



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on Ways and Means
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by
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SB 120 – RELATING TO STATE FUNDS

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

Aloha. Thank you for your support for the University of Hawai'i and for the opportunity to provide testimony on this measure.

The University of Hawai'i strongly opposes this bill.

INTRODUCTION

The Legislature began granting the University flexibility in fiscal and operational matters through Acts 320 and 321, SLH 1986. Since that time, the Legislature has repeatedly extended the University's fiscal flexibility and control over University-generated resources, and the Legislature proposed and the people of the State approved a Constitutional amendment providing the University additional control over its internal affairs.

The University has used its fiscal flexibility responsibly to serve the public in an increasingly challenging environment. The University of Hawai'i today is a far different, and a better, university than it could have become without the ability to control its resources and invest strategically. An example of this is in our research enterprise, where the ability to retain and reinvest indirect overhead funds generated from our extramural contracts and grants has enabled us to grow this portion of our operations to \$452 million dollars in new awards in FY 2009-10. These are dollars the University is bringing into the State of Hawai'i, which are creating jobs. Also, with the uncertain financial and political situation in Congress, research and training revolving funds (RTRF) provide needed support to survive fluctuations in research funding and earmarks. We are already finding that some federal grants are not being renewed, and the University's RTRF funds will be needed to provide critical bridge funding.

Another example is in fundraising, where our ability to retain internally generated funds has enabled more private fundraising. The University successfully completed its

Centennial Campaign, which raised \$282 million. More than 90,000 donors gave to the campaign, 50,000 of whom were new donors. The University is currently planning a new campaign with even greater goals in the coming years.

Another critical example is that the University's ability to manage our tuition funds has enabled us to provide access to students, regardless of their ability to pay. Having the UH Tuition and Fees Special Fund has afforded the University the ability to increase financial aid to students with documented financial need so they can attend college at any campus of the UH system. In the 1980's and 1990's, financial assistance was granted in the form of tuition waivers, which gave aid to a limited number of students up to the value of the price of tuition only. The waivers did not take into consideration or cover other educational costs, such as the rising price of textbooks and supplies, housing, transportation, and other living costs. Therefore, many students with financial needs were not able to get aid to cover their legitimate costs as students. Furthermore, the tuition waivers lowered the overall price of tuition, preventing the State from fully recouping needed grant money for economically disadvantaged students from the federal government in the form of Pell Grants.

In 2006, the University created a new financial assistance policy to transform tuition waivers into dollars, in the form of need-based grants and non-need-based scholarships. At the same time, we launched new initiatives to increase student applications for federal financial aid. As a result, 14,111 students received \$49,048,384 in federal Pell Grants in FY 10, versus 9,227 students receiving \$22,368,430 in FY 05. UH's own financial assistance programs also more than doubled, as 16,334 students received \$42,358,580 in UH financial assistance in FY 10, versus 8,840 students receiving the equivalent of \$20,356,119 in tuition waivers in FY 05. Finally, the University has experienced a growth in enrollment in our underrepresented ethnic groups. Again, during this same time period, Native Hawaiian students grew from 6,396 in FY 05 to 12,630 in FY 10, Filipino students grew from 6,112 in FY 05 to 9,228 in FY 10, and Pacific Islander students grew from 1,489 in FY 05 to 2,002 in FY 10.

As a result of the economic downturn, the University experienced \$98 million in reductions to its general funds in the Fiscal Year 2009-10. In Fiscal Year 2010-11 that reduction has been increased to \$108 million, representing a 23% decrease in the University's general fund budget from Fiscal Year 2008-09. That level of reduction in funding is one of the largest in the nation among public universities.

With an all-time high enrollment exceeding 60,000 students in Fall 2010, as compared to approximately 50,000 students in Fall 2007, we are serving many more students with far fewer general funds. We have managed this by various means throughout our campuses. These include executive, faculty and staff wage cuts (with no loss of instructional days), enrollment management, fewer classes at certain campuses, larger class sizes, deferred hiring and/or hiring of lecturers to fill instructional positions, campus closures during winter and spring breaks, deferral of spending, and use of American Recovery and Reinvestment Act (ARRA) fiscal stabilization funds for education.

