

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEES ON HIGHER EDUCATION AND
HEALTH
ON
HOUSE BILL NO. 2521

February 5, 2008

LATE TESTIMONY

RELATING TO EDUCATION

House Bill No. 2521 mandates the deposit of one percent of the State's general fund revenues into a new University of Hawaii repair and maintenance account to fund repair and maintenance projects of the University of Hawaii. The bill establishes the University of Hawaii repair and maintenance account fund that will be financed by one percent of the State's general fund revenues, earned interest, and legislative appropriations. The funds in the account would be expended solely for repairs and maintenance of University of Hawaii facilities.

We are opposed to this bill. We believe it to be poor fiscal policy to earmark general fund revenues for specific purposes. Program funding requirements should be reviewed on a statewide basis with resources being allocated to programs based on statewide priorities.

Currently, general obligation bond funds are used to finance major repair and maintenance projects under the State's Capital Improvements Program.

**Testimony Presented Before the
House Committee on Higher Education**

February 5, 2008 at 2:00 p.m.

by
Virginia S. Hinshaw, Chancellor
University of Hawai‘i at Mānoa

HB 2521 Relating to Education

Chair Chang, Vice Chair Bertram, and Members of the Committee:

Aloha! I'm delighted to have the opportunity to discuss with you all the potential creation of a University of Hawai‘i repair and maintenance account for the funding of capital renewal, deferred maintenance, repair, renovation, improvement, and replacement projects.

As you know, maintenance and repair on the University of Hawai‘i at Mānoa campus is a mounting concern, and I am very grateful for the growing interest in this problem—and in particular for recent efforts by the Legislature and others to help find creative solutions to the critical state of our campus infrastructure.

It is no secret that restoring the Mānoa campus and making it a destination of choice is my top priority. Since arriving in July, I quickly recognized that facilities deterioration on campus represents our major challenge, and led me to describe our campus as a jewel in many ways—particularly intellectually—but also to note that it is badly tarnished physically. Such deterioration didn't happen overnight, but rather is the result of decades of neglected repairs and maintenance.

In this our Centennial year, we have much to celebrate. We were able to bring Hawai‘i to New Orleans for the experience of a lifetime watching our very own Warriors compete in the Sugar Bowl. It was thrilling, and I am so proud of our entire institution, particularly our athletics program, for being able to accomplish that experience and to our community for their unbelievable support.

This experience generated great pride in being affiliated with UH—it was palpable and visible in New Orleans. Through athletics, folks learned a lot about Hawai‘i and UH Mānoa; such recognition benefits the State and our sister UH campuses.

Along with pride, however, competition at the national level brought with it the recognition that many of our campus facilities are in need of a major overhaul. This is the case in athletics and across the campus. It will take a tremendous effort by all of our supporters to have facilities that can support our mission.

I appreciate that your job is difficult because the University is not the only institution in the state with deferred maintenance issues—and the needs are great. I'm not looking to you all to solve all of our problems, but rather to join us in leveraging the state's investment in the University and supporting projects where we do not have other revenue or private opportunities for support.

Facilities do clearly play a significant role in making UH Mānoa a destination of choice for students, faculty, staff, and community members. Thankfully our new Assistant VC for Facilities, Dave Hafner, has the expertise to analyze our facilities needs—here are a few facts:

- Our deferred maintenance backlog has been chronically underestimated, our new estimate using business standard analyses indicates upwards of \$400,000,000;
- Our current facilities workforce is only able to react to breakdowns on campus, about 950 work orders a month, with a backlog of 4,607 work orders;
- Less than 5% of our efforts are expended on preventive maintenance, making the future full of more of the same experiences. Twenty-five buildings currently have major system breakdowns, 37 have significant leaks—and that's not surprising since 36 of our buildings are over 60 years old; a top priority is to repairs the roofs to protect the programs from continual water damage;
- Costs are increasing—sewage up 82% in 6 months; construction costs at a 10% inflation rate, which makes delays vastly expensive.

So how do we address these challenges? Certainly resources play a key role but so does having nimbleness and flexibility. My goal is for us to move more rapidly and efficiently to realize the full value of investments you make. To accomplish that, we need to change the way we do business—such as pursuing public/private partnerships, restoration of our state procurement exemption, using debt, assertive licensing and more.

The Mānoa Facilities team is changing to improve and meet our needs—for example, they are participating for the first time in a process which serves as a nation-wide benchmark for campus facilities performance. Due to R&M upgrades on their part, our electricity usage is down by 6 and ½ % from last year—a potential savings of \$1.3 million annually.

We're certainly seeing positive changes due to your investments—our new dormitory Frear Hall is on time, on budget and will open this fall and is sorely needed. Our next target is renovation of the four residential towers. Campus Center is being renovated to meet student needs.

Private investments are moving us ahead as well and are critical to our future—clearly the Shidler gift to the Business School has been transformational, both intellectually and physically—and our entering MBA students are the most highly qualified to date—there is a connection.

