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UH medical school will end fiscal year in red ink

Pacific Business News (Honolulu) - June 16, 2006 by [Kristen Consillio](#) Pacific Business News

The University of Hawaii's medical school, which moved into a \$150 million Kakaako campus in April 2005, is ending its first full year June 30 with a \$2.1 million deficit.

The John A. Burns School of Medicine also expects to lose \$2.8 million by the end of its third year in Kakaako and deplete its reserves, which totaled \$4.7 million at the beginning of the fiscal year, according to interim Dean Sam Shomaker.

In a presentation to UH regents last month, Shomaker described the imminent financial crisis the medical school is facing with rising operating costs and an anticipated drop in indirect grant revenue in 2008 -- the result of UH allocating the money elsewhere.

Also burdening the medical school are soaring utility expenses, which comprise a third of the Kakaako operations budget.

Other challenges include the highly competitive climate for federal research grants as the National Institutes of Health tightens its budget and limits its number of awards.

Just a few years ago, the federal agency funded a fourth of grant proposals while today it funds less than 10 percent, Shomaker said, adding that researchers will be struggling to maintain the grant revenue they currently have.

Gary Ostrander, vice chancellor for research and graduate education, says UH officials are trying to determine their options, which include trying to find more resources, slowing the growth of the medical school or actually curtailing its growth.

"We have a very serious situation," Ostrander said. "I don't have the millions of dollars sitting under my desk that I can just give them."

Ostrander says additional resources will come at the expense of other UH programs and officials will have tough decisions to make as other programs vie for the same money.

"If there was a business plan, which was before my time, it didn't work or it was flawed," he said. "We need to rethink what we're doing and how we're doing business down there."

The school received \$20.6 million from the state general fund this year and will receive \$23.8 million next year and \$25.5 million in 2008 for medical programs statewide.

But Kakaako's operating expenses alone are projected to grow to about \$9.8 million in 2008 and \$9.5 million in 2007. That's up from \$6.6 million this year as the medical school ramps up its programs in Kakaako.

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Shomaker is asking UH administrators for more indirect grant revenue and for an additional \$4.5 million over the next two years from the Legislature.

But Rep. K. Mark Takai, D-Pearl City-Waimalu, says there are other programs at UH that are more in line with the state's priorities.

"There's a significant impact to the university and to the state when you have to divert millions to save the medical school from going into bankruptcy," Takai said.

The medical school has begun cutting expenses to stem the bleeding, including not filling at least 20 personnel positions, Shomaker said.

Meanwhile, the medical school doesn't have the money to hire new faculty and expects research growth to plateau as existing faculty reach capacity, he said.

In the worst-case scenario -- if the medical school doesn't receive additional support from taxpayers or UH -- drastic program cuts would be the last resort, he said.

"Our first priority at this point is to resolve the issue of how we're going to pay for the operating expenses," Shomaker said. "We don't want people to get the impression that we're in panic mode. This is a manageable problem."

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