 85.44	(\$ 28.08)	\$ 37.43

1. Revenues are higher than FY18, with the exception of other Revolving Funds.
2. FY19 Expenditures for all funds are higher than FY18 actuals, primarily due to collective bargaining and one-time expenditures.

Source: FY2019 Operating Budget, UH Board of Regents.
https://www.hawaii.edu/budget/sites/www.hawaii.edu.budget/files/FY19_OpBudget.pdf



FY2019 Operating Budget By Campus and Major Fund Type



Approved Operating Budget

Revenues	Mānoa	Hilo	West O'ahu	CCs	Sys Support	Total
General Fund	\$ 246,964,205	\$ 37,573,792	\$ 17,172,898	\$ 144,499,589	\$ 55,683,613	\$ 501,894,097
TFSF	\$ 225,628,719	\$ 34,485,668	\$ 18,161,521	\$ 62,014,760	\$ 2,441,650	\$ 342,732,318
RTRF	\$ 31,188,008	\$ 1,920,380	\$ 370,000	\$ 1,334,058	\$ 17,231,400	\$ 52,043,846
Other Special Funds	\$ 102,550,866	\$ 8,176,406	\$ 469,775	\$ 18,875,276	\$ 4,627,647	\$ 134,699,970
Other Revolving Funds	\$ 31,712,153	\$ 2,093,228	\$ 794,692	\$ 1,908,901	\$ 989,610	\$ 37,498,584
Appropriated Federal	\$ 5,401,751	\$ 300,509	\$ 80,000	\$ 3,054,528	\$ 384,999	\$ 9,221,787
Total	\$ 643,445,702	\$ 84,549,983	\$ 37,048,886	\$ 231,687,112	\$ 81,358,919	\$ 1,078,090,602

An overview of the university's fina...

Expenditures + Xfers	Mānoa	Hilo	West O'ahu	CCs	Sys Support	Total
General Fund	\$ 246,964,205	\$ 37,573,792	\$ 17,172,898	\$ 144,499,589	\$ 55,683,613	\$ 501,894,097
TFSF	\$ 223,326,550	\$ 36,452,252	\$ 18,161,521	\$ 66,586,760	\$ 1,264,901	\$ 345,791,984
RTRF	\$ 35,199,069	\$ 2,089,907	\$ 462,417	\$ 1,334,058	\$ 17,231,400	\$ 56,316,851
Other Special Funds	\$ 120,498,571	\$ 7,954,375	\$ 117,755	\$ 18,875,276	\$ 6,547,755	\$ 153,993,732
Other Revolving Funds	\$ 32,597,164	\$ 2,316,184	\$ 1,339,023	\$ 1,908,901	\$ 942,107	\$ 39,103,379
Appropriated Federal	\$ 5,245,639	\$ 300,509	\$ 80,000	\$ 3,054,528	\$ 384,999	\$ 9,065,675
Total	\$ 663,831,198	\$ 86,687,019	\$ 37,333,614	\$ 236,259,112	\$ 82,054,775	\$ 1,106,165,718

Source: FY2019 Operating Budget, UH Board of Regents.

https://www.hawaii.edu/budget/sites/www.hawaii.edu.budget/files/FY19_OpBudget.pdf

