



STATE OF HAWAII
DEPARTMENT OF HEALTH
P.O. Box 3378
HONOLULU, HAWAII 96801-3378

In reply, please refer to:
File:

HOUSE COMMITTEE ON FINANCE

SB2695 SD1 HD1 PROPOSED, RELATING TO NON-GENERAL FUNDS

Testimony of Chiyome Leinaala Fukino, M.D.
Director of Health

March 29, 2010
7:00 PM

1 **Department's Position:** The Department of Health is sensitive to the State's economic situation.
2 However, while we may support the transfer of certain special funds to the general fund, we have
3 concerns about the proposed transfer of other special funds to the general fund.

4 **Fiscal Implications:** The proposed measure would transfer \$5,000,000 from the clean air special
5 fund, \$1,000,000 from the community health centers special fund, \$2,000,000 from the drinking water
6 treatment revolving loan fund, \$6,000,000 from the emergency medical services special fund,
7 \$1,000,000 from the environmental management special fund, \$750,000 from the neurotrauma special
8 fund, \$1,000,000 from the trauma system special fund, \$500,000 from the vital statistics improvement
9 special fund, and \$10,000,000 from the water pollution control revolving fund on June 1, 2010.

10 Of critical importance are the Clean Air Special Fund, the Drinking Water Treatment Revolving Loan
11 Fund, and the Water Pollution Control Revolving Fund. Each of these special funds requires strict
12 compliance with federal law and violation or noncompliance with these laws will result in strict sanctions
13 against the State.

14 **Purpose and Justification:**

15
16 Section 10—Clean Air Special Fund (CASF)— The transfer of \$5,000,000 from the Clean Air Special
17 Fund is federally prohibited unless it is used for the federal Clean Air Act, Title V, operating air permit

program. If funds are transferred out of the Clean Air Special Fund, Hawaii will lose its federal delegation of the mandated air permit program. The consequence is that the Hawaii Title V sources will have to apply for permits and report to EPA Region 9 located in San Francisco. In addition, strict sanctions may be imposed by EPA jeopardizing the receipt of future EPA grant awards to Hawaii.

EPA Region 9 confirmed this understanding to the Department of Health in letters dated March 24, 2009 and April 9, 1998. The State Attorney General also affirmed this fact in a letter to the legislature dated April 24, 1998.

Section 11—Community Health Centers Special Fund (CHCSF)— Federally Qualified Health Centers (“FQHC’s) provide comprehensive primary care and preventive care, including health, oral, and mental health/substance abuse services to persons of all ages, regardless of their ability to pay. Due to the severe economic recession facing the State, FQHCs have seen an unprecedented increase in uninsured clients which is currently running at 10% of their patient populations across health centers. The increase in client load is taxing the operational capacity of these organizations. This measure is proposing to reduce the cash balance by \$1,000,000 in the CHCSF for the FQHCs at a time when they need it the most to serve more of Hawaii’s vulnerable populations.

The impact of the proposed reduction in funding would result in an insufficient beginning cash balance to encumber its contracts at the start of the next fiscal year. Programs must end a fiscal year with sufficient cash balance to fully encumber its contracts for the next fiscal year. The impact of the proposed \$1,000,000 reduction in funding would result in a cash shortfall at the end of the fiscal year to encumber all of its contracts for the next fiscal year.

The reduction in funding as well as contract encumbrance delays may also result in inadequate compensation for purchase of service contracts related to comprehensive primary care services (medical, dental treatment, behavioral health care) for uninsured/underinsured patients up to 250% of the federal poverty level, continued curtailment of pharmaceutical services, and curtailment of contracts for operational and infrastructure repairs and maintenance.

It should also be noted that HB 2542, HD1, SD1 proposes to change the cigarette tax rate schedule by removing the graduated increase in cigarette tax rate and replacing it with a flat –no increase current tax rate through the end of FY 2013. It is important to note that during this same period the approximate cumulative number of cigarettes sold has declined approximately sixteen percent (16%). This change in the cigarette tax rate schedule will also have significant impact on the CHCs cashflow and their ability to provide primary and preventive health care services in a timely manner and when it is needed the most.

Section 13—Drinking Water Treatment Revolving Loan Fund (DWTRLF)—Transferring funds from the Drinking Water Treatment Revolving Loan Fund (Section 340E-35, HRS) to the general fund would be in direct conflict with federal law. Section 1452 of the Safe Drinking Water Act requires each state to establish a drinking water state revolving fund for the authorized purposes of the Act and mandates that the fund's balance shall be available in perpetuity to provide the types of assistance authorized by the Act. The U.S. Environmental Protection Agency may ultimately seek the return of all federal funds (over \$108 million) provided to this loan program since its inception. The DWTRLF fund balance is a combination of federal capitalization grants and state general funds.

Last year, the U.S. Environmental Protection Agency, Region 9 expressed serious concerns with a bill that was similar in intent. It also raised concern over the state's commitment to operating both the Drinking Water Treatment Revolving Loan Fund and Water Pollution Control Revolving Fund programs to ensure funding continue in perpetuity and the potential loss of federal funds if the State were found to be in noncompliance.

Section 14—Emergency Medical Services Special Fund—Act 162, SLH 2009 changed the means of financing for emergency ambulance services by shifting \$9,000,000 from general funds to EMS Special Funds. We believe that this was based on the projection of increasing revenues to be collected from the specified collection rate and schedule reset (from October 2009 to July 2009) in Act 056, SLH 2009.

Based on current revenues and expenditures for the EMS Special Funds in FY 2010 and projected increases in expenditures in FY 2011 as authorized in Act 162, the program already projects

a shortage of funds required to fully encumber contracts for emergency ambulance services and emergency medical services training programs that begin July 1, 2010. Programs must end a fiscal year with sufficient cash balance to fully encumber its contracts for the next fiscal year. The impact of the proposed \$6,000,000 reduction in funding would result in an even greater shortfall in their beginning cash balance to encumber all of its emergency medical services contracts at the start of the next fiscal year. EMS projects that the shortage will increase if the number of cigarette sales continues to decline in FY 2010 and later, which is likely given the recent trend and efforts towards smoking cessation.

Proposed changes in HB 2542, HD1, SD1 will result in significant shortfalls in available cash at the end of FY 2010 and in succeeding years. HB 2542, HD1, SD1 proposes to change the cigarette tax rate schedule by removing the graduated increase in cigarette tax rate and amending it to a flat –no increase cigarette tax rate through the end of FY 2013. The impact of SB2695, SD1, HD1 will exacerbate the cash shortfall even further by an additional \$6M on June 1, 2010. With these proposed changes, EMSIPSB may need to reduce 911 and ambulance services to the community beginning in FY 2011 or request an emergency appropriation for general funds in the next legislative session.

Emergency ambulance services that now provides twenty-four hours a day, seven days a week would need to be reduced by either limiting ambulance services to sixteen hours per day, and/or closing ambulance stations

Section 15—Environmental Management (EM) Special Fund— Pursuant to Act 79/09, \$1,000,000 was previously transferred out of the EM special fund to the general fund on June 1, 2009. This proposed transfer of \$1,000,000 from the EM special fund will cease the implementation of solid waste management rules and the EPA Resource Conservation and Recovery Act, permitting, inspection and monitoring of solid waste, special waste, and materials recycling facilities statewide. No other State agencies lead or provide oversight for counties' recycling programs supported by these funds. No new revenues will be available for the cleanup and proper disposal of tires, the demand for which continues.

Section 18—Neurotrauma Special Fund— Pursuant to Act 79/09, \$750,000 was previously transferred out of the Neurotrauma special fund to the general fund on June 1, 2009. The Neurotrauma

program implements priorities established by the State Traumatic Brain Injury Advisory Board, the Neurotrauma Advisory Board and the DOH. Program activities allowable under Chapter 321H, HRS include the statewide promotion of education and awareness on neurotrauma, assistance to individuals and families to identify and obtain access to services and the creation of a registry. A reduction of \$750,000 from the program's special fund will result in a delay or elimination of pending and proposed activities including the statewide promotion of education and awareness on neurotrauma, assistance to individuals and families to identify and obtain access to services and the creation of a registry. The revenues for this fund depends upon surcharges levied per section 291-11.5, 291-11.6, 291-12, 291C-12.5, 291C-12.6, 291C-102, 291C-105, and 291E-61 which fluctuates from year to year.

It should be noted that HB 2542, HD1, SD1 also proposes to reduce this fund by \$1,000,000 on July 1, 2010.

Section 21—Trauma System Special Fund— EMSIPSB has developed a plan to use the Trauma System Special Fund to build a statewide comprehensive trauma system as directed by HRS 321-22.5. Should this proposal be enacted, activities already undertaken may not be able to be sustained at their current levels and further planned improvements to the trauma system and assistance to hospitals to develop their trauma services in future years will not be possible until 2014 or later. Based on the reported revenue collected from cigarette sales for the period July 1, 2009 through January 31, 2010 the approximated cumulative number of cigarettes sold has declined approximately sixteen percent (16%). The program projects that the decline will continue given the recent trend and efforts towards smoking cessation.

Further, changes proposed in HB 2542, HD1, SD1 to the cigarette tax rate propose to amend it to a flat—no increase cigarette tax rate through the end of FY 2013 and will also result in a shortfall of available cash at the end of FY 2010 and in succeeding years. SB 2695, SD1, HD1 will exacerbate its cash shortfall and its ability to execute contracts in a timely manner by reducing its cash balance by an additional \$1,000,000 on June 1, 2010.

Section 24—Vital Statistics Improvement Special Fund—

The Vital Statistics Improvement Special Fund provides the entire operating budget and some personnel salaries for the Office of Health Status Monitoring (OHSM) for FY 2010. Pursuant to Act 162/2009, the legislature changed the means of financing of \$340,143 for FY 2010 and \$100,544 for FY 2011 from general funds to special funds. As a result, the OHSM is using its special funds for its operating expenses. Without sufficient funds in its vital statistics improvement special fund the statewide vital statistics system would ultimately collapse. Death certificates would not be issued and more than 9,000 dead bodies could not be buried, cremated, or removed. Marriage licenses and marriage performer licenses would not be issued and none of the 30,000 marriages could take place in Hawaii. The wedding business is a vital component of Hawaii's tourism industry. More than 18,000 births would not get registered and nobody would be able to obtain their social security cards, driver licenses, passports, and other documents that require proof of birth. Children could not be enrolled in kindergarten without a birth certificate. Native Hawaiians would not be able to prove their ancestry to receive entitlements without certified copies of their vital records issued by OHSM. State, county, and the federal government would not be able to operate without the vital statistics program. This is the reason the program is called "vital" statistics and it will cease to operate without sufficient funds in the vital statistics improvement special fund.

Section 25—Water Pollution Control Revolving Fund— Transferring funds from the Water Pollution Control Revolving fund (Section 342D-83, HRS) to the general fund would be in direct conflict with federal law. Section 603 of the Clean Water Act requires that each state establish a clean water state revolving fund for the authorized purposes of the Act. Furthermore, the Clean Water Act mandated that each fund balance shall be available in perpetuity to provide the types of assistance authorized by this Act. EPA has stated that should the State reduce the program's funding level, EPA would ultimately seek the return of all federal funds of approximately \$213.8M that was provided to the program since its inception.

Thank you for the opportunity to present testimony.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION IX
75 Hawthorne Street
San Francisco, CA 94105-3901

Clean Air SF

MAR 24 2009

OFFICE OF THE
REGIONAL ADMINISTRATOR

Laurence K. Lau
Deputy Director, Environmental Health Administration
Hawaii Department of Health
1250 Punchbowl St.
Honolulu, HI 96813

Re: Use of title V fee revenue for non-title V expenses

Dear Mr. Lau:

I am writing to respond to a recent request from your staff that EPA update the Hawaii Department of Health (HDOH) on the use of title V fee revenue for purposes other than implementing the title V operating permit program. EPA addressed this issue in a letter to HDOH dated April 9, 1998. In that letter (copy enclosed) we explained that:

...the federal Clean Air Act requires that fees collected under the authority of Title V be used only for Title V purposes. Title V states "[a]ny fee required to be collected by a State, local, or interstate agency under this subsection shall be utilized solely to cover all reasonable (direct and indirect) costs required to support the permit program...§502(b)(3)(C)(iii). EPA's implementing regulations at 40 C.F.R. 70.9(a) restate this restriction.

The title V fee language in the Clean Air Act and Part 70 have not changed. The prohibition of the use of title V fee revenue for expenses unrelated to implementation of the title V program remains in effect, and will not change in the future unless the Act and Part 70 are revised to remove or modify this requirement.

EPA will visit the HDOH offices in August to commence a title V program evaluation. (We began conducting these evaluations in 2004 and HDOH will be the seventh title V program evaluation Region 9 has conducted.) We began conducting these audits in part as a result of an EPA Office of Inspector General's report that requested that EPA assure that state and local agencies implementing title V programs were tracking and using title V fee revenue appropriately¹. One aspect of our evaluation of the Clean Air Branch's implementation of the title V program will be the collection, tracking and use of title V fee revenue. We will want to verify that HDOH is collecting sufficient fees to fund its title V program, and these fees are only used for title V purposes. We would like to remind you that EPA may issue a Notice of Deficiency and eventually withdraw title V program approval in whole or in part if a permitting authority's program no longer complies with Part 70 requirements and the permitting authority fails to take corrective action. Failure to collect, retain, or allocate fee revenue consistent with §70.9 would be one criterion for program withdrawal. See §70.10(b) and (c).

We hope this letter sufficiently responds to your request for an update on the allowable use of title V fee revenue. If you have questions or want to discuss this matter, please contact Kerry Drake, Associate Director of the Air Division, at (415) 947-4157 or drake.kerry@epa.gov.

Sincerely,

Laura Yoshii
Acting Regional Administrator

Enclosure

cc: Wilfred Nagamine, HDOH

¹ See Report No. 2002-P-00008, Office of Inspector General Evaluation Report, AIR, EPA and State Progress In Issuing Title V Permits, dated March 29, 2002.

Clean Air SF



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION IX

75 Hawthorne Street

San Francisco, CA 95106-3901

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DIRECTOR
OFFICE OF REGION IX

OFFICE OF THE
REGIONAL ADMINISTRATOR

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Bruce S. Anderson, Ph.D.
Deputy Director for Environmental Health
Hawaii Department of Health
P.O. Box 3378
Honolulu, Hawaii 96801

Dear Dr. Anderson:

Thank you for your letter of February 25, 1998 to Felicia Marcus regarding a global warming/tree planting effort proposed in Hawaii and your inquiry whether such a program could be funded with Clean Air Act Title V fees. We apologize for not responding sooner to your letter but appreciate the opportunity to discuss this issue with you and your staff today on the telephone.

Specifically, you have inquired whether surplus Title V fees collected by Hawaii could be used for non-Title V purposes, including activities which would be consistent with the Clean Air Act § 105 grant program. You have also asked whether these surplus Title V fees could be transferred to the state's general fund.

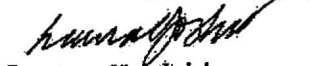
* As you know, we have looked long and hard at various options which might enable you to use these fees for global warming or other non-Title V purposes. After discussions within Region 9 as well as with our various Headquarters' offices, we have concluded that the federal Clean Air Act requires that fees collected under the authority of Title V be used only for Title V purposes. Title V states "[a]ny fee required to be collected by a State, local, or interstate agency under this subsection shall be utilized solely to cover all reasonable (direct and indirect) costs required to support the permit program . . ." § 502(b)(3)(C)(iii). EPA's implementing regulations at 40 C.F.R. § 70.9(a) restate this restriction.

In our teleconference today, we also discussed other options, such as creating independent state authority to collect fees for global warming purposes and Title V fee waiver options, but it appeared that these options are of limited viability in Hawaii. We did discuss some other EPA programs, which were of interest to you, including the sustainable development challenge grant program and the climate change grant program. In addition, we are contacting other federal agencies, such as the Department

of Energy, which may have funding available.

EPA agrees with you that a tree-planting program would be an important effort to help the state reduce air pollution and help address climate change issues. We are committed to working with you and your staff to identify and pursue these other funding options, as well as other mechanisms to achieve our mutual objective of clean air.

Sincerely,



Laura Yoshii
Deputy Regional Administrator

cc: Wilferd K. Nagamine, DOH

BENJAMIN J. CAYETANO
GOVERNOR



MARGERY S. BRONSTER
ATTORNEY GENERAL

JOHN W. ANDERSON
FIRST DEPUTY ATTORNEY GENERAL

STATE OF HAWAII

DEPARTMENT OF THE ATTORNEY GENERAL

425 QUEEN STREET
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APR 24 2 19 PM '98
APR 24 P2:19

The Honorable Norman Mizuguchi
President of the Senate
The Nineteenth Legislature
State of Hawaii
State Capitol, Room 03
Honolulu, Hawaii 96813

The Honorable Joseph Souki
Speaker, House of Representatives
The Nineteenth Legislature
State of Hawaii
State Capitol, Room 431
Honolulu, Hawaii 96813

Subject: H.B. No. 2552, H.D. 1, S.D. 2, Relating to Government

Dear Senator Mizuguchi and Representative Souki:

We have reviewed H.B. No. 2552, H.D. 1, S.D. 2, Relating to Government, for possible legal problems and would like to call your attention to our concerns.

Section 45 of the bill would allow surplus air permit program fees to be used for purposes other than the air permit program. It would amend section 342B-32, HRS, to allow moneys in the clean air special fund in excess of the amount necessary to pay for the costs of the permit program, plus a one-year reserve of funding for the permit program, to be used for air pollution activities allowed under the grants program of section 105 of the Clean Air Act.

The proposed amendment presents serious legal problems under federal law, as would any expenditure of the clean air special funds for purposes other than the direct and indirect costs of the air permit program. The last sentence of the new subsection (c), which states that the prior written approval of the Environmental Protection Agency ("EPA") "shall be obtained before these excess moneys may be used as provided under this subsection" is insufficient to cure the proposed amendment's problems. Because of the measure's conflict with federal law and federal air permit program delegation requirements, its passage could jeopardize the air permit program's interim or final approval.

Under section 502 of the Clean Air Act, air permit fees "shall be utilized solely to cover all reasonable (direct and indirect) costs required to support the permit program." On April 9, 1998, the Deputy Regional Administrator for EPA Region 9 sent a letter to Bruce S. Anderson, Deputy Director for Environmental Health, in response to his inquiry "whether surplus Title V fees collected by Hawaii could be used for non-Title V purposes, including activities which would be consistent with the Clean Air Act § 105 grant program." The Deputy Director stated in her letter

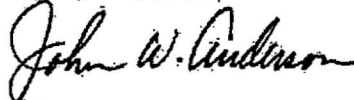
Senator Mizuguchi and Representative Souki
April 24, 1998
Page 2

that "the federal Clean Air Act requires that fees collected under the authority of Title V be used only for Title V purposes," and noted that EPA's implementing regulations at 40 C.F.R. § 70.9(a) restate this restriction.

This response is consistent with EPA's long-standing formal position that air permit program fees cannot be used for activities allowed under the grants program of section 105 of the Clean Air Act. On July 21, 1994 EPA sent all its regional administrators a memorandum stating, "[a]fter a thorough review, EPA's General Counsel concluded that Title V operating permit fees cannot be used to meet the cost-sharing requirements of the section 105 air grant program," and that, "[a]ny fee required to be collected under Title V must be utilized solely to cover the reasonable (direct and indirect) costs of the Title V program."

Thank you for your consideration on this matter.

Very truly yours,



John W. Anderson
Acting Attorney General

c: The Honorable Lawrence Milke, Director of Health



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
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75 Hawthorne Street
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Water Poll Control RF
Drinking Water Trtmt RF

Chiyome Leinaala Fukino, M.D.,
Director
Hawaii Department of Health
P.O. Box 3378
Honolulu, HI 96801

Subject: Hawaii House Bill 1733 – Water Pollution Control Revolving Fund and
Drinking Water Treatment Revolving Loan Fund

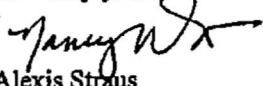
Dear Dr. Fukino,

We wish to express our concerns regarding Hawaii's SRF program if Hawaii House Bill 1733 is authorized. The bill appears to remove SRF investment interest earnings and place the monies into Hawaii's general fund. I am concerned that passage of the subject bill deprives the Department of Health (DOH) of adequate authority to implement the federally capitalized Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF). We believe the bill may jeopardize DOH's eligibility to receive future capitalization grants, the eligibility of over \$264 million of previously awarded SRF grants, its ability to receive future SRF capitalization grants and over \$50 million in stimulus funding from the American Recovery and Reinvestment Act of 2009.

Section 603 of the CWA (42 USC §1383) and Section 1452 of the SDWA (42 USC §300j-12) require a State to establish CWSRF and DWSRF programs for the authorized purposes described under the Acts. The Acts mandate that the CWSRF and DWSRF balances be available in perpetuity to provide assistance authorized by these Acts.

Please let us know how we may be of assistance; please call me at (415) 972-3572 or refer legal staff to Robert Moyer at (415) 972- 3877.

Sincerely yours,


Alexis Straus
Director, Water Division

(G) OTHER PROGRAMS.—

(i) NEW SYSTEM CAPACITY.—Beginning in fiscal year 1999, the Administrator shall withhold 20 percent of each capitalization grant made pursuant to this section to a State unless the State has met the requirements of section 1420(a) (relating to capacity development) and shall withhold 10 percent for fiscal year 2001, 15 percent for fiscal year 2002, and 20 percent for fiscal year 2003 if the State has not complied with the provisions of section 1420(c) (relating to capacity development strategies). Not more than a total of 20 percent of the capitalization grants made to a State in any fiscal year may be withheld under the preceding provisions of this clause. All funds withheld by the Administrator pursuant to this clause shall be reallocated by the Administrator on the basis of the same ratio as is applicable to funds allotted under subparagraph (D). None of the funds reallocated by the Administrator pursuant to this paragraph shall be allotted to a State unless the State has met the requirements of section 1420 (relating to capacity development).

(ii) OPERATOR CERTIFICATION.—The Administrator shall withhold 20 percent of each capitalization grant made pursuant to this section unless the State has met the requirements of 1419¹ (relating to operator certification). All funds withheld by the Administrator pursuant to this clause shall be reallocated by the Administrator on the basis of the same ratio as applicable to funds allotted under subparagraph (D). None of the funds reallocated by the Administrator pursuant to this paragraph shall be allotted to a State unless the State has met the requirements of section 1419 (relating to operator certification).

(2) USE OF FUNDS.—Except as otherwise authorized by this title, amounts deposited in a State loan fund, including loan repayments and interest earned on such amounts, shall be used only for providing loans or loan guarantees, or as a source of reserve and security for leveraged loans, the proceeds of which are deposited in a State loan fund established under paragraph (1), or other financial assistance authorized under this section to community water systems and nonprofit non-community water systems, other than systems owned by Federal agencies. Financial assistance under this section may be used by a public water system only for expenditures (not including monitoring, operation, and maintenance expenditures) of a type or category which the Administrator has determined, through guidance, will facilitate compliance with national primary drinking water regulations applicable to the system under section 1412 or otherwise significantly further the health protection objectives of this title. The funds may also be

¹So in law. The reference to "1419" probably should be to "section 1419". See the amendment made by section 130 of Public Law 104-182.

(B) the criteria and methods established for the distribution of funds; and

(C) a description of the financial status of the State loan fund and the short-term and long-term goals of the State loan fund.

(3) USE OF FUNDS.—

(A) **IN GENERAL.**—An intended use plan shall provide, to the maximum extent practicable, that priority for the use of funds be given to projects that—

(i) address the most serious risk to human health;

(ii) are necessary to ensure compliance with the requirements of this title (including requirements for filtration); and

(iii) assist systems most in need on a per household basis according to State affordability criteria.

(B) **LIST OF PROJECTS.**—Each State shall, after notice and opportunity for public comment, publish and periodically update a list of projects in the State that are eligible for assistance under this section, including the priority assigned to each project and, to the extent known, the expected funding schedule for each project.

(C) **FUND MANAGEMENT.**—Each State loan fund under this section shall be established, maintained, and credited with repayments and interest. The fund corpus shall be available in perpetuity for providing financial assistance under this section. To the extent amounts in the fund are not required for current obligation or expenditure, such amounts shall be invested in interest bearing obligations.

(d) ASSISTANCE FOR DISADVANTAGED COMMUNITIES.—

(1) **LOAN SUBSIDY.**—Notwithstanding any other provision of this section, in any case in which the State makes a loan pursuant to subsection (a)(2) to a disadvantaged community or to a community that the State expects to become a disadvantaged community as the result of a proposed project, the State may provide additional subsidization (including forgiveness of principal).

(2) **TOTAL AMOUNT OF SUBSIDIES.**—For each fiscal year, the total amount of loan subsidies made by a State pursuant to paragraph (1) may not exceed 30 percent of the amount of the capitalization grant received by the State for the year.

(3) **DEFINITION OF DISADVANTAGED COMMUNITY.**—In this subsection, the term “disadvantaged community” means the service area of a public water system that meets affordability criteria established after public review and comment by the State in which the public water system is located. The Administrator may publish information to assist States in establishing affordability criteria.

(e) **STATE CONTRIBUTION.**—Each agreement under subsection (a) shall require that the State deposit in the State loan fund from State moneys an amount equal to at least 20 percent of the total amount of the grant to be made to the State on or before the date on which the grant payment is made to the State, except that a State shall not be required to deposit such amount into the fund prior to the date on which each grant payment is made for fiscal

(4) all funds in the fund will be expended in an expeditious and timely manner;

(5) all funds in the fund as a result of capitalization grants under this title and section 205(m) of this Act will first be used to assure maintenance of progress, as determined by the Governor of the State, toward compliance with enforceable deadlines, goals, and requirements of this Act, including the municipal compliance deadline;

(6) treatment works eligible under section 603(c)(1) of this Act which will be constructed in whole or in part before fiscal year 1995 with funds directly made available by capitalization grants under this title and section 205(m) of this Act will meet the requirements of, or otherwise be treated (as determined by the Governor of the State) under sections 201(b), 201(g)(1), 201(g)(2), 201(g)(3), 201(g)(5), 201(g)(6), 201(n)(1), 201(o), 204(a)(1), 204(a)(2), 204(b)(1), 204(d)(2), 211, 218, 511(c)(1), and 513 of this Act in the same manner as treatment works constructed with assistance under title II of this Act;

(7) in addition to complying with the requirements of this title, the State will commit or expend each quarterly grant payment which it will receive under this title in accordance with laws and procedures applicable to the commitment or expenditure of revenues of the State;

(8) in carrying out the requirements of section 606 of this Act, the State will use accounting, audit, and fiscal procedures conforming to generally accepted government accounting standards;

(9) the State will require as a condition of making a loan or providing other assistance, as described in section 603(d) of this Act, from the fund that the recipient of such assistance will maintain project accounts in accordance with generally accepted government accounting standards; and

(10) the State will make annual reports to the Administrator on the actual use of funds in accordance with section 606(d) of this Act.

(33 U.S.C. 1382)

SEC. 603. WATER POLLUTION CONTROL REVOLVING LOAN FUNDS.¹

(a) **REQUIREMENTS FOR OBLIGATION OF GRANT FUNDS.**—Before a State may receive a capitalization grant with funds made available under this title and section 205(m) of this Act, the State shall first establish a water pollution control revolving fund which complies with the requirements of this section.

(b) **ADMINISTRATOR.**—Each State water pollution control revolving fund shall be administered by an instrumentality of the State with such powers and limitations as may be required to operate such fund in accordance with the requirements and objectives of this Act.

