



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Finance
February 21, 2008 at 5:00 pm

By

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and

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University of Hawai'i

HB 2978 – RELATING TO EDUCATION

Chair Oshiro, Vice Chair Lee, and Members of the Committee on Finance:

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 SB 3250, HD1 requires the University to 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.

Reconsidering the base operating budget, as described in HB 2978, and linking it to student FTE enrollment is worthwhile to examine and pursue, and seems particularly relevant as we establish a long-term financial plan. However, due to the overlapping effort with SB 3250 and SCR 137 we would recommend that HB 2978 not stand as a separate initiative. Rather, we feel that in developing the reports and proposals required by these other measures, we will address the issue of base funding and enrollment based formula funding as well as other options. Having separate bills

requiring potentially different approaches and mechanisms may be confusing and counterproductive.

Also, while we welcome the opportunity for a one-time supplement to funding for any of our campuses, but caution against using the past ten year's enrollment growth as the sole basis for calculation. 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.

HB2978 concerning formula funding fits well within the context of the long term financial plan that the legislature has requested that the UH develop to reach its strategic goals and help meet State higher education needs. The long term financial plan will incorporate base operating, capital improvement, as well as incentive and performance outcome funding. The University is now in the process of developing this plan, and request that HB2978, which addresses the base operational needs of UH campuses, be incorporated as part of the broader scope of this long-term financial plan.

In summary, we recommend that other legislative initiatives that address the broader scope of a long-term financial plan for the University of Hawai'i be supported instead, which would encompass consideration of funding formulas and base funding related to enrollment.

Lastly, we respectfully request that if a formula funding task force is appointed, a UH System representative be included on 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
House Committee on Finance
February 21, 2008 – 5:00 P.M.
State Capitol
Room 308

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 predicable 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 the 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.

Thank you for the opportunity to submit testimony.

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To: House Committee on Finance
From: Paul T. Tsukiyama, Director
Date: February 21, 2008, 5:00 p.m.
State Capitol, Room 308
Re: Testimony on H.B. 2978
Relating to Education

Thank you for the opportunity to submit testimony on H.B. 2978.

The Office of Information Practices ("OIP") takes no position on the substance of this bill, which would establish a Funding Formula Task Force, but seeks clarification of a provision on page 6 of the bill, lines 16-21, which states that

The funding formula task force shall be exempt from chapter 92, Hawaii Revised Statutes; provided that the task force shall make a good faith effort to make its proceedings and work products accessible and available to the general public in a manner consistent with the intent of chapter 92, Hawaii Revised Statutes.

The Sunshine Law is only part I of chapter 92. Parts II through IV of chapter 92 relate to non-Sunshine Law issues, such as boards' general powers and quorum requirements, copy charges for public records, and publication of legal notices. If the intent of this provision is to exempt the Task Force from the Sunshine Law, OIP recommends that the bill state that the Task Force "shall be exempt from part I of chapter 92."

OIP would, however, recommend that this Committee carefully consider whether it is good policy to exempt the Task Force from the Sunshine Law in light of the express policy and intent of the statute.

In a democracy, the people are vested with the ultimate decision-making power. Governmental agencies exist to aid the people in the formation and conduct of public policy. Opening up the governmental processes to public scrutiny and participation is the only viable and reasonable method of protecting the public's interest. Therefore, the legislature declares that it is the policy of this State that the formation and conduct of public policy - the discussions, deliberations, decisions, and actions of government agencies - shall be conducted as openly as possible.

Haw. Rev. Stat. §92-1 (1993).

The issues on the issue on which the Task Force is charged with making recommendations are important to and will directly affect the entire University community, and indirectly the public at large. Although the bill calls for the Task Force to make a good faith effort to make its proceedings accessible to the public, the way in which it chooses to do so will be entirely within the Task Force's discretion and members of the public will have no recourse if they feel shut out of the proceedings. For instance, if it is exempt from the Sunshine Law, the Task Force will not be required to post notice of its meetings or allow the public to testify at its meetings.

Thank you for the opportunity to testify.