



# UNIVERSITY OF HAWAII SYSTEM

## Legislative Testimony

**LATE**

Testimony Presented Before the  
Senate Committee on Higher Education  
February 13, 2018 at 1:25 p.m.

By

Donald O. Straney, Vice President for Academic Planning and Policy  
University of Hawai'i System

### SB 2329 – RELATING TO TUITION AT THE UNIVERSITY OF HAWAII

Chair Kahele, Vice Chair Kim, and members of the committee:

Thank you for the opportunity to comment on SB 2329 that would cap increases in tuition for the University of Hawai'i based on the change in the 10-year average of the State's median household income.

The University of Hawai'i shares the intent of the Legislature to keep college affordable, however we oppose the approach SB 2329 takes to doing so. The bill amends §92-28, HRS, by stating that "...no increase in tuition shall exceed the mean change in the State's median household income, as determined by the United States Census Bureau, for the past ten years."

Affordability is a major factor the University considers in setting tuition. The Board of Regents of the University of Hawai'i established principles by which UH sets its tuition rates that make that clear:

"The ultimate intent of this policy is that every qualified Hawai'i resident shall have an opportunity to pursue postsecondary education within the university system....As a general principle, the board subscribes to a tuition policy that seeks to keep costs to resident students at the lowest practical level while maintaining a financial aid program that responds to the needs of students who cannot meet the costs of attendance." (RP 6.202, Section III)

Board policy identifies factors to be used in setting tuition rates and the first two of these are the determinants of affordability: access and financial aid availability.

When the University set the most recent tuition schedule for academic years 2017-18, 2018-2019, and 2019-2020 the three goals were to set rates that:

1. ensured access to public higher education for every qualified Hawai'i resident,
2. kept college affordable, and
3. allowed the University to invest in facilities that are safe and modern.

As a result, the Board of Regents approved tuition rates for three academic years that increased the resident undergraduate tuition at UH Mānoa by \$216 per year and at the other campuses by \$0 in 2017-18 and by \$72 in 2018-19 and 2019-20. Non-resident and graduate tuition increased by larger amounts. Further, the Board required that all of these increases go to improve facilities, either by addressing deferred maintenance backlog or by modernizing facilities.

The University also maintained its commitment to financial aid. UH four-year campuses allocate 20% of their tuition revenue for need-based and merit aid to students; the community colleges allocate 8.8%. In 2016-17, the combined value of the tuition returned to aid was over \$47 Million. This year, the Hawai'i Promise program, funded by the legislature, allows the Community Colleges to meet the need for most resident students who attend.

There are other policy changes the University is making to keep college affordable in Hawai'i. Students pay more for college if they take longer to earn their degree; UH is a national leader in making institutional changes to remove barriers and enable students to finish on time. On-campus employment helps students make progress towards their degree while also earning income; during the 2015-16 academic year, UH has student employment opportunities that paid over \$23 Million in wages to students who could earn while they learn. The University actively raises philanthropic funds to provide scholarships and financial aid to students. Taking steps to make college affordable is an integral part of the UH mission and underlies much of what we do.

Several states have begun indexing tuition rates to indicators of economic activity, as SB 2329 envisions. These include:

- adjusting tuition rates based on the 3-year average inflation rate (Alaska),
- limiting percentage increases to the 3-year average of median family income (Maryland),
- limiting percentage increases to the percentage change of the consumer price index (Missouri), and
- limiting tuition growth to no more than the annual growth in state median hourly wages (Washington).

In addition, some universities have committed to meeting all need for students whose family income is below a set level (usually related to adjusted gross family income; e.g., University of Michigan and University of Wisconsin, Madison).

