



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on Education
March 14, 2008 at 2:00 pm

By

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and

Howard Todo, Vice President for Budget & Finance/CFO,
University of Hawai'i

HB 2978 HD1 – RELATING TO EDUCATION

Chair Sakamoto, Vice Chair Tokuda, and Members of the Committee on 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 House Draft 1, 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, SD2 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 HD1, 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 SD2 and SCR 137 we would recommend that HB 2978 HD1 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, we must 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, with current enrollment and 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 HD1 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 requests that HB2978 HD1, 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.

OFFICE OF INFORMATION PRACTICES

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To: Senate Committee on Education
From: Paul T. Tsukiyama, Director
Date: March 14, 2008, 2:00 p.m.
State Capitol, Room 225
Re: Testimony on H.B. 2978, H.D. 1
Relating to Education

Thank you for the opportunity to submit testimony on H.B. 2978, H.D. 1.

The Office of Information Practices ("OIP") takes no position on the substance of this bill, which would establish a Funding Formula Task Force, but seeks clarification of a provision on page 6 of the bill, lines 16-21, which states that

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

The Sunshine Law is only part I of chapter 92. Parts II through IV of chapter 92 relate to non-Sunshine Law issues, such as boards' general powers and quorum requirements, copy charges for public records, and publication of legal notices. If the intent of this provision is to exempt the Task Force from the Sunshine Law, OIP recommends that the bill state that the Task Force "shall be exempt from part I of chapter 92."

OIP would, however, recommend that this Committee carefully consider whether it is good policy to exempt the Task Force from the Sunshine Law in light of the express policy and intent of the statute.

In a democracy, the people are vested with the ultimate decision-making power. Governmental agencies exist to aid the people in the formation and conduct of public policy. Opening up the governmental processes to public scrutiny and participation is the only viable and reasonably method of protecting the public's interest. Therefore, the legislature declares that it is the policy of this State that the formation and conduct of public policy - the discussions, deliberations, decisions, and actions of government agencies - shall be conducted as openly as possible.

Haw. Rev. Stat. §92-1 (1993).

The issues on the issue on which the Task Force is charged with making recommendations are important to and will directly affect the entire University community, and indirectly the public at large. Although the bill calls for the Task Force to make a good faith effort to make its proceedings accessible to the public, the way in which it chooses to do so will be entirely within the Task Force's discretion and members of the public will have no recourse if they feel shut out of the proceedings. For instance, if it is exempt from the Sunshine Law, the Task Force will not be required to post notice of its meetings or allow the public to testify at its meetings.

Thank you for the opportunity to testify.



2007-2008

March 12, 2008

To: Senator Norman Sakamoto

From: The University of Hawai'i at Hilo Student Association

RE: Support for HB 2978 and UH Formula Funding

Dear Senator Sakamoto,

As the University of Hawai'i at Hilo Student Association (UHHSA) Legislative Committee, we strongly support House Bill 2978 Relating to Education formula funding. Formula Funding is implemented through out schools in Hawai'i from grades K through 12. UH Hilo receives roughly 7% of the University System budget. This allotment of funds is hindering the progress and functioning of UH Hilo development and its programs. UHHSA supports House Bill 2978 Relating to Education because it will provide equally distributed and much needed fiduciary support in order to continue to give UH Hilo students the best higher education experience they can have.

Mahalo Nui,

University of Hawai'i Hilo Student Association

Lani Mur Fine
President