



UNIVERSITY OF HAWAII SYSTEM

‘ŌNAEHANA KULANUI O HAWAII

Legislative Testimony

Hō'ike Mana'o I Mua O Ka 'Aha'ōlelo

Testimony Presented Before the
House Committee on Finance
April 2, 2026 at 2:00 p.m.

By

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and

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SB 2602 SD1 HD1 – RELATING TO THE GENERAL FUND

Chair Todd, Vice Chair Takenouchi, and Members of the Committee:

Thank you for the opportunity to present testimony today. The University of Hawai'i (UH or University) respectfully opposes SB 2602 SD1 HD1, Relating to the General Fund. This bill requires that funds deposited into the UH Tuition and Fees Special Fund (TFSF) should be allocated and expended solely for the benefit of students at the campus from which the funds were collected. Also, beginning June 30, 2029, it would require any unencumbered funds in TFSF in excess of two months operating expenditures to lapse to the general fund, potentially resulting in the loss of significant funding for the University at a time of already diminished resources due to federal policy changes.

The provision requiring tuition and special fee revenues to be allocated and spent solely for the benefit of students at a single campus would significantly reduce the UH system's ability to operate effectively. By restricting funds to individual campuses, the University would lose the flexibility needed to respond to changing systemwide needs—such as addressing urgent issues, supporting innovative programs, or investing in shared resources that benefit multiple locations.

This limitation would hinder collaboration across all campuses, but particularly at the community colleges. Currently, pooled resources allow these campuses to jointly develop academic programs, share faculty expertise, combine administrative functions, and invest in technology infrastructure that serves students throughout the system. Preventing funds from being used collaboratively would diminish these opportunities and weaken the University's ability to deliver high-quality, coordinated educational experiences that meet the needs of the state.

Another major concern is the loss of efficiencies and effectiveness of scale. Systemwide management of funds enables the University to negotiate better contracts,

coordinate bulk purchasing, and streamline administrative functions like human resources, financial aid, and procurement. Requiring each campus to operate independently would indisputably increase costs and reduce overall efficiency.

The bill also may create serious inequities for some campuses, particularly the community colleges. Smaller campuses like Kaua'i Community College have limited enrollment and may not be able to generate sufficient revenue to support essential services or improvements. This imbalance, created by the inability to share resources across the system, would undermine the University's mission to provide equitable access to high-quality education across all islands and a common standard of care for all students.

Additionally, UH conducts workforce development, cancer research, and other activities that advance the state as a whole in addition to providing student benefits. The bill could impact UH's ability to engage in these significant activities. The proposed restriction would also complicate compliance, reporting, and oversight if each campus must handle these functions separately, increasing administrative workload and reducing systemic quality control across the system.

UH does, however, agree with the motivating sentiment behind the amended language in HD1 – that tuition and special fees revenues should be used for the benefit of the students who paid them. The provision of the bill which sweeps the University's unspent tuition and fees revenue to the general fund is inconsistent with this, as the swept funds will benefit these students tangentially, if at all.

Importantly, this sweep of student tuition and special fees dollars is proposed at a time when the University is already facing significant financial uncertainty as a result of major changes in federal policy and funding. As demonstrated in Attachment A, the financial effects of the federal changes are significant and warrant careful safeguarding of all existing University resources. The University's ability to respond to these changes in ways that do not impair its mission to students, the community, and the state will be impaired if unspent tuition and special fees are likewise at risk. Thank you for this opportunity to testify.



ATTACHMENT A

April 1, 2026

Effects of Federal Changes on Research Funding and Stability

Over the last year, the University of Hawai'i (UH) System research enterprise has faced several challenges to research funding, as well as new actions that will create future instability. Research funding reached an all-time high of \$734 million in FY25. Stabilizing this level of research activity is now a primary focus of the Office of the Vice President for Research and Innovation at the UH System.

Summary of Actions and Outcomes

I. Terminations and Stop-Work Orders

- Terminated awards: \$109,557,342
- Stop-work orders: \$663,582

II. Title III Grants

- Grants that will not be renewed: \$28,791,115
- Additional Title III awards at risk: \$75,090,111

III. Proposed 15% Cap on Indirect Rates

Although litigation has largely delayed implementation, a 15% cap on indirect cost rates remains a possibility.

- Projected loss of funds if implemented: \$21,961,468 per year

IV. Reduction in Extramural Funding (Year-to-Date comparison)

- System-wide reduction in extramural funding: \$107,967,097

V. Reduction in New Federal Grants (Year-to-Date comparison)

- Decrease in number of new federal grants: 48%
- Associated loss in new federal funding: \$97,263,692



The House Committee on Finance

April 2, 2026

Room 308

2:00 PM

RE: SB 2602 SD1 HD1, Relating to the General Fund

Attention: Chair Chris Todd, Vice Chair Jenna Takenouchi, Members of the Committee

The University of Hawaii Professional Assembly (UHPA), the exclusive bargaining representative for all University of Hawai'i faculty members across Hawai'i's statewide 10-campus system, **opposes SB 2602 SD1 HD1.**

This measure amends HRS §304A-2153 to mandate that unexpended monies in the University of Hawai'i tuition and fees special fund at the end of each fiscal year lapse to the credit of the State general fund. We fundamentally disagree with the premise of treating student tuition as general tax revenue available for unrelated state expenditures. Tuition and fees are paid by students and their families with the specific expectation that those funds will be dedicated to supporting their education, maintaining campus facilities, and funding student services. Sweeping these funds into the State's general fund effectively converts student tuition into a tax, undermining the trust between the University and its students while diverting critical resources away from the classroom.

