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**In FY2011,
postsecondary
education schools
in Hawai'i disbursed
more than \$283
million in Title IV
program funds to
roughly 63,000
students.**

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Study of the Higher Education Act

Report No. 12-11, December 2012

State authorization entity is needed to ensure federal student aid funds are available to postsecondary schools in Hawai'i.

University of Hawai'i is the best option to house a postsecondary education authorization entity

Act 132, Session Laws of Hawai'i 2012 asked the Auditor to examine the federal Higher Education Act (HEA) of 1965 and its accompanying federal requirements and recommend the best available options, including a regulatory framework, to ensure the State's compliance with provisions regarding authorizing institutions that offer postsecondary education programs in Hawai'i. Such a framework is necessary to preserve the availability of federal student aid funding under Title IV of the HEA. In 1974, a State Postsecondary Commission was established by the Legislature to qualify the State to receive Title IV funds. Federal regulations now require eligible educational institutions to obtain authorization from the State to offer postsecondary education programs in Hawai'i in order to participate in Title IV programs.

The State Postsecondary Commission, administratively attached to the University of Hawai'i, is not currently empowered to grant authorization. However, amendments to existing state law could empower the commission with authorization ability and alter its makeup so that its majority is no longer comprised of members of the university's Board of Regents. Altering the composition could allay conflict of interest concerns and ensure students have a third party entity—the commission—with which to file and pursue complaints against a particular educational institution. State statutes and accompanying administrative rules provide a framework on which lawmakers and the commission could build. The University of Hawai'i also has an in-house base of postsecondary education expertise, which gives it an added advantage over other state agency options that were considered in the report.

Other agencies lack expertise or program commitment

The Department of Commerce and Consumer Affairs (DCCA) is responsible for more than 20 professional boards and commissions; however, the only educational institutions it regulates are beauty schools. State law also requires all licensing programs within DCCA to be self-supporting, which means fees for postsecondary authorization regulation must cover the costs of the regulatory program. The department estimates the start-up costs per institution may range from \$2,800 to \$8,500, with an annual renewal cost of \$2,700 to \$8,100. These estimates could change once a bill is drafted and the details of a proposed regulatory program are revealed.

Pursuant to state law, the Department of Education (DOE) licenses private trade, vocational, and technical schools in Hawai'i. However, deficiencies in staffing and commitment to the licensing program identified by our office ten years ago continue to persist. Staff who administer the program have limited experience with postsecondary education matters, and a lack of resources hinders the program's ability to adhere to all administrative rules and address all complaints. These factors raise concerns about the DOE's ability to effectively meet additional responsibilities that would be required to support a state postsecondary authorization entity.

Agencies' responses

The Department of Commerce and Consumer Affairs and the Department of Education supported our conclusions and recommendations. The University of Hawai'i raised concerns about its ability to implement our primary recommendation to house Hawai'i's authorizing entity within the existing State Postsecondary Education Commission attached to the university, and about our specific recommendation regarding mitigating possible conflict of interest concerns.