



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Higher Education
February 4, 2016 at 2:00 p.m., Room 309

by
Kalbert K. Young
Vice President for Budget & Finance/Chief Financial Officer
University of Hawai'i System

HB 1800 – RELATING TO THE UNIVERSITY OF HAWAII

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

The University of Hawai'i (UH) opposes HB1800, Relating to the University of Hawaii. This bill requires that funds appropriated to UH for a specific purpose be expended for that specific purpose. This bill also adds a reporting requirement for any nonconformity and requires unexpended funds to be returned to the general fund.

This bill is an over extension of legislative intent and is an overly punitive measure against the University for management decisions that can be prudent, fiscally required, or completely outside of the control of the University. The University takes legislative intent very seriously and has always adhered to it whenever possible. However, there have been instances where it has not been feasible to implement legislative add-ons. As a case in point, Section 27 of Act 119, Session Laws of Hawai'i (SLH) 2015, requires UH to spend \$75,000 for a Turkish language professor. However, the additional funding for such a hire was not appropriated by the Legislature, therefore requiring that any such hire would come from current appropriations. Also, the time to hire any professor would take longer than the time between the end of the legislative session and the beginning of the school year. As such, the prudent decision was made to not hire this professor and forego \$75,000 in FY16. Keep in mind that this \$75,000 was funding existing programs. If the provisions proposed under HB1800 were enacted, UH would not spend \$75,000 it is already fiscally challenged to provide but would also then be penalized the following year by having that amount removed from its budget.

Provisions in this bill establish legislative purpose through the general appropriations act and "budget worksheets or other appropriations vehicles." Budget worksheets are not enacted materials of law.

In addition, the intent of this bill is completely counter to sound fiscal management. Imposing disincentives to saving or for management to make sound expenditures is not prudent. This bill requires spending for the sake of spending at the risk of reducing future appropriations.

Restrictions imposed by the Governor and the Department of Budget and Finance (B&F) would also have a doubly negative effect on the University. Not only would funds not be available in the current fiscal year, but UH would be penalized the following fiscal year for a decision that was not even made by University management. This is a very real example - both Act 104 and Act 105, SLH 2015, currently have 10% of their funding restricted by B&F.

This bill is also problematic in that it would require unexpended funds to be returned to the general fund. However, this provision would apply to all Means of Financing (MOF). Unfortunately, this could mean that any funds – Tuition and Fees Special Fund, various special and revolving funds, and even federal fund or GO bond funds – would revert to the general fund.

Finally, this bill appears to violate Article X, Section 6 of the Hawai'i State Constitution, which establishes that the Board of Regents “shall have exclusive jurisdiction over the internal structure, management, and operation of the university.” If this bill were truly of statewide concern, it should apply to all departments in the Executive Branch, if not all agencies within State government. Additionally, these statewide provisions should be in a properly titled vehicle, such as “Relating to State Funds.” As HB1800 is a bill for an act “Relating to the University of Hawai'i,” and no such similar legislation pertains to any other State department or agency, it is difficult to see how this is truly of statewide concern.

Thank you for your time and consideration.