(c) **PROJECTS ELIGIBLE FOR ASSISTANCE.**—The amounts of funds available to each State water pollution control revolving fund shall be used only for providing financial assistance (1) to any municipality, intermunicipal, interstate, or State agency for construc-

¹ See section 104B of the Marine Protection, Research and Sanctuaries Act of 1972 (33 U.S.C. 1414C) for additional amounts that are to be deposited into a State's fund and treatment of such deposits.

tion of publicly owned treatment works (as defined in section 212 of this Act); (2) for the implementation of a management program established under section 319 of this Act; and (3) for development and implementation of a conservation and management plan under section 320 of this Act. The fund shall be established, maintained, and credited with repayments, and the fund balance shall be available in perpetuity for providing such financial assistance.²

(d) TYPES OF ASSISTANCE.—Except as otherwise limited by State law, a water pollution control revolving fund of a State under this section may be used only—

(1) to make loans, on the condition that—

(A) such loans are made at or below market interest rates, including interest free loans, at terms not to exceed 20 years;

(B) annual principal and interest payments will commence not later than 1 year after completion of any project and all loans will be fully amortized not later than 20 years after project completion;

(C) the recipient of a loan will establish a dedicated source of revenue for repayment of loans; and

(D) the fund will be credited with all payments of principal and interest on all loans;

(2) to buy or refinance the debt obligation of municipalities and intermunicipal and interstate agencies within the State at or below market rates, where such debt obligations were incurred after March 7, 1985;

(3) to guarantee, or purchase insurance for, local obligations where such action would improve credit market access or reduce interest rates;

(4) as a source of revenue or security for the payment of principal and interest on revenue or general obligation bonds issued by the State if the proceeds of the sale of such bonds will be deposited in the fund;

(5) to provide loan guarantees for similar revolving funds established by municipalities or intermunicipal agencies;

(6) to earn interest on fund accounts; and

(7) for the reasonable costs of administering the fund and conducting activities under this title, except that such amounts

²Section 1006 of the Ocean Dumping Ban Act of 1988 (P.L. 100-688) is as follows:

SEC. 1066. USE OF STATE WATER POLLUTION CONTROL REVOLVING FUND GRANTS FOR DEVELOPING ALTERNATIVE SYSTEMS.

(a) GENERAL REQUIREMENT.—Notwithstanding the provisions of title VI of the Federal Water Pollution Control Act, each of the States of New York and New Jersey shall use 10 percent of the amount of a grant payment made to such State under such title for each of the fiscal years 1990 and 1991 and 10 percent of the State's contribution associated with such grant payment in the 6-month period beginning on the date of receipt of such grant payment for making loans and providing other assistance as described in section 603(d) of the Federal Water Pollution Control Act to any governmental entity in such State which has entered into a compliance agreement or enforcement agreement under section 104B of the Marine Protection, Research, and Sanctuaries Act of 1972 for identifying, developing, and implementing pursuant to such section alternative systems for management of sewage sludge.

(b) LIMITATION.—If, after the last day of the 6-month period beginning on the date of receipt of a grant payment by the State of New York or New Jersey under title VI of the Federal Water Pollution Control Act for each of fiscal years 1990 and 1991, 10 percent of the amount of such grant payment and the State's contribution associated with such grant payment has not been used for providing assistance described in subsection (a) as a result of insufficient applications for such assistance from persons eligible for such assistance, the 10 percent limitations set forth in subsection (a) shall not be applicable with respect to such grant payment and associated State contribution.

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 2695, S.D. 1, PROPOSED H.D. 1

March 29, 2010

RELATING TO NON-GENERAL FUNDS

Senate Bill No. 2695, S.D. 1, Proposed H.D. 1, authorizes the Director of Finance to transfer \$95,950,000 from certain special and revolving funds to the general fund in Fiscal Year 2010.

The department supports the general intent of this bill. However, we defer to the departments on specific concerns that they may have with a proposed transfer.

We do have a concern with the proposed transfer from the Works of Art Special Fund. The source of this fund is bond funds. As such, a transfer from the Works of Art Special Fund to the general fund would be inappropriate.

When the Fiscal Year 2011 Executive Supplemental Budget was submitted, the Administration submitted a proposal to transfer a total of \$10,000,000 from certain special and revolving funds to the general fund. This action was critical to achieving positive general fund balances at the end of Fiscal Years 2010 and 2011.

We recognize that such transfers are needed to assist in addressing the severe budget shortfall facing the State and ensuring that the State is operating within a balanced budget. Attached for your consideration is a summary of the proposed transfers and impact information compiled from the affected agencies.

Attachment

SB 2695, SD1, Proposed HD1
TRANSFER OF NON-GENERAL FUNDS TO THE GENERAL FUND

Section	Dept	Fund Name	Amount		AG review	Comments
			Proposed	Dept Recommend		
6	AGR	Agriculture Reserve Fund	500,000	0	Against	Forthcoming. DOA to testify.
7	AGR	Agricultural Loan Revolving Fund	1,000,000	0	Against	Forthcoming. DOA to testify.
8	AGR	Agricultural Park Special Fund	200,000	0	Against	Forthcoming. DOA to testify.
2	AGS	State Motor Pool Revolving Fund	500,000	500,000		Motor Pool program has reimbursed the Federal Government \$157,000 for a past monetary transfer to the state general fund. The Federal Department of Health and Human Services Division of Cost Allocation continues to monitor program for monetary transfers into the State General Fund, which they deem inappropriate. Increasing the amount of transfer from the motor pool revolving fund by \$ 1 million will negatively impact the program's ability to replace approximately 50 cars with age in excess of seven years (program objective) thereby increasing the operating cost of the fleet. Currently, the program has approximately 80 vehicles which need to be replaced. The inability to replace old vehicles in the fleet will result in health and safety issues along with continued federal monitoring (as a result of a reimbursement for past transfers to the general fund).
3	AGS	State Risk Management Revolving Fund	1,000,000	1,000,000	Check sources	Increasing the amount of transfer by \$ 1 million for a total of \$ 2 million will erode the fund by approximately 10% and negatively impact the program's ability to fund catastrophic claims (i.e. hurricanes, earthquakes, and tsunamis).
26	AGS	Works of Art Special Fund	2,000,000			Transfer of funds from the works of art special fund could affect the tax exempt status of the general obligation bonds. The AG has provided written documentation in 2009 when the legislature was considering transferring funds from the works of art special fund to the general fund. Loss of tax exempt status on the general obligation bonds would have significant negative on the State's future ability to issue these bonds.
4	ATG	Medicaid Investigations Recovery Fund	1,500,000	1,500,000	OK	No comments or concerns.
9	BED	Aloha Tower Special Fund	750,000	0	Against	See attached testimony from Aloha Tower Development Corp.
12	BED	Convention Center Enterprise Special Fund	2,000,000	0	Against	See attached testimony from Hawaii Tourism Authority.
17	BED	High Technology Special Fund	500,000	0	Against	See attached testimony from High Technology Development Corporation.
10	HTH	Clean Air Special Fund	5,000,000	0		Oppose. Against federal law.
11	HTH	Community Health Centers Special Fund	1,000,000	0		Oppose. Federally Qualified Health Centers ("FQHC's) provide comprehensive primary care and preventive care, including health, oral, and mental health/substance abuse services to persons of all ages, regardless of their ability to pay. Due to the severe economic recession facing the State, FQHCs have seen an unprecedented increase in uninsured clients which is currently running at 10% of their patient populations across health centers. The increase in client load is taxing the operational capacity of these organizations. This measure is proposing to substantially reduce revenues to FQHCs at a time when they need it the most to serve more of Hawaii's vulnerable populations.
13	HTH	Drinking Water Treatment Revolving Loan Fund	2,000,000	0		Oppose. Against federal law.
14	HTH	Emergency Medical Services Special Fund	6,000,000	0		Oppose. Any reduction in current funding stream will reduce 911 services as well as ambulance services statewide. Note also that HB 2542 HD1 SD1 proposes to change the cigarette tax rate and keep it flat thereby reducing the revenues for this fund.
15	HTH	Environmental Management Special Fund	1,000,000	0		Oppose. Program will not have sufficient funds to operate. Note that Act 79/09 transferred \$1 million to the general fund on June 1, 2009.
18	HTH	Neurotrauma Special Fund	750,000	1,000,000	Check sources	Program requires \$1,000,000 in reserves to maintain sufficient operating cashflow. Note that HB 2542 HD1 SD1 also proposes to transfer \$1,000,000 from this fund to the general fund. Note also that Act 79/09 transferred \$750,000 to the general fund on June 1, 2009.
21	HTH	Trauma System Special Fund	1,000,000	0		Oppose. Any reduction in current funding stream will reduce services. Note that HB 2542 HD1 SD1 proposes to change the cigarette tax rate and keep it flat thereby decreasing the revenues for this fund.

SB 2695, SD1, Proposed HD1
TRANSFER OF NON-GENERAL FUNDS TO THE GENERAL FUND

Section	Dept	Fund Name	Amount		AG review	Comments
			Proposed	Dept Recommend		
24	HTH	Vital Statistics Improvement Special Fund	500,000	0		Oppose. Any reduction in current funding stream will severely impact program operations. Note that Act 162/09 changed the MOF for \$340,143 for FY 10 and \$100,544 for FY 11 in general fund operating for OHSM to special funds. Note also that this act reduced \$120,000 for FYs 10 and 11 for Health Surveillance activities.
25	HTH	Water Pollution Control Revolving Fund	10,000,000	0		Oppose. Against federal law.
20	UOH	Systemwide Information Technology Services Special Fund	750,000	0		See UOH attachment.
5	UOH	Housing Assistance Revolving Fund	2,000,000	0		See UOH attachment.
16	UOH	Hawaii Cancer Research Special Fund	15,000,000	0		See UOH attachment.
19	UOH	University of Hawaii Research and Training Revolving Fund	10,000,000	0	OK	See UOH attachment.
22	UOH	Tuition and Fee Special Fund	20,000,000	0		See UOH attachment.
23	UOH	University Revenue-Undertakings Fund	11,000,000	0	OK	See UOH attachment.



ALOHA TOWER DEVELOPMENT CORPORATION

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LINDA LINGLE
Governor
SIDNEY A. QUINTAL
Chairperson
SANDRA PFUND
Chief Executive Officer

Statement of
Sandra Pfund
Chief Executive Officer
Aloha Tower Development Corporation
before the
Committee on

FINANCE
Monday, March 29, 2010
7:00 p.m.
State Capitol, Conference Room 308
in consideration of

SB 2695, SD1, Proposed HD1 RELATING TO NON-GENERAL FUNDS

Chair Oshiro, Vice-Chair Lee and Members of the House Committee on Finance.

The Aloha Tower Development Corporation ("ATDC") opposes this measure with respect to the transfer of \$750,000 from the Aloha Tower Fund to the general fund.

This proposed draft states the Legislature determines there is in the Aloha Tower Fund at least \$750,000 in excess of the requirements of the fund. ATDC respectfully disagrees with this conclusion. As of February 28, 2010, the Aloha Tower Fund's balance was \$3,007,166. The pending emergency appropriation provided in SB2676, SD1 to pay a one-time \$1,550,000 settlement payment to Kenneth H. Hughes, Inc. is approved and the Aloha Tower Fund will be reduced to approximately \$700,000 upon the proposed taking under this measure.

Given the poor economy, the ATDC is concerned that the Aloha Tower Marketplace may need assistance to protect its continued viability. ATDC is depending on this fund for short-term needs until the economy improves.

Furthermore, the ATDC Board of Directors will be voting on the final draft of ATDC's Strategic Plan and Development Framework on Wednesday, March 31, 2010. This plan outlines several short and long-term development concepts that will require funds to conduct feasibility studies to further explore the costs and complexities involved in implementing these ideas.

Any transfer of funds from the Aloha Tower Fund will severely impact ATDC's ability to effectuate its statutorily defined mandates.

Thank you for the opportunity to testify on this measure.



Hawai'i Tourism Authority

Hawai'i Convention Center, 1801 Kalākaua Avenue, Honolulu, Hawai'i 96815
Website: www.hawaiitourismauthority.org

LINDA LINGLE
Governor

MIKE MCCARTNEY
President and
Chief Executive Officer

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Testimony of
Mike McCartney
President and Chief Executive Officer
Hawai'i Tourism Authority

on
S.B. 2695, S.D. 1, Proposed H.D. 1
Relating to Non-general Funds

House Committee on Finance
Monday, March 29, 2010
7:00 p.m.
Conference Room 308

The Hawai'i Tourism Authority (HTA) opposes SECTION 12 of S.B. 2695, S.D. 1, Proposed H.D. 1, which declares that there is \$2,000,000 in the Convention Center Enterprise Special Fund that is in excess of the requirements of the Fund.

Monies that are deposited into the Convention Center Enterprise Special Fund (CCESF) include 17.3 percent of TAT revenues up to \$33 million and revenues derived from the operations of the Hawaii Convention Center (HCC). These funds are used for:

- The payment of any and all debt service relating to the Convention Center, which amounts to approximately \$26.43 million annually;
- All expenses arising from the operation and maintenance of the Center, including food and beverage service, labor, parking service, and other costs arising from conferences, conventions, and events at the Center; and,
- Major repair and maintenance of the Convention Center.

After accounting for the payment of debt service and budgeted expenditures, the CCESF maintains an unencumbered reserve of \$3.979 million to cover operational losses of the Convention Center, and the costs related to unanticipated events. Moreover, the reserve is also relied upon to cover expenses if actual TAT revenue collections are less than the \$33 million "cap" each year, or to cover those months when the CCESF does not receive any TAT revenues. The TAT is deposited into the CCESF on a calendar year basis. When the \$33 million limit is reached, TAT revenues are not deposited into the Fund for the remainder of the calendar year. For example, in 2009, revenues were not deposited into the fund during the months of November and December, because the \$33 million cap was reached. The monies kept in reserve were used during these two months to cover operational costs.

Because of the current fiscal environment, bookings at the HCC have been lower than projected. As a result, the operating revenues have not kept pace with the operating and marketing expenses. Further, if any unexpected bookings occur within the fiscal year, the Convention Center operator will encounter unbudgeted food and beverage expenses, for which the reserve funds are utilized.

More importantly, we also anticipate that the APEC meeting in November 2011 will require additional funds to accommodate the needs of this event. We anticipate that the reserve funds will be necessary to cover the significant operating expenses of that meeting.

We, therefore, request that SECTION 12 of the bill be deleted. Thank you for the opportunity to comment on this measure.

Written Statement of
YUKA NAGASHIMA
Executive Director & CEO
High Technology Development Corporation
before the
SENATE COMMITTEE ON WAYS AND MEANS
Wednesday, March 31, 2010
9:30 AM
State Capitol, Conference Room 211

In consideration of
HB2698 HD2 SD1 RELATING TO TECHNOLOGY.

Chair Mercado Kim, Vice Chair Tsutsui, and Members of the Senate Committee on Ways and Means

The High Technology Development Corporation (HTDC) recognizes the significance of the role of ubiquitous broadband in Hawaii and for its economic development and offers comments on HB 2698 HD2 SD1.

HTDC recognizes that there are several bills that address the needs outlined by the Broadband Task Force this session, as well as HB984 HD4 SD1 CD1 from 2009 session. The difference in funding source should not be the only issue. There are also various versions of the broadband bills from the last session (including SB1680 and SB895) from which we can extract ideas. While HTDC recognizes that last year's HB984 HD4 SD1 CD1 still alive is the most comprehensive, we are concerned about the safe passage of any broadband bill that address a streamlined structure that reflect broadband deployment is a priority for this community. The most comprehensive bill was also the most controversial with several industry members wanting to investigate and explore various sections of the bill further. HTDC believes it is better to pass a smaller, less comprehensive version this year. The concern stems from the fact that broadband is one of the key topics the economic stimulus package features via American Recovery and Reinvestment Act (ARRA) grants and projects, as well as a priority for private sector entities such as Google with its "Fiber to the Home" request for information that various counties in Hawaii will be filing applications for. Hawaii entities have a better chance of winning these awards if the State government's interest in and support of broadband are reflected in our policies. HTDC would like one of the broadband bills under consideration to be passed this session as there is immediate need to acknowledge the restructuring of how broadband is treated in Hawaii.

HTDC supports the section of HB 2698 HD2 SD1 which establishes a **work group to develop procedures for streamlined permitting functions** applicable to development of broadband services or technology, as the State has been often criticized for unnecessary bureaucracy with respect to permitting that gets in the way of businesses. As seen in court battles from the 1990s, issue of open access and broadband has been a hot topic which required government intervention, as broadband is now the utility of the 21st century. The state of Hawaii has one of the most liberal telecommunication

laws. We have an obligation to leverage it and to ensure that Hawaii does not become a "fly over state" in terms of broadband. To pursue that goal, the State requires a dedicated committee to discuss and implement broadband policies and initiatives recommended by the State's Broadband Task Force and according to best practices considered by other states, and nations, such as studies by Intelligent Community Forum and The Information Technology and Innovation Foundation, all outlining how broadband is one of the fundamental utilities to establish an innovation-based economy.

However, **HTDC has concerns regarding telework promotion (440G-A (1))**, as it is not clear what the definition or goal of telework promotion is. HTDC recommends that if telework promotion has to do with encouraging the public to telecommute in the private sector, it should not be mandated via this bill. Given limited (and reduced) government resources, the State should not be directing resources to educate the public where the public is perhaps more aware of telecommuting and telework opportunities. This area can be addressed by trusting the market to make the most optimal solutions. HTDC would prefer to see the State's limited resources focus on the core broadband issues to enrich its broadband infrastructure and its policies, without which any promotion of telework would be deemed irrelevant (for lack of stable and inexpensive broadband options to facilitate telework).

Thank you for the opportunity to submit testimony.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Finance
March 29, 2010 at 7:00pm
by
MRC Greenwood
President, University of Hawai'i

SB 2695 SD1 Proposed HD1 – RELATING TO NON-GENERAL FUNDS

Chair Oshiro, Vice Chair Lee and Members of the Committee:

Aloha. Thank you for your previous support and for the opportunity to provide testimony on this measure.

The University of Hawai'i strongly opposes this bill.

INTRODUCTION

The University has already endured \$98 million in reductions to its general funds in the current fiscal year, and in the executive budget proposal for the supplemental budget year beginning July 1, 2010 that reduction is further increased to \$100 million, which represents more than a 21% decrease to our general funds. The previous reductions have impacted the University's ability to deliver academic programs by restricting the filling of positions, reducing class offerings, and increasing class sizes. A significant number of lecturers have not been renewed even as we serve the largest number of students in the university's history. Other critical program areas, such as financial aid and student services, have also been adversely impacted. All our state-funded employees are taking pay cuts and we have reduced our workforce in a number of areas. We have also improved efficiency with added electronic services. Campuses have been closed for the winter holidays and spring break, reducing utility costs for those periods of time. Despite the severe impact on our budget, we have worked diligently to minimize the impact on students, without interruption to instructional days, and we are committed to dealing with the increased levels of enrollment resulting from the economic crisis.

The Finance Committee has already proposed, in the House version of the Budget Bill, HB 2200 HD1, an additional \$10 million reduction. This would amount to a total \$110 million in cuts for next year, a reduction of more than 23% in our general funds. At a time when we are experiencing record enrollment with 58,000 students last fall — 8,000 additional students in the last two years alone — this additional reduction will

require more drastic measures that will impact students, other constituents and the state's economy.

Now, with the proposed HD1 of SB 2695, \$58,750,000 of the University's special and revolving funds would be taken from the University and transferred to the state's general fund to fund its budget deficit. As I've stated previously, the University should be part of the solution to this economic crisis, and we have been striving to be such. However, these additional cuts would have a crippling effect and send a chilling message regarding the role and priority of public higher education in the minds of the Legislature. The \$100 million reduction to the University reflects an across-the-board cut, compared to other state agencies. Then we were given an additional \$10 million cut proposed by the House, while many other state agencies received relief from the executive budget reductions. Now add to that almost \$59 million in additional fund cuts to the University, which represents more than 60 percent of the cuts to all state agencies proposed in this bill. If this measure passes this committee, the message is clear: Public higher education is not a priority for the State of Hawai'i.

In the following parts of this testimony, we address the specific University of Hawai'i funds affected by the proposed HD1 of SB2695 and the impact of the proposed cuts — and I have many colleagues here today who can explain these devastating impacts in more detail. But I want to stress that all of these funds represent integral parts of the operations of the University — tuition, research, revenue-generating operations, information technology, and faculty housing. Taking these funds directly affects the overall University's operations. These funds were to be used to help deal with the reduction in general funds by the legislature and governor. Now, not only is that reduction greater, but these funds are being taken away, which would create deficits in these operations as well. This may need to be made up for with general funds from other parts of the University's operations, by more draconian cuts or by increasing tuitions further, which would place an additional financial burden on students and their families at a time when they can least afford it. Thus far, the University has managed to navigate this economic storm without reducing instructional time. Taking these special and revolving funds to address the state's budget deficit not only is counterproductive, but also sends the wrong message.

Let us envision the scenario that could result from the proposed additional cuts: The progress with the Cancer Research Center ceases and Hawai'i loses this life-saving effort for the people of Hawai'i; Hawai'i's students no longer have the option of attending a major public research university in Hawai'i and must go to the mainland; fewer students select UH as budget cuts erode the learning experience they need and deserve; the research generation of UH drops sharply because the practice of taking research and training support to meet state budget shortfalls drives away the faculty generating such income, curtails the generation of new grants requiring matching RTRF funds and reduces start-up packages needed to hire new research faculty; no longer do up to 20 percent of alumni give to an institution that the State fails to support; and the list goes on.

The University system is making changes to accomplish its mission. These changes are not easy, but we are committed to making steady progress. The University serves the State of Hawai'i well in many ways and has the potential to do even more. But cuts such as these truly push the University past the tipping point. Such a decision would be damaging to Hawai'i now and well into the future. We urge you not to make such a decision.

TUITION AND FEES SPECIAL FUND

Tuition and fees special funds are a major portion of the University's operating funds. Per statute (304A-2153, HRS), the funds are used to maintain or improve the University's programs and operations. These funds are especially critical to us now due to the proposed \$110 million reduction in our General Fund appropriation, with the Tuition and Fees Special Fund earmarked to cover a portion of the shortfall. The proposed HD1 of SB 2695 would take \$20 million of these funds and move them to the state's general fund creating a severe crisis for the University.

It should also be noted that a portion of the tuition and fees special fund balances are held by Outreach College, for revenues and expenditures for all Outreach credit program activities (Summer Session, Extension, Evening & Weekend and Off-island credit course offerings). A significant portion of the accrued balance is reserved for sponsor use. Sponsors (University of Hawai'i departments) that run programs through Outreach College are able to retain a portion of their revenue in accounts maintained by Outreach College. These funds are available to the sponsors for their use in offering future programs/courses.

Deposits to the Tuition and Fees special fund are comprised of tuition, fees, and other credit course-related charges paid by students, and as such the funds should be used for the benefit of the University of Hawai'i students. It is not right or fair for them to pay tuition and have those dollars not stay at the University for purposes of funding their education but instead be used to fund the state budget deficit. This would be even more unfair if it caused the University to have to further raise tuition.

We understand and empathize with the difficult decisions the legislature has to make but this action would be tantamount to a decision that the State of Hawai'i cannot support a public research 1 university — UH Mānoa — for its citizens. A major portion of these budget reductions will affect UH Mānoa, Hawai'i's only research 1 university, which serves as a major generator of educated citizens, professionals, new knowledge, jobs and resources for Hawai'i. Even considering an additional reduction at this point, on top of a \$66M cut in general funds for Mānoa alone, sends a clear and chilling message to current and future students, faculty, staff, alumni and friends. UH Mānoa is still struggling to meet the current budget reduction — an action that has consumed all of its tuition increases, resulted in 370 fewer faculty and staff 9 percent fewer classes, and significant reductions in services for the campus and the community.

Other potential impacts to UH Hilo, UH West Oahu, and our seven community college campuses, as well as Mānoa, from sweeping tuition and fees special funds include:

- Further reductions in the level of instruction, student support services and other services beyond the reductions already made. Reductions in services to students, such as counseling, tutoring, advising, financial aid and other support services, would negatively impact the ability of students to succeed and finish school. It takes a combination of all of these programs to make the college experience a productive, positive one for students. Students pay their tuition expecting a certain level of instruction and services.
- Possible reductions in library hours that impact our students and our community.
- Possible employee layoffs in all categories.
- Possible increases in future tuition that would be higher than expected to offset this cut, creating a spiral effect of having many potential students either choose not to go to college or to go to mainland colleges.
- Possible reductions in financial aid and scholarship awards to our students, as those awards are fully funded by tuition.
- Potentially fewer courses could be offered per semester, reducing the ability for our students to get the classes that they need. This will negatively impact our retention and graduation rates.
- Negative impacts on our ability to provide security and maintain health and safety standards for our campus, creating liability for the university and for our faculty, staff, and students. This would be reflected in cuts to janitorial services, maintenance, security, and health and safety departments.
- Reductions in our student workers. In some cases, these jobs are the only source of income for our students. This, again, could cause students to drop out of school due to lack of this assistance.
- Cuts in mental health and other health services to our students, which would put more pressure on other state agencies.
- Possible reductions in programs that provide outreach to the community.

Further, at the Community Colleges we have experienced an unprecedented growth of 8,000 students in the past two years. Most of these students are adults over the age of 25 who have been hit hard by the recession and are turning to education as a means to increase their qualifications for living wage jobs. The colleges have accommodated these students by adding classes and the tuition revenue is funding the costs for these additional classes. We expect the enrollment to stay high and perhaps grow even further next year and we are totally dependent on the tuition revenue to meet this demand. Sweeping the tuition revenue into the state's general fund is essentially taxing these students to meet other State needs.

We have been doing our part to be part of the solution to the State's economic woes. Having UH pay more than our share of the state problem, especially from tuition paid by students is bad for the state and not fair to our students. It is indeed deeply troubling that this measure proposes to take fees and tuition funds that students have paid for specific purposes and from which we have provided financial aid including scholarships, to fund the state's budget deficit and pay for costs of other state agencies. Many

students borrowed money to pay these fees and tuition. In other areas, the students have 'taxed' themselves to pay for specific services, like the bus passes and health services, that are specific to meet student needs. We committed to use those funds to meet those needs. Any other use of these funds does not serve students in any way.

CANCER RESEARCH SPECIAL FUND

The mission of the Cancer Research Center of Hawai'i is to reduce the burden of cancer through research, education, and service with an emphasis on the unique ethnic, cultural, and environmental characteristics of Hawai'i and the Pacific. The bulk of the cash balances for this fund are needed for the new cancer center facility development costs.

We have developed an unprecedented partnership which, working together, is prepared to break ground on this life saving facility in late summer or early fall.

The proposed HD of SB 2695 would take \$15 million funds from this special fund and sweep it into the state general fund. If these funds are swept, construction of the new facility would have to be put on hold, at a time when the costs of construction are unusually low compared to past years. We cannot predict how long the cost of construction will remain low and, if it increases, we may not be able to afford a new cancer center.

Holding the construction of the Cancer Center would postpone or eliminate the boost that the construction phase would bring the local economy (over 300 new jobs in the local construction industry). Plans for a clinical research component which would bring the latest cancer treatments to Hawai'i would also be adversely impacted. CRCH would not be able to support the commitments made to faculty for their research support needs. Breaking start-up funding commitments could potentially result in legal issues, as the commitments were made in offer letters to faculty under recruitment. In addition to potential legal issues, failure to support research commitments would result in laying off research staff and would effectively stop the positive momentum that led to the formation of a Consortium with QMC, HPH and Kuakini. This Consortium will allow us (CRCH, HPH and QMC) to expand the clinical trials we can offer to Hawai'i cancer patients and reduce the need for them to travel to the mainland for treatment.

These funds are required for current and future commitments to support research efforts towards achieving the Center's mission. National Cancer Institute (NCI) officials have advised us that we need to significantly expand our faculty in the very immediate future to remain competitive as a National Cancer Institute-designated cancer research center and to keep the NCI grant that comes with that designation. Active recruitment in response to the NCI request is ongoing: if funds are swept, we would have to halt the recruitment and with that we would inevitably lose NCI designation. NCI designation is key to the consortium partnership formed with QMC, HPH and Kuakini and the whole consortium would rapidly collapse. Ultimately cancer patients in Hawai'i would have paid the highest price.

UNIVERSITY REVENUE-UNDERTAKINGS FUND

The proposed HD1 of SB 2695 would take \$11 million from the University Revenue-Undertakings Fund. These are funds that provide collateral for our revenue bonds. Investors in these bonds relied upon the University maintaining reserves in these funds for repayment of the bonds in their decisions to purchase the bonds. Sweeping these funds could have serious consequences regarding bond covenants, as well as negative impact on bond ratings and future ability to sell bonds and the interest rates on those bonds.

The fund is comprised of revenue-generating and self-supporting University Bond System projects. The fund includes operating accounts, and major and ordinary repair and replacement accounts. Projects include the Bookstore, Faculty Housing, Food Services, UHM Parking, Student Housing, Telecommunications, and the Campus Center.

Balances for these funds are required for Working Capital. For example, the Bookstore requires a working capital reserve equal to six months operating expenses and Cost of Goods Sold. If these funds are not available, it would lead to an inability to purchase goods for resale.

As part of the University Bond System, executive policy requires an annual transfer of 50% of asset depreciation be set aside for repair and replacement projects. Also, pursuant to bond covenants, the bond system is required to maintain reserves for all outstanding bond system debt. Reserves are also required for major projects, such as the establishment of telecommunications capability in the new ITS building, design of Phase II of the Campus Center expansion, and furniture and equipment for the Campus Center Renovation.