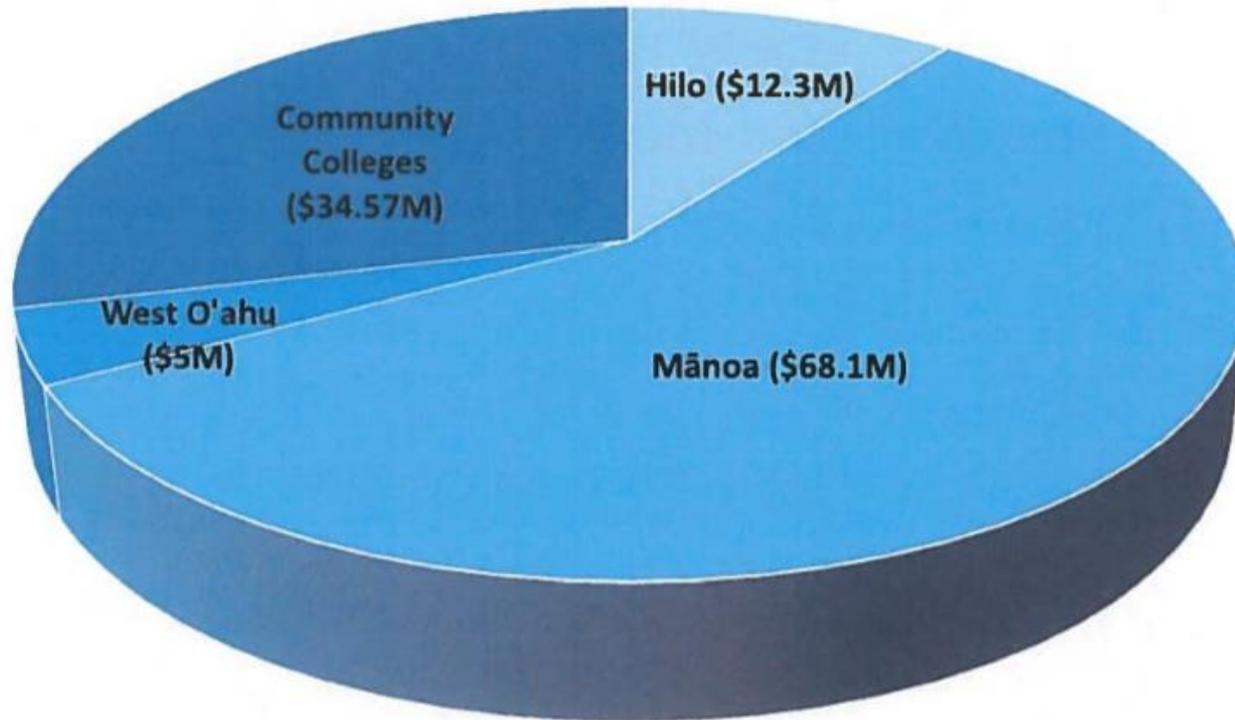


FYB2019 CIP Budget

CIP

Fiscal Year	BOR Request	Legislative Appropriation G.O. Bonds	Private Contributions
2019	\$269,700,000	\$119,973,000	\$5,000,000

FY19 Total Appropriation: \$119,973,000¹



Source: FYB2019-21 CIP Budget Request, UH Board of Regents.
https://www.hawaii.edu/budget/sites/www.hawaii.edu.budget/files/FB19-21_CIP_Request.pdf



FYB2019-21 Budget Request

Operating



Budget Request by Theme

Theme	FTE FY20	\$\$\$ FY20	FTE FY21	\$\$\$ FY21
Hawai'i's Promise Program	-	\$ 19,700,000	-	\$ 19,700,000
Student Employment	1.00	\$ 4,581,360	3.00	\$ 5,186,603
Other Miscellaneous	71.00	\$ 2,434,816	71.00	\$ 2,359,816
Total	72.00	\$ 26,716,176	74.00	\$ 27,246,419

Source: FYB2019-21 Budget Request, UH Board of Regents.

https://www.hawaii.edu/offices/bor/finance/materials/201811010900/Cmte_on_Budget___Finance__11_01_18__Meeting_Materials___FOR_UP_LOAD.pdf



FYB2019-21 Budget Request

CIP

Campus	Project Description	MOF	FY20 Budget Request	FY21 Budget Request
M	RIM Projects	C	\$135.5M	\$110.5M
M	Sinclair Library Renovation	C	\$41M	
M	Snyder Hall	C		\$55M
M	Holmes Hall	C	\$2M	\$35M
M	Kuykendall Hall	C	\$2M	
M	Keller Hall/Physical Science	C	\$1M	
H	RIM Projects	C	\$21M	\$20.5M
H	Pharmacy Laboratory Improvements	C	\$3M	
WO	RIM Projects	C	\$0.5M	\$2M
WO	General Education Building I	C	\$1M	
WO	Development & Infrastructure	C	\$7M	\$8M
WO	Planning Projects	C	\$0.5M	\$0.5M
CC	Capital Renewal & Deferred Maintenance	C	\$25M	\$25M
CC	Minor Capital Improvement Projects	C	\$10M	\$10M
CC	Hawai'i CC – Campus Development Phase I	C	\$2M	\$50M
CC	Honolulu CC Science Building	C	\$43.5M	
CC	Windward CC Agripharmatech Bioprocessing Facility	C		\$3M
	TOTAL		\$295M	\$319.5M

Source: FYB2019-21 CIP Budget Request, UH Board of Regents.
https://www.hawaii.edu/budget/sites/www.hawaii.edu.budget/files/FB19-21_CIP_Request.pdf



Alternative budgetary models

University Applicable

Incremental Budgeting

- Traditional budget model based upon previous funding levels
- The state budget process follows this model

Zero-Based Budgeting

- Previous year's budget for each unit is cleared annually

Activity-Based Budgeting

- Awards resources to activities that see greatest return

Responsibility Center Management

- Delegates operational authority to units within an institution with each unit receiving all of its own revenues but responsible for their own expenses

Centralized Budgeting

- Requires all decision-making powers to be in upper level administration

Performance-Based Budgeting

- Awards funds based on performance determined by outcome standards
 - UH receives \$6.36 million in performance based funding in the state budget
 - UH Community Colleges allocates \$6.5 million from their budget for performance



UH Budget Model

Budget Execution: UH combines centralized budgeting with decentralized decision-making at the campus/unit level. The degree of decentralization varies by campus.

