



Fiscal Year 2018-2019 Operating Budget

Introduction

In accordance with University of Hawai'i (UH) Board of Regents Policy 8.204, the UH Administration hereby submits its projected fiscal year 2018-19 (FY19) operating budget. The FY19 Budget reflects a forecast of anticipated major revenue components of the University organized by campus, including tuition and fees, legislative general fund appropriation, and other special or revolving funds. The budget is also organized to forecast major operational expenditures of salaries, utilities, institutional aid, and other operating expenditures.

The FY19 Budget has been constructed by unit management in adherence to guidelines and parameters directed by the Chief Financial Officer.

At the time of the writing of this document, actual revenues for FY18 were not yet finalized. As a result, estimates are provided for FY18 revenues, although expenditures for FY18 are the actual amounts.

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OVERVIEW

The FY19 Budget operating budget is forecasted to include \$1,078,090,602 in revenues against \$1,082,685,583 in expenditures aggregated across the UH system of campuses. After transfers are accounted for, UH as a system projects a net operating loss of \$28,075,115 for FY19. Where fiscal shortfalls are projected, existing reserve funds are anticipated to accommodate one-time investments. Projected ending balances for all funds total \$235,287,040, which remains well above the 16% Reserve Target of \$174.7 million.

FY19 revenues show a slight increase of \$19.9 million, or 1.9% as compared to estimated FY18 actual revenues. The largest contributor to UH's revenues, the State General Fund, is projected to increase by 3.4%. The only fund category projected to decline is Other Revolving Funds, which are projected to decrease by \$1.5 million, or 4.0%.

FY19 operating expenditures are projected to increase over actual FY18 expenditures by 7.2%. These increases are largely attributable to collective bargaining increases and planned expenditures for replacement or repair of aging equipment and facilities.

Although a net operating loss is projected for FY19, fund balances are more than sufficient to accommodate these losses in the short-term. Because these losses are primarily due to one-time expenditures and the slowing of enrollment decline, the likelihood of a structural deficit appears minimal at this time.

BUDGET HIGHLIGHTS BY CAMPUS

Mānoa

Mānoa is projecting the smallest percentage decline in enrollment since 2012 (at less than 1% for FY/AY19) and is predicting a small operating gain for TFSF. Several large one-time expenditures from Other Special Funds for much-needed and planned-for repair and replacement projects will create an operating loss. However, the fund balances are sufficient to accommodate these one-time expenditures.

Hilo

It is anticipated that coverage of volcanic activity will negatively impact enrollment, with Hilo projecting a 6.0% decline. This will create an operating loss in TFSF as well as reduced revenues for Other Special and Other Revolving Funds. However, Hilo has sufficient fund balances in all funds and is working on strengthening enrollment.

West O'ahu

No significant increase or decrease is projected for enrollment at UH-West O'ahu (UHWO). There is a small net operating loss, which is largely attributable to Other Revolving Funds. This minimal operating loss is attributable to an increase in planned student life activities on campus.

Community Colleges

No change in enrollment is projected for the Community Colleges. They are looking to invest a portion of their TFSF funds into the campuses, in a mix of overdue capital purchases or responsive deployment of resources. Although this creates a net operating loss for FY19, the fund balance is sufficient and these expenditures are not planned to be recurring.

Systemwide Administration (System)

Projected operating loss in Other Special Funds is a result of anticipated payments toward POST building recovery and operating expenses for Mānoa Innovation Center. However, ending balances are sufficient to accommodate this loss.

STRATEGIC DIRECTIONS

The four Strategic Directions¹ for 2015-2021 are incorporated throughout the budget through ongoing programs, one-time investments using fund reserves, and performance funding:

Hawai'i Graduation Initiative (HGI)

The goal of HGI is to increase the educational capital of the state by increasing the participation and completion of students, particularly Native Hawaiians, low-income students, and those from underserved regions and populations and preparing them for success in the workforce and their communities.

Hawai'i Innovation Initiative (HI2)

The goal of the Hawai'i Innovation Initiative is to create more high-quality jobs and diversify Hawai'i's economy. The University is moving forward on innovation initiatives by leading the development of a \$1 billion innovation, research, education, and training enterprise that is intended to address challenges and opportunities that will face Hawai'i and the world.

21st Century Facilities (21CF)

The goal of 21CF is to eliminate the University's deferred maintenance backlog and modernize facilities and campus environments to be safe, sustainable, and supportive of modern practices in teaching, learning, and research. Contemporary and modern facilities are important competitive factors for learning, research, recruitment, and enrollment.

High Performance Mission-Driven System (HPMS)

High Performance Mission-Driven System (HPMS) supports the institutional mission through cost-effective, transparent and accountable practices that ensure the University is a well-managed business enterprise into the future. Financial viability and sustainability are critical towards UH's ability to provide an accessible education experience that supports the institutional mission.

SYSTEMWIDE REVENUES

| Type of Fund | FY19 Projected | FY18 Actual (est.) | FY19 Proj. vs. FY18 Actual | %age |
|----------------------------|------------------------|------------------------|----------------------------|-------------|
| General Funds | \$501,894,097 | \$485,167,248 | \$16,726,849 | 3.4% |
| Tuition & Fees | \$342,732,318 | \$340,543,028 | \$2,189,290 | 0.6% |
| RTRF | \$52,043,846 | \$50,550,974 | \$1,492,872 | 3.0% |
| Other Special Funds | \$134,699,970 | \$134,654,666 | \$45,304 | 0.0% |
| Other Revolving Funds | \$37,498,584 | \$39,040,923 | (\$1,542,339) | -4.0% |
| Appropriated Federal Funds | \$9,221,787 | \$8,195,776 | \$1,026,011 | 12.5% |
| Total Revenues | \$1,078,090,602 | \$1,058,152,617 | \$19,937,985 | 1.9% |

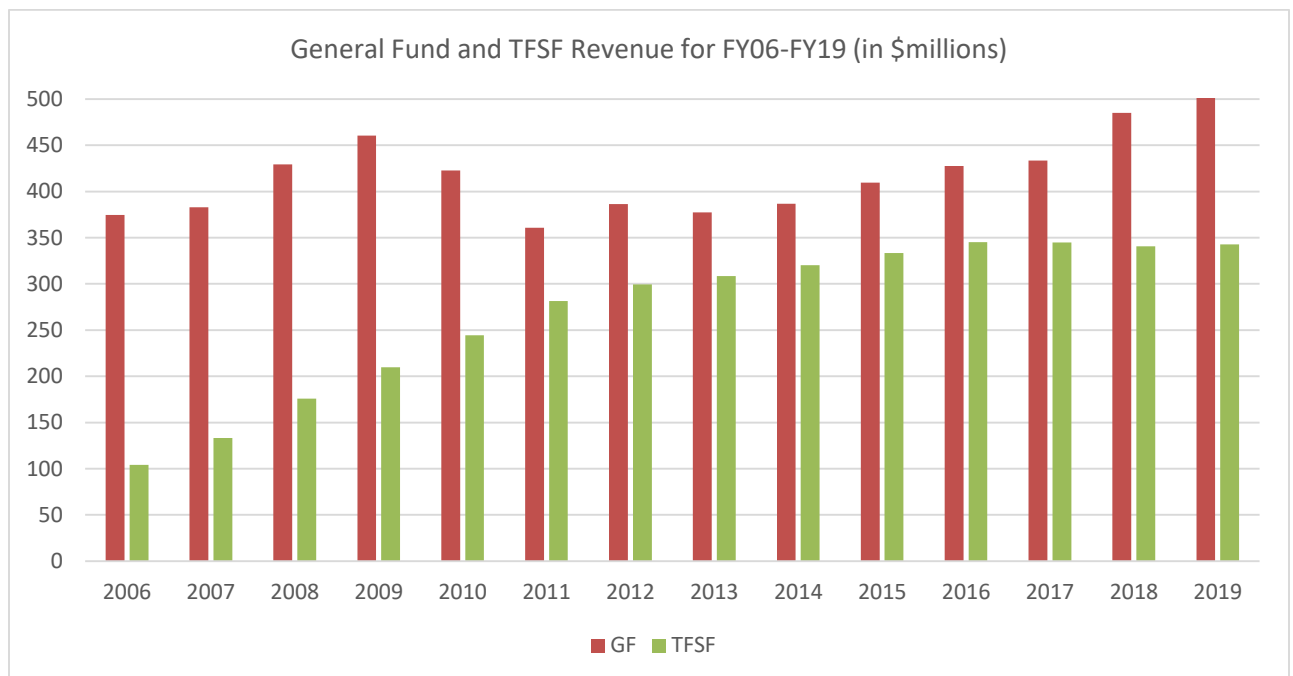
¹ <http://blog.hawaii.edu/strategicdirections/files/2015/01/StrategicDirectionsFINAL-013015.pdf>

| Type of Fund | FY18 Actual (est.) | FY18 Projected | FY18 Actual vs. FY18 Proj. | %age |
|----------------------------|------------------------|------------------------|----------------------------|-------------|
| General Funds | \$485,167,248 | \$471,841,230 | \$13,326,018 | 2.8% |
| Tuition & Fees | \$340,543,028 | \$342,399,419 | (\$1,856,391) | -0.5% |
| RTRF | \$50,550,974 | \$49,924,845 | \$626,129 | 1.3% |
| Other Special Funds | \$134,654,666 | \$131,025,681 | \$3,628,985 | 2.8% |
| Other Revolving Funds | \$39,040,923 | \$37,750,462 | \$1,290,461 | 3.4% |
| Appropriated Federal Funds | \$8,195,776 | \$9,648,191 | (\$1,452,415) | -15.1% |
| Total Revenues | \$1,058,152,617 | \$1,042,589,828 | \$15,562,789 | 1.5% |

In total, revenues are projected to increase by 1.9% from estimated FY18 collections to FY19. Other Revolving Funds are showing a slight decrease of \$1.5 million, or 4.0%, and are the only fund category to project a decline. As this fund category includes several funds across the campuses, the cause of this decline is not solely attributable to one factor but is a result of conservative estimation and/or enrollment decline.

Although General Funds show an increase of \$16.7 million, or 3.4%, it is important to note that these increases are primarily tied up in already negotiated collective bargaining increases or legislative priorities. Additionally, these projections account for a 5% contingency restriction imposed by the Governor.

The following chart shows historic revenues for FY06 through FY18 and projected revenues for FY19 for General Fund and TFSF:



SYSTEMWIDE EXPENDITURES

| Expenditure Category | FY19 Projected | FY18 Actual | FY19 Proj. vs. FY18 Actual | %age |
|---------------------------|------------------------|------------------------|----------------------------|--------------|
| Regular Employee Payroll | \$626,338,000 | \$602,142,565 | \$24,195,435 | 4.0% |
| Lecturer Payroll | \$36,521,083 | \$39,390,769 | (\$2,869,686) | -7.3% |
| Student Help Payroll | \$22,219,530 | \$20,988,656 | \$1,230,874 | 5.9% |
| Other Personnel | \$14,922,177 | \$8,372,871 | \$6,549,306 | 78.2% |
| <i>Subtotal Personnel</i> | <i>\$700,000,790</i> | <i>\$670,894,862</i> | <i>\$29,105,928</i> | <i>4.3%</i> |
| Utilities | \$66,020,863 | \$63,903,377 | \$2,117,486 | 3.3% |
| Scholarships, Tuition | \$62,804,585 | \$65,121,133 | (\$2,316,548) | -3.6% |
| Other Operating Expenses | \$253,859,345 | \$210,465,104 | \$43,394,241 | 20.6% |
| <i>Subtotal Other</i> | <i>\$382,684,793</i> | <i>\$339,489,614</i> | <i>\$43,195,179</i> | <i>12.7%</i> |
| Total Expenditures | \$1,082,685,583 | \$1,010,384,476 | \$72,301,107 | 7.2% |

| Expenditure Category | FY18 Actual | FY18 Projected | FY18 Actual vs. FY18 Projected | %age |
|---------------------------|------------------------|------------------------|--------------------------------|--------------|
| Regular Employee Payroll | \$602,142,565 | \$605,280,255 | (\$3,137,690) | -0.5% |
| Lecturer Payroll | \$39,390,769 | \$39,362,165 | \$28,604 | 0.1% |
| Student Help Payroll | \$20,988,656 | \$21,290,152 | (\$301,496) | -1.4% |
| Other Personnel | \$8,372,871 | \$14,049,815 | (\$5,676,944) | -67.8% |
| <i>Subtotal Personnel</i> | <i>\$670,894,862</i> | <i>\$679,982,387</i> | <i>(\$9,087,525)</i> | <i>-1.4%</i> |
| Utilities | \$63,903,377 | \$62,442,466 | \$1,460,911 | 2.3% |
| Scholarships, Tuition | \$65,121,133 | \$62,823,890 | \$2,297,243 | 3.5% |
| Other Operating Expenses | \$210,465,104 | \$243,143,616 | (\$32,678,512) | -15.5% |
| <i>Subtotal Other</i> | <i>\$339,489,614</i> | <i>\$368,409,972</i> | <i>(\$28,920,358)</i> | <i>-8.5%</i> |
| Total Expenditures | \$1,010,384,476 | \$1,048,392,359 | (\$38,007,883) | -3.8% |

Expenditures are projected to increase in FY19 by 7.2% compared to actual FY18 expenditures. Personnel increases are largely due to collective bargaining increases. The increases in Other Operating Expenses is largely attributable to one-time replacement and repair costs. Additionally, some expenditures planned for FY18 were delayed and will be expended in FY19. Finally, conservative budgeting will overestimate expenditures as evidenced by FY18 actual expenditures being \$38.0 million, or 3.8% lower than original projections.

