

MINUTES

BOARD OF REGENTS COMMITTEE ON BUDGET AND FINANCE MEETING

NOVEMBER 1, 2018

I. CALL TO ORDER

Committee Chair Moore called the meeting to order at 9:00 a.m. on Thursday, November 1, 2018, at the University of Hawai'i at Mānoa, Information Technology Building, 1st Floor Conference Room 105A/B, 2520 Correa Road, Honolulu, Hawai'i 96822.

Committee members in attendance: Committee Chair Randy Moore; Committee Vice Chair Wayne Higaki; Regent Simeon Acoba; Regent Michael McEnerney; Regent Michelle Tagorda.

Others in attendance: Board Chair Lee Putnam; Regent Brandon Marc Higa; Regent Douglas Shinsato; Regent Ernest Wilson Jr.; Regent Stanford Yuen (ex officio committee members); President/UH Mānoa (UHM) Chancellor David Lassner; Vice President for Administration Jan Gouveia; Vice President for Community Colleges John Morton; Vice President for Legal Affairs/University General Counsel Carrie Okinaga; Vice President for Academic Planning and Policy Donald Straney; Vice President for Budget and Finance/Chief Financial Officer Kalbert Young; Interim UH Hilo (UHH) Chancellor Marcia Sakai; UH West O'ahu (UHWO) Chancellor Maenette Benham; UHM Vice Chancellor for Research/Interim Vice Chancellor for Academic Affairs Michael Bruno; Executive Administrator and Secretary of the Board of Regents (Board Secretary) Kendra Oishi; and others as noted.

II. APPROVAL OF MINUTES OF THE SEPTEMBER 6, 2018 MEETING

Committee Vice Chair Higaki moved to approve the minutes of the September 6, 2018, meeting, seconded by Regent Tagorda, and the motion carried unanimously.

III. PUBLIC COMMENT PERIOD

Board Secretary Oishi announced that the Board Office received no written testimony, and no individuals had signed up to provide oral testimony.

IV. AGENDA ITEMS

A. Recommend Board Approval

1. Fiscal Biennium 2019-2021 Operating Budget Request for the University of Hawai'i

VP Young provided an overview of the fiscal biennium (FB) 2019-2021 operating budget request for the University of Hawai'i, which will be submitted to the Governor and the Legislature upon approval by the Board. The operating budget request only represents the supplemental operating and capital project requests to be added above the existing base budget. The board-approved budget policy paper established the framework by which campuses developed their requests. The total request for FY20 is

about \$26.7 million more in general funds and 72 full-time equivalent (FTE) position counts and the request for FY21 is about \$27.2 million in general funds and 74 FTE position counts.

The bulk of the request is \$19.7 million for the Hawai'i Promise Program, including expansion to the 4-year campuses utilizing the same criteria currently in place at the community colleges. About \$5 million is for various student employment initiatives, including increases for stipends for graduate assistants and hiring of learning assistants. About \$2.4 million is for various campus-specific items including custodial and security staff at Hilo, the HINET program at the community colleges, and distance education at UHWO. The request for positions is for purposes of defraying fringe benefit costs and is not for new positions.

A question was raised regarding the standard utilized to apportion funds for student employment. VP Young explained that enrollment management was a focus of the biennium budget policy paper and some of the budget requests from the campuses were developed in that context. The support of student employment helps with enrollment retention and was a common request across all campuses. Although positions have been requested in the university's previous budget requests, the request to increase the minimum starting salary step for graduate assistants at UHM and UHH is not new this year. UHM Vice Chancellor for Administration, Finance and Operations Kathy Cutshaw indicated that this is not an across the board adjustment and will raise the minimum starting salary from step 7 to step 10.

Regent Higa noted that graduate assistant stipends have been an issue for a couple years and commended administration for engaging and including students in the process. He felt that student groups would be pleased with the request to increase stipends.

Committee Chair Moore noted that virtually the entire budget request is in the form of financial assistance.

Committee Vice Chair Higaki moved to recommend board approval of the FB 2019-2021 operating budget request, seconded by Regent Acoba, and the motion carried unanimously.

B. For Information

1. Fiscal Year 2019 First Quarter Financial Report

VP Young provided an overview of the financial report and results for the first quarter of the 2019 fiscal year (FY). The \$258 million general fund variance was caused by a delayed release of the state general fund appropriation, but this has since been addressed. Revenues are otherwise close to projections and expenditures for all fund categories except for other special funds were slightly lower than forecast. There were variances in several areas that were caused by various timing issues.

A question was raised regarding whether the delayed expenditures at UHH meant they will be made later or that they do not need to be made. VP Young responded that these expenditures would have to be made at some point in the future.

A concern was raised about whether grouping the community colleges together provided enough data and a request was made to give consideration to separating the community college data by individual campus in order to identify trends. VP Young explained that the community colleges are grouped together because it is tied to a single program ID in the state budget, but administration is evaluating and considering the request to separate the data by individual campuses.

A question was raised regarding how the Council on Revenues (COR) forecasted 5% revenue growth for FY19 would impact the university's budget request. VP Young explained that tax revenue growth for the first quarter of the current fiscal year was less than 1%, which is significantly below the 5% forecast. The COR will be meeting in December, and the State Director of Finance is likely taking into consideration that general fund revenues may not meet the forecast and considering steps to address the situation. University Administration took the COR forecast and tax revenues into consideration when developing the budget request.

A question was raised regarding the implications of the downward trend of the Tuition and Fees Special Fund (TFSF) at the community colleges. VP Young explained that TFSF revenues at UHM are improving slightly, static at UHWO, and declining at UHH and the community colleges, and in the aggregate are positive across the entire system. Some of the decline is due to UHM reporting positive net enrollment this year compared to last year and the community colleges experiencing a decline. He added that there were tuition rate increases in some years, yet revenues still declined; thus, an increase in enrollment does not always translate to an increase in tuition revenues. VP Morton indicated that administration is working to address enrollment, but under the current economy, campuses are facing increased pressure from employers who are eager to hire as quickly as possible. Community college tuition revenues are allocated to the campus that generates it, which incentivizes campuses to keep enrollment up or adjust expenditures in order to sustain operations.

A question was raised regarding the types of personnel paid through the TFSF. VP Young responded there are positions that are approved by the Legislature that are funded by TFSF. The TFSF-funded personnel varies by campus and may include academic-related staff, faculty, or lecturers, but the bulk of employment at the university is paid for by general funds. The source of funds that pays for salaries usually funds the fringe benefits, but there are exceptions. He noted that the university has an exception where salaries for certain employees can be paid for by TFSF but have the fringe benefit costs paid for by general funds outside of the university, such as the request for athletic department position counts.

A question was raised regarding how the Cancer Center was doing financially. VC Cutshaw explained that the Cancer Center is projecting to break even this fiscal year. She indicated that UHM administration will monitor and report back quarterly to the committee.

V. ADJOURNMENT

There being no further business, Regent Tagorda moved to adjourn, Committee Vice Chair Higaki seconded, and with unanimous approval, the meeting was adjourned at 9:43 a.m.

Respectfully Submitted,

/S/

Kendra Oishi
Executive Administrator and Secretary
of the Board of Regents