Unlike most of these universities and systems, The University of Hawai'i sets its tuition schedule several years at a time. We are committed to providing students and families information about costs well in advance to allow them to plan. Economic indices may be useful in making year-to-year adjustments to tuition rates, but they are not useful in projecting rates several years into the future. In addition, several of the states using

indices to manage tuition rates have either robust, need-based state financial aid programs (e.g., Washington) or mechanisms like Maryland's Tuition Stabilization Account to offset downturns in tuition revenue or appropriations. A study by the Washington State Institute for Public Policy indicates that income-based indices would decrease tuition revenue during economic downturns, at the same time that state appropriations for higher education would likely decrease, but reducing both sources of revenue at the same time would hamper the university's ability to provide education at a time when the state needs it most to help drive economic recovery.

From a policy perspective, one index that is more informative about college affordability is the percent of discretionary income that tuition represents for a family. The Institute for College Access and Success reports for Hawai'i that, in 2014-15, tuition costs were more than the total discretionary income for those with incomes under \$30,000/year and represented 25% of the discretionary income for those with \$30,000-\$48,000 incomes. Above \$48,000, tuition represented 16% or less of discretionary income. These data demonstrate clearly that the people for whom college is not affordable in Hawai'i are those with less than the median household income (\$48,000 in 2015). State and University policy strategies should focus on their needs directly.

Federal Pell grant policy and University financial aid practice both focus financial support on those with little to no capacity to pay for college. We follow the Federal model of calculating our net price to students—the difference between the cost of attendance (tuition, fees, books, transportation, housing and meals) and financial aid (Pell, grants, scholarships, work-study, etc.). Each student with an unmet need—the difference between this net price and the Estimated Family Contribution--has a priority for financial aid. We are focusing financial aid where it is needed most.

The Hawai'i Promise program that the Legislature funded last year further helps those who can least afford college. It provides the last dollar needed, after other forms of financial support, for the direct costs of attending (tuition, fees, books, and transportation). At the community colleges, this partnership between the University and the Legislature has made college attendance significantly more affordable for many community college students. Expanding the Hawai'i Promise program to students at four-year campuses would make even more progress on college affordability in the state.

Finally, as mentioned above, the University devotes a significant portion of the tuition raised each year to direct, need-based and merit aid to students. The amount of tuition returned to aid would decrease if tuition rates were decreased. For this reason, the University opposes section 3 of this bill, which contemplates reducing tuition rates by legislative action. Other states that have reduced tuition rates do not necessarily fund financial aid from tuition revenues.

Decisions about tuition rates and affordability depend on carefully balancing a number of factors that interact in complex ways. Tuition rates are best set by the Board of Regents, who work with University constituents and leadership to find a balance between revenue and affordability. For the current tuition schedule, the University balanced the need for improved facilities, which might have argued for increases in tuition, against the factors affecting how we can make the University a more affordable choice for higher education for the people of Hawai'i. In the end, the University found that balance to lie in extremely modest increases in tuition. We believe the University can find that balance and we welcome the opportunity to work with the Legislature to find ways to provide financial support for our citizens who might otherwise not be able to attend college.

Thank you for the opportunity to testify on SB 2329.



# HAWAI‘I EDUCATIONAL POLICY CENTER

## Legislative Testimony

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Submitted by Jim Shon, Director  
Hawaii Educational Policy Center

**COMMITTEE:** SENATE COMMITTEE ON HIGHER EDUCATION  
**DATE:** Tuesday, February 13, 2018 1:25 pm Room 224  
**RE:** SB 2329 RELATING TO TUITION AT THE UNIVERSITY OF HAWAII

**HEPC cannot support the bill as originally introduced.** HEPC supports efforts to reduce the costs of higher education at the University of Hawaii. This means that the combined revenues of a \$1 billion operation need to be appropriately balanced between state appropriations, tuition and fees paid by the students, and other major sources.

**The Context:** Following the drastic impacts of the recession in 2007, public universities saw an average 26% drop in public funding, as did UH. Overtime, as the economy recovered, many institutions did NOT see those cuts fully restored. This is also the case with UH. This meant that a portion of the burden of funding UH shifted from legislative appropriations to students and their families. Notwithstanding many petitions to restore legislative appropriations to pre-recession levels, this did not happen.

