



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on Ways and Means
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by
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HB 200 HD1 – RELATING TO THE STATE BUDGET

Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the Committee:

Thank you for the opportunity to present testimony today on House Bill (HB) 200 House Draft (HD) 1, Relating to the State Budget, which appropriates funds for the operating and capital improvement budget of the Executive branch for fiscal years (FY) 2021-2022 and 2022-2023.

The University of Hawai'i (UH) **supports** this bill and respectfully requests the **restoration of funding** for Athletics that is part of the current UH operating budget and had previously been part of the State Budget.

The biennium budget proposal approved by the Board of Regents (BOR) recognizes the financial condition of the State and does not include any requests for additional general fund appropriations. The BOR request only the restoration of general fund support for the Athletics programs at Mānoa and Hilo and the Hawai'i Promise Program at the Community Colleges. Although these items were in previous base budgets of the Executive Branch and are in the current UH budget, they are not in the current FY21 State operating budget because this money was instead appropriated to UH for FY21 through a separate appropriation act. More detailed comments are below, noting that while the Hawai'i Promise Program for the Community Colleges is funded with federal American Rescue Plan Act funds in HB 200 HD1, Athletics faces a \$4.0 million reduction from current appropriations.

The HD1 of the budget made considerable changes to UH's budget and those changes and a brief statement of the impacts are provided below:

General Fund Reductions Partially Offset with American Rescue Plan Funds

UOH100 Seq. 60-001, UOH110 Seq. 60-001, UOH210 Seq. 60-001, UOH700 Seq. 60-001, UOH800 Seq. 60-001, UOH900 Seq. 31-001, UOH900 Seq. 60-001

The House kept the general fund reductions from the Executive Budget request but offset those with American Rescue Plan Funds (“V-Funds”). It appears that the House provided V-Funds in an amount that would cover 80% of the general fund reductions proposed in the Executive Budget for each program ID. While we are never happy to see any reduction to our base budget, we understand the financial constraints and accept that UH, like the rest of State government, must make do with less while Hawai‘i’s economic recovery is still in progress.

We appreciate the support by the House to limit the reductions to the UH budget from those proposed in the Executive Budget, but have a few concerns. The first is that it is unclear whether or not these V-Funds would count as State support for the Maintenance of Effort provision in Section 2004 of the American Rescue Plan:

SEC. 2004. MAINTENANCE OF EFFORT AND MAINTENANCE OF EQUITY.

(a) STATE MAINTENANCE OF EFFORT.—

(1) IN GENERAL.—As a condition of receiving funds under section 2001, a State shall maintain support for elementary and secondary education, and for higher education (which shall include State funding to institutions of higher education and State need-based financial aid, and shall not include support for capital projects or for research and development or tuition and fees paid by students), in each of fiscal years 2022 and 2023 at least at the proportional levels of such State’s support for elementary and secondary education and for higher education relative to such State’s overall spending, averaged over fiscal years 2017, 2018, and 2019.

It may be entirely possible that V-Funds will count as State support. We anticipate that guidance will be forthcoming – it simply is not clear at this point in time. Because Section 2004 governs the Elementary and Secondary School Emergency Relief Fund (ESSER) and other funding for education in the three COVID relief acts, it is important to comply with the maintenance of effort provision.

Additionally, we respectfully request that fringe benefits from salaries paid for by V-Funds be paid for by the State general fund. If the intent is to offload current general fund expenditures by the departments to V-Funds, it is important to note that the fringe benefits costs associated with that payroll amount are already being picked up by the general fund. A similar provision existed in Act 162, Session Laws of Hawai‘i 2009:

SECTION 162. Provided that for the use of Federal Stabilization funds the Department of Education and the University of Hawaii shall not be required to pay

fringe benefit costs to the Department of Budget and Finance.

We again express our appreciation for the support provided by the House in limiting the damage to public higher education in Hawai'i that would be incurred by the proposed reductions in the Executive Budget and want to highlight these considerations.

Na Pua No'eau Transfers

UOH100 Seq. 31-001, UOH210 Seq. 30-001, UOH700 Seq. 30-001, UOH800 Seq. 30-001

In 2012, the Legislature provided 6.0 general funded positions and funds to institutionalize Na Pua No'eau, a program to identify gifted and talented Hawaiian youth (K-12) and to provide them with educational enrichment opportunities. By 2018, Na Pua No'eau was fully institutionalized and integrated at various UH campuses: Hilo, Mānoa, West O'ahu, Maui College, and Kaua'i Community College. These transfers would move the positions and funds from UOH900 to the respective campuses that currently run these programs, as requested in the BOR budget proposal, thereby increasing budget transparency and accountability.

