News Release from

The National Center for Higher Education Management Systems (NCHEMS)

To State of Hawai‘i Media

February 9, 2006

Upon the request of the University of Hawai‘i System office, NCHEMS co-authors Patrick Kelly and Dennis Jones revisited the conclusions in their December 2005 report: A New Look at the Institutional Component of Higher Education Finance: A Guide for Evaluating Performance Relative to Financial Resources. The reexamination of the data used resulted in markedly different outcomes in regard to the performance of the state of Hawai‘i’s higher education system relative to funding. As opposed to initial findings that ranked Hawai‘i as the 47th state system in the nation, Hawai‘i actually ranks 27th in the nation, near the midpoint of the 50 states.

Two adjustments were made to the data. In the initial report, a cost of living index was used for Hawai‘i that estimated Hawai‘i’s cost at 16% above the mainland average. The Council for Community and Economic Research (ACCRA) reports Hawai‘i’s cost of living at 51% over the average for the mainland. The 51%, which more accurately reflects the average cost for the seven islands of the state, was used in the revision.

The second adjustment involved the re-allocation of approximately $100m in fringe benefits. In Hawai‘i, the total appropriation for the fringe benefits of the 10 campus public system is appropriated to the UH system budget, and is then “passed-through” back to the state for distribution. Given the way in which these data are reported to the National Center for Education Statistics (the source used for the study), this process resulted in a “double-counting” of the fringe benefits.

As a result of these adjustments, the funding per FTE student in the public research sector decreased from $25,282 to $16,901, and resulted in Hawai‘i’s public research sector ranking 33rd in the nation for overall performance relative to funding rather than 49th in the nation as originally reported.

The results of the revised study can be found on www.higheredinfo.org/analyses/.