Operating budget has different models for different campuses

- Hilo and West O‘ahu operate similar to other state departments
- Community Colleges – 7 separate physical campuses, each with unique physical and demographic needs, and some specialized instruction
 - Funding from UOH800 is administered to campuses by CC-Admin
 - Factors include base budget, enrollment growth, performance funding, equipment replacement, R&M
- Mānoa – 40 different budgetary units (SOEST, CTAHR, Athletics, JABSOM, Outreach, etc.) with different funding requirements and revenues sources
 - Currently reviewing budgetary model

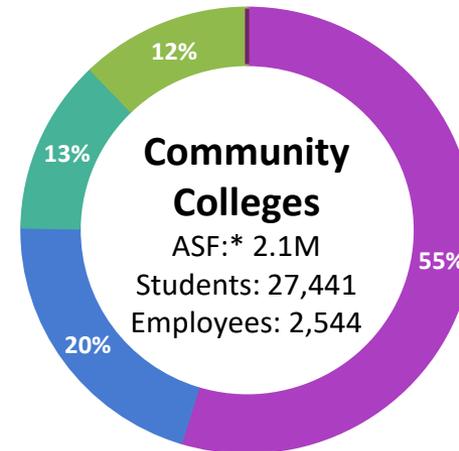
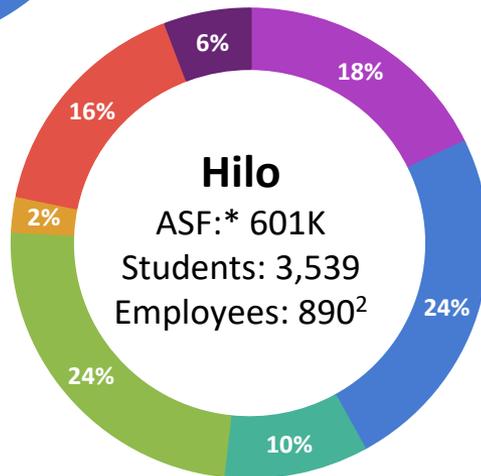
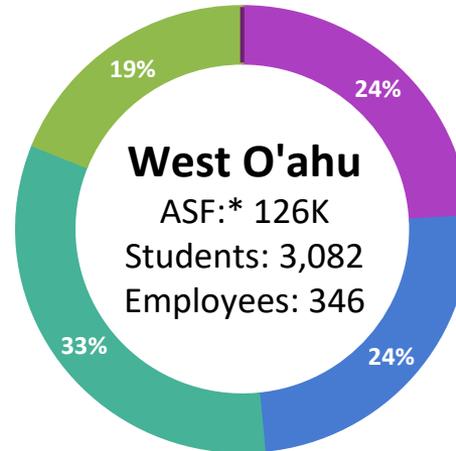
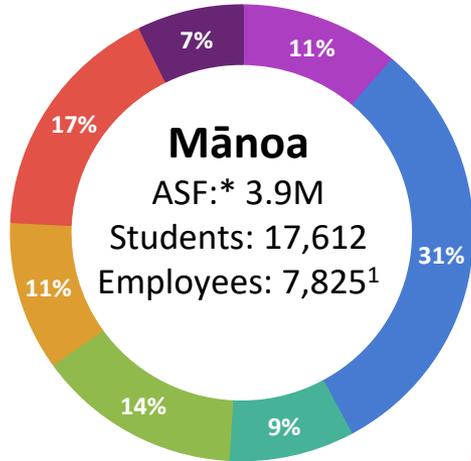
More centralized model for CIP

- Lump sum for Renew, Improve, and Modernize (RIM) projects
 - Increased flexibility for funds for more minor projects



Carrying capacity in relation to buildings and facilities and its effect on the university's budget

Space Type Breakdown Per Campus (Fall 2017)



- Instructional
- Office Space
- Library/Student
- Other
- Research
- Housing
- Athletics

*ASF=Assignable Square Footage, defined as the sum of all areas on all floors of a building assigned/available for assignment to an occupant or specific use.

Pie charts do not include off-campus, structural and non-assignable space.

