



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 160 SD1 – RELATING TO UNIVERSITY OF HAWAII NON-GENERAL FUNDS

Chair Tokuda, Vice Chair Kouchi, and members of the Ways and Means committee:

Thank you for this opportunity to testify. The University of Hawai'i (UH) **SUPPORTS** SB160 SD1, Relating to University of Hawaii Non-General Funds.

The bill does several things:

- Re-establishes the following funds as revolving funds instead of special funds:
 - Hawai'i Educator Loan Program Special Fund
 - Community Colleges Special Fund
- Repeals the following funds:
 - University of Hawai'i Alumni Special Fund;
 - Animal Research Farm, Waiale'e, O'ahu Special Fund;
 - Career and Technical Training Projects Revolving Fund;
 - Senator Hiram K. Fong Scholarship Endowment Trust Fund; and
 - Senator Oren E. Long Scholarship Endowment Trust Fund;
- Transfer any unencumbered funds to an appropriate destination fund.

These funds were identified in Auditor's Report No. 14-18, and UH is supportive of the actions contemplated in this bill, as already stated in its response included in that Report.

Of special note, the University would like to respectfully request the amendment of SB 160 SD1, to include the statutory authority to create the University of Hawaii Quasi-Endowment Trust Fund. Auditor's Report 14-18, concluded that the Quasi-Endowment Income and Scholarship Revolving Fund was not meeting the criteria for a revolving fund because it was "...not established by an act of the Legislature as required by Section 37-52.4, HRS." The Auditor recommended the termination of the fund and for the moneys to be properly disbursed by the Board of Regents according to its policies.

However, in contemplating the process that would result from following this recommendation, the University concludes that eliminating the fund itself would ignore the fact that there is a substantial endowment of which there would be an absence of a

proper vehicle for the expenditure of these legacy endowment funds. The Unrestricted Quasi-Endowment Income and Scholarship Revolving Fund serves as a temporary holding account for cash, receivables, temporary investments, and amounts due from other fund groups held by UH. This fund holds cash deposits from student, faculty, staff, and other organizations for items such as equipment, musical instruments, library carrels and lockers, faculty housing, and long distance telephone service. In agreement with the Auditor's Report, the University requests that a more appropriate result, would be to reclassify the revolving fund as a trust fund established via statutory definition. Therefore, we respectfully request the inclusion of the following language in this measure to establish a trust fund in statute:

"304A-2355 University of Hawaii quasi-endowment trust fund.

There is established the University of Hawaii quasi-endowment trust fund into which shall be deposited income derived from the university's endowment fund. Income deposited into this account may be expended by the university as set forth by the board of regents in policies and guidelines for costs and expenses associated with student financial aid programs including scholarships and student support services, awards, and project opportunities for the university."

Thank you for your time and consideration.