



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

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By

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and

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HB 2978 – RELATING TO EDUCATION

Chair Oshiro, Vice Chair Lee, and Members of the Committee on Finance:

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 SB 3250, HD1 requires the University to 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.

Reconsidering the base operating budget, as described in HB 2978, and linking it to student FTE enrollment is worthwhile to examine and pursue, and seems particularly relevant as we establish a long-term financial plan. However, due to the overlapping effort with SB 3250 and SCR 137 we would recommend that HB 2978 not stand as a separate initiative. Rather, we feel that in developing the reports and proposals required by these other measures, we will address the issue of base funding and enrollment based formula funding as well as other options. Having separate bills

requiring potentially different approaches and mechanisms may be confusing and counterproductive.

Also, while we welcome the opportunity for a one-time supplement to funding for any of our campuses, but caution against using the past ten year's enrollment growth as the sole basis for calculation. 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.

HB2978 concerning formula funding fits well within the context of the long term financial plan that the legislature has requested that the UH develop to reach its strategic goals and help meet State higher education needs. The long term financial plan will incorporate base operating, capital improvement, as well as incentive and performance outcome funding. The University is now in the process of developing this plan, and request that HB2978, which addresses the base operational needs of UH campuses, be incorporated as part of the broader scope of this long-term financial plan.

In summary, we recommend that other legislative initiatives that address the broader scope of a long-term financial plan for the University of Hawai'i be supported instead, which would encompass consideration of funding formulas and base funding related to enrollment.

Lastly, we respectfully request that if a formula funding task force is appointed, a UH System representative be included on the task force, in keeping with the University's governance processes.

Thank you for the opportunity to testify.