



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Written Comments to
Senate Committee on Ways and Means
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By

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And

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HB 2978, HD1, SD1 – RELATING TO EDUCATION

Chair Baker, Vice Chair Tsutsui, and Members of the Committee on Ways and Means:

We are Linda Johnsrud, Vice President for Academic Planning and Policy and 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, We are providing written comments on House Bill 2978 House Draft 1, Senate Draft 1, which requires the University of Hawai'i to develop an incentive and performance outcome funding component for its long-range financial plan; requires an annual incentive and performance report, with specific baseline data, beginning in November 2008; and appropriates funds to hire an independent consultant to provide expert opinion and recommendations on funding methodologies.

The University very much appreciates the legislature's attention to our funding mechanisms and to the revisions that have been made to the original HB 2978. We welcome these revisions and strongly support HB 2978, HD1, SD1.

HB 2978, as originally drafted, could not be supported by the University because it established a funding formula task force while also appropriating funds for an independent consultant to provide expertise in funding formula development. The intent to hire an independent consultant while at the same time creating a task force charged with developing a formula linked to full time student enrollment was troublesome. Not only would it have duplicated effort and expense, but the predetermined conclusion in HB 2978 as originally drafted, of requiring a formula for funding and further requiring the use of student enrollment, to the exclusion of any other considerations, in determining that formula would pre-empt the expert opinion being requested from an outside consultant. In the current wording of SD1, the consultant is charged with providing a report and recommendations as to how full-time equivalent enrollment, historical enrollment growth, future enrollment growth, enrollment mix and the like should be linked to funding, through formula funding, base funding, incentive funding, or any other methodology the consultant, in the consultant's expert opinion, may recommend. This

allows the consultant to perform an independent, credible analysis of the linking of enrollment with funding, without predetermining the consultant's conclusions which would obviate the need for a consultant.

In addition, governance issues with regard to the University were problematic because an externally mandated task force would, through majority vote, have made decisions on an integral part of the long term financial plan for the UH. The University has established procedures for consulting and ensuring transparency in its strategic and financial planning efforts, and both the governance and operations of the task force and its exemption from chapter 92, Hawai'i Revised Statutes, were of major concern.

As you are aware, the University has been working on developing a long-term financial plan that includes base operating funds, capital improvement funding, and incentive and performance funding linked to measurable outcomes. Our report on this long-term plan has been filed with the legislature as requested by SCR 137 (2007) and SCR 79 (2007). This report may be accessed on the University of Hawaii website at:

http://www.hawaii.edu/offices/eaugovrel/reports/2008/scr137_2007_scr79_2007_2008_ltfp_report.pdf

As revised, HB 2978, HD1, SD1 incorporates specifications for the incentive and performance outcome funding plan we are developing; provides requirements for baseline data and annual measures of performance that we will be tracking; and also appropriates funding to hire a consultant who is a higher education finance expert to provide a report and recommendations to the University. We appreciate the intent of the bill to assist us in aligning state needs with our strategic outcomes and long term financial plan.

We look forward to working with you as we develop our baseline data and plans for the upcoming years. We respectfully request your consideration for the following amendments to Section 2 (b) which lists the baseline data for the past five years to be included in the University's 2008 annual performance and incentive report:

- (2) The number of students who have transferred to other higher education institutions within the University of Hawai'i system;
- (5) The number of openings in major workforce shortage areas, including but not limited to teaching, nursing, and technology, as data are available through the Department of Labor and Industrial Relations or similar sources; and
- (6) The number of graduates filling job openings in major workforce shortage areas, as data are available.

Thank you very much for the opportunity to provide written comments in support of HB 2978, HD1, SD1.