Nevertheless, these reductions have impacted the University's ability to deliver academic programs by restricting the filling of positions, reducing class offerings, and increasing class sizes at certain campuses. A significant number of lecturers have not been renewed. Other critical program areas, such as financial aid and student services, have also been adversely impacted. All our state-funded employees are taking pay cuts and we have reduced our workforce in a number of areas. Campuses have been closed for the winter holidays and spring break, reducing utility costs for those periods of time. Despite the severe impact on our budget, we have worked diligently to minimize the impact on students, and we have done so without interruption to instructional days.

We would not have been able to manage this economic crisis without fiscal flexibility and access to tuition revenue and other non-general funds. At our community colleges, for example, our Fall 2010 enrollment of 34,203 students represents a 20.2% increase over Fall 2008 and a 35.4% increase over Fall 2006. We have been able to serve those students only because we have access to tuition dollars. As we needed to add classes, we were able to examine our revenues from tuition and add the necessary classes. As a result, we added 1,300 classes and accommodated 9,000 additional students. If we had been required to wait until a new general fund allocation could be made in order to respond to the demand for more classes, we simply could not have responded in time. Students would not be served.

In addition, summer classes and non-credit classes receive no general funds. If we did not have the ability to collect and expend tuition for those classes, we would not be able to offer needed summer school and workforce development classes.

SB 120 proposes to reverse 25 years of progress by repealing all of the University of Hawai'i's special and revolving funds. In the following part of this testimony, we address and discuss each of those funds. However, let me begin by saying that without those funds and the authority to control and manage those funds, the University simply could not continue to operate in its current form, nor accomplish the educational, research, workforce development, and innovation goals that are critical to the future of our State. Moreover, the balances reflected in any "snapshot" of the University's financial condition are as of a specific date and are impacted by future expenditures and encumbrances. Accordingly, such balances are not an accurate indication of available resources.

In addition to the items discussed above, adverse impacts of this bill would include the following:

- 1) The University would not be able to cover its operating costs and serve its students without tuition revenues, which provide a major portion of the funding for our operational mission. Tuition covers 35 to 40% of our instructional costs, the majority of which are personnel costs.
- 2) All revenues of the University, other than general fund appropriations, are pledged against our revenue bonds. Without those funds, the University would default on its bond covenants. Credit rating agencies would likely downgrade the University, which would have a negative and costly impact on any future revenue

bond issues. In addition, we could potentially be subject to liability from lawsuits by bondholders of our current bonds.

3) Repealing our revenue-undertaking fund would mean that we could not issue revenue bonds or run the operations that pay for those bonds. Affected operations include student housing, faculty housing, parking, food service, bookstore, campus center and telecommunications, to name a few.

4) Without reserves represented by the special and revolving funds, our accreditation would be in jeopardy, as accrediting agencies expect us to maintain reserves and seek to verify sufficient reserves when they examine us for accreditation.

5) This bill could halt developments that are currently in progress such as the Cancer Center, UH West O'ahu Kapolei Campus, the UH Mānoa Campus Center, the Information Technology building, and other projects that are being funded by revenue bonds and where non-general funds are the source of repayment for the bonds.

Again, these are just some of the impacts SB 120 would have. In the following sections of our testimony, we address each special and revolving fund individually. Please note also that the University has previously submitted separate legislation, SB 814, which has passed the Senate Education Committee and will be coming to the Committee on Ways and Means next. SB 814 proposes repeal of a number of special and revolving funds as recommended by the State Auditor. These funds are so indicated below.

Research and Training Revolving Fund (HRS 304A-2253)

The Research and Training funds are used to support the research mission of the University. The funds are to be used for purposes that result in additional research and training grants and contracts, and for facilitating research and training at the University. These funds are used: 1) to recruit and support top researchers; 2) for administrative support (i.e., fiscal, HR, compliance, etc.) for extramural contracts and grants; 3) to repair, replace, maintain, and/or upgrade scientific and other equipment and facilities for continued research; 4) for mandatory matching for extramural contracts and grants; 5) for research projects; 6) for funding of graduate students; and 7) for working capital.

An estimated \$1,500,000 is needed for the next 15 years for revenue bond payments for the Biomedical Sciences Building addition. Funds have also been committed to several initiatives to expand the research programs at the University, including the proposed Thirty Meter Telescope on Mauna Kea. Generally, RTRF funds have made possible the past growth in the University's research enterprise and are critically necessary to maintain and continue to expand extramurally-funded research at the University. A point to mention here is that while some RTRF funds may appear to be unencumbered under governmental accounting standards, that does not mean that those dollars have not been committed. For example, commitments to support research and start-up costs for new faculty members are frequently made in one year but expended over several.

