HEPC TESTIMONY
July 17, 2014
Board of Regents Meeting,
Presented by Dr. Jim Shon, Director

Take the UH Quiz:

1. The % of all foreign students in UH system is:  
   a. 4.7%  b. 14.7%  c. 24.7%  d. 34.7%
2. % of UH Manoa operations paid only by student tuition:  
   a. 25+%  b. 35+%  c. 50+%  d. 64%
3. % of 2013 HI Public high school grads NOT in college:  
   a. 17%  b. 37%  c. 47%  d. 67%
4. % of Leg $$ UH support below pre-recession levels:  
   a. 16%  b. 26%  c. 36%  d. 46%
5. Average debt for UH Manoa 4 year graduates:  
   a. $15K  b. $25k  c. $35K  d. $45

Find these answers in our brief on “Student Costs of Living, Tuition and Debt at the University of Hawai’i”

POLICY CONSIDERATIONS
The University of Hawai‘i has not escaped the national trends, including general reductions in all government supported programs during the recent economic recession. Wherever additional funds could be found, including tuition, these were used by policy makers to offset other revenue losses. Now that the economy is recovering, there is the opportunity to open a thoughtful and collaborative dialogue on the following:

1. For general operating expenses (non-CIP): What is the appropriate mix of public funding vs. tuition revenues for the UH System and its various levels and campuses?
2. How competitive or affordable should the UH four-year “cost of attendance” be for residents?
3. How competitive or affordable should UH be for non-resident U.S. students? International students?
4. Should the campus-caps on non-resident enrollments be adjusted or eliminated?
5. How competitive or affordable are the various UH Schools of Nursing, Law, Education, Business and Medicine? Is the “mix” of public good vs. private good different for these schools compared to the community colleges, or the four year undergraduate campuses?
6. Has the amount of loans taken out by students each, both subsidized and unsubsidized, risen as tuition has risen. Or have the scholarship and loan education programs moderated the increase in loan indebtedness?
7. Are the patterns significantly different for undergraduates, graduates, and professional students? For undergraduates, are they different for professional school programs such as engineering, business, nursing, architecture, etc?
8. Are the patterns different between Manoa, Hilo/West Oahu, and the CCs since the absolute value of the tuition increase varies considerably among these different institutions?
9. What strategies or tools do other institutions use to offset the out of pocket costs for students?

POTENTIAL STRATEGIES FOR CONSIDERATION

Strategy #1: Significantly increase the support for students from the UH Foundation and other endowments. Specifically, what is the feasibility of creating a UHF low interest revolving loan fund?

In her 2012 Doctoral Dissertation on student debt, UH graduate Helen Au pointed out that some of the most prestigious and seemingly expensive universities and college (in terms of tuition for non-residents) actually had the lowest levels of debt for graduates. Princeton, Yale and Harvard, for example, came in with the least amount of debt with the lowest percentage of graduates who borrowed. School with the most debt were relative less known and prestigious. The reason for this was the significant endowments the prestigious schools could utilize in offsetting debt. See APPENDIX E for a short comparison for the Class of 2011.

Strategy #2: Significantly increase the percentage of UH tuition that can be used to offset out of pocket student costs.

In 2011, when the current tuition proposal was approved by the Board of Regents, the University recognized the disparity between national and other state use of tuition for student grants. The following is an excerpt from a Fact Sheet prepared in 2011 for the Board of Regents.

If in the AY 2014, UH Manoa generated an estimated $188 million in tuition revenues (58% from residents, and 42% from non-residents). Nineteen percent of this would be approximately $36 million.

According to the Integrated Postsecondary Data System (IPEDS) of the U.S. Department of Education: In AY 2010-11
- Hawaii was 47th among states for need-based undergraduate grant dollars;
- Hawaii was 50th in the estimated number of awards; and
- Hawaii was 49th among states in total state grant percentages of state fiscal support for higher education.

If UH Manoa were allocating the national average of 40% for student grants, this amount would be at the $75 million level today. The difference totals approximately $40 million. The ability shift a greater percentage of tuition revenues away from general operating expenses is directly related to the annual legislative appropriation.

**HEPC Recommendation:** The State should consider appropriating an additional $40 million annually and direct the University to apply this amount directly to student grants. An alternative would be to allocate the $20 million earmarked for additional student grants.

**Strategy #3:** Significantly increase the dialogue regarding research, collection of new data as well as the transparency and use of data by policy makers relating to student out of pocket costs, debt, and post-graduation employment.

**HEPC Recommendation:** Annual Student Out-of-Pocket-Cost and Debt Report: The UH does prepare an annual assessment of the “cost of attendance” but this does not address all the issues related to actual out of pocket costs to attend all UH campuses, for both resident and non-resident students. A comprehensive report could include the number and percentage of graduate students who are granted teaching assistantships or other direct employment to offset the costs. Follow up students on the reasons for not re-enrolling and price sensitivity would also be helpful. The report should include a detailed study of UH post-graduate student debt and debt defaults (which HEPC understands is currently underway).

**HEPC Recommendation:** Annual Post-Graduate Employment Survey. The UH should survey post graduates to better understand the relationship of a UH diploma to employment.

**HEPC Recommendation:** The new UH President, in conjunction with the Board of Regents, the various campus provosts and chancellors, the State Legislature, HEPC, and other important stakeholders, should be willing to participate in a dialogue focusing on the appropriate financial burdens that students should bear for the operations of the University as a whole and each campus or professional school in particular.

**Strategy #4:** While interest rates are low, significantly invest in more affordable student housing.
HEPC acknowledges that the housing costs are certainly cheaper in Tulsa or Las Vegas. The students from Hawai‘i going to those places would pay a much higher non-resident or private school tuition and would therefore incur even higher costs and arguably higher loan indebtedness. However as pointed out earlier, hefty endowment allocations and higher percentage of tuition allocated for grants has offset many costs by mainland prestigious institutions.

**COMMENTS, OBSERVATIONS AND CONCLUSIONS**

- The UH System is, in comparative tuition & fee levels, a good bargain as higher education costs go. Yet in 2013, some 5,000 Hawai‘i high school graduates, or 46 percent, did not enroll in college. Is it the cost that kept them from continuing their education? The cost of living in Hawai‘i is **not good value** in comparison to other areas of the U.S.
- The level of tuition and endowment support applied to student out of pocket costs and debt is unimpressive.
- The UH System has not encouraged non-resident enrollments, especially international students. This is in spite of many assertions about our role in Asia and the Pacific. See Appendix Tables 2.1 and 2.2 for detailed tuition/fee comparisons.
- As primarily a commuter campus, UH and the State have not yet invested heavily in expansion of Manoa on-campus affordable housing to off-set the cost of living, or to enhance campus life.
- Data on affordability is available, but scattered and must be retrieved and analyzed from a fairly large number of UH sources. UH administrators and decision makers have access to it and use it, but for the general public or non-UH decision makers, it is not emphasized or highlighted in prominent reports.
- The basis for determining legislative appropriation levels for UH campus general operations is not obvious, nor consistent. This may be the result of distrust or lack of confidence in UH financial decisions and management. Whatever the reason, it is a challenge to predict what the criteria or decisions will be from fiscal year to fiscal year. With hundreds of millions unfunded repair and maintenance projects, the 2014 Legislature did not appropriate any funds to reduce this backlog.
- State investments in new campus construction are tentative and cautious, even when accreditation is at stake. This is the case for the long-planned but often postponed new buildings for the UH Manoa College of Education. The go-slow policy on UH CIP borrowing by the State is at a time when interest rates are very low.