Sweeping of these funds would severely impact campus operations. The Bookstore would be unable to provide students with necessary books and supplies on a timely basis for use in their academic studies. Essential support services, such as network connectivity, email, voice/data service, online registration and distance learning opportunities, would be severely impacted. Investment in infrastructure improvements could not be made. Student Housing renovations would be adversely impacted. Annual debt service requirements or OHA Ceded Lands payments may also not be met.

UNIVERSITY OF HAWAII RESEARCH AND TRAINING REVOLVING FUND

The proposed HD1 of SB 2695 would sweep \$10 million of Research and Training Revolving fund monies into the state general fund to offset the state's budget deficit.

The Research and Training funds are used to support the research mission of the university. The funds are to be used for purposes that result in additional research and training grants and contracts, and for facilitating research and training at the University. These funds are used (1) to recruit and support top researchers; (2) for administrative support (i.e. fiscal, HR, compliance, etc.) for extramural contracts and grants; (3) to

repair, replace, maintain, upgrade scientific equipment and facilities for continued research; (4) for mandatory matching for extramural contracts and grants; (5) for research projects; (6) for funding of graduate students; and (7) for working capital.

Additionally, an estimated \$1,500,000 is needed for the next 15 years for revenue bond payments for the Biomedical Sciences Building addition. The addition is needed to increase research space at the University which will increase research dollars. Funds have also been committed to several initiatives to expand the research programs at the University. These include committing start up funding or to supplement cost matching for new research programs such as the Applied Research Lab and Center of Excellence, as well as to build a Regional Bio-containment Laboratory facility. Such investments are needed to aid the future growth of the research enterprise. A sweep would seriously jeopardize commitments made to sponsors to share in the costs of these new ventures. In addition, funds are required to pay the RCUH management fee for the rest of the year and any unforeseen expenses of ORS, which are both essential to management of the research enterprise.

If balances are swept, (1) it will significantly reduce the University's ability to recruit and retain new and competitive researchers; (2) we will be unable to meet ongoing obligations to fund start-up or required matching for grants for researchers, especially those hired in the last 3-5 years; (3) federal research dollars flowing to UH will decrease; (4) we will not be able to continue to maintain and operate scientific equipment and facilities; (5) working capital requirements for utilities, repairs, etc. cannot be met; and (6) we will be vulnerable to legal action from our inability to meet prior commitments/obligations.

As an example of this, last year the legislature swept \$5.1 million of these funds from the University. This left the University with \$5.1 million in prior obligations that it could not honor. As a result, we are unable to use these funds, as was planned, to implement the Office of Mauna Kea Management's Comprehensive Management Plan, which is required by law. This jeopardizes the University's efforts to secure the Thirty Meter Telescope project which is estimated to bring in \$1.2 billion in construction to the State's economy.

UNIVERSITY OF HAWAII HOUSING ASSISTANCE REVOLVING FUND

The purpose of the University of Hawai'i Housing Assistance Revolving Fund (HARF) is to provide financial assistance and rental housing units to faculty and staff of the University of Hawai'i. This is crucial for the recruitment and retention of the qualified faculty required in order for the University to continue to be the global university system that the state needs it to be.

As reported to your committee in the University's budget briefing, as of November 2009, there was \$4,590,642 in the HARF. These funds support two primary functions: 1) the operations of the Kau'iokahaloa Iki (K-Iki) faculty housing facility and 2) providing funds to assist faculty in financing the purchase of housing. The proposed HD1 to SB 2695

would take \$2,000,000 of these funds; nearly half of the balance, and sweep it into the state general fund.

K-Iki

The funds for operating K-Iki consist of 3 accounts totaling \$2,474,775 as of November 2009. The State Real Estate Commission requires a Condominium Maintenance Fee Reserve equal to 100% of estimated replacement costs of the cash flow plan approved by the commission, which will need to be \$2,081,200 by fiscal year 2015. At this point there is only \$1,186,141 in this account, which also funds annual repairs and replacements of furniture and equipment. In addition, a reserve of \$600,000 is required to repurchase one remaining K-Iki unit which is currently owned by a faculty member. In the past year, one unit was repurchased by the UH for \$648,000, leaving only one unit not owned by the University. After these two requirements, the remaining \$688,000 is needed to fund the operating expenses of K-Iki.

Housing Assistance

In the past year, the University implemented a program to assist faculty in financing the purchase of housing. \$1.5 million was expended to fund this program, which has been very well received by the faculty. With the success of this program, the balance of \$2,115,868 for this purpose is critical for the continuation and expansion of the program. Especially in these difficult economic times, this program, which provides funds to guarantee loans by high performing faculty is critical for the recruitment and retention of highly qualified faculty to achieve the goals for increasing the number of educated citizens in the state of Hawai'i, contributing to the workforce and the economy, and advancing the University of Hawai'i's reputation for excellence and its ability to build the state's capacity as set forth in President MRC Greenwood's state of the University address.

In summary, taking funds from the Housing Assistance Revolving Fund would severely impair the Faculty Housing Program's ability to be self-sustaining. It would cripple the Faculty Housing Program's ability to meet its immediate financial obligations, such as property management fees, routine maintenance costs, and utilities, placing its financial health in jeopardy. Deferring repair and replacement projects would end up costing the University more in the long-run and would likely create safety issues. Terminating the mortgage assistance guarantee program would severely hamper the University's efforts to recruit and retain qualified faculty and staff.

We ask you not to take these critical funds from the University of Hawai'i.

INFORMATION TECHNOLOGY AND SERVICES SPECIAL FUND

Per statute (304A-2154, HRS), monies in the Information Technology and Services special fund are to be used "in support of systemwide information technology and services including personnel, equipment costs, and other expenses, as well as

planning, design, and implementation of information technology infrastructure within the University".

HD1 proposes to sweep \$750,000 from the UH Information Technology and Services Special Fund into the state general fund. This would have disastrous consequences for a number of program activities this fund supports. This fund balance enables UH to site-license or bulk-license software at heavily discounted prices and then share these reduced costs among participating campuses, units and departments throughout the UH System. Without the funds to purchase software up-front, programs and units would have to directly buy from vendors without the benefit of discounted or site license pricing. This program also supports the systemwide licensing of security software for all UH student, faculty and staff computers throughout the UH System on all campuses and islands. Security software is made available at no direct cost in order to maximally protect members of the UH community and our campuses from viruses and spyware that can damage operations and threaten their personal information. Funds generated through the provision of IT Services and deposited in this fund are also used as matching funds for federal grants to support UH IT infrastructure and services. Accordingly, sweeping these funds would have significant negative impact on our entrepreneurial initiatives to obtain federal support to replace diminishing state resources. Investments from this fund have also supported expansion in videoconferencing equipment to support distance learning for neighbor island students and reduce travel by faculty and staff. Overall, this action would send a clear message that the State penalizes responsible multi-year financial planning rather than encouraging such behavior.

CONCLUSION

Special and Revolving funds are an essential part of the University's operating funds. In addition, they are required for specific purposes and, as described above, are obligated and earmarked for those purposes.

UH is an economic driver to the state of Hawai'i; additional cuts will have negative ripple effects and create a worsening economic condition. UH can help to stimulate the economy, but not if these cuts cripple us, preventing us from helping the state recover and making the recovery longer than it would otherwise be.

Taking these funds from the University to fund the state's budget deficit in addition to the already onerous \$110 million in reductions proposed by the House draft budget would send an extremely negative message to everyone in the state as to the Legislature's decision regarding the priority of public higher education. We urge you not to make such a decision.

Thank you for the opportunity to provide this testimony.

LINDA LINGLE
GOVERNOR



RUSS K. SAITO
Comptroller

Sandra L. Yahiro
Deputy Comptroller

**STATE OF HAWAII
DEPARTMENT OF ACCOUNTING
AND GENERAL SERVICES
P.O. BOX 119
HONOLULU, HAWAII 96810-0119**

**TESTIMONY
OF
RUSS K. SAITO, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
HOUSE COMMITTEE
ON
FINANCE
ON
March 29, 2010**

S.B. 2695, S.D. 1, Proposed H.D. 1

RELATING TO NON-GENERAL FUNDS.

Chair Oshiro and members of the Committee, thank you for the opportunity to testify on S.B. 2695, S.D. 1, Proposed H.D. 1.

We have strong concerns about Section 26 of this bill which proposes to transfer \$2 million from the Works of Art Special Fund to the general fund. During the 2009 legislative session a similar action was proposed and the Attorney General provided comment that such action could negatively impact the tax exempt status of the general obligation bonds. If the tax exempt status of the general obligation bonds were lost, that would negatively impact the State's ability to issue these bonds in the future.

Thank you for the opportunity to testify on this matter.

LINDA LINGLE
Governor



State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
Honolulu, Hawaii 96814-2512
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SANDRA LEE KUNIMOTO
Chairperson, Board of Agriculture

DUANE K. OKAMOTO
Deputy to the Chairperson

TESTIMONY OF SANDRA LEE KUNIMOTO
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE ON FINANCE
MONDAY, MARCH 29, 2010
7:00 P.M.
ROOM 308

SENATE BILL NO. 2695, SD1, PROPOSED HD1
RELATING TO NON-GENERAL FUNDS

Chairperson Oshiro and Members of the Committee:

The Department of Agriculture opposes Senate Bill 2695, SD1, Proposed HD1 specifically sections 7 and section 8. Our Deputy Attorney General has made a preliminary determination that the Hawaii Supreme Court decision in the *Hawaii Insurers Council v. Lingle* applies to the Agricultural Park Special fund, and that transfer of these particular funds to the general fund may constitute an unconstitutional tax by the legislature.

The Attorney General testified last year that in regards to the Agricultural Loan Revolving Fund that the discrete components of each fund would have to be analyzed to determine whether moneys derived from such components may be transferred to the General Fund. We are still waiting further clarification and analysis from our Deputy Attorney General on this.

Thank you for the opportunity to testify on this bill.



LINDA LINGLE
Governor

MIKE MCCARTNEY
President and
Chief Executive Officer

Hawai'i Tourism Authority

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Testimony of
Mike McCartney
President and Chief Executive Officer
Hawai'i Tourism Authority
on
S.B. 2695, S.D.1, Proposed H.D. 1
Relating to Non-general Funds

House Committee on Finance
Monday, March 29, 2010
7:00 p.m.
Conference Room 308

The Hawai'i Tourism Authority (HTA) opposes SECTION 12 of S.B. 2695, S.D. 1, Proposed H.D. 1, which declares that there is \$2,000,000 in the Convention Center Enterprise Special Fund that is in excess of the requirements of the Fund.

Monies that are deposited into the Convention Center Enterprise Special Fund (CCESF) include 17.3 percent of TAT revenues up to \$33 million and revenues derived from the operations of the Hawaii Convention Center (HCC). These funds are used for:

- The payment of any and all debt service relating to the Convention Center, which amounts to approximately \$26.43 million annually;
- All expenses arising from the operation and maintenance of the Center, including food and beverage service, labor, parking service, and other costs arising from conferences, conventions, and events at the Center; and,
- Major repair and maintenance of the Convention Center.

After accounting for the payment of debt service and budgeted expenditures, the CCESF maintains an unencumbered reserve of \$3.979 million to cover operational losses of the Convention Center, and the costs related to unanticipated events. Moreover, the reserve is also relied upon to cover expenses if actual TAT revenue collections are less than the \$33 million "cap" each year, or to cover those months when the CCESF does not receive any TAT revenues. The TAT is deposited into the CCESF on a calendar year basis. When the \$33 million limit is reached, TAT revenues are not deposited into the Fund for the remainder of the calendar year. For example, in 2009, revenues were not deposited into the fund during the months of November and December, because the \$33 million cap was reached. The monies kept in reserve were used during these two months to cover operational costs.

Because of the current fiscal environment, bookings at the HCC have been lower than projected. As a result, the operating revenues have not kept pace with the operating and marketing expenses. Further, if any unexpected bookings occur within the fiscal year, the Convention Center operator will encounter unbudgeted food and beverage expenses, for which the reserve funds are utilized.

More importantly, we also anticipate that the APEC meeting in November 2011 will require additional funds to accommodate the needs of this event. We anticipate that the reserve funds will be necessary to cover the significant operating expenses of that meeting.

We, therefore, request that SECTION 12 of the bill be deleted. Thank you for the opportunity to comment on this measure.

Statement of
YUKA NAGASHIMA
Executive Director & CEO
High Technology Development Corporation
before the
HOUSE COMMITTEE ON FINANCE
Monday, March 29, 2010
7:00 PM
State Capitol, Conference Room 308

In consideration of
SB 2695 SD1 PROPOSED HD1 RELATING TO NON-GENERAL FUNDS.

Chair Oshiro, Vice Chair Lee, and Members of the House Committee on Finance.

The High Technology Development Corporation (HTDC) opposes SB 2695 SD1, proposed HD1, specifically SECTION 17 which will transfer up to \$500,000 from the High Technology Special Fund on June 1, 2010.

The mission of HTDC is to facilitate the growth and development of the commercial high technology industry. Section 206M-15.5, HRS, provides that all moneys in the High Technology Special Fund be appropriated for the purposes of and be expended by HTDC for the operation, maintenance, and management of its industrial parks, projects, facilities, services, and publications, as well as pay the expenses in administering its special purpose revenue bonds or in carrying out its project agreements.

HTDC is opposed to SECTION 17 of the bill for the following reasons:

- The High Technology Special Fund consists primarily of collections from its incubation centers for the incubation program and building maintenance. It also consists of user fees, fees from consulting services performed by our Manufacturing Extension Partnership (MEP) program and workshops/conferences conducted by HTDC. Because MEP is a federally funded program, its revenues can only be used to fulfill MEP's program goals as approved by the federal review committee in MEP's operational plan. **The potential to significantly increase revenues from these sources are limited and not able to reinfuse sufficient amounts to build up the fund balance.**
- **HTDC's general fund appropriation has decreased since FY04 by approximately \$544,000**, thus increasing the long-term burden on the High Technology Special Fund to fund expenses and is projected to be a drain on the fund unless additional general funds are appropriated when the economy improves. The financial plan projection prepared in November 2009 for the fund anticipates the fund balance to decrease to

approximately \$345,600 by FY12-13 and continue to decline thereafter. The transfer of \$500,000 will drain the fund to be almost insolvent by the end of FY11-12.

- **Revenues are used to support 50 % of all non-federally funded positions and related fringe benefits** as well as general program expenses and administrative cost. Because all but two positions are exempt included positions, we have very little control over these bargaining unit determined cost; and therefore, we will not be able to reduce these expenditures further.
- Due to the impact of the depressed economy and large anchor tenants vacating the Maui Research & Technology Center (MRTC), HTDC has lower cash flow from rents and is subsidizing the common area maintenance expenses for the vacant spaces. **The current vacancy at MRTC is 42%, and the special fund is the only means currently to address this loss.**
- **The HTDC Special Fund is also a significant source to attract federal grants and to be used for grants' matching requirements.** Federal grants which require matching contributions need assurances that HTDC will have a sufficient balance in its funds to meet the matching requirement should the partnering organizations' commitments to meet the match not come through.
- **A portion of the cash balance is to fund anticipated future major building repairs and equipment purchases as the buildings age and CIP funds are not available for these purposes.**
- **The land lease HTDC has with the University of Hawaii for the Manoa Innovation Center (MIC) expires in 2015.** As rent revenue is the major source of funding for our operations, should the lease not be renewed and no new projects become available as HTDC's revenue source, the current special fund balance will only sustain HTDC operations for approximately 18 months.
- **HTDC operations and financial strategies have already been optimized and streamlined** since my arrival at HTDC, taking proactive budget restrictions, voluntarily reducing workforce, seeking federal grants to implement programs, etc., adding at least four more years on top of the forecast presented in 2006. No additional methods to reduce our expenditures exist to have our special fund balance last any longer.

In the event these funds are transferred to the general treasury, HTDC requests CIP funding to replace the air conditioning unit at MRTC and construct a secure and enclosed mechanical room structure to keep the unit impervious from the intense sun and salt environment and prolong its useful life. Estimated range in costs for the new turbo core chiller is \$500,000-\$600,000, and the enclosed mechanical room is \$250,000.

Thank you for the opportunity to submit testimony on this bill.



ALOHA TOWER DEVELOPMENT CORPORATION

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LINDA LINGLE
Governor
SIDNEY A. QUINTAL
Chairperson
SANDRA PFUND
Chief Executive Officer

Statement of
Sandra Pfund
Chief Executive Officer
Aloha Tower Development Corporation
before the
Committee on

FINANCE
Monday, March 29, 2010
7:00 p.m.
State Capitol, Conference Room 308
in consideration of

SB 2695, SD1, Proposed HD1 RELATING TO NON-GENERAL FUNDS

Chair Oshiro, Vice-Chair Lee and Members of the House Committee on Finance.

The Aloha Tower Development Corporation ("ATDC") opposes this measure with respect to the transfer of \$750,000 from the Aloha Tower Fund to the general fund.

This proposed draft states the Legislature determines there is in the Aloha Tower Fund at least \$750,000 in excess of the requirements of the fund. ATDC respectfully disagrees with this conclusion. As of February 28, 2010, the Aloha Tower Fund's balance was \$3,007,166. The pending emergency appropriation provided in SB2676, SD1 to pay a one-time \$1,550,000 settlement payment to Kenneth H. Hughes, Inc. is approved and the Aloha Tower Fund will be reduced to approximately \$700,000 upon the proposed taking under this measure.

Given the poor economy, the ATDC is concerned that the Aloha Tower Marketplace may need assistance to protect its continued viability. ATDC is depending on this fund for short-term needs until the economy improves.

Furthermore, the ATDC Board of Directors will be voting on the final draft of ATDC's Strategic Plan and Development Framework on Wednesday, March 31, 2010. This plan outlines several short and long-term development concepts that will require funds to conduct feasibility studies to further explore the costs and complexities involved in implementing these ideas.

Any transfer of funds from the Aloha Tower Fund will severely impact ATDC's ability to effectuate its statutorily defined mandates.

Thank you for the opportunity to testify on this measure.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Finance
March 29, 2010 at 7:00pm
by
MRC Greenwood
President, University of Hawai'i

SB 2695 SD1 Proposed HD1 – RELATING TO NON-GENERAL FUNDS

Chair Oshiro, Vice Chair Lee and Members of the Committee:

Aloha. Thank you for your previous support and for the opportunity to provide testimony on this measure.

The University of Hawai'i strongly opposes this bill.

INTRODUCTION

The University has already endured \$98 million in reductions to its general funds in the current fiscal year, and in the executive budget proposal for the supplemental budget year beginning July 1, 2010 that reduction is further increased to \$100 million, which represents more than a 21% decrease to our general funds. The previous reductions have impacted the University's ability to deliver academic programs by restricting the filling of positions, reducing class offerings, and increasing class sizes. A significant number of lecturers have not been renewed even as we serve the largest number of students in the university's history. Other critical program areas, such as financial aid and student services, have also been adversely impacted. All our state-funded employees are taking pay cuts and we have reduced our workforce in a number of areas. We have also improved efficiency with added electronic services. Campuses have been closed for the winter holidays and spring break, reducing utility costs for those periods of time. Despite the severe impact on our budget, we have worked diligently to minimize the impact on students, without interruption to instructional days, and we are committed to dealing with the increased levels of enrollment resulting from the economic crisis.

The Finance Committee has already proposed, in the House version of the Budget Bill, HB 2200 HD1, an additional \$10 million reduction. This would amount to a total \$110 million in cuts for next year, a reduction of more than 23% in our general funds. At a time when we are experiencing record enrollment with 58,000 students last fall — 8,000 additional students in the last two years alone — this additional reduction will

require more drastic measures that will impact students, other constituents and the state's economy.

Now, with the proposed HD1 of SB 2695, \$58,750,000 of the University's special and revolving funds would be taken from the University and transferred to the state's general fund to fund its budget deficit. As I've stated previously, the University should be part of the solution to this economic crisis, and we have been striving to be such. However, these additional cuts would have a crippling effect and send a chilling message regarding the role and priority of public higher education in the minds of the Legislature. The \$100 million reduction to the University reflects an across-the-board cut, compared to other state agencies. Then we were given an additional \$10 million cut proposed by the House, while many other state agencies received relief from the executive budget reductions. Now add to that almost \$59 million in additional fund cuts to the University, which represents more than 60 percent of the cuts to all state agencies proposed in this bill. If this measure passes this committee, the message is clear: Public higher education is not a priority for the State of Hawai'i.

In the following parts of this testimony, we address the specific University of Hawai'i funds affected by the proposed HD1 of SB2695 and the impact of the proposed cuts — and I have many colleagues here today who can explain these devastating impacts in more detail. But I want to stress that all of these funds represent integral parts of the operations of the University — tuition, research, revenue-generating operations, information technology, and faculty housing. Taking these funds directly affects the overall University's operations. These funds were to be used to help deal with the reduction in general funds by the legislature and governor. Now, not only is that reduction greater, but these funds are being taken away, which would create deficits in these operations as well. This may need to be made up for with general funds from other parts of the University's operations, by more draconian cuts or by increasing tuitions further, which would place an additional financial burden on students and their families at a time when they can least afford it. Thus far, the University has managed to navigate this economic storm without reducing instructional time. Taking these special and revolving funds to address the state's budget deficit not only is counterproductive, but also sends the wrong message.

Let us envision the scenario that could result from the proposed additional cuts: The progress with the Cancer Research Center ceases and Hawai'i loses this life-saving effort for the people of Hawai'i; Hawai'i's students no longer have the option of attending a major public research university in Hawai'i and must go to the mainland; fewer students select UH as budget cuts erode the learning experience they need and deserve; the research generation of UH drops sharply because the practice of taking research and training support to meet state budget shortfalls drives away the faculty generating such income, curtails the generation of new grants requiring matching RTRF funds and reduces start-up packages needed to hire new research faculty; no longer do up to 20 percent of alumni give to an institution that the State fails to support; and the list goes on.

The University system is making changes to accomplish its mission. These changes are not easy, but we are committed to making steady progress. The University serves the State of Hawai'i well in many ways and has the potential to do even more. But cuts such as these truly push the University past the tipping point. Such a decision would be damaging to Hawai'i now and well into the future. We urge you not to make such a decision.

TUITION AND FEES SPECIAL FUND

Tuition and fees special funds are a major portion of the University's operating funds. Per statute (304A-2153, HRS), the funds are used to maintain or improve the University's programs and operations. These funds are especially critical to us now due to the proposed \$110 million reduction in our General Fund appropriation, with the Tuition and Fees Special Fund earmarked to cover a portion of the shortfall. The proposed HD1 of SB 2695 would take \$20 million of these funds and move them to the state's general fund creating a severe crisis for the University.

It should also be noted that a portion of the tuition and fees special fund balances are held by Outreach College, for revenues and expenditures for all Outreach credit program activities (Summer Session, Extension, Evening & Weekend and Off-island credit course offerings). A significant portion of the accrued balance is reserved for sponsor use. Sponsors (University of Hawai'i departments) that run programs through Outreach College are able to retain a portion of their revenue in accounts maintained by Outreach College. These funds are available to the sponsors for their use in offering future programs/courses.

Deposits to the Tuition and Fees special fund are comprised of tuition, fees, and other credit course-related charges paid by students, and as such the funds should be used for the benefit of the University of Hawai'i students. It is not right or fair for them to pay tuition and have those dollars not stay at the University for purposes of funding their education but instead be used to fund the state budget deficit. This would be even more unfair if it caused the University to have to further raise tuition.

We understand and empathize with the difficult decisions the legislature has to make but this action would be tantamount to a decision that the State of Hawai'i cannot support a public research 1 university — UH Mānoa — for its citizens. A major portion of these budget reductions will affect UH Mānoa, Hawai'i's only research 1 university, which serves as a major generator of educated citizens, professionals, new knowledge, jobs and resources for Hawai'i. Even considering an additional reduction at this point, on top of a \$66M cut in general funds for Mānoa alone, sends a clear and chilling message to current and future students, faculty, staff, alumni and friends. UH Mānoa is still struggling to meet the current budget reduction — an action that has consumed all of its tuition increases, resulted in 370 fewer faculty and staff 9 percent fewer classes, and significant reductions in services for the campus and the community.

Other potential impacts to UH Hilo, UH West Oahu, and our seven community college campuses, as well as Mānoa, from sweeping tuition and fees special funds include:

- Further reductions in the level of instruction, student support services and other services beyond the reductions already made. Reductions in services to students, such as counseling, tutoring, advising, financial aid and other support services, would negatively impact the ability of students to succeed and finish school. It takes a combination of all of these programs to make the college experience a productive, positive one for students. Students pay their tuition expecting a certain level of instruction and services.
- Possible reductions in library hours that impact our students and our community.
- Possible employee layoffs in all categories.
- Possible increases in future tuition that would be higher than expected to offset this cut, creating a spiral effect of having many potential students either choose not to go to college or to go to mainland colleges.
- Possible reductions in financial aid and scholarship awards to our students, as those awards are fully funded by tuition.
- Potentially fewer courses could be offered per semester, reducing the ability for our students to get the classes that they need. This will negatively impact our retention and graduation rates.
- Negative impacts on our ability to provide security and maintain health and safety standards for our campus, creating liability for the university and for our faculty, staff, and students. This would be reflected in cuts to janitorial services, maintenance, security, and health and safety departments.
- Reductions in our student workers. In some cases, these jobs are the only source of income for our students. This, again, could cause students to drop out of school due to lack of this assistance.
- Cuts in mental health and other health services to our students, which would put more pressure on other state agencies.
- Possible reductions in programs that provide outreach to the community.

Further, at the Community Colleges we have experienced an unprecedented growth of 8,000 students in the past two years. Most of these students are adults over the age of 25 who have been hit hard by the recession and are turning to education as a means to increase their qualifications for living wage jobs. The colleges have accommodated these students by adding classes and the tuition revenue is funding the costs for these additional classes. We expect the enrollment to stay high and perhaps grow even further next year and we are totally dependent on the tuition revenue to meet this demand. Sweeping the tuition revenue into the state's general fund is essentially taxing these students to meet other State needs.

We have been doing our part to be part of the solution to the State's economic woes. Having UH pay more than our share of the state problem, especially from tuitions paid by students is bad for the state and not fair to our students. It is indeed deeply troubling that this measure proposes to take fees and tuition funds that students have paid for specific purposes and from which we have provided financial aid including scholarships, to fund the state's budget deficit and pay for costs of other state agencies. Many

students borrowed money to pay these fees and tuition. In other areas, the students have 'taxed' themselves to pay for specific services, like the bus passes and health services, that are specific to meet student needs. We committed to use those funds to meet those needs. Any other use of these funds does not serve students in any way.

CANCER RESEARCH SPECIAL FUND

The mission of the Cancer Research Center of Hawai'i is to reduce the burden of cancer through research, education, and service with an emphasis on the unique ethnic, cultural, and environmental characteristics of Hawai'i and the Pacific. The bulk of the cash balances for this fund are needed for the new cancer center facility development costs.

We have developed an unprecedented partnership which, working together, is prepared to break ground on this life saving facility in late summer or early fall.

The proposed HD of SB 2695 would take \$15 million funds from this special fund and sweep it into the state general fund. If these funds are swept, construction of the new facility would have to be put on hold, at a time when the costs of construction are unusually low compared to past years. We cannot predict how long the cost of construction will remain low and, if it increases, we may not be able to afford a new cancer center.

Holding the construction of the Cancer Center would postpone or eliminate the boost that the construction phase would bring the local economy (over 300 new jobs in the local construction industry). Plans for a clinical research component which would bring the latest cancer treatments to Hawai'i would also be adversely impacted. CRCH would not be able to support the commitments made to faculty for their research support needs. Breaking start-up funding commitments could potentially result in legal issues, as the commitments were made in offer letters to faculty under recruitment. In addition to potential legal issues, failure to support research commitments would result in laying off research staff and would effectively stop the positive momentum that led to the formation of a Consortium with QMC, HPH and Kuakini. This Consortium will allow us (CRCH, HPH and QMC) to expand the clinical trials we can offer to Hawai'i cancer patients and reduce the need for them to travel to the mainland for treatment.

These funds are required for current and future commitments to support research efforts towards achieving the Center's mission. National Cancer Institute (NCI) officials have advised us that we need to significantly expand our faculty in the very immediate future to remain competitive as a National Cancer Institute-designated cancer research center and to keep the NCI grant that comes with that designation. Active recruitment in response to the NCI request is ongoing: if funds are swept, we would have to halt the recruitment and with that we would inevitably lose NCI designation. NCI designation is key to the consortium partnership formed with QMC, HPH and Kuakini and the whole consortium would rapidly collapse. Ultimately cancer patients in Hawai'i would have paid the highest price.