University of Hawai'i Tuition and Fees Special Fund (HRS 304A-2153)

Tuition and Fees Special Funds are a major portion of the University's operating funds. Per statute, the funds are used to maintain or improve the University's programs and operations.

Deposits to the Tuition and Fees Special Fund are comprised of tuition, fees, and other credit course-related charges paid by students. Funds are used to address normal operating expenses of the campuses, including salaries, supplies, materials, equipment, repairs and maintenance, etc.

Potential impacts to UH Mānoa, UH Hilo, UH West O'ahu, and our seven community college campuses resulting from the repeal of the Tuition and Fees Special Fund include:

- Further reductions in the level of instruction, student support services and other services beyond the reductions already made. Reductions in services to students, such as counseling, tutoring, advising, financial aid and other support services, will negatively impact the ability of students to succeed and obtain their degrees.
- Possible reductions in library hours that impact our students and our community.
- Possible employee layoffs in all categories.
- Reductions in financial aid and scholarship awards to our students, as those awards are fully funded by tuition.
- Potentially fewer courses could be offered per semester, reducing the ability of our students to get the classes that they need. This will negatively impact our retention and graduation rates.
- Negative impacts on our ability to provide security and maintain health and safety standards for our campuses, creating liability for the university and for our faculty, staff, and students.
- Reductions in our student workers. In some cases, these jobs are the only source of income for our students. This could cause these students to drop out of school due to lack of this assistance.
- Cuts in mental health and other health services to our students, which would put more pressure on other state agencies.
- Possible reductions in other programs that provide outreach to the community.

While we do have some "unencumbered" balances, to put this in context, the Tuition and Fees Special Fund balance at June 30, 2010, was roughly 7.1% of our total operating expenses for FY 2010. In my view, this represents responsible and prudent financial management in an unpredictable and volatile economic time. It would be a shame to penalize the University for working to insure the future for the State and our future students.

University of Hawai'i Student Activities Revolving Fund (HRS 304A-2257)

This fund is used to account for receipts and disbursements related to student-oriented activities, programs, and services developed and implemented by chartered student organizations and student activity programs. At UH Mānoa, programs supported include the following:

- The Associated Students of the University of Hawai'i
- The Broadcast Communication Authority
- The Board of Publications
- Campus Center Board
- Co-Curricular Activities (New Student Orientation Program)
- Graduate Student Organization
- Lab School extra-curricular activities
- National Student Exchange
- Student Activity and Program Fee Board
- Student Housing Residence Hall Association

The Community Colleges use the fund to support programs such as student government, social and cultural activities, honor society activities, new student orientation, etc.

Systemwide Information Technology and Services Special Fund (HRS 304A-2154)

Per statute, moneys in the Information Technology and Services special fund are to be used "in support of systemwide information technology and services including personnel, equipment costs, and other expenses, as well as planning, design, and implementation of information technology infrastructure within the University".

The repeal and sweep of the Systemwide Information Technology and Services Special Fund into the State General Fund would have disastrous consequences for a number of program activities this fund supports. The flexibility provided by this fund enables UH to site-license or bulk-license software at heavily discounted prices and then share these reduced costs among participating campuses, units and departments throughout the UH System. Without the funds to purchase software up-front, programs and units would have to directly buy from vendors without the benefit of discounted or site license pricing. This program also supports the systemwide licensing of anti-virus software for all UH student, faculty and staff computers throughout the UH System on all campuses and islands. This software is made available at no direct cost to improve protection of members of the UH community and our campuses from malware that can damage operations and threaten their personal information. This fund also enables UH to assist other state agencies with their videoconferencing needs by providing a mechanism for overtime and other marginal costs to be recovered. Repeal and sweep of this fund would have significant negative impact on a wide range of entrepreneurial initiatives that reduce overall costs and enhance IT capabilities at the University.