¹Includes 1,306 O'ahu RCUH Employees

²Includes 248 Hilo RCUH Employees



Carrying capacity in relation to buildings and facilities and its effect on the university's budget

Conclusion: No additional space is needed (except for West O'ahu)

- Peak enrollment 60,000 students systemwide from 2010 - 2012
- Board of Regents' June 2018 Resolution Supporting Moratorium on Square Footage Growth
- Increase utilization of existing space through improving quality of facility and investing in flexible and adaptable furniture
- Integrated Academic Facilities Plan
 - Commitment to shared use of facilities, particularly costly and specialized facilities
 - New projects must maximize long-term flexibility/include shared classrooms and resources

Solution: Renew, Improve and Modernize (RIM) Program

- Prioritize classrooms, laboratories, and student spaces centered around improving the learning environment
- Target facilities with poorer conditions, through modernizing interior/exterior structures, building roofs, mechanical & electrical systems, pedestrian pathways and roadways.

FY 2020 - 2021 RIM Program CIP Budget Request

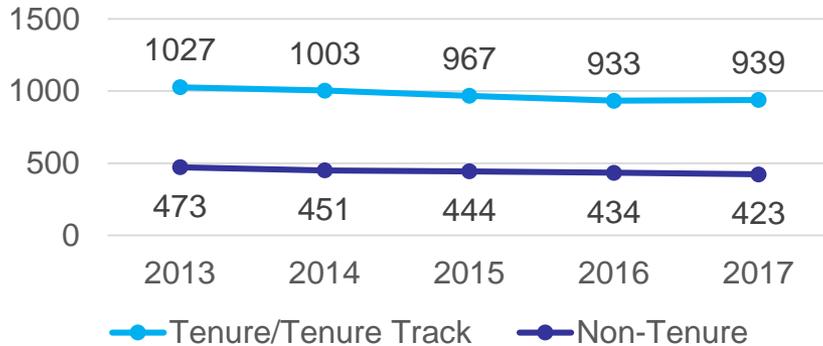
	FY20 Request	FY21 Request
Mānoa	\$135.5M	\$110.5M
Hilo	\$21M	\$20.5M
West O'ahu	\$0.5M	\$2M
Community Colleges	\$35M	\$35M
Total	\$192M	\$168M



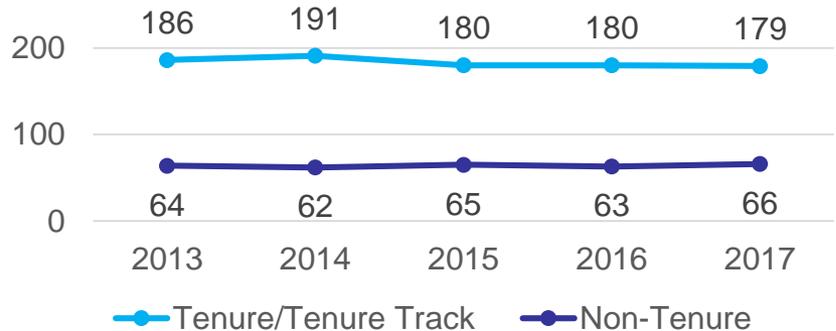
Teaching capacity of tenured faculty

Tenured/tenured track and non-tenured FTE faculty generally declined, except West O'ahu

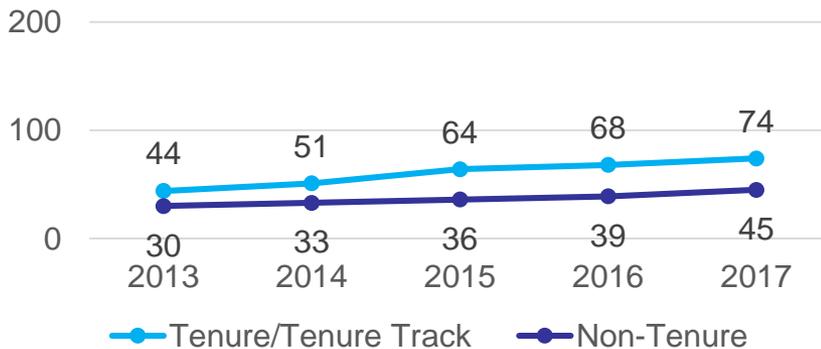
FTE Instructional Faculty
UH Mānoa



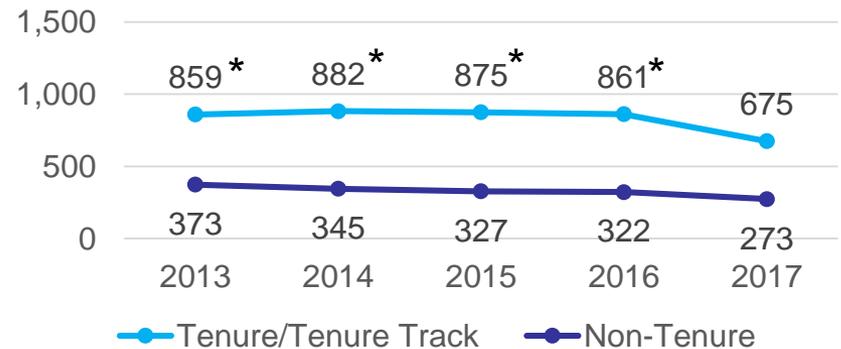
FTE Instructional Faculty
UH Hilo



FTE Instructional Faculty
UH West O'ahu



FTE Instructional Faculty
UHCC



Data source: IPEDS. FTE calculated based on IPEDS methodology.