Athletics Funding

UOH100 Seq. 100-001 and UOH210 Seq. 100-001, and UOH210 Seq. 1001-001

The impact of cutting \$4.0 million from the UH Athletics program budgets would be devastating to our student-athletes and athletic programs and would negatively impact student athlete enrollment and retention. As noted above, most of this is current funding that was previously in the base operating budget of the State but was subsequently provided through a separate appropriations act. This cut to athletics would be coming on top of severe impacts already being experienced by the Athletics Department as a result of the pandemic, including the cancellation and reduction in the number of team events and the COVID protocols that do not allow any fans to be in attendance. While the department has already faced significant reductions to its budget because of the pandemic (~\$8.7 million), the loss of fan-related revenues (e.g., ticket sales, concession revenues), media revenues, and NCAA and conference distributions. These revenue reductions more than offset any cost reductions (e.g., less travel), resulting in an overall negative impact from the pandemic of (~\$5.6 million). The combined impact of the loss of funding from the Legislature, layered on top of the ongoing and continuing impact of the pandemic, will require significant changes to the UH's athletic program.

Significant cuts would need to be made that would have major impacts on the student-athlete experience, competitive performance, and access for fans and the community. The following are some cuts that may be necessary in order to offset the

lost revenue. Student-athletes would be impacted by a reduction in operating costs like scholarships (cost of attendance and summer school), student supplemental meals, recruiting and team apparel and equipment. Any reduction in scholarships means that student-athletes would have less money to pay for their education and living expenses. Cutbacks in other areas, such as supplemental meals, will impact student-athlete health and wellness. Teams may also be required to reduce the number of student-athletes on their roster resulting in fewer opportunities to participate in sports at the NCAA Division I level. It might also become necessary to eliminate one or more sports.

The Hilo Athletics program currently has 12 sports and NCAA regulations require an institution to have a minimum of 10 sports to maintain NCAA status.

Reducing guarantees that fund opponents travel from the mainland to Hawai'i for non-conference games will reduce competitive opportunities and impact post-season opportunities for our teams. Reducing squad sizes for our travel to the mainland to compete will impact our competitive equity and the health and safety of student-athletes, and less student-athletes available to compete leading to increased fatigue and potentially injury. Further reductions in recruiting budgets will reduce our ability to compete for the best prospects to enroll at the UH.

The additional \$105,895 provided to UH-Hilo is a one-time lump sum and will not help restore the operating budget.

Transfer of UOH110 into UOH100

UOH110 Seqs. 1000-001, 1000-002, and 1000-003 and UOH100 Seqs. 1000-001, 1000-002, and 1000-003

The UH does not object to these transfers. This action restores the integration of JABSOM FTE and funding as part of the UH Mānoa campus, as was the case prior to the separation executed by the Legislature beginning in FY 2012.

Three (3) additional positions for HIMB

UOH100 Seq. 1001-001

The UH is greatly appreciative for the additional positions and funding in support of the UH Mānoa Hawai'i Institute of Marine Biology (HIMB). These positions will be beneficial for maintaining safe and effective research operations at the Institute and will help address important facilities and research infrastructure issues. The funding for coastal assessment will also help assess critical seawall infrastructure and identify environmentally beneficial and sustainable solutions in the face of climate change that can inform and assist the entire State.

Additional Funding for the Cancer Center

UOH100 Seq. 1002-001

HB1297 HD2 eliminates the ability for the Cancer Center to use cigarette tax revenues for “research and operating expenses” (page 14, lines 14 and 15). As explicitly enabled by current law, the Cancer Center uses cigarette tax revenues in excess of its debt service obligations for operations and maintenance of its facilities. With the elimination by HB1297 HD2 of this authorization, the funding provided by this House Draft of the budget is absolutely necessary to replace with general fund the revenue that had been committed by the State for this purpose from cigarette tax revenues.

