Appendix D:
Update on the University of Hawai‘i at Mānoa Budget and Budget Outlook
Fiscal Context

Over the past several years, the State of Hawai‘i has faced a fiscal emergency unprecedented in size and scope. The national and global recession seriously affected the local tourism and construction industries producing a major negative impact on the local economy resulting in a significant decline in tax revenues. Against this economic reality and continued downward revenue projections by the Council on Revenues, the State of Hawai‘i took the necessary steps to achieve a balanced budget as required by the Hawai‘i Constitution.

While the State of Hawai‘i tried to protect education as much as possible, UH Mānoa’s budget appropriation was reduced by $66 million for FY 2010-2011 to balance the state budget. This was a 25% decrease to UH Mānoa’s general fund base. To help mitigate some of the effects of the general fund reduction, the State Legislature appropriated $14.7M of American Recovery and Reinvestment Act (ARRA) state fiscal stabilization funds to the Mānoa Campus in each year of the current biennium (FY 2010-2012). While the federal legislation for these funds ends September 30, 2011, the State Legislature provided, through a budget proviso, an equivalent $14.7 million of general funds to be reinstated to the Mānoa base budget when the ARRA funds cease.

Despite ARRA funding, UH Mānoa has had to take additional budgetary reductions to address the remaining shortfall of $7.0M projected in FY 2012. With efforts led by the Budget Prioritization Workgroup, UH Mānoa was able to balance the budget while maintaining core academic priorities. Our campus prioritization process identified academic and administrative efficiencies for implementation including the reorganization of campus units such as the Industrial Relations Center, the Environmental Health and Safety Office and the Graduate Division. Efficiencies were also gained through the development of a formal review and approval process to ensure proper energy savings for new buildings and major renovations, the relocation of the non-credit program of Outreach College to downtown Honolulu for greater visibility and better service to the local community, the abolishment of Duplicating Services, and the implementation of Mānoa Green Days (MGD), a campus wide initiative to reduce energy consumption on weekends, holidays, and winter and spring breaks.

In addition to enhanced efficiency of operations, the campus restricted the filling of positions, reduced the number of lecturers and other temporary staff as well as increased class sizes. All state-funded employees took pay cuts and we closed our campus for the winter holidays and springs break as part of the MGD mentioned above, reducing the need and expense of utility costs for those periods of time. UH Mānoa’s net electrical usage for FY 2009 declined by over 7% to 101,171,623 kWh from the prior year of 108,950,873 kWh. This reduction of 7,779.250 kWh is equivalent to approximately $1.5M in expense savings or the full-time annual tuition of 230 undergraduate students. This is the fourth straight year in the decline of net energy usage from the campus peak in FY 2004 at 121,350,873 kWh. The result is a $9M and growing cumulative savings for the Mānoa campus.
Going Forward

In recent months, Hawaii’s economy has shown signs of improvement with decreases in our unemployment rates and increases in visitor arrivals. The State Council on Revenues has projected increased revenues for each of the upcoming biennium years—a 5.8% increase for FY 2011-12 and a 5.7% increase for FY 2012-13. However, we remain cognizant of national and global concerns which could impact our economic recovery, and are cautiously optimistic as we move into the new biennium.

Although UH Mānoa was able to balance the campus budget with minimal impact, we recognize the need for stability of funding as we go forward. Tuition revenues remain a critical component of our operating budget. We are currently in the fifth year of a six-year schedule of tuition increases. The last increase under this schedule will be in the fall of 2011, the first year of the 2011-2013 fiscal biennium. Current estimates, based on projected enrollments, are that the additional tuition, net of scholarships, in FY 2011-12 will be in the $12 million range. Analyses for the next tuition schedule have begun and a draft tuition proposal will be presented to the Board of Regents followed by public meetings for consultation in November 2010.

A significant change in budgetary direction has been recently approved by the Board of Regents. Historically, the University of Hawai‘i has been funded on a line item by line item basis through the mechanism of individual Program Change Requests (PCRs) submitted to the Governor and Legislature for approval as increases to our base budget funding. For the FY 2011-2013 biennium budget submittal, the University has proposed a realistic budget request that recognizes the financial condition of the State and provides concrete plans for strategic growth in which the State can invest. Our budget priorities are based on our strategic outcomes with a substantial portion of requested new monies being allocated based on performance.

The operating budget request for the biennium consists of two parts.

Part 1: Two-thirds of the budget request focuses on increasing the educational capital in the state. The funding request is based on performance outcomes as well as enrollment growth. The outcome based funding rewards increases in the number of graduates, increases in the number of transfers from two- to four-year campuses, and gives premium weights for Native Hawaiian graduates, STEM graduates, and Pell recipients. The enrollment growth portion addresses the costs of educating additional students.

Part 2: One-third of the budget request focuses on performance-based Program Change Requests. The criteria for these requests focuses on advancing workforce development, advancing the state’s economy through innovations and technologies, building the state’s capacity for growth and development, and assisting in diversifying the economy.

This new budgetary approach has performance measures assigned to each strategic outcome and shows the University’s commitment to assessment and accountability. Examples of performance measures include the following:

- Number of degrees earned in specific fields of study identified to meet state needs (i.e., STEM, Nursing, IT, Education, Medicine, Social Work);
- Graduation rates in specific fields of study;
- Number of transfers from UH community colleges in specific fields of study;
- Enrollment growth in specific fields of study;
- Opportunities for increased enrollment, degree attainment and/or employment opportunities for Native Hawaiians and Pacific Islanders;
• Level of participation in program activities;
• Number of training and instructional curriculum to meet established goals;
• Number of extramural projects obtained through matching federal funds and private/public funding; and
• Number of position vacancies requiring degrees in specific fields of study.

The dynamics of our funding situation are ever changing and dependent upon the State economy as a whole. However, at this point in time, the budget picture appears to be stabilizing.