

SB243

TESTIMONY BY KALBERT K. YOUNG  
INTERIM DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON EDUCATION  
ON  
SENATE BILL NO. 243

February 2, 2011

RELATING TO THE WESTERN INTERSTATE COMMISSION FOR HIGHER  
EDUCATION

Senate Bill No. 243 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 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.

As a matter of general policy, the Department of Budget and Finance does not support the creation of any special fund which does not 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, it is difficult to determine whether the fund would be self-sustaining.

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Testimony Presented Before the  
Senate Committee on Education  
February 2, 2011 at 1:15 pm  
By

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

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

Chair Tokuda, Vice Chair Kidani 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 under the program but never return to the State. We also request that the SB243 be modified slightly to clarify that the Hawaii Commissioners are appointed both as the commissioners from the State of Hawaii to the Western Interstate Commission for Higher Education (WICHE) and as Hawaii commissioners to the Hawaii WICHE Commission. As written there appears to be an unintended technical ambiguity on the appointment of commissioners to WICHE.

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 State of Hawaii, through WICHE-PSEP provides Hawaii residents with the opportunity for study in certain professional programs, such as veterinary medicine, dentistry, optometry, physical therapy, etc. that are not provided by the State through the University of Hawaii system. 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. 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 (with a high of 94 percent, depending on the profession). Non payback states tend to have lower rates, with an average of 39 percent and a high of 75 percent. Furthermore, WICHE found that return rates were particularly low for non-payback rural states such as Idaho, Montana and Wyoming.

Currently, there are five (5) WICHE states that contractually require PSEP students to return to the state to serve (Arizona, Colorado, New Mexico, Nevada and Washington). Alaska treats the PSEP support fee as a loan, regardless of whether or not the student returns to Alaska. These "payback states" 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.

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. It will also provide WICHE Commissioners with the ability to more accurately track the return of our PSEP students. Furthermore, with the establishment of the special fund any

dollars received from repayments will increase access for Hawai'i residents by supplementing legislative appropriations in support of professional education otherwise unavailable to our Hawai'i residents at home.

Furthermore, we support the language drafted in the previous bill, SB 242, which allows the Hawai'i Commission on WICHE to submit a report on our activities bi-annually.

Thank you for the opportunity to testify on this bill.

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# A BILL FOR AN ACT

RELATING TO THE WESTERN INTERSTATE COMMISSION FOR HIGHER  
EDUCATION.

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

SECTION 1. Chapter 304A, Hawaii Revised Statutes, is amended by adding three new sections to part VII, subpart D, to be appropriately designated and to read as follows:

**§304A-A Definitions.** As used in this subpart, unless the context clearly requires otherwise:

"Commission" means the Western Interstate Commission for Higher Education.

"Hawaii commission" means the Hawaii Western Interstate Commission for Higher Education established under section 304A-3204.

"Hawaii commissioners" means the members of the Hawaii Western Interstate Commission for Higher Education.

**§304A-B Professional student exchange program.** The Hawaii commission may establish a repayment policy for students who receive any financial support from funds appropriated by the

legislature for the Hawaii professional student exchange program of the Western Interstate Commission for Higher Education.

**§304A-C Professional student exchange program special fund.** (a) There is established a professional student exchange program special fund to be administered and expended by the Hawaii commission.

(b) The following moneys shall be deposited into the special fund:

(1) Principal and interest payments received as repayment of financial support from former or current participants of the professional student exchange program, pursuant to section 304A-B; and

(2) Interest earned or accrued on moneys in the special fund.

(c) Moneys in the special fund shall be expended to:

(1) Support the professional student exchange program's activities, including the provision of financial support to participants at Western Interstate Commission for Higher Education receiver institutions;

and

(2) Enforce the collection of delinquent obligations."

~~SECTION 2. Section 304A-3204, Hawaii Revised Statutes, is amended to read as follows: "[[]§304A-3204[] State~~

~~commissioners.]D Hawaii Western Interstate Commission for~~

**Higher Education.** (a) There is established within the University of Hawaii for administrative purposes the Hawaii Western Interstate Commission for Higher Education ~~as comprised of the ~~commission~~commissioners for the State of Hawaii ~~ef~~to the Western Interstate Commission for Higher Education, established under Article III of the Western Regional Education Compact.~~

(b) ~~The governor, with the advice and consent of the senate, shall appoint the members of the Hawaii commission [for this State of~~Hawaii Commissioners shall be the commissioners appointed by the governor to the Western Interstate Commission for Higher Education ~~that is created under the provisions of Article III of the Western Regional Education Compact].~~ under §304A-3204. The positions of the Hawaii commissioners shall be placed within the University of Hawaii for administrative purposes.

~~[(b)] (c) The qualifications and terms of office of the [members of the commission for this State] Hawaii commissioners shall conform with Article IV of the compact.~~

~~[(c)] (d) The Hawaii commissioners shall serve without compensation, but they shall be reimbursed for their actual and necessary expenses by the Western Interstate Commission for Higher Education.~~

~~[(d)] (e) The Hawaii commissioners [for this State], with the help of an advisory committee selected by them, shall~~

~~certify those students from the State of Hawaii who may receive special assistance in their professional education from the State, under contracts provided for in the Western Regional Education Compact."~~

SECTION ~~3-~~2. Section 304A-3205, Hawaii Revised Statutes, is amended to read as follows:

"~~[+]§304A-3205[+]~~ **Expenditures; reports.** Expenditures by the Hawaii commission, including the amounts fixed annually as the equal contribution of each member to the compact, shall be made upon warrants issued by the state comptroller based upon vouchers approved by any one of the Hawaii commissioners. A report of the activities and expenses of the Hawaii commissioners and a proposed program for the State's continuing participation in the activities of the Western Interstate Commission for Higher Education, including a budget request, shall be submitted by the Hawaii commissioners to the legislature for each regular legislative session."

SECTION ~~4-~~3. In codifying the new sections added by section 1 of this Act, the revisor of statutes shall substitute the appropriate section numbers for the letters used in designating the new sections in this Act.

SECTION ~~5-~~4. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION ~~6-~~5. This Act shall take effect upon its approval.

INTRODUCED BY: \_\_\_\_\_



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