



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

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Senate Committee on Higher Education
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By

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SB 2329 – RELATING TO TUITION AT THE UNIVERSITY OF HAWAII

Chair Kahele, Vice Chair Kim, and members of the committee:

Thank you for the opportunity to comment on SB 2329 that would cap increases in tuition for the University of Hawai'i based on the change in the 10-year average of the State's median household income.

The University of Hawai'i shares the intent of the Legislature to keep college affordable, however we oppose the approach SB 2329 takes to doing so. The bill amends §92-28, HRS, by stating that "...no increase in tuition shall exceed the mean change in the State's median household income, as determined by the United States Census Bureau, for the past ten years."

Affordability is a major factor the University considers in setting tuition. The Board of Regents of the University of Hawai'i established principles by which UH sets its tuition rates that make that clear:

"The ultimate intent of this policy is that every qualified Hawai'i resident shall have an opportunity to pursue postsecondary education within the university system....As a general principle, the board subscribes to a tuition policy that seeks to keep costs to resident students at the lowest practical level while maintaining a financial aid program that responds to the needs of students who cannot meet the costs of attendance." (RP 6.202, Section III)

Board policy identifies factors to be used in setting tuition rates and the first two of these are the determinants of affordability: access and financial aid availability.

When the University set the most recent tuition schedule for academic years 2017-18, 2018-2019, and 2019-2020 the three goals were to set rates that:

1. ensured access to public higher education for every qualified Hawai'i resident,
2. kept college affordable, and
3. allowed the University to invest in facilities that are safe and modern.

As a result, the Board of Regents approved tuition rates for three academic years that increased the resident undergraduate tuition at UH Mānoa by \$216 per year and at the other campuses by \$0 in 2017-18 and by \$72 in 2018-19 and 2019-20. Non-resident and graduate tuition increased by larger amounts. Further, the Board required that all of these increases go to improve facilities, either by addressing deferred maintenance backlog or by modernizing facilities.

The University also maintained its commitment to financial aid. UH four-year campuses allocate 20% of their tuition revenue for need-based and merit aid to students; the community colleges allocate 8.8%. In 2016-17, the combined value of the tuition returned to aid was over \$47 Million. This year, the Hawai'i Promise program, funded by the legislature, allows the Community Colleges to meet the need for most resident students who attend.

There are other policy changes the University is making to keep college affordable in Hawai'i. Students pay more for college if they take longer to earn their degree; UH is a national leader in making institutional changes to remove barriers and enable students to finish on time. On-campus employment helps students make progress towards their degree while also earning income; during the 2015-16 academic year, UH has student employment opportunities that paid over \$23 Million in wages to students who could earn while they learn. The University actively raises philanthropic funds to provide scholarships and financial aid to students. Taking steps to make college affordable is an integral part of the UH mission and underlies much of what we do.

Several states have begun indexing tuition rates to indicators of economic activity, as SB 2329 envisions. These include:

- adjusting tuition rates based on the 3-year average inflation rate (Alaska),
- limiting percentage increases to the 3-year average of median family income (Maryland),
- limiting percentage increases to the percentage change of the consumer price index (Missouri), and
- limiting tuition growth to no more than the annual growth in state median hourly wages (Washington).

In addition, some universities have committed to meeting all need for students whose family income is below a set level (usually related to adjusted gross family income; e.g., University of Michigan and University of Wisconsin, Madison).

Unlike most of these universities and systems, The University of Hawai'i sets its tuition schedule several years at a time. We are committed to providing students and families information about costs well in advance to allow them to plan. Economic indices may be useful in making year-to-year adjustments to tuition rates, but they are not useful in projecting rates several years into the future. In addition, several of the states using

indices to manage tuition rates have either robust, need-based state financial aid programs (e.g., Washington) or mechanisms like Maryland's Tuition Stabilization Account to offset downturns in tuition revenue or appropriations. A study by the Washington State Institute for Public Policy indicates that income-based indices would decrease tuition revenue during economic downturns, at the same time that state appropriations for higher education would likely decrease, but reducing both sources of revenue at the same time would hamper the university's ability to provide education at a time when the state needs it most to help drive economic recovery.

From a policy perspective, one index that is more informative about college affordability is the percent of discretionary income that tuition represents for a family. The Institute for College Access and Success reports for Hawai'i that, in 2014-15, tuition costs were more than the total discretionary income for those with incomes under \$30,000/year and represented 25% of the discretionary income for those with \$30,000-\$48,000 incomes. Above \$48,000, tuition represented 16% or less of discretionary income. These data demonstrate clearly that the people for whom college is not affordable in Hawai'i are those with less than the median household income (\$48,000 in 2015). State and University policy strategies should focus on their needs directly.

Federal Pell grant policy and University financial aid practice both focus financial support on those with little to no capacity to pay for college. We follow the Federal model of calculating our net price to students—the difference between the cost of attendance (tuition, fees, books, transportation, housing and meals) and financial aid (Pell, grants, scholarships, work-study, etc.). Each student with an unmet need—the difference between this net price and the Estimated Family Contribution—has a priority for financial aid. We are focusing financial aid where it is needed most.

The Hawai'i Promise program that the Legislature funded last year further helps those who can least afford college. It provides the last dollar needed, after other forms of financial support, for the direct costs of attending (tuition, fees, books, and transportation). At the community colleges, this partnership between the University and the Legislature has made college attendance significantly more affordable for many community college students. Expanding the Hawai'i Promise program to students at four-year campuses would make even more progress on college affordability in the state.

Finally, as mentioned above, the University devotes a significant portion of the tuition raised each year to direct, need-based and merit aid to students. The amount of tuition returned to aid would decrease if tuition rates were decreased. For this reason, the University opposes section 3 of this bill, which contemplates reducing tuition rates by legislative action. Other states that have reduced tuition rates do not necessarily fund financial aid from tuition revenues.

Decisions about tuition rates and affordability depend on carefully balancing a number of factors that interact in complex ways. Tuition rates are best set by the Board of Regents, who work with University constituents and leadership to find a balance between revenue and affordability. For the current tuition schedule, the University balanced the need for improved facilities, which might have argued for increases in tuition, against the factors affecting how we can make the University a more affordable choice for higher education for the people of Hawai'i. In the end, the University found that balance to lie in extremely modest increases in tuition. We believe the University can find that balance and we welcome the opportunity to work with the Legislature to find ways to provide financial support for our citizens who might otherwise not be able to attend college.

Thank you for the opportunity to testify on SB 2329.