

# TAX FOUNDATION OF HAWAII

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

BILL NUMBER: SB 2602

INTRODUCED BY: DELA CRUZ, HASHIMOTO, KIDANI, Elefante, Kanuha, Lamosao

EXECUTIVE SUMMARY: Requires that excess funds in the University of Hawai'i tuition and fees special fund at the end of the fiscal year lapse to the credit of the general fund.

SYNOPSIS: Amends section 304A-2153, 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. The statute previously provided that the lapse would be to the credit of program identification number UOH900 (university of Hawaii, system wide support).

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: This bill may be intended as a technical fix, because a program ID number does not appear to be a valid destination for lapsed funds. The money needs to go to a fund.

If the intention is for the bill to raid one or more special funds, this fund does not seem to be an opportune raid target because the unencumbered balance in the fund appears to be less than \$1 million, per the University's annual report at DC100 (<https://www.capitol.hawaii.gov/-sessions/session2026/bills/DC100.PDF>). That report also shows large unencumbered cash balances in other funds, which can and should be looked into as possible raid candidates.

We do not intend for our use of the term "raid" to be pejorative. It simply means, in this context, a transfer to the general fund. Given the projected general fund shortfalls because of curtailment of federal support, it behooves all of us to identify idle funds and put them to good use.

Digested: 2/7/2026



# 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 Higher Education  
February 9, 2026 at 1:05 p.m.

By

Wendy Hensel

President

and

Luis P. Salaveria

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

### SB 2602 – RELATING TO THE GENERAL FUND

Chair Kim, Vice Chair Kidani, and Members of the Committee:

Thank you for the opportunity to present testimony today. The University of Hawai'i (UH) respectfully **opposes** SB 2602, Relating to the General Fund. This bill would require that excess funds in the University of Hawai'i Tuition and Fees Special Fund (TFSF) lapse to the State general fund at the end of each fiscal year.

While we understand the fiscal situation facing the state, we respectfully disagree that taking tuition and fee dollars, paid by UH students and their families to seek a better future through postsecondary education, and to be held in trust by the University for these purposes, should be redirected to the state general fund. Shifts in federal policy and the termination of grant funding have created significant uncertainty for the UH. 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.

These initiatives will benefit all campuses, systemwide and are not intended for the benefit of any singular campus. In general, although it has been the practice for all campuses to retain their TFSF fund balances to be used for campus priorities, there are regular, expected instances where assessments are made against campus fund balances for systemwide initiatives.

Without TFSF fund balances, the UH will be extremely challenged in weathering this period of uncertainty, making the strategic investments needed to produce legislatively mandated outcomes, and sustaining excellence in higher education.

Notably, the bill does not sweep funds on a one-time basis but creates major changes in the overall funding structure of the entire system going forward. Taking these funds will cause significant hardship for campuses that need to fulfill their debt service obligations and properly satisfy recurring, big-ticket equipment support, services, and upgrades required to maintain current service levels. This transfer will impair the UH's ability to respond to emergency and unbudgeted expenses and will encourage short-term spending rather than making long-term investments to diversify UH's revenue. Further, some decisions that have been made will need to be revisited, e.g., the Community Colleges reduced their summer tuition to increase affordability and decrease time to degree completion, and this decision would likely be unsustainable if funds are swept. Respectfully, this bill is contrary to disciplined financial planning and centrally held reserves called for in Act 236, SLH 2015.

Thank you for this opportunity to testify.



The Senate Committee on Education

February 9, 2026

Room 229

1:05 PM

**RE: SB 2602, Relating to the General Fund**

Attention: Chair Donna Mercado Kim, Vice Chair Michelle N. Kidani, 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**.

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 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.**

Respectfully submitted,

Christian L. Fern  
Executive Director  
University of Hawaii Professional Assembly

**University of Hawaii  
Professional Assembly**

**SB-2602**

Submitted on: 2/11/2026 1:00:55 AM

Testimony for EDU on 2/13/2026 1:05:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
M. Leilani DeMello	Individual	Oppose	Written Testimony Only

Comments:

Aloha,

I KĀKO‘O ‘OLE this bill, the University needs access to all the funds that it can get in order to provide an excellent value for students.

Mahalo,

M. Leilani DeMello

‘Ōla‘a, Puna, Hawai‘i