SYSTEMWIDE NET OPERATING INCOME

| Net Operating Income | FY19 Projected |
|----------------------------|-----------------------|
| General Funds | \$0 |
| Tuition & Fees | (\$3,059,666) |
| RTRF | (\$4,273,005) |
| Other Special Funds | (\$19,293,761) |
| Other Revolving Funds | (\$1,604,795) |
| Appropriated Federal Funds | \$156,112 |
| Total NOI | (\$28,075,115) |

UH is projecting an operating loss in nearly all fund categories that totals to \$28.1 million. However, UH's total ending balance is \$235.3 million. After accounting for other reserve

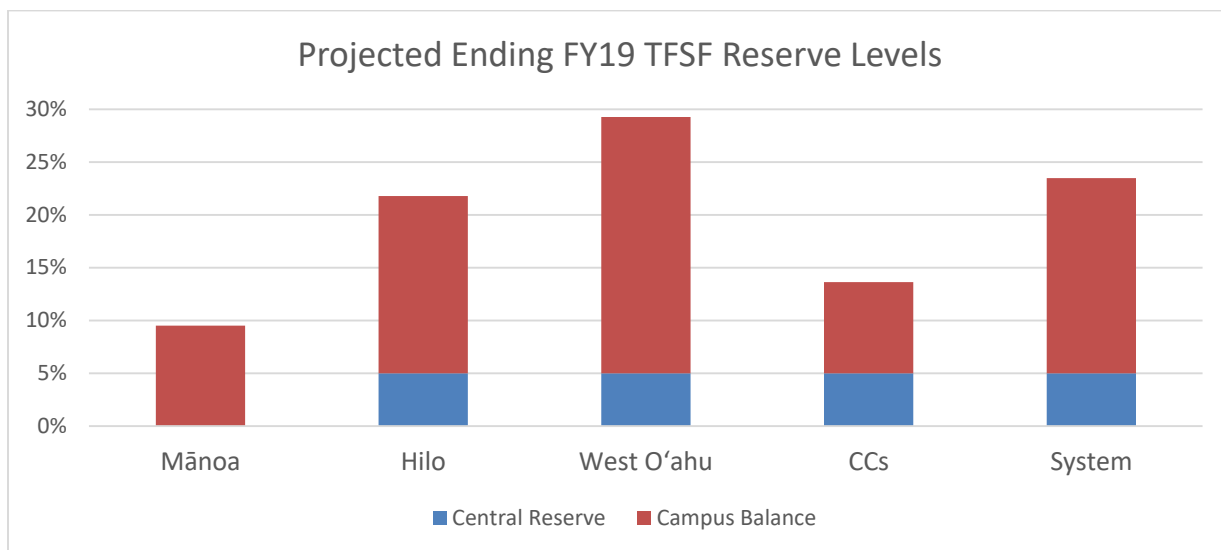
requirements including repair and replacement requirement, bond covenants, and other commitments, there is still a balance of \$137.3 million, which is still in excess of the 5% reserve requirement of \$54.6 million.

| Net Operating Income (All Funds Summary) | FY19 Projected |
|---|---------------------------|
| Net Operating Income | (\$28,075,115) |
| | |
| Beginning Balance | \$263,362,155 |
| Ending Balance | \$235,287,040 |
| | |
| Other Reserve Requirements (R&R, Bond, RTRF Commitments) | \$97,935,414 |
| Revised Ending Balance | \$137,351,626 |
| | |
| Reserve Requirement (5% Minimum) | \$54,582,529 |
| Balance Above Minimum Reserve After Adjustments | \$82,769,097 |

TFSF RESERVE LEVELS

Across all UH units, TFSF is projected to have an ending balance of \$110.1 million. This amount is above the minimum requirement of \$42.1 million and close to the target of \$134.8 million as directed by Executive Policy 8.210 and Regent Policy 8.203, respectively. However, the distribution of these reserve amounts is not equally attributable throughout the System nor as distributed across individual campuses. The following table shows TFSF balances at the end of FY19:

| Campus | FY19 Ending | Held at System |
|---------------|----------------------|-----------------------|
| Mānoa | \$ 44,776,766 | \$ - |
| Hilo | \$ 12,336,092 | \$ 3,444,664 |
| UHWO | \$ 7,719,088 | \$ 1,589,673 |
| CCs | \$ 18,167,774 | \$ 10,526,524 |
| System | \$ 9,061,351 | \$ 2,451,947 |
| Total | \$ 92,061,071 | \$ 18,012,808 |



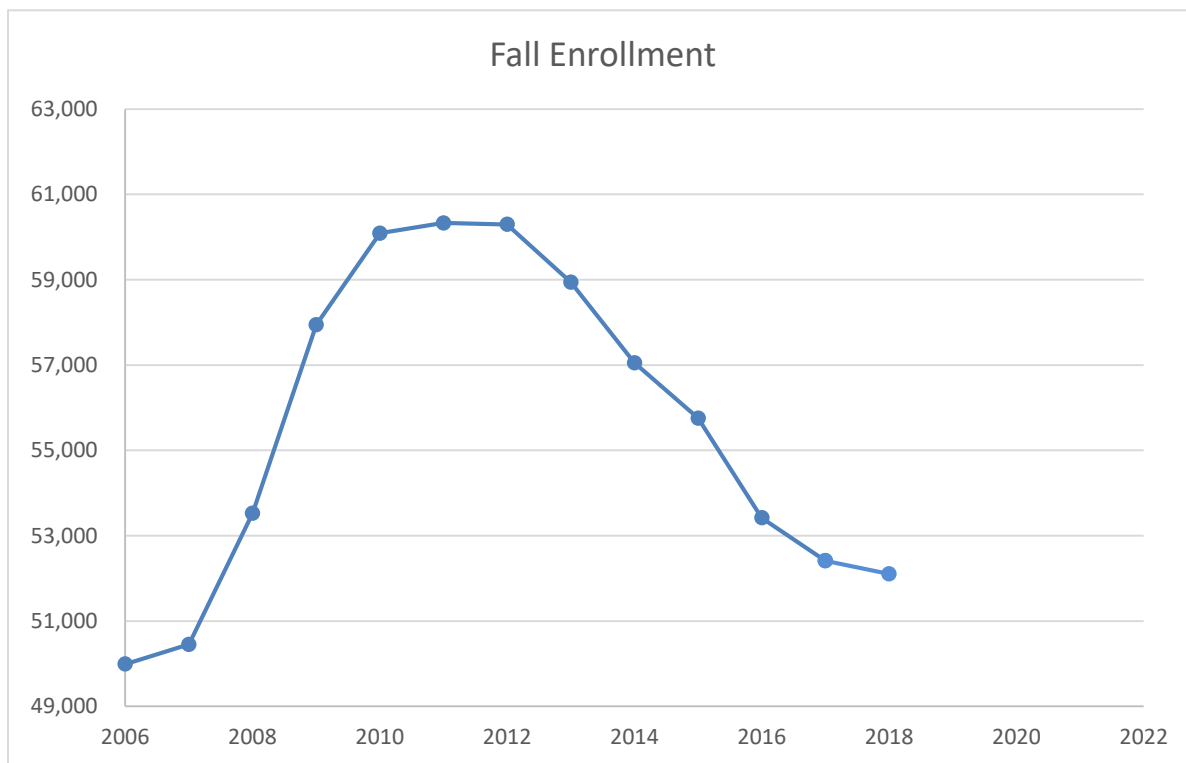
PERFORMANCE FUNDING

In determining the awards of the \$6.3 million appropriated for performance funding, initial projections show that only \$2.5 million will be earned by the campuses. For budgeting purposes, the awards in this document reflect 75% of those amounts, as actual determinations are made in October when summer graduations are accounted for. Where campuses failed to meet individual targets, that money remained with System and totals to \$3.8 million where it will be used to implement systemwide initiatives described below to benefit campuses in achieving future performance goals.

At the campus level, performance funding earned will be used primarily to advance performance on the UH metrics through activities intended to improve recruitment, retention and student success. Additional details regarding performance funding can be found within each unit's respective section.

SYSTEMWIDE ENROLLMENT

The University projects an overall decline in enrollment of less than 1% for FY19. This continues the downward trend of recent years, although it is showing signs of slowing. Escalating proactive enrollment management efforts should continue to slow, and are expected to reverse, the enrollment decline trend. While West O'ahu and the Community Colleges are projecting flat enrollment, Mānoa (-0.69%) and Hilo (-6.0%) are projecting declines.



UH is continuing to take steps to address enrollment management and additional information can be found in each campus' respective section, as each campus is responding in a manner that is consistent with their target demographics and overall mission. Because the situation is not attributable to a single factor, there is no "silver bullet." However, campuses are looking at an array of options: branding and marketing to local, national, and international students of all ages; additional counseling, mentoring, and guidance; outreach to Native Hawaiian and Pacific Islander populations; using technology and software to help guide and retain students; distance education; intercampus coordination to address transfer rates; and using data analytics and models to determine efficacy.

ECONOMIC OUTLOOK

In its Quarterly Statistical & Economic Report² (QSER) for the 2nd Quarter of 2018, the Department of Business, Economic Development and Tourism (DBEDT), noted that the State's economy is "expected to continue positive growth for 2018 and 2019." Real GDP is projected to grow by 1.9% in 2018 and real GDP growth for 2019 is forecast at 1.6%. Unemployment is projected to be 2.2% for 2018. Visitor days are forecast to increase 5.7%.

In Executive Memorandum No. 18-03, dated June 22, 2018, Governor Ige notes that "Hawaii's economic expansion is in its ninth year and it is expected to continue." However, noting "uncertainties due to possible trade wars and increased tensions in the Middle East" as well as the Council on Revenues' "concern regarding the end of the economy's expansionary cycle", the

² <http://dbedt.hawaii.gov/economic/qser/outlook-economy/>

Governor is continuing a 5% contingency restriction on general funded programs. For UH, this amount is \$5,216,105.

CONCLUSION

For the most part, revenues are projected to be higher in FY19 as compared to FY18. However, expenditures are also projected to be higher and the result is a net operating loss of \$28.1 million for FY19. However, those losses in the Other Special Funds and Other Revolving Funds categories are the result of planned one-time expenditures for repair and replacement. For TFSF, the operating losses are at campuses with sufficient fund balances to accommodate either a short-term enrollment drop due to unforeseen circumstances (Hilo) or overdue investments in classroom repairs and equipment (Community Colleges).

Because of the slowing in the rate of decline in enrollment and the fact that many of these expenditures are planned and non-recurring, the likelihood that there are structural flaws in UH's operations which might result in continual operating losses is minimal. In fact, despite FY19 projecting to be a \$28.1 million loss across all funds, FY18 is estimated to post a \$37.4 million gain.

University of Hawai'i at Mānoa

Introduction

The University of Hawai'i at Mānoa is the 'flagship' campus of the system, combining world-class research with graduate and undergraduate education. Mānoa houses the State's only medical school, law school, college of engineering and school of architecture. It provides distinctive professional degrees through schools in education, business, nursing, and social work. It also offers doctoral programs in major intellectual disciplines. As a land-, sea-, and space-grant university, Mānoa has unique responsibilities and opportunities to deliver applied research and education programs that are relevant to the pressing needs of our State and the nation.

Strategic planning over the past several years has provided the campus with a roadmap for budget strategies and priorities over the next five years. As detailed below, we have embarked on an implementation process that aligns our strategic investment of resources with the goal of ensuring the excellence and relevance of our educational, service, and research programs.

STRATEGIC INVESTMENTS

Building on the \$2 million reallocated as strategic seed support to eight different research, education, and outreach projects in FY18, Mānoa continues to focus on building excellence in key areas in which the university has strength and/or need by virtue of our location and our role as the State of Hawai'i's flagship university. This approach to our budgeting is aided in the FY19 budget process by the allocation of resources to the academic units based in part on student enrollments and in part on an assessment of each unit's excellence and relevance, as articulated in summary documents and metrics provided in the Spring of 2018. The strategic investment of resources will continue to be emphasized through the new centralized position control process implemented by the campus for the first time during the 2017 academic year. Given that nearly 2/3 of operating expenditures are for personnel, ensuring that new hires are aligned with campus strategies and priorities drives resources to those areas.

Strategic Research and Education Investments

Strategic investments in research and educational programs are intended to be revenue-generating over time, impactful to student learning, and responsive to State needs. Target areas for investment have been developed over the past two years, most recently via a campus-wide dialogue (and Town Hall style meetings) conducted in February and March 2018. In full alignment with UH's Strategic Directions, there is strong broad support for activities that capitalize on our location in the Asia Pacific region, our environment, and our diverse community. Hiring requests, new educational program starts, space requests, and investments in new facilities and equipment are all being considered with the aim of strengthening the university's capability and capacity in cross-cutting, multi-disciplinary areas including:

- Sustainability and Resilience
- Microbiome
- Data Sciences/Analytics
- Pacific and Asian Studies
- Energy
- Cybersecurity
- Astronomy
- Ocean-related studies

This articulation of high priority areas does not mean that we are ignoring the needs and opportunities associated with other areas of excellence and relevance at Mānoa. The FY19 budget reflects the commitment of the university to support vital programs in medicine and healthcare, business, agriculture, social sciences, humanities and the arts. Investments are also being made in units and programs across campus with the aim of strengthening the university's critical role as a Hawaiian Place of Learning.

Strategic Efficiency and Effectiveness Initiatives

We have implemented centralized position control, thereby providing significantly more institutional agility to implement the strategies outlined above and elevate UH Mānoa's standing as a premier global research university while also being responsive to the State's needs. Remarkably, this major change has been relatively well-received although conversations continue about implementation details.

One of Mānoa's absolute imperatives over the past several years has been stabilization of the operating budget, which has been a particular challenge during a period of declining enrollment and no real growth in appropriations. While still fragile, this has been largely achieved and as of FY19, Mānoa has implemented a new budget model. The model returns tuition revenues to teaching units based on SSH, majors and degrees. This is intended to incentivize academic program growth and new program development by returning a portion of tuition generated to the performing unit. The new allocation model will be more responsive to future enrollment shifts and will also encourage cross-unit teaching by allocating a portion of the tuition revenue to the instructor's locus of tenure rather than just the program host unit. As with any major change, the initial implementation during FY19 represents the first step in what will be a multi-year effort to realigning resource allocation of a highly decentralized complex institution that serves many roles within the state and beyond.

Enrollment growth through a combination of increased student recruitment and increased student retention has been a top priority for the university over the past year, with virtually every administrative and academic unit enlisted in various initiatives to reverse a prolonged, multi-year decline in campus enrollments at the undergraduate and graduate levels. The FY19 budget continues to support these efforts, which are currently guided by a strategic enrollment management committee.

We have continued to work with the academic deans to drive toward faculty workloads that are responsible, consistent, transparent, and aligned with collective bargaining agreement requirements and BOR policy. As reported in FY18, we have already deployed guidelines and appointment templates for faculty that specify minimum expectations for involvement in both education and research/scholarly work. We have also increased the expectations for externally-derived salary support for research faculty.

The support and expansion of the Mānoa research enterprise continues to be a strategic priority for the campus. Building on internal and external reviews of our research activities conducted during FY18, we will focus our attention during FY19 on three critical areas:

- 1) strengthening the grants development support for our faculty;
- 2) expanding the participation of undergraduate students in our world-class research activities; and
- 3) improving the quality and accessibility of our major research facilities.

FY18 results have already shown the beginning of our recovery from multi-year campus declines in extramural funding and strategically hired new faculty are expected to become even more productive over the next several years.

Strategic Enrollment Management

Tuition now represents nearly half of the campus operating budget. As a result, the consistent declines in overall enrollment for each of the past six years presents a significant financial challenge. However, as a result of concerted campuswide efforts, that decline slowed last year for the first time since 2012. Consistent with a conservative approach to budgeting, this year we are projecting an enrollment decline but at what would be the smallest percentage enrollment since 2012, an estimated rate of -0.69%. This is the basis of the conservative projection for tuition revenue on which this operating budget projection is based and will be updated when we know the Fall 2018 numbers with greater certainty.

The enrollment decline has been due to a multitude of factors that include but are not limited to record low unemployment rates and larger numbers of students graduating as we have steadily improved 4-year and 5-year graduation rates. Although enrollment, a measure of activity, has declined, our graduation rates, measures of productivity, have risen sharply in recent years and continue to improve. For 2017, the latest year for which official numbers are available, our 4-year graduation rate was 34%, a dramatic improvement from 17.5% in 2009. Our 6-year graduation rate in 2017 was 59.9%, also an improvement from 48% in 2009.

That said, the campus must increase enrollment in order to meet the needs of the state and must continue to improve retention and graduation rates. While college enrollment is down across the nation, it is clear that Mānoa can do much more to increase enrollment, particularly since Hawai'i is one of the states that is not experiencing a significant trend of declining high school graduation numbers. Strategic enrollment management is a top priority for the entire campus with two explicit targets: Short-term: Stop the enrollment decline; and longer term: Return to an enrollment of 20,000 by 2020.

