HB 2978 – RELATING TO EDUCATION

Testimony Presented Before the House Committee on Higher Education

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by

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Chair Chang, Vice-Chair Bertram, and Members of the Committee on Higher Education:

I am Howard Todo, Vice President for Budget and Finance and Chief Financial Officer of the University of Hawai’i System. On behalf of the University System, I am testifying on House Bill 2978, which establishes a funding formula task force for the distribution of fiscal resources throughout the UH system with the assistance of an independent consultant, and makes a one-time appropriation of funds to supplement the base operational budgets of UH campuses that have demonstrated a significant increase in enrollment.

The University appreciates the legislature’s efforts to rethink the funding model for our campuses as we consider equitable, consistent, and responsive funds distribution. As you know, we are working on several efforts along these lines.

During the 2007 Session the legislature requested in SCR 79 that the University report on the linking of funding for individual campuses to performance goals, and in SCR 137 that the University develop a comprehensive long-term financial plan that would include a linking of resources to program objectives such as increasing the number of college graduates and reducing the shortage of teachers and nurses.

This session HB 2959, related to workforce development, is going forward, and requires that the University of Hawai’i develop outcome measures. SB 3253 also related to workforce development, requires that the University develop an incentive and performance outcome funding component for a long-range financial plan that would include base operating funds and capital improvement funding as well. Similarly, SB 3250 requires the University to develop an incentive and performance outcome funding component for the long-range finance plan.

Because of these very similar and overlapping efforts in current bills, we would not recommend HB 2978 stand as a separate initiative. Formula funding and reconsidering the base operating budget, as described in HB 2978, is definitely worthwhile to examine
and pursue, and seems particularly relevant as we establish a long-term financial plan. We would recommend that these efforts be integrated into the legislature’s request to the UH for a long-range financial plan that incorporates base operating, capital improvement, and incentive and performance outcome funding.

One issue that requires further consideration is the requirement in HB 2978 that the funding formula be linked to student FTE enrollment and that a one-time appropriation to supplement the base be established, using the past ten year’s enrollment growth. We welcome the opportunity for a one-time supplemental base funding for any of our campuses, but annual historical enrollment growth should be examined in tandem with state appropriations during the same period, and using current enrollment and the current levels of base funding to determine the amount of any one-time adjustment to the base that may be appropriate. In other words, we need to make sure that a historically under-funded campus is not disadvantaged with a new formula funding system, especially if its mission and programs target today’s urgent state needs, for example the need to serve underserved regions.

In summary, we support HB 2978, but recommend that it be incorporated into other existing legislative initiatives that address the broader scope of a long-term financial plan for the University of Hawai‘i.

Lastly, we respectfully request that a UH System representative be included in the task force in keeping with the University’s governance processes.

Thank you for the opportunity to testify.