University of Hawai'i Auxiliary Enterprises Special Fund (HRS 304A-2157)

The purpose of this fund is to support various Auxiliary Services programs (those services provided by the University to students, faculty, staff and others that are

ancillary to, but facilitate, the instruction, research and public service missions of the University). Examples of programs currently supported by this fund include:

- The Department of Art and Art History's activities, including support of the Art Gallery's operations and exhibitions, Art Department sales, East-West Center Ceramics workshop, and art supplies.
- The Office of Student Affairs Counseling and Student Development Center, which provides educational and vocational counseling and testing services to students and other members of the community.
- The School of Nursing and Dental Hygiene's Dental Hygiene Clinic, which supports the operation of the clinic at UH Mānoa.
- The Hyperbaric Treatment Center, which provides hyperbaric oxygen services for diving accidents and medical treatments.
- Laboratory Animal Services, which administers the Program of Humane Care and Use of all vertebrate animals used for research, training and other activities.
- The University Laboratory School Cafeteria, which provides governmental standard lunches and breakfasts to students of the school, a service which is universal in public schools in Hawai'i and across the nation.
- Transportation Services, which is responsible for purchasing and maintenance of motor vehicles, and various motor vehicle services for official use by University personnel.

University of Hawai'i-West O'ahu Special Fund (HRS 304A-2166)

The purpose of this fund is to support the planning, land acquisition, design, construction, and equipment necessary for the development of the permanent campus of UH West O'ahu in Kapolei, including infrastructure and other public or common facilities. Revenues include net rents from leases, licenses, and permits, and interest earned on moneys in the special fund.

University Revenue-Undertaking Fund (HRS 304A-2167.5)

This fund is comprised of revenue-generating and self-supporting University Bond System projects. The fund includes operating accounts, and major and ordinary repair and replacement accounts. Projects include the following:

- Bookstore
- UH Mānoa Campus Center
- UH Mānoa Faculty Housing
- UH Mānoa Food Services
- UH Mānoa Parking
- Student Housing
- Telecommunications

Balances for these funds are required for Working Capital. In addition, reserves need to be maintained for all outstanding bond system debt, pursuant to bond covenants. Reserves are also required for major projects.

Hawai'i Cancer Research Special Fund (HRS 304A-2168)

Cigarette tax receipts are transferred to this fund from the State pursuant to HRS 245-15. Funds are used by the University of Hawai'i for the Cancer Research Center's research, operating, and capital expenditures. The bulk of the balances for this fund are needed for the new Cancer Center facility development costs. Funds are also needed for current and future commitments to support research efforts and to continue to recruit faculty to remain competitive as a National Cancer Institute-designated cancer center.

Student Health Center Revolving Fund (HRS 304A-2255)

The purpose of this fund is to allow the provision of certain essential medical services, supplies, drugs, and lab services as required in medical treatment; it also provides the ability to assess certain costs for reimbursement. The program provides medical care to the University community and promotes good health practices.

University of Hawai'i Capital Improvements Program Project Assessment Special Fund (HRS 304A-2172)

The purpose of this fund is to defray the costs involved in: 1) carrying out capital improvements program projects managed by the University; 2) equitably assessing, collecting, and distributing moneys for current and other expenses associated with projects; 3) managing the payment of expenses assessable against capital improvements program projects managed by or through the University; and 4) managing funds representing accumulated vacation and sick leave credits and retirement benefits for non-general funded employees under the capital improvements program projects managed by the University.

University of Hawai'i Commercial Enterprises Revolving Fund (HRS 304A-2251)

The purpose of this fund is to account for receipts and disbursements related to commercial enterprise activities including sponsorship in private, cultural, and athletic performances, goods and services produced by University programs, or the promotion of the University of Hawai'i through the sale of emblematic merchandise, the formal licensing program for the commercial use of the University's names and trademarks, and the hosting of IT workshops and training sessions. Funds are expended for all costs associated with the operations of the enterprises, including hiring personnel, renovating commercial space, and purchasing merchandise, supplies, and equipment.

Current Commercial Enterprise activities include:

- Promotion of the UH name through sales of emblematic merchandise to the general public at sporting events, retail locations (including the Rainbowtique at Ward Center), and via the Internet.
- Operation and monitoring of the Collegiate Licensing program.
- Operation of the Hanauma Bay Gift Shop, which sells marine-related items to the visitors of the Hanauma Bay Nature Preserve.
- Activities of the Social Sciences Training and Research Lab and the College of Business and Economics consultant services at the University of Hawai'i Hilo.

University of Hawai'i Community Services Special Fund (HRS 304A-2156)

The purpose of this fund is to support the University's public service programs.

