



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Finance
February 17, 2010 at 10:00 a.m.

by
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HB 2542 – RELATING TO NON-GENERAL FUNDS

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

Thank you for the opportunity to testify on this measure.

The purpose of the University of Hawai'i Housing Assistance Revolving Fund (HARF) is to provide financial assistance and rental housing units to faculty and staff of the University of Hawai'i. This is crucial for the recruitment and retention of the qualified faculty required in order for the University to continue to be the global university system that the state needs it to be.

As reported to your committee in the University's budget briefing, as of November 2009, there was \$4,590,642 in the HARF. These funds support two primary functions: 1) the operations of the Kau'iokahaloa Iki (K-Iki) faculty housing facility and 2) providing funds to assist faculty in financing the purchase of housing.

K-Iki

The funds for operating K-Iki consist of 3 accounts totaling \$2,474,775 as of November 2009. The State Real Estate Commission requires a Condominium Maintenance Fee Reserve equal to 100% of estimated replacement costs of the cash flow plan approved by the commission, which will need to be \$2,081,200 by fiscal year 2015. At this point there is only \$1,186,141 in this account, which also funds annual repairs and replacements of furniture and equipment. In addition, a reserve of \$600,000 is required to repurchase one remaining K-Iki unit which currently owned by a faculty member. In the past year, one unit was repurchased by the UH for \$648,000, leaving only one unit not owned by the University. After these two requirements, the remaining \$688,000 is needed to fund the operating expenses of K-Iki.

Housing Assistance

In the past year, the University implemented a program to assist faculty in financing the purchase of housing. \$1.5 million was expended to fund this program, which has been

very well received by the faculty. With the success of this program, the balance of \$2,115,868 for this purpose is critical for the continuation and expansion of the program. Especially in these difficult economic times, this program, which provides funds to guarantee loans by high performing faculty is critical for the recruitment and retention of highly qualified faculty to achieve the goals for increasing the number of educated citizens in the state of Hawai'i, contributing to the workforce and the economy, and advancing the University of Hawai'i's reputation for excellence and its ability to build the state's capacity as set forth in President MRC Greenwood's state of the University address.

In summary, taking funds from the Housing Assistance Revolving Fund would severely impair the Faculty Housing Program's ability to be self-sustaining. It would cripple the Faculty Housing Program's ability to meet its immediate financial obligations such as property management fees, routine maintenance costs, and utilities, placing its financial health in jeopardy. Deferring repair and replacement projects would end up costing the University more in the long-run, and would likely create safety issues. Terminating the mortgage assistance guarantee program would severely hamper the efforts of the University to recruit and retain qualified faculty and staff.

We ask you not to take these critical funds from the University of Hawai'i.

Thank you for the opportunity to present our concerns with regard to this measure.