Through the Mānoa Strategic Plan, the campus had created a Strategic Planning for Admission and Recruitment Committee (SPARC) and a Student Engagement, Retention and Graduation (SERG) Committee. These were merged in 2017 to establish an integrated campus Strategic Enrollment Management Committee (SEMC) to holistically address Mānoa's immediate enrollment challenges and opportunities. The SEMC meets bi-weekly and focuses on immediate implementation of new and innovative initiatives that will improve Mānoa's overall enrollment. This has also brought together parties that have historically functioned in silos, each addressing only part of the enrollment management imperative. It has also engaged faculty and administrators who have traditionally not been involved in enrollment management. Longer term, the reorganization of the campus administration will provide a unified focus on enrollment management.

In 2018, Mānoa contracted for assistance with a highly respected third party, EAB (formally Royall and Company). EAB has expertise in helping develop more targeted recruitment and will help the campus deploy improved use of analytics, branding and marketing. We expect to see results from this engagement beginning in 2019.

In addition, it is clear that non-resident tuition rates, particularly at the graduate level, have become a barrier to enrollment. Mānoa is working with the Office of the Vice President of Academic Planning and Policy (OVPAPP) to ensure this input is considered in the establishment of the next tuition schedule.

There is no immediate silver bullet to addressing what had been 5 years of accelerating decline in enrollment, but the following are examples of some additional actions underway:

- With a focus on more strategically addressing the barrier of affordability and challenges to enrollment, we have begun to centralize our tuition scholarship funds and the awarding and processing of the scholarships. This is replacing the historic distributed approach in which literally scores of offices have been awarding pockets of financial aid in isolation based on their own priorities and interests.
- In the areas of branding and marketing, we are securing media/advertising opportunities at key channels and reviewing all marketing materials to ensure consistency in messaging and design. The focus of our digital/online strategies includes continuing to update our admissions pages and University webpages to the consistent design, connecting with targeted constituencies through a parent portal and a high school counselor portal, improved use of videos and imagery, and more extensive use of social media.
- This summer Mānoa is also focusing on reducing the “melt” rate, which is the number of students who indicate in the spring by paying an enrollment deposit that they would be attending, but who do not actually enroll in the fall. In order to first stabilize the melt rate and then begin to lower it, Mānoa is maintaining communication with students and their parents over the summer to help remove enrollment barriers and to keep students engaged throughout the summer.
- In the area of system infrastructure, we are working to work with ITS to develop crosswalks/scripts to migrate data between third-party databases and Banner. This includes not just EAB but the Common Application and the Coalition Application and our client-relationship management software (CRM).
- New Student Orientation is free for the first time this year. This year we will also implement an on-line welcome center and an online orientation program.
- A key focus for Mānoa is transfer student recruitment, where performance has also declined. This is a systemwide problem and Mānoa will be working with all UH campuses to identify and remove barriers to transferring within the System. This will include surveying prospective and admitted transfer students, developing a transfer student website, and hosting Transfer Days specifically for UH Community College students.
- We will continue to target recruitment efforts with our California and China recruiters to focus on our California Western Undergraduate Exchange (WUE) and international students, respectively. At the graduate level, we are continuing to build international partnerships, developing 3+2 pathways and internal 4+1 pathways for our UHM students to earn master’s degrees. We are also targeting our military installations for military-connected students.
- We have developed the marketing for the message “Make Mānoa Yours” to local students and are increasing messaging that as a Mānoa student they can still travel to the mainland or

abroad through our National Student Exchange, Study Abroad and international exchange programs.

- We will continue to focus on building our local school counselor partnership via free professional development opportunities for school counselors over the summer and are hosting more counselor breakfasts for focus group facilitations.
- New efforts to improve campus-wide retention include: fully deploying the Guided Pathways System (GPS), including providing information that drives priority scheduling of the courses students need to graduate; expansion of First Year programming; broader implementation of our early alert system; revisiting the distributed approach to Advising across the campus, and using predictive analytics for targeted intervention.
- Finally, to the extent the condition of campus facilities are a barrier to enrollment, the infusion beginning in FY19 of additional resources into facilities from the tuition rate increase will allow us to make the campus more attractive and inviting to prospective students and parents.

BUDGET SUMMARY

Overview

For all funds, UH Mānoa shows projected revenues of \$643,445,702 with projected expenditures of \$647,958,767. Discussion of the projected net operating loss follows presentation of the summary tables below. Tuition and Fee Special Fund is covered in a separate section following the discussion of all funds.

ALL FUNDS

Revenues

| Type of Fund | FY19 Projected | FY18 Actual (est.) | FY19 Proj. vs. FY18 Actual | %age |
|----------------------------|----------------------|----------------------|----------------------------|-------------|
| General Funds | \$246,964,205 | \$243,536,634 | \$3,427,571 | 1.4% |
| Tuition & Fees | \$225,628,719 | \$222,603,197 | \$3,025,522 | 1.4% |
| RTRF | \$31,188,008 | \$29,904,940 | \$1,283,068 | 4.3% |
| Other Special Funds | \$102,550,866 | \$102,606,561 | (\$55,695) | -0.1% |
| Other Revolving Funds | \$31,712,153 | \$33,053,424 | (\$1,341,271) | -4.1% |
| Appropriated Federal Funds | \$5,401,751 | \$4,913,144 | \$488,607 | 9.9% |
| Total Revenues | \$643,445,702 | \$636,617,900 | \$6,827,802 | 1.1% |

| Type of Fund | FY18 Actual (est.) | FY18 Projected | FY18 Actual vs. FY18 Proj. | %age |
|----------------------------|----------------------|----------------------|----------------------------|-------------|
| General Funds | \$243,536,634 | \$229,455,474 | \$14,081,160 | 6.1% |
| Tuition & Fees | \$222,603,197 | \$220,800,567 | \$1,802,630 | 0.8% |
| RTRF | \$29,904,940 | \$29,454,427 | \$450,513 | 1.5% |
| Other Special Funds | \$102,606,561 | \$101,709,925 | \$896,636 | 0.9% |
| Other Revolving Funds | \$33,053,424 | \$29,632,103 | \$3,421,321 | 11.5% |
| Appropriated Federal Funds | \$4,913,144 | \$5,401,761 | (\$488,617) | -9.0% |
| Total Revenues | \$636,617,900 | \$616,454,257 | \$20,163,643 | 3.3% |

When comparing the projected FY19 budget against FY18 actuals, revenue is expected to increase by \$6.8 million. This is attributed to slight increases in General Funds, Tuition Revenue and RTRF.

- General funds are expected to be higher than actual for FY18 due to collective bargaining increases and change in appropriation of Athletics funding from Systemwide (UOH-900) to Mānoa (UOH-100).
- Tuition revenue is projected to be higher due to a 2% tuition rate increase in most tuition rate categories. This is moderated by the projection of a modest decline in enrollment.
- RTRF revenue increased slightly as a result of increased prior year extramural expenditures.
- Other revolving funds are being conservatively projected in FY19 in comparison to FY18's estimated actuals.

Expenditures

| Expenditures | FY19 Projected | FY18 Actual | FY19 Proj. vs. FY18 Actual | %age |
|---------------------------|----------------------|----------------------|----------------------------|--------------|
| Regular Employee Payroll | \$372,626,772 | \$359,478,497 | \$13,148,275 | 3.7% |
| Lecturer Payroll | \$10,059,242 | \$10,894,927 | (\$835,685) | -7.7% |
| Student Help Payroll | \$12,986,759 | \$11,536,190 | \$1,450,569 | 12.6% |
| Other Personnel | \$9,753,534 | \$2,931,056 | \$6,822,478 | 232.8% |
| Subtotal Personnel | \$405,426,307 | \$384,840,670 | \$20,585,637 | 5.3% |
| Utilities | \$47,162,306 | \$46,674,918 | \$487,388 | 1.0% |
| Scholarships, Tuition | \$39,888,355 | \$43,824,467 | (\$3,936,112) | -9.0% |
| Other Operating Expenses | \$155,481,799 | \$124,030,877 | \$31,450,922 | 25.4% |
| Subtotal Other | \$242,532,460 | \$214,530,262 | \$28,002,198 | 13.1% |
| Total Expenditures | \$647,958,767 | \$599,370,932 | \$48,587,835 | 8.1% |

| Expenditures | FY18 Actual | FY18 Projected | FY18 Actual vs. FY18 Proj. | %age |
|---------------------------|----------------------|----------------------|----------------------------|--------------|
| Regular Employee Payroll | \$359,478,497 | \$362,161,928 | (\$2,683,431) | -0.7% |
| Lecturer Payroll | \$10,894,927 | \$9,300,603 | \$1,594,324 | 17.1% |
| Student Help Payroll | \$11,536,190 | \$11,889,773 | (\$353,583) | -3.0% |
| Other Personnel | \$2,931,056 | \$8,476,513 | (\$5,545,457) | -65.4% |
| Subtotal Personnel | \$384,840,670 | \$391,828,817 | (\$6,988,147) | -1.8% |
| Utilities | \$46,674,918 | \$43,643,335 | \$3,031,583 | 6.9% |
| Scholarships, Tuition | \$43,824,467 | \$41,036,933 | \$2,787,534 | 6.8% |
| Other Operating Expenses | \$124,030,877 | \$145,857,103 | (\$21,826,226) | -15.0% |
| Subtotal Other | \$214,530,262 | \$230,537,371 | (\$16,007,109) | -6.9% |
| Total Expenditures | \$599,370,932 | \$622,366,188 | (\$22,995,256) | -3.7% |

In comparison to FY18 actual expenditures, FY19 expenditures are projected to increase by 8.1% or \$48,587,835. This increase is largely attributable to increases from Other Special Funds, although all fund categories show increases.

| Expenditures | FY19 Projected | FY18 Actual | FY19 Proj. vs. FY18 Actual | %age |
|----------------------------|----------------------|----------------------|----------------------------|-------------|
| General Funds | \$247,726,593 | \$243,536,634 | \$4,189,959 | 1.7% |
| Tuition & Fees | \$172,027,877 | \$163,639,788 | \$8,388,089 | 5.1% |
| RTRF | \$33,187,764 | \$26,790,839 | \$6,396,925 | 23.9% |
| Other Special Funds | \$157,401,789 | \$133,239,587 | \$24,162,202 | 18.1% |
| Other Revolving Funds | \$32,369,105 | \$27,467,473 | \$4,901,632 | 17.8% |
| Appropriated Federal Funds | \$5,245,639 | \$4,696,611 | \$549,028 | 11.7% |
| Total Expenditures | \$647,958,767 | \$599,370,932 | \$48,587,835 | 8.1% |

| Expenditures | FY18 Actual | FY18 Projected | FY18 Actual vs. FY18 Proj. | %age |
|----------------------------|----------------------|----------------------|----------------------------|--------------|
| General Funds | \$243,536,634 | \$234,337,820 | \$9,198,814 | 3.9% |
| Tuition & Fees | \$163,639,788 | \$171,251,043 | (\$7,611,255) | -4.4% |
| RTRF | \$26,790,839 | \$35,872,893 | (\$9,082,054) | -25.3% |
| Other Special Funds | \$133,239,587 | \$148,355,291 | (\$15,115,704) | -10.2% |
| Other Revolving Funds | \$27,467,473 | \$27,303,502 | \$163,971 | 0.6% |
| Appropriated Federal Funds | \$4,696,611 | \$5,245,639 | (\$549,028) | -10.5% |
| Total Expenditures | \$599,370,932 | \$622,366,188 | (\$22,995,256) | -3.7% |

RTRF expenditures are conservatively projected. Units typically fully allocate out RTRF for expenses such as startup packages and other research initiatives. The expenditures generally take place over a multi-year period, but because they are fully allocated and the timing of the expenditures is difficult to determine, all allocated RTRF funds are projected to be spent in the coming year.

Expenditures from Other Special Funds at Mānoa are projected to increase in comparison to FY18. Three units are planning to have one time repair and replacement costs that contribute to the increased level of expenditures. These represent planned expenditures from reserves for which the units have “saved” over a multi-year period.

Campus Services

Campus Services has approximately \$4.2 million in planned repair and replacement expenditures in FY19. Faculty Housing (Waahila and Kauiohaloa Nui) have unit refurbishment projects totaling about \$1.1 million. Parking has fire alarm, railing and other repairs totaling about \$3.125 million.

Office of Student Affairs

Student Housing under the Office of Student Affairs has planned repair and replacement expenditures in FY2019 totaling about \$12.1 million. The majority of the renovation costs are for Hale Noelani totaling about \$10 million. The remainder are for boiler replacements for Gateway, Hale Aloha, Hale Ilima and Hale Lehua; AC replacement for Hale Aloha; and water heater and kitchen repairs in Hale Wainani.

Student Life and Development

Student Life and Development has several one-time planned repair and replacement expenditures in FY2019 totaling about \$12.7 million. Planned repairs and renovations are scheduled for the Campus Center complex, including HVAC upgrades, modernization, flooring and efficiency upgrades.

Other Revolving expenditures are expected to be higher in FY19 than actuals in FY18. The majority of the increase in projected expenditure is in units under the Office of Student Affairs. University Health Services is projecting clinic renovation costs and CB increases contributing to an increase of \$1.3 million from FY18. Division Food Service is projecting replacement and repairs of equipment totaling about \$1.3 million. UPASS is expected to have an increase of expenditures due to Outreach students taking classes that are not assessed the mandatory fee amounting to \$300K.

Net Operating Gain (Loss)

| Type of Fund | FY19 Budget | FY18 Actual (est.) | FY19 Budget vs. FY18 Actual | %age |
|----------------------------|-----------------------|---------------------|-----------------------------|----------------|
| General Funds | \$0 | \$1 | (\$1) | -100.0% |
| Tuition & Fees | \$2,302,169 | \$12,186,654 | (\$9,884,485) | -81.1% |
| RTRF | (\$4,011,061) | \$1,271,260 | (\$5,282,321) | -415.5% |
| Other Special Funds | (\$17,947,704) | \$6,127,541 | (\$24,075,245) | -392.9% |
| Other Revolving Funds | (\$885,011) | \$5,278,733 | (\$6,163,744) | -116.8% |
| Appropriated Federal Funds | \$156,112 | \$216,533 | (\$60,421) | -27.9% |
| Total NOI | (\$20,385,495) | \$25,080,722 | (\$45,466,217) | -181.3% |

| Type of Fund | FY18 Actual (est.) | FY18 Projected | FY18 Actual vs. FY18 Projected | %age |
|----------------------------|---------------------|----------------------|--------------------------------|----------------|
| General Funds | \$1 | \$0 | \$1 | n/a |
| Tuition & Fees | \$12,186,654 | \$1,454,545 | \$10,732,109 | 737.8% |
| RTRF | \$1,271,260 | (\$5,817,965) | \$7,089,225 | -121.9% |
| Other Special Funds | \$6,127,541 | (\$7,678,290) | \$13,805,831 | -179.8% |
| Other Revolving Funds | \$5,278,733 | \$2,677,601 | \$2,601,132 | 97.1% |
| Appropriated Federal Funds | \$216,533 | \$156,122 | \$60,411 | 38.7% |
| Total NOI | \$25,080,722 | (\$9,207,987) | \$34,288,709 | -372.4% |

Net Operating is the difference between Revenue and the combined amount of Expenditures and Net Transfers (out).

