UNIVERSITY OF HAWAIʻI SYSTEM
ʻŌNAEHANA KULANUI O HAWAIʻI

Legislative Testimony
Hōʻike Manaʻo I Mua O Ka ʻAhaʻōlelo

Testimony Presented Before the
Senate Committee on Higher Education
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SB 2602 – RELATING TO THE GENERAL FUND

Chair Kim, Vice Chair Kidani, and Members of the Committee:

Thank you for the opportunity to present testimony today. The University of Hawaiʻi (UH) respectfully **opposes** SB 2602, Relating to the General Fund. This bill would require that excess funds in the University of Hawaiʻi Tuition and Fees Special Fund (TFSF) lapse to the State general fund at the end of each fiscal year.

While we understand the fiscal situation facing the state, we respectfully disagree that taking tuition and fee dollars, paid by UH students and their families to seek a better future through postsecondary education, and to be held in trust by the University for these purposes, should be redirected to the state general fund. Shifts in federal policy and the termination of grant funding have created significant uncertainty for the UH. At the same time, major technological changes relating to AI and other needs will require ongoing substantial investment in infrastructure. The UH has outlined major initiatives to ensure it can more effectively and efficiently meet its mission despite these major challenges and to maintain accountability for executing on strategic goals.

These initiatives will benefit all campuses, systemwide and are not intended for the benefit of any singular campus. In general, although it has been the practice for all campuses to retain their TFSF fund balances to be used for campus priorities, there are regular, expected instances where assessments are made against campus fund balances for systemwide initiatives.

Without TFSF fund balances, the UH will be extremely challenged in weathering this period of uncertainty, making the strategic investments needed to produce legislatively mandated outcomes, and sustaining excellence in higher education.

Notably, the bill does not sweep funds on a one-time basis but creates major changes in the overall funding structure of the entire system going forward. Taking these funds will cause significant hardship for campuses that need to fulfill their debt service obligations and properly satisfy recurring, big-ticket equipment support, services, and upgrades required to maintain current service levels. This transfer will impair the UH's ability to respond to emergency and unbudgeted expenses and will encourage short-term spending rather than making long-term investments to diversify UH's revenue. Further, some decisions that have been made will need to be revisited, e.g., the Community Colleges reduced their summer tuition to increase affordability and decrease time to degree completion, and this decision would likely be unsustainable if funds are swept. Respectfully, this bill is contrary to disciplined financial planning and centrally held reserves called for in Act 236, SLH 2015.

Thank you for this opportunity to testify.