**Relationships to Enrollments.** It is worth noting, with this year’s discussion over the relationship of enrollments to costs, that during the recession budgets were NOT cut due to a decrease in enrollments. Actually, enrollments tended to edge upward. HEPC disputes the assertion that there is a direct 1:1 relationship between enrollment increases and decreases and the cost of tuition. Yes, it is of importance, but there are many more variables beyond the UH – such as the cost of housing, and the relatively high rate of employment. A drop of three students in one class, two students in another, cannot be addressed by cutting an entire class section and a professor or instructor’s salary. It should also be noted that the way in which we count enrollments is not always helpful. If I take one course, and my friend takes five, we are “counted” as two students enrolled. In terms of the impacts on overall costs equating these two different circumstances does not make sense.

What did happen was that well deserved collective bargaining increases meant that the same levels of administration and academic services cost more. HEPC did participate in the 2014 discussion and debate over tuition increases to compensate for the legislative cuts. Our analysis, it was said, helped convince the Regents not to raise tuition as originally proposed. Here is that study: <http://manoa.hawaii.edu/hepc/wp-content/uploads/Student-Costs-of-Living-Tuition-and-Debt-at-the-University-of-Hawai‘i-.pdf>

## **Moving Forward**

The State Constitution and several statutes make it clear that fine tuning the tuition/appropriations mix is one of the primary functions of the UH Board of Regents and the UH administration. HEPC has identified these legal contexts, which include the Constitution and seven separate sections of HRS. Specifically **§304A-103 §304A-105 §304A-203 §304A-302 §304A-401 §304A-402 §304A-502** None of these is amended by SB 2329. In fact, the section of the law relating to fees, Section 92-28, is arguably NOT applicable to the UH. To amend this section would pit the bill's amendment at odds with other statutes, and the Constitution itself. Clearly, 92-28 was not intended to overlap or negate HRS sections cited above.

## **How To Fix This Bill**

Option 1. Although it is contrary to the very fabric of a public university to have its internal functions preempted by the Legislature, it **would** be appropriate to offer the UH the option: IF the BOR holds tuition to a certain level, thus capping the overall revenues, the Legislature will offset these revenue cuts with additional appropriations. Perhaps the “trigger” would be a BOR request and report on what it would “cost” to impose such a cap during a four-year period, and if the legislature provides those funds the cap could be implemented. In other words the bill could suggest a process, but not impose a requirement on either party.

Option 2. A second approach relates to a more direct cost benefit to students by extending the Promise program beyond the community colleges. This is the best way to accomplish the goals of the bill without second guessing how to run an institution of higher learning.

There really is no way around the fiscal reality that financial and procedural micromanagement from outside a university not only compromises accreditation, but also hamstring the tools and nuances available to provide the best services in the most efficient manner.

HEPC has reproduced the legal context for UH autonomy below.

Thank you for taking the time to review this testimony on complex issue.

**KEY HAWAII REVISED STATUES RELATING TO THE UNIVERSITY OF HAWAII  
DEFINING THE AUTONOMY OF A UNIVERSITY  
February 2017**

**STATE CONSTITUTION ARTICLE X**

UNIVERSITY OF HAWAII **Section 5.** The University of is hereby established as the state university and constituted a body corporate. It shall have title to all the real and personal property now or hereafter set aside or conveyed to it, which shall be held in public trust for its purposes, to be administered and disposed of as provided by law. [Ren and am Const Con 1978 and election Nov 7, 1978]