Examples of programs currently supported by this fund include:

- The College of Tropical Agriculture and Human Resources Agricultural Diagnostic Service Center, which provides agricultural diagnostic services to the public (including sample analysis of soil, water, plant tissue, diseases, insects and pests, and feed and forage for State, Federal, and County agencies, agribusinesses, farmers, and homeowners).
- The College of Language, Linguistics and Literature's Hawai'i English Language Program (HELP), which provides full time intensive English language training for international students and scholars preparing to begin undergraduate studies, or for use in a scholarly professional setting. HELP offers English courses in four 10-week sessions and three 4-week summer sessions. It also offers weekly workshops and study sessions, and offers the institutional Test of English as a Foreign Language exam each quarter.
- The College of Language, Linguistics and Literature's Satellite program, which enables the college to provide telecommunications support to the UH system and agencies of the State of Hawai'i using their technical resources and language expertise.
- Development and offering of Outreach College's noncredit courses and programs, including performances and public events held for the benefit of the community beyond the University, and noncredit courses in subject areas that range from professional development to personal enrichment. International programs assist international students in developing their English language skills and assist those students who wish to apply to the University by ensuring that the student meets the University's academic requirements prior to entrance.
- Provision of administrative support for the programs and activities of the Outreach College (includes fiscal and personnel services, student services, marketing and computer services).
- The College of Arts & Humanities' Theatre Group, which supports production expenses, student assistant support, and provides a reserve for future production start up costs for the Kennedy Theatre Mainstage, Prime Time, Kennedy Theatre special events, Late Night Theatre performances, and music concerts, recitals, and festivals.

University of Hawai'i at Mānoa Intercollegiate Athletics Revolving Fund and University of Hawai'i at Hilo Intercollegiate Athletics Revolving Fund (HRS 304A-2261)

The revolving funds provide support for all activities (administrative, support services, and sports) necessary to operate and maintain an intercollegiate sports program with both male and female student participants. Revenue is earned through ticket sales, television and radio broadcast rights, corporate sponsorships, guarantees paid by opposing teams, and other related income. Expenses include salaries, travel for student-athletes, coaches and staff to competitions, recruiting of potential student-athletes, equipment, materials and supplies needed for operations, payments to

officials, dues, payment of guarantees to visiting teams, credit card fees for ticket sales, sports camp costs, and other operating expenses.

Western Governors University Special Fund (HRS 304A-2158)

The University has submitted legislation requesting repeal of this special fund.

University of Hawai'i Real Property and Facilities Use Revolving Fund (HRS 304A-2274)

The purpose of this fund is to account for revenue generated from the lease/rental of University facilities. Various fees are collected for short-term use of facilities (facility use charges, lease agreements, commercial filming charges, deposits for use of building keys by contractors, etc.). Expenses include the repair/replacement of classroom furnishings as well as supplies and services need to repair and maintain campus facilities.

University Parking Revolving Fund (HRS 304A-2275)

This fund is used to account for revenues and expenditures for the UH Hilo Parking operation. Revenue is generated via parking fees and fines. Expenditures are made in support of providing parking services.

State Higher Education Loan Fund (HRS 304A-2160)

The purpose of this fund is to support the disbursement of loans to needy students pursuing a college degree. The program awards and issues loans to eligible students, with the amount of the loan determined based on the need for financial aid, academic promise, and department.

Hawai'i Educator Loan Program Special Fund (HRS 304A-2161)

The purpose of this fund is to provide financial support to students and teachers who complete a state-approved teacher education program and who agree to teach as a full-time teacher in the Hawai'i public school system in a hard-to-fill position, or at a school located in a rural area. It is a tool to recruit college students to become educators and ensure that these graduates teach and remain in the Hawai'i public school system.

Community Colleges Special Fund (HRS 304A-2162)

The purpose of this fund is to account for receipts and disbursements related to special programs and activities including off-campus programs, summer session programs, overseas and study abroad programs, exchange programs, cultural enrichment programs, and consultative services which help make available the resources of the community colleges to the communities they service.

Center for Nursing Special Fund (HRS 304A-2163)

The purpose of this fund is to support the Center for Nursing, which was created by the Hawai'i State Legislature in 2003 (Act 198) to address the nursing shortage. The program collects and analyzes data and prepares and disseminates reports and recommendations regarding the current and future status and trends in the nursing workforce. It conducts research on best practices and quality outcomes, and develops plans for implementing strategies to recruit and retain nurses.

