UNIVERSITY of HAWAI'I SYSTEM

Board of Regents <bor@hawaii.edu>

Next Week Agendas?

James Shon <jshon@hawaii.edu>
Fri, Feb 8, 2019 at 4:16 PM
To: Board of Regents <bor@hawaii.edu>

Please find below testimony for the February 14, 2019 BOR Committee on Budget and Finance.

On Fri, Feb 8, 2019 at 4:01 PM Board of Regents <bor@hawaii.edu> wrote:
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HAWAIʻI EDUCATIONAL POLICY CENTER
TESTIMONY TO THE BOARD OF REGENTS

The Hawaiʻi Educational Policy Center (https://manoa.hawaii.edu/hepc/) is the only public institution in Hawaiʻi completely focusing on the constitution, laws, policies, programs and practices of Pre-K through adult education. Affiliated with the University of Hawaiʻi's College of Education, HEPC currently receives no financial, compensation, operational or facility support from the University.

February 14, 2019

BOARD OF REGENTS COMMITTEE ON BUDGET AND FINANCE

Members of the Board,

First, a procedural concern. On Friday, February 8, as of 2:15 pm, this agenda was not yet posted on the Internet. Sunshine law does require adequate posting . The posting for this meeting, scheduled for 11:15 on Feb 14, might suggest that it cannot convene until 3 pm of slightly later.

AGENDA Item IV B 2. RE listings under UBS Portfolio investments. Because the University is increasingly committed to aspirational goals re energy self sufficiency, wondering if investment portfolio including Northern Oil and Gas and Nextera are consistent with these goals and the reputation of the University?

Because the UH is leading the way in making campuses smoke free, would investments in Phillip Morris be consistent or appropriate?

Under the FY19 Q2 Financial Report submitted by Vice President Young, it is noted that there were some financial actions due to the uncertainty of enrollments. TFSF revenues were slightly up, and across all funds revenues exceeded projections by $6.6 million. Manoa's actual budget was up nearly $8 million. If enrollments are falling, this would suggest that tuition may be higher than needed, and certainly subject to adjustments for the financial health of students.

HEPC PROPOSAL
PLEASE CONSIDER REVISITING THE TUITION CAPS PROPOSED BY THE UH ADMINISTRATION.

HEPC maintains networks of information and perspectives among the media, and educational decision makers, particularly legislators. Some key legislators have hinted that the proposed $19 million requested for the Promise Program *may* be greeted with skepticism if UH does not make a good faith effort to formally cap and reduce the tuition and fees burdens on its students. Whether proposed budgets will be impacted by your tuition decisions, there continues to be ample justification to move forward.

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HEPC would also respectfully suggest that the Board move forward with the UH Administration tuition reduction plan, and focus particularly on resident and non-resident, four year undergraduate and graduate tuition levels. IF UH can be more financially attractive to non-residents, with an attractively reduced rate, there will still be more revenues generated by more non-resident enrollees. The specialized schools are also very expensive for even residents.

A Hawaiʻi resident who must live on her own in the community will need a minimum of $100,000 to receive a bachelors degree within just four years. This is because it takes at least $25,000 a year for housing, food, and other everyday living expenses. In 2014, the estimated cost of living was at least $35,000 a year.

Dated But Still Relevant and Valid
In 2014 HEPC prepared a study on Tuition and Student Debt. Regents reported our study influenced their decision to delay tuition increases.
(https://manoa.hawaii.edu/hepc/wp-content/uploads/Student-Costs-of-Living-Tuition-and-Debt-at-the-University-of-Hawaiʻi-.pdf)

At the time, HEPC found:

Comparing the affordability of UH Manoa with its selected Benchmark and Peer institutions, we found that tuition was competitive, but the overall cost of living, particularly housing, could shift favor to U.S. mainland institutions. Five of the nine UH Peer Group institutions, and four of the ten UH Benchmark Institutions saw no enrollments from the 2013 Hawaiʻi high school class.

UH tuition & fee levels were, by themselves, competitive. Yet 5,000 high school graduates each year did not enroll in college. Was it the cost? Price sensitivity studies commissioned by the UH suggested that as tuition increased, preference for UH Manoa would begin to decline.

• The cost of living in Hawaiʻi is not a good bargain. Cost of housing is much higher than the community homes of many competing mainland institutions.

• The UH policies or tuition levels did not encourage non-resident enrollments, especially International students.

