



# UNIVERSITY OF HAWAII SYSTEM

## Legislative Testimony

Testimony Presented Before the  
House Committee on Finance  
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by

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HB 1492 HD1 – RELATING TO THE UNIVERSITY OF HAWAII

Chair Luke, Vice Chairs Nishimoto and Johanson, and members of the Committee:

Both the Board of Regents (BOR) and the University of Hawai'i leadership are strongly opposed to this measure, which would repeal the University of Hawai'i tuition and fees special fund into which are deposited all revenues collected by the university for regular, summer, and continuing education courses, and other fees and charges, and return such revenues to the State's general fund.

The BOR and the University leadership understand that there are concerns about the costs of public higher education, and this measure involves a very valid conversation about how the State can partner with the University System to fund public higher education. In November 2013, the BOR sponsored a community forum, inviting legislators and other constituencies, to listen to two national experts share national trends about higher education finance. For those who could not attend, we posted the presentations and the Forum participants' responses at:  
[http://www.hawaii.edu/offices/app/cost\\_bor.html](http://www.hawaii.edu/offices/app/cost_bor.html)

Essentially, what we heard that day was not good news, but it is the "New Normal" for public university funding. In the wake of the recent recession, states have drastically reduced funding for public higher education, and, therefore, questions such as who should be responsible for paying the costs of a college education, and what is the value to state economies of public universities, have been raised to a national level. While these are not questions easily answered, the community forum provided us with some ideas that will be considered as part of a recently initiated review of our University System's strategic directives. The BOR has also asked us to initiate a review of the present tuition schedule. In reviewing our tuition schedule, we will be looking at enrollment trends and the mix of tuition revenues and general fund support for each campus over the past several fiscal years. Furthermore, recognizing that our University System needs to be concerned with its future financial sustainability, the BOR has required that our University leadership consider operating reserves in the development of the Fiscal Biennium 2015-17 budget request, presently under development.

Should the University System lose the ability to retain and manage tuition revenues, we would not be able to accommodate enrollment fluctuations that occur during the fiscal year, but prior to the ensuing legislative session. For instance, we were able to serve the unprecedented increase in enrollment we experienced during the recent economic recession, because we were leveraging tuition revenues with declining general fund appropriations. Nationally, the trends for the past two fiscal years show some restoration of state funding cuts to higher education, but not to pre-recession levels. For the FY2013-14, Hawai'i showed a slight increase in state support of almost one percent. The State of Hawai'i faces future financial commitments that are daunting – unfunded pension liabilities, public school infrastructure improvements, and ever growing health care costs. In this context it is an uncertain proposition to assert that the needs of higher education may be addressed by appropriation of limited general funds in the face of growing state entitlements.

Article 10, Section 6, of the Hawai'i State Constitution recognizes the authority of the BOR "... to have exclusive jurisdiction over the internal structure, management, and operation of the university" in balance with the Legislature's "... power to enact laws of statewide concern". In the context of this dichotomous authority, should the question be re-framed from who should set tuition rates to what would be the appropriate roles of the BOR and Legislature as it relates to tuition? In re-framing the question, we would argue that because of the BOR's familiarity with our students and the day-to-day operations of the University of Hawai'i system, the BOR is the appropriate body to establish tuition rates and establish policy about the management of tuition revenues. Whereas, the Legislature may be the more appropriate body to establish public policy on: a public process to establish tuition rates; criteria that should be taken into consideration when establishing tuition rates; with follow-up monitoring through legislative inquiries. As it relates to setting tuition rates and the management of tuition revenues, the public's interest may be better served by re-framing the question as noted above and focusing attention on clarifying roles and functions.

We respectfully request that this measure be Held.

Thank you for your consideration of our testimony on this measure.