HB 1733 – RELATING TO INTEREST

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

This bill provides for the temporary transfer of interest from special funds, revolving funds, and special accounts to the general fund.

Under current law, the University retains all interest earned on its special and revolving funds. Passage of this bill will require that from July 1, 2009 until June 30, 2011, the president of the University of Hawaii shall transfer to the director of finance any interest earned on moneys of its special and revolving funds.

In many cases interest earnings are a significant portion of a program’s operating revenue and the loss of these earnings would have a severe impact on program finances. Additionally, there may be legal issues associated with the transfer of interest earnings to the general fund. The University’s special and revolving funds including interest earnings are pledged as security to University revenue bondholders. The transfer of interest may be a violation of existing bond covenants.

Accordingly, the University wished to express concern regarding the foregoing impact and aspects of this measure.

Thank you for the opportunity to provide this testimony.