



**LATE**

EXECUTIVE CHAMBERS  
HONOLULU

NEIL ABERCROMBIE  
GOVERNOR

Monday, April 1, 2013, 2:00 PM  
State Capitol Room 308

Testimony of  
Policy Office of the Governor, State of Hawaii

To the House Committee on Finance  
Representative Sylvia Luke, Chair  
Representative Scott Nishimoto, Vice Chair  
Representative Aaron Johanson, Vice Chair

SB 46\_SD 2 \_HD 2 - Relating to Education

Chair Luke, Vice Chairs Nishimoto and Johanson, and Committee Members:

Thank you for the opportunity to testify in support of Senate Bill 46, Senate Draft 2, House Draft 2 (SB 46\_SD2\_HD2). The bill would establish the postsecondary education program within the Department of Commerce and Consumer Affairs (DCCA) and create a framework for authorizing private postsecondary educational institutions in the State.

The Policy Office of the Governor appreciates the engagement of legislators in developing SB46\_SD2\_HD2. It is critical that the Legislature establish the state authorization process this year for postsecondary institutions. This bill has been revised significantly in each draft to ensure compliance with federal requirements, compatibility with the inter-state reciprocity requirements, alignment with DCCA structure and processes, and consideration of stakeholders' input.

The state must meet the U.S. Department of Education (ED) deadline to modify or establish procedures to authorize postsecondary institutions by July 1, 2013. Failing to establish an authorization process puts Title IV federal financial assistance for college students at risk. According to a 2012 State Auditors report, more than 63,000 Hawaii students attending 35 postsecondary institutions received \$283.6 million in Title IV assistance in FY2011.

ED administers the Higher Education Act (HEA) of 1965, reauthorized as the Higher Education Opportunity Act in 2008. Federal financial aid for students provides grants, loans and work study programs and is part of the Title IV program of the HEA. In 2010, ED established new federal regulations requiring states to "legally authorize" postsecondary institutions within their state and requiring postsecondary institutions to be authorized in

states in which they operate in order to qualify for Title IV student financial aid. ED's objective is to ensure "program integrity" of postsecondary institutions in order protect students from substandard institutions, referred to as "diploma mills."

Since Hawaii does not have a process for authorizing postsecondary institutions, Governor Neil Abercrombie has notified ED of the state's good faith effort to establish a process and requested an extension to July 1, 2013 in order to meet the requirements for "state authorization." The U.S. Department of Education (ED) sent the Governor a letter dated January 23, 2013 reminding the state that state authorization procedures need to be developed and implemented by July 1, 2013. The Governor's policy staff has been in contact with ED about legislation to bring the state into compliance.

The Governor's Policy Office continues to work closely with the Senate and House Higher Education Committee leaders, national organizations including the National Governors Association, Western Interstate Commission on Higher Education and Western Association of Schools and Colleges, and relevant state departments to establish a state policy framework, represented in SB 46\_SD2\_HD2. In addition, we continue to meet with Hawaii-based postsecondary institutions to provide information and solicit feedback about the state's plans for authorizing postsecondary institutions.

Over the last two years, the Governor's Office has also worked with the Department of Commerce and Consumer Affairs (DCCA), University of Hawaii Board of Regents Office, and Board of Education to respond to more than 100 requests from institutions seeking authorization; in 2012, the Board of Regents Office responded to 75 requests from institutions. Based on the U.S. Department of Education's IPEDS reports, in 2010-11, Hawaii had 25 institutions qualified for federal Title IV (financial aid) including 10 public University of Hawaii institutions; presumably, these would be the minimum number of institutions seeking state authorization established by this bill.

SB 46\_SD2\_HD2 describes a process that meets the federal requirements, minimizes burden and cost on postsecondary institutions and state departments by meeting minimum requirements to participate in an inter-state reciprocity agreement, and protects Hawaii's residents who are consumers of higher education. Implementing SB 46\_SD2\_HD2 would allow Hawaii-based institutions, based on their authorization in Hawaii, to participate in inter-state reciprocity agreements, reducing institutions' burden and cost to obtain authorization in other states where they have satellite campuses or students taking on-line courses. Furthermore, it reduces the burden on the state's authorizing agency, DCCA as identified in SB 46\_SD2\_HD2, by allowing the state to participate in reciprocity agreements so that eligible out-of-state institutions may be recognized without seeking authorization affirmatively in Hawaii.

SB 46\_SD2\_HD2 will require general funds in its start up year. The intent would be for the program to become self-sustaining, following the DCCA model, once DCCA is able to issue the initial authorizations and understand the demand for the program.

Thank you for your attention to this matter.



**UNIVERSITY OF HAWAII SYSTEM**  
Legislative Testimony

**LATE**

Testimony presented before the  
House Committee on Finance  
April 1, 2013 at 2:00pm, Room 308

By Linda K. Johnsrud

Executive Vice President for Academic Affairs & Provost, University of Hawai'i System

SB 46 SD2 HD2 – RELATING TO EDUCATION

Chair Luke, Vice Chairs Nishimoto and Johanson, and members of the Committee:

The University of Hawai'i supports the intent of SB 46 SD2 HD2 that establishes the post-secondary education authorization program within the Department of Commerce and Consumer Affairs (DCCA) to authorize post-secondary educational institutions to operate in the state, to maintain a listing of such institutions, and to act on complaints concerning these institutions. SB 46 SD2 HD2 addresses the requirements of the U.S. Department of Education regulations under Title IV of the Higher Education Act of 1965, as amended.

It is the University's position that placing the authorization function outside the University of Hawai'i (UH) avoids the potential or the appearance of a conflict of interest were the state's sole public university to authorize private providers to operate within the state. The University is available to offer DCCA any expertise it may need regarding post-secondary educational institutions and on accreditation.