RTRF shows a Net Operating Loss of \$4.0 million for FY19 but maintains a healthy balance. Many units are projecting to maintain expenditure levels in FY19, consistent with their operating balances. These expenditures are necessary to fulfill commitments to faculty for start-up packages, cost sharing for extramural awards, equipment repair, faculty travel costs, and pilot projects. Such expenditures are essential as we work to restore and increase levels of extramural productivity.

Other Special Funds show a net operating loss of \$17.9 million for FY19, however overall Other Special Funds continue to maintain a healthy reserve. Although some funds are projecting positive net operating balances, these are offset by others with one time expenditures or other circumstances. This is attributable primarily to five funds: Athletics, Cancer Center, Campus Services, Office of Student Affairs and Student Life and Development.

Athletics

As regularly reported upon, Athletics continues to show a structural operating deficit each year. Conservative current year projections show an operating deficit of \$4.3 million which is an increase of \$1.3 million compared to FY18. This increase is attributed to \$596K in lost revenue from game guarantees and scholarship support and \$765K in increased expenditures of travel subsidies, football guarantees, and increased fringe benefit costs imposed by the state, which continue to challenge efforts to balance the budget.

The Athletics Director has been charged to restore the program to at least breakeven annual operations by FY20. The Athletics Director is looking at a variety of options to increase revenues and decrease expenditures. These include achieving additional efficiencies within the Athletics Department, and a number of revenue enhancement measures including the new apparel contract, a pending new multi-media contract, an improved retailing strategy, increased philanthropy, and potentially scheduling an additional football game each year.

Cancer Center

The Cancer Center Special Fund shows a positive balance, but the Center projects an operating deficit for FY19. In addition to the multi-year decline in cigarette tax revenues pledged to the Center by the State, in FY19 we have not budgeted the earmarked return of more than \$2M of executive restrictions by the Governor to support Cancer Center operations. For FY19, the Center is projected deficit is \$2.7 million, reduced from as much as \$5.6 million in previous years. Approximately \$1M of the planned deficit represents non-recurring investments in research startups.

Campus Services, Office of Student Affairs, Student Life and Development

As mentioned previously in the expenditure section, these three funds have one time repair and replacement costs that are funded by existing balances and thus reduce net operating income.

Other revolving funds are projected to have a net operating loss due to conservatively projected revenues in comparison to FY18's estimated actuals and higher than expected expenditures in Student Life and Development. Although the expenditures for Division Food Service has increased to account for much needed repairs of equipment, enrollment is anticipated to drop by approximately 2% and Food Service is also projecting a decline in revenue.

Net Operating Gain (Loss)

| Net Operating Income (All Funds Summary) | FY19 Budget |
|--|----------------------|
| Net Operating Income | (\$20,385,495) |
| Beginning Balance | \$154,505,829 |
| Ending Balance | \$134,120,334 |
| Reserve Requirement (5% Minimum) | \$32,967,397 |
| Balance Above the Minimum Reserve | \$101,152,937 |
| Ending Balance | \$134,120,334 |
| Other Reserve Requirements (R&R, Bond, RTRF Commitments) | \$77,160,625 |
| Ending Balance Less Other Reserve Requirements | \$56,959,709 |
| Reserve Requirement (5% Minimum) | \$32,967,397 |
| Balance Above Minimum Reserve After Adjustments | \$23,992,312 |

Looking at the Net Operating Balance across all funds, after the projected net operating loss of \$20.4 million Mānoa is projected to have an ending balance of \$134.1 million. Much of this balance is already committed in the form of bond covenant requirements, repair and replacement reserve requirements (\$38.0 million), RTRF commitments (\$16.8 million), and unallocated/unearned Outreach tuition funds (\$22.4 million). The total of those adjustments is projected to be \$77.2 million in FY18. This revises the projected ending balance to be \$56.96 million, which remains above the 5% minimum reserve although well short of the 16% target reserve level of \$105.6 million.

TUITION AND FEES SPECIAL FUND

Tuition and Fees Special Fund (TFSF) is projected to have revenues of \$225,628,719, expenditures of \$172,027,877 and net transfers of \$51,298,673. This results in a projected net operating gain of \$2,302,169.

Revenues

| FY19 Projected | FY18 Actual (est.) | FY19 Proj. vs. FY18 Actual | %age | FY18 Actual (est.) | FY18 Projected | FY18 Actual vs. FY18 Proj. | %age |
|---------------------------|-------------------------------|---|-------------|-------------------------------|---------------------------|---|-------------|
| \$225,628,719 | \$222,603,197 | \$3,025,522 | 1.4% | \$222,603,197 | \$220,800,567 | \$1,802,630 | 0.8% |

FY19 tuition is projected to be \$3.0 million more than what was estimated in FY2018 due to a 2% tuition rate increase in most tuition rate categories, in conjunction with a continuing decline in enrollment. The revenue projection for FY19 is projected to be slightly higher for regular term tuition and Outreach summer and credit programs. Regardless of any decline in enrollment, the revenue associated with the approximately 2% increase in the tuition rate will be dedicated to improvements in campus facilities as committed when the current tuition schedule was adopted.

Expenditures

The FY19 expenditures are projected to increase by about 5% in comparison to FY18 actuals. Increased collective bargaining and fringe costs attribute to the increase in personnel expenditures. Fringe benefits increased from a composite rate of 51.92% in FY18 to 59.07% in FY19. Utilities are projected to increase based on increasing fuel costs.

| Expenditure Category | FY19 Budget | FY18 Actual | FY19 Budget vs. FY18 Actual | %age |
|---------------------------|----------------------|----------------------|-----------------------------|-------------|
| Regular Employee Payroll | \$75,124,349 | \$70,139,507 | \$4,984,842 | 7.1% |
| Lecturer Payroll | \$9,484,856 | \$10,311,931 | (\$827,075) | -8.0% |
| Student Help Payroll | \$6,282,460 | \$5,159,067 | \$1,123,393 | 21.8% |
| Other Personnel | \$2,739,578 | \$1,364,619 | \$1,374,959 | 100.8% |
| <i>Subtotal Personnel</i> | <i>\$93,631,243</i> | <i>\$86,975,124</i> | <i>\$6,656,119</i> | <i>7.7%</i> |
| Utilities | \$31,698,122 | \$29,288,979 | \$2,409,143 | 8.2% |
| Scholarships, Tuition | \$795,610 | \$1,499,109 | (\$703,499) | -46.9% |
| Other Operating Expenses | \$45,902,902 | \$45,876,577 | \$26,325 | 0.1% |
| <i>Subtotal Other</i> | <i>\$78,396,634</i> | <i>\$76,664,665</i> | <i>\$1,731,969</i> | <i>2.3%</i> |
| Total Expenditures | \$172,027,877 | \$163,639,789 | \$8,388,088 | 5.1% |

| Expenditure Category | FY18 Actual | FY18 Projected | FY18 Actual vs. FY18 Projected | %age |
|---------------------------|----------------------|----------------------|--------------------------------|---------------|
| Regular Employee Payroll | \$70,139,507 | \$80,462,995 | (\$10,323,488) | -12.8% |
| Lecturer Payroll | \$10,311,931 | \$9,043,623 | \$1,268,308 | 14.0% |
| Student Help Payroll | \$5,159,067 | \$5,074,789 | \$84,278 | 1.7% |
| Other Personnel | \$1,364,619 | \$2,796,884 | (\$1,432,265) | -51.2% |
| <i>Subtotal Personnel</i> | <i>\$86,975,124</i> | <i>\$97,378,291</i> | <i>(\$10,403,167)</i> | <i>-10.7%</i> |
| Utilities | \$29,288,979 | \$30,363,662 | (\$1,074,683) | -3.5% |
| Scholarships, Tuition | \$1,499,109 | \$842,320 | \$656,789 | 78.0% |
| Other Operating Expenses | \$45,876,577 | \$42,666,770 | \$3,209,807 | 7.5% |
| <i>Subtotal Other</i> | <i>\$76,664,665</i> | <i>\$73,872,752</i> | <i>\$2,791,913</i> | <i>3.8%</i> |
| Total Expenditures | \$163,639,789 | \$171,251,043 | (\$7,611,254) | -4.4% |

Net Operating Gain (Loss)

| Net Operating Income (All Funds Summary) | FY19 Budget |
|--|----------------------|
| Net Operating Income | \$2,302,169 |
| | |
| Beginning Balance | \$42,474,597 |
| Ending Balance | \$44,776,766 |
| | |
| Reserve Requirement (5% Minimum) | \$23,552,657 |
| Balance Above the Minimum Reserve | \$21,224,109 |
| | |
| Ending Balance | \$44,776,766 |
| Other Reserve Requirements (Outreach Return) | \$22,380,452 |
| Ending Balance Less Other Reserve Requirements | \$22,396,314 |
| | |
| Reserve Requirement (5% Minimum) | \$23,552,657 |
| Balance Above Minimum Reserve After Adjustments | (\$1,156,343) |

Net operating income for TFSF for FY19 is projected to be positive by approximately \$2.3 million, which places the ending balance above the 5% minimum reserve requirement outlined in Executive Policy.

Since the Outreach Summer and Credit program balances have not either been earned yet or proceeds were not yet distributed, this amount is used to calculate an adjusted ending balance. This adjusted ending balance is slightly below the required 5% minimum reserve requirement. Because units are reducing the level of expenditures and fewer units have cost overruns, the estimated adjusted ending balance has been increasing over the years while compensating for the effects of lower revenue due to declining enrollment.

University of Hawai'i at Hilo

Introduction

UH Hilo is a comprehensive, regional university serving 3,539 students on a 115-acre main campus. The primary focus of the campus is to provide high quality baccalaureate and select postgraduate education. In carrying out this mission, UH Hilo offers 36 undergraduate degrees, 7 graduate degrees, 2 doctoral degrees, and 2 professional degrees that take advantage of the unique physical and social characteristics of the island, attracting students who are qualified for baccalaureate entry and seek opportunities for highly engaging and experiential learning. This includes first-generation and non-traditional students, some of whom attend part-time.

While a primary target for UH Hilo is residents of Hawai'i Island, its quality programs are attractive to prospective students from other islands, the Pacific, the mainland U.S. and other countries. University-bound students from O'ahu in particular may select UH Hilo not only for its distinctive undergraduate programs but also for its rural setting, affordability, intimate character, or to leave home without leaving the State.

Through redeployment of resources, UH Hilo's budget planning for FY19 reflects strategic enrollment management priorities of recruitment, retention, and co-curricular program development with focus on target populations. Our budget planning also reflects longer term priorities for energy efficiency and modernized learning spaces.

The volcanic eruption on Hawai'i Island has created a unique opportunity for students and researchers to observe and study geology in action, in real time, and not available anywhere else in the world. At the same time, some students and their families are concerned about the health and safety of being on the island and in the State. UH Hilo is anticipating an adverse impact to enrollment as a result of dramatic video footage shown daily from Hawai'i Island.

ALL FUNDS

Revenues

| Type of Fund | FY19 Projected | FY18 Actual (est.) | FY19 Proj. vs. FY18 Actual | %age |
|----------------------------|---------------------|-----------------------|-------------------------------|--------------|
| General Funds | \$37,573,792 | \$36,283,617 | \$1,290,175 | 3.6% |
| Tuition & Fees | \$34,485,668 | \$35,355,130 | (\$869,462) | -2.5% |
| RTRF | \$1,920,380 | \$2,883,892 | (\$963,512) | -33.4% |
| Other Special Funds | \$8,176,406 | \$8,313,892 | (\$137,486) | -1.7% |
| Other Revolving Funds | \$2,093,228 | \$2,160,767 | (\$67,539) | -3.1% |
| Appropriated Federal Funds | \$300,509 | \$282,054 | \$18,455 | 6.5% |
| Total Revenues | \$84,549,983 | \$85,279,352 | (\$729,369) | -0.9% |

| Type of Fund | FY18 Actual (est.) | FY18 Projected | FY18 Actual vs. FY18 Proj. | %age |
|----------------------------|-----------------------|---------------------|-------------------------------|-------------|
| General Funds | \$36,283,617 | \$34,575,075 | \$1,708,542 | 4.9% |
| Tuition & Fees | \$35,355,130 | \$36,632,748 | (\$1,277,618) | -3.5% |
| RTRF | \$2,883,892 | \$3,438,896 | (\$555,004) | -16.1% |
| Other Special Funds | \$8,313,892 | \$7,688,554 | \$625,338 | 8.1% |
| Other Revolving Funds | \$2,160,767 | \$2,459,022 | (\$298,255) | -12.1% |
| Appropriated Federal Funds | \$282,054 | \$291,557 | (\$9,503) | -3.3% |
| Total Revenues | \$85,279,352 | \$85,085,852 | \$193,500 | 0.2% |

Across all funds, revenues are projected to decrease by 0.9% when compared to actual FY18 collections. Despite a 1.0% increase in tuition rates, Tuition and Fees revenue is planned to be 2.5% less than FY18 actuals due to a projected 6.0% enrollment decline. RTRF is projected to decrease by 33.4% due to adjustments made for prior years decline in overhead funds and also a general decline in extramural funding. Other Special and Revolving Fund revenue is projected to decrease when compared with actual FY18 revenue due to a projected enrollment decline.

Expenditures

| Expenditure Category | FY19 Projected | FY18 Actual | FY19 Proj. vs. FY18 Actual | %age |
|---------------------------|---------------------|---------------------|----------------------------|--------------|
| Regular Employee Payroll | \$44,677,216 | \$43,671,783 | \$1,005,433 | 2.3% |
| Lecturer Payroll | \$1,973,019 | \$2,029,718 | (\$56,699) | -2.8% |
| Student Help Payroll | \$2,327,672 | \$2,516,924 | (\$189,252) | -7.5% |
| Other Personnel | \$1,408,515 | \$1,501,183 | (\$92,668) | -6.2% |
| <i>Subtotal Personnel</i> | <i>\$50,386,422</i> | <i>\$49,719,608</i> | <i>\$666,814</i> | <i>1.3%</i> |
| Utilities | \$5,503,704 | \$4,281,244 | \$1,222,460 | 28.6% |
| Scholarships, Tuition | \$7,255,340 | \$7,177,996 | \$77,344 | 1.1% |
| Other Operating Expenses | \$21,473,176 | \$18,742,191 | \$2,730,985 | 14.6% |
| <i>Subtotal Other</i> | <i>\$34,232,220</i> | <i>\$30,201,431</i> | <i>\$4,030,789</i> | <i>13.3%</i> |
| Total Expenditures | \$84,618,642 | \$79,921,039 | \$4,697,603 | 5.9% |

| Expenditure Category | FY18 Actual | FY18 Projected | FY18 Actual vs. FY18 Projected | %age |
|---------------------------|---------------------|---------------------|--------------------------------|---------------|
| Regular Employee Payroll | \$43,671,783 | \$43,592,527 | \$79,256 | 0.2% |
| Lecturer Payroll | \$2,029,718 | \$3,214,202 | (\$1,184,484) | -36.9% |
| Student Help Payroll | \$2,516,924 | \$2,643,486 | (\$126,562) | -4.8% |
| Other Personnel | \$1,501,183 | \$1,492,133 | \$9,050 | 0.6% |
| <i>Subtotal Personnel</i> | <i>\$49,719,608</i> | <i>\$50,942,348</i> | <i>(\$1,222,740)</i> | <i>-2.4%</i> |
| Utilities | \$4,281,244 | \$6,088,326 | (\$1,807,082) | -29.7% |
| Scholarships, Tuition | \$7,177,996 | \$7,287,000 | (\$109,004) | -1.5% |
| Other Operating Expenses | \$18,742,191 | \$20,333,096 | (\$1,590,905) | -7.8% |
| <i>Subtotal Other</i> | <i>\$30,201,431</i> | <i>\$33,708,422</i> | <i>(\$3,506,991)</i> | <i>-10.4%</i> |
| Total Expenditures | \$79,921,039 | \$84,650,770 | (\$4,729,731) | -5.6% |

Overall, expenditures are projected to be 5.9% more compared to actual FY18 expenditures but relatively flat as compared to what was budgeted in FY18. Regular employee payroll is projected to increase by 2.3% due to collective bargaining increases. All other payroll categories are projected to decrease compared to actual FY18 salary expenditures. The projected FY19 utilities budget is 28.6% more than actual in FY18 because the budgeted amount is gross of any energy savings realized during the fiscal year, reimbursement from other funds and potential rate increase. Although other operating expenses seem to increase by 14.6% when compared to actual FY18 expenditures, the actual increase is under 10.0% when factoring in the encumbrances for FY18.