Furthermore, this measure threatens to destabilize University operations by removing the essential ability to carry over funds. Responsible fiscal management in higher education requires the capacity to save for major repairs, invest in long-term academic initiatives, and maintain a financial buffer against enrollment fluctuations or budget cuts. By forcing a "lapse" of these funds to the general fund, SB 2602 SD1 HD1 strips the University of its financial autonomy and stability, making it nearly impossible to plan effectively beyond the current fiscal year. We urge the legislature to protect the investments made by students in their own education and allow the University to retain these funds for their intended purpose.

For these reasons, we respectfully urge the Committee to DEFER SB 2602 SD1 HD1.

Respectfully submitted,

Christian L. Fern
Executive Director
University of Hawaii Professional Assembly

**University of Hawaii
Professional Assembly**

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SUBJECT: MISCELLANEOUS, Lapses Funds in the UH Tuition and Fees Special Fund

BILL NUMBER: SB 2602 HD 1

INTRODUCED BY: HED

EXECUTIVE SUMMARY: Requires that tuition, tuition-related course and fee charges, and other charges to students deposited into the University of Hawai'i Tuition and Fees Special Fund be allocated and expended for the benefit of students at the campus at which the tuition, tuition-related course and fee charges, and or other charges to students was paid. Beginning 6/30/2029, requires unencumbered funds in the University of Hawai'i Tuition and Fees Special Fund in excess of two months operating expenses to lapse to the general fund. Requires a report to the Legislature. Effective 7/1/3000. (HD1)

SYNOPSIS: Amends section 304A-2153(a), HRS, to restrict the use of the University of Hawaii tuition and fees special fund to benefit programs or operations on a campus where students paid the tuition and fees.

Amends section 304A-2153(g), HRS, to provide that at the end of each fiscal year, the tuition and fees special fund for each campus is to lapse to the general fund, provided that, beginning June 30, 2029, unencumbered balances in excess of two months operating expenses, shall lapse to the general fund. Two months operating expense shall be calculated as 16% of the average general operating expenditures over the prior three years.

EFFECTIVE DATE: July 1, 3000.

STAFF COMMENTS: Currently, section 304A-2153(g), HRS, requires that at the end of each fiscal year the special fund lapses to the credit of program identification number UOH900 (University of Hawaii, systemwide support). A program ID number does not appear to be a valid destination for lapsed funds. The money needs to go to a fund. The current draft of the bill does not fix this issue.

If the intention is for the bill to raid one or more special funds, we have the following comments, as appeared in our column dated February 23, 2026:

Use That Hoarded Tuition and Fees Now

We have been writing several pieces about money languishing in special funds. This week we will concentrate on one of them. The University of Hawaii has a special fund for tuition and fees. According to [Department Communication 100](#) submitted to this year's Legislature, that fund built up, as of June 30, 2025, almost \$429 million.

And, unlike some of the special funds we have been writing about, lawmakers are very aware of the big balance in this one. [Senate Bill 2602](#), which recently passed the Senate Education

Committee, would lapse any carryover balance in the fund at the end of each year to the State's general fund.

Not surprisingly, the University of Hawaii and the U.H. Professional Assembly howled in opposition.

“Shifts in federal policy and the termination of grant funding have created significant uncertainty for the UH,” the University argued. “At the same time, major technological changes relating to AI and other needs will require ongoing substantial investment in infrastructure. The UH has outlined major initiatives to ensure it can more effectively and efficiently meet its mission despite these major challenges and to maintain accountability for executing on strategic goals.”

Those words might be more believable if the tuition and fees special fund was the only fund the University had. Actually, HRS chapter 304A has three different subparts, one describing 22 special funds, the next describing 14 revolving funds, and the next enumerating 4 different trust funds. Surely, between 40 different non-general funds, the University has the flexibility to take on its major challenges and meet its strategic goals.

And, let's be real here, \$400 million is a major amount of dough. Maybe the University can justify squirreling away a few million here, a few million there. But \$400 million?

And when the University undertakes a major construction project, it doesn't hesitate to visit lawmakers with hat in hand, as was done in 2019 when it asked for authorization to rebuild its venerable Sinclair Library into a brand-spankin'-new Student Success Center. Yes, it got \$41 million in authorization then, and costs ballooned to \$57 million by the time construction started in 2023. Did that extra \$16 million come out of the tuition and fees special fund? According to the testimony before the Senate Education Committee, the excess funds were pulled from a pot of general fund money earmarked for repairs and maintenance. Meaning that the nine-figure sum in the special fund still sat there and there were fewer dollars to tackle the deferred maintenance backlog that the University is famous for.

At the Senate hearing, the University indicated that the fund buildup was due to an influx of pandemic relief funds. But, as [we pointed out with the example of Department of Hawaiian Home Lands funding](#) some weeks ago, if a recipient of federal money doesn't use it, it greatly increases the chance that the federal government will take it away.

We realize that the University's president and chief financial officer are both relatively new in their respective positions. They both pleaded with the committee that they have no intent whatsoever to leave large gobs of cash unused. Fine, then. Come up with an immediate and measurable plan to deploy what is needed. And by immediate I mean now. The State has a financial crisis now. If this cash cannot be deployed now, lawmakers will try to beat it out of us, the taxpayers, now.

Use that hoarded tuition and fees. Now.

Digested: 3/31/2026