*Includes non-instructional faculty removed in 2017.



Teaching capacity of tenured faculty

WORK EXPECTATIONS OF TENURE-SYSTEM FACULTY

Faculty work includes traditional classroom instruction, non-traditional instruction, and non-instructional professional work to meet university objectives.

Basic expectations are that work in an academic year is equivalent to:

UH Mānoa	24 credit hours
UH Hilo	24 credit hours
UH West O‘ahu	24 credit hours
UH Community Colleges	27 credit hours

For non-traditional instruction and non-instructional professional work, each campus determines:

- A measure of faculty involvement in the activity and
- An equivalency between that measure and the traditional credit hour



Cost reduction and revenue enhancement opportunities

OPERATIONS MANAGEMENT COST REDUCTIONS

Debt Service Refinancing

- Reduced annual debt service by more than \$1 million per year
- Reduced future debt service expenditures by more than \$28 million over the next 30 years.

Utility Modernization

- Renewable energy projects
 - Community Colleges
 - UH Mānoa
 - HECO PV Developer Solicitation utilizing UHWO lands
 - UHH
- Green Tariff
- UH Green Special Fund

Philanthropy

- UH Foundation reorganization



Cost reduction and revenue enhancement opportunities

REVENUE ENHANCEMENT OPPORTUNITIES

Office of Strategic Partnerships and Development

- Monetizing real property
 - Student/Faculty/Workforce Housing
 - Commercial/Retail Opportunities
 - P3
- Start-up of operations
- Mānoa Innovation Center
- Atherton Innovation Project

Technology and Innovation

- IP Licensing
- Tech Transfer



Cost reduction and revenue enhancement opportunities

ACADEMIC REVENUE ENHANCEMENTS

Recruiting New Populations of Students

- System-wide recruitment of adult students to finish degrees

Entirely Online Degree Programs in Accelerated Format

- UH Mānoa's Bachelors of Social Work initiated this Fall
- UHCCs AA degree in Fall, 2019

Combined Bachelors/Masters Programs

- 6 created at UH Mānoa, three more in development

New Degree Programs for the State

- BS Public Health, Master of Landscape Architecture, BS in Aeronautical Science (UHH)

Intensified Targeted Recruitment of New Students

Improved Transfer Opportunities for UH Community College Students

Extramural funding



Cost reduction and revenue enhancement opportunities

ACADEMIC EFFICIENCY EXAMPLES

Managing Under-Enrolled Courses and Majors by eliminating sections, redistributing instructors to high-demand majors and improved advising

Merging low-enrolled degree programs and eliminating courses no longer needed

Reorganizing departments or colleges for greater administrative efficiency and effectiveness

Reducing Time to Graduation through improved advising and course scheduling

Reducing Costs to Students, e.g., by developing zero- and low-cost (on-line) educational resources



Cost reduction and revenue enhancement opportunities

UH MĀNOA ATHLETICS EFFICIENCY EXAMPLES

Travel Costs (Hawaiian Airlines) - Fixed cost flights saving between 300-400K

Multi Media Partner (IMG) - Increase in Corporate sales by 600K and nearly 30%

- 10-year agreement worth minimum \$30M+ with upside potential

All-Sport Apparel deal (UA) - Netting 300K incrementally to department

- 5-year agreement worth \$10M+

H-Zone closing and new bookstore partnership netting approximately \$200K+ to department.

Fundraising - AKA restructuring eliminating \$400K in operational costs from FY15 to FY18.



Administrative positions and determining the appropriate ratio of administrative officials to student/faculty

Using Fall 2017 national comparison data for our peer institutions, we can compare administrative officials to students to get a sense for what is appropriate.

UH units have fewer managerial positions for the number of students and faculty than their peers.

