



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Higher Education
March 17, 2009 at 2:15pm

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

SB1674 SD2 – RELATING TO THE UNIVERSITY OF HAWAII

Chair Chang, Vice Chair Nakashima and Members of the Committee:

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

This bill is generally the same as HB 123 which your committee passed previously in this session. However, one significant difference, which unfortunately we did not identify until this measure had passed in the Senate, is that SB1674 HD2 includes additional wording that any unexpended and unencumbered balance at the lapse dates shall lapse **“into the general fund”**. This additional wording was not in HB123. Both the Attorney General's office and our bond counsel have objected to this wording as creating legal as well as tax issues. Accordingly we urge you to amend the bill to delete this wording. With this amendment, we urge you to pass this measure and consider increasing the additional authorization provided by this measure from \$50 million to \$150 million.

This bill amends Act 161, Session Laws of Hawaii 2007, to increase the authorization to issue revenue bonds to a total principal amount not to exceed \$150,000,000 for the purpose of financing the acquisition, construction, renovation and major repairs of facilities, and to extend the expiration date for the initial \$100,000,000 authority.

The University is in the process of issuing the \$100 million of revenue bonds granted under Act 161. We have been working with our bond underwriter, bond counsel, the State Department of Budget and Finance and the State Department of Attorney General on the issuance. The current financing schedule we have jointly agreed to and are following results in the issuance of the bonds at or around March 31. In accordance with this financing schedule, on February 25 we made presentations to three bond rating agencies, Standard & Poor's, Fitch and Moody's and we are optimistic that we will receive ratings from them that will allow us to proceed with the bond offering as scheduled. The extension of the expiration date for the initial \$100 million authority will allow sufficient time to encumber and expend those funds after the bonds are issued.

The additional bond issuance authorization is necessary to enable the University to more quickly address its growing facility needs and major repair and maintenance requirements. The current projects that have been approved by the Board of Regents as university projects for which the revenue bond proceeds may be used total an estimated \$202 million in costs. Accordingly, the Board of Regents directed University administration to request additional authorization from the Legislature of \$150 million to allow the University to pursue opportunities and needs which may arise between legislative sessions. While we appreciate the additional \$50 million that SB1674 SD 2 as currently drafted would authorize the University to issue, we respectfully ask that you consider increasing that additional authority to \$150 million in order to cover the more than \$202 million of projects we have already identified as needing to be funded. In addition, that will allow us to address new opportunities that may arise between legislative sessions.

Also, the additional authority to issue bonds expires at the end of fiscal year 2009-2010. We would much prefer and request that this authority be granted for the biennium, ending in FY 2010-2011.

Let me take this opportunity to thank you for providing us the initial \$100 million of authority, which will allow us to address some critical needs of the University, while at the same time helping us to stimulate the economy by generating work which otherwise would have required waiting until after the Legislative session at least, to begin the bond issuance process. We now ask for your support in extending the expiration date of the initial authorization and providing us with additional authority.

Thank you for your support of the University of Hawaii.