Library Special Fund (HRS 304A-2155)

The purpose of this fund is to provide photocopying services of library books and journals, access to printing from library databases, interlibrary loans, document delivery services, preservation services, and other library services to library users, faculty, researchers, and other educational institutions. Funds are also used to replace and repair lost, stolen, or damaged library materials.

Hawai'i Medical Education Special Fund (HRS 304A-2164)

The purpose of this fund is to support a plan for a health care workforce and state training program. Funding is dependent on securing funds by the Medical Education Council and from both public and private sources.

University of Hawai'i Risk Management Special Fund (HRS 304A-2151)

The purpose of this fund is to pay for settlements and judgments, claims, insurance premiums, and legal fees and costs for the University of Hawai'i.

University of Hawai'i at Mānoa Malpractice Special Fund (HRS 304A-2152)

The purpose of this fund is to maintain a reserve with which to pay expenses related to malpractice claims filed against John A. Burns School of Medicine faculty physicians. These expenses include judgments, settlements, attorney fees and other costs related to the defense against malpractice claims filed against faculty physicians and entities.

State Aquarium Special Fund (HRS 304A-2165)

The purpose of this fund is to support the operations of the Waikīkī Aquarium by providing a fund to receive revenue and process expenditures that occur in the daily operations of a public aquarium. Revenues are derived from admission fees, educational program fees, rental of the facility, and other miscellaneous activities that occur at the Aquarium site. Funds are used to maintain the State Aquarium, providing quality exhibits and education programs to the general public, and to support responsible husbandry and aquaculture techniques in both the exhibits and internal programs.

Energy Systems Development Special Fund (HRS 304A-2169)

The purpose of this fund is to develop an integrated approach and portfolio management of renewable energy and energy efficiency technology projects that will reduce Hawai'i's dependence on fossil fuel and imported oil.

Mauna Kea Lands Management Special Fund (HRS 304A-2170)

The purpose of this fund is to support the management of the Mauna Kea lands, including maintenance, administrative expenses, salaries and benefits of employees, contractor services, supplies, security, equipment, janitorial services, insurance, utilities, and other operational expenses; and the enforcement of the administrative rules adopted relating to the Mauna Kea lands.

John A. Burns School of Medicine Special Fund (HRS 304A-2171)

The purpose of this fund is to support the School's activities related to physician workforce assessment and planning within Hawai'i. This shall include, but not be limited to, maintaining accurate physician workforce information and providing or updating personal and professional information that shall be maintained in a secure database.

Child Care Programs Revolving Fund (HRS 304A-2252)

The purpose of this fund is to support the operation of the University's child care program, including renovations of the child care center. The program provides quality integrated child care services and provides training opportunities for the development of competent professionals by serving as a training site.

Discoveries and Inventions Revolving Fund (HRS 304A-2254)

The purpose of the Discoveries and Inventions Revolving Fund is to develop technologies which have potential commercial value, to support the administration of technology transfer activities, and to facilitate economic development through education and research undertaken at the University of Hawai'i. The University's Office of Technology Transfer and Economic Development (OTTED) assesses the commercial potential of new inventions, secures intellectual property rights with commercial potential, and markets licenses for those inventions to industry.

Transcript and Diploma Revolving Fund (HRS 304A-2256)

The Transcript and Diploma Revolving Fund was established as means to defray or recover costs of the preparation, ordering and issuance of transcripts and diplomas upon requests from students. The University of Hawai'i is required to maintain academic records for all students who have attended, and must be able to produce, on demand, a copy of the student's academic record. Diplomas (with covers) are also issued to each graduate.

University of Hawai'i Housing Assistance Revolving Fund (HRS 304A-2258)

The University has submitted legislation requesting repeal of this revolving fund.

University of Hawai'i Scholarship and Assistance Special Fund (HRS 304A-2159)

The purpose of this fund is to provide financial assistance to qualified students enrolled at the University of Hawai'i.

University of Hawai'i Alumni Revolving Fund (HRS 304A-2259)

Funds deposited into this fund are expended on costs associated with conducting alumni affairs activities and programs for the UH System. Current expenses include the purchasing of supplies and services for the publication of the UH magazine, Mālamalama.

University of Hawai'i Graduate Application Revolving Fund (HRS 304A-2260)

The purpose of this fund is to defray the cost of processing applications for graduate programs. Revenue is derived from the graduate program application fee. The costs of processing applications, including salaries, software and operating supplies are funded by this revenue.

