



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Higher Education
January 30, 2007
by
David McClain
President, University of Hawai'i

HB 517 Proposing Amendments to the Hawai'i Constitution to Provide the University of Hawai'i with Complete Autonomy from the Executive Branch

Chair Chang, Vice Chair Bertram and Members of the Committee:

Thank you for the opportunity today to present testimony on House Bill 517, which proposes amendments to the State Constitution to permit the university to achieve, in the bill's words, "truly meaningful autonomy."

In this Centennial year, we're gratified that the Legislature might consider measures to build on the constitutional amendment approved in 2000 by over two-thirds of the voters granting the UH a measure of autonomy. This autonomy at present does not extend to so-called "matters of statewide concern", the determination of which is done exclusively by the Legislature.

HB 517 seeks to motivate the UH to operate more efficiently and to seek other sources of funds, including funds from the land it owns, by weaning it from current general funds support over five years. HB 517 also would separate UH entirely from the executive branch, and require the university to submit a separate budget to the Legislature. In this regard, the university would be put on a par with the judicial branch of government, which submits its budget directly to the legislature as well.

Reducing general funds support of UH to zero doesn't require a constitutional amendment, of course. The Legislature has it in its power today to do that. In the past, the Legislature has reduced its general funds support for UH. As we saw in the mid-1990s, the Legislature committed to support the UH at a given level, \$283 million, in return for which we were permitted to keep our tuition, then about \$40 million a year; the net effect was to reduce our budget by 8%, from \$352 million before the deal went into effect. A few years later, our general funds allocation was reduced to \$260 million.

The public policy issue, of course, is whether the Legislature wants the young people of this state and their parents to pick up the full cost of their education by paying more in tuition, instead of enjoying the subsidies (about 70% for Mānoa students, some 85% for community college students) that are currently in place in the form of general funds provided by tax revenues.

As of last June 30, UH received about \$570 million in general funds, including funds for fringe benefits and debt service, and about \$125 million in tuition, for a total of about \$700 million in support from these two sources. By 2011-12, the University expects that our tuition revenues will have approximately doubled, and to have a general funds budget of well over \$600 million, for a total of perhaps \$850 million from these two sources. Tuition at that point for a UH Mānoa student will be about \$8,400.

To make up for a \$600 million loss in general funds, and to generate another \$600 million in tuition on top of the amount already being paid, tuition would have to rise substantially. For Mānoa students, the increase would be to nearly \$30,000.

Many colleges and universities today charge this amount, and more. But these colleges and universities are in the private sector.

If we were to go that route, I would see little point in submitting the University's budget directly to the Legislature, since by then UH would effectively have been privatized.

As I said in my address upon being appointed UH president almost a year ago, I want our university to be flexible, adaptable and entrepreneurial, precisely so that we can make the most of our scarce general funds.

The Legislature can contribute to our flexibility in several ways. Support our exemption from the state procurement code. Give us independent bonding authority. Permit us to sell our lands without restriction, and permit us to adopt rules on the lands we lease from the State. Support a best-practice governor-appoints-them-all candidate advisory council to assist the Governor in the selection of regents. Support a lump-sum budget for the UH, instead of one driven by program change requests and position counts. Agree that any changes from these lump-sum amounts will be exclusively enrollment driven. Refrain from specifying the transfer of a single individual from one campus to another. And so forth.

Thank you for your attention, and for your support for more autonomy for UH, consistent with our role as the only public provider of higher education in the State of Hawai'i.