UNIVERSITY REVENUE-UNDERTAKINGS FUND

The proposed HD1 of SB 2695 would take \$11 million from the University Revenue-Undertakings Fund. These are funds that provide collateral for our revenue bonds. Investors in these bonds relied upon the University maintaining reserves in these funds for repayment of the bonds in their decisions to purchase the bonds. Sweeping these funds could have serious consequences regarding bond covenants, as well as negative impact on bond ratings and future ability to sell bonds and the interest rates on those bonds.

The fund is comprised of revenue-generating and self-supporting University Bond System projects. The fund includes operating accounts, and major and ordinary repair and replacement accounts. Projects include the Bookstore, Faculty Housing, Food Services, UHM Parking, Student Housing, Telecommunications, and the Campus Center.

Balances for these funds are required for Working Capital. For example, the Bookstore requires a working capital reserve equal to six months operating expenses and Cost of Goods Sold. If these funds are not available, it would lead to an inability to purchase goods for resale.

As part of the University Bond System, executive policy requires an annual transfer of 50% of asset depreciation be set aside for repair and replacement projects. Also, pursuant to bond covenants, the bond system is required to maintain reserves for all outstanding bond system debt. Reserves are also required for major projects, such as the establishment of telecommunications capability in the new ITS building, design of Phase II of the Campus Center expansion, and furniture and equipment for the Campus Center Renovation.

Sweeping of these funds would severely impact campus operations. The Bookstore would be unable to provide students with necessary books and supplies on a timely basis for use in their academic studies. Essential support services, such as network connectivity, email, voice/data service, online registration and distance learning opportunities, would be severely impacted. Investment in infrastructure improvements could not be made. Student Housing renovations would be adversely impacted. Annual debt service requirements or OHA Ceded Lands payments may also not be met.

UNIVERSITY OF HAWAI'I RESEARCH AND TRAINING REVOLVING FUND

The proposed HD1 of SB 2695 would sweep \$10 million of Research and Training Revolving fund monies into the state general fund to offset the state's budget deficit.

The Research and Training funds are used to support the research mission of the university. The funds are to be used for purposes that result in additional research and training grants and contracts, and for facilitating research and training at the University. These funds are used (1) to recruit and support top researchers; (2) for administrative support (i.e. fiscal, HR, compliance, etc.) for extramural contracts and grants; (3) to

repair, replace, maintain, upgrade scientific equipment and facilities for continued research; (4) for mandatory matching for extramural contracts and grants; (5) for research projects; (6) for funding of graduate students; and (7) for working capital.

Additionally, an estimated \$1,500,000 is needed for the next 15 years for revenue bond payments for the Biomedical Sciences Building addition. The addition is needed to increase research space at the University which will increase research dollars. Funds have also been committed to several initiatives to expand the research programs at the University. These include committing start up funding or to supplement cost matching for new research programs such as the Applied Research Lab and Center of Excellence, as well as to build a Regional Bio-containment Laboratory facility. Such investments are needed to aid the future growth of the research enterprise. A sweep would seriously jeopardize commitments made to sponsors to share in the costs of these new ventures. In addition, funds are required to pay the RCUH management fee for the rest of the year and any unforeseen expenses of ORS, which are both essential to management of the research enterprise.

If balances are swept, (1) it will significantly reduce the University's ability to recruit and retain new and competitive researchers; (2) we will be unable to meet ongoing obligations to fund start-up or required matching for grants for researchers, especially those hired in the last 3-5 years; (3) federal research dollars flowing to UH will decrease; (4) we will not be able to continue to maintain and operate scientific equipment and facilities; (5) working capital requirements for utilities, repairs, etc. cannot be met; and (6) we will be vulnerable to legal action from our inability to meet prior commitments/obligations.

As an example of this, last year the legislature swept \$5.1 million of these funds from the University. This left the University with \$5.1 million in prior obligations that it could not honor. As a result, we are unable to use these funds, as was planned, to implement the Office of Mauna Kea Management's Comprehensive Management Plan, which is required by law. This jeopardizes the University's efforts to secure the Thirty Meter Telescope project which is estimated to bring in \$1.2 billion in construction to the State's economy.

UNIVERSITY OF HAWAI'I HOUSING ASSISTANCE REVOLVING FUND

The purpose of the University of Hawai'i Housing Assistance Revolving Fund (HARF) is to provide financial assistance and rental housing units to faculty and staff of the University of Hawai'i. This is crucial for the recruitment and retention of the qualified faculty required in order for the University to continue to be the global university system that the state needs it to be.

As reported to your committee in the University's budget briefing, as of November 2009, there was \$4,590,642 in the HARF. These funds support two primary functions: 1) the operations of the Kau'iohaloa Iki (K-Iki) faculty housing facility and 2) providing funds to assist faculty in financing the purchase of housing. The proposed HD1 to SB 2695

would take \$2,000,000 of these funds, nearly half of the balance, and sweep it into the state general fund.

K-Iki

The funds for operating K-Iki consist of 3 accounts totaling \$2,474,775 as of November 2009. The State Real Estate Commission requires a Condominium Maintenance Fee Reserve equal to 100% of estimated replacement costs of the cash flow plan approved by the commission, which will need to be \$2,081,200 by fiscal year 2015. At this point there is only \$1,186,141 in this account, which also funds annual repairs and replacements of furniture and equipment. In addition, a reserve of \$600,000 is required to repurchase one remaining K-Iki unit which is currently owned by a faculty member. In the past year, one unit was repurchased by the UH for \$648,000, leaving only one unit not owned by the University. After these two requirements, the remaining \$688,000 is needed to fund the operating expenses of K-Iki.

Housing Assistance

In the past year, the University implemented a program to assist faculty in financing the purchase of housing. \$1.5 million was expended to fund this program, which has been very well received by the faculty. With the success of this program, the balance of \$2,115,868 for this purpose is critical for the continuation and expansion of the program. Especially in these difficult economic times, this program, which provides funds to guarantee loans by high performing faculty is critical for the recruitment and retention of highly qualified faculty to achieve the goals for increasing the number of educated citizens in the state of Hawai'i, contributing to the workforce and the economy, and advancing the University of Hawai'i's reputation for excellence and its ability to build the state's capacity as set forth in President MRC Greenwood's state of the University address.

In summary, taking funds from the Housing Assistance Revolving Fund would severely impair the Faculty Housing Program's ability to be self-sustaining. It would cripple the Faculty Housing Program's ability to meet its immediate financial obligations, such as property management fees, routine maintenance costs, and utilities, placing its financial health in jeopardy. Deferring repair and replacement projects would end up costing the University more in the long-run and would likely create safety issues. Terminating the mortgage assistance guarantee program would severely hamper the University's efforts to recruit and retain qualified faculty and staff.

We ask you not to take these critical funds from the University of Hawai'i.

INFORMATION TECHNOLOGY AND SERVICES SPECIAL FUND

Per statute (304A-2154, HRS), monies in the Information Technology and Services special fund are to be used "in support of systemwide information technology and services including personnel, equipment costs, and other expenses, as well as

planning, design, and implementation of information technology infrastructure within the University”.

HD1 proposes to sweep \$750,000 from the UH Information Technology and Services Special Fund into the state general fund. This would have disastrous consequences for a number of program activities this fund supports. This fund balance enables UH to site-license or bulk-license software at heavily discounted prices and then share these reduced costs among participating campuses, units and departments throughout the UH System. Without the funds to purchase software up-front, programs and units would have to directly buy from vendors without the benefit of discounted or site license pricing. This program also supports the systemwide licensing of security software for all UH student, faculty and staff computers throughout the UH System on all campuses and islands. Security software is made available at no direct cost in order to maximally protect members of the UH community and our campuses from viruses and spyware that can damage operations and threaten their personal information. Funds generated through the provision of IT Services and deposited in this fund are also used as matching funds for federal grants to support UH IT infrastructure and services. Accordingly, sweeping these funds would have significant negative impact on our entrepreneurial initiatives to obtain federal support to replace diminishing state resources. Investments from this fund have also supported expansion in videoconferencing equipment to support distance learning for neighbor island students and reduce travel by faculty and staff. Overall, this action would send a clear message that the State penalizes responsible multi-year financial planning rather than encouraging such behavior.

CONCLUSION

Special and Revolving funds are an essential part of the University's operating funds. In addition, they are required for specific purposes and, as described above, are obligated and earmarked for those purposes.

UH is an economic driver to the state of Hawai'i; additional cuts will have negative ripple effects and create a worsening economic condition. UH can help to stimulate the economy, but not if these cuts cripple us, preventing us from helping the state recover and making the recovery longer than it would otherwise be.

Taking these funds from the University to fund the state's budget deficit in addition to the already onerous \$110 million in reductions proposed by the House draft budget would send an extremely negative message to everyone in the state as to the Legislature's decision regarding the priority of public higher education. We urge you not to make such a decision.

Thank you for the opportunity to provide this testimony.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Transfer of non general funds

BILL NUMBER: SB 2695, Proposed HD-1

INTRODUCED BY: House Committee on Finance

BRIEF SUMMARY: Provides that the legislature determines that there are excess amounts in the following funds and authorizes the director of finance to transfer such excess amounts to the general fund on June 1, 2010:

State motor pool revolving fund	\$ 500,000
State risk management revolving fund	1,000,000
Medicaid investigations recovery fund	1,500,000
UH housing assistance revolving fund	2,000,000
Agricultural reserve fund	500,000
Agricultural loan revolving fund	1,000,000
Agricultural park special fund	200,000
Aloha tower special fund	750,000
Clean air special fund	5,000,000
Community health centers special fund	1,000,000
Convention center enterprise special fund	2,000,000
Drinking water treatment revolving fund	2,000,000
Emergency medical services special fund	6,000,000
Environmental management special fund	1,000,000
Hawaii cancer research special fund	15,000,000
High technology special fund	500,000
Neurotrauma special fund	750,000
Research and training revolving fund	10,000,000
Systemwide information technology services special fund	750,000
Trauma system special fund	1,000,000
Tuition and fee special fund	20,000,000
University revenue-undertakings fund	11,000,000
Vital statistics special fund	500,000
Water pollution control revolving fund	10,000,000
Works of art special fund	2,000,000

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: The proposed measure would transfer \$95,950,000 in non general funds that are determined to be in excess of what is needed in the respective funds to the general fund. Due to the state budget shortfall, lawmakers are searching for moneys to cover that shortfall and are tapping the

various non general funds of the state.

In a report prepared by the state auditor, the report noted that, "Special funds give agencies full control of these unappropriated cash reserves, provide a way to skirt the general fund expenditure ceiling, and over time erode the general fund. Many experts say that special funds are likely to hamper budget administration. And from a legislative perspective, they are less desirable because they are not fully controlled by the appropriation process."

Given the findings of the Auditor and the current financial crisis, it is quite clear that the creation of numerous special funds has eroded the integrity of state finances. Moneys in special funds are neither subject to the general fund expenditure limitation nor to the close scrutiny that general funds are subject to in the budgeting process. Special funds which earmark general fund revenues cannot be justified as they restrict budget flexibility, create inefficiencies, and lessen accountability.

There is no doubt that carving out portions from the general fund has created the lack of funds lawmakers face each year. Such a shortfall will inevitably lead to a call for tax increases even though money abounds in these special funds. One only has to review the measures introduced each year which set up numerous new special funds or add new fees or charges, the receipts of which are earmarked for special funds, to see the prolific establishment of special funds. The result is what this measure proposes to do, to raid these special funds.

As has been consistently noted, these fees were increased or approved and earmarked for totally irrelevant programs. The result has been this mismatch of either not enough funds to carry out the program or, as in this case, an excess of funds that then become the target for a raid like this. Lawmakers should learn a lesson and repeal many of the earmarked sources and their special funds and cease from creating any more new special funds or earmarking any more revenues for such worthy causes.

Rather than merely raiding these funds, lawmakers need to bring all of these special fund financed programs back to the table along with their funding sources and then set priorities among the many programs given what limited dollars there may be and fund those programs deemed of highest priority and close those for which no funding is available.

Digested 3/29/10

**ASSOCIATION OF EMERITUS REGENTS
UNIVERSITY OF HAWAII**

March 29, 2010

Submitted via Email

Members of the Finance Committee
The Honorable Marcus R. Oshiro, Chair
House of Representatives
Hawaii State Legislature

Testimony in Opposition of SB2695, HD1 Proposed
Hearing Date: 7:00 p.m. March 29, 2010, Room 308

Dear Chair Oshiro and Members of the Finance Committee:

The undersigned officers of the Association of Emeritus Regents submit testimony in **strong opposition** to SB2695 (HD1 Proposed). The balances in the University's special and revolving funds are not "excess funds" as stated on today's hearing notice but rather should be deemed and treated as the institution's working capital. The proposal to sweep these funds into the general fund comes at a time when the University is experiencing record enrollment, as many citizens, in order to compete in today's global job market, are going back to school for retooling. Compounded by \$100 million in funding reductions in the Executive budget, the proposed action totaling an additional \$59 million will severely impact the University's ability to perform its core missions of teaching, research, and community service. Without doubt, if the proposed funding reductions and sweeps are imposed, system wide quality and access will substantially diminish

As former board chairs of the University BOR, we firmly believe that SB2695 (HD1 Proposed) will adversely impact the University and irreparably setback the plans and initiatives set forth by the Board of Regents, President MRC Greenwood, and her campus chancellors. While we understand there are many worthy demands for scarce state financial resources, in your quest to complete your work on the budget, we respectfully request you please remain mindful of the University's importance to our community and the financial support it needs to carry out its core missions. Please avoid using the institution's working capital (special and revolving funds) or further reducing its operating budget.

With warmest regards,

Association of Emeritus Regents
University of Hawaii

Roy Takeyama, Chair
Joseph F. Blanco, Vice-Chair
Stanley Mukai, Secretary-Treasurer



The Associated Students of University of Hawai'i Kaua'i Community College (ASUH-KCC)

3-1901 Kaunuaui'i Hwy. Lihue, HI 96766-9500 (808) 245-8338/8245

Bill SB 2695

March 28, 2010

To the State House Representative.

I would like to express my concerns on the behalf of the Associated Student of the University of Hawaii-Kauai Community College and how we are opposed to Bill SB2695. This Bill is of concern because of the large proposed cut in the university system budget which is needed to fund important programs as well as research.

I remember my first semester at Kauai Community College and how excited I was to be the first in my family to go to college. It was always a dream of my parents, being plantation workers; to have there children received high education to improve the quality of life for their family and their future. Unfortunately being the first in my family to attend college, I was not aware of how expenses supplies as well as material were. If wasn't for the KCC Learning Center/Library as well as the Computer Centers located around campus, I would not have made it. These programs are an essential to the well being of our student's success. Also to include financial assistants from the government to assist with the payment of tuition as well as other required supplies and material need to be purchase to need base students.

In conclusion, I urge you to put your self in the shoes of our students and how the education in which is need in today society is being cut short due to funding to purchase supplies within today's technology as well as financial assistants and programs. Please support your students by voting "Nay" on Bill SB2695.

Sincerely,

Nelson Batalion,
ASUH-KCC President

ASUH-KCC BOARD 2009-2010

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Diane Sater
Senator At Large



KAMEHAMEHA SCHOOLS

March 29, 2010

Aloha mai kākou!

On behalf of Kamehameha Schools, I submit this letter of support for the University of Hawai'i System. We are deeply concerned about the additional \$59 million in budget cuts that is being proposed this legislative session.

We realize that in today's tough economic climate, your task of balancing the state's budget is daunting at best. As an educational trust founded by one of Hawaii's beloved Ali'i, we know that education is the key to success. Statistics show that learners who pursue post-secondary education will earn more than \$1 million over their lifetime, significantly more than a student that does not earn a college degree.

As you know, enrollment at the UH System continues to grow at record pace, forcing the system to serve more students with fewer resources. The system has already endured \$110 million in cuts to their operating budgets and while these cuts are painful, President Greenwood and her administration have made sure that these cuts have the least impact on the students they serve. The proposed additional cuts will affect the system overall but the Mānoa campus will suffer the greatest impact.

The number of UH-Mānoa faculty, staff and administration has already been reduced by 370 positions. Additionally, the libraries at UH-Mānoa, a critical resource to UH students and the community, have reduced their budget for new book purchases from \$1.1 million to \$300,000. Now we learn that of the \$59 million in proposed additional costs, \$20 million will be taken from the Tuition and Fees Special Fund to subsidize the costs for other state agencies. These are hard-earned dollars paid to the University by our students and their families for a specific purpose - to earn their college degree. Using these funds for any other reason is a disservice to our community.

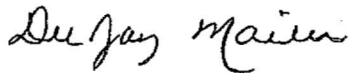
The \$110 million in budget cuts have deeply affected the University's ability to provide students with the learning experience that they need and deserve. Additional reductions to the University budget will ultimately result in reduced class offerings and larger class sizes. Some legislators have proposed that the University make up the budget costs through higher tuition costs. This would place an even heavier financial burden on Hawaii's students and their families who are already struggling to make ends meet. There are already more requests for financial aid than the University of Hawai'i and other community resources can provide.

Kamehameha Schools invests in the University of Hawai'i because we believe in the importance of higher education opportunities for Native Hawaiian learners. We provide nearly \$6.6 million in scholarship funds to the University system annually, serving more than 1,000 Hawaiian learners. Further cuts to the University will compromise our investment in our students' future.

As a graduate of the UH-Mānoa, I value the education that I received and the fact that I didn't need to move to the Mainland to earn my degrees. Many of our residents cannot afford a private K-12 education for their children, let alone a private college experience. The University of Hawai'i System plays a critical role in providing quality post-secondary opportunities for our students who otherwise may not pursue additional education and training because of economic constraints.

The University of Hawai'i is an important resource for our state and we must continue to support it so that they can fulfill its mission of providing a quality college experience to all learners. On behalf of Kamehameha Schools, I strongly urge you to end the proposed \$59 million in additional budget cuts for the University of Hawai'i System.

Mahalo,

A handwritten signature in cursive script that reads "Dee Jay Mailer".

Dee Jay Mailer
Chief Executive Officer



Hawai'i Primary Care Association

345 Queen Street | Suite 601 | Honolulu, HI 96813-4718 | Tel: 808.536.8442 | Fax: 808.524.0347
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House Committee on Finance

The Hon. Marcus R. Oshiro, Chair

The Hon. Marilyn B. Lee, Vice Chair

Testimony in Opposition to Senate Bill 2695

RELATING TO NON-GENERAL FUNDS

Submitted by Beth Giesting, Chief Executive Officer

March 29, 2010 7:00 p.m. Agenda, Room 308

The Hawai'i Primary Care Association strongly opposes section 11 of this measure, which proposes to take back at least \$1 million in unspent funds in the community health center special fund. These funds are unspent only because they have not been released by the Department of Health, not because the health centers don't desperately need the money and cannot spend it to the significant benefit of the state. In fact, DOH appropriated these funds based on historic expenditures, not on the real needs that health centers have encountered since 2008, including unprecedented growth and demands for services.

At this time, with

- the economy leaving people without jobs and health insurance;
- deep reductions in services for mental health;
- elimination of adult dental benefits in Medicaid; and
- further expected cuts in state-funded health and outreach services,

Hawaii needs community health centers more than ever.

Moreover, investing in these health centers makes good economic sense. They attract significant federal dollars and their model of care saves an estimated \$1,093 per patient per year; just for Med-QUEST, community health centers saved the program \$53 million in 2008, about 40% of which was paid for by Hawaii taxpayers.

Thank you for this opportunity to testify in opposition to this proposed measure.



1003 Bishop Street • Pauahi Tower • Suite 2630 • Honolulu, HI 96813

Phone: (808) 532-2244 • Fax: (808) 545-2025

Testimony to the House Committee on Finance

Monday, March 29, 2010

7:00 p.m.

Conference Room 308

RE: Relating to Non-General Funds - Senate Bill 2695 SD1 HD1 (Proposed)

Chair Oshiro, Vice Chair Lee and Members of the Committee:

My name is Gary Kai and I am the Executive Director of the Hawaii Business Roundtable. The Hawaii Business Roundtable opposes SB 2695 SD1 HD1 (Proposed) that proposes to transfer excess balances from 5 non-general funds including the University of Hawaii housing assistance revolving fund. The members of the Hawaii Business Roundtable represent companies in Hawaii that collectively employ over 70,000 people in Hawaii. They understand the challenging time facing the state in balancing the budget and the impact that the hard decisions will have on our employees and all of Hawaii.

We believe that the taking of monies from these funds, in particular funds from the University of Hawaii, which has already faced a \$100 million reduction in its budget, would not be prudent. If non-general funds are to be used to help balance the budget, the burden should be borne by all non-general funds programs. All non-general fund priorities should be reviewed in total to determine, whether funds, if any, should be transferred to the general fund.

We therefore recommend deferral of this measure.

Thank you very much for the opportunity to testify.



HOUSE COMMITTEE ON FINANCE
Rep. Marcus Oshiro, Chair

Conference Room 308
March 29, 2010 at 7:00 p.m. (Agenda #6)

Recommending an amendment to SB 2695 SD 1 HD 1 Proposed.

The Healthcare Association of Hawaii represents its member organizations that span the entire spectrum of health care, including all acute care hospitals, as well as long term care facilities, home care agencies, and hospices. Thank you for this opportunity to testify in support of an amendment to SB 2695 SD 1 HD 1 Proposed which, among other things, transfers money from the trauma system special fund to the general fund.

In 2006 the Legislature considered two reports assessing Hawaii's trauma system. "Hawaii Trauma System Consultation," issued by the American College of Surgeons, and "On-Call Crisis in Trauma Care: Government Responses," issued by Hawaii's Legislative Reference Bureau, both identified severe shortcomings in Hawaii's trauma system. In response, the Legislature passed Act 305, Session Laws of Hawaii 2006, which created a trauma system special fund to support the continuing development and operation of a comprehensive state trauma system.

Although progress has been made since then, much more must be done. The trauma system special fund receives revenue from taxes on cigarettes at a rate of .75 cents per cigarette. Revenue is also received from drivers who violate laws such as speeding and operating a vehicle under the influence of an intoxicant. The continued development of Hawaii's trauma system requires the continued use of these funds.

We would request an amendment to Section 21 that preserves funding for Hawaii's trauma system. In addition, the committee report should reflect the intent of protecting the vitality of Hawaii's trauma system.

Thank you for the opportunity to testify on this bill.



55 Merchant Street
Honolulu, Hawai'i 96813-4333

HAWAII PACIFIC HEALTH
Kapi'olani • Pali Momi • Straub • Wilcox

808-535-7401
www.hawaiiapacifichealth.org

Monday – March 29, 2010 – 7:00pm
Conference Room 308

The House Committee on Finance

To: Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

From: Chuck Sted
President and CEO

Virginia Pressler, MD, MBA
Executive Vice President

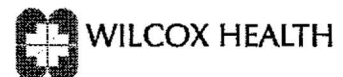
Re: SB 2695 SD1 HD1 Proposed Draft – RELATING TO NON-GENERAL FUNDS
Testifying in Opposition to Section Authorizing Transfer of \$15,000,000 from the Hawai'i Cancer Research Special Fund into the General Fund

Our names are Chuck Sted, President and CEO, and Virginia Pressler Executive Vice President at Hawai'i Pacific Health (HPH). Hawai'i Pacific Health is a nonprofit health care system and the state's largest health care provider, committed to providing the highest quality medical care and service to the people of Hawai'i and the Pacific Region through its four affiliated hospitals, 44 outpatient clinics and more than 2,200 physicians and clinicians. The network is anchored by its four nonprofit hospitals: Kapi'olani Medical Center for Women & Children, Kapi'olani Medical Center at Pali Momi, Straub Clinic & Hospital and Wilcox Memorial Hospital. Collectively, they lead the state in the areas of women's health, pediatric care, cardiovascular services, bone and joint services and cancer care. Hawai'i Pacific Health ranks among the top 3.8 percent of hospitals nationwide in electronic medical record adoption, with system-wide implementation that allows its hospitals to offer integrated, coordinated care throughout the state. Learn more at: <http://www.hawaiiapacifichealth.org>

While we appreciate that these are unprecedented times for our State's economy and that measures to balance the budget must be taken, we ask that you avoid action that will severely impact the Cancer Research Center of Hawaii's (CRCH) ability to maintain its National Cancer Institute (NCI) designation. It is our understanding that the Hawai'i Cancer Research Special Funds are being utilized to hire faculty to provide advances in cancer research and to facilitate clinical trials and towards the construction of the new cancer center building.

We at HPH are committed to the growth of the Cancer Research Center of Hawaii. It is estimated that 1,300,000 people in the United States will be diagnosed with cancer this year, and in Hawaii approximately 5,000 individuals are diagnosed with cancer each year. The Cancer Research Center of Hawaii is one of only sixty-five National Cancer Institute designated centers in the United States. It is the only designated cancer center in Hawaii. The CRCH is uniquely qualified to research cancer treatments of specific ethnic populations and holds great promise for discovering breakthroughs in cancer care for individuals with diverse backgrounds found only in our state. A state-of-the art cancer research facility in Hawaii will also have the added benefit of attracting and retaining top tier researchers, physicians and students to our state.

The removal of these funds will seriously jeopardize the quality and access to care of all of Hawai'i's



Affiliates of Hawai'i Pacific Health

cancer patients. We therefore ask that this committee not target removal of \$15,000,000 from the Cancer Research Special Fund for placement into the General Fund. Thank you for the opportunity to testify.



The Official Sponsor of Birthdays

March 28, 2010

Committee on Finance
Representative Marcus Oshiro, Chair
Representative Marilyn Lee, Vice Chair

Hearing:

7:00 P.M., Monday, March 29, 2010
Hawaii State Capitol, Room 308

RE: SB2695, SD1, Proposed HD1 – Relating to Non-General Funds

TESTIMONY IN STRONG OPPOSITION

Chair Oshiro, Vice Chair Lee, and members of Committee on Finance. Thank you for the opportunity to testify in strong opposition of the Proposed HD1 of SB2695, SD1 which attempts to address the budget shortfall by transferring a total of \$95,950,000 in excess balance from various non-general funds.

The American Cancer Society will limit its testimony and comments to the Section 11 which transfers \$1,000,000 from the Community Health Centers Special Fund to the general fund; and Section 16 which transfers \$15,000,000 from the Cancer Research Special Fund to the general fund.

We will address Section 16 first.

I. The Hawaii Cancer Research Special Fund

The Cancer Research Center of Hawaii (CRCH) is critically important to our community. It continues to bring together researchers who focus on understanding the etiology of cancer and on reducing its impact on the people of Hawaii. The CRCH serves as a focal point for public information to the State of Hawaii on the latest knowledge relating to cancer. It maintains close ties with other health organizations including the American Cancer Society to assure that up to date information is available to the public and Hawaii's clinical oncologists.

The Hawaii Cancer Research Special Fund was established in 2006 as a result of Act 316 which substantially raised cigarette taxes in Hawaii. Funds accumulated are to be use for construction of the new cancer research facility in Kakaako, and to support ongoing efforts of various CRCH programs including the Clinical Trials Unit.

The key to winning the battle against cancer is research; without it, this battle cannot be won.
As a designated National Cancer Institute (NCI) research facility since 1996, CRCH's ability to

conduct research on the causes, prevention and treatment of cancer across a broad array of disciplines has been greatly expanded. Research areas now include epidemiology, molecular carcinogenesis, cancer treatment, prevention methods, quality of life issues impacting cancer survivors, new therapeutic approaches to cancer treatment, and community-based interventions to promote cancer preventive lifestyles in our multiethnic population.

Clearly, our Cancer Research Center has been a life saving benefit to the people of Hawaii.

The American Cancer Society believes that taking \$15 million from the Hawaii Cancer Research Fund would result in CRCH losing its NCI-Designation, thus effectively losing the best opportunity for us to have a state of the art cutting-edge cancer research facility in Hawaii. Our people cannot afford to have this to happen.

Section 11.

II. The Community Health Centers Special Fund

The Community Health Centers Special Fund was also established in 2006, as a result of Act 316. As the Committee is keenly aware, **our Community Health Centers are Hawaii's health care safety net.** Not only do they provide primary care for many of Hawaii's uninsured and less fortunate, they also provide critical follow-up care for cancer patients, in addition to screening for the detection of cancers. Today their services are seriously strained because of our economic crisis. Patient levels are up across the state. Compounding the situation, health centers are not adequately reimbursed by the State for services provided to needy residents. The Community Health Centers Special Fund is the only readily fund available to help continue these vital services.

We all need to ensure that our Community Health Centers remain viable and they have the necessary funds to sustain this viability.

