

LATE TESTIMONY

Testimony Presented Before the
House Committee on Higher Education
February 5, 2008 at 2:00 p.m.

by

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and

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HB2978 – Relating to Education

Chair Chang, Vice-Chair Bertram, and Members of the Committee on Higher 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, 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 HB 2959, related to workforce development, is going forward, and requires that the University of Hawai'i develop outcome measures. SB 3253 also related to workforce development, requires that the University 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. Similarly, SB 3250 requires the University to develop an incentive and performance outcome funding component for the long-range finance plan.

Because of these very similar and overlapping efforts in current bills, we would not recommend HB 2978 stand as a separate initiative. Formula funding and reconsidering the base operating budget, as described in HB 2978, is definitely worthwhile to examine

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and pursue, and seems particularly relevant as we establish a long-term financial plan. We would recommend that these efforts be integrated into the legislature's request to the UH for a long-range financial plan that incorporates base operating, capital improvement, and incentive and performance outcome funding.

One issue that requires further consideration is the requirement in HB 2978 that the funding formula be linked to student FTE enrollment and that a one-time appropriation to supplement the base be established, using the past ten year's enrollment growth. We welcome the opportunity for a one-time supplemental base funding for any of our campuses, but 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.

In summary, we support HB 2978, but recommend that it be incorporated into other existing legislative initiatives that address the broader scope of a long-term financial plan for the University of Hawai'i.

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

Thank you for the opportunity to testify.

University of Hawai`i at Hilo
Unofficial Comments & Suggestions
HB 2978 RELATING TO EDUCATION
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On behalf of the University of Hawai`i at Hilo
Dr. Rose Tseng
Chancellor

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Thank you for this opportunity to present suggestions on behalf of the University of Hawai`i at Hilo on HB 2978 relating to the need for a funding formula for the University of Hawai`i system. UH Hilo supports this bill and believes in the intent of the bill, which recognizes that there needs to be a more formalized process for allocating funding to the campuses within the UH system. This bill proposes a funding formula task force be established, with the assistance of an independent expert, to develop an equitable, consistent, and responsive funding formula for the distribution of fiscal resources throughout the UH system.

The UH system needs a funding formula to bring it into line with the majority of other states across the nation, which allocate state dollars to campuses within their higher education systems by formula. Campuses need to be able to have a predictable and consistent funding mechanism so that proper planning for student instructional programs and services can take place. The current process does not allow for this predictability or consistency and encourages inefficiencies. It does not provide for a base allocation founded on the number of students attending the campuses. This creates a situation in which growing campuses are not being provided enough resources for their student enrollment levels and associated costs with those increased number of students. For those campuses which have constant or decreased student enrollment, there are no steps in place in the current funding process to make any adjustments for lower enrollment or costs associated with the lower enrollment.

Having a funding formula taskforce, with representation from the five main constituencies and with the help of an expert consultant in the field of higher education finance, is a good step for the legislature to ensure that funding allocation is fair. It is wise to have guiding principles that recognize the unique missions of the University of Hawai`i's various campuses, that recognize the costs of educating various types of students, and that link enrollment of full time equivalent students (which is a traditional method of allocation) to the formula. We support the concept that the formula be as simple and transparent as possible, and designed to allow it to be used as a basis for

planning. We also support the concept of transparency and accountability of the use of state resources.

UH Hilo, like some other UH campuses, has exhibited continued growth over the past 10 years. We fully support the legislature's efforts to address the budget gaps that have occurred at UH Hilo and the other campuses due to the current method of allocating funds to the various campuses within the UH system. UH Hilo has maximized its resources and increased its efficiencies in response to the demands of our increased student population. However, with the lack of additional funding following the increases in student enrollment and associated costs, we are stretched extremely thin in regards to the human and financial resources needed to provide adequate services. We have many areas at the campus in which services are not provided fully. This has resulted in decreased quality of education, reduced access for underserved populations, and increased institutional liability.

We need to have the adequate financial foundation to serve our students. We feel that we are positioned to grow to our planned 5,000 students in response to the needs of the state of Hawai'i. UH Hilo is positioned to increase the human capital of the state and is helping to cultivate a well-developed workforce. With the proposal for the funding to be distributed in a formula as described in HB 2978, the resources will follow the enrollment, and the state legislature can be assured that the distribution of the resources is fair, consistent, and can be relied upon by the campuses when planning their programs.

UH Hilo believes we can contribute greatly to the state economy and workforce, and our track record demonstrates that we already have. By UH Hilo succeeding in its mission, we can significantly and positively contribute to the success of the whole UH system and increase the educational capital of the state, expand workforce development, assist in diversifying the economy, and address underserved populations, particularly native Hawaiians. We feel we can be more successful with a funding formula method of distribution as outlined in HB 2978.

And, finally, we support the intent of this bill but are concerned about the possible cost appropriation which may be incurred upon the passage of this bill. Clearly, an appropriation that has not been approved by the Board of Regents is problematic.

Thank you for the opportunity to testify. If you have any questions, I would be more than happy to address them to the best of my ability or you may contact me at 808 974-7444.