



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on Education
March 21, 2011 at 1:30 p.m.

by
Howard Todo
Vice President for Budget & Finance/CFO, University of Hawai'i

HB 1322 HD2 – RELATING TO CERTAIN FUNDS OF THE UNIVERSITY OF HAWAII

Chair Tokuda, Vice Chair Kidani and Members of the Committee:

The University supports the intent of this measure. However, we have some concerns we would like to ensure are addressed.

The purpose of this bill is to reclassify or repeal certain special, revolving, and trust funds of the University of Hawai'i to provide greater flexibility and increased efficiency in the use and management of these funds. The University of Hawai'i System currently has over forty-five (45) special, revolving and trust funds. This bill proposes the repeal of seven special, revolving, or trust funds that are outdated and no longer in use and provides for the reclassification of six (6) revolving funds to special funds to better reflect their usage and purpose. The funds to be repealed are:

- Western Governors University Special Fund
- University of Hawai'i Housing Assistance Revolving Fund
- University of Hawai'i at Mānoa Conference Center Revolving Fund
- International Exchange Healthcare Tourism Revolving Fund
- Community Colleges and University of Hawai'i at Hilo Bookstore Revolving Fund
- The Senator Hiram L. Fong Scholarship Program Endowment Trust Fund
- The Senator Oren E. Long Scholarship Program Endowment Trust Fund

The funds identified for reclassification from revolving to special are:

- Child Care Programs Revolving Fund
- Discoveries and Inventions Revolving Fund
- University of Hawai'i Alumni Revolving Fund
- University of Hawai'i at Mānoa Intercollegiate Athletics Revolving Fund and
University of Hawai'i at Hilo Intercollegiate Athletics Revolving Fund
- Animal Research Farm, Waiale'e, O'ahu Revolving Fund

- University of Hawai'i at Hilo Theatre Revolving Fund

The repeal or reclassification of these funds is in accordance with the findings and recommendations of the Auditor of the State of Hawai'i (State Auditor) December 2009 report, *Review of Revolving Funds, Trust Funds, and Trust Accounts for the Departments of the Attorney General and Business, Economic Development & Tourism, and the University of Hawai'i*, and is consistent with our corrective action response to the Auditor.

Additionally, the University of Hawai'i at Mānoa Chancellor's office conducted an independent review of its non-general funds and identified its Conference Center Revolving Fund for repeal.

These actions will allow the University of Hawai'i System to more efficiently and appropriately manage its funds.

The measure as currently drafted does repeal and reclassify the funds as described above, and is similar to SB 814 which you passed out of your committee previously. As you know, there were some amendments to SB 814 which were intended to be made but were not. Because HB 1322 HD2 seemed to include those amendments, we testified at the House Higher Education committee hearing on SB 814 that we would prefer the language in HB 1322 HD2. However, upon further review of the wording of HB 1322 HD2, we have the following concerns.

For the revolving funds which are being reclassified as special funds, SB 814 and HD1 of HB 1322 simply amended the wording of the relevant statutes for the revolving funds to be special funds. However, HD2 amended the wording to effectuate this instead by creating new statutes establishing the funds as special funds and repealing the previous statutes that previously authorized them as revolving funds. Ostensibly, this seems to achieve the same end.

However, HB 1322 HD2 also adds wording, to Section 17 of the measure, which states: "All fund balances remaining unencumbered and unexpended as of June 30, 2011, in any other fund repealed by this Act shall lapse to the credit of general fund of the State." While it might not have been the intent, we are concerned that the changes described above, taken together, may be interpreted to mean that any monies in the revolving funds that are being converted to special funds, will lapse to the general fund on June 30, 2011.

If this is, indeed, the effect of the wording in HB 1322 HD2, then we urge you to use instead the wording in SB 814 SD2, but amending the wording of SB814 SD2 as follows:

- 1) In Section 7 of SB 814 SD2, rather than amending the Conference Center Revolving Fund, this fund should be repealed, and
- 2) Section 15 of the wording in SB 814 SD2 should be amended to state that all fund balances remaining unencumbered and unexpended as of June 30, 2011 in the University of Hawaii Conference Center Revolving Fund shall be transferred

to the University of Hawaii Commercial Enterprises Revolving Fund as established under section 304A-2251, Hawai'i Revised Statutes, rather than to the University of Hawaii auxiliary enterprises special fund established under section 304A-2157, Hawaii Revised Statutes, as it currently states.

We apologize for any confusion with regard to our testimony in the House Higher Education Committee hearing on SB 814 SD2, however, if our above concerns are valid, then we request that the wording of SB 814 SD2, appropriately amended, be used instead.

Thank you for this opportunity to testify on this measure.