



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

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by
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HB 115 HD1 – RELATING TO HIGHER EDUCATION

Chair Choy, Vice Chair Ichiyama, and Members of the House Committee on Higher Education:

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

HB 115 HD1 proposes establishing the Campus Planning Facility Board and the Major Repairs and Replacement Special Fund to address University repairs and maintenance. HB 115 HD1 also deposits 5% of all moneys received by the University beginning July 1, 2017, and transfers 10% of special fund balances for fiscal years 2014-15, and 2015-16 into this special fund. The bill also authorizes the issuance of and appropriates \$38 million general obligation bonds, authorizes special fund appropriation ceilings of \$38 million in fiscal years 2013-14 and 2014-15, and sunsets June 30, 2033.

We are grateful for considering such a measure to address the University's \$460 million backlog of deferred repair and maintenance projects. As you know, our needs are sizeable and a detailed priority list of renovation, capital renewal, and backlog of maintenance projects has been provided to you.

The University acknowledges the importance for a campus planning facility board that evaluates, identifies, prioritizes, and allocate moneys for repair and maintenance projects of the University. In fact, at end of every Legislative Session, the University convenes such a group consisting of the three vice chancellors for administration of the four year universities, the associate vice president for the community colleges system, their respective directors of facilities management, and the staff of the Office of Capital Improvements with that overall objective in mind. Thus, statutorily establishing such a board is not necessary.

The University supports in concept the establishment of a major repairs and replacement special fund to fund repair and maintenance projects in the University's backlog. However, the University has grave concerns on subsection 304A-B(a)(1) regarding the requirement of 5% of all moneys received by the University of Hawai'i be deposited in this special fund beginning July 1, 2017. Clear, careful definition of funds

that the Committee intends for the 5% to be applied to is necessary in order to avoid legal issues and uncertainties. The University's operating budget is approximately \$1.5 billion and consists of general funds, tuition and student fees, extramural contracts and grants, gifts and donations, auxiliary enterprise revenues, operations of the projects in the revenues undertakings special fund (bond system), revenue and general obligation bond proceeds, research and training revolving funds, as well as other special and revolving funds which have been established by statute for specific purposes. In addition there are questions such as when moneys are considered to be received and whether the 5% is on gross or net revenues. Without clear definition, it is not possible to determine how to apply this legislation or how much the earmarked funds would amount to. Furthermore, the amount of the requirement, depending upon its application and amount, could constitute a significant restriction on the flexibility of the University to carry out its operations and pursue its educational mission.

The University has additional concerns regarding the proposed subsection 304A-B(b) which restricts the fund to be used solely to fund repair and maintenance projects on the University's backlog list. The University requires the additional flexibility to use such funds for minor and major renovation and renewal projects where deemed appropriate.

The University also has grave concerns on Part III Section 3(1) and (2) of the bill which requires the director of finance to deduct 10% of the University's special fund balances for fiscal year 2014-15 and again for fiscal year 2015-16. These special fund balances are necessary working capital for the specific purposes of the respective special fund. Furthermore, such earmarks may have significant adverse impact on those programs funded by these special funds. Also, the bill's language is vague as to, at what point in time during the fiscal year is the director of finance to make this deduction, i.e. beginning of the specified fiscal year or the end of the fiscal year and whether it will be applied to each special fund individually or all special fund balances in total.

While the University appreciates the \$38 million general obligation bond proceeds that are to be deposited in the subject special fund, the University reminds the Committee that the University's number one priority, Health & Safety projects alone total \$38 million for each of the two years, and to prevent an increase of backlog, funding the University's annual capital renewal requirements for the next two years totals another \$98 million. The University requests that the bill provide at a minimum \$174 million in general obligation bonds to fund the two years of Health & Safety projects requested and the \$98 million for the two years of annual capital renewal requirements.

Section 5 of Part IV of this bill appropriates \$38 million from this fund for each of the fiscal years 2013-14 and 2014-15, which the University interprets to be a \$38 million special fund expenditure ceiling for the next two fiscal years. In fiscal year 2013-14, the \$38 million in general obligation bond proceeds alone will exhaust this special fund expenditure ceiling. The University recommends amending the bill to increase the appropriation from \$38 million to a dollar amount that would equal the annual amounts transferred into this special fund. In the out years, the University will need to request the 2015 Legislature for additional appropriations for the fiscal year 2015-16 and 2016-17 expenditures.

We realize that our needs are many, and that there are limited resources for other competing needs. HB 115 HD1 has the potential to positively impact the physical

environment at all of our campuses, which will benefit the entire University of Hawai'i community and the state. However, we have grave concerns as to the application and effect of this measure on the operations of the University.

Thank you for the opportunity to testify on this measure.