
A BILL FOR AN ACT

RELATING TO EDUCATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 PART I

2 SECTION 1. In the emerging global economy of the twenty-
3 first century, education is Hawaii's strongest currency and
4 human capital, its greatest asset. With its unique location in
5 the mid-Pacific between the mainland United States and Asia,
6 Hawaii is ideally positioned to compete economically on a global
7 stage.

8 The legislature finds that the State requires a well-
9 developed workforce and jobs to lend itself to statewide growth
10 and competition in the global market. The challenge lies in
11 cultivating a well-trained workforce that has obtained the post-
12 secondary education necessary for jobs in the new economy.

13 Thus, the legislature recognizes that the higher education
14 provided to our residents by the University of Hawaii system is
15 vital to stimulating the economic growth and success of the
16 state. Investment in higher education, which includes providing
17 quality academic programs taught by capable educators and strong



1 student support, will allow us to reap wide-reaching, long-term
2 benefits.

3 The purpose of this Act is to:

- 4 (1) Establish the funding formula task force to develop an
5 equitable, consistent, and responsive funding formula
6 for the distribution of fiscal resources throughout
7 the University of Hawaii system, with the assistance
8 of an independent consultant; and
- 9 (3) Appropriate funds as a one-time allocation to address
10 the base operational needs of University of Hawaii
11 campuses that have demonstrated a significant increase
12 in enrollment.

13 PART II

14 FUNDING FORMULA TASK FORCE

15 SECTION 2. The legislature recognizes that increased
16 student enrollment at the University of Hawaii, especially the
17 enrollment of full-time equivalent students, corresponds to a
18 greater number of highly-educated residents in the state and
19 therefore contributes to the overall well-being of the State, in
20 particular, by supporting a more solid workforce and economy.



1 Increased enrollment however, demands increased commitment
2 on the part of the university campuses, and this commitment
3 involves increased costs.

4 The legislature sees the need for a procedure by which the
5 legislature can ensure an equitable, consistent, and responsive
6 distribution of fiscal resources to the various University of
7 Hawaii campuses, similar to the funding formula used by the
8 majority of other states across the nation to allocate state
9 dollars to campuses within their higher education systems. The
10 underlying principle on which these funding formulas are based
11 is that funding should be linked proportionally to student
12 enrollment, thus ensuring the welfare of all students.

13 The purpose of this part is to establish and appropriate
14 funds for:

- 15 (1) A funding formula task force to develop a funding
16 formula for the University of Hawaii system that
17 provides for an equitable, consistent, and responsive
18 distribution of fiscal resources to the various
19 University of Hawaii campuses; and
- 20 (2) To hire an independent consultant to assist the task
21 force in the development of the funding formula.



1 SECTION 3. (a) There is established the funding formula
2 task force, to be attached to the University of Hawaii for
3 administrative purposes. The task force shall:

4 (1) Develop a funding formula that ensures an equitable,
5 consistent, and responsive distribution of fiscal
6 resources to the various University of Hawaii
7 campuses, including the University of Hawaii at Manoa,
8 University of Hawaii at Hilo, University of Hawaii at
9 West Oahu, Leeward community college, Honolulu
10 community college, Kapiolani community college,
11 Windward community college, Kauai community college,
12 Maui community college, and Hawaii community college;
13 provided that the funding formula shall:

14 (A) Be linked to the enrollment of full-time
15 equivalent students at each campus;

16 (B) Recognize the varying costs of educating
17 different categories of students, such as two-
18 year, undergraduate, graduate, and professional-
19 program students;

20 (C) Recognize the unique missions of the University
21 of Hawaii's various campuses;



1 (D) Be as simple and transparent as possible, and
2 designed to allow the funding formula to be used
3 as a basis for planning; and

4 (E) Provide for transparency and accountability to
5 ensure the efficient use of state resources;
6 and

7 (2) Hire an independent higher education finance expert or
8 experts to provide technical and other assistance in
9 the development of a funding formula; provided that
10 any expert hired shall have experience working with
11 policymakers in other states to successfully develop
12 or improve funding formulas to allocate public funds
13 to campuses within the respective state's higher
14 education system.

