



UNIVERSITY OF HAWAI'I SYSTEM

TESTIMONY

H.B. 2182 RELATING TO EDUCATION

Testimony Presented Before the
House Committee on Finance

February 27, 2006

by

Sam Callejo
Vice President for Administration
University of Hawai'i System

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Chair Takamine, Vice Chair Kawakami, and Members of the Committee:

The University of Hawaii strongly supports HB 2182 as it relates to the University of Hawaii. HB 2182 Section 14, provides an undesignated appropriation amount in general funds for repairs and maintenance of buildings and facilities at the University of Hawaii. Section 15 of HB 2182, provides an undesignated appropriation amount in general obligation bonds for similar repairs and improvements of University of Hawaii facilities.

The University of Hawaii is currently updating its deferred and unfunded repairs and maintenance listing; however, the 2005 listing identified a maintenance backlog at over \$175 million. Our current repairs and maintenance requirements, as reflected in the Board of Regents' Capital Improvements Program Budget for Supplemental Year 2006-2007, is for \$88.400 million in general obligation bonds. It is also important to note that the Governor's Recommended Operating Budget for Supplemental Year 2006-2007 includes \$10.000 million in general funds, which is an important step in restoring the University's operating budget current service base for repairs and maintenance. During the early and mid-1990s, the University experienced a series of general fund budget reductions which adversely impacted the repairs and maintenance budget. In fiscal year 1991, the University had approximately \$12.9 million in general funds in the operating base; however, this amount eroded to a low of \$1.9 million in fiscal year 1999. For fiscal year 2005, the University allocated approximately \$2.9 million in general funds and tuition revenues for repairs and maintenance. During this time period, the University added approximately 1.8 million gross square feet to its building inventory.

The University has been very fortunate to receive Legislative support in the form of general obligation bonds for repairs and maintenance. CIP budgeted repairs and maintenance support first came in fiscal year 1998 and has continued since. However, the nature of CIP appropriations, and the availability of general obligation bonds, vary from year to year, and the University CIP repairs and maintenance appropriations varied from a high of \$35 million in fiscal year 2003, to a low of \$5 million in fiscal year 2004. This sort of inconsistent funding makes it difficult to plan for repairs and maintenance projects from year to year.

A higher education standard calls for institutions to annually invest approximately two percent to four percent of the replacement value of the physical plant to ensure proper facility maintenance and renewal. The University currently has approximately 8,388,083 gross square feet in facility inventory with a replacement value of \$1.6 billion. Utilizing the formula noted above, the University requires approximately \$32 million to \$64 million each year to keep from adding to its deferred maintenance. Therefore, we strongly support the Governor's recommended increase to the University's operating budget base for repairs and maintenance, and recommend that this amount be increased to enable the University to adequately maintain and catch up with its deferred maintenance.

Thank you for the opportunity to testify in support of this measure.