



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Energy & Environmental Protection
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by
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HB 1509 Proposed HD 1 – RELATING TO ENERGY

Chair Lee, Vice Chair Lowen, and Members of the Committee:

The University of Hawai'i generally supports HB 1509 Proposed HD1, which seeks to establish a special fund to fund both net-zero energy efficiency projects and deferred maintenance projects throughout the University system, through the energy savings of such projects.

At a high level, this bill appropriates an initial amount of general funds and authorizes the University to secure third-party financing to design and construct specific deferred maintenance projects at its Manoa campus and Hilo campus; any energy savings associated with these projects get deposited into the net-zero special fund, after debt service is paid; and expenditures out of the fund are equally divided between scholarships and future energy savings projects or deferred maintenance.

The bill specifically provides that any debt service incurred by the University for these projects shall not exceed the projected energy savings.

The University faces significant challenges with both high energy expenses and an escalating backlog of deferred capital maintenance. As such, we generally support HB 1509 HD1 because it provides much needed general fund capital to partly address some of the deferred maintenance projects on our campuses.

However, we are still evaluating the benefits to the financing model set forth in the bill. For example, we are reviewing the language in 304A-B(c), which defines the formula for calculating the energy savings that gets deposited into the special fund. More specifically, we would like to ensure that adequate safeguards are in place to protect the University from actually experiencing annual energy savings that are less than the cost of financing.

Furthermore, given the level of capital funding shortfall at Manoa for meeting all of its competing needs, any operational savings that are derived from lowered utility costs would likely be consumed by other operational needs that are similarly dire. While requiring the energy savings to be used for scholarships or other energy savings/deferred maintenance projects is rational, it could create a constraint on flexibility of the campus to meet near-term fiscal shortages. The bill could improve the overall condition of the University if that

flexibility could be incorporated into the bill by, for example, replacing the term “shall” with “may” in Section 304A-B(c).

Finally, from a technical standpoint, we question whether the bill creates a special fund that is sustainable. Hawai'i Revised Statutes, Section 37-52.3(4) requires that special funds demonstrate the capacity to be financially self-sustaining. The University has not yet been able to establish a model that shows the fund to be self-sustaining over time.

In closing, the University generally supports the purpose and intent of HB 1509 Proposed HD1. We look forward to working out the details of the financing model, and any related project figures, with the committee.