The expenditure budget includes performance based funding to support student success initiatives to help retain and graduate students. It also includes the funding of RIM projects from the tuition increase.

Net Operating Gain (Loss)

| Net Operating Income (All Funds Summary) | FY19 Budget |
|--|--------------------|
| Net Operating Income | (\$2,137,036) |
| Beginning Balance | \$23,833,515 |
| Ending Balance | \$21,696,479 |
| Other Reserve Requirements (R&R, Bond, RTRF Commitments) | \$8,300,000 |
| Revised Ending Balance | \$13,396,479 |
| Reserve Requirement (5% Minimum) | \$4,295,180 |
| Balance Above Minimum Reserve After Adjustments | \$9,101,299 |

Pursuant to Executive Policy EP2.212, a cash balance is maintained by the Revenue Undertaking Special Fund for a repair and replacement reserve. An amount equal to 50% of its depreciation expense for the preceding fiscal year is transferred into this fund for Student Housing, Food Service, and DKICP projects. Balances are also held for reducing the deferred maintenance backlog, repairing, maintaining, and replacing facility and equipment for revenue generating units, i.e., Student Life Center, and improving student engagement and retention. In total, this reserve requirement is \$8.3 million.

Although UH Hilo proposes to spend \$2.1 million more than its revenues for FY19 to cover planned expenditures and to fund one-time expenses described below, the remaining balance of \$13.4 million is still above the minimum threshold.

TUITION AND FEES SPECIAL FUND

Revenues

| FY19 Projected | FY18 Actual (est.) | FY19 Proj. vs. FY18 Actual | %age | FY18 Actual (est.) | FY18 Projected | FY18 Actual vs. FY18 Budget | %age |
|-----------------------|-------------------------------|---------------------------------------|-------------|-------------------------------|-----------------------|--|-------------|
| \$34,485,668 | \$35,355,130 | (\$869,462) | -2.5% | \$35,355,130 | \$36,632,748 | (\$1,277,618) | -3.5% |

Tuition and Fee revenues are planned to be 2.5% less than the FY18 actual amount due to a projected enrollment decline.

Expenditures

| Expenditure Category | FY19 Projected | FY18 Actual | FY19 Proj. vs. FY18 Actual | %age |
|---------------------------|---------------------|---------------------|----------------------------|--------------|
| Regular Employee Payroll | \$6,910,304 | \$6,686,056 | \$224,248 | 3.4% |
| Lecturer Payroll | \$1,757,792 | \$1,714,027 | \$43,765 | 2.6% |
| Student Help Payroll | \$911,564 | \$908,986 | \$2,578 | 0.3% |
| Other Personnel | \$1,186,240 | \$1,185,474 | \$766 | 0.1% |
| Subtotal Personnel | \$10,765,900 | \$10,494,543 | \$271,357 | 2.6% |
| Utilities | \$4,525,000 | \$3,338,980 | \$1,186,020 | 35.5% |
| Scholarships, Tuition | \$575,000 | \$496,745 | \$78,255 | 15.8% |
| Other Operating Expenses | \$12,438,897 | \$9,936,313 | \$2,502,584 | 25.2% |
| Subtotal Other | \$17,538,897 | \$13,772,038 | \$3,766,859 | 27.4% |
| Total Expenditures | \$28,304,797 | \$24,266,581 | \$4,038,216 | 16.6% |

| Expenditure Category | FY18 Actual | FY18 Projected | FY18 Actual vs. FY18 Projected | %age |
|---------------------------|---------------------|---------------------|--------------------------------|---------------|
| Regular Employee Payroll | \$6,686,056 | \$7,611,026 | (\$924,970) | -12.2% |
| Lecturer Payroll | \$1,714,027 | \$2,931,428 | (\$1,217,401) | -41.5% |
| Student Help Payroll | \$908,986 | \$1,080,371 | (\$171,385) | -15.9% |
| Other Personnel | \$1,185,474 | \$1,247,912 | (\$62,438) | -5.0% |
| Subtotal Personnel | \$10,494,543 | \$12,870,737 | (\$2,376,194) | -18.5% |
| Utilities | \$3,338,980 | \$5,082,283 | (\$1,743,303) | -34.3% |
| Scholarships, Tuition | \$496,745 | \$575,000 | (\$78,255) | -13.6% |
| Other Operating Expenses | \$9,936,313 | \$11,785,933 | (\$1,849,620) | -15.7% |
| Subtotal Other | \$13,772,038 | \$17,443,216 | (\$3,671,178) | -21.0% |
| Total Expenditures | \$24,266,581 | \$30,313,953 | (\$6,047,372) | -19.9% |

Although FY19 expenditures are projected to exceed FY18 actual expenditures by \$4.0 million, this is still \$2.0 million (6.6%) less than FY18 budgeted amounts. Regular employee and lecturer payroll is planned to be more in FY19 compared to actual expenditures in FY18 due to collective bargaining increases. The projected FY19 utilities budget is 35.5% more than actual in FY18 because the budgeted amount is gross of any energy savings realized during the fiscal year, reimbursement from other funds, and potential rate increase. Although other operating expenses seem to increase by 25.2% when compared to actual FY18 expenditures, the actual increase is about 11.4% when factoring in the encumbrances for FY18.

Net Operating Gain (Loss)

| Net Operating Income (TFSF) | FY19 Budget |
|---|--------------------|
| Net Operating Income | (\$1,966,584) |
| Beginning Balance | \$14,302,676 |
| Ending Balance | \$12,336,092 |
| Other Reserve Requirements (R&R, Bond, RTRF Commitments) | \$2,000,000 |
| Revised Ending Balance | \$10,336,092 |
| Reserve Requirement (5% Minimum) | \$3,677,156 |
| Balance Above Minimum Reserve After Adjustments | \$6,658,936 |

UH Hilo proposes to spend \$1.9 million more than its revenues for FY19 to cover planned commitments and one-time expenses (see below). Even with this net operating loss, UH Hilo's TFSF ending balance is \$10.3 million, which represents approximately 14.0% of our annual expenditures. When combined with the amount held centrally at System (\$3.4 million), that total represents about 18.7% of our annual expenditures.

Carry-over Commitments:

\$352,127 - renew, improve and modernize (RIM)

The Facilities Planning and Construction Management Office will continue to complete capital renewal, improvement and modernization projects. \$352,127 represents funds that were carried forward from FY18 and will be used together with current year funds for the planning and design to upgrade the campus security infrastructure and repairing and renovating the campus center.

\$529,330 - energy efficiency reinvestment

UH Hilo has established a special energy reinvestment account. \$529,330 is the remaining balance from funds that were budgeted in FY18. It is earmarked for projects that will result in lowering energy costs. Funds will be used for installing additional utility sub-meters which will provide baseline data to monitor the impact of future energy management initiatives, provide information to analyze how and when energy is consumed to implement appropriate energy conservation measures and reduce total overall energy demand. Funds will also be used for the planning and design of removing and replacing the existing AC equipment with energy efficient units at the UHH Library.

One-time expenses:

\$200,000 – financial aid retention through employment

For the second consecutive year, UH Hilo plans to raise retention and persistence through increased on-campus student employment opportunities. Research indicates that a coordinated

on-campus employment program, which engages student employees with their peers as well as faculty and professional staff as mentors and supervisors, would support retention and graduation. Annual assessments will guide continuation and institutionalization of this initiative.

\$235,127 – student recruitment

UH Hilo plans to partially fund the contracted services of Royall to provide:

- 1) Year-Round Search program that includes communication with high school sophomores and juniors whose characteristics make them a strong potential match for UH Hilo;
- 2) Senior Marketing Program that includes communication with high school seniors who are desirable candidates for admission and enrollment; and
- 3) Yield Enhancement Program that includes increased communication with admitted students.

Royall's offerings are comprehensive, targeting key challenges at each stage of the recruitment process from inquiry to yield management. This level of comprehensiveness ensures close coordination between different recruitment activities, minimizes wasted time and labor, and enables shared learning across the different phases of recruitment.

\$650,000 – continue service for student success

Due to the unpredictability of the impact from the on-going volcanic activity, UH Hilo is anticipating a 6.0% decline in enrollment resulting in approximately \$900 thousand less in tuition revenue. UH Hilo will need to use tuition reserves to partially offset the tuition shortfall in order to continue to provide necessary services to retain and graduate our students.

ENROLLMENT MANAGEMENT

UH Hilo has approached our enrollment management work with an integrated, strategic, and holistic view of student success, and we have made gains in establishing best practices. The volcanic activity and negative national press coverage is, however, having a difficult-to-quantify impact on enrollment in Fall 2018, and we are projecting enrollment to decrease from FY18 to FY19. Effects on our Puna community members are real, and the loss of so many homes may reduce the availability of off-campus student housing that some of our students rely upon. We are reaching out to students with an individualized high-touch approach, and we will continue and extend our enrollment management work. Through careful planning and continued position control the campus is redeploying resources to support this for all of our students.

Actions planned for FY19:

- We are launching a **Year-Round Search program** that includes communication with high school sophomores and juniors whose characteristics make them a strong potential match for UH Hilo. As part of our expanded recruitment of freshmen students, we will launch a **Senior Marketing Program** that includes communication with high school seniors who are desirable candidates for admission and enrollment. To be comprehensive and reduce summer melt, we will launch a Yield Enhancement Program that includes increased communication with admitted students.
- We are moving from piloting to full participation with **Raise.me, a microscholarship platform** aimed at connecting Hawai'i high school students to UH Hilo earlier. Students are eligible to earn funds towards scholarship beginning in the 9th grade with the scholarship only being redeemable upon enrollment at UH Hilo upon graduation from high school.

- We are establishing a **Transfer Success Center** as a one-stop service for transfer credit evaluation, advising and engagement. Transfer students will be able to access services that provide comprehensive support from acceptance to graduation.
- To improve transfer between UHCC campuses and UH Hilo, we are implementing the **Common General Education Core** utilized by other campuses. We are also updating our current open GE transfer policy to assure that transfer students maximize existing credits. We will begin working on implementation of the PASSPORT initiative to facilitate transfers from other campuses and universities outside the UH System by improving course articulation based on learning outcomes.
- We will continue coordinated efforts of Academic Affairs and Student Affairs for student success. Through close consultation and collaboration between and among colleges and student support units, academic and student affairs leads will be responsible for updating and implementing the campus enrollment management plan, with focus on coordinated actions to enhance 'Opihi, our retention brand for the campus.
- With enhanced capacity, the First Year Experience (FYE) program will launch a **new project First Six**, under the recently hired FYE Director. This project includes a variety of activities and events offered during the first six weeks of school and is intended to increase engagement and connection with new students. Comprehensive programming will be aimed at increasing freshman retention from 71% to 75% by 2022.
- Our residential **Living Learning Communities (LLC)** for first year students, which incorporates UNI 101 with peer tutoring and residential programming, will be revised and adjustments made based on participant feedback and outcome data. The newly hired Housing Director will be a key participant in this process along with a faculty member who was appointed to serve as the LLC Coordinator. Faculty support is being extended from one semester to the full academic year to encourage connections between students and faculty.
- We will continue implementation of the **Mentor Collective**, the peer mentoring program that UH Hilo launched half way through last year and piloted with a sub-set of incoming freshmen. The program will be offered to all new freshmen and transfer students this year with emphasis on students in the residence halls.
- We will continue implementation of the **Starfish My Success student monitoring platform**, expanding faculty participation and working with faculty to improve the process. My Success is designed to identify areas of concern, connect students with appropriate services, and help assess which services and interventions will keep students on track to persist and graduate.
- We will continue our efforts to serve **Native Hawaiian students** and better prepare them for college. We partner with Kamehameha School for early college programs and OHA for scholarships to Native Hawaiian students. With the reorganization of the UH System Na Pua No'eau (NPN) program, we will be integrating the Na Pua No'eau mission of nurturing the educational continuum (K-college) with that of our Kipuka Native Hawaiian Student Center. Strengthening the cultural identity of Native Hawaiians and providing multifaceted opportunities for college degree completion and career pathways will prepare them to be global leaders.
- We will adjust the awarding of institutional aid to support retention, beginning with assessing previous strategies for merit-based aid distributed through colleges and develop adjustments

geared toward retention. We will implement a **Retention Grant Program** and track retention and success of recipients.

- We will continue and improve upon **student success** efforts last year including hiring in high demand majors, opening additional sections of critical pathway courses as demand warrants, continuing learning assistants and peer tutoring in gateway introduction English, Math, and critical STEM courses, and incorporating more service/experiential learning into Freshman level courses to increase retention.
- Building on the success of our peer mentor programs in Psychology-Kinesiology Exercise Science, Marine Science and Biology, we will establish one for a **new Health Explorations meta-major** designed for students interested in nursing and other health and wellness degree programs. These programs engage entering freshmen and transfer students across their first year, and peer mentors help them get a good academic start.
- We will develop a service learning/community engagement program across all academic units by reorganizing CCECS into a **Center for Community Engagement** (CCE) focused on creating meaningful interactions between UH Hilo and the community. CCE will pilot an interdisciplinary course cluster approach to engaged learning and will define, develop, and coordinate significant service learning opportunities across campus.
- We will create a strategic plan for undergraduate **distance learning** (DL) that identifies potential degree offerings, in preparation for implementing 1-2 DL programs with necessary General Education and upper-division support. We will research DL best practices, conduct a needs assessment, and inventory past offerings.

University of Hawai'i West O'ahu

Introduction

The University of Hawai'i West O'ahu (UHWO) offers a distinct, student/learner-centered baccalaureate education that integrates liberal arts, social sciences, and STEM with professional and applied fields. As a diverse and inclusive indigenous-serving institution, UHWO embraces Native Hawaiian traditional and cultural practices while simultaneously providing a dynamic learning environment where students of all ethnic backgrounds are valued and have opportunities to learn, discover and innovate, and engage in substantive community programs as they become our 21st Century leaders.