The University would like to offer two amendments to the current draft:

1. While we understand the need to charge institutions a fee to participate in this program in order to finance the operation costs at DCCA, the cost of \$10,000 per institution is excessive for smaller institutions which are largely reliant on tuition revenues to operate. Therefore, we recommend that the fee be based on student enrollment, specifically on Full-Time Equivalency (FTE) enrollment. For example, the fee of \$10,000 applies to institutions with a student enrollment of 10,000 or more; \$5,000 for enrollment of 5,000 or more; etc.
2. The draft currently repeals the establishment of the Post-Secondary Education Commission and its administrative rules at UH. We strongly recommend that the Commission remain at UH since it had been originally established as a vehicle for the state to receive federal funds for student scholarships. Should the federal government decide to reinstate funding for the scholarships, Hawai'i would not have an agency or commission that would be able to receive the funds and properly disburse them to Hawaii's students.

We appreciate the thoughtfulness in SB 46 SD2 HD2 in addressing the U.S. Department of Education regulations, and thank you for the opportunity to testify.



Chaminade University  
OF HONOLULU

Testimony Presented to the  
House Committee on Finance  
Monday, April 1, 2013 at 2:00 pm

by  
Chaminade University of Honolulu President  
Bro. Bernard J. Ploeger, SM, Ph.D.

**SB 46 SD2 HD2**  
**Relating to Education**

Chairperson Luke members of the Committee on Finance:

Thank you for the opportunity to provide testimony in **support** of **SB 46 SD2 HD2** establishing the post-secondary education commission within the Dept. of Commerce and Consumer Affairs and creating the process for authorizing private post-secondary institutions in the state.

It is imperative that action immediately be taken by the State of Hawaii to create such a program in DCCA. The purpose of this legislation is to bring Hawaii into compliance with Title IV changes issued by the U. S. Dept. of Education in October 2010. Without passage of this legislation, neither the state nor independent universities will be qualified to receive funding under the Higher Education Act of 1965.

Chaminade University of Honolulu supports this legislation to establish a program for authorization within the DCCA because it already has the authority for consumer protection. We are also supportive of the creation of a post-secondary program within DCCA rather than a commission as originally proposed. A program with the Director of DCCA having oversight would not only obviate the necessity for appointing commissioners and thus simplify the initial process, but could also be a cost and time saving measure without the need to coordinate the multiple schedules of the parties involved. If an advisory committee were also created, the views of the members of the educational community could be heard.

We strongly support authorization to enable Hawaii to enter into reciprocity agreements with other states. Reciprocity agreements enable distance education providers to offer postsecondary education programs in other states without having to seek authorization from each of those states, thus reducing paperwork and costs.

Thank you for allowing us to submit this testimony.

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**LATE**



To be presented to the House Committee on Finance  
March 31, 2013  
Regarding SB46 SD2 HD2: "Relating to Education"  
Testimony in Support with Comments

Chair Luke, Vice Chair Nishimoto, and Honored Members.

My name is Dr. Loren Cunningham, and I am the co-founder of the University of the Nations with Dr Howard V. Malmstadt. This university is an international interdenominational Christian organization and training institution, with more than 400 campuses operating in more than 140 countries and in 40 states including Hawaii. We are accredited by the Global Accreditation Association headquartered in Switzerland. We have been in operation in Hawaii since 1973, and the Kona campus was founded in 1978 (when we acquired the old Pacific Empress Hotel and golf course). We offer certificates and associate, bachelor and master's degrees to train missionaries, pastors, and others who will work in areas of study that strengthen the moral foundation in various spheres of society. At the Kona location alone we currently are training over 2,000 students per year from more than 60 countries. The annual positive economic impact for West Hawaii from the UofN Kona, campus is more than \$15 million. The state and county also benefit from income, GET and property taxes with over 600 full time staff.

I understand the need for the state to comply with federal requirements for funding under the Higher Education Opportunity Act of 2008 and the 2010 federal regulations (Title 4), and what you propose in that area seems reasonable. Nevertheless, the bill, as written, seems to broaden the scope unnecessarily to include institutions not dependent upon Title 4 funding. The University of the Nations is one of these institutions. **We do not seek nor receive Title 4 funding for our students.**

I feel it is very important that qualified religious training institutions continue to be exempt from state accreditation requirements. We agree with other universities who request that **HRS 446E be maintained and not be repealed.**

The UofN requests that you move this bill out of the FIN committee. We are generally in support of SB 46 SD2 HD2, and in particular support the language at Section 3, Subsection 10 and Section 7, Subsection 3, and additionally respectfully offer the following comments to SB 46 SD2 HD2 as follows:

**Section 3, Subsection 10. Applicability of Chapter; Exceptions. (Support)**

**Section 7, Subsection 3. Awarding Degrees. (Support)**

**Section 8. Authorization to operate in the State; private college or university and**

**Section 9. Authorization to operate in the State; seminary or religious training institutions (Comment).** Those institutions who fall under the exemption of HRS 446E and who do not seek Title 4 funding should be expressly excepted out from coverage under SB 46 SD2 HD2. Express reference should be made in these Sections back to the exception provision in Section 3, subsection 10 and Section 7, Subsection 3.

**Section 11: Reauthorization (Comment).** Those institutions who fall under the exemption of HRS 446E and who do not seek Title 4 funding should be expressly excepted out from coverage under SB 46 SD2 HD2. Express reference should be made in this Section back to the exception provision in Section 3, subsection 10 and Section 7, Subsection 3.

Thank you for the opportunity to testify in support of SB 46 SD2 HD2 with comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Loren Cunningham", written in a cursive style.

Loren Cunningham  
President, University of the Nations, Kona campus

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