Animal Research Farm, Waialeale, O'ahu Revolving Fund (HRS 304A-2262)

The purpose of this fund is to account for revenues from the sale of livestock raised on the Waialeale Livestock Experiment Station, and to account for expenditures required to maintain the station, conduct research experiments, and purchase livestock. Current program activities include livestock research projects of priority to the State of Hawai'i.

Seed Distribution Program Revolving Fund (HRS 304A-2263)

This fund was established to enable the seed distribution program to meet the demand for seeds from farmers, homeowners and seed companies. Revenues are generated from the sale of seed to farmers, seed companies, garden shops, educational institutions and homeowners. Current program activities include the cultivation and production of vegetables and garden seeds which are sold to the public.

Conference Center Revolving Fund, University of Hawai'i at Mānoa (HRS 304A-2264)

The Conference Center provides services in organizing conferences for a variety of sponsors. Services include coordination of registration and management of revenues and expenses for conferences and workshops. The sources of revenue are sponsor contributions, exhibitor fees and conference fees. Expenses include meeting room rental, food and beverages, and conference supplies.

International Exchange Healthcare Tourism Revolving Fund (HRS 304A-2265)
(inactive)

The University has submitted legislation requesting repeal of this revolving fund.

Education Laboratory School Summer Programs Revolving Fund (HRS 304A-2266)

The purpose of this fund is to support the operations of a Summer Program at the Education Laboratory School. The school offers three integrated programs for students entering grades three through eight. These programs are: the Summer Science Enrichment Program, the Computer-Plus Program, and the After-School Program. Over 200 students are enrolled each summer. Revenue in the form of tuition and fees is received primarily in March-May and expended from May-August. Funds are expended on the operations of the summer programs, primarily for personnel costs and supplies. The program is self-sufficient.

Center for Labor Education and Research Revolving Fund (HRS 304A-2267)

The purpose of this fund is to provide labor-related education, research, and education services at the University of Hawai'i at West O'ahu. Revenue is generated via class fees, fees for services, and private gifts to sustain the operation of the unit.

Career and Technical Training Projects Revolving Fund, University of Hawai'i at Hilo (HRS 304A-2268)

This fund was established to administer the vocational and technical training projects at UH Hilo. The sources of revenue for this fund are receipts from fees for services, and the sale of supplies provided by or in connection with these projects.

Community College and University of Hawai'i at Hilo Bookstore Revolving Fund (HRS 304A-2269) (inactive)

The University has submitted legislation requesting repeal of this revolving fund.

Hawaiian Language College Revolving Fund (HRS 304A-2270)

This fund is used to account for revenues and expenditures of the UH Hilo Hawaiian Language College. Sources of revenue include sales of Hawaiian language materials and other related items. Funds are expended to support the operation of the College.

University of Hawai'i-Hilo Theatre Revolving Fund (HRS 304A-2271)

The purpose of this fund is to account for revenues and expenditures of the UH Hilo Theatre operation. Revenue is generated via theatre ticket sales. Expenditures are related to the programs and performances held at the theatre.

Conference Center Revolving Fund, University of Hawai'i at Hilo (HRS 304A-2272)

The purpose of this fund is to administer the conference center program at UH Hilo, which promotes educational, scientific and artistic pursuits through conferences and seminars. Revenue is generated via conference fees and other related income. Expenditures are related to the administration of conferences, workshops, seminars and other educational activities.

Community College Conference Center Revolving Fund (HRS 304A-2273)

This fund is used to account for receipts and disbursements related to conferences, seminars, and courses administered under the conference center program. The fund is used for all costs associated with conducting conferences, including but not limited to expenses for honoraria, hotel and room rentals, food and refreshments, printing and mailing, airfare and per diem, leis, rental of audiovisual equipment, and conference supplies and materials. Revenues are from fees paid by participants and/or sponsors for conferences, seminars, and courses.

CONCLUSION

The fiscal and operational flexibility created by the University's control of its special and revolving funds are essential for the University to operate. In addition, they are required for specific purposes and, as described above, are obligated and earmarked for those purposes. Repealing the University's special and revolving funds would devastate our operations and reverse 25 years of progress in serving our students and the people of Hawai'i.

The University strongly opposes this bill. For the good of our students and the future of the State, we urge you not to pass this measure.

Thank you for the opportunity to provide this testimony.