BOARD OF REGENTS; POWERS **Section 6.** There shall be a board of regents of the University of , the members of which shall be nominated and, by and with the advice and consent of the senate, appointed by the governor from pools of qualified candidates presented to the governor by the candidate advisory council for the board of regents of the University of , as provided by law. At least part of the membership of the board shall represent geographic subdivisions of the State. **The board shall have the power to formulate policy, and to exercise control over the university through its executive officer, the president of the university, who shall be appointed by the board. The board shall also have exclusive jurisdiction over the internal structure, management, and operation of the university.** This section shall not limit the power of the legislature to enact laws of statewide concern. The legislature shall have the exclusive jurisdiction to identify laws of statewide concern. [Am HB 253 (1964) and election Nov 3, 1964; ren and am Const Con 1978 and election Nov 7, 1978; am SB 539 (2000) and election Nov 7, 2000; am SB 1256 (2005) and election Nov 7, 2006]

**HAWAII REVISED STATUTES**

**[§304A-103] University to be public corporation; general powers.** The University of is established as the state university and is constituted as a body corporate. The university, under the direction of the board of regents, shall have the following general powers:

- (1) To adopt, amend, and repeal bylaws governing the conduct of its business and the performance of the powers and duties granted to or imposed upon it by law;
- 2) To acquire in any lawful manner any property, real, personal, or mixed, tangible or intangible, or any interest therein; to hold, maintain, use, and operate that property; and to sell, lease, or otherwise dispose of that property at such time, in such manner, and to the extent deemed necessary or appropriate to carry out its purposes;
- (3) To enter into and perform contracts, leases, cooperative agreements, or other transactions as may be necessary in the conduct of its business and on terms it may deem appropriate, with any agency or instrumentality of the United States, with any state, territory, or possession, or with any political subdivision thereof, or with any person, firm, association, or corporation;
- (4) To determine the character of and the necessity for its obligations and expenditures and the manner in which they shall be incurred, allowed, and paid, subject to provisions of law specifically applicable to the university;
- (5) To execute, in accordance with its bylaws, all instruments necessary or appropriate in the exercise of any of its powers; and
- (6) To take such actions as may be necessary or appropriate to carry out the powers conferred upon it by law. [L 2006, c 75, pt of §2]

**§304A-105 Powers of regents; official name.** (a) The board of regents shall have management and control of the general affairs, and exclusive jurisdiction over the internal structure, management, and operation of the university. The board may:

- (1) Appoint a treasurer and other officers as it deems necessary;
- (2) Authorize any officer, elected or appointed by it, to approve and sign on its behalf any voucher or other document that the board may approve and sign;

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- (3) Delegate to the president or the president's designee the authority to render the final decision in contested case proceedings subject to chapter 91, as it deems appropriate;
- (4) Purchase or otherwise acquire lands, buildings, appliances, and other property for the purposes of the university; and
- (5) Expend any sums of money as, from time to time, may be placed at the disposal of the university from whatever source; provided that notwithstanding any other law to the contrary, all documents regarding expenditures and changes thereto, made by the board shall be disclosed in open meetings for the purpose of public comment; provided further that all expenditure requests, proposals, and any other budgetary documents used by the board at an open meeting shall be made available to the public at least six calendar days before the meeting.

All lands, buildings, appliances, and other property so purchased or acquired shall be and remain the property of the university to be used in perpetuity for the benefit of the university. The board, in accordance with this section and other law, shall manage the inventory, equipment, surplus property, and expenditures of the university and, subject to chapter 91, may adopt rules, further controlling and regulating the same. (b) The board of regents shall develop internal policies and procedures for the procurement of goods, services, and construction, consistent with the powers of the board set forth in section 304A-2672, and the goals of public accountability and public procurement practices, subject to chapter 103D. (c) The board of regents may enter into concession agreements without regard to chapter 102. (d) The official name of the board shall be the board of regents, University of . The board shall adopt and use a common seal by which all official acts shall be authenticated. [L 2006, c 75, pt of §2; am L Sp 2008, c 6, §3; am L 2010, c 82, §§3, 8; am L 2013, c 87, §3]

