



UNIVERSITY OF HAWAII SYSTEM

‘ŌNAEHANA KULANUI O HAWAII

Legislative Testimony

Hō'ike Mana'o I Mua O Ka 'Aha'ōlelo

Testimony Presented Before the
Senate Committee on Ways and Means
February 15, 2023 at 10:30 a.m.

By

Kalbert K. Young

Vice President for Budget and Finance/Chief Financial Officer
University of Hawai'i System

SB 835 – RELATING TO GENERAL FUND BUDGET APPROPRIATIONS FOR THE UNIVERSITY OF HAWAII

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

Thank you for the opportunity to testify on this measure, which would repeal the statutory requirement that the annual general fund budget appropriation for the University of Hawai'i shall be 3 to 5 times the estimated regular tuition and fees revenues for that year. The University of Hawai'i (UH) opposes SB 835, Relating to General Fund Appropriations for the University of Hawaii.

While the bill claims that Section 304A-2101(a), Hawai'i Revised Statutes (HRS), merely “provides guidance or an expression of intent from a previous legislature to the current legislature,” a look at the original legislation (Act 161, Session Laws of Hawai'i 1995) may be useful. Act 161, SLH 1995, also created the Tuition and Fees Special Fund and the purpose section is provided below:

SECTION 1. The legislature finds that ongoing debate over whether the University of Hawaii should be given the authority to directly control income generated from tuition and other charges assessed against students raises certain policy issues regarding who should have control over the disposition of tuition income as well as who should be setting tuition rates and at what levels. Over the past decade, the legislature has provided the University of Hawaii with increasing administrative and budget flexibility with the intent that the university should be more directly involved in determining how revenues are expended. The legislature further finds that concomitant with this policy discussion about tuition levels and raising additional income, is the consideration that the University of Hawaii is a state-created and supported institution which must ensure equal access for

students who may need financial support in order to gain a college education. Thus, the legislature believes that it is necessary to ensure that the State's higher education policy maintains a balance between providing increasing fiscal autonomy to the university with providing equal access to financially needy students. In order to maintain this balance, the legislature will continue its commitment to providing flexibility and autonomy to the university.

The purpose of this Act is to provide authority to the board of regents to establish the mechanisms by which the University of Hawaii can begin to adopt an integrated plan for the development of the university's programs with the generation of income.

Therefore, it would appear that repealing this section would go against the original intent of Act 161, SLH 1995, to "ensure that the State's higher education policy maintains a balance between providing fiscal autonomy to the university with providing equal access to financially needy students." Given the current fiscal condition of the state, renegeing on the legislative intent of the original statute is puzzling. Since 2010, the legislature has not abided by its own self-created statute.

In recent years, the Legislature has found it difficult to follow the provision in Section 304A-2101(a), HRS. This was understandable as the state faced the Great Recession and the fiscal crisis that occurred because of it. In the spirit of collegiality and understanding the fiscal issues, the UH did not raise concerns over the inability of the Legislature to follow those provisions. However, these shortages did occur and are presented in the table below:

| Fiscal Year | TFSF Revenues | 3x TFSF | Subtotal all GF | Minimum Shortage (3x TFSF) |
|-------------|----------------|------------------|-----------------|-------------------------------|
| 2010 | \$ 291,890,000 | \$ 875,670,000 | \$ 676,816,384 | (\$198,853,616) |
| 2011 | \$ 319,772,000 | \$ 959,316,000 | \$ 620,961,053 | (\$338,354,947) |
| 2012 | \$ 349,421,000 | \$ 1,048,263,000 | \$ 670,822,656 | (\$377,440,344) |
| 2013 | \$ 362,175,000 | \$ 1,086,525,000 | \$ 674,233,550 | (\$412,291,450) |
| 2014 | \$ 377,550,000 | \$ 1,132,650,000 | \$ 694,748,270 | (\$437,901,730) |
| 2015 | \$ 392,471,000 | \$ 1,177,413,000 | \$ 739,611,538 | (\$437,801,462) |
| 2016 | \$ 403,411,000 | \$ 1,210,233,000 | \$ 768,574,693 | (\$441,658,307) |
| 2017 | \$ 403,177,000 | \$ 1,209,531,000 | \$ 782,392,679 | (\$427,138,321) |
| 2018 | \$ 393,452,000 | \$ 1,180,356,000 | \$ 844,954,976 | (\$335,401,024) |
| 2019 | \$ 394,952,000 | \$ 1,184,856,000 | \$ 842,934,698 | (\$341,921,302) |
| 2020 | \$ 331,369,372 | \$ 994,108,116 | \$ 887,858,617 | (\$106,249,499) |
| 2021 | \$ 332,295,333 | \$ 996,885,999 | \$ 928,986,801 | (\$67,899,198) |
| 2022 | \$ 327,947,772 | \$ 983,843,316 | \$ 718,110,660 | (\$265,732,656) |
| 2023 est. | \$ 327,947,772 | \$ 983,843,316 | \$ 943,632,639 | (\$40,210,677) |
| Grand Total | | | | (\$4,228,854,533) |

It would appear that Fiscal Year 2022-2023 is the closest the Legislature has come to complying with the statute. Given the current fiscal situation, with the state general fund surplus exceeding \$1,000,000,000 this fiscal year, it would appear that the Legislature now has the resources to comply with the existing statute rather than dismantle it.

To aid with affordability, the UH recently passed its four-year tuition schedule and kept two of those four years steady with no gain, despite the current inflationary economic conditions and impending collective bargaining. UH has held up its end to attempt to maintain affordability for postsecondary education for Hawai'i. The Legislature can do its part with funding UH's budget request, especially the expansion of the Hawai'i Promise Program to the four-year campuses.

Rather than the Legislature repealing statutes that it finds inconvenient to comply with, it should abide by the same standards that it expects of Executive Branch departments – follow the law. The UH would prefer that the Legislature work with the UH to ensure that postsecondary education is both accessible and affordable for the people of Hawai'i.

Committee on Ways and Means
The Hawaii State Senate
415 S Beretania St.
Honolulu, HI 96813

Re: OPPOSE SB 835

February 13, 2023

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and esteemed members of the Ways and Means Committee,

I am writing to ask that you OPPOSE BILL [SB 835](#), which seeks to get rid of the general guidelines for legislative funding of the University of Hawai'i system.

Our community colleges are some of the most reasonably priced in the United States, and our four-year institutions are on par with many of the lowest-priced in-state public institutions across the country. If measures presented this session related to the Hawai'i Promise Program pass, additional students will be dependent on legislative funding for the opportunity to go to school.

It seems like there may be a hidden motive behind this bill. While I realize omitting this guideline means the legislature would feel more free to offer more funding that five times the estimated regular tuition and related fee revenues for that year, I am more suspicious that omitting this guideline will make it more tempting to excessively cut costs during financially difficult times for our state, causing a devastating impact to UH-System faculty, staff, and resources, and student services. In the least, in case of drastic cuts in legislative funding, tuition costs would likely increase and vital personnel and services would be cut to meet operational costs, which would not serve our students or our state well. If this is, in fact, simply a guideline as suggested in the bill, then the legislature is not bound by this language in extreme situations anyway. However, the guideline could help new legislators understand general funding figures to use as a starting place for future negotiations. I'm not sure a bill is needed to omit a guideline.

For these reasons, I strongly support OPPOSING BILL [SB 835](#). Mahalo nui!

Sincerely,



Erika Molyneux
Instructor, New Media Arts
Leeward Community College