FTE Administrator to FTE Student Ratios
for Fall 2017

	UH	Peer
UH Mānoa*	0.013	0.015
UH Hilo*	0.011	0.016
UH West O'ahu*	0.007	0.017
UH CC*	0.008	0.010

FTE Administrator to FTE Faculty Ratios
for Fall 2017

	UH	Peer
UH Mānoa*	0.142	0.237
UH Hilo*	0.139	0.253
UH West O'ahu*	0.126	0.265
UH CC*	0.129	0.209

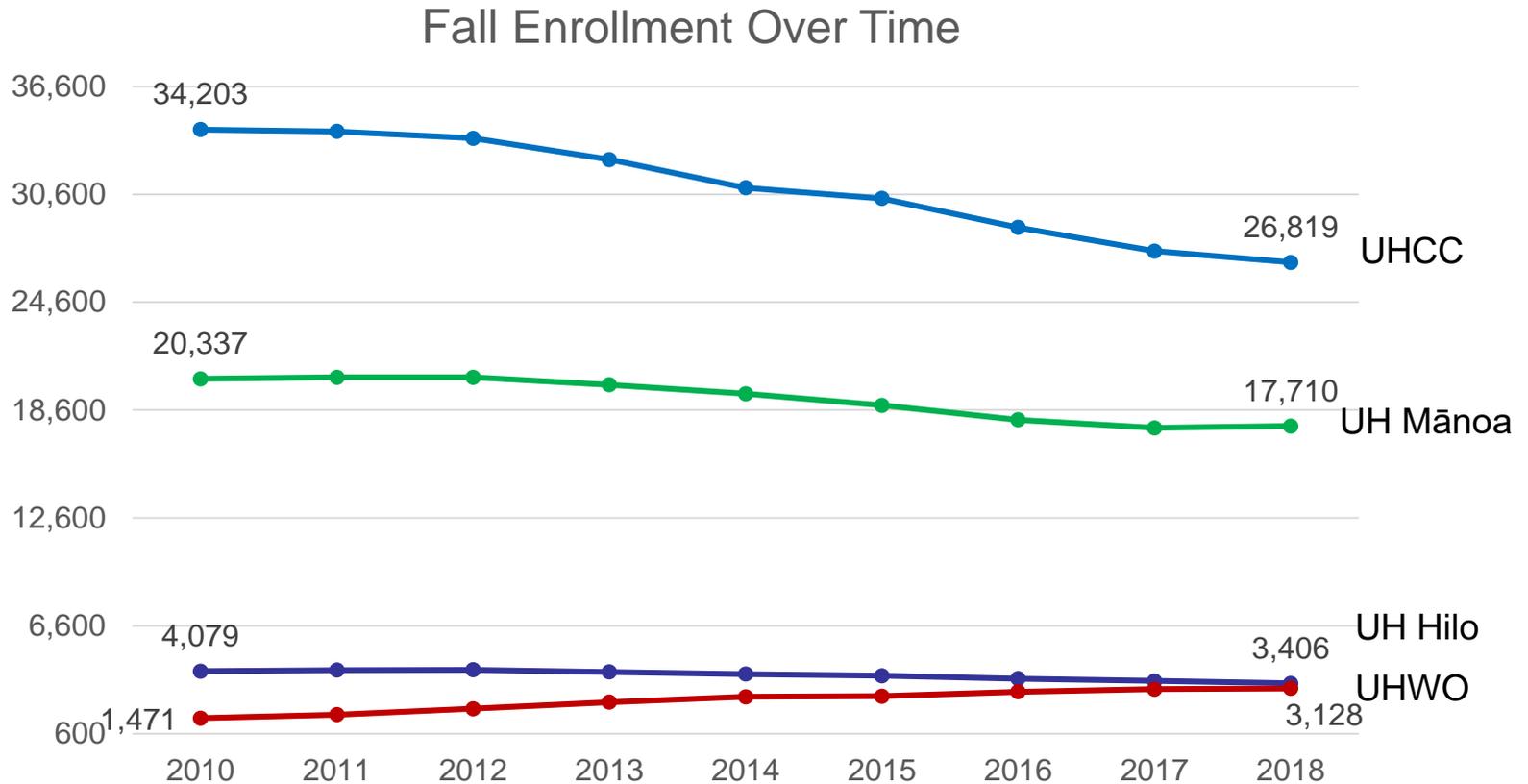
*System administrator FTE is allocated to the units based on percentage of total FTE student enrollment.

Source: IPEDS. All FTE counts use IPEDS definitions.



Student tuition and enrollment

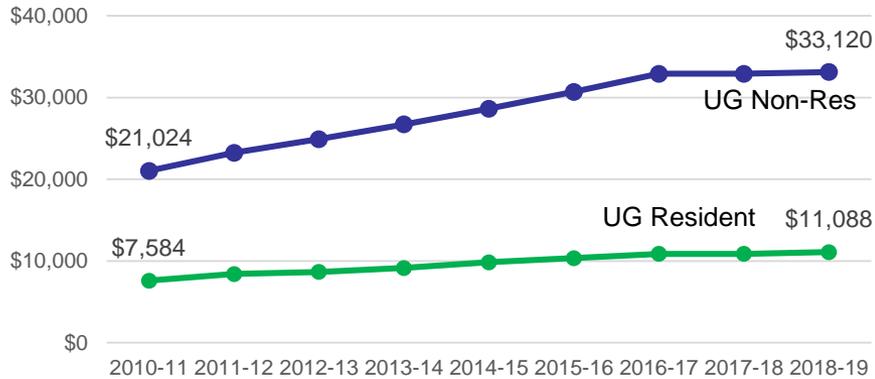
Enrollment has declined at all UH Units, except at West O'ahu with the strong economic recovery after 2010.



