



Multi-Year Financial Forecasts

September 2, 2021

Committee on Budget and Finance



Overview

- Rolling six-year financial plan provided per RP 8.204.
- Financial plan is treated as point-in-time forecast, expected to be fluid and adaptive.
- Base year (FY22) affected by two major items:
 - FY21 fiscal performance impacted by COVID-related issues
 - Legislative reductions of General Fund appropriations for fiscal biennium – FY22 & FY23
- Reduced General Fund appropriations will necessitate the use of fund balances, particularly TFSF, for the next several fiscal years. Deficit spending for operations will be allowable only up through FY24.
- Fund reserves will be necessary to bridge funding over the next several years as operating expenses are strategically and structurally reduced by the end of FY24.
- Expect iterative refinements over course of six-year plan tied to strategic reimagining of UH to evolve this forecast.



Assumptions

- The Legislature's biennium budget includes General Fund appropriations for FY23 and budget worksheets provide intent for FY24 and beyond.
 - **-\$39.8m** general fund reduction from FY21 in FY22
 - **-\$34.6m** general fund reduction from FY21 in FY23
 - **-\$51.5m** general fund reduction from FY21 in FY24-27
 - Legislative cuts to UH were highly disproportionate; UH may need to reallocate those cuts
- TFSF Revenues are forecasted as relatively steady throughout duration of forecast.
- Enrollment changes may be different among units; units that experience substantial growth may need to invest new tuition in educational capacity.
- No tuition rate changes are assumed during the period of this forecast.



Assumptions

(continued)

- RTRF Revenues remain flat throughout this forecast.
- Other Special and Other Revolving Funds Revenues and Expenses will increase as a result of a return of on-campus activity after COVID-impacted years. Units will manage other Special and Revolving fund expenses to revenues, including auxiliaries.
- Any collective bargaining and fringe benefit cost increases for state General Fund appropriated positions will continue to be funded with new legislative appropriations.
- Actual costs of addressing pandemic will be covered with HEERF federal relief funding
- Assume modest inflationary increases in Utilities and certain Other operations & maintenance expenses.



Strategy

- We must reimagine UH to provide those services needed to advance Hawai'i's future while living within reduced funding levels.
- Budget equilibrium (operating expenses match operating revenue) could be achieved by reducing G+TFSF personnel costs by 6% by FY25.
 - Some strategic hiring necessary as positions are vacated
- Continue focus on new operational revenue to augment GF+TFSF
- From FY22 to FY24, aggregate General fund reductions forecast at approximately - \$125 million from FY21 steady state.
 - Current TFSF reserve levels are approximately \$200 million. Target reserve level of (16%) is approximately \$130 million, providing significant one-time cushion to thoughtfully reduce recurring operational expenses
 - HEERF funding can also be used to address COVID-related G-fund reductions, although caution must be exercised since the pandemic and its costs are unpredictable and must be covered by HEERF



Conclusion

- Recent efforts to strengthen fund balances and preserve cash have positioned UH to mitigate declining revenues during the near term but structural reductions in recurring expenses are necessary to adapt to post-pandemic future.
- UH may need to use its statutory authority to reallocate the highly disproportionate General Fund cuts by the 2021 Legislature.
- Fund balances will remain at sufficient reserve levels even with forecasted use of reserves for operations to bridge interim period until FY25 when operating expenses must align with revenues.
- Five years is a long window to forecast in which significant changes and revisions will need to occur over that time based on:
 - General Fund appropriations
 - Enrollment increases and decreases across academic units
- Other assumptions will also need to be monitored for changes.
- Administration will also be providing a more comprehensive plan to reimagine University of Hawai'i (Regent Resolution 21-01). This six-year financial plan forecast anticipates the financial outcomes of the comprehensive plan.

6-Year Rolling Financial Forecast

FY2022 through FY2027

University of Hawai'i - All Campuses

<i>(\$ millions)</i>	Actual	Projected	Projected	Projected	Projected	Projected	Projected
	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027
Beginning Balance	325.8	406.6	405.0	392.1	377.9	367.6	375.7
REVENUES							
General Fund Appropriation	535.5	495.7	500.9	484.0	484.0	484.0	484.0
Tuition and Fees	332.3	327.9	329.3	331.7	331.8	332.0	332.0
Research & Training RF	52.6	49.0	48.8	48.8	48.8	48.8	48.8
Other Special Funds	77.5	88.4	103.9	112.1	112.9	117.5	119.0
Other Revolving Funds	16.3	36.7	38.2	38.6	39.6	40.2	40.4
Appropriated Federal	6.9	7.4	7.6	7.6	7.6	7.6	7.6
Transfers-In	440.0	462.7	402.2	400.5	399.6	397.6	396.2
Total Revenues	1,461.0	1,467.8	1,430.9	1,423.2	1,424.2	1,427.6	1,427.9
EXPENDITURES							
Regular Employee	617.8	636.8	624.2	612.0	600.0	600.0	600.0
Lecturer Payroll	32.9	38.3	38.3	38.8	38.8	38.8	38.8
Student Help Payroll	12.3	13.0	13.3	13.6	13.6	13.6	13.6
Other Personnel	5.9	7.8	7.6	7.6	7.5	7.5	7.5
<i>Subtotal Personnel</i>	<i>668.8</i>	<i>695.9</i>	<i>683.3</i>	<i>672.0</i>	<i>659.9</i>	<i>659.9</i>	<i>659.9</i>
Utilities	56.2	67.8	68.7	69.4	70.0	70.5	71.1
Scholarships, Stipends	60.6	63.0	63.3	63.5	63.7	63.8	64.0
Operating Maintenance	16.6	40.9	31.9	33.3	34.1	35.0	35.0
Other Non-Personnel	138.6	151.2	157.1	159.5	160.5	161.0	162.0
Debt Service	38.5	38.8	38.8	38.8	38.8	38.8	37.8
Transfers-out	400.8	412.0	399.3	397.9	398.6	394.5	396.7
Total Expenditures	1,380.3	1,469.6	1,442.5	1,434.4	1,425.5	1,423.5	1,426.5
REVENUES LESS EXPENDITURES	80.7	12.1	(5.3)	(7.8)	1.9	6.3	3.6
INFO: Planned Non-Recurring Exp	-	13.8	6.3	3.4	3.2	2.2	2.2
Ending Balance	406.6	405.0	393.4	380.9	376.6	371.8	377.1
5% Reserve Target	47.0	50.3	52.0	51.7	51.3	51.3	51.5