In closing, we acknowledge that Hawaii is facing an economic downturn that could be protracted. Because of this, we need to ensure that there is adequate funding to maintain and expand the presence of the Cancer Research Center of Hawaii. There is no dispute that cancer research has saved hundreds of thousands of lives. We need to ensure that all our people have access to the benefits of this research.

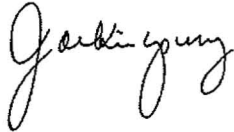
In addition, we fully understand consequences of not having a viable health care safety net for our less fortunate citizens. Our Community Health Centers play a vital role in the screening and detection of cancers, as well providing critical follow-up care to those who already have undergone cancer treatment.

Even in these "extraordinary economic times," we need to hold the course and provide for the sustainability of the Cancer Research Center of Hawaii; as well as, our statewide Community Health Center's safety net. We need to ensure that our Community Health Centers are capable of meeting the increasing demand that has been placed upon them by this extraordinary economic downturn.

We respectfully request that the committee remove Section 11 which transfers \$1 million from the Health Centers Special Fund, and Section 16 which would transfer \$15 million from the Hawaii Cancer Research Special Fund.

Mahalo for giving us this opportunity to provide testimony regarding our grave concerns and anxieties over the negative impact the taking of these moneys will have.

Very truly yours,

A handwritten signature in cursive script that reads "Jackie Young". The signature is written in black ink and is positioned above the printed name.

Jackie Young, Ph.D.
Chief Staff Officer - Mission



University of Hawai'i, Manoa
Pacific Cooperative Studies Unit
3190 Maile Way, St. John 410
Honolulu, Hawai'i 96822

TO: The Committee on Finance

FROM: David Duffy

DATE: 29 March 2010

RE: SB 2695 RELATING TO NON-GENERAL FUNDS

Dear Members of the Committee:

I am in opposition to this bill because it will do severe damage to the University of Hawaii in several ways. I write both personally and as head of the executive committee of The University of Hawaii Association of Research Investigators

As an individual, I run the Pacific Cooperative Studies Unit which employees 280 people on all islands across the state except Niihau. PCSU receives no general funds but relies in large part on Research and Training Revolving Funds (RTRF) to employ the staff who administer \$10 million dollar of grants. A large cut might put us out of business and put a lot of people in rural areas out of work. With the invasive species committees, watershed partnerships and Army natural and cultural projects gone, coqui frogs might soon make Manoa and Maui noisier at night; irate federal judges would wonder why archeologists weren't working or rare plants being protected at Makua; and fire ants would accelerate their spread on Kona and Maui.

UH researchers bring in about \$400 million/year. Research and Training Revolving Funds (RTRF) are our seed corn or working capital. Many federal agencies require matching funds if they fund grants, and researchers can use RTRF as this match. RTRF is also one of the few sources of funds for start up money to help attract new researchers or to renovate old labs. RTRF also pays for graduate students who also serve as teaching assistants and for skilled technicians.

RTRF has an apparent large balance at UH because individual researchers maintain funds that are committed to projects and then paid off over time. For example, I have five salaries on RTRF. Other researchers may have activities that take place at certain times of year or are paid out only as federal funds are expended. These are working funds.

Mainland universities have usually invested much more in research than has Hawai'i, so RTRF pays for things that are standard elsewhere. Cutting RTRF will hurt existing research and will damp the prospects for future research. It is going to send a message that Hawai'i does not value research or technology.

RTRF is an essential tool for our future if we wish to diversify our economy. The world is flat and we are competing with Portland, Singapore, Guanzhou, Oakland, and Bangalore. I would urge the Committee to make the difficult decision and save our seed corn, our RTRF, for the future.

Sincerely,

A handwritten signature in black ink, appearing to read "David Cameron Duffy". The signature is fluid and cursive, with the first name "David" being the most prominent.

David Cameron Duffy Ph. D.
Professor of Botany and Unit Leader
Pacific Cooperative Studies Unit (PCSU)
University of Hawai'i

1065 Ahua Street
Honolulu, HI 96819
Phone: 808-833-1681 FAX: 839-4167
Email: info@gcahawaii.org
Website: www.gcahawaii.org



GCA of Hawaii

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

Quality People. Quality Projects.

March 29, 2010

TO: THE HONORABLE REPRESENTATIVE MARCUS R. OSHIRO, CHAIR AND
MEMBERS OF THE COMMITTEE ON FINANCE

SUBJECT: S.B. 2695, SD1 HD1 RELATING TO NON-GENERAL FUNDS.

NOTICE OF HEARING

DATE: Monday, March 29, 2010
TIME: 7:00 P.M.
PLACE: Conference Room 308

Dear Chair and Members of the Committee:

The General Contractors Association (GCA), an organization comprised of over five hundred and seventy (570) general contractors, subcontractors, and construction related firms, is **opposed** to the passage of S.B. 2695, SD1 HD1 Relating To Non-General Funds.

The GCA believes that the transfer of funds from various special funds listed in S.B. 2695, SD1, HD1 (Proposed) is not in the best interest of the state of Hawaii, and should not be passed by the House Finance Committee.

Although the state is faced with a large revenue shortfall and needs to raise additional funds the solution proposed in this bill is not the best solution.

The University of Hawaii has already had its budget reduced by 98 million dollars and additional cuts will result in cutting essential programs that may imperil the future growth and stability of our state university.

As the state seeks to improve its economy and create jobs lost as result of the global economic downturn, the University of Hawaii has great potential to generate additional revenue and jobs for the state. This past year alone, the university generated more than four million dollars in revenue for the state.

Currently jobs are more difficult to find, our high school and college graduates are choosing to seek further education that will require additional resources to meet this demand. Further cuts will hamper the university's ability to meet this challenge.

The GCA is therefore, **opposed** to the passage of S.B. 2695, SD1, and HD1, (proposed) and recommends that the bill not be passed.

Thank you for the opportunity to testify on this matter.

The Research Corporation of the University of Hawaii



Testimony Submitted to
House Committee on Finance
On Senate Bill 2695 S.D1 H.D1
March 29, 2010, 7:00 pm
State Capitol, Room
House Conference Room 308

Chair Oshiro and Vice Chair Lee, thank you for the opportunity to submit testimony.

My name is Michael Hamnett. I am Executive Director of the Research Corporation of the University of Hawaii (RCUH). I am also a researcher in the College of Social Sciences at the University.

I am well aware of the financial crisis facing Hawaii and understand that options to close the budget shortfall are very limited. However, I strongly oppose provisions of Senate Bill 2695 SD1 HD1 cutting \$10 million in research and training revolving fund (RTRF) and \$15 million from the Hawaii cancer center revolving fund.

RTRF provides essential administrative and fiscal support required to secure and manage extramural contracts and grants at the University, which totaled \$400 million in new awards last year. Administrative and fiscal support for extramural contracts and grants at UH are already very stretched due to the extraordinary growth in research and training at UH. The \$10 million proposed for cuts represents a large portion of the funds needed to sustain the current level of new in contracts and grants. These contracts and grants support over 2,500 jobs at the Research Corporation alone and the state can ill afford to lose more jobs.

The Hawaii cancer center revolving fund will be essential for the construction of the new cancer research center facility now being designed for Kakaako and to recruit the new faculty needed to sustain the cancer center's designation as a National Cancer Institute center. If the Cancer Research Center of Hawaii loses its NCI designation, cancer patients in Hawaii will be deprived of access to cutting edge cancer treatment.



THE QUEEN'S MEDICAL CENTER

1301 Punchbowl Street • Honolulu, Hawaii 96813 • Phone (808) 538-9011 • Fax: (808) 547-4646

Representative Marcus Oshiro, Chair
COMMITTEE ON FINANCE

March 29, 2010 – 7:00 PM
State Capitol, Conference Room 308

Re: SB 2695 SD 1 proposed HD1 – Relating to Non-General Funds

Chair Oshiro, Vice Chair Lee, and Members of the Committee,

My name is Mark Yamakawa, Executive Vice President and Chief Operating Officer of The Queen's Health Systems (Queen's), testifying on Senate Bill 2695 SD1 proposed HD1 which, in part, transfers \$1,000,000 from the trauma system special fund and \$15,000,000 from the Hawaii cancer research special fund to the general fund. **Queen's respectfully opposes these transfers.**

The trauma system special fund was created in 2006 to provide support to all Hawaii hospitals that provide care to trauma patients. Hospitals that provide care to trauma patients, the Department of Health, and the Healthcare Association of Hawaii collaborated to support the fund's creation and funding mechanisms to ensure the highest quality of trauma care for the people of Hawaii. As the heart of the State's trauma care system, Queen's emergency department provided care for more than 12,000 patients with trauma related injuries in 2009. The pressure on hospitals is exacerbated by the high cost of providing care to these patients, who are often very critical and require extensive support. Queen's appreciates the Legislature's recognition that trauma care is a public health priority and is concerned that a raid of the trauma system special fund could impact disbursements to hospitals across the state used to support the state trauma system.

With respect to the Hawaii cancer research special fund, Queen's is one of the major providers of cancer care in Hawaii, treating over one third of the newly diagnosed cancer patients in the state. Queen's strongly supports the Cancer Research Center of Hawaii (CRCH). We respectfully ask the Legislature's consideration of the positive community benefit that a fully-operational CRCH brings to the state.

The Cancer Research Center of Hawaii is a National Cancer Institute (NCI) designated cancer center – one of only sixty five in the nation and serves as a national resource for cancer research and state-of-the-art treatment. We believe Hawaii's population significantly benefits from CRCH maintaining its prestigious NCI cancer center designation, focusing on the depth, breadth, and level of integration among its three research areas of laboratory, population-based, and clinical research.

The Queen's Medical Center Testimony on SB 2695, SD1, proposed HD1
Page 2

The CRCH external advisory board has specified three key priorities in order to maintain CRCH's NCI designation: (1) Preserve the cigarette tax funding in order to expand CRCH's research facilities; (2) recruit federally-funded investigators – scientists who bring expertise and a reputation for advancing cancer research and care; and (3) develop tumor site-specific clinical research in order to advance and improve cancer care.

Tangible progress is being made in the recruitment of notable scientists and we along with Hawaii Pacific Health and Kuakini Health System are making annual funding commitments up to \$2.2 million to support this endeavor. We have actively supported clinical research activities for specific types of cancers such as breast cancer and have seen significant increases in patient accruals for clinical trials. We very much appreciate that the Legislature has maintained its commitment for the cigarette tax funding in the last legislative session and we ask for the continuance of this funding which is critical for CRCH's new facilities.

Queen's wholly appreciates the Legislature's budgetary challenges in light of the State's budgetary deficit. However, we respectfully oppose Sections 16 and 21 of SB 2695 SD1 proposed HD1 due to the anticipated negative impact on an already over-burdened healthcare system. Thank you for the opportunity to testify.



ALLAN R. LANDON
CHAIRMAN OF THE BOARD
CHIEF EXECUTIVE OFFICER

TESTIMONY ON SB2695 SD1 PROPOSED HD1
RELATING TO NON-GENERAL FUNDS
Monday, March 29, 2010, 7:00 p.m.
State Capitol, Conference Room 308

HOUSE COMMITTEE ON FINANCE

TO: The Honorable Marcus R. Oshiro, Chair
The Honorable Marilyn B. Lee, Vice Chair
Members of the House Committee on Finance

I am Al Landon, Chairman and CEO of Bank of Hawaii and immediate Past Chairman of the University of Hawaii Board of Regents. Thank you for the opportunity to testify on SB2695 SD1, HD1 (Proposed).

I wish to express my concern and opposition regarding certain Sections of the proposed draft that would divert important University funding. These sections include:

- Sec. 5 - Housing Assistance Revolving Fund (\$2 million)
- Sec. 16 - Cancer Research Center Special Fund (\$15 million)
- Sec. 19 - Research and Training Revolving Fund (\$10 million)
- Sec. 20 - IT Special fund (\$750,000)
- Sec. 22 - Tuition and Fees Special Fund (\$20 million)
- Sec. 23 - Revenue Undertakings Fund (\$11 million)

I understand the difficult challenge facing the state of balancing its budget and the need for shared sacrifice during tough economic times. I also have a deep respect for the challenge our legislators face when being asked to accomplish this with extremely limited resources.

Our state's University, however, has a unique role in helping to ensure a healthy economic future. I can't think of many more important institutions in which we as a state can invest when it comes to providing for our future leaders. It would be unfortunate to derail or stifle the momentum being recognized at the University. Especially since the University has already seen a \$100 million reduction in its budget this year.

I would like to ask that you delete the above referenced sections and encourage you to support our University and President Greenwood in her efforts to implement a sound strategic plan to strengthen higher education. It is critical that we have a University system well positioned for the economic recovery.

Thank you again for the opportunity to share my concerns regarding this measure.

Respectfully submitted,

**Personal Testimony Presented Before the
House Committee on Finance**

March 29, 2010 - 7:00 p.m.
State Capitol, Conference Room 308

SB2695 – RELATING TO NON-GENERAL FUNDS

Chairperson Oshiro, Vice Chair Lee, and Members of the House Committee on Finance

My name is Barry Jim On.

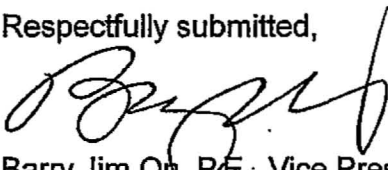
I appreciate the opportunity to provide testimony **in opposition to SB2695 as it relates to cuts in the University's non-general funds.**

SB2695 proposes that in certain University of Hawaii special and revolving funds there is an excess of the requirements of the fund that may be transferred to the State General Fund. We are specifically concerned about the devastating impact to the University of Hawaii and specifically to College of Engineering. The College of Engineering supports the growth of the engineering, construction, and high tech industry workforce. It is the only accredited School of Engineering in the State of Hawaii and as such it the imperative to maintain a level which allows its students to work in laboratories with functioning equipment and participate in research makes them ready for the competitive workforce. Specifically SB2695 proposes to transfer funds from the Research and training Revolving Fund and the Tuition and Special Fee Special Fund, both of which would directly affect the College. Other cuts would undoubtedly have second order affects on the College.

We have worked closely with the Peter Crouch, Dean of Engineering to ensure that even in challenging economic times that they can deliver an educational program which meets the needs of our current and future workforce.

Once again I appreciate the opportunity to present testimony in opposition of SB2695 – specifically sections relating to the University of Hawaii.

Respectfully submitted,



Barry Jim On, P.E., Vice President
INSYNERGY ENGINEERING, INC.

ACEC

AMERICAN COUNCIL OF ENGINEERING COMPANIES
of Hawaii

March 29, 2010

President

John Katahira, P.E.
The Limtiaco Consulting Group
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President-Elect

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Gray Hong Nojima & Assoc.
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Website: www.acechawaii.org

**Hearing Date: Monday, March 29, 7:00 p.m., Conference Room 308
(House Committee on Finance)**

SB2695, SD1, HD1 – RELATING TO NON-GENERAL FUNDS

Chairperson Oshiro, Vice Chair Lee, and Members of the House Committee on Finance:

The American Council of Engineering Companies of Hawaii (ACEC Hawaii), representing more than 60 consulting engineering firms and 1,320 employees, is in opposition to SB2695 as it relates to cuts in the University's non-general funds.

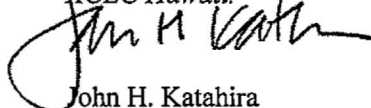
SB2695 proposes that in certain University of Hawaii special and revolving funds there is an excess of the requirements of the fund that may be transferred to the State General Fund. We are specifically concerned about the devastating impact to the University of Hawaii and specifically to College of Engineering. The College of Engineering supports the growth of the engineering, construction, and high tech industry workforce. It is the only accredited School of Engineering in the State of Hawaii and as such it the imperative to maintain a level which allows its students to work in laboratories with functioning equipment and participate in research makes them ready for the competitive workforce. Specifically SB2695 proposes to transfer funds from the Research and training Revolving Fund and the Tuition and Special Fee Special Fund, both of which would directly affect the College. Other cuts would undoubtedly have second order affects on the College.

We have worked closely with the Peter Crouch, Dean of Engineering to ensure that even in challenging economic times that they can deliver an educational program which meets the needs of our current and future workforce.

Thank you for the opportunity to present testimony in opposition of SB2695 specifically sections relating to the University of Hawaii.

Respectfully submitted,

ACEC Hawaii.



John H. Katahira
President



KAI HAWAII
STRUCTURAL & FORENSIC ENGINEERS

Ken K. Hayashida, P.E.
Michael P. Hunnemann, P.E.

March 29, 2010

Email: repmoshiro@Capitol.hawaii.gov

Hearing Date: Monday, March 29, 7:00 p.m., Conference Room 308 (Committee on Finance)

Subject: SB2695 HD1, Relating to Non-General Funds

Dear Representative Oshiro,

As the owner of KAI Hawaii, Inc., and a University of Hawaii alumnus, I **strongly oppose** the proposed transfer of funds from the University of Hawaii into the general fund, as stated in SB2695 HD1.

- The University of Hawaii has **already had its budget reduced this year by \$98 million and the executive budget proposal for the supplemental year beginning July 1, 2010 calls for a \$100 million reduction**, more than 21 percent of its general funds. This has resulted in workforce reductions, fewer classes, and cuts in pay and programs.
- The University of Hawaii is a **revenue generator for the state**, pulling in more than \$400 million in external research and training funds last year, **creating jobs and fueling the economy. Further cuts would drastically hamper that ability.**
- The University of Hawaii is a **vital resource**. With so many of our residents out of work, the university has **seen record enrollment**. People are going back to school to re-tool for new careers, both technical and professional. University enrollment **hit an all-time high of 58,000 this year**, with more than 8,000 additional students in the past two years. The university needs resources to meet this demand. Raising tuition even more than already scheduled would serve to **price many out of the opportunity for higher education** and the chance to compete in an increasingly competitive job market. Keeping higher education affordable is good public policy.
- The University of Hawaii is a **wise investment** in our future. We need to keep our eye on the prize: Investing in producing an educated workforce will help us better compete globally in fields such as science, technology, engineering and more.
- The aging facilities reflect a deferred maintenance backlog that has spanned decades. It's time to make it right. President Greenwood's **Renovate to Innovate initiative** advocates for a GO bond to help begin work on critical construction projects. Our facilities need to reflect that of a 21st century institution of excellence. Further cuts take us down the wrong path.

I appreciate the opportunity to express my strong opposition of SB2695 HD1 and urge you to vote against this bill.

Sincerely,

Ken Hayashida, P.E.
President
KAI Hawaii, Inc.

31 North Pauahi Street, Second Floor * Honolulu * Hawaii * 96817
Telephone: (808) 533-2210 * Facsimile: (808) 533-2686 * E-mail Address: mail@kaihawaii.com



TESTIMONY

TO: COMMITTEE ON FINANCE
THE TWENTY-FIFTH LEGISLATURE / REGULAR SESSION

FROM: DR. PATRICK K. SULLIVAN
FOUNDER & CHAIRMAN

RE: SB 2695

POSITION: AGAINST SB 2695

DATE: MONDAY, 29 MARCH 2010

Dear Chairperson Oshiro, Vice Chair Lee, and Members of the House Committee on Finance:

Thank you for the opportunity to provide written testimony in support of maintaining the University of Hawaii budget and in opposition to cuts in the University's non-general funds as detailed in sections of SB2695.

In that SB2695 proposes a transfer to the State General Fund certain University of Hawaii special and revolving funds that show an excess of the requirement of the fund, I am concerned the College of Engineering (UHCOE) may be adversely impacted. In general, short-changing the Research and Training Revolving Fund (RTRF) would not only hinder the growth of the UHCOE but short-change reinvestment of research funds – an important economic engine for the State of Hawaii (the State).

The UHCOE budget has already been cut (12 percent over the past two years) and any future cuts will reduce the number of faculty available to work on technology transfer projects with partners in the local private sector. The UHCOE has played a major role in the State's efforts in the area of K-12 STEM Outreach and hard and soft funds have been used to increase staff and, if new budget cuts occur, funding for some of these positions may be lost.

Lastly, the proposed budget cuts in "Tuition and Special Fees" will have a deleterious effect on the future work force of the State if the UHCOE can no longer use its recently-secured "differential program fee for Engineering" monies to upgrade the facilities and renew equipment in Helmes Hall, as planned. This would place our graduating students at a disadvantage to their counterparts on the mainland.

KOBAYASHI
DEVELOPMENT GROUP LLC

1288 Ala Moana Blvd, Suite 201
Honolulu, Hawaii 96814
Phone: (808) 524-1508 Fax: (808) 524-0766

March 29, 2010

House Speaker Calvin Say
Hawaii State Capitol, Room 431
415 South Beretania Street
Honolulu, HI 96813

Representative Marcus Oshiro
Hawaii State Capitol, Room 306
415 south Beretania Street
Honolulu, HI 96813

Re: SB 2695 HD 1 - Cuts to the University of Hawaii

Dear Speaker Say, Representative Oshiro and Members of the Committee:

My name is Bert A. Kobayashi and I am sending you this letter to strongly urge you to not implement any further cuts to the University of Hawaii. The cuts already in place for this year and next year will have detrimental effects to Hawaii's premier higher education institution.

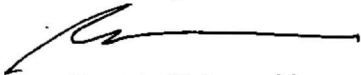
Having served on the Board of Regents of the University of Hawaii, I can speak first hand as to the importance of a strong university system to the State of Hawaii. Over recent years, and particularly under the leadership of the current President, MRC Greenwood, the UH has been trying to build a more significant reputation in the higher education community. With this comes a stronger university that strengthens our community both from an educational and economic perspective.

This has been extremely challenging and yet we are beginning to see a light with the increase in research grants that come to the UH (and the State of Hawaii). The cuts so far this session will be harmful to the UH. It is not wise to do even deeper cuts that could have a negative effect on the money UH brings in.

Further, Kobayashi Group has been involved in the future Cancer Research Center of Hawaii. The project is on an extremely fast track and is targeted to break ground this year. To cut any funds from this project would not be wise. It is already at a minimum size of 150,000 sf. Any re-design would definitely slow down the project and require the team to go "back to the drawing board." This cut is significant and the project cannot afford it.

I kindly ask you to not implement any further cuts to the University of Hawaii.

Sincerely,



Bert A. Kobayashi
Chairman and CEO



KOBAYASHI GROUP LLC
1288 Ala Moana Blvd. Suite 201 / Honolulu, HI 96814
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email info@kobayashi-group.com

March 29, 2010

House Speaker Calvin Say
Hawaii State Capitol, Room 431
415 South Beretania Street
Honolulu, HI 96813

Representative Marcus Oshiro
Hawaii State Capitol, Room 306
415 south Beretania Street
Honolulu, HI 96813

Re: SB 2695 HD 1
Cuts to the University of Hawaii

Aloha Speaker Say, Representative Oshiro and Members of the Committee:

My name is Kathryn Inouye, I am the Chief Operating Officer of Kobayashi Group and a proud alumnus of the University of Hawaii. I am writing this letter to strongly urge you not to make any further cuts to the University of Hawaii. The University is not only providing construction jobs for badly needed facilities in order to bring in top-tier researchers, it is a critical part of Hawaii's economic engine.

Under President MRC Greenwood, one of the goals is to position the University of Hawaii as an educational institution of first choice and not because it's the only place that a local student can afford to attend. The University is also in the midst of building badly needed current research facilities in order to attract some of the top faculty and researchers in the nation. This in turn will add to the \$400.0 million in research grants and training funds it currently brings into the State of Hawaii. To cut these funds would be akin to "killing the goose that laid the golden egg."

On the matter of cuts to the Cancer Research Center of Hawaii, I further urge you not to cut any funds from this project. We were retained as the Project Manager for this much-needed facility in November 2009. This facility is sorely needed by the State of Hawaii to strengthen the study of cancer as it impacts Hawaii's ethnic population. There is no other cancer center in the nation that is incentivized to take on this mission. Further, the strong consortium model with Hawaii's hospitals could eventually provide our residents with the benefits in advances in cancer treatments, minimizing the need to travel to the mainland. This will help the bottom line of our local hospitals.

ENVISION CREATE SUSTAIN



House Speaker Say
March 29, 2010
Page 2

I have overseen a variety of construction and real estate development projects over my career. However, there is far more to consider in the design and construction of a cancer center due to the complexities of the equipment requirements in the research labs and the adjacencies of functions. It was already at a minimal size requirement for critical mass and to meet budget constraints. One cannot simply cut this budget further and go through a "value-engineering" exercise at this point. It would undoubtedly require that we start from scratch, losing very valuable time possibly jeopardizing our National Cancer Institute designation and the very competitive hiring process for researchers.

In closing, I strongly urge that you support our University and allow it to maintain its significance in Hawaii's education and economic system.

Sincerely,

Kathryn W. Inouye

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Email info@kobayashi-group.com

Personal Testimony Presented Before
The House
Committee on Finance
on
Monday, March 29, 2010
by
Brian Taylor, Dean
School of Ocean and Earth Science and Technology
University of Hawaii at Manoa

SB 2695 – Relating to Non-General Funds

Aloha Chairperson Oshiro, Vice-Chair Lee and members of the Committee. Thank you for the opportunity to testify in support of maintaining the University of Hawaii budget and against related parts of SB2695. My name is Brian Taylor. I currently serve as Dean of the School of Ocean and Earth Science and Technology (SOEST). I have been at UH Manoa since 1982.

SB2695 proposes that in certain University of Hawaii special and revolving funds there is an excess of the requirements of the fund that may be transferred to the State General Fund. I hope to convince you that, with regard to the Research Training and Revolving Fund (RTRF), that is demonstrably not the case.

RTRF is like seed corn or fish bait – you can't harvest future produce without it. Even during the harshest winters and the toughest times, farmers don't eat their seed corn lest they starve during the next season. When reinvested, RTRF bears more fruit in the form of income to the State and local high-tech jobs. If taken away, it robs the future of the University and the State.

How is RTRF used? It provides:

- jobs/salaries for support staff (including some laid off from State funding cuts)
- debt service for new construction (e.g., \$22.5M C-MORE Hale)
- cost match funds required for many Federal grants
- seed money for new projects, start-up for new faculty, travel for effective networking
- funds for research equipment (that are no longer in the UH budget)
- working capital to cover unexpected events (we operate ships, subs, ROVs, AUVs)

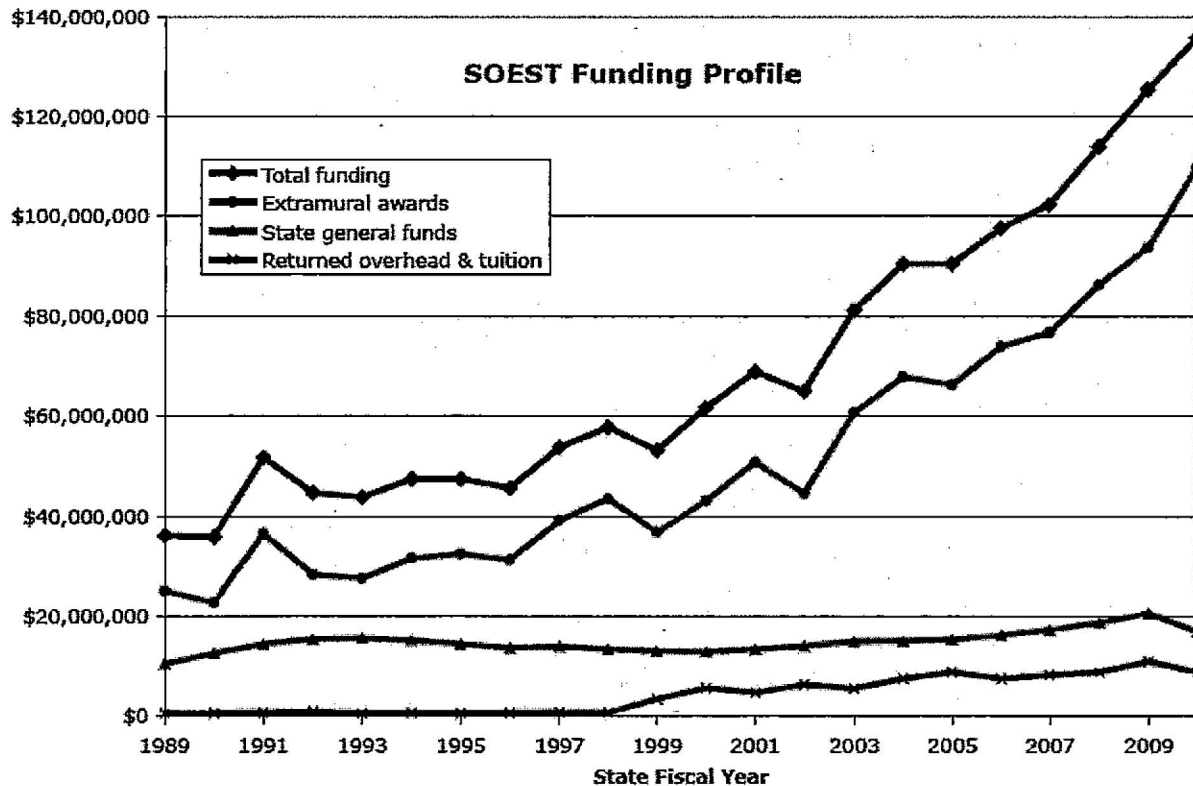
In short, RTRF is an economic multiplier. Reinvestment is critical. Short changing the Research and Training Revolving Fund would short change an economic engine of the State and the innovation that having a Research 1 university provides towards training a high-tech, well-paid work force.

