

H .B. NO. 2430

A BILL FOR AN ACT

RELATING TO THE UNIVERSITY OF HAWAII.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to create a state
2 eminent scholars special fund to enable the university of Hawaii
3 System to provide donors with an incentive in the form of
4 matching grants for donations to establish permanent endowed
5 faculty positions at any university of Hawaii campus. All funds
6 appropriated for challenge grants, new donors, major gifts, or
7 eminent scholars program must be deposited into the special fund
8 and invested until the president of the university of Hawaii
9 allocates the funds to the university to match private donations.
10 Any undisbursed balance remaining in the special fund and
11 interest income accruing to the portion of the special fund that
12 is not matched and distributed to the university must remain in
13 the special fund and be used to increase the total funds
14 available for challenge grants. The president of the university
15 of Hawaii may authorize any campus to encumber the state matching
16 portion of a challenge grant from funds available.

17 SECTION 2. Chapter 304, Hawaii Revised Statutes, is

1 amended by adding a new section to be appropriately designated
2 and to read as follows:

3 "§304- State eminent scholars special fund. There is
4 established a state eminent scholars special fund into which
5 shall be deposited appropriations made by the state legislature.
6 The fund shall be used as a funding mechanism to create new
7 endowed faculty positions funded by a combination of state and
8 private funds. The board of regents shall adopt rules as
9 necessary to establish this program. No state appropriations
10 deposited into the fund shall be expended unless matched by
11 private donations to the university of Hawaii on a dollar-for-
12 dollar basis.

13 In order to be eligible for state matching funds, a
14 university of Hawaii campus chancellor would need to submit a
15 proposal for each proposed endowed chair to the president of the
16 university of Hawaii for review and consideration. The president
17 of the university of Hawaii shall take into account the following
18 criteria before approving state matching funds to establish a
19 position and recruit candidates:

- 20 (1) The ability for the position to contribute to Hawaii's
21 economic development;
22 (2) The ability for the position to make a significant

1 contribution to the university's academic quality; and
2 (3) The ability for the position to obtain significant
3 amounts of annual research from highly competitive
4 grant sources.

5 The review process would consider the field and its
6 potential funding sources, relationship to existing research at
7 the university of Hawaii and in the state of Hawaii, size and
8 scope of related industries, and other relevant factors.

9 The university of Hawaii shall prepare and submit an annual
10 report on the status of the eminent scholars special fund to the
11 legislature twenty days before the convening of each regular
12 session."

13 SECTION 2. There is appropriated out of the general
14 revenues of the State of Hawaii the sum of \$5,000,000, or so much
15 thereof as may be necessary, for fiscal year 2006-2007 to be
16 deposited into the state eminent scholars special fund. The sum
17 appropriated shall be expended by the university of Hawaii for
18 the purposes of this Act.

19 SECTION 3. There is appropriated out of the state eminent
20 scholars special fund the sum of \$5,000,000, or so much thereof
21 as may be necessary, for fiscal year 2006-2007, for the purposes
22 of this Act.

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1 SECTION 4. New statutory material is underscored.

2 SECTION 5. This Act shall take effect July 1, 2006.

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INTRODUCED BY:

Calvin K. L. Boy

BY REQUEST

JAN 23 2006

JUSTIFICATION SHEET

DEPARTMENT: University of Hawaii

TITLE: A BILL FOR AN ACT RELATING TO THE UNIVERSITY OF HAWAII.

PURPOSE: To create a State Eminent Scholars Special Fund to match private gifts to the University of Hawaii (UH) to establish endowed faculty positions.

MEANS: Add a new section to chapter 304, Hawaii Revised Statutes.

JUSTIFICATION: More top echelon scholars are needed at UH if the institution is to attain its long-range research and education goals, and help diversify Hawaii's economy in the life sciences and other R&D intensive industries. Such scholars are in very high demand, and can generally be hired only through endowed positions. The UH has approximately 20 endowed chairs, a very small number compared to many other major public research universities. Furthermore, many of UH's endowed chairs are funded at relatively modest levels, and very few are in science and engineering.

Top echelon faculty recruits have immediate and long-term impacts on the University and community. First, they provide leadership and a standard of excellence that helps their colleagues achieve higher results. They also attract other top scholars and students to UH, and raise the stature of UH within the global academic and research community. Top echelon faculty also generate significant amounts of new research funding from highly competitive sources, which can establish entire new areas of research and education. New research funding also generates jobs and other economic benefits, including an estimated 10 cents of new state tax revenues for every \$1

of research spending. Considering that top echelon faculty are capable of generating over \$1 million of research funding per year, these are important and long-lasting economic benefits.

A State matching grant program is a powerful incentive for private donors to contribute to higher education. A study of 16 different state matching grant programs revealed that \$168 million of public moneys leveraged \$377 million in private funds.

The State would dedicate \$5 million per year to the Special Fund over a five-year period. The UH President would administer the fund according to the criteria included in the statute. Fund moneys would only be spent to match an appropriate, irrevocable gift made to UH.

The general fund recommendation included in this measure has been made in accordance with the statutorily defined appropriation ceiling for the Executive Branch pursuant to section 37-92, Hawaii Revised Statutes. Including appropriations made up to and including the regular and special sessions of 2005 and the Executive Supplemental Budget for FY 2006-2007, the Executive Branch appropriation ceiling for FY 2006-2007 has already been exceeded by \$103.6 million, or 2.1 percent. Funding requested in this measure shall be used as a funding mechanism to create new endowed faculty positions funded by a combination of state and private funds and will result in the appropriation ceiling for the Executive Branch to now be exceeded in FY 2006-2007 by \$5,000,000, or 0.001 percent. This current declaration takes into account additional general fund appropriations authorized for FY 2006-2007 in this measure only, and does not include other general fund appropriations for FY 2006-2007 that may be authorized for the Executive Branch in other

legislation submitted to the Legislature during the regular session of 2006.

Impact on the public: University of Hawaii students would benefit from additional education and research benefits. The community would benefit from enhanced economic diversification. Private donations to UH should increase based on evidence from programs in other States.

Impact on the department and other agencies:
None.

GENERAL FUNDS: \$5 million per year

OTHER FUNDS: \$5 million or more/year in private donations

PPBS PROGRAM
DESIGNATION: UOH-900

OTHER AFFECTED
AGENCIES: Department of Budget and Finance, Attorney General.

EFFECTIVE DATE: July 1, 2006.