STRATEGIC PRIORITIES

UHWO has just completed an 18-month long range strategic action planning process that engaged campus faculty, staff, students, alumnus and community stakeholders (to be launched at our Fall Convocation and Professional Development meeting, August 14, 2018). The Strategic Action Plan (SAP) attends to BOR Integrated Academic and Facilities Plan (IAFP), UH System Strategic Directives, and UHWO Mission and Accreditation. The SAP includes an Integrated Academic, Enrollment Management, Land/Facilities Proposed Plan, Budget and Evaluation/Accreditation Plan.

The SAP presents three (3) implementation phases: Phase I (2018-2020), Phase II (2021-2024), and Phase III (2025-2028). The details of each of the implementation phases are thoroughly defined in Phase Operational Plans. We are prioritizing our Phase I action initiatives around the following pursuits:

- Academic Development
 - Distance Education
 - Strengthen STEM programs: Natural Sciences, Health Sciences, Applied Mathematics, Creative Media
 - Language Learning (Hawaiian, Japanese, Korean, Mandarin) and Global Education
- Enrollment Management
 - Retention Years 2 to Year 3 Strategies
 - Strengthening Community College Transfer Programs
 - With Academic Unit strengthen and grow Early College 'auwai/pipeline
- Resource Management
 - Establish a strong and nimble campus budget model
 - Advance our UHWO Campus Land Plan & Strengthen 21st Century Land Development and Facilities Maintenance plan
 - Increase our donor base and grow an active UHWO Alumni

ENROLLMENT

Fall 2017 marked the fourteenth consecutive fall semester of enrollment growth and set a new all-time high in headcount enrollment for the campus. For FY19, UHWO is projecting steady state enrollment at 3,082 students representing a flat growth from the previous academic year.

To impact its enrollment, UHWO will reexamine its Early College offerings to ensure that they are intentionally comprehensive and sequential, and at the most advantageous locales to

grow the student pipeline from targeted high schools. Additionally, efforts are being put into place by appropriate UHWO units to respond to students continuing between Year 2 to Year 3 with more advisor to student touchpoints to impact their continuation and persistence. By exploiting the capabilities of technology and software (e.g., StarFish and STAR GPS), UHWO units will use existing tools to their maximum to stay in contact with students when encouraging their continued enrollment. Finally, the University is keenly aware of the need for identifying new markets to recruit and is engaging in the requisite planning to target such groups as the active military and the working non-traditional aged working adults.

BUDGET SUMMARY ALL FUNDS

Revenues

| Type of Fund | FY19 Projected | FY18 Actual (est.) | FY19 Proj. vs. FY18 Actual | %age |
|----------------------------|---------------------|-----------------------|-------------------------------|-------------|
| General Funds | \$17,172,898 | \$16,203,655 | \$969,243 | 6.0% |
| Tuition & Fees | \$18,161,521 | \$17,981,704 | \$179,817 | 1.0% |
| RTRF | \$370,000 | \$292,561 | \$77,439 | 26.5% |
| Other Special Funds | \$469,775 | \$284,740 | \$185,035 | 65.0% |
| Other Revolving Funds | \$794,692 | \$929,047 | (\$134,355) | -14.5% |
| Appropriated Federal Funds | \$80,000 | \$68,429 | \$11,571 | 16.9% |
| Total Revenues | \$37,048,886 | \$35,760,136 | \$1,288,750 | 3.6% |

| Type of Fund | FY18 Actual (est.) | FY18 Projected | FY18 Actual vs. FY18 Proj. | %age |
|----------------------------|-----------------------|---------------------|-------------------------------|-------------|
| General Funds | \$16,203,655 | \$15,018,408 | \$1,185,247 | 7.9% |
| Tuition & Fees | \$17,981,704 | \$17,835,564 | \$146,140 | 0.8% |
| RTRF | \$292,561 | \$165,500 | \$127,061 | 76.8% |
| Other Special Funds | \$284,740 | \$300,000 | (\$15,260) | -5.1% |
| Other Revolving Funds | \$929,047 | \$1,168,000 | (\$238,953) | -20.5% |
| Appropriated Federal Funds | \$68,429 | \$66,000 | \$2,429 | 3.7% |
| Total Revenues | \$35,760,136 | \$34,553,472 | \$1,206,664 | 3.5% |

Across all funds, revenues during FY19 are projected to increase by 3.6% when compared to the actual FY18 collections. In FY19, General Funds gained an additional \$1,016,000 for 14.2 FTE and to offset a portion of utility costs. Of the 14.2 FTE received, 6.2 FTE is to establish the Health Sciences Academy. In addition, General Funds will be augmented with an estimated \$370,501 in performance funding, \$50,000 to support the Academy of Creative Media (ACM) program, \$44,724 for 1 FTE to support the Na Pua Noeau program, and estimated \$986,476 for general funded collective bargaining. An estimated 5% restriction on General Funds is also projected.

Tuition revenue is projected to increase by 1% equivalent to the tuition rate increase. No enrollment growth is projected in FY19. UHWO received an additional \$75,000 in RTRF to support SEED projects which is 26% higher than FY18 actuals. Other Special Fund revenue is projected to increase by 65% mainly due to an anticipated increase in International Program activities. A 14% decrease in Other Revolving Fund revenues projected in FY19 is mainly due to a retroactive payment received in FY18.

Expenditures

| Expenditure Category | FY19 Projected | FY18 Actual | FY19 Proj. vs. FY18 Actual | %age |
|---------------------------|---------------------|---------------------|----------------------------|--------------|
| Regular Employee Payroll | \$21,851,127 | \$19,391,671 | \$2,459,456 | 12.7% |
| Lecturer Payroll | \$2,681,032 | \$2,421,843 | \$259,189 | 10.7% |
| Student Help Payroll | \$607,227 | \$404,256 | \$202,971 | 50.2% |
| Other Personnel | \$404,900 | \$357,709 | \$47,191 | 13.2% |
| Subtotal Personnel | \$25,544,286 | \$22,575,479 | \$2,968,807 | 13.2% |
| Utilities | \$1,235,952 | \$818,746 | \$417,206 | 51.0% |
| Scholarships, Tuition | \$2,813,950 | \$1,922,164 | \$891,786 | 46.4% |
| Other Operating Expenses | \$4,237,798 | \$2,917,751 | \$1,320,047 | 45.2% |
| Subtotal Other | \$8,287,700 | \$5,658,661 | \$2,629,039 | 46.5% |
| Total Expenditures | \$33,831,986 | \$28,234,140 | \$5,597,846 | 19.8% |

| Expenditure Category | FY18 Actual | FY18 Projected | FY18 Actual vs. FY18 Projected | %age |
|---------------------------|---------------------|---------------------|--------------------------------|---------------|
| Regular Employee Payroll | \$19,391,671 | \$19,755,341 | (\$363,670) | -1.8% |
| Lecturer Payroll | \$2,421,843 | \$2,039,320 | \$382,523 | 18.8% |
| Student Help Payroll | \$404,256 | \$291,500 | \$112,756 | 38.7% |
| Other Personnel | \$357,709 | \$356,200 | \$1,509 | 0.4% |
| Subtotal Personnel | \$22,575,479 | \$22,442,361 | \$133,118 | 0.6% |
| Utilities | \$818,746 | \$1,136,858 | (\$318,112) | -28.0% |
| Scholarships, Tuition | \$1,922,164 | \$2,365,000 | (\$442,836) | -18.7% |
| Other Operating Expenses | \$2,917,751 | \$3,738,316 | (\$820,565) | -22.0% |
| Subtotal Other | \$5,658,661 | \$7,240,174 | (\$1,581,513) | -21.8% |
| Total Expenditures | \$28,234,140 | \$29,682,535 | (\$1,448,395) | -4.9% |

A significant increase in student fee expenditures is projected in FY19 (particularly in Student Help Payroll and Other Operating Expenses) due to an increase in planned student activities and events, increase in student awards/stipends, and travel opportunities approved by the student board and Vice Chancellor of Student Affairs. FY19 projections for Utilities include additional costs associated with the opening of the Administration and Allied Health building which will be completed in October 2018. In FY18, actual scholarships awarded were 18.7% less than budgeted. We are projecting to issue \$448,950 more scholarships in Other Special and Other Revolving funds in FY19 than budgeted in FY18.

Net Operating Gain (Loss)

| Net Operating Income (All Funds Summary) | FY19 Budget |
|---|--------------------|
| Net Operating Income | (\$284,728) |
| Beginning Balance | \$11,003,811 |
| Ending Balance | \$10,719,083 |
| Other Reserve Requirements (R&R, Bond, RTRF Commitments) | \$750,000 |
| Revised Ending Balance | \$9,969,083 |
| Reserve Requirement (5% Minimum) | \$1,883,069 |
| Balance Above Minimum Reserve After Adjustments | \$8,086,014 |

UHWO projects a small operating loss, but fund balances remain above the minimum requirements. At the end of FY19, UHWO anticipates an overall estimated ending balance of \$9,969,083 for all funds while the 16% Reserve Target cited in the BOR Policy is estimated to be \$6,025,822. Plans by fund for balances above the 16% target are:

- TFSF is projected to be \$2M above the target. Commitments to debt services (approximately \$4.2M per year), contributions to the Repair & Replacement Reserve account (target set at \$1,462,732 as of FY18 of which \$750,000 will be met by FYE) and an additional \$200K will be needed to maintain the 5% reserve target at the end of the FY19.
- Other Revolving Funds are projected to be \$977K above the 16% target. Funds in the Facilities Use account will be used as a reserve for FF&E expenses to furnish newly constructed buildings and costs to repair and maintain the facilities.
- Other Special Funds are projected to be \$1.8M above the 16% target of which \$750,000 is set aside to meet the R&R reserve commitment. The remaining balance is primarily due to the `Ulu`Ulu Special Fund which was specifically established to support the moving image archive and account (HRS 304A-1864 and 304A-2180). This program will incur an increase in storage and archiving service expenses in the upcoming years.

TUITION AND FEES SPECIAL FUND

Revenues

| FY19 Projected | FY18 Actual (est.) | FY19 Proj. vs. FY18 Actual | %age | FY18 Actual (est.) | FY18 Projected | FY18 Actual vs. FY18 Budget | %age |
|-----------------------|-------------------------------|---|-------------|-------------------------------|-----------------------|--|-------------|
| \$18,161,521 | \$17,981,704 | \$179,817 | 1.0% | \$17,981,704 | \$17,835,564 | \$146,140 | 0.8% |

Actual revenues collected in FY18 were .8% higher than projected (based on estimated accounts receivable and deferred revenue). In FY19, TFSF revenue projections are based on a 0% enrollment growth and 1% tuition rate increase.

Expenditures

| Expenditure Category | FY19 Projected | FY18 Actual | FY19 Proj. vs. FY18 Actual | %age |
|---------------------------|---------------------|--------------------|----------------------------|--------------|
| Regular Employee Payroll | \$6,543,021 | \$5,276,758 | \$1,266,263 | 24.0% |
| Lecturer Payroll | \$250,000 | \$215,931 | \$34,069 | 15.8% |
| Student Help Payroll | \$266,500 | \$212,051 | \$54,449 | 25.7% |
| Other Personnel | \$221,500 | \$201,211 | \$20,289 | 10.1% |
| Subtotal Personnel | \$7,281,021 | \$5,905,951 | \$1,375,070 | 23.3% |
| Utilities | \$1,027,200 | \$699,017 | \$328,183 | 46.9% |
| Scholarships, Tuition | \$0 | \$350 | (\$350) | -100.0% |
| Other Operating Expenses | \$2,963,900 | \$2,322,802 | \$641,098 | 27.6% |
| Subtotal Other | \$3,991,100 | \$3,022,169 | \$968,931 | 32.1% |
| Total Expenditures | \$11,272,121 | \$8,928,120 | \$2,344,001 | 26.3% |

| Expenditure Category | FY18 Actual | FY18 Projected | FY18 Actual vs. FY18 Projected | %age |
|---------------------------|--------------------|---------------------|--------------------------------|---------------|
| Regular Employee Payroll | \$5,276,758 | \$5,876,100 | (\$599,342) | -10.2% |
| Lecturer Payroll | \$215,931 | \$160,320 | \$55,611 | 34.7% |
| Student Help Payroll | \$212,051 | \$190,500 | \$21,551 | 11.3% |
| Other Personnel | \$201,211 | \$233,200 | (\$31,989) | -13.7% |
| Subtotal Personnel | \$5,905,951 | \$6,460,120 | (\$554,169) | -8.6% |
| Utilities | \$699,017 | \$1,127,200 | (\$428,183) | -38.0% |
| Scholarships, Tuition | \$350 | \$0 | \$350 | |
| Other Operating Expenses | \$2,322,802 | \$2,936,800 | (\$613,998) | -20.9% |
| Subtotal Other | \$3,022,169 | \$4,064,000 | (\$1,041,831) | -25.6% |
| Total Expenditures | \$8,928,120 | \$10,524,120 | (\$1,596,000) | -15.2% |

Increases in projected personnel costs are due to the continuation of filling vacancies, collective bargaining increases, increased temporary hire positions, and the transfer of personnel expenditures as a result of general fund shortfalls. Lecturer projections have increased slightly to accommodate more class offerings and to promote Early College courses in the high schools. Student Help projections have increased as extramural resources for student employment decline. Actual Utilities and Other Operating costs in FY18 were below budgeted levels, hence FY19 projections have been adjusted accordingly.

Transfers

In FY19, UHWO will transfer approximately \$4,140,000 for debt service commitments arising from the issuance of revenue bonds to construct the campus. Another \$2,380,000 will be transferred to support UHWO scholarships. An additional \$250,000 will be transferred to the Repair & Replacement Reserve fund in FY19 to total \$750,000 in the reserve. The R&R contribution target as of FY18 is \$1,462,732.

Net Operating Gain (Loss)

| Net Operating Income (TFSF) | FY19 Projected |
|---|---------------------------|
| Net Operating Income | \$0 |
| | |
| Beginning Balance | \$7,719,088 |
| Ending Balance | \$7,719,088 |
| | |
| Other Reserve Requirements (R&R, Bond, RTRF Commitments) | \$0 |
| Revised Ending Balance | \$7,719,088 |
| | |
| Reserve Requirement (5% Minimum) | \$1,787,110 |
| Balance Above Minimum Reserve After Adjustments | \$5,931,978 |

For TFSF, the campus is projecting a net operating income of \$0 (i.e., Projected Revenue/Transfers less Expenditure/Transfers equals zero). Projected ending cash balance is \$5,931,978 net of the 5% reserve requirement of \$1,787,110.

Community Colleges

Introduction

The University of Hawai'i Community Colleges (UHCC) are dedicated to increasing the educational capital of the State, addressing the needs of underserved populations, and revitalizing and expanding the State's economy. The Community Colleges provide first generation college students, educationally and economically disadvantaged individuals, and under-represented groups a gateway for upward mobility, while providing a highly trained and highly skilled workforce for Hawai'i industries.