SOEST is a UH success story. Created by President Al Simone in 1988, it brought together scientists and engineers working on matters of great importance to Hawaii, such as alternative energy, tropical weather, climate change, coral reefs, marine mammals, ocean resources; volcanoes, earthquakes and other natural hazards; coastal processes, and Earth satellites. It has grown to become one of the top four oceanographic institutions in the nation. The key to that growth has been out-competing our mainland colleagues for Federal, Industry, Private and International funding. And the key to that successful competition has been the reinvestment of RTRF in faculty, facilities and staff that began in 1999, near the nadir of State funding after the

last economic downturn in the mid '90's. Following the reinvestment of RTRF, there was a corresponding dramatic increase in the growth of extramural funding (see figure): to the point where it has doubled in the last decade and grown 50% just in the last four years when I have been Dean. Every week, SOEST now brings more than \$2M into Hawaii. In contrast, with the recent budget cuts, our State General funding is only 8% above that back in 1993, and much less when adjusted for inflation.

In closing, let me state clearly that (1) there is no excess in the Research Training and Revolving Fund - if there were, we could use it, for example, to pay off the bond funding the current construction of C-MORE Hale; and (2) the continued reinvestment of RTRF is critical to the State's most successful research enterprise, and the associated high-tech jobs and tech-transfer.

Mahalo for your consideration.



TESTIMONY ON SB2695 REGARDING FURTHER CUTS TO THE BUDGET OF THE UNIVERSITY OF HAWAII
DAVID M. KARL, PROFESSOR OF OCEANOGRAPHY, UH at MANOA

Thank you for giving me this opportunity to provide my strong support to the University of Hawaii and against proposed SB2695. My name is David Karl. I have been at UH at Manoa since 1978 and currently serve in the capacity of Professor of Oceanography and Director of a recently created National Science Foundation (NSF)-supported Science and Technology Center. In the more than three decades that I have been at UH, I have seen tremendous change in our capacity and success as a research intensive university. Like any other economic endeavor, academic-based research and training are competitive enterprises. Typically a scientist or engineer will prepare a proposal to a private or government funding agency. The proposal contains an idea or opportunity for knowledge creation, invention, or other intellectual activity. The proposal is peer reviewed and then funded only if deemed to be excellent and with a high probability of success. The probability of success is based largely on who is proposing the work, their past record of success, as well as where the work will be conducted and its past record of support. This means that a young scientist's first grant is probably the most important since there is no history of success. It also means that the funding agencies will look carefully at the level of institutional support, and will award funds only to institutions that are serious about support of research and training. We are very fortunate to have a strong commitment from the State of Hawaii for their support of people (mostly through General Funds), facilities (mostly through CIP Funds), and new opportunities (mostly through Research Training and Revolving Funds or RTRF). The RTRF investment has often made the difference between a positive funding outcome and failure; typically for the NSF programs that I compete for, fewer than 20% of the submitted proposal nationwide are funded. At UH at Manoa the success rate is much higher, especially in recent years, and this can be attributed to strong support of new funding opportunities that is made possible by the RTRF investment. These funds are used to make strategic investments in research and training, for example to provide matching funds for specialized equipment or to hire a critical staff assistant, which provides a necessary advantage to UH scientists over their mainland peers. The growing volume of research activity at UH is one tangible measure of success, but more meaningful evidence includes the discoveries that are made, the jobs that are created, and the quality education that is provided to the general population of our great State.

I would like to provide two brief examples in my own career that hopefully demonstrate the success of past RTRF investments and the need to continue to provide these unique opportunities for growth. The first example is a NSF project that was funded in 1988 and that still continues today, the Hawaii Ocean Time-series project or HOT. HOT was established after a successful competition for limited funds in the new (at that time) global geosciences program. Although UH had an edge over our main competitors in California with our natural location and access to the open ocean, it was the proposed cost sharing provided by UH that made the difference. By providing limited RTRF support for the purchase of several new instruments and shared support for two marine technicians, the NSF decided to fund our program rather than the one submitted by our competitors. Now in its 22nd year of continuous operation the HOT program has helped to put UH at Manoa on the map, at least in the field of ocean sciences. By most measures, the HOT program has been a shining example of the importance of long-term ocean observations to establish a baseline against which to measure human induced changes. For example, we recently published the first major scientific account of ocean acidification, the changing acidity of local marine environment in response to increases in the carbon dioxide concentration in the atmosphere from human industrial activities. This paper recently was awarded the prestigious Cozzarelli Prize by the National Academy of Sciences as the best paper in 2009 in the areas of physical sciences and mathematics. In addition to this award-winning research, HOT

has provided training for many students and high tech, high wage jobs for about 100 people during the lifetime of our program. With a relatively small initial UH research investment of less than \$125,000 in 1987, the HOT program has now generated over \$35 million dollars from the Federal Government and the prospects for future grants is almost guaranteed.

The second example is another NSF-supported research and education program that evolved from the successes of HOT. In 2006, UH at Manoa was awarded a \$40 million dollar, 10-year grant to establish a Science and Technology Center – the first ever in the Hawaii. These projects are among the largest funded by NSF and are given only to universities that can demonstrate a strong commitment to excellence in research and training. Currently there are 17 funded Centers across the nation which emphasizes the fact that UH has what it takes to compete with the best private and public institutions in the nation. The establishment of the Center for Microbial Oceanography: Research and Education (C-MORE) required a 30% cost sharing commitment from UH and this was provided in part from the RTRF account. Now in its 4th year of operation, C-MORE has already made several important contributions to the UH mission. First and foremost it has made new scientific discoveries, created and disseminated knowledge, and helped to enhance the already great reputation of UH at Manoa as a leading institution of higher learning. It has also brought significant resources to the State, employed local residents, and helped to train the next generation of ocean scientists and engineers. But well beyond these important accomplishments, C-MORE has also provided outreach and training to those who are historically underrepresented in science-technology-engineering and mathematics (STEM), including Native Hawaiian and Pacific Islanders, by creating community-based teaching and learning opportunities. We have also endeavored to provide information on global environmental issues to the public at large to enhance literacy in the sometimes complex areas of climate science and ocean conservation. We have received co-funding from the Agouron Institute and the Gordon and Betty Moore Foundation, two of the nation's largest private sponsors of basic science to assist in our broad-based research and education missions. We have also collaborated with the State of Hawaii to support Act 111 in our public schools, and with several for-profit entities who hope to provide clean, energy efficient seawater air conditioning and electricity generation by ocean thermal energy exchange. We in C-MORE are among many at UH who daily provide the citizens of the State with expertise, advice, guidance about the use of our protection of our natural resources, usually without direct compensation for our efforts. As faculty members we are expected to provide community service and many of these activities are tied directly back to our competitive research grants, and to the RTRF support that we often receive.

In summary, the RTRF support that has been provided over the past years has allowed UH at Manoa to establish an international reputation for research excellence. Our ability to compete for limited federal grants further enhances our reputation, provides jobs for our citizens, and in general stimulates the local economy. The RTRF is one of several strategic investments at UH, but in many ways may be the most important for the reasons I have mentioned above. I urge you to continue to provide this much needed and invaluable support of UH programs.

Thank you.

David M. Karl

**Personal Testimony Presented Before the
House Committee on Finance**

March 29, 2010 - 7:00 p.m.
State Capitol, Conference Room 308

By
Peter E. Crouch, Dean
College of Engineering
University of Hawai'i at Mānoa

SB2695 – RELATING TO NON-GENERAL FUNDS

Chairperson Oshiro, Vice Chair Lee, and Members of the House Committee on Finance

My name is Peter Crouch, Dean of the University of Hawai'i College of Engineering.

I appreciate the opportunity to provide testimony **in support of maintaining the University of Hawaii budget and oppose to cuts in the University's non-general funds** as detailed in sections of SB2695.

SB2695 proposes that in certain University of Hawaii special and revolving funds there is an excess of the requirements of the fund that may be transferred to the State General Fund. The College of Engineering will be extremely adversely affected by many of these restrictions. Let me concentrate on only four of the main impacts that will severely affect the Colleges operations and in many cases their direct impact on the Hawaii and its tax paying engineering and construction companies.

- Impact on research growth
- Impact on Tech Transfer in the University
- Impact on K-12 STEM Outreach
- Impact on laboratory offerings for our students – the future work force of the State.

Impact on research growth: While RTRF does not play the same role as the Research focused units on the Manoa campus, it remains THE most important funding source to the College after the state investment. It is THE mechanism by which the College can build its research base and leverage the existence of the great research units already on campus, such as SOEST and IfA. When reinvested, RTRF bears more fruit in the form of income to the State and local high-tech jobs. If taken away, it robs the future of the University and the State.

Explicitly RTRF funds provide the College of Engineering:

- salaries for support staff (including some laid off from State funding cuts)
- cost match funds required for many Federal grants
- seed money for new projects
- start-up funds for new faculty that are especially onerous for engineering faculty
- travel funds to ensure that faculty can keep pace with the high speed of technology evolution around the world
- funds for research equipment (that are no longer in the UH budget)

- funds to assist in extensive K-12 STEM outreach activities

In short, RTRF is an economic multiplier. Reinvestment of research funds is critical. Short changing the Research and Training Revolving Fund would short change an important economic engine of the State and the Growth of the College of Engineering.

Impact on Tech Transfer in the University: The economic future of the State depends upon being able to diversify its portfolio of revenue generators. Almost certainly, clean, high tech industry has to be an integral component in this process. While the UH science ventures play an extremely important component in this process, the College of Engineering is and should be one of the principle components of actually effecting the tech transfer through both its students, who stay on Island, and its ideas and innovation. Indeed the College has been and is today by certain metrics the most invested in the tech transfer process. The College's budget has already been cut by 12% over the last two years and it is clear to me that the proposed additional cuts will severely affect the ability of faculty to continue to work on projects with our local industry. As a recent example, Prof. Weilin Qu, Director of the College's Micro-Scale Thermal/Fluid Laboratory, was a co-founder of Pipeline Micro, a Hawai'i-startup that was based on a liquid cooling system developed at the University of Hawai'i and licensed by the company. Pipeline Micro develops small and efficient liquid cooling systems for consumer and home electronics products, including video graphics cards, computers, and various appliances. Its liquid cooling systems use a patented thermal system design that dramatically improves heat transfer, stabilizes temperature, and enables products to run faster, perform longer, and use less energy.

Impact on K-12 STEM Outreach: The College has been playing a major role in the State's efforts to focus on K-12 STEM Outreach. The College has been basing its efforts on staffing that the College enjoys, on both soft and hard funds. If these new budget cuts are enacted the effect will undoubtedly be that funding for some of these positions will disappear. The funds that the College has gladly accepted from the State and elsewhere to support its programming is based upon these staff resources. Without these staff resources the College will not be in a position to leverage these funds and many of these outreach efforts will wither and die.

Impact on laboratory offerings for our students – the future work force of the State: (Tuition and Special Fees). The College has recently been able to secure differential program fee for Engineering. While the College has not enjoyed this new funding source yet, it is planning to upgrade the facilities in Holmes Hall, and replenish equipment and supplement technician support for student activities. Holmes Hall, which is nearly 50 years old, and has mostly not enjoyed remodeling and the necessary continual equipment renewal. Thus, relative to most Engineering Schools on the mainland where Engineering has enjoyed focused investment, because of its economic impact in terms of its graduating students, most laboratory facilities are way out of date. The proposed raid on the University's Tuition and Special Fees fund is likely to set back all of this planning and again put our graduating engineering students at a disadvantage compared to students in the mainland.

Once again I appreciate the opportunity to present testimony in opposition of SB2695 – specifically sections relating to the University of Hawai'i. Mahalo for your consideration.

House Committee on Finance

Re: Hearing on SB 2695 / March 29, 2010 - 7:00 p.m.

State Capitol, Conference Room 308

TO: Chairperson Marcus Oshiro, Vice Chair Lee, and Members of the House Committee on Finance

From: Bennette Misalucha Evangelista, President, Red Monarch Communications, LLC ; Senior Advisor, Actus Lend Lease

SB2695: RELATING TO NON-GENERAL FUNDS

My name is Bennette Misalucha Evangelista, President of Red Monarch Communications and a member of the College of Engineering's Dean Council.

I appreciate the opportunity to provide testimony **in opposition to SB2695 as it relates to cuts in the University's non-general funds.**

SB2695 proposes that in certain University of Hawaii special and revolving funds there is an excess of the requirements of the fund that may be transferred to the State General Fund. We are specifically concerned about the devastating impact to the University of Hawaii and specifically to College of Engineering.

I am a member of the College of Engineering's Dean's Council and I can attest to the fact that the College of Engineering supports the growth of the engineering, construction, and high tech industry workforce in a positive way.

It is the only accredited School of Engineering in the State of Hawaii and as such it the imperative to maintain a level which allows its students to work in laboratories with functioning equipment and participate in research makes them ready for the competitive workforce. Specifically SB2695 proposes to transfer funds from the Research and training Revolving Fund and the Tuition and Special Fee Special Fund, both of which would directly affect the College. Other cuts would undoubtedly have second order affects on the College.

I have worked closely with the Peter Crouch, Dean of Engineering and he has made positive strides to ensure that even in challenging economic time, they can deliver an educational program which meets the needs of our current and future workforce.

In addition, I have worked with Assistant Dean Song Choi on a number of projects which clearly supports the creation of new jobs in the Hawaii marketplace.

Once again I appreciate the opportunity to present testimony in opposition of SB2695 – specifically sections relating to the University of Hawaii.

Sincerely,

Bennette Misalucha Evangelista
President
Red Monarch Communications LLC

SB 2695
Testimony Against SB 2695 (SSCR 2341)
Relating to Non-General Funds

I am an Associate Professor at the University of Hawaii and have just learned of this bill that, if passed, will introduce an additional 59 million dollars in cuts to the University of Hawaii's budget. This budget cut is to be added to the budget cuts that were made in the FY 2009-2010 (that totaled approximately 98 million) and to the 100 million budget cuts that have already been approved for FY 2010-2011. So, the total budget cut to UH will be 159 million dollars for FY 2010-2011 if this bill passes.

Speaking from a professor's standpoint during an initial round of budget cuts (i.e. the 98 million in FY 2009-2010), I have to say that to pass this bill will send a strong message that state legislators in Hawaii do not support education or Hawaii's students.

All of us at UH (students, staff, instructors, professors, and administrators) are currently working and living in an atmosphere in which we have "cut to the bone." None of us can imagine a world of more cuts. For example, because of these budget cuts, my department can no longer afford to pay for printer ink. Our libraries are often closed at times we need them, and libraries no longer have access to the books, articles, and visual educational tools that I need to research and teach. As a result, I have to pay for much of what UH can no longer afford. UH has also lost key support staff due to the cuts this past year. The support staff who have not been laid off have had their hours cut. As a result I no longer have the staff support to help to complete all the work it takes to teach, research, write grant proposals, administer grants, and reach out to communities. My 80-hour a week job, as a result of staff and other budget cuts, has turned into a 120-hour a week job. This is all not to mention the recent reduction in my salary.

The truth of the matter is that I am in mid-career and am having a difficult time keeping my family financially afloat here in Hawaii. Add to this the additional time that it is now taking me to provide the teaching, research, grant writing, grant administration, and community outreach work of being a UH professor and this all comes down to some serious decisions on my part. I might have to leave UH and Hawaii so that my family does not fall apart economically (from my lack of resources) and emotionally (from my lack of ability to spend time with them). Although these are difficult economic times for everyone across the U.S., there are legislators in some states who have protected and stood up for public education much more vehemently than legislators in Hawaii. If economic times at UH get significantly worse, I might have to move my family, my research \$\$, my teaching skills, and my commitment to providing a quality education elsewhere. If you do not stand up for education and resist the temptation to make enormous and additional cuts to UH, I may have to move to another state that takes education and educational opportunities for children more seriously.

While my own personal story as a professor at UH demonstrates a bit about the economic crises at UH, what is even more moving is the story told by the students at UH. Many of the students (graduate and undergraduate) can barely afford to attend school here and some of my graduate students also are having trouble affording groceries every week. They spend their days watching buildings and facilities decay, old technology throughout campus fall apart and fail, classes canceled due to budget cuts, professors' time become more and more limited (as we take up the slack in lost positions), libraries close at odd hours due to furloughs, and the loss of access to books, articles, and other key research resources. They watch in horrific wonder as their chances at a top-notch education are eroding before their eyes. Their stories are more moving than my own and I seriously encourage you to think of UH students and **DO NOT PASS** this next round of budget cuts to UH.

Katherine Irwin
Associate Professor of Sociology
University of Hawaii, Manoa
Saunders Hall 247



March 29, 2010

House Speaker Calvin Say
Hawaii State Capitol, Room 431
415 South Beretania Street
Honolulu, HI 96813

Representative Marcus Oshiro
Hawaii State Capitol, Room 306
415 South Beretania Street
Honolulu, HI 96813

Re: SB 2695 HD 1
Cuts to the University of Hawaii

Aloha Speaker Say, Representative Oshiro and Members of the Finance Committee:

My name is Kathryn Inouye, I am the Chief Operating Officer of Kobayashi Group and a proud alumnus of the University of Hawaii. I am writing this letter to strongly urge you not to make any further cuts to the University of Hawaii. The University is not only providing construction jobs for badly needed facilities in order to bring in top-tier researchers, it is a critical part of Hawaii's economic engine.

Under President MRC Greenwood, one of the goals is to position the University of Hawaii as an educational institution of first choice and not because it's the only place that a local student can afford to attend. The University is also in the midst of building badly needed current research facilities in order to attract some of the top faculty and researchers in the nation. This in turn will add to the \$400.0 million in research grants and training funds it currently brings into the State of Hawaii. To cut these funds would be akin to "killing the goose that laid the golden egg."

On the matter of cuts to the Cancer Research Center of Hawaii, I further urge you not to cut any funds from this project. We were retained as the Project Manager for this much-needed facility in November 2009. This facility is sorely needed by the State of Hawaii to strengthen the study of cancer as it impacts Hawaii's ethnic population. There is no other cancer center in the nation that is incentivized to take on this mission. Further, the strong consortium model with Hawaii's hospitals could eventually provide our residents with the benefits in advances in cancer treatments, minimizing the need to travel to the mainland. This will help the bottom line of our local hospitals.

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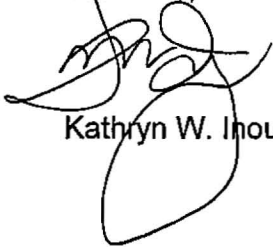
ENVISION CREATE SUSTAIN

House Speaker Say
March 29, 2010
Page 2

I have overseen a variety of construction and real estate development projects over my career. However, there is far more to consider in the design and construction of a cancer center due to the complexities of the equipment requirements in the research labs and the adjacencies of functions. It was already at a minimal size requirement for critical mass and to meet budget constraints. One cannot simply cut this budget further and go through a "value-engineering" exercise at this point. It would undoubtedly require that we start from scratch, losing very valuable time possibly jeopardizing our National Cancer Institute designation and the very competitive hiring process for researchers.

In closing, I strongly urge that you support our University and allow it to maintain its significance in Hawaii's education and economic system.

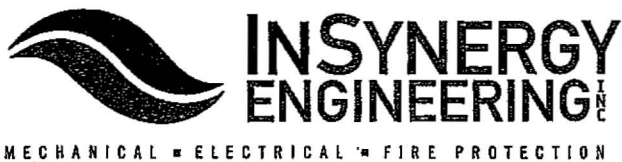
Sincerely,



Kathryn W. Inouye



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**Personal Testimony Presented Before the
House Committee on Finance**

March 29, 2010 - 7:00 p.m.
State Capitol, Conference Room 308

SB2695 – RELATING TO NON-GENERAL FUNDS

Chairperson Oshiro, Vice Chair Lee, and Members of the House Committee on Finance

My name is Joel Yuen.

I appreciate the opportunity to provide testimony in opposition to **SB2695 as it relates to cuts in the University's non-general funds.**

SB2695 proposes that in certain University of Hawaii special and revolving funds there is an excess of the requirements of the fund that may be transferred to the State General Fund. We are specifically concerned about the devastating impact to the University of Hawaii and specifically to College of Engineering. The College of Engineering supports the growth of the engineering, construction, and high tech industry workforce. It is the only accredited School of Engineering in the State of Hawaii and as such it the imperative to maintain a level which allows its students to work in laboratories with functioning equipment and participate in research makes them ready for the competitive workforce. Specifically SB2695 proposes to transfer funds from the Research and training Revolving Fund and the Tuition and Special Fee Special Fund, both of which would directly affect the College. Other cuts would undoubtedly have second order affects on the College.

We have worked closely with the Peter Crouch, Dean of Engineering to ensure that even in challenging economic times that they can deliver an educational program which meets the needs of our current and future workforce.

Once again I appreciate the opportunity to present testimony in opposition of SB2695 – specifically sections relating to the University of Hawaii.

Respectfully submitted,

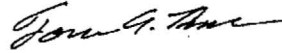
Joel Yuen, P.E., President
INSYNERGY ENGINEERING, INC.

Z:\ADMIN\administrative\Correspondence\SB2695 Template Testimony (Joel Yuen).doc

29 March 2010

To: The Honorable Marcus R. Oshiro
Chair, House Committee on Finance

From: Tom A. Ranker, PhD
Professor & Chair, Department of Botany
University of Hawai'i at Manoa



Re: SB 2695 S.D. 1 – Relating to Non-General Funds

I am writing in strong opposition to Section 19 of SB 2695 S.D. 1, which would transfer at least \$10,000,000 from the University of Hawai'i's research and training revolving fund (RTRF) to the State of Hawai'i general fund. The transfer of these funds would deal a devastating blow to the research and training mission of the University.

These funds are used to fund many critical functions of the University, including training undergraduate students, graduate students, technicians, and post-doctoral researchers, purchasing major equipment items, and providing matching funds for large extramural grant proposals to agencies such as the National Science Foundation, the National Institutes of Health, and others.

The current and future employment of hundreds of students and professionals are totally dependent on these funds and transfer of the funds away from UH will have a lasting, long-term, and extremely negative effect on the viability of the University as a viable educational and research institution.

Thank you for considering my testimony on this bill.

Testimony in opposition to SB 2695

Cynthia Scheopner, Advocacy Chair

Graduate Student Organization

Graduate students at the University of Hawai'i at Mānoa are already adversely affected by university budget cuts. We are returning to campus after a spring break in which university libraries were closed, making study and research difficult. We face uncertainty in our efforts to pursue a graduate education: uncertainty as to whether our teaching and research positions will be cut, whether already limited funds for conference attendance and research will be eliminated, whether the classes we need will be offered in a timely fashion or, indeed, at all, uncertainty as to the continued viability of our programs and departments.

In many cases, the areas of study we pursue are unique to Hawaii. There is no other university to which we may transfer, as problematic as that already is at the graduate level. For example, I am a PhD student in Comparative Philosophy. The University of Hawai'i at Mānoa is the only place in the world where this type of study is possible. Our recently-concluded graduate conference attracted students from several mainland universities, the United Kingdom, Canada, Japan, and Hong Kong who traveled at their own expense for the opportunity to interact with UHM students and faculty. Further, the past two conferences have included papers exploring philosophical approaches to conflicts between traditional Hawaiian concerns and contemporary society. Funding from the Graduate Student Organization made it possible for me to present a paper entitled "Cross-Cultural Concerns in Burial Site Relocations" at a major ethics conference on the mainland last summer. This type of funding is now in jeopardy, as is the research it supports.

The research conducted by graduate students at the University of Hawaii at Mānoa is critical to the state's future. Graduate students also contribute directly to undergraduate education, helping to prepare the state's citizenry. The cuts to tuition and fees under consideration in this bill will deal a severe blow to the future of the state of Hawai'i.

Dear Senators and Representatives,

My name is Megan Chock, and I am currently a senior at UH Manoa majoring in economics and biology. I am writing to you to express my concern about the \$59 million that will be taken from the University of Hawaii. I would like to share the many opportunities that UH has given me throughout my years here and encourage the Senate to carefully consider the implications of further restricting the university's ability to provide a quality higher education. In particular, the proposed sweeping of \$20 million from the Tuition and Fees Special Fund will impact students directly, as monies from that fund go directly back to students in the form of class offerings, services like advising and financial aid, library hours, and many other factors that are integral to the student experience at the University of Hawaii.

I chose to attend UH Manoa in fall 2006 because I was offered a generous scholarship. I also wanted to prove that one did not have to attend an expensive mainland school to receive a good education. At UH Manoa, I was able to challenge myself through various on-campus activities, participating in the Honors program, joining student government, running collegiate cross country for a season, becoming a student intern with the University of Hawaii Economic Research Organization, and much more. I gained an education that made me extremely well-rounded and well-traveled; I was able to go on the National Student Exchange for a semester to UMass Amherst, and studied abroad in Taiwan this past summer. I believe that the opportunities that UH offered me in the form of scholarships and support from my professors, advisors and other staff members afforded me all of these achievements.

If the University of Hawaii system continues to lose funding, however, I am concerned that less of these opportunities will become available. Students like me, who want to go through our state university system, will have much less opportunities than their counterparts on the mainland; the class sizes at UH are increasing, the facilities are in need of maintenance, the libraries have had to reduce their journal subscriptions, and the Honors program that attracts academically driven students is understaffed and cannot provide the support it needs to grow. I understand that the economic situation throughout the world is very grim, and I also understand the sentiment that the university can afford further cuts because of its ability to generate its own revenue through tuition. However, I would ask that the state legislature consider these arguments for the cuts against the reality that without investment in our university system, the quality of the education provided and the opportunities available to UH students will surely decline.

As a student and a soon-to-be proud graduate of the University of Hawaii, I hope that my positive experience will give you reason to consider how great UH can be. Since coming to UH Manoa, I have heard many complaints and frustrations about how UH's resources are severely lacking. It is becoming more difficult to find the opportunities that I have described, and I am afraid that if the university suffers more cuts, these opportunities will only become more and more scarce.

In closing, I thank you for your time and consideration. Good luck with the rest of the session. In whatever decision you make, please take away one main point from this letter: the University of Hawaii can be a solution to the economic crisis, but can only realize this potential if adequate investment is made and enough financial support from the state is provided.

Sincerely,
Megan Chock
University of Hawaii Student Caucus, ASUH Senator-at-large

Testimony:

My name is Lance Nolde and I am currently a PhD candidate in the Department of History at the University of Hawaii at Manoa. I am submitting this testimony because I am concerned with the impact the proposed legislation will have on the budget of my department as well as the University in general. In particular, the proposed \$20 million cut from the Tuition and Fees Special Fund would impact the volume and quality of student services, number of classes/sections to offer, amount of financial aid and scholarships to students, library hours, etc.

When I applied to graduate programs in History in 2006, I was accepted by several prestigious schools in California (UCLA and UC Berkeley) and on the east coast (George Washington, Cornell). I chose UH not only because of its great reputation for research in the field of Southeast Asian history, but also because UH was able to offer the best financial support in terms of scholarships (Graduate Assistantships, tuition waivers, and the Arts and Sciences Research Council Award, to name but a few on offer). Without that incentive, I, like countless other graduate students in all fields, would not have elected to go to UH.

Since the budget crises of last semester, I have witnessed a dramatic decrease in the number of GA positions available in several departments, including my own, and the numbers will no doubt decrease if this flawed proposal is passed. With a decrease in the number of GA positions comes an increase in the work load for those who do receive positions without corresponding increases in pay, as well as a large decrease in the number of graduate students who will choose UH as their school of choice.

Furthermore, the proposed cuts will undoubtedly continue to adversely affect the standard and quality of services offered at UH, the number of classes offered, and the overall quality of student life. By passing this legislation, the State of Hawaii will be placing classes, teachers, students and student services at the lowest level of priority. By issuing such a statement—that the State of Hawaii does not care about the standard of education and does not care to continue to attract top students and scholars to their institutions—to the state as well as to the rest of the nation, the House will not only be breaking with the progressive movement that seeks to improve America's education system, but it will be a sign of Hawaii's continued inaction in the face of a struggling state education system.