Since Mānoa is a large enterprise, there are a number of requests within the budget important to our future and our Mānoa team members and I will seek to answer any questions you may have about those.

In closing, my hope for the future is that we can work together to realize the full potential of UH Mānoa as a beautiful, intellectually stimulating center of activity – in that way, UH Mānoa can best serve the State of Hawai'i and also be a strong partner for our sister UH campuses. I know your investment in the university generates great returns because our alumni, public service, and research advances all contribute positively to the lives of our citizens and I believe we should all be quite proud of those activities. Mahalo.

Sam Callejo
Vice President for Administration, University of Hawai'i

HB 2521 - Relating to Education

Chair Chang, Vice Chair Bertram and members of the Committee:

The University of Hawai'i supports HB 2521 that would create a University of Hawai'i repair and maintenance account.

This dedicated account for the repair and maintenance of our ten campus system would be a big help in addressing our \$257 million backlog of deferred maintenance. Knowing we will have a definite stream of revenues for repair and maintenance will allow us to be proactive in our planning and more efficient in implementing our repair and maintenance programs.

However, I'm sure you've heard the saying that the "devil is in the details." Well, in this bill, we would like to clearly understand the timing of all the moving parts in order to produce an efficient implementation plan.

As an example, the bill's effective date is July 1, 2008, the start of the 2009 fiscal year, and it goes on to say that the director of finance shall deposit into the account on at least a semi-annual basis and these moneys shall be appropriated and expended solely for repair and maintenance of facilities of UH.

From a timing perspective, if the intent is to start using the funds in FY 2009, we would ask that this bill include an appropriation or at least an appropriation ceiling and request that the director of finance deposit the funds into this account on at least a quarterly basis, beginning with October 2008.

Thank you for this opportunity to testify and for your support of the University of Hawai'i.

HEDtestimony

From: Joel Fischer [jfischer@hawaii.edu]
Sent: Saturday, February 02, 2008 2:24 PM
To: HEDtestimony
Subject: HB2521; HED; 2/5; Rm 309; 2PM

Importance: High

HB2521, Relating to the University of Hawai'i HED; Chair, Rep Chang

BE CAREFUL WHAT YOU WISH FOR, REDUX.

As with HB 3436, I am not exactly opposed to the appropriation of funds for UH because we sorely need them. However, an ongoing appropriation of 1% of general funds is particularly worrisome, though it would be far less so with competent administrators and BOR members using it. What I am concerned about is permanent, ongoing appropriations for the UH under the current administration and President. Both entities have clearly displayed their incompetence at correcting problems at UH, and especially their incompetence at handling large amounts of money. Please review the latest findings of the State Auditor if you need external verification of these points.

Therefore, I am urging the committee to have external, financial watchdogs evaluating all aspects of the use of any large amounts of money appropriated for the UH. In fact, we may have to make this legislation, HB2521, effective in 2010 instead of right away to evaluate whether UH can handle the money from the general obligation bonds BEFORE we release the annual 1%.

We all want the improvements. But we all have to be very careful that these funds are not misused.

Thank you.

Aloha, joel

Dr. Joel Fischer, ACSW
President, 19-3, Democratic Party

Professor
University of Hawai'i, School of Social Work Henke Hall Honolulu, HI 96822

"It is reasonable that everyone who asks justice should DO justice."
Thomas Jefferson

"There comes a time when one must take a position that is neither safe, nor politic, nor popular, but one must take it because one's conscience tells one that it is right."
Dr. Martin Luther King, Jr.

"Never, never, never quit."
Winston Churchill

Haunani Olds

From: Shannon Wood [swood@hoku.com]
Sent: Monday, February 04, 2008 1:51 PM
To: HEDtestimony
Subject: HB 2521 - RELATING TO EDUCATION

LATE TESTIMONY

COMMITTEE ON HIGHER EDUCATION
Rep. Jerry Chang, Chair
Rep. Joe Bertram III, Vice Chair

PUBLIC HEARING
2 pm
Tuesday, February 5, 2008
Conference Room 309

HB 2521 - RELATING TO EDUCATION
STRONGLY SUPPORT W/AMENDMENT

Good afternoon, *Mr. Chair & Members* of the **Committee on Higher Education**. My name is Shannon Wood, a Kailua, O`ahu resident, speaking here today only as an individual on my own behalf and not representing any group or organization. I am, however, a graduate of the *University of Hawai`i*, and a strong advocate for public education at all levels.

HB 2521 would designate 1% of the total state general revenues to a special maintenance & repair fund for all ten campuses.. I suggest that this figure be raised to 2% for the first ten years since the demand for needed repairs and maintenance on all campuses is so high. Once things get caught up, future legislators might be able to reduce the percentage.

I urge that you pass out **HB 2421** with the suggested amendment. Mahalo.

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