ALL FUND SUMMARY

Revenues

| Type of Fund | FY19 Projected | FY18 Actual (est.) | FY19 Proj. vs. FY18 Actual | %age |
|----------------------------|----------------------|----------------------|----------------------------|-------------|
| General Funds | \$144,499,589 | \$140,901,943 | \$3,597,646 | 2.6% |
| Tuition & Fees | \$62,014,760 | \$62,185,006 | (\$170,246) | -0.3% |
| RTRF | \$1,334,058 | \$1,333,831 | \$227 | 0.0% |
| Other Special Funds | \$18,875,276 | \$18,875,112 | \$164 | 0.0% |
| Other Revolving Funds | \$1,908,901 | \$2,168,184 | (\$259,283) | -12.0% |
| Appropriated Federal Funds | \$3,054,528 | \$2,745,518 | \$309,010 | 11.3% |
| Total Revenues | \$231,687,112 | \$228,209,594 | \$3,477,518 | 1.5% |

| Type of Fund | FY18 Actual (est.) | FY18 Projected | FY18 Actual vs. FY18 Proj. | %age |
|----------------------------|----------------------|----------------------|----------------------------|--------------|
| General Funds | \$140,901,943 | \$136,966,609 | \$3,935,334 | 2.9% |
| Tuition & Fees | \$62,185,006 | \$65,612,600 | (\$3,427,594) | -5.2% |
| RTRF | \$1,333,831 | \$1,778,102 | (\$444,271) | -25.0% |
| Other Special Funds | \$18,875,112 | \$17,496,941 | \$1,378,171 | 7.9% |
| Other Revolving Funds | \$2,168,184 | \$3,764,600 | (\$1,596,416) | -42.4% |
| Appropriated Federal Funds | \$2,745,518 | \$3,530,000 | (\$784,482) | -22.2% |
| Total Revenues | \$228,209,594 | \$229,148,852 | (\$939,258) | -0.4% |

General Fund revenues show an increase of \$3.6 million, or 2.6%, as a result of increased funding for collective bargaining and new legislative funding for FY 2019. The new Legislative funding includes appropriations for student success, distance education, the Apprenticeship program, facilities support, and the Hawaii's Promise program.

Tuition revenues show a near flat projection based on UH IRAO enrollment estimates for FY19. Utilizing IRAO student semester hour projections, we have adopted a conservative approach to forecasting tuition revenue.

Other Revolving Fund revenues reflect a 12% decrease due to the discontinuation of a Commercial Enterprise venture that operated in FY 2018 on a trial basis. Appropriated Federal Fund Revenues reflect an 11.3% increase due to anticipated increases in funds for career and technical programs.

Expenses

| Expenditure Category | FY19 Projected | FY18 Actual | FY19 Proj. vs. FY18 Actual | %age |
|---------------------------|----------------------|----------------------|----------------------------|--------------|
| Regular Employee Payroll | \$141,214,612 | \$136,656,237 | \$4,558,375 | 3.3% |
| Lecturer Payroll | \$21,775,790 | \$24,012,784 | (\$2,236,994) | -9.3% |
| Student Help Payroll | \$4,883,388 | \$5,283,389 | (\$400,001) | -7.6% |
| Other Personnel | \$2,739,399 | \$2,861,757 | (\$122,358) | -4.3% |
| Subtotal Personnel | \$170,613,189 | \$168,814,167 | \$1,799,022 | 1.1% |
| Utilities | \$11,129,017 | \$11,191,312 | (\$62,295) | -0.6% |
| Scholarships, Tuition | \$8,406,071 | \$7,850,292 | \$555,779 | 7.1% |
| Other Operating Expenses | \$38,621,636 | \$32,829,375 | \$5,792,261 | 17.6% |
| Subtotal Other | \$58,156,724 | \$51,870,979 | \$6,285,745 | 12.1% |
| Total Expenditures | \$228,769,913 | \$220,685,146 | \$8,084,767 | 3.7% |

| Expenditure Category | FY18 Actual | FY18 Projected | FY18 Actual vs. FY18 Proj. | %age |
|---------------------------|----------------------|----------------------|----------------------------|---------------|
| Regular Employee Payroll | \$136,656,237 | \$134,706,773 | \$1,949,464 | 1.4% |
| Lecturer Payroll | \$24,012,784 | \$24,808,040 | (\$795,256) | -3.2% |
| Student Help Payroll | \$5,283,389 | \$5,205,744 | \$77,645 | 1.5% |
| Other Personnel | \$2,861,757 | \$2,724,955 | \$136,802 | 5.0% |
| Subtotal Personnel | \$168,814,167 | \$167,445,512 | \$1,368,655 | 0.8% |
| Utilities | \$11,191,312 | \$10,412,503 | \$778,809 | 7.5% |
| Scholarships, Tuition | \$7,850,292 | \$7,972,391 | (\$122,099) | -1.5% |
| Other Operating Expenses | \$32,829,375 | \$40,072,938 | (\$7,243,563) | -18.1% |
| Subtotal Other | \$51,870,979 | \$58,457,832 | (\$6,586,853) | -11.3% |
| Total Expenditures | \$220,685,146 | \$225,903,344 | (\$5,218,198) | -2.3% |

Regular employee payroll reflects an increase due to collective bargaining augmentations. Lecturer payroll reflects a decrease due to the continual refinement and balancing of lecturer requirements against instructional services provided by regular faculty. Reductions in student help and other personnel are also due to efforts to increase efficiency. The increase in scholarship expenses is related to anticipated increases in scholarships provided by the Hawai'i's Promise program that is now entering its second year. The increase in other current expenses is largely due to one-time investments at the campuses.

Net Operating Gain (Loss)

| Net Operating Income (All Funds Summary) | FY18 Budget |
|--|---------------------|
| Net Operating Income | (\$4,572,000) |
| Beginning Balance | \$45,107,187 |
| Ending Balance | \$40,535,187 |
| Other Reserve Requirements (R&R, Bond, RTRF Commitments) | \$11,724,789 |
| Balance Above Minimum Reserve After Adjustments | \$28,810,398 |

Net Operating Income (Revenues less Expenditures) is negative for the Community Colleges due to the expenditure of tuition carryover balances for non-recurring items, including repairs and maintenance projects and other classroom upgrades. These funds were reserved specifically for these needs and the Community Colleges has sufficient balances to cover these expenses.

TUITION AND FEES SPECIAL FUND

Revenues

| FY19 Projected | FY18 Actual (est.) | FY19 Proj. vs. FY18 Actual | %age | FY18 Actual (est.) | FY18 Projected | FY18 Actual vs. FY18 Proj. | %age |
|----------------|--------------------|----------------------------|-------|--------------------|----------------|----------------------------|-------|
| \$62,014,760 | \$62,185,006 | (\$170,246) | -0.3% | \$62,185,006 | \$65,612,600 | (\$3,427,594) | -5.2% |

UHCC enrollment for FY19 is projected to be essentially flat compared to FY18. As such, there is a very slight (-0.3%) decline in TFSF revenue.

Expenditures

| Expenditures | FY19 Projected | FY18 Actual | FY19 Proj. vs. FY18 Actual | %age |
|---------------------------|---------------------|---------------------|----------------------------|--------------|
| Regular Employee Payroll | \$14,555,536 | \$14,102,180 | \$453,356 | 3.2% |
| Lecturer Payroll | \$524,850 | \$524,850 | \$0 | 0.0% |
| Student Help Payroll | \$3,095,073 | \$3,495,073 | (\$400,000) | -11.4% |
| Other Personnel | \$1,362,137 | \$1,462,136 | (\$99,999) | -6.8% |
| <i>Subtotal Personnel</i> | <i>\$19,537,596</i> | <i>\$19,584,239</i> | <i>(\$46,643)</i> | <i>-0.2%</i> |
| Utilities | \$4,019,054 | \$4,641,622 | (\$622,568) | -13.4% |
| Scholarships, Tuition | \$7,553,474 | \$7,723,641 | (\$170,167) | -2.2% |
| Other Operating Expenses | \$27,282,399 | \$23,537,174 | \$3,745,225 | 15.9% |
| <i>Subtotal Other</i> | <i>\$38,854,927</i> | <i>\$35,902,437</i> | <i>\$2,952,490</i> | <i>8.2%</i> |
| Total Expenditures | \$58,392,523 | \$55,486,676 | \$2,905,847 | 5.2% |

| Expenditures | FY18 Actual | FY18 Projected | FY18 Actual vs. FY18 Proj. | %age |
|---------------------------|---------------------|---------------------|----------------------------|---------------|
| Regular Employee Payroll | \$14,102,180 | \$18,297,874 | (\$4,195,694) | -22.9% |
| Lecturer Payroll | \$524,850 | \$319,000 | \$205,850 | 64.5% |
| Student Help Payroll | \$3,495,073 | \$3,154,000 | \$341,073 | 10.8% |
| Other Personnel | \$1,462,136 | \$1,050,000 | \$412,136 | 39.3% |
| <i>Subtotal Personnel</i> | <i>\$19,584,239</i> | <i>\$22,820,874</i> | <i>(\$3,236,635)</i> | <i>-14.2%</i> |
| Utilities | \$4,641,622 | \$5,594,614 | (\$952,992) | -17.0% |
| Scholarships, Tuition | \$7,723,641 | \$7,777,791 | (\$54,150) | -0.7% |
| Other Operating Expenses | \$23,537,174 | \$27,464,549 | (\$3,927,375) | -14.3% |
| <i>Subtotal Other</i> | <i>\$35,902,437</i> | <i>\$40,836,954</i> | <i>(\$4,934,517)</i> | <i>-12.1%</i> |
| Total Expenditures | \$55,486,676 | \$63,657,828 | (\$8,171,152) | -12.8% |

As mentioned previously, regular employee increases are due to collective bargaining augmentations, reductions in student help and other personnel are due to efforts to increase

efficiency and increases in other current expenses are due to one-time expenditures. All other differences in expenditure patterns between the TFSF expenditure table (above) and the all fund summary expenditure table (previous table) are due to changes in the mix of funds used for each category of expenditure. For example, the 13.4% decrease in TFSF expenditures for utilities are a direct result of the planned use of other revenue sources for this category of expenditure.

Net Operating Gain (Loss)

| Net Operating Income (Tuition and Fees Special Fund) | FY18 Budget |
|---|------------------------|
| Net Operating Income | (\$4,572,000) |
| Beginning Balance | \$22,739,774 |
| Ending Balance | \$18,167,774 |
| Other Reserve Requirements (R&R, Bond, RTRF Commitments) | \$10,618,878 |
| Balance Above Minimum Reserve After Adjustments | \$7,548,896 |

TFSF Net Operating Income (Revenues less Expenditures) is negative for the Community Colleges due to the expenditure of tuition carryover balances for the non-recurring requirements mentioned above. Funds were reserved specifically for these needs and the Community Colleges has sufficient balances to cover these expenses. Even after the expenditure of \$4.6 million in TFSF carryover funds, the Community Colleges will still have a balance of \$18.2 million. This is in addition to its 5% reserve held at UH Systemwide Support. Taken together, the Community Colleges would have a reserve level of approximately 13.5%.

Enrollment

Community College enrollment has declined over the past several years due to the strong economy and record low unemployment rates. The Community Colleges are projecting that FY19 enrollment will generate near flat revenue. However, it is anticipated that enrollment will grow in the out years due to the initiatives described below.

The following initiatives are designed to increase enrollment and improve student success at the Community Colleges:

Hawai'i Graduation Initiative

- Strategic target of 5% growth in degrees and certificates each year from 2015 to 2021
- Strategic target of 5% growth in baccalaureate transfers each year from 2015 to 2021
- Strategic target to eliminate all success gaps in graduation, STEM graduation, and transfer for Native Hawaiian, Filipino, Pacific Islander, and low income students by 2021

Enrollment Management

- Enrollment growth targets:

- Increase the DOE going rate to 65% (DOE system target) by absorbing into the community college 80% of the gap between the current going rate and the 65% target for all public high schools.
- Increase the rate of Non-high school graduates enrolling in community colleges.
- Increase Pacific Islanders to reach parity with the population.
- Increase the enrollment of “working age adults” from 2.25% to 4%.
- Increase international students.
- Improve year to year retention from 50% to 65%.

Strategies for achieving targets

- Public high school graduates
 - Expand early college. Prioritize opportunities within career pathways.
 - Facilitate more completions of UH application for admission and financial aid with Hawaii P-20.
 - Increase outreach and direct marketing.
 - Analyze enrollment patterns. Aim to achieve campus-based targets for increased college enrollment.
- Non-high school graduates (e.g., GED)
 - Establish new options for federal financial aid eligibility for those in Career and Technical Education pathways.
- Pacific Islanders
 - Provide peer-based support.
 - Provide summer bridge programs for incoming students.
- “Working age” adults (ages 25-44)
 - Expand flexible course offerings and programs.
 - Develop comprehensive marketing campaign for “stopped out students” to return.
 - Streamline re-enrollment processes for stopped out students.
 - Leverage employers’ tuition assistance programs.
- International students
 - Increase outreach through recruitment fairs and recruiting agents.
- Improve retention
 - Total reform of development/remedial education to move from sequential, semester long classes to co-requisite, just-in-time remediation.
 - Guided pathway registration where all students will be placed on a degree pathway and use the pathway to guide their registration so that they can keep on track to graduation.
 - Increased monitoring and intervention to reduce student dropout.
 - Improved reentry procedures so that students can re-enroll without going through re-admission.

Systemwide Administration

Introduction

The University of Hawai'i (UH) Systemwide Administration (System) is committed to providing the vision, leadership, and stewardship needed to enable the ten University campuses to advance missions that promote distinctive pathways to excellence, differentially emphasize instruction, research, and service while contributing to a coherent response to the needs of a technologically advanced, globally competitive, and culturally diverse island State.

In FY19, the System will continue to use performance funding unearned by the campuses to focus on systemwide initiatives that will advance student success and help campuses improve their performance. Strategic investments will also support improved economic performance and business process efficiency as well as the systemwide Hawai'i Papa O Ke Ao initiative, which will advance UH as a model indigenous-serving institution, and collaborative systemwide curriculum advances in sustainability.

Enrollment and academic planning improvements involve executing priorities of the Integrated Academic and Facilities Plan and UH's Strategic Directions. System will facilitate a transfer initiative to support academic pathways between campuses with strong support services and a marketing initiative that brings in more students in need of higher education. System will continue to support outreach and engagement of working adults to re-enroll in college and complete their postsecondary degree. System will also maintain its support of multi-year cross campus enrollment management initiatives, including a transfer task force to reverse the decline in transfers from UH community colleges to UH universities, conduct a sensitivity analysis of tuition rates and impacts on enrollment, develop data analytics and models to enhance recruitment and retention, and enhance systemwide recruitment initiatives.

Startup investments in economic development and commercialization at the System level will focus on developing professional capacity to support University initiatives around strategic real estate and business development and public-private partnerships. System coordination on sustainability initiatives to support campus efforts in creating solutions in energy consumption and curricula development. System will continue to support Hawai'i Papa O Ke Ao in systemwide initiatives and to support campus specific efforts in UH's commitment in creating a model indigenous serving institution in Hawai'i.

Investments will be made in information system projects that increase business process efficiency and provide improved data for management and decision-making, thereby enabling the University to continue to make strides to be a high performing institution. Investments will include initiating a procurement improvement project to streamline the University's procurement process for greater efficiency; and initiating a one-stop student financial obligation system across all campuses to assist students with understanding financial charges to their MyUH financial account.