15 (b) The members of the funding formula task force shall
16 consist of five members as follows:

17 (1) The chancellor of the University of Hawaii at Manoa,
18 or the chancellor's designee;

19 (2) The chancellor of the University of Hawaii at Hilo, or
20 the chancellor's designee;

21 (3) The chancellor of the University of Hawaii at West
22 Oahu, or the chancellor's designee;



1 (4) The vice president or interim vice president of the
2 University of Hawaii community colleges, or the vice
3 president's or interim vice president's designee; and

4 (5) One member jointly appointed by the speaker of the
5 house of representatives and the president of the
6 senate.

7 (c) The members of the funding formula task force shall
8 serve without compensation but shall be reimbursed for expenses,
9 including travel expenses, necessary for the performance of
10 their duties.

11 (d) The task force shall select a chairperson by a
12 majority vote of its members. A majority of the task force
13 shall constitute quorum to do business. The concurrence of a
14 majority of all the members to which the task force is entitled
15 shall be necessary to make any action of the task force valid.

16 (e) The funding formula task force shall be exempt from
17 chapter 92, Hawaii Revised Statutes; provided that the task
18 force shall make a good faith effort to make its proceedings and
19 work products accessible and available to the general public in
20 a manner consistent with the intent of chapter 92, Hawaii
21 Revised Statutes.



1 (f) The funding formula task force, in consultation with
2 the independent higher education finance expert or experts,
3 shall submit to the legislature:

4 (1) No later than twenty days prior to the convening of
5 the regular session of 2009, an interim report on its
6 progress and findings; and

7 (2) No later than twenty days prior to the convening of
8 the regular session of 2010, a final report of its
9 findings and recommendations, with proposed
10 legislation to establish and implement the funding
11 formula.

12 SECTION 4. There is appropriated out of the general
13 revenues of the State of Hawaii the sum of \$ or so much
14 thereof as may be necessary for fiscal year 2008-2009 to support
15 the operations of the funding formula task force.

16 The sum appropriated shall be expended by the University of
17 Hawaii for the purposes of this part.

18 PART III

19 BASE OPERATING BUDGET APPROPRIATIONS

20 SECTION 5. The legislature recognizes that while a funding
21 formula task force to ensure a more equitable, consistent, and
22 responsive distribution of fiscal resources to the various



1 University of Hawaii campuses should be developed in the long
2 term, the university is currently suffering from a funding
3 crisis that requires immediate attention. In the face of
4 increasing student enrollment, the system-wide shortage of funds
5 to support essential operations must be addressed without
6 further delay to allow the university to fulfill its mission to
7 provide quality higher education to Hawaii's people.

8 Certain campuses within the University of Hawaii system
9 have already maximized the use of existing resources and have
10 increased organizational efficiency to respond to the growing
11 demand for services due to increased enrollment. Further
12 stretching of existing financial and human resources will
13 inevitably result in decreased quality of education, reduced
14 access for underserved populations, and increased institutional
15 liability.

16 Unless the university campuses are provided a sufficient
17 financial foundation, the University of Hawaii will be unable
18 even to begin to stimulate the growth of the state's economy.

19 Therefore, the purpose of this part is to address the needs
20 of University of Hawaii campuses that have demonstrated a
21 significant increase in the enrollment of full-time equivalent
22 students over the past ten years by making a one-time



1 appropriation of funds to supplement the base operating budgets
2 of the campuses.

3 SECTION 6. There is appropriated out of the general
4 revenues of the State of Hawaii the sum of \$ or so much
5 thereof as may be necessary for fiscal year 2008-2009 for the
6 base operating budgets of University of Hawaii campuses with
7 needs that must be addressed due to a significant increase in
8 the enrollment of full-time equivalent students over the past
9 ten years.

10 The sum appropriated shall be expended by the University of
11 Hawaii for the purposes of this part.

12 PART IV

13 SECTION 7. This Act shall take effect on July 1, 2020.



Report Title:

UH; Funding Formula; Base Budget

Description:

Establishes the funding formula task force to develop an equitable, consistent, and responsive funding formula for the distribution of fiscal resources throughout the UH system, with the assistance of an independent consultant. Makes a one-time appropriation of funds to supplement the base operational budgets of UH campuses that have demonstrated a significant increase in enrollment. (HB2978 HD1)