Reduce funds for Motor Vehicles

UOH100 Seq. 1003-001, UOH210 Seq. 1002-001

The UH at Mānoa requires the use of motor vehicles to function in normal business activities. Many of the motor vehicle expenditures on Special Funds are purchases by Transportation Services which helps to operate fleet services supplying rental vehicles to the campus. Without the Special Fund ceiling we would not be able to purchase new vehicles for the rental program. Additionally, the Revolving Fund ceiling is necessary to provide for the purchases of vehicles for many of the research based programs like HIMB and CTAHR which often operate off campus and also may require specialized vehicles to operate on rough terrain. Because of these impacts, we respectfully request that Mānoa’s non-general fund ceilings not be reduced.

There is no impact for the reduction at UH-Hilo.

Transfer-in of PISCES from DBEDT

UOH210 Seq. 1000-001

HB 200 HD 1 transfers the Pacific International Space Center for Exploration Systems (PISCES) program from DBEDT to UH Hilo along with associated general fund programming. UH is agreeable to this transfer and notes that the funding is essential if PISCES is to continue its operations and meet its core objectives of economic development, workforce development, and applied research. If the funding is not provided UH Hilo will be unable to continue the program

Additional American Rescue Plan Funds

UOH100 Seq. 1004-001 and UOH881 Seq. 1000-001

The UH is appreciative of these additional resources, which will help the University of Hawai’i Economic Research Organization (UHERO) and the Aquarium.

Hawaii Promise Program
UOH800 Seq. 100-001

Provided that these V-Funds can replace general funds with no significant impact to the UH or the State, the UH is appreciative of this funding and will continue to operate the Hawai'i Promise Program within our Community Colleges.

Additional Ceiling for Research and Training Revolving Fund (RTRF)
UOH900 Seq. 100-001

UH programs have been actively seeking federal and private contract and grants, with many of these being awarded. In anticipation of additional RTRF funds, and to be proactive to not exceed our current ceiling, we are seeking to increase our revolving fund ceiling. The additional ceiling will allow us to continue to seek federal and private contract and grant opportunities, and use any overhead funds earned to facilitate additional research and training projects, create additional research and training grants, and to provide funds for discoveries and inventions. Without a ceiling increase, this would limit UOH900's ability to spend revolving funds that are used to further research and training for the University programs.

For the Capital Improvements Projects (CIP) section of the budget, the BOR approved a request totaling \$228.0 million for FY22 and \$232.5 million for FY23. The House Draft of the budget provided \$170.7 million for FY22 and \$204.5 million for FY23. A breakout of the projects (in millions of dollars) is listed below:

Campus	Project Title	Board		HD1	
		FY22	FY23	FY22	FY23
System	Renew, Improve, and Modernize	110.5	110.5	48.5	110.5
CCs	Capital Renewal & Deferred Maintenance	25.0	25.0	15.0	35.0
CCs	Minor CIP	25.0	25.0	15.0	35.0
Hilo	Renew, Improve, and Modernize	24.0	13.5	10.0	15.0
Mānoa	Manoa Mini Master Plan Phase 2	60.0	-	60.0	-
CCs	Honolulu CC Technology Renovations	15.0	-	15.0	-
Aquaria	Waikiki Aquarium	1.5	9.0	1.5	9.0
CCs	ADA Upgrades	14.0	14.0	-	-
UHWO	Renew, Improve, and Modernize	3.0	3.0	-	-
CCs	WinCC Agriphartmatech Bioprocessing Facility	3.0	-	3.0	-
Mānoa	Central Admin Facility with Parking	4.0	-	-	-
UHWO	Planning Projects	0.5	0.5	-	-
CCs	Kapiolani CC - Koki'o	2.5	30.0	-	-
CCs	Maui College Vocational Tech	-	2.0	-	-
Mānoa	CTAHR - Waiale'e Research Station			1.6	
Hilo	Mauna Kea Telescope Removal (Hoku Kea)			1.1	
	Total	288.0	232.5	170.7	204.5

While the House did not provide everything in the BOR-approved request, this amount appears to be sufficient to achieve a majority of the UH's priority projects for this biennium and make sufficient progress in addressing deferred maintenance and modernization of UH's campuses. Additionally, while the CTAHR Waiale'e Research Station and Mauna Kea Telescope Removal projects were not included in the BOR-approved request, these projects align with the UH's priorities and strategic plans and appreciate these legislative initiatives.

We understand that although there have been significant positive improvements to the State's general fund outlook in recent months – notably the American Rescue Plan and the Council on Revenues forecast – that there are still considerable challenges facing Hawai'i and we look forward to working with the Legislature to overcome those challenges in the weeks to come.

Thank you for this opportunity to testify.