Overall, the System budget supports 51 offices and programs which include 464 appropriated General Fund, 31 Special Fund, 4 Federal Fund, and 15 Revolving Fund permanent Full Time Equivalent (FTE) positions. Offices and programs are organized under the Board of Regents Office, President's Office, Vice President for Academic Planning and Policy,

Vice President for Administration, Vice President for Budget and Finance and Chief Financial Officer, Vice President for Information Technology and Chief Information Officer, Vice President for Legal Affairs and University General Counsel, and Vice President for Research and Innovation.

BUDGET SUMMARY ALL FUNDS

Revenues

| Type of Fund | FY19 Projected | FY18 Actual (est.) | FY19 Proj. vs. FY18 Actual | %age |
|----------------------------|---------------------|-----------------------|-------------------------------|--------------|
| General Funds | \$55,683,613 | \$48,241,399 | \$7,442,214 | 15.4% |
| Tuition & Fees | \$2,441,650 | \$2,417,992 | \$23,658 | 1.0% |
| RTRF | \$17,231,400 | \$16,135,750 | \$1,095,650 | 6.8% |
| Other Special Funds | \$4,627,647 | \$4,574,361 | \$53,286 | 1.2% |
| Other Revolving Funds | \$989,610 | \$729,501 | \$260,109 | 35.7% |
| Appropriated Federal Funds | \$384,999 | \$186,631 | \$198,368 | 106.3% |
| Total Revenues | \$81,358,919 | \$72,285,635 | \$9,073,284 | 12.6% |

| Type of Fund | FY18 Actual (est.) | FY18 Projected | FY18 Actual vs. FY18 Proj. | %age |
|----------------------------|-----------------------|---------------------|-------------------------------|--------------|
| General Funds | \$48,241,399 | \$55,825,664 | (\$7,584,265) | -13.6% |
| Tuition & Fees | \$2,417,992 | \$1,517,940 | \$900,052 | 59.3% |
| RTRF | \$16,135,750 | \$15,087,920 | \$1,047,830 | 6.9% |
| Other Special Funds | \$4,574,361 | \$3,830,261 | \$744,100 | 19.4% |
| Other Revolving Funds | \$729,501 | \$726,737 | \$2,764 | 0.4% |
| Appropriated Federal Funds | \$186,631 | \$358,873 | (\$172,242) | -48.0% |
| Total Revenues | \$72,285,635 | \$77,347,395 | (\$5,061,760) | -6.5% |

Actual General Fund revenue in FY18 does not include \$12.67 million in transfers from System to various UH campuses. Among the most significant transfers were \$3.96 million for Performance Funding, \$3 million each for B Plus scholarships and Athletics, and \$753,000 for Academy for Creative Media (ACM). Projected General Fund transfers in FY19 total \$7.67 million, which again include transfers for Performance Funding, B Plus scholarships and ACM. General Fund transfers are reported as changes in revenue because they represent a change in allocation from the State rather than actual cash moving between UH campuses.

Actual Other Special Funds revenue in FY18 was higher than budgeted due to an increase in lease rates for Information Technology Services co-location charges. Forecasted revenue in FY19 for Other Special Funds is expected to remain relatively the same as FY18 actual revenue. Other Revolving Funds revenue is projected to rise in FY19 due to a shift in recording revenue from patents in revolving funds accounts as opposed to special fund accounts.

Expenditures

| Expenditure Category | FY19 Projected | FY18 Actual | FY19 Proj. vs. FY18 Actual | %age |
|---------------------------|---------------------|---------------------|----------------------------|-------------|
| Regular Employee Payroll | \$45,968,273 | \$42,944,377 | \$3,023,896 | 7.0% |
| Lecturer Payroll | \$32,000 | \$31,497 | \$503 | 1.6% |
| Student Help Payroll | \$1,414,484 | \$1,247,897 | \$166,587 | 13.3% |
| Other Personnel | \$615,829 | \$721,166 | (\$105,337) | -14.6% |
| <i>Subtotal Personnel</i> | <i>\$48,030,586</i> | <i>\$44,944,937</i> | <i>\$3,085,649</i> | <i>6.9%</i> |
| Utilities | \$989,884 | \$937,157 | \$52,727 | 5.6% |
| Scholarships, Tuition | \$4,440,869 | \$4,346,214 | \$94,655 | 2.2% |
| Other Operating Expenses | \$34,044,936 | \$31,944,910 | \$2,100,026 | 6.6% |
| <i>Subtotal Other</i> | <i>\$39,475,689</i> | <i>\$37,228,281</i> | <i>\$2,247,408</i> | <i>6.0%</i> |
| Total Expenditures | \$87,506,275 | \$82,173,218 | \$5,333,057 | 6.5% |

| Expenditure Category | FY18 Actual | FY18 Projected | FY18 Actual vs. FY18 Projected | %age |
|---------------------------|---------------------|---------------------|--------------------------------|--------------|
| Regular Employee Payroll | \$42,944,377 | \$45,063,686 | (\$2,119,309) | -4.7% |
| Lecturer Payroll | \$31,497 | \$0 | \$31,497 | |
| Student Help Payroll | \$1,247,897 | \$1,259,649 | (\$11,752) | -0.9% |
| Other Personnel | \$721,166 | \$1,000,014 | (\$278,848) | -27.9% |
| <i>Subtotal Personnel</i> | <i>\$44,944,937</i> | <i>\$47,323,349</i> | <i>(\$2,378,412)</i> | <i>-5.0%</i> |
| Utilities | \$937,157 | \$1,161,444 | (\$224,287) | -19.3% |
| Scholarships, Tuition | \$4,346,214 | \$4,162,566 | \$183,648 | 4.4% |
| Other Operating Expenses | \$31,944,910 | \$33,142,163 | (\$1,197,253) | -3.6% |
| <i>Subtotal Other</i> | <i>\$37,228,281</i> | <i>\$38,466,173</i> | <i>(\$1,237,892)</i> | <i>-3.2%</i> |
| Total Expenditures | \$82,173,218 | \$85,789,522 | (\$3,616,304) | -4.2% |

The projected increase in System expenditures across all funds in FY19 is attributed to Regular Employee Payroll and Other Operating Expenses. The rise in Regular Employee Payroll is due in part to collective bargaining costs. Additionally, General Fund FTE positions in System rose by 15 as the result of transfers from Mānoa for the Office of Communications and University General Counsel, and Legislative additions for the new Office of Strategic Planning and Development and for online learning courses. Other Operating Expenses are projected to exceed the FY18 actual due to committed contract payments towards a shared document imaging and management system, purchases for software upgrades and software licensing fees, POST Building recovery payments, and operating expenses for the Mānoa Innovation Center.

Net Operating Gain (Loss)

| Net Operating Income | FY19 Projected | FY18 Actual (est.) | FY19 Proj. vs. FY18 Actual | %age |
|----------------------------|--------------------|-----------------------|-------------------------------|----------------|
| General Funds | \$0 | \$0 | \$0 | |
| Tuition & Fees | \$1,176,749 | \$254,182 | \$922,567 | 363.0% |
| RTRF | \$0 | (\$747,713) | \$747,713 | -100.0% |
| Other Special Funds | (\$1,920,108) | \$3,920,316 | (\$5,840,424) | -149.0% |
| Other Revolving Funds | \$47,503 | \$103,443 | (\$55,940) | -54.1% |
| Appropriated Federal Funds | \$0 | \$0 | \$0 | |
| Total NOI | (\$695,856) | \$3,530,228 | (\$4,226,084) | -119.7% |

| Net Operating Income | FY18 Actual (est.) | FY18 Projected | FY18 Actual vs. FY18 Proj. | %age |
|----------------------------|-----------------------|--------------------|-------------------------------|----------------|
| General Funds | \$0 | \$0 | \$0 | |
| Tuition & Fees | \$254,182 | \$1,233,754 | (\$979,572) | -79.4% |
| RTRF | (\$747,713) | (\$1,077,180) | \$329,467 | -30.6% |
| Other Special Funds | \$3,920,316 | (\$1,328,584) | \$5,248,900 | -395.1% |
| Other Revolving Funds | \$103,443 | \$177,919 | (\$74,476) | -41.9% |
| Appropriated Federal Funds | \$0 | \$0 | \$0 | |
| Total NOI | \$3,530,228 | (\$994,091) | \$4,524,319 | -455.1% |

Net operating income across all funds is negative due to strategic expenses in Other Special Funds. Increased operating expenses in Other Special Funds include anticipated payments toward the POST Building recovery of approximately \$800,000 and operating expenses for the Mānoa Innovation Center of nearly \$800,000. Both items should entail either late-fiscal year expense recovery or revenue contribution in the subsequent fiscal year. For example, POST Building recovery expenses should be subsequently covered via risk management special fund contributions or insurance proceeds recovery. And, Mānoa Innovation Center expenditures are attributable to initial year funding requirements for capital improvements related to first-year transition of this property into University operations. A cash balance in Other Special Funds of \$10.93 million will still be available after these expenses, which is above the reserve target.

GENERAL FUNDS

Forecasted FY19 General Fund expenditures should remain relatively the same as FY18 actual expenditures. As in FY18, System will utilize the Performance Funding unearned by the campuses to continue advancements in shared initiatives that benefit all campuses in FY19. System invested in the following initiatives in FY18: Enrollment Management, Integrated Data Warehouse, Hawai'i Papa o Ke Ao, Returning Adults, Distance Learning, and STAR Graduation Pathway System. Detailed plans for FY19 initiatives will be finalized by September.

It has been a common practice in recent legislative sessions to provide lump sum funds for specific initiatives in the System budget, providing the President and senior administrators the authority to disseminate funds to the campuses. In FY19, 14% or \$7.67 million of System's

General Fund budget will be transferred to the campuses for scholarships and other program expenses. Moreover, while the Western Interstate Commission for Higher Education (WICHE) scholarship budget is managed by System, the scholarships directly support higher education options for students at the campuses. Consequently, a total of 16% or \$9.11 million of System's General Fund budget is in fact spent by the campuses rather than System operations.

TUITION AND FEES SPECIAL FUND

Revenues

| FY19 Projected | FY18 Actual (est.) | FY19 Proj. vs. FY18 Actual | %age | FY18 Actual (est.) | FY18 Projected | FY18 Actual vs. FY18 Proj. | %age |
|----------------|--------------------|----------------------------|------|--------------------|----------------|----------------------------|-------|
| \$2,441,650 | \$2,417,992 | \$23,658 | 1.0% | \$2,417,992 | \$1,517,940 | \$900,052 | 59.3% |

TFSF revenues in System are not from student tuition. Rather, revenue is gained through fees from: Late Registration, the Tuition payment plan, interest income, and applications for use of UH facilities for commercial filming. Interest income has been rising since FY15 but experienced significant growth in FY18 due to increased interest rates, notably on new CD investments, and investments in government obligations that yield higher interest rates. The FY18 variance is due to a conservative interest income revenue projection. It is projected that FY19 revenue should remain relatively the same as FY18 actual revenue.

Expenditures

| Expenditure Category | FY19 Projected | FY18 Actual | FY19 Proj. vs. FY18 Actual | %age |
|---------------------------|---------------------|---------------------|----------------------------|--------------|
| Regular Employee Payroll | \$2,628,154 | \$2,204,727 | \$423,427 | 19.2% |
| Lecturer Payroll | \$0 | \$0 | \$0 | |
| Student Help Payroll | \$15,144 | \$25,521 | (\$10,377) | -40.7% |
| Other Personnel | \$0 | \$26,739 | (\$26,739) | -100.0% |
| Subtotal Personnel | \$2,643,298 | \$2,256,987 | \$386,311 | 17.1% |
| Utilities | \$64,982 | \$112,073 | (\$47,091) | -42.0% |
| Scholarships, Tuition | \$0 | \$1,238 | (\$1,238) | -100.0% |
| Other Operating Expenses | \$8,326,188 | \$7,982,801 | \$343,387 | 4.3% |
| Subtotal Other | \$8,391,170 | \$8,096,112 | \$295,058 | 3.6% |
| Total Expenditures | \$11,034,468 | \$10,353,099 | \$681,369 | 6.6% |

| Expenditure Category | FY18 Actual | FY18 Projected | FY18 Actual vs. FY18 Projected | %age |
|---------------------------|---------------------|---------------------|--------------------------------|---------------|
| Regular Employee Payroll | \$2,204,727 | \$2,310,844 | (\$106,117) | -4.6% |
| Lecturer Payroll | \$0 | \$0 | \$0 | |
| Student Help Payroll | \$25,521 | \$37,547 | (\$12,026) | -32.0% |
| Other Personnel | \$26,739 | \$5,395 | \$21,344 | 395.6% |
| Subtotal Personnel | \$2,256,987 | \$2,353,786 | (\$96,799) | -4.1% |
| Utilities | \$112,073 | \$151,160 | (\$39,087) | -25.9% |
| Scholarships, Tuition | \$1,238 | \$0 | \$1,238 | |
| Other Operating Expenses | \$7,982,801 | \$9,627,720 | (\$1,644,919) | -17.1% |
| Subtotal Other | \$8,096,112 | \$9,778,880 | (\$1,682,768) | -17.2% |
| Total Expenditures | \$10,353,099 | \$12,132,666 | (\$1,779,567) | -14.7% |

The increase in projected Regular Employee Payroll reflects additional budgeted salaries coupled with collective bargaining costs. While Other Operating Expenses outpace Revenues, the majority of TFSF expenses are payments towards existing University commitments that are covered by a direct assessment from the campuses. Such commitments represent shared investments in services that are jointly funded by the campuses to achieve economies of scale and consistency that would not be available through individual action. These include the UH Foundation contract for private fundraising, stewardship and alumni relations, eBuilder, and NeoGov. A new assessment is projected for FY19 for a shared document imaging and management system. The remaining Other Operating Expenses are increasing due to purchases for software upgrades and software licensing fees.

Net Operating Income

| Net Operating Income (TFSF) | FY19 Projected |
|--|-----------------------|
| Net Operating Income | \$1,176,749 |
| Beginning Balance | \$7,884,602 |
| Ending Balance | \$9,061,351 |
| Other Reserve Requirements (R&R, Bond, RTRF Commitments) | \$0 |
| Revised Ending Balance | \$9,061,351 |
| Reserve Requirement (5% Minimum) | \$2,476,031 |
| Balance Above Minimum Reserve After Adjustments | \$6,585,320 |

System is forecasted to yield a net operating income (NOI) of \$1.17 million in FY19, primarily due to revenue from interest income. Revenue from interest income also supported the \$1.23 million estimated NOI in FY18. However actual FY18 NOI was approximately \$254,000, as a \$1.63 million campus assessment for the new document imaging and management system was not implemented in FY18 as originally budgeted. The near net zero effect on NOI is evidence that System's TFSF income is predominantly from transfers from campuses to cover corresponding costs of contracts and maintenance fees.

RESERVES

In 2015, the Legislature passed Act 236 which annually requires moneys from each campus's TFSF to lapse to the credit of System. As a result, System begins FY19 with an unencumbered cash balance of \$134.85 million after \$116.83 million in FY18 unencumbered cash balances were swept from the campuses. Of this amount, \$18.01 million is held centrally by System as the 5% TFSF reserve requirement for Hilo, West O'ahu, the Community Colleges, and System itself. A total of \$108.95 million will be returned to the campuses for inclusion in their FY19 campus operating budgets.