

WRITTEN ONLY

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
SENATE BILL NO. 243, S.D. 2

April 6, 2011

RELATING TO THE WESTERN INTERSTATE COMMISSION FOR HIGHER  
EDUCATION

Senate Bill No. 243, S.D. 2, establishes the Hawaii Western Interstate Commission for Higher Education within the University of Hawaii. The bill allows Hawaii Western Interstate Commission for Higher Education to establish a repayment policy for students who receive financial support from the Western Interstate Commission for Higher Education's Hawaii Professional Student Exchange Program. Senate Bill No. 243, S.D. 2, creates a Professional Student Exchange Program special fund to finance professional student exchange program activities and collection of delinquent obligations. The fund would generate revenues through repayment of financial support from former or current participants of the program and interest.

The department recognizes the benefit of user fees to offset operational expenses and costs. However, as a matter of general policy, the Department of Budget and Finance expects the creation of any special fund would meet the requirements of Section 37-52.3 of the Hawaii Revised Statutes. Special or revolving funds should:

- 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program;
- 2) provide an appropriate means of financing for the program or activity; and
- 3) demonstrate the capacity to be financially self-sustaining.

In regards to Senate Bill No. 243, S.D. 2, it is difficult to determine whether the fund would be self-sustaining.

HAWAII COMMISSIONERS:

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CERTIFYING OFFICER:

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Testimony Presented Before the  
House of Representatives  
Committee on Finance  
April 6, 2011 at 2:00 pm  
By

Roy Ogawa, Roberta Richards and Dr. Steven Wheelwright  
Hawaii WICHE Commissioners

**SB 243, SD2 RELATING TO THE WESTERN INTERSTATE COMMISSION FOR HIGHER EDUCATION**

Chair Oshiro, Vice Lee and Members of the Committee:

The purpose of SB 243 is to: 1) establish and define the Hawaii WICHE Commission as an entity, 2) provide the Hawaii Commission with authority to establish a repayment policy for students who receive support through the WICHE Professional Student Exchange Program ("PSEP"), and 3) create a special fund to administer the program. As presently written, Chapter 304A, Part VII, Subpart D only provides for appointment of commissioners to the Western Interstate Commission for Higher Education and does not provide for or allow the Hawaii commissioners to independently set terms and conditions upon Hawaii PSEP students that receive support. We ask that SB243, SD2 be modified to change the effective date to July 1, 2011 to facilitate immediate implementation to insure the State benefits from the return of our Hawaii residents during these tough economic times.

The WICHE Commissioners support the overall intent of this bill and appreciate the Legislature's continuing support of WICHE and concern for improving the return rates of Hawaii residents who receive state support through WICHE-PSEP. The return of these professionals to the State of Hawaii is very important to the economic and social health and well being of our State. Especially during these tough economic times, we should encourage the support of students who return to the State of Hawaii after receiving assistance. One of the ways of assuring state policymakers that the State is getting a good return on their WICHE-PSEP investment dollars is by selecting those students who are willing to make a commitment to return to Hawaii in exchange for the State's support of their professional education.

WICHE studies have shown that states that contractually require their students to return to the state have a higher rate of return and have an easier time providing return-rate information of their graduates, whereas other states rely on State licensing boards, professional associations and/or the department of labor. In 2006, the average rate of return for reporting WICHE states was 59 percent. The average rate of return for WICHE "payback states" was 74 percent. Non payback states tend to have lower rates, with an average of 39 percent.

Passing of this bill will give the WICHE Commissioners authority to develop a repayment policy for PSEP participants who decide not to return to Hawaii to work. Furthermore, with the establishment of the special fund any dollars received from repayments will increase access for Hawaii residents by supplementing legislative appropriations in support of professional education otherwise unavailable to our Hawaii residents at home.

Thank you for the opportunity to testify on this bill.