



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Finance
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by
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SB160 SD2 HD1 – RELATING TO UNIVERSITY OF HAWAII NON-GENERAL FUNDS

Chair Luke, Vice Chair Nishimoto, and members of the Finance Committee:

Thank you for this opportunity to testify. The University of Hawai'i (UH) generally supports the proposed actions in SB160 SD2 HD1, Relating to University of Hawaii Non-General Funds, but does request consideration for a number of revisions.

SB160 SD2 HD1 proposes several actions:

- Establishes the University of Hawaii Quasi-endowment Trust Fund
- Reclassifies the following funds as revolving funds:
 - Hawaii Educator Loan Program Special Fund;
 - Community Colleges Special Fund; and
 - Professional Student Exchange Program Special Fund
- Repeals the following funds:
 - Hawaii Medical Education Special Fund;
 - Discoveries and Inventions Special Fund;
 - University of Hawaii 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;
 - Senator Oren E. Long Scholarship Endowment Trust Fund; and
 - Hawaii Health Corps Special Fund
- Abolishes the following funds:
 - Hurricane Iniki Insurance Proceeds Special Fund;
 - Agency Fund Trust Account; and
 - University of Hawaii Okinawa Program Trust Fund
- Lapses all unencumbered balances in these funds to the credit of the general fund

The Hawaii Medical Education Special Fund was established in 2003 with the Hawai'i Medical Education Council (HMEC) to address the needs of graduate medical education in Hawaii. This account was established to separate any funding received by the state or extramural funding that was solely designated to support graduate medical education in Hawaii. As of January 2015, a Family Medicine residency consortium has been

established with direct funding Queens, Hawai'i Pacific Health, and HMSA. A portion of these consortium funds that have been designated to support the family medicine residency program may be deposited into this fund as early as this March. Eliminating this fund would hinder the operations of this critical family residency program at Wahiawa General Hospital, Queens Medical Center, and Kapi'olani Women's and Children's Medical Center. The Auditor's Report No. 14-18 recommended repeal of this fund, given what the Auditor noted as the program's "unfunded status and the fund's lack of financial activity." **Considering that recent activity to finalize the consortium will mean that there will be activity for this fund's purpose, the University recommends maintaining the statutory authority of the Hawaii Medical Education Special Fund.**

The Discoveries and Inventions Special Fund (DISF) supports innovation and research commercialization. Its enabling statute (304A-2174) states that the fund "...shall be used to develop technologies that have potential commercial value, support the administration of technology transfer activities, and facilitate economic development through education and research undertaken at the university." This fund is a major component of UH's strategic priorities in the Hawai'i Innovation Initiative. In partnership with the local business community, UH has recently taken on a greater role to help diversify the state's economy by building a thriving innovation, research, and education and training enterprise. The Office of Technology Transfer and Economic Development (OTTED) will be an integral part of this commitment.

The DISF will provide OTTED and the University of Hawai'i the opportunity for funding innovation and research commercialization and to secure patents, copyrights, licensing and marketing of discoveries, inventions, and technologies developed at UH. To help spearhead this effort, local venture capitalist and entrepreneur William K. Richardson was hired in December 2014 as OTTED director. His office will work closely with UH's recently launched proof-of-concept center, XLR8UH, to help faculty and student researchers to fully exploit their UH-owned technologies commercially. The Auditor in Audit Report 14-18 did note that this special fund does continue to serve its originally intended purpose, but noted that it receives funds from the Research and Training Revolving Fund (RTRF) to cover some expenses. Considering the overall use, the future focus and purpose of the fund, such RTRF funding is believed appropriate, to do otherwise, would mean that total support for this established program would be borne solely by general fund appropriations. **The University recommends that the Discoveries and Inventions Special Fund be maintained as a statutorily authorized special fund since there is an existing program and operation already in place that is dependent upon the use of the fund.**

Similarly, the Hawaii Health Corps Revolving Fund was created by Act 187, SLH 2012, which passed unanimously from the Legislature. The fund was created to support the Hawaii Health Corps Program and the Hawaii Rural Health Care Provider Loan Repayment Program to encourage eligible physicians, physician assistants, and nurse

practitioners to serve for a period of time in designated health professional shortage areas. Given the limited history for this fund, and that sources of originating funds are by private gifts, donations, legislative appropriations and loan repayments over time, the University believes it is premature to repeal this fund with less than 3 years since its inception. The Auditor did not recommend for this fund to be repealed in Audit Report 14-18, considering that there was limited history to determine if its status was more appropriate as a special fund or a revolving fund. **In agreeing, the University recommends that the Hawaii Health Corps Revolving Fund maintain its current statutorily authorized status as a revolving fund.**

The University is in the process of abolishing the Hurricane Iniki Insurance Proceeds Special Fund as identified by the Auditor's Report 14-18. The University agrees that the original purpose of the fund has been satisfied and is returning the unencumbered balance to the DAGS Risk Management. **The University agrees with the recommendation in SB160 SD2 HD1 to repeal the Hurricane Iniki Insurance Proceeds Special Fund.**

Please note that the University of Hawaii Okinawa Program Trust Fund was closed in FY2014 and therefore its inclusion in SB160 SD2 HD1 is unnecessary for practical purposes. This trust fund was created administratively, but has since been closed administratively from use.

There are a number of other funds identified for recommended action in SB160 SD2 HD1. The University does not have any opposition to the repeal or recommended disposition of these funds described in this measure.

In conclusion, UH **prefers the companion version of this bill, HB545 HD2 SD1**, and respectfully requests the Committee amend SB160 SD2 HD1 accordingly.

Thank you for your time and consideration.