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# 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 legislature finds that the research and  
2 training revolving fund was established in 1974 to pay for  
3 research and training activities at the University of Hawaii.  
4 The state auditor, in a 2004 report (04-13), found that the  
5 research and training revolving fund "does not meet all criteria  
6 for a revolving fund." The legislature found that the  
7 University of Hawaii's corrective action to the state auditor's  
8 finding was to reclassify the research and training revolving  
9 fund as a special fund.

10           In addition, a November 9, 2001 report of the president's  
11 special task force on research infrastructure at the University  
12 of Hawaii proposed remedies to what the University of Hawaii  
13 association of research investigators described as impediments  
14 to the conduct of research at the University of Hawaii. The  
15 task force recommended that "overhead recovery by UH must be  
16 reinvested in the research infrastructure, to permit investments  
17 in equipment, technical support and faculty salary to remain  
18 competitive." The report expressed concern that a:



1 substantial fraction of the total UH indirect  
2 costs that are recovered have been allocated to  
3 activities that do not directly support research  
4 and do not qualify as recoverable costs. During  
5 the past 8 years, 12% of the UH ICR has been  
6 allocated to the Housing Assistance Revolving  
7 Fund (HARF) by legislative mandate without any  
8 consideration of the amount (\$2.47m in FY01), its  
9 intended uses or any demonstrated need. An  
10 additional 4% (\$824K in FY01) has been redirected  
11 to the Discovery and Inventions Revolving Fund  
12 (DIRF), an internal entity that has not been  
13 adequately coordinated with the rest of the  
14 research enterprise.

15 The legislature believes that the current unfunded deferred  
16 maintenance backlog of \$175,000,000, as well as other equipment  
17 repair and replacement needs that are related to research  
18 activities, will benefit by retaining the moneys received from  
19 all indirect cost recovery efforts in the University of Hawaii  
20 research and training revolving fund. The legislature also  
21 believes that the University of Hawaii research and training  
22 revolving fund should be reclassified as a special fund and that



1 all of its funds should be reinvested in the research  
2 infrastructure.

3 SECTION 2. Section 304-8.1, Hawaii Revised Statutes, is  
4 amended by amending its title and subsections (a), (b), and (c)  
5 to read as follows:

6 "**§304-8.1 Research and training [~~revolving~~] special fund.**

7 (a) There is established a University of Hawaii research and  
8 training [~~revolving~~] special fund into which shall be deposited  
9 one hundred per cent of the total amount of indirect overhead  
10 revenues generated by the university from research and training  
11 programs. The board of regents of the University of Hawaii is  
12 authorized to expend one hundred per cent of the revenues  
13 deposited in the fund for:

- 14 (1) Research and training purposes which may result in  
15 additional research and training grants and contracts;
- 16 (2) Facilitating research and training at the university;  
17 and
- 18 (3) [~~Further deposit into the discoveries and inventions~~  
19 ~~revolving fund and the University of Hawaii housing~~  
20 ~~assistance revolving fund.] Repair and replacement of  
21 research related equipment and facilities.~~



1 (b) The University of Hawaii shall prepare and submit an  
2 annual report on the status of the research and training  
3 ~~[revolving]~~ special fund to the legislature twenty days before  
4 the convening of each regular session. The annual report shall  
5 include but not be limited to a breakdown of travel expenses.

6 (c) Notwithstanding sections 304-10, 304-8.92, and 304-  
7 8.96 to the contrary, the board of regents or its designee, may  
8 establish a separate account within the research and training  
9 ~~[revolving]~~ special fund for the purpose of providing advance  
10 funding to meet reimbursable costs incurred in connection with  
11 federally financed research and training projects. Any  
12 reimbursement received as a result of providing advance funding  
13 shall be deposited into the research and training ~~[revolving]~~  
14 special fund to be used for the purpose of meeting reimbursable  
15 costs incurred in connection with federally financed projects."

16 SECTION 3. Section 304-8.92, Hawaii Revised Statutes, is  
17 amended by amending subsection (a) to read as follows:

18 "(a) There is established a discoveries and inventions  
19 revolving fund [~~into which shall be deposited a portion of the~~  
20 ~~total indirect overhead funds generated by the university for~~  
21 ~~research and training purposes in the prior fiscal year as~~  
22 ~~determined by the board of regents]~~. Appropriations by the



1 state legislature subject to the approval of the governor,  
2 proceeds from the commercial exploitation of inventions and  
3 intellectual property developed at the university, gifts,  
4 donations, fees collected, and grants from public agencies and  
5 private persons may ~~also~~ be deposited into the fund for the  
6 purposes of supporting innovation and research commercialization  
7 and the patenting, copyrighting, licensing, and marketing of  
8 discoveries, inventions, and technologies developed at the  
9 university. The fund shall be used to develop technologies  
10 ~~which~~ that have potential commercial value, support the  
11 administration of technology transfer activities, and facilitate  
12 economic development through education and research undertaken  
13 at the university."

14 SECTION 4. Section 304-8.96, Hawaii Revised Statutes, is  
15 amended by amending subsection (a) to read as follows:

16 "(a) There is established a housing assistance revolving  
17 fund ~~[into which shall be deposited a portion of the total~~  
18 ~~indirect overhead funds generated by the university for research~~  
19 ~~and training purposes in the prior fiscal year as determined by~~  
20 ~~the board of regents]~~. The fund shall be used to:



1 (1) Implement the University of Hawaii housing assistance  
2 master plan, in accordance with policies adopted by  
3 the board of regents; and

4 (2) Account for all transactions of the university housing  
5 assistance program, including but not limited to  
6 revenues, expenditures, loans, and transfers."

7 SECTION 5. Statutory material to be repealed is bracketed  
8 and stricken. New statutory material is underscored.

9 SECTION 6. This Act shall take effect on July 1, 2060.



SB3118, SD2

**Report Title:**

UH; Special Fund

**Description:**

Authorizes the research and training special fund to be used for the repair and replacement of research related equipment and facilities. Discontinues fund transfers into the discoveries and inventions revolving fund and the housing assistance revolving fund. (SD2)

