



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 Higher Education & Technology
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By

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HB 1677 – RELATING TO THE UNIVERSITY OF HAWAII TUITION AND FEES SPECIAL FUND

Chair Perruso, Vice Chair Kapela, and Members of the Committee:

Thank you for the opportunity to present testimony today. The University of Hawai'i (UH or University) **supports** HB 1677, Relating to the University of Hawaii Tuition and Fees Special Fund. This bill enables a cost-sharing approach of general fund authorized positions to be paid for with tuition and fees special funds while continuing to have fringe benefit costs paid for with state general funds. The bill would enable this approach by specifying conditions for exemptions for UH from Sections 87A-39(a) and 88-125(a), Hawai'i Revised Statutes. The bill also amends the formulation of the general fund budget appropriation as it relates to the estimated amount of regular tuition and fees revenue.

The bill also amends the current statute requirement that general fund appropriations to the University should be between three to five times the estimated regular tuition and related fees revenues estimated for a given fiscal year. Although enacted in statute since Act 115, Session Laws of Hawai'i 1998, the state legislature has not been able to fulfill this requirement since at least 2010, as competing budget priorities and revenue challenges of the state made compliance with this level of funding unrealized. For example, in FY23, revenues for the Tuition and Fees Special Fund (TFSF) totaled \$345.6 million while the General Fund appropriation to UH was \$567.1 million. Even when accounting for the fringe and debt service costs budgeted in the State Department of Budget and Finance totaling \$406.5 million, the total still falls short of the statutorily mandated floor.

Although it would be in the best interests of the University for this funding requirement to remain in statute, we recognize the fact that the Legislature has not followed this requirement for well over a decade and therefore the practical application of this law limits the benefit to UH.

Section 3 of the bill would statutorily create an exemption to allow the University and the State to share in the costs of certain UH employees. The University would pay the salary of a general fund authorized position, in part or in whole, from TFSF, while the State General Fund would pay for the appropriate fringe costs.

The State and UH previously employed this approach administratively, before disallowing its practice in 2022. While it was utilized, this cost sharing measure was beneficial to both the University and the State. The State saves on the salary associated with a General Fund position and the University saves on the fringe costs associated with that position. As fringe costs are less than 100 percent of salary, UH's TFSF still pays the larger portion of the costs.

Thank you for this opportunity to testify.