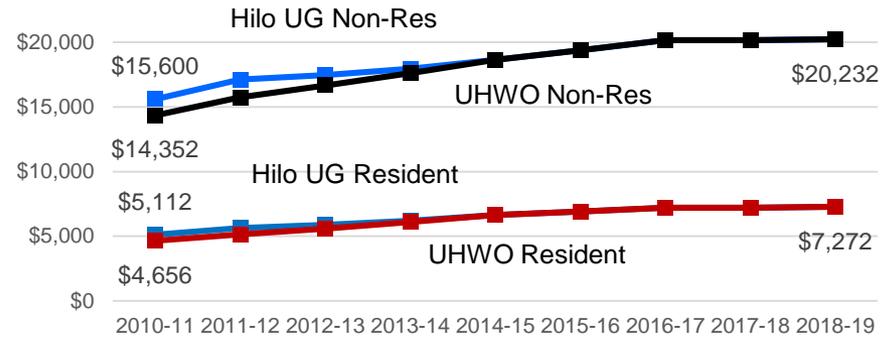
Student tuition and enrollment

Tuition increases slowed after 2016

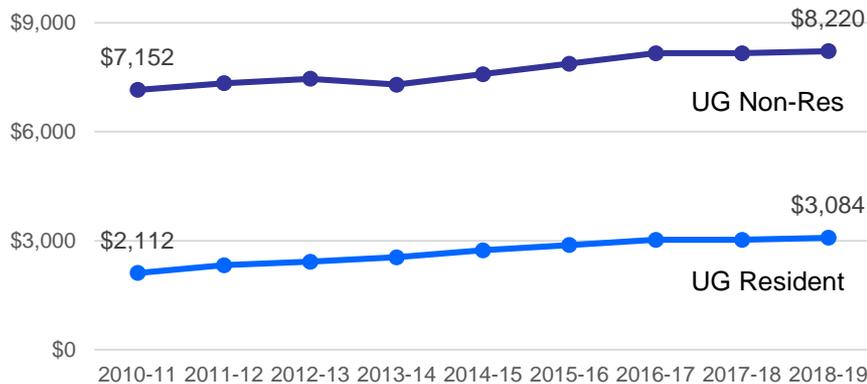
Annual Full-time Tuition – UH Mānoa



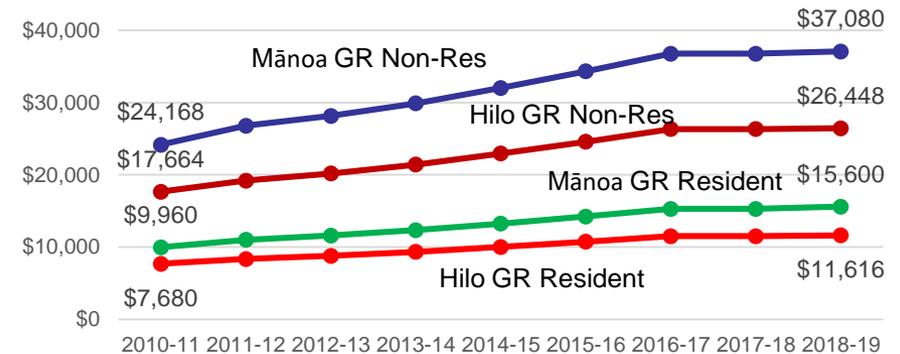
Annual Full-Time Tuition – UH Hilo and UH West O‘ahu



Annual Full-Time Tuition – UHCC



Annual Full-Time Tuition – UH Mānoa and UH Hilo Graduate



Update on the Hawai'i Promise Program

HAWAI'I PROMISE SCHOLARSHIPS 2017-18

CAMPUS	TOTAL AMOUNT AWARDED AND PAID IN 2017-18	NUMBER OF RECIPIENTS	AVERAGE HAWAI'I PROMISE AWARD
Hawai'i CC	\$178,990.51	133	\$1,345.79
Honolulu CC	\$212,815.00	183	\$1,162.92
Kapi'olani CC	\$299,909.00	251	\$1,194.86
Kaua'i CC	\$106,059.00	121	\$876.52
Leeward CC	\$531,054.00	439	\$1,209.69
Maui College	\$322,442.00	245	\$1,316.09
Windward CC	\$78,366.00	72	\$1,088.42
Total:	\$1,729,635.51	1444	\$1,197.81



Update on the Hawai'i Promise Program

HAWAI'I PROMISE SCHOLARSHIPS 2017-2018

- UH Community Colleges provided aid to 9,971 students, including 1,444 Hawai'i Promise students
- All students with unmet direct cost need had 100% of these direct educational costs covered by Federal, UH, private, and/or Hawai'i Promise grants or scholarships
- Native Hawaiian and Filipino students made up 43% of the Hawai'i Promise recipients
- Hawai'i Promise students were significantly more likely to be full-time (62% compared to 40% of the overall population)
- Hawai'i Promise students also completed significantly more credits and had a higher GPA than other students.



