

STAND. COM. REP. NO. 8

Honolulu, Hawaii

Feb 4, 2009

RE: H.B. No. 618

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fifth State Legislature
Regular Session of 2009
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 618 entitled:

"A BILL FOR AN ACT RELATING TO THE UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT,"

begs leave to report as follows:

The purpose of this measure is to enact the Uniform Prudent Management of Institutional Funds Act.

The spending of endowment funds in Hawaii is currently governed by the Uniform Management of Institutional Funds Act. Under the Act, charitable organizations are restricted from expending endowment funds below the original value of the endowment, or the endowment's "historic dollar value." However, under current economic conditions, many endowments are already below their historic dollar value, leaving charitable organizations unable to fund their various programs.

The Uniform Prudent Management of Institutional Funds Act is intended to update and replace the Uniform Management of Institutional Funds Act, conforming the law governing the spending of endowment funds with modern investment and expenditure practice. Under the Uniform Prudent Management of Institutional Funds Act, the governance of endowment fund expenditure is based upon the value of the fund's entire portfolio, rather than its historic dollar value. This provides charitable organizations the flexibility to cope more easily with fluctuations in the value of the endowment.

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The Uniform Prudent Management of Institutional Funds Act also streamlines the process by which a charitable organization may release restrictions on the expenditure of an endowment. Under the Act, charitable organizations can release a restriction on a fund valued below \$250,000 with the Attorney General's approval.

The Department of the Attorney General, the University of Hawaii Foundation, and the Commission to Promote Uniform Legislation testified in support of the measure.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 618 and recommends that it pass Second Reading and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,



ROBERT N. HERKES, Chair



