



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Finance
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by
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SB 120 SD1 Proposed HD1 – RELATING TO STATE FUNDS

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

Aloha and thank you for the opportunity to provide testimony and express our concerns on the proposed HD1 of SB 120.

The University of Hawai'i supports the proposed measures contained in Part II of this bill to reclassify or repeal certain special and revolving funds of the University of Hawai'i, which agrees with the proposed measures contained in SB 814 HD1 and HB 1322 SD1 – Relating to Certain Funds of the University of Hawai'i. However, we respectfully request that the following change be made to conform to the wording of SB 814 and HB 1322;

In Part II, SECTION 19, the University requests that all fund balances remaining unencumbered and unexpended as of June 30, 2011, in the University of Hawai'i at Mānoa conference center revolving fund be transferred to the University of Hawai'i commercial enterprises revolving fund established under section 304A-2251, Hawai'i Revised Statutes instead of the general fund as currently drafted. This is the same wording as in SB 814 and HB 1322.

With this recommended change, we support Part II of this bill.

We do, however, have serious concerns over the proposed transfer, in Part III, Sections 56 through 63, of \$8,500,000 from University of Hawai'i special and revolving funds to the state's general fund. Coming on top of over \$200 million of general fund cuts in the current biennium in the University's appropriations, and \$10 million of transfers from University special and revolving funds to the state general fund in those two years, and with the \$16 million annual reduction in general funds from the executive budget which has been proposed in the house draft of HB 200, the budget bill, this additional reduction would have significant negative impact upon the University's ability to maintain core functions, bring in grant revenues and jobs to the state and serve our students.

As a result of the economic downturn, the University experienced \$98 million in reductions to its general funds in the Fiscal Year 2009-10. In Fiscal Year 2010-11 that reduction has been increased to \$108 million, representing a 23% decrease in the University's general fund budget from Fiscal Year 2008-09. That level of reduction in funding is one of the largest in the nation among public universities.

With an all-time high enrollment exceeding 60,000 students in Fall 2010, as compared to approximately 50,000 students in Fall 2007, we are serving many more students with far fewer general funds. We have managed this by various means throughout our campuses. These include executive, faculty and staff wage cuts (with no loss of instructional days), enrollment management, fewer classes at certain campuses, larger class sizes, deferred hiring and/or hiring of lecturers to fill instructional positions, campus closures during winter and spring breaks, and deferral of spending.

These reductions have impacted the University's ability to deliver academic programs by restricting the filling of positions, reducing class offerings, and increasing class sizes at certain campuses. A significant number of lecturers have not been renewed. Other critical program areas, such as financial aid and student services, have also been adversely impacted. All our state-funded employees are taking pay cuts and we have reduced our workforce in a number of areas. Campuses have been closed for the winter holidays and spring break, reducing utility costs for those periods of time. Despite the severe impact on our budget, we have worked diligently to minimize the impact on students, and we have done so without interruption to instructional days.

We would not have been able to manage this economic crisis without tuition revenue and other non-general funds. At our community colleges, for example, our Fall 2010 enrollment of 34,203 students represents a 20.2% increase over Fall 2008 and a 35.4% increase over Fall 2006. We have been able to serve those students only because we have tuition dollars.

As stated previously, in the current biennium, the Legislature has already swept \$10 million from the University's special and revolving funds to the state general fund. The proposed HD1 of SB 120 now would sweep an additional \$8.5 million from these funds. Most of these funds are being taken from tuition and fees, research and training revolving funds and revenue bond project funds. Tuition and fees are collected from students and are needed to pay for a significant part of our instructional costs which general fund appropriations are not sufficient to cover, the majority of which are for personnel. Research and training revolving funds are indirect overhead recoveries received from extramural contracts and grants – which are critical to bringing in revenues (\$452 million in FY 2010) and jobs to the state. Revenue bond project funds are generated by and are pledged to pay for the operations of projects that have been funded by University of Hawai'i revenue bonds such as student housing and the campus center, and for the payment of those bonds.

Moreover, it is important to recognize that the balances reflected at any point in time in special and revolving funds are cash balances which change daily based on timing of collection of revenue streams and when expenditures are paid. They do not take into account amounts payable for bills that have been received but are still in the process of being paid, nor do they reflect commitments that have previously been made or future requirements for the funds. Accordingly, such balances are not an accurate indication

of available resources. Furthermore, specifically with respect to the funds from which the proposed HD1 would sweep \$8.5 million more, \$4.9 million which was swept by Act 79 last session is still in the process of being transferred by the state Budget and Finance Department. So effectively, this represents a compounding of cuts that were already made last session.

In summary, the sweeping of University of Hawai'i special and revolving funds in Part III of SB 120 SD1 Proposed HD1, coming on top of all the previous cuts the University has suffered and other prospective reductions being proposed would certainly impair our ability to pursue our strategic outcomes and would have a serious negative impact upon our ability to continue to serve our students and generate revenues and jobs for the state.

Finally, if the Legislature determines that it absolutely must sweep special funds from the University, we ask that it be in such a way as to provide maximum flexibility to determine where the funds will come from so that we can minimize the impact on students and our core functions.

Thank you for this opportunity to testify on this draft proposal.