Update on the Hawai'i Promise Program

HAWAI'I PROMISE SCHOLARSHIPS 2018-19 AS OF DEC 2018

CAMPUS	2018-19 TOTAL AMOUNT AWARDED AND PAID as of DEC 2018	2018-19 TOTAL AMOUNT OFFERED & ACCEPTED AS OF DEC 2018	NUMBER OF RECIPIENTS AS OF DEC 2018	AVERAGE HAWAI'I PROMISE AWARD (total offered & accepted / # recipients as of Dec)
Hawai'i CC	\$53,605.00	\$108,048.00	67	\$1,612.66
Honolulu CC	\$116,673.00	\$239,229.00	162	\$1,476.72
Kapi'olani CC	\$187,701.00	\$399,899.00	260	\$1,538.07
Kaua'i CC	\$33,246.00	\$81,691.00	61	\$1,339.20
Leeward CC	\$255,009.50	\$577,959.00	367	\$1,574.82
Maui College	\$156,483.00	\$347,289.00	174	\$1,995.91
Windward CC	\$79,505.00	\$79,505.00	73	\$1,089.11
Total:	\$882,222.50	\$1,833,620.00	1164	\$1,575.27





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Appendix



Appendix: Cost reduction and revenue enhancement opportunities

FINANCIAL MANAGEMENT COST REDUCTIONS

Savings related to refinancing of debt service

- 2015
 - \$166 million transaction (\$8.575 million in new money debt)
 - Refunded \$157 million in existing debt for savings
 - \$15 million in debt service savings over 30 years
 - \$47K to \$500K in annual savings
 - Restructured 25% of bonds to tax-able vs. tax-exempt
 - Increased allowance for private activity

- 2017
 - \$110 million transaction (\$3.990 million in new money debt)
 - Refunded \$106 million in existing debt for savings
 - \$13 million in debt service savings over 12 years
 - Restructured 25% of bonds to tax-able vs. tax-exempt
 - Increased allowance for private activity



Appendix: Cost reduction and revenue enhancement opportunities

ACADEMIC EFFICIENCY EXAMPLES

Managing Under-Enrolled Courses and Majors

- UHCCs offering low-enrolled courses online for co-enrollment at different campuses; a full AA degree online in Fall, 2019
- Programs are cancelling low-enrolled classes and advising students on alternative ways to meet degree requirements
- Reallocating positions to high-demand areas, in some cases creating new degree programs (e.g., Health Information Technology at Leeward CC)

Merging low-enrolled programs and eliminating courses no longer needed

- Shidler College of Business restructured their several MBA programs for more efficient scheduling to meet student needs
- UH Mānoa merged two programs in CTAHR and plans another merger next Fall. Merged programs offer common core more and eliminate courses no longer needed in the new program.



Appendix: Cost reduction and revenue enhancement opportunities

ACADEMIC EFFICIENCY EXAMPLES - 2

Reducing Time to Graduation

- Using campus enrollment management plans to prioritize program development
- STAR GPS reduced the proportion of courses taken at Mānoa that do not count towards a major from 22% to 9% in Fall, 2017
- Star GPS will show UHCC students their pathway to a transfer major at a UH 4-year campus
- Math and English redesign at the UHCCs is increasing the number of students who complete degree requirements in these fields in the first year

Reducing Costs to Students

Textbook Cost: \$0 initiative is producing OER for courses. In 2017-18, at Honolulu, Kapi'olani and Leeward CCs, OER texts were used in 1046 sections for a total savings to students of \$1,698,000. Development of these resources continues. Course schedules now identify sections using OER in place of textbooks.



Appendix: Student tuition and enrollment

HOW DO TUITION AND AID AFFECT ENROLLMENT?

- Best estimate is for a 3-4% change in enrollment with a \$1000 change in price
- Northeastern University's experience is that for every 5% their price exceeds competitors' list price, they see a 0.5% decrease in applicants.
- Changes in published tuition price have a greater impact on enrollment than changes in grants/scholarships
- Low-income students and community college students are more sensitive to price (demand increases if the price for alternatives becomes higher)





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Mahalo!