•Hawaiʻi's state legislative appropriations support remained at over 26% below pre-recession levels. (While the overall appropriations for UH has risen since 2014, much of the increases can be attributed to collective bargaining and not support for operational expenses.)

• The percentage of UH Manoa tuition that goes toward student grants was relatively low.

•There were less than 4,000 potential residential dormitory beds.

The questions of competitiveness and affordability can be answered differently, depending on whether one is looking at undergraduate vs. graduate costs, or resident vs. nonresident costs.

Are Hawaiʻi residents less likely or able to enroll in UH Manoa because of the combined cost of living and tuition?

An important factor may well be the ability of a family to plan for college expenses. With rapidly escalating tuition levels (122% in ten years), what was once affordable when a child is in middle school may be less so when a student graduates from high school. The overwhelming number of schools that saw enrollments from the 2013 graduating class were either in HawaiʻI or the West Coast. This suggests that culture, easy travel from home and cost all play a role in the selection of a college.

There were disturbing national and state trends in the shift from direct cash financing of college to a greater reliance on loans, which translates into debt. UH's IRO is currently collecting data on loan defaults, which may provide an insight into the ability of students to absorb debt. The average unsubsidized annual student loan at Manoa was in 2014 $5,715. Add to this the federal interest rate for undergraduate student loans at 3.86%, or $428 per year. Thus, the average Hawaiʻi resident, four-year undergraduate student debt was likely to be close to the national average of approximately $29,000. This is much higher than Princeton, with debt at $5,000.

For non-resident graduate students, where tuition and living expenses are significantly higher, UH Manoa does not look as financially competitive. Total costs for specialized schools such as nursing, business, law and especially medicine, the affordability issue is significant. While the actual tuition levels are comparable or below those of benchmark or peer schools, the overall cost of living may push the burden on students into a post-graduate world of significant debt. Many graduate students do benefit from teaching assistantships which can offset tuition. However, with established limits on non-resident enrollments, it is difficult to know if the small number and percent of non-resident, and especially international undergraduate students is the result of financial considerations. One important factor when looking at most metrics for UH System accomplishments: post-graduate debt may be invisible to decision makers outside the UH community. With less than 5% of all UH students coming from outside of the U.S., there is a temptation to conclude that the University of Hawaiʻi may be a less financially competitive institution than many on the U.S. mainland. Without good survey of graduate students, HEPC is left to speculate on the impacts.

Price Sensitivity Studies
During the 2010-2011 academic year UH-Manoa, through *Eduventures*, conducted a survey of resident and non-resident prospective students to ascertain the effect that the price of tuition has on their preference for enrolling at UH Manoa. They found only 10% of prospective non-resident students would attend UHM regardless of the cost.

Another 59% would attend UHM *only* if offered financial aid. Of students in need of financial aid, about three-fourths valued a UHM education.

A survey of nearly 700 UH Manoa students who had been enrolled in the Spring but not the subsequent fall semester found an overwhelming number whose decision was based on cost alone.

HEPC also conducted a nonscientific voluntary survey of students to validate the tuition analysis:
https://manoa.hawaii.edu/hepc/wp-content/uploads/Analysis-of-HEPC-Student-Survey.pdf

We found:
• Thinking about transferring: Fifteen percent (15%) of students responded that they are currently thinking about leaving UH for the mainland due to the cost of living in Hawaiʻi
.
• Anticipated debt: The group who were anticipating the highest amount of debt were those living in shared housing in the community, with this group expecting over $32,000 of debt after graduation. Both undergraduate and graduate students expected an average debt of $24,200. Expected debt varies greatly on level of education pursued and school college or unit attending.
• Previous debt : On average, graduate students come into their schools with some $13,000 in previous debt.

• Need to work: Eighty-two percent (82%) reported the need to work in order to attend school. On average, working students are expecting approximately a $19,000 debt after they graduate, in comparison with the $24,200 average.

• On average, students responded at a level 8.1 (on a scale of 1-10) as concerned with their tuition costs. Graduate students reported an average level 8, while undergraduates were slightly more concerned at 8.2.

• Roughly 10%, of students responded that without their scholarship or waiver, they would not be attending the university.

• Over 60% of students replied that rising tuition was making them to reconsider their graduation plans.

Eduventure predicted significant declines in UH enrollments when the tuition increased in accordance with the 2014 scheduled increases. Specifically, they predicted a drop off in enrollments once resident undergraduate tuition reached about $9,000 per year. It appears that for a variety of reasons, that prediction has come close to being accurate.