I write this testimony in hopes that representatives will look to make cuts elsewhere—cuts in top-level administrative salaries, for instance—rather than continue to handicap the University's ability to offer its students the education they deserve. When Chancellor Hinshaw is making upwards of \$300,000 per year, not to mention the likewise high salaries of other UH administrative elites, it is odd that the state continues to seek to cut corners in the realm of class offerings, teacher salaries, scholarships and student services. I am sure that members of the House do not need a reminder as to the stated mission of the University, but lest it be forgotten:

“The mission of the University of Hawai'i system is to provide quality college and

university education and training; create knowledge through research and scholarship; provide service through extension, technical assistance, and training; contribute to the cultural heritage of the community”

Sincerely,

Lance Nolde
Department of History, UH Manoa

Testimony for SB2695

Aloha, I am a graduate student at the University of Hawai'i at Mānoa. I would like to strongly oppose the proposed budget cuts to the UH system.

The University of Hawai'i is a powerful institution of education that draws people to Hawai'i from all over the country, and all over the world. In the few years that I have been here, I have witnessed deterioration in the services, resources, and supports offered to students due to budget cuts. UH brings people, funds, tax dollars, prestige, education, and a *future* to this great state. Further cuts to student services, resources, and supports will serve only to discourage future students from coming here, which will lead to broad declines in out-of-state funds coming to Hawai'i. It is already difficult to move to Hawai'i for school, because unless you are from this great state, you are far from home. But the University system offers so many great services and student supports that it is worth it to come here, for the unparalleled education offered here.

I want to strongly urge the Hawai'i State Legislature to stop cutting education funds. I know we are in a budget crisis (in my job I work with public school teachers). We are all feeling it. But cutting education, whether elementary, secondary, or higher education, is cutting off the future. Without education, the current economic troubles we have will recur, and each time will be worse. The foundation to strong industry and a strong economy is education. Please support our future by supporting our current students.

Mahalo,
Laura Corlew, MA
Cultural Community Psychology
University of Hawai'i at Mānoa
Senate District 10

Martha E Randolph
2571 Pacific Heights Road
Hoholulu, 96813, HI

March, 28th 2010

Re: Testimony Against SB2695

Dear House of Representatives,

The proposed additional cuts to the University of Hawaii budget are simply unacceptable! As a mature age student, without a job, who is trying to complete a Masters degree so that I may get a job, I must protest. At what point will you stop punishing the people who have already paid several times over for the irresponsibility of a few elite who do not seem to have suffered at all from their own misdeeds?

My younger colleagues and I often depend on full or partial University scholarships in order to continue our education. Important positions such as Teaching or Graduate assistant not only provide income, but teaching experience as well. The earlier cuts resulted in even large class sizes and TA's and GA's are often the only way a single professor can address the needs of so many students in one class. This proposal will virtually eliminate those funds.

I have been a taxpayer most of my life, and now I need some of that money back to help me return to being a taxpayer! I would rather pay a cent or two extra on the daily goods and services taxes then suffer additional cuts in education or health services.

I don't care who is proposing these cuts but they must not be allowed to go forward! Raise the daily taxes instead and do it right now! If the economy makes a radical comeback and money starts flowing into the state coffers, you can always repeal the addition back to the original levels (not that I think that would happen).

Sincerely,

Martha E Randolph
Graduate Student
Religious Studies, UH Manoa

Testimony in opposition to SB2695

I am extremely grateful to the UH system for giving me an opportunity to better myself and status through excellent education. Coming from a family of eleven needless to say resources were scarce and I have spent many a nights in and out of homeless shelters. I never dreamed I would not only attend a university but be involved in so many aspects of the system.

The support and guidance I received from the staff and faculty were instrumentally vital. Through various local and federal grants and scholarships, I am able to attend UH West O'ahu. I am now a junior at West O'ahu, ASUHWO member, Caucus delegate, and RCAC member. With the help of friends, family, and mentors within the UH system I plan on continuing with my educational goals that will open doors for the future. My education gives me hope. It gives me hope that I can be a contributing citizen. If further cuts are taken, it will affect students like me, who have worked so hard to get where they are and it will discourage future generations to seek higher education. Please take into consideration the consequences of the choices you make, it will impact thousands of others striving to be better.

Thank You,

Dove Atherall

SB 2695

Testimony Submitted by Kenneth Kipnis
Monday, March 29, 2010

I am Ken Kipnis and I teach ethics in Manoa's Department of Philosophy. I came here 30 years ago excited at the prospect of working in a place that did not have a majority population, where the task of sustaining a multicultural community, a multicultural university, is everybody's business.

We philosophers sometimes pay more attention to the big picture than we do to details, so here is my big picture. Though we who call Hawaii our home are blessed with amazingly rich diversities, there are hundreds of intricate worlds that lie beyond what we can readily see and experience, worlds that can challenge our minds, our values, our grounded expectations, even our imaginations. If Hawaii is our home, Manoa's departments and programs, its colleges and faculties, its libraries and laboratories, its professors and graduate assistants, are its windows. Like any fine university, Manoa offers opportunities to stretch our skills and our understanding as far as humanly possible, to stand on the shoulders of giants, to see as deeply as the accumulated achievements of our species will allow. And then to see even further.

But Manoa is our only doctoral-level research university. Though there are others in the United States, the next closest one is more than 2000 miles away. And so, for many who share this island home, to go to a university is to become a student on this campus.

My own department, philosophy, used to have an African-American scholar whose specialty was social and political philosophy. He had done landmark work on rectification and reparations; the duties that flow from wrongdoings between peoples. Rodney Roberts left about 5 years ago and was not replaced. One small window in our home, boarded up.

Universities begin to die when the institution shuts down whole academic programs. Though we have let our lecturers go and have chosen not to replace scholars who leave, the Board of Regents has yet to declare that a state of financial exigency exists and the administration has yet to unveil any plan to retrench. The headlines suggest that we are at that tipping point, that we are about to begin a debate on how to get on with the dirty business of cannibalizing higher education in Hawaii. As tuitions rise and programs fall by the wayside, we would be abandoning our historical commitment to equality of opportunity in higher education, sentencing Manoa to the death of a thousand cuts.

We are not standing on the shore, awaiting a hurricane that is coming this way, threatening the very integrity of our community. What threatens us is not a natural calamity. What destroyed Gartley Hall -- what has destroyed it as decisively as any earthquake -- is years of official neglect. What threatens Manoa, and the community that is our home, are the actions and the omissions of politicians and political appointees, men and women --- our neighbors -- who now need to be reminded that political power comes with political responsibility. Reminded that the students and the faculty and the communities who have stakes in this awesome institution will not stand by and watch its budget plundered, its programs killed, its windows, our windows, Hawaii's windows, boarded up.

How can the legislature be considering additional cuts to UH Mānoa? That makes no sense at all. In times of economic difficulty, many citizens turn to the university (and community colleges) for additional education and training. Further cuts will endanger the viability of Hawai'i's only public four-year university! Why would you willingly inflict damage to the state?!

UH Mānoa is doing its part in these tough economic times to cuts costs – but the future of the citizens of Hawai'i is at stake! How can the university be expected to continue to educate Hawai'i's youth (and not so young), serve the community and conduct research— all essential activities for creating a stronger future for Hawai'i.

We are already doing more with fewer resources, and the strain is starting to show. We will only lose more students to schools outside Hawai'i if you continue to undermine public education in our state!

I am sure you are aware that UH Mānoa is an economic generator. Every dollar invested in UH Mānoa generates \$5.34 in spending in Hawai'i. It would be incredibly short-sighted to reduce that generator effect.

Research at UH Mānoa attracts an average of \$1.2 million a day - more than \$400 million a year - in research and training grants, most of them from outside Hawai'i. These funds improve our economy, create jobs and produce advancements in a wide range of areas, from health to technology to cultural understanding – such research improves all of our lives.

Even during these difficult times, UH Mānoa has continued to move forward and to gain momentum. The Western Association of Schools and Colleges accrediting commission recently commended the campus for making considerable progress since its last special visit three years ago.

From a March 5, 2010 letter to Chancellor Hinshaw
(<http://www.hawaii.edu/news/article.php?ald=3465>):

“The (visiting) team had the distinct impression of a sense of community across the campus, a willingness to collaborate, to facilitate partnerships at all levels and a keen realization that this collegiality was essential to help weather the current economic crisis,” says Ralph A. Wolff, commission president and executive director. “We sensed a great deal of excitement and pride about the unique place of Hawaiian Learning and what an extraordinary opportunity the campus has to highlight Hawaiian knowledge.”

The commission also endorsed the CPR team's findings, commendations and recommendations in the particular areas of strategic planning, educational effectiveness and student access. “Perhaps the most outstanding discovery by the team was the progress made with the student success initiatives,” reads part of the site visit report. “We found the Student Success Center, Residential Learning Community, First-Year initiatives, and Composition 100 to be exemplary. In fact

the breadth of initiatives across the campus became a challenge for the team in deciding which to include in this report.”

UH Mānoa is striving to a better university for all of Hawai‘i’s citizens. By cutting the university’s budget you are telling the citizens of this state that our university is not worth it—that we cannot have a quality university in Hawai‘i. What kind of message is that?

The citizens of Hawai‘i support the University of Hawai‘i! I support the University of Hawai‘i. There must be other ways to meet budget obligations than destroying our public university! I would gladly pay more in taxes to support this university.

Please, for the sake of this state and for the youth and all citizens of Hawai‘i, please do not cut public funds to our public university! Please do not destroy UH!

Sincerely,

Darrell Kicker
‘Ewa Beach

**Personal Testimony Presented Before the
House Committee on Finance**

March 29, 2010 - 7:00 p.m.
State Capitol, Conference Room 308

By
Ruth Limtiaco

SB2695 – RELATING TO NON-GENERAL FUNDS

Chairperson Oshiro, Vice Chair Lee, and Members of the House Committee on Finance:

My name is Ruth Limtiaco and I have been a scholarship donor to the U.H. College of Engineering since 2002. I have first hand knowledge of the excellent program that produces skilled engineers, a profession always in need in the state of Hawai'i.

I have also recently attended the fantastic Robotics Competition produced through the College of Engineering that has high school students excited about learning, staying until late at night excitedly working on projects, competing in an exciting competition where kids are cheering and screaming for kids who are smart and sending six teams to the Robotics Championships this year in Atlanta.

Some of the most exciting learning and research in our state is happening at the UH College of Engineering.

I oppose SB2695 as it relates to cuts in the University's non-general funds.

The College of Engineering supports the growth of the engineering, construction, and high tech industry workforce. It is the only accredited School of Engineering in the State of Hawaii and as such it is imperative to maintain a level which allows its students to work in laboratories with functioning equipment and participate in research that readies them for the workforce.

Please do not support SB2695. Our College of Engineering is one of the most important programs at UH; one that supplies a needed technical work force in the kind of high-level jobs we are seeking to create in this state.

Yours truly,

Ruth Limtiaco

**Personal Testimony Presented Before the
House Committee on Finance**

March 29, 2010 - 7:00 p.m.
State Capitol, Conference Room 308

By

Michael Hunnemann

SB2695 – RELATING TO NON-GENERAL FUNDS

Chairperson Oshiro, Vice Chair Lee, and Members of the House Committee on Finance

My name is Michael Hunnemann.

I appreciate the opportunity to provide testimony **in opposition to SB2695 as it relates to cuts in the University's non-general funds.**

SB2695 proposes that in certain University of Hawaii special and revolving funds there is an excess of the requirements of the fund that may be transferred to the State General Fund. We are specifically concerned about the devastating impact to the University of Hawaii and specifically to College of Engineering. The College of Engineering supports the growth of the engineering, construction, and high tech industry workforce. It is the only accredited School of Engineering in the State of Hawaii and as such it the imperative to maintain a level which allows its students to work in laboratories with functioning equipment and participate in research makes them ready for the competitive workforce. Specifically SB2695 proposes to transfer funds from the Research and training Revolving Fund and the Tuition and Special Fee Special Fund, both of which would directly affect the College. Other cuts would undoubtedly have second order affects on the College.

We have worked closely with the Peter Crouch, Dean of Engineering to ensure that even in challenging economic times that they can deliver an educational program which meets the needs of our current and future workforce.

Once again I appreciate the opportunity to present testimony in opposition of SB2695 – specifically sections relating to the University of Hawaii.

To whom it may concern,

As a graduate student who recently came to the University of Hawaii from a job and family outside of Hawaii, I find it necessary to testify against SB2695, HD1 on the grounds that it further endangers our budgets and our attractiveness to prospective students.

The Department of Second Language Studies has generously provided tuition support to me for two semesters. I now live and work in Hawaii and consider it my home.

Our department draws a large number of international students and U.S. citizens thanks to its reputation as one of the world's most widely respected programs in the growing disciplines of Applied Linguistics and Second Language Education. That reputation has been built in part on the department's ability to secure funding for its students. The university's excellent facilities as well as the tuition support I was offered were certainly considerations when I accepted the offer to study here.

In addition to on-campus resources and department support, the UH Graduate Student Organization's grants and awards committee, which I serve on, provides financial support to students across the university for research. Most students who apply to the Graduate Student Organization for financial awards travel to academic conferences in the U.S. and other countries, thereby broadening the reach of the university's global network and maintaining its important contributions in the areas of: Agriculture, Anthropology, Business, Communication, Computer Science, Counseling, Cultural Studies, Earth/Physical Sciences, Economics, Education, Engineering, English, Fine Arts, Geography, Health & Medicine, History, Human Welfare & Social Sciences, Language, Life Sciences, Mathematics, Natural Resources, Philosophy, Plant Studies, Political Science, Religion, Urban/Regional Planning, and Women's Studies.

The Graduate Student Organization represents 5,000 students, who I believe apply to this school with the expectation that they will receive not only graduate training of the highest caliber, but also support for the research that they conduct. Obviously, the presence of these individuals also generates income and is beneficial in many other ways for the State of Hawaii.

Any measure to reallocate funds dedicated to tuition support, research or services on campus could bring severe damage the university's ability to attract new applicants. Therefore I oppose the draft.

Sincerely,

Daniel Jackson

To whom it may concern,

As a graduate student who recently came to the University of Hawaii from a job and family outside of Hawaii, I find it necessary to testify against SB2695, HD1 on the grounds that it further endangers our budgets and our attractiveness to prospective students.

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Any measure to reallocate funds dedicated to tuition support, research or services on campus could bring severe damage the university's ability to attract new applicants. Therefore I oppose the draft.

Sincerely,

Daniel Jackson

SB 2695

My name is Cheryl Naruse and I am a Ph.D. student in the department of English at UH Manoa. I came to the United States as an international student beginning with my bachelor's degree at the University of Washington in 2002 and graduate education here at Manoa. I pursued my education in the United States believing that the education system here would be one that provided an excellent environment for learning and that it would provide me a necessary edge to get ahead in a competitive academic job market.

When I began my education in the US, I was immediately impressed with the public commitment to providing a high quality education. This was particularly clear to me from my experience at the University of Washington where students, the city of Seattle, and private donors alike enthusiastically demonstrated their pride in having a high quality university. I came to UH Manoa believing that I would be able to continue working in an intellectually stimulating and supportive environment. Unfortunately, only the former is true and will only continue so long as politicians, the Legislature, and administrators work towards providing the latter. It is not difficult to see how UH Manoa's campus is falling apart and how faculty and staff are overworked and underpaid. This obviously affects the quality of education that UHM can provide. I'm confident that many other testimonies confirm the importance and value of a public education.

If the Legislature is not invested in the futures of their own residents, then they should at least consider how Hawaii's lack of commitment to education appears internationally. Already, the state of Hawaii has received bad press both nationally and internationally for Furlough Fridays. This public image will certainly not be improved by a decision to further cut the University's budget. Furthermore, even if there is no moral commitment to higher education on the part of the state, the state should at least consider the economic implications. International students, particularly those of the Asian and Pacific region, are a significant source of revenue for Hawaii. International students and their visiting families add to the local economy in numerous ways. International students can also be excellent PR for Hawaii by encouraging their family to attend the university. If Hawaii wants to maintain close and strong ties with the region, one of the best ways to do this is to invest in the University—this is a long-term and sustainable investment. Currently, there is very little motivation to come to a University that is being gutted by its own state. No international student comes to the United States wanting a degree from a university that is not seen as respectable.

When I'm asked what I think about UH Manoa, I tell people that I am fortunate to work with some of the most caring and dedicated faculty in the world, but that the institutional support—or really, the lack of—is embarrassing and an abomination. The Legislature should seriously consider the negative impact budget cuts will have on the wellbeing of students, residents, faculty, and staff. The Legislature's actions are demonstrating a lack of foresight by not finding ways to invest in the University. The Legislature needs to reexamine the budget and be creative with its options. We have some of the best scholars and students at UH Manoa, but we are not being given an opportunity to truly develop talents and reach our full potential. The Legislature now has the opportunity to change things, not only for its own people, but to demonstrate to those outside of it some true innovation and leadership.

Testimony Opposing SB 2695

Jeffrey Rich, President

Graduate Student Organization, UH Mānoa

We all face difficulties because of the economic downturn. The University of Hawai'i has already been subjected to a serious cut in its operating budget. This cut to the UH budget raised serious tensions between the administration, faculty and students of UH. The entire UH community has worked hard to deal with these cuts and we are just coming to terms with the effects of the current budget reduction, especially at UH Mānoa. The proposed budget reallocation in SB 2695 would cause irreparable damage to the UH system, which in many ways has already been pushed to the limit fiscally.

I have heard people at many levels in the UH community agree that too many cuts can cripple an institution entirely. There are some that feel UH Mānoa is already reaching that point and the proposed reductions in this bill would impact Mānoa most severely of all the UH schools. UH Mānoa is the only tier 1 research school in the state and provides research programs that can be found nowhere else in the nation or world. Its degree and professional programs provide a valuable resource to the local community. If UH Mānoa is damaged beyond repair, the state risks losing not only a valuable resource for the residents of Hawai'i, but also impairing the economic benefits of a well-funded research institution.

The research conducted by the students and faculty of UH Mānoa brings national and international recognition to Hawai'i as well as millions in grant funding providing jobs and revenue for the state. UH Mānoa already faces a difficult task in working to attract and retain excellent research faculty and students. Further cuts in funding to UH may make it nearly impossible to do so. The best local students will increasingly attend institutions out of state and faculty already finding it a difficult decision to choose UH will go elsewhere.

As a graduate student I have benefited greatly from my program at the University of Hawai'i and by funds directly targeted in this bill. RTRF funds help graduate students, myself included, carry out and showcase their research to the local, national and international community. Maintaining high levels of quality research conducted by excellent students and faculty is crucial to the future of UH Mānoa and crucial to the future of Hawai'i.

**Personal Testimony Presented Before the
House Committee on Finance**

March 29, 2010 - 7:00 p.m.
State Capitol, Conference Room 308

By

Song K. Choi, Assistant Dean
College of Engineering, University of Hawaii at Manoa

SB2695 – RELATING TO NON-GENERAL FUNDS

Good evening and aloha Chairperson Oshiro, Vice Chair Lee, and Members of the House Committee on Finance. Thank you for this opportunity to testify against SB 2695.

SB2695 proposes that in certain University of Hawaii special and revolving funds there is an excess of the requirements of the fund that may be transferred to the State General Fund. We are specifically concerned about the devastating impact to the University of Hawaii and specifically to College of Engineering. Specifically, this bill proposes to transfer funds from the Research and training Revolving Fund and the Tuition and Special Fee Special Fund, both of which would directly affect the College. Other cuts would undoubtedly have second order affects on the College.

My name is Song K. Choi, the Assistant Dean of the College of Engineering. I have been personally involved with Hawaii's K-12 outreach via robotics from my laboratory as well as a mentor/coordinator/liaison between the university and the hundreds of robotics teams that have been involved with various FLL, VEX, FRC, Robofest, Botball, UUVs, and Micro Robot tournaments since 1991. Since 19 years ago, we have seen a continued increase in the interest in science, technology, engineering and mathematics (STEM) and robotics, and in the past 4 years, we have seen exponential growth. These outreach efforts have culminated in a steady increase in students in the robotics, engineering, and high technology areas as evidenced in the increase in electrical and mechanical engineering graduates. As our State has focused our growth in the high technology industry, we have been able to fulfill some of the workforce needs. As greater student increases are projected as witnessed by the robot tournaments for this year, it is imperative that we maintain the high standard of education to these interested students to compete at national and international levels. As we are the only accredited School of Engineering in the State of Hawaii, and as such, it the essential to maintain a level which allows our students to work in laboratories with functioning equipment and participate in research to makes them ready for the competitive workforce. We have even proposed a "robotics and exploration certificate" program to these students to maintain interest throughout and to graduate education levels!

Once again, I appreciate this opportunity to present testimony in opposition of SB2695 – specifically sections relating to the University of Hawaii. Thank you.

To_whom_it_may_concern_

To whom it may concern:

I am a student at the University of Hawaii at Manoa, I have been attending since Fall 2007. Since then I have noticed that the school has had cut backs in areas that have affected my education. With the already posing budget cuts in place I have payed increased tuition and fees, experienced not having resources in the libraries, not having a lecturer because they were fired. I also work on campus and even noticed the down sizing in certain departments. I understand that the state is in a recession but the federal government announced that officially the recession was over, so why is the state continuing to take from those who need there resources most, the students and the faculty of these educational institutions that are giving back to the community by educating its individuals. These new cuts, I fear will take away from the progressive developments happening within the University of Hawaii system and I feel that it can also decrease out influx of mainland students. The school uses the University of Hawaii Foundation to raising funds for the school systems scholarships, endowments, enrichment funds and various other forms of aid. As a former employee, it was hard to to try to explain to prospects why we needed help when the school was increasing the fees and tuition. These prospects are the parents, alumni and other potential help for the students. They find it puzzling that we as a educational institution need help and that the state does not offer a solution or alternative other than, bad contracts for teachers, and budget cuts to programs that are in demand, programs that help students, programs that may not effect you if cut but effect many many others. I hope that the state can find a better alternative and can compromise with the students and the faculty of the UH system. Thank you for your time.

Sincerely

Mr. P. Watson
Honolulu, Hawaii

**Personal Testimony Presented Before the
House Committee on Finance**

March 29, 2010 - 7:00 p.m.
State Capitol, Conference Room 308

SB2695 – RELATING TO NON-GENERAL FUNDS

Chairperson Oshiro, Vice Chair Lee, and Members of the House Committee on Finance

My name is Michael Street and I am a licensed Professional Engineer.

I am providing testimony **in opposition to SB2695 as it relates to cuts in the University's non-general funds.**

SB2695 proposes that in certain University of Hawaii special and revolving funds there is an excess of the requirements of the fund that may be transferred to the State General Fund. We are specifically concerned about the devastating impact to the University of Hawaii and specifically to College of Engineering. The College of Engineering supports the growth of the engineering, construction, and high tech industry workforce. It is the only accredited School of Engineering in the State of Hawaii and as such it the imperative to maintain a level which allows its students to work in laboratories with functioning equipment and participate in research makes them ready for the competitive workforce. Specifically SB2695 proposes to transfer funds from the Research and training Revolving Fund and the Tuition and Special Fee Special Fund, both of which would directly affect the College. Other cuts would undoubtedly have second order affects on the College.

We have worked closely with the Peter Crouch, Dean of Engineering to ensure that even in challenging economic times that they can deliver an educational program which meets the needs of our current and future workforce.

Thank you for the opportunity to present testimony in opposition of SB2695 – specifically sections relating to the University of Hawaii.

Respectfully submitted,

Michael Street, PE

March 29, 2010

House Speaker Calvin Say
Hawaii State Capitol, Room 431
415 South Beretania Street
Honolulu, HI 96813

Representative Marcus Oshiro
Hawaii State Capitol, Room 306
415 south Beretania Street
Honolulu, HI 96813

Re: SB 2695 HD 1 - Cuts to the University of Hawaii

Dear Speaker Say, Representative Oshiro and Members of the Committee:

My name is Sandra Harano and I am the Chief Financial Officer of Kobayashi Group and a graduate of the University of Hawaii. **I am writing to you to strongly urge you to stop making any further cuts to the University of Hawaii budget.** I was recently on campus and found it to be run down and desperately in need of repair; especially since there is a record enrollment in the System.

President MRC Greenwood is working to position the University of Hawaii as a premier educational institution. Building state of the art research facilities will help to attract some of the brightest faculty and researchers in the nation. These top people will then be able to bring in additional research grants and training funds which in turn will improve Hawaii's economy.

I would like to especially urge you not to cut any funds from the Cancer Research Center of Hawaii. We are the Project Manger for this facility that is greatly needed to study cancer and its effects on the multi-ethnic people of Hawaii. We are currently scheduled to break ground this year and any reduction in funding will definitely delay the project. We cannot allow that to occur because the Center has great potential to contribute to cancer treatment in Hawaii and provide the residents of Hawaii with the benefits of advances in cancer treatments without traveling to the mainland.

The University of Hawaii is a wise investment in the future of Hawaii and ranks among the nation's top research facilities. Because of this, I urge you to support the University and do not cut any additional funding.

Sincerely,



Sandra Harano
1288 Ala Moana Blvd., Suite 201
Honolulu, Hawaii 96814

March 29, 2010

House Speaker Calvin Say
Hawaii State Capitol, Room 431
415 South Beretania Street
Honolulu, HI 96813

Representative Marcus Oshiro
Hawaii State Capitol, Room 306
415 South Beretania Street
Honolulu, HI 96813

Re: SB 2695 HD 1
Cuts to the University of Hawaii

Speaker Say, Representative Oshiro and Members of the Committee:

My name is Elton Wong, I am a Project Manager with the Kobayashi Group, an alumnus of the University of Hawaii and concerned Hawaii resident. I oppose any further cuts to the University of Hawaii.

I understand that economic times are tough, money is very tight and you have a very tough decision to balance the budget.

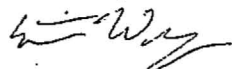
The Kobayashi Group is working on the new Cancer Research Center of Hawaii (CRCH) to be built in Kakaako. I have learned many things working on this job.

1. The design and construction jobs being created are much needed.
2. Once built, the CRCH will bring in much higher paying jobs that the State has sought. There are ancillary jobs that come along with it too.
3. To keep it NIH designation, the CRCH must built a comprehensive new facility. The NIH designation means \$15 million from the Federal government going to the University. So by cutting \$15 million to build the CRCH, the State would loose an additional \$15 million in grants, plus the multiplier affect through the economy.

The UH has taken its share of the budget cuts. We need preserve this institution from further cuts as more people are going back to school to better themselves. As an alumnus, I attribute my UH education as the foundation for a life time career.

Please support the University of Hawaii and do not cut funding for Hawaii's education.

Sincerely,



Elton Wong

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 28, 2010 10:56 AM
To: FINTestimony
Cc: juanguti@hawaii.edu
Subject: Testimony for SB2695 on 3/29/2010 7:00:00 PM

Testimony for FIN 3/29/2010 7:00:00 PM SB2695

Conference room: 308
Testifier position: oppose
Testifier will be present: Yes
Submitted by: Juan Gutierrez
Organization: Individual
Address: 3507 alohea ave. honolulu hawaii
Phone: 614-3163029
E-mail: juanguti@hawaii.edu
Submitted on: 3/28/2010

Comments:

I am in support of higher education because it will provided every community with positive aspect to all communities in Hawaii around the world. I came from Venezuela to Hawaii because read about all the great programs Hawaii can offer and it reputation is among the best in the world. With a budget cut it reputation will not be able to live to international students standards.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 28, 2010 1:12 PM
To: FINTestimony
Cc: smithsn@hawaii.edu
Subject: Testimony for SB2695 on 3/29/2010 7:00:00 PM

Testimony for FIN 3/29/2010 7:00:00 PM SB2695

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Stefanie Smith
Organization: Individual
Address: 2505 Correa Road Honolulu, HI
Phone:
E-mail: smithsn@hawaii.edu
Submitted on: 3/28/2010

Comments:

With a \$100 million budget cut already adversely affecting the functioning of the University, and this bill threatening to cut another \$60 million, the facetious talk of a conspiracy to destroy the University is beginning to sound more and more plausible.

We are already experiencing a "brain-drain"; akin to many third world countries: our best and brightest move away, where they can be paid competitively and live comfortably. Further crippling the University will only hasten this process.