**[§304A-203] Powers and duties of agency.** (a) The board of regents may:

- (1) Formulate, pursuant to the standards therefor set forth in section 7(a) of the Soil Conservation and Domestic Allotment Act, agricultural plans for this State for each calendar year and, from time to time, make revisions in the agricultural plans as may be necessary to conform to the standards;
- (2) [Use], in formulating and revising the agricultural plans, the assistance of the agricultural extension service and the agricultural experiment station;
- (3) Designate in the agricultural plans the board of regents as the agency of this State to administer the agricultural plans;
- (4) Submit the agricultural plans to the Secretary of Agriculture of the United States, prior to such time and in such manner and form as the Secretary of Agriculture may prescribe;
- (5) Receive on behalf of the State any grants made pursuant to section 7 of the Soil Conservation and Domestic Allotment Act and utilize and expend the grants in accordance with such agricultural plans as may have been approved by the Secretary of Agriculture;
- (6) Make provision for the establishment of state, county, and community committees or associations of agricultural producers, organized for such purpose, and for participation by them in the administration of the agricultural plans;
- (7) Employ such personal services and incur such other expenses as it finds necessary for the efficient exercise of its powers and duties under this section;
- (8) Use in the administration of the provisions hereof available services and assistance of other agencies of this State and of the agricultural extension service and the agricultural experiment station of the University of Hawaii;
- (9) Delegate to committees, associations, individuals, corporations, or other agencies of this State such functions in carrying out sections [304A-201] to [304A-202] and this section as it deems suitable, and exercise all other powers and authorities and do any and all other things that it may deem necessary or proper to the performance of its duties and functions hereunder;
- (10) Provide for the submission of reports to the Secretary of Agriculture as may be deemed requisite, including such reports as may be required to ascertain whether the agricultural plans are being carried out according to their terms;
- (11) Prescribe rules as may be necessary or expedient for the effective administration of the agricultural plans and ensure the correctness of and make possible the verification of reports as may be required by the terms of the agricultural plans; and(12) Submit to the governor an annual report for each year covering the administration and operation of the program. (b) The board of regents shall perform its duties and functions as such agency under sections [304A-201] to [304A-202] and this section separately and distinctly from the performance of its duties and functions under any other act or in any other capacity, except that the board may use the services and the assistance of the personnel and faculties normally used by it in the performance of such other functions if it finds that the utilization of the services and assistance is necessary to, or is calculated to assist substantially in, the effective administration of sections [304A-201] to [304A-202] and this section and that the personnel or faculties may be used without interference with the effective performance of such other duties and functions. [L 2006, c 75, pt of §2]

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**[§304A-302] Board's power and authority.** The board may cooperate with the United States Department of Education in the administration of the provisions of the Acts of Congress mentioned in section [304A-2403], and may do all things necessary to entitle the State to receive the benefits of each of the respective funds appropriated by the Acts including:

- (1) Represent the State in any and all matters arising out of or connected with the administration of the Acts of Congress insofar as the same shall apply to the State;
- (2) Represent the State in any or all matters in reference to the expenditure, distribution, and disbursements of moneys received from the Acts of Congress;
- (3) Designate such colleges, schools, departments, or classes as may be entitled to participate in the benefits of moneys received from the appropriations made in the Acts of Congress as in its judgment and discretion will best subserve the interests of career and technical education in the State and carry out the spirit, purposes, and provisions of the Acts;
- (4) Establish and determine, by general rule, the qualifications to be possessed by persons teaching agricultural, trade, industrial, and home economics subjects in the colleges or schools coming under the provisions of the Acts of Congress in the State; and
- (5) Enforce rules and regulations concerning the granting of certificates and licenses to such teachers and to certificate such teachers.

The board may delegate some of its responsibilities relating to the establishment of qualifications for and certification or licensing of career and technical teachers. The board shall make an annual report to the governor describing the conditions and progress of career and technical education during the year and include therein an itemized statement showing the receipts and expenditures of all moneys used in connection with career and technical education. [L 2006, c 75, pt of §2]

**[§304A-401] Tuition fees; resident, nonresident; other fees.** (a) The board of regents may charge resident and nonresident tuition fees for regular courses of instruction at any University of campus, including any community college.

(b) The board may also charge other fees for special programs of instruction, as well as laboratory fees, course fees, fees for student activities, and an information technology user fee. The board may charge other fees for summer session or evening courses, including differential fees for nonresident students. [L 2006, c 75, pt of §2]

**[§304A-402] Residence for tuition purposes; basic rule.** The board of regents shall adopt the necessary rules defining residence for tuition purposes herein; provided that the basic rule shall be that a student shall qualify for the resident tuition fee only if the following criteria are met: (1) The adult student, or in the case of a minor student, the student's parents or guardians, has or have been a bona fide resident of this State for at least twelve consecutive months next preceding the student's first day of officially scheduled instruction for any semester or term in which the student is enrolling at the particular college or campus; and (2) The adult or minor student has not been claimed as a dependent for tax purposes for at least twelve months next preceding the student's first day of officially scheduled instruction for any semester or term in which the student is enrolling at the particular college or campus by the student's parents or guardians who are nonresidents of the State; provided that this provision shall not apply in cases where the parent claiming the student as a dependent is entitled to do so under a child support order or agreement issued or entered into in conjunction with a divorce proceeding or legal separation agreement and the other parent and the student meet the criteria set forth in paragraph (1). [L 2006, c 75, pt of §2]

**[§304A-502] Power of regents to grant tuition waivers.** The board of regents, or its designated representatives, is authorized to grant, modify, or suspend tuition waivers.

The board may:

- (1) Waive entirely or reduce the tuition fee or any of the other fees for graduate teaching and research assistants;
- (2) Enter into agreements with government and university officials of any other state or foreign country to provide for reciprocal waiver of the nonresident tuition and fee differential;
- (3) Waive the nonresident tuition and fee differential for selected students from Pacific and Asian jurisdictions when their presence would be beneficial to the university or the State;
- (4) Waive entirely or reduce the tuition fee or any of the other fees for students, resident or nonresident; and
- (5) Waive the nonresident tuition and fee differential for members in good standing of the following military units, regardless of their actual state of residence:

- (A) The national guard; and

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(B) The federal reserve components of the Army, Navy, Air Force, Marine Corps, and Coast Guard who attend drills with units located within the State.

The board shall determine the percentage of allowable tuition and fee waivers for financial need and other university priorities. These tuition waivers and waivers of the nonresident tuition and fee differential shall be awarded in accordance with guidelines established by the board. [L 2006, c 75, pt of §2 and c 188, pt of §1]

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**ADA**

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February 9, 2018

TO: Honorable Chair Kahele and Members of the Higher Education Committee

RE: SB 2329 Relation to Tuition at the U. of Hawaii

Comments for hearing on Feb. 13

Americans for Democratic Action is an organization founded in the 1950s by leading supporters of the New Deal and led by Patsy Mink in the 1970s. We are devoted to the promotion of progressive public policies.

We support the intent of SB 2329 as it would cap increases in tuition to changes in median household income, but we think there should be a provision to increase state support for the university system if inflation and other costs increase at a higher rate than median income. We want to help students be able to afford university education, but we also don't want to deprive the University of necessary funds.

Thank you for your consideration.

Sincerely,

John Bickel  
President

**SB-2329**

Submitted on: 2/12/2018 12:57:49 PM

Testimony for HRE on 2/13/2018 1:25:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Melodie Aduja	Testifying on behalf of OCC Legislative Priorities Committee	Support	No

Comments:

**SB-2329**

Submitted on: 2/7/2018 12:46:52 PM

Testimony for HRE on 2/13/2018 1:25:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Alan Urasaki		Support	No

Comments:

In support