As a graduate student, these cuts will no doubt affect my ability to complete my thesis research and earn my degree. I, and many other students, rely upon the Graduate Student Organization's Grants and Awards program, which has been greatly supported in recent years by the Research and Training Revolving Fund. Cutting \$10 million from this fund would certainly directly impact the GSO's ability to fund graduate student research.

We are the only research university in the state. At this time, with all the financial and technological challenges we face, now is the time to be increasing funding to education and research, not cutting it. Ruthlessly balancing today's budget at the expense of our future is a failure for everyone, now and for countless years to come.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 28, 2010 1:43 PM
To: FINTestimony
Cc: chase@hawaii.edu
Subject: Testimony for SB2695 on 3/29/2010 7:00:00 PM

Testimony for FIN 3/29/2010 7:00:00 PM SB2695

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Matthew Chasse
Organization: Individual
Address: 2153A Atherton Rd. Honolulu, HI
Phone: 808-224-4360
E-mail: chase@hawaii.edu
Submitted on: 3/28/2010

Comments:

Section 22 of SB2695 proposes to remove 20 million dollars from the tuition and student fee special fund and Section 19 removes 10 million from the research and training revolving fund. This money is used to fund valuable student services at UH. These include funding for student research and travel expenses for graduate students. There is no replacement for this funding and taking it away will be very damaging to the professional development and success of the students at UH. In addition, the tuition and student fee special fund is largely comprised of monetary gifts that have been given with the sole intent of improving the university. Using these funds for other purposes seems very inappropriate, especially when 100 million dollars has already been stripped from the university, and the other sections of this bill take even more. I am opposed to this entire bill, but at the very least sections 19 and 22 should be removed from SB2695. Thank you for your time.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 28, 2010 2:50 PM
To: FINTestimony
Cc: nmarsden@hawaii.edu
Subject: Testimony for SB2695 on 3/29/2010 7:00:00 PM

Testimony for FIN 3/29/2010 7:00:00 PM SB2695

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Nancy Marsden
Organization: Individual
Address:
Phone:
E-mail: nmarsden@hawaii.edu
Submitted on: 3/28/2010

Comments:

I strongly opposed the proposed budget cut of 59 million dollars from the University of Hawaii. This would be on top of the 100 million dollars already approved to be cut from UH's budget for the next fiscal year.

I have come to Hawaii to study at UH as a graduate student because of the excellent program UH offers in Ethnomusicology and Asian Studies. By drastically reducing the budget for UH, you are not only hindering current students in their studies (for instance, I was unable to work on a Hawaiian music paper during spring break since the libraries have been closed in order to make up for budget shortcomings) but your choices will have a profound affect on the community as a whole, as UH is Hawaii's premiere institute for higher education and research. Please don't cripple such a wonderful institute.

FINTestimony

From: Vuchinich, Donna [Donna.Vuchinich@uhf.hawaii.edu]
Sent: Sunday, March 28, 2010 7:39 PM
To: FINTestimony
Cc: King, Bill; Schrire, Margot; Hanson, Martha
Subject: Testimony HB2542 & SB2695 - Relating to Non-General FUNds and Proposed Cuts in University of Hawai'i Funds

Importance: High

I am attaching my testimony to the House Finance Committee re: HB 2542 and SB2695 HD1 relating to Non-General Funds and Proposed Cuts to University of Hawai'i Funds. It follows below as well. Thank you for this opportunity to share my concerns.

Donna Vuchinich

Donna Vuchinich, President & CEO
University of Hawaii Foundation
2444 Dole Street, Bachman Hall 105
Honolulu, HI 96822-2330

808-956-3711/1-888-846-4262

FAX(808)956-5115

donna.vuchinich@uhf.hawaii.edu

Visit us on the web at: <http://www.uhf.hawaii.edu>

University of Hawai'i Foundation

Legislative Testimony

Testimony Presented Before the
HOUSE FINANCE COMMITTEE

by

Donna Vuchinich

President & CEO, University of Hawai'i Foundation

HB 2542 & SB2695 HD1 – Relating to Non-General Funds and Proposed Cuts in University of Hawai'i Funds

Chair Oshiro, Vice Chair Lee, and Members of the House Committee on Finance:

The University of Hawai'i was created by visionaries and they also served as legislators as you do today. They were bold thinkers who recognized the critical nature of providing the people of Hawaii with an affordable post high school education. Over the last century, 10s of thousands of you have been able to get a quality education which has benefited society in general and many of you specifically. If you pass this legislation you will reverse the vision and dreams of your predecessors and do irreversible damage to Hawaii, its people and its economy.

We have grave concerns about these cuts and their impact on our students and on our state's future. **Our future depends on education.**

From early-childhood education to geriatric care, University of Hawai'i graduates touch our lives every day. Don't we want our workforce to be well educated? Don't we want Hawai'i residents to reap the benefits of higher education?

By the end of this decade, more than 60% of jobs will require college education.¹ However, today, only 41% of Hawaii's adults aged 25 – 34 have a college degree.² With these proposed cuts, there may be even fewer Hawai'i residents with college degrees in 2020.

What are some of the jobs that will go unfilled if Hawai'i does not have an educated workforce?

- Nurses
- Computer software and network systems analysts
- Teachers
- Physicians
- Engineers
- EMTs, Medical Technicians
- Healthcare providers
- Carpenters
- Electricians
- Plumbers
- Firemen
- Biologists
- Chemists
- Pharmacists

These are just a few of the many professionals and technicians whose ranks are trained at UH campuses. We can hope that the students who are forced to leave the Islands because they could not get their degrees here will come back. What about those who can't afford to go elsewhere?

High school graduates without any higher education:

- will earn 60% less than peers who attain undergraduate degrees
- will likely die sooner than others with more education.
- will contribute less money to Hawai'i's tax base.
- may need government assistance.
- may never realize their full potential.

Just as sadly, we as a State may never realize their full potential.

What does Hawai'i's future hold if we cannot educate our young people? In the book *Three Cups of Tea*, Greg Mortenson describes how the poorest of people in the mountains of Pakistan and Afganistan are going to great lengths to build schools for their children. They know that their future is in the hands of their young people and they need to give them every opportunity to learn. Those village elders have the vision that created the University of Hawai'i. Where is that vision in Hawai'i today?

I urge you to make no further cuts to the funding of the University of Hawai'i

1 Carnevale, T., Georgetown University Center on Education and the Workforce, 2009. High growth fields based on national projections of total new and replacement jobs.

<http://cew.georgetown.edu/research/jobs/79012.html>

2 National Center for Higher Education Management Systems (NCHEMS), 2008 (from U.S. Census Bureau, 2008 American Community Survey Public Use Microdata Sample File.)

<http://www.higheredinfo.org>

FINTestimony

From: Michael G. Hadfield [hadfield@hawaii.edu]
Sent: Monday, March 29, 2010 8:40 AM
To: FINTestimony
Subject: regarding HB 2695

Dear Members of the House Finance Committee:

I am one of three faculty members at the University of Hawaii's Kewalo Marine Laboratory who, together, currently generate in excess of \$6,000,000 in federal research and training grants for UH. These funds come to Hawaii from the National Science Foundation, the US Office of Naval Research, NOAA and the US Fish & Wildlife Service, and they contribute importantly to the state's economy through salaries, taxes, services and purchases. Critically important to the operation of these grants are the staff members paid from overhead generated by these federal grants, termed the state's Research and Training Revolving Fund (RTRF). Many individuals in our fiscal offices are supported by the RTRF, as are essential purchases for office and general use equipment that the state SHOULD provide in support of the research and training supported by the grant. Management of our federal grants cannot be accomplished without the staff supported by RTRF.

IF House Bill 2695 is passed and the University's RTRF is taken to balance the state budget, the loss will be devastating to the research enterprise at UH. The Hawaii House of Representatives will be doing the exact opposite of what it is trying so hard to do, balance the budget. Federal grants will be lost and the University will decline in its status and future ability to attract the grants that generate RTRF. It is truly a self-defeating bill.

Please DO NOT approve HB 2695, for the sake of your university, its students and the economy of Hawaii.

Aloha,
Mike Hadfield

Michael G. Hadfield, Ph.D.
Professor of Zoology
Kewalo Marine Laboratory
University of Hawaii at Manoa
41 Ahui Street
Honolulu, HI 96813
Phone: (808) 539-7319
FAX: (808) 599-4817
E-mail: hadfield@hawaii.edu

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 29, 2010 8:57 AM
To: FINTestimony
Cc: bilsky@hawaii.edu
Subject: Testimony for SB2695 on 3/29/2010 7:00:00 PM

Testimony for FIN 3/29/2010 7:00:00 PM SB2695

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Brian Bilsky
Organization: Individual
Address:
Phone:
E-mail: bilsky@hawaii.edu
Submitted on: 3/29/2010

Comments:

UH Mânoa is already doing its part in these tough economic times to cuts costs but the size of these proposed budget cuts will damage our ability to educate people, serve the community and conduct research, all essential activities for creating a stronger future for Hawai'i.

UH is already enrolling more students with fewer resources. Many students are transitioning from UH Community Colleges to Mânoa - as did I - utilizing the strong partnership with Community Colleges through improved articulation and recruitment efforts. Record enrollments in UH Community Colleges means UH Mânoa must also be well prepared to meet those students' needs. Many more Hawai'i students and families are becoming aware of the top-notch academic opportunities we offer at UH Mânoa and choosing to pursue higher learning here instead of leaving Hawai'i.

UH Mânoa is an economic generator. Every dollar invested in UH Mânoa generates \$5.34 in spending in Hawai'i, ranging from student expenditures to research purchases, few enterprises offer that type of return. Cutting dollars to Mânoa reduces our "generator" effect.

Research at UH Mânoa attracts an average of \$1.2 million a day - more than \$400 million a year - in research and training grants, most of them from outside Hawai'i. These funds improve our economy, create jobs and produce advancements in a wide range of areas, from health to technology to cultural understanding - such research improves all of our lives.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 28, 2010 3:58 PM
To: FINTestimony
Cc: adonahue@hawaii.edu
Subject: Testimony for SB2695 on 3/29/2010 7:00:00 PM

Testimony for FIN 3/29/2010 7:00:00 PM SB2695

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Amy Donahue
Organization: Individual
Address: 2115 Algaroba Street, #4 Honolulu, HI
Phone: 808 3717361
E-mail: adonahue@hawaii.edu
Submitted on: 3/28/2010

Comments:

Dear legislators,

Over the past year, tuition and fees and fees to study at the University of Hawai`i at Manoa have increased well above the rate of inflation. Meanwhile, faculty, lecturer, and staff positions have been cut, resulting in an insufficient number of classes, overcrowded classrooms, and deteriorating student services, including basic administrative and research facilities.

To shift any additional resources from the University's tuition and fees fund, as well as other special funds, to state general funds would not only break the back of an already faltering public institution. Even worse, it would be to ask students, who are already suffering disproportionately from a bad economy and high unemployment rates, to subsidize through their tuition dollars others who are significantly better off.

Raise taxes if you must, but do not gut the state's educational services any further. Can you honestly look at yourself in the mirror if you consent AGAIN, as you did already with school furloughs, to placing the greatest burden of this recession on the backs of Hawaii's children?

Sincerely,

Amy Donahue

FINTestimony

From: Cliff Morden [cmorden@hawaii.edu]
Sent: Monday, March 29, 2010 10:23 AM
To: FINTestimony
Subject: SB2695 - testimony

Categories: Agenda 6

To the Honorable Members of the Hawaii State Senate,

I am writing in response to a notification received today regarding the use of up to \$59 M of the University of Hawaii budget to fund legislative short falls. Although the impact is directed at five separate line items, I am only writing here in regard to one, Research and Training Revolving Funds (RTRF), as that most directly impacts the research being carried out by myself and my colleagues.

It seems as if this discussion comes up every year. I wanted to point out to you what the impact of this will have here. In the past couple years, I have been the Principle Investigator on projects that have resulted in over \$1 million in funding to the University of Hawaii. This funding has resulted in numerous jobs and projects that are directly benefiting the natural resources and watersheds throughout the state of Hawaii. The RTRF funds generated by these projects are being utilized to open up new areas of research by myself and colleagues that will in turn result in other grants being awarded to UH. For example, I now have two undergraduate students and a graduate student funded solely from the RTRF funds that are working in my laboratory and collecting data that will lead to proposals to various federal agencies. Ultimately, this small investment will lead to much larger returns from these grants.

RTRF funds are an investment in the future of the University. It is often stated that the University should run more like a business. This is one way that we DO operate as a business. RTRF represent profits that the University derives from its research. This money is then put into the development of new research programs that will ultimately help us to expand capacity to generate additional funds. Without them, projects such as the one mentioned above would not take place, students would not be receiving advanced training, and research across the university would suffer.

The economic times are difficult. However, taking away resources that are likely to generate additional revenues is not a logical or effective way to balance the books.

Respectfully,

Clifford W. Morden
Deputy Director
Pacific Cooperative Studies Unit

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 29, 2010 10:39 AM
To: FINTestimony
Cc: burruss@hawaii.edu
Subject: Testimony for SB2695 on 3/29/2010 7:00:00 PM

Categories: Agenda 6

Testimony for FIN 3/29/2010 7:00:00 PM SB2695

Conference room: 308
Testifier position: oppose
Testifier will be present: Yes
Submitted by: John Burruss
Organization: Individual
Address:
Phone:
E-mail: burruss@hawaii.edu
Submitted on: 3/29/2010

Comments:

As a graduate student at the University of Hawai`i, I know first-hand how the budget cuts we experienced in the past year have affected the university. I am deeply, deeply opposed to this bill for this reason. Cutting our budget more and raising tuition is beyond unacceptable--it is simply irresponsible. Your jobs are to protect Hawai`i and prepare Hawai`i for its future. Increased cuts to the UH budget that force the university to raise tuition will make it impossible for bright, motivated students to attend college. At a public university like UH, tuition and fees should NOT be an obstacle to a college education. The senate should know this--it is not a radical notion, but common sense. Caring about Hawai`i means caring about education. Personally, I have almost \$60,000 in student loans and have no idea how I am going to pay them back. I have seen funding dry up in my department, including the exclusion of a number of advanced PhD student from Graduate Assistant positions because of lack of funding. When will the lawmakers in this state wake up and realize that public education is not expendable? I urge you to vote against this bill. If it passes, the damage will be severe and it will be generational.

FINTestimony

From: Bruce M. Howe [bhowe@hawaii.edu]
Sent: Monday, March 29, 2010 11:42 AM
To: FINTestimony
Subject: SB2695 University of Hawaii

Categories: Agenda 6

Dear Finance Committee,

I am a senior research professor in the School of Ocean and Earth Science and Technology at the University of Hawaii at Manoa.

I came to UH in August 2008 after more than twenty years of research at the University of Washington because of the superb program and colleagues here, and the real emphasis on the ocean.

In addition to starting a new education track (ocean acoustics) in Ocean and Resources Engineering, in the last year and a half I have established a viable research program with funding from NSF, ONR and NOAA:

Funded projects: \$1.9M

Proposals currently under review: \$2.5M

Proposals in preparation: \$2M.

Summary: \$1.9M in hand, and potentially a total of \$6.4M.

At ~35% overhead rate, I have brought into the UH coffers \$0.7M, and potentially an additional \$1.6M, for a total of \$2.3M.

My annual salary (before the pay cuts) was \$185K.

I believe this is a very good rate of return on investment for UH and the state of Hawaii, no matter how one looks at the details.

The downside of UH, which I was aware of when accepting the job, is the lack of administrative, engineering, and facility support (sadly UH has this reputation). The only way we as researchers have to overcome this inadequacy is to use the RTRF funds that are returned to us per long standing agreement.

Any move by you, the State Legislature, to limit the return of these funds to the research and education enterprise, as well as reducing other sources of funds to the University, will severely hamper our ability to continue to raise funds and execute projects, and to educate students in leading edge science and technology.

I urge you to find some other means of making ends meet in the state budget, rather than to kill one goose that is currently laying golden eggs for the state - here in the present and for the future well being of the state.

I urge you to consider that universities are living repositories of knowledge and generators of new knowledge, the currency of the future of our state, nation and humankind.

Sincerely,

Bruce Howe

--

Bruce M. Howe <bhowe@hawaii.edu>
Research Professor
Department of Ocean and Resources Engineering Tel: +1 (808) 956-0466
School of Ocean and Earth Science and Technology Fax: +1 (808) 956-3498
University of Hawai'i at Manoa
2540 Dole Street, Holmes Hall 402
Honolulu, Hawaii 96822

Office Location
1680 East-West Road, POST 105G
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Web pages
Staff <http://www.ore.hawaii.edu/OE/ore_faculty.htm - Howe>
ORE <<http://www.ore.hawaii.edu/>>
SOEST <<http://www.soest.hawaii.edu/index.htm>>

FINTestimony

From: Garrett Apuzen-Ito [gito@hawaii.edu]
ent: Monday, March 29, 2010 10:30 AM
To: FINTestimony
Subject: Testimony SB2695

Dear Hawaii Legislature,

I am deeply concerned about the proposed budget cuts to the University of Hawaii, which would represent 26% of our State general funds. I am a researcher in the Dept. of Geology and Geophysics, School of Ocean and Earth Science and Technology, a group that has brought wide education and awareness about Hawaii's beach erosion, the impacts of sea level rise on our state infrastructure, volcanic and earthquake activity on Big Island, and tsunami preparedness/prediction, including the most recent event in Chile.

Our department is on-par with UH's average of generating a 500% return on state investment. For example, two of my recent grants in the last year bring in over \$0.6M to the State to support my salary, graduate students, and technical support. All of these funds feed Hawaii's economy immediately with money but in the longer term with creating education and knowledge to feed Hawaii's science/technology industries and beyond.

Reducing RTRF, housing, and other critical funds to UH at the level proposed will be dangerously impair my ability to do this. For example, if I am forced to raise salary through federal grants to make up a likely shortcoming from the Department, then this will raise the cost of my grants and reduce my funding rate. Cuts to staff and technical support mean that me and my colleagues could not writing as many grant proposals and papers, which elevate our stature among an extremely competitive scientific community. Reducing housing support reduces our ability to keep our world-class researchers here to benefit Hawaii.

Please reconsider the proposed budget cuts to UH. With the 5 times direct monetary return on investment, and the support we provide to the intermediate and longer-term economic resilience to Hawaii, UH is not the right place to cut.

Thank you for your attention.

Sincerely,

Garrett Apuzen-Ito
Associate Professor
Dept. of Geology and Geophysics,
School of Ocean and Earth Science and Technology
University of Hawaii

FINTestimony

From: Creighton M. Litton [litton@hawaii.edu]
sent: Monday, March 29, 2010 12:34 PM
To: FINTestimony
Subject: Testimony on SB2695

With this email I would like to provide testimony regarding SB 2695 which would cut an additional \$59 million from the UH budget. Enough is enough.

The UH system has already suffered severe budget cuts that compromise its ability to do what it has been doing for over 100 years: providing a top-notch education to the residents of Hawai'i. Part of this educational enterprise, particularly at UH Manoa, involves conducting research. The proposed cuts, on top of the already large cuts to the UH system, would cripple our ability to achieve this core mission. In particular:

1. UH Mānoa is doing its part in these tough economic times to cuts costs - but the size of these proposed budget cuts will damage our ability to educate people, serve the community and conduct research—all essential activities for creating a stronger future for Hawai'i.
2. We're enrolling more students with fewer resources. Many students are transitioning from UH Community Colleges to Mānoa - utilizing our strong partnership with Community Colleges through improved articulation and recruitment efforts. Record enrollments in UH Community Colleges means UH Mānoa must also be well prepared to meet those students' needs. Many more Hawai'i students and families are becoming aware of the top-notch academic opportunities we offer at UH Mānoa and choosing to pursue higher learning here instead of leaving Hawai'i.
3. UH Mānoa is an economic generator. Every dollar invested in UH Mānoa generates \$5.34 in spending in Hawai'i, ranging from student expenditures to research purchases—few enterprises offer that type of return. Cutting dollars to Mānoa reduces our "generator" effect.
4. Research at UH Mānoa attracts an average of \$1.2 million a day - more than \$400 million a year - in research and training grants, most of them from outside Hawai'i. These funds improve our economy, create jobs and produce advancements in a wide range of areas, from health to technology to cultural understanding - such research improves all of our lives.

Additional cuts to the UH budget will cripple our ability to educate students and invigorate the economy through research now, and will severely damage our reputation as a top-notch educational and research university for decades to come (a reputation that is already seriously damaged on a national scale from the actions taken by the state legislative body over the past year). Recruiting and retaining top faculty and staff is already difficult in Hawai'i. The cuts proposed in SB2695 would make that close to impossible for decades to come.

Aloha,

Creighton

Creighton M. Litton
Assistant Professor, Forest Ecology

Department of Natural Resources and Environmental Management University of Hawaii at Manoa
Sherman Lab 240 1910 East-West Rd.
Honolulu, HI 96822

email: litton@hawaii.edu
phone: 808-956-6004

fax: 808-956-6539

<http://www.ctahr.hawaii.edu/LittonC/>

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 29, 2010 2:28 PM
To: FINTestimony
Cc: shaglund@hotmail.com
Subject: Testimony for SB2695 on 3/29/2010 7:00:00 PM

Categories: Agenda 6

Testimony for FIN 3/29/2010 7:00:00 PM SB2695

Conference room: 308
Testifier position: oppose
Testifier will be present: Yes
Submitted by: Sue Haglund
Organization: Individual
Address: Ewa Beach, Hawaii
Phone:
E-mail: shaglund@hotmail.com
Submitted on: 3/29/2010

Comments:

TO:
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair COMMITTEE ON FINANCE

Conference Room 308, Hawaii State Capitol Monday, March 29, 2010, 7:00 P.M.

FROM: Sue Haglund

RE: IN OPPOSITION OF SB2695_SD1 RELATING TO NON-GENERAL FUNDS

My name is Sue Haglund. I am currently a doctoral candidate at the University of Hawaii-Manoa Political Science Department. I am here to testify against Senate Bill 2695_SD1 relating to non-general funds. This is not a bill that demonstrates favorably to the State of Hawaii's fiscal budget/debt "crisis." It is a bill that exacerbates the State's fiscal problems. The additional \$59 million in proposed cuts include:

- * \$20 million from the Tuition and Fees Special Fund
- * \$15 million from the Cancer Research Special Fund
- * \$11 million from the Revenue-Undertakings Fund
- * \$10 million from the Research and Training Revolving Fund
- * \$2 million from the Housing Assistance Revolving Fund
- * \$750,000 from the Information Technology and Services Special Fund

These proposed cuts will further NEGATIVELY impact all campuses of University of Hawaii and Community Colleges budgetary operations. This bill originating from the Governor's Package does not SOLVE NOR CLOSE any fiscal gaps the State needs to alleviate. In fact it creates more problems than I am sure you are well-aware of but choose to ignore. It will:

- (1) increase unemployment lines and deplete unemployment funds
- (2) force current UH Faculty and Students, like myself, to move and to look for employment out-of-state thus taking with us our incomes that help sustain and maintain Hawaii's fiscal budget--in other words, we close shop and take our business elsewhere.
- (3) increase homelessness
- (4) increase poverty levels in state of Hawaii

And ask yourself where do we-unemployed Hawaii residents-go when faced with these outcomes? We go to you-the State of Hawaii-for financial assistance, for unemployment coverage, and for STATE medical coverage to which will unfortunately will qualify for because we will be people whose income is less than the AFDC standard of assistance-just to name a few State Program assistants. This bill with all intent and purpose creates more PROBLEMS than solutions. By transferring non-general funds to general funds create MORE shortfalls, fiscal irresponsibility, more debt and less services in higher education in Hawaii's only State University System. Education of all levels is not a pawn for political games just because it's an election year. Education, from primary to higher education levels, create and maintain the function, the operation and the very essence of the State of Hawaii's labor. Education is the main reason many of you, honorable committee members, are in office. Education is the reason I am exercising my right of speech in a dialogue of deliberative democracy. Education is a place where as Thomas Jefferson so eloquently states: "the pen is mightier than the sword."

I highly recommend and urge you, the committee, to take fiscal responsibility and logical to vote NO to SB 2695 SD 1.

Thank you.

FINTestimony

From: jgradie@terrasys.com
Sent: Monday, March 29, 2010 4:12 PM
To: FINTestimony
Subject: Testimony for hearing on SB2695 (3/29/10)

Categories: Agenda 6

March 29, 2010

The Honorable Marcus R. Oshiro, Chair
and Members
Committee on Finance
House of Representatives
State Capitol
Honolulu, Hawaii 96813

Dear Chair Oshiro and Members:

Subject: Senate Bill No. 2695, S.D. 1, Relating to Non-General Funds

As a scientist-entrepreneur ensconced in Hawaii's technology public and private sectors for over 25 years, I write to tell you I strongly oppose Section 19 of Senate Bill No. 2695, S.D. 1, relating to Non-General Funds.

Section 19 proposes to transfer \$10 million out of the University of Hawaii's (UH) Research and Training Revolving Fund (RTRF). Transferring any amount out of the RTRF will have a large negative impact not only on the UH's seed programs, but also on Hawaii's high technology industry.

With respect to the public sector, I was a Research Scientist at the UH's Hawaii Institute of Geophysics (and Planetology) from 1984 to 1988 at which time I transferred out of research to technology development in the private sector. I have maintained close ties with the UH research community ever since.

With respect to the private sector, I have started or help start three successful technology business in Hawaii (SETS Technology, Inc., TerraSystems, Inc., and STI Services LLC), have been Chief Technology Officer of BAE Systems Spectral Solutions LLC and am currently Chief Science Officer of Science & Technology, Inc. The success of each of these businesses has been dependent in part on the UH's ability to develop new and innovative technologies and to train the skilled personnel (technical, engineering and scientific) I have needed, and still need, to make these businesses competitive in US and global markets.

This legislation would hobble our ability to move forward Hawaii's high technology industry. For that reason, I urge this committee to reject this legislation.

Thank you for allowing my testimony.

Sincerely,

Jonathan C. Gradie, Ph. D.

169 Kuukama Street
Kailua, HI 96734

808-262-0161

FINTestimony

From: rlukas@hawaii.rr.com
Sent: Monday, March 29, 2010 5:51 PM
To: FINTestimony
Subject: SB2695

Dear Members of the State of Hawaii House Finance Committee:

I appreciate the difficult financial situation in which we find ourselves here in Hawaii, and the even more difficult task that you and your legislative colleagues face in balancing the State of Hawaii budget going forward.

I urge you to vote against this bill. Even though it may solve near-term problems, it will create deep and long-standing damage to the educational, research and service missions of the University of Hawaii, at a time when the University is already been asked to do more with much less State support.

Because the accounting systems at the University are so antiquated, your committee cannot see easily see how the apparently unencumbered balances are already linked to ongoing and future revenue-generating and service activities of the University.

I can tell you as the former leader of the University of Hawaii Association of Research Investigators that most of the balance in the Research and Training Revolving Fund is committed, even though not legally encumbered. The damage that will be done to the thriving research enterprise at the University if those commitments are reneged on is hard to imagine, even if your committee had the accounting details.

Roughly \$35M/year in indirect cost return from the federal government comes to the University through the RTRF every year, in proportion to the ~\$400M of extramural funding that faculty research and training generates. Another way to see this relationship is that the \$10M that is proposed in SB2695 to be cut from the RTRF will result in a loss of ~\$100M in research and training revenue to the State of Hawaii economy. That won't happen right away, but it will happen.

What will happen much sooner is the breaking of the trust between the State of Hawaii and the research enterprise at the University that is codified in HRS§304A-2253. Some of our most productive researchers will leave for better opportunities that actually do exist despite tough economic times. Many of our most productive researchers are also fairly senior, and some will give up what will be seen as an impossible situation trying to please federal funding agencies without the support promised, through the RTRF, by the University and the State. Without these leading entrepreneurs, who will import federal research dollars in such quantities to the State of Hawaii?

Please find a way to continue reinvesting in this important part of our State economy.

Aloha,
Roger Lukas
Professor of Oceanography

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 28, 2010 6:22 PM
To: FINTestimony
Cc: gfurukaw@hawaii.edu
Subject: Testimony for SB2695 on 3/29/2010 7:00:00 PM

Testimony for FIN 3/29/2010 7:00:00 PM SB2695

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Gavin Furukawa
Organization: Individual
Address:
Phone:
E-mail: gfurukaw@hawaii.edu
Submitted on: 3/28/2010

Comments:

Removing even more funds from UH severely hurts my opportunities to make the most of my UH education. If this money is taken away and financial assistance at UH is cut further then many students will question the wisdom of their choice to study here and will likely begin looking to other universities in other states. This means even less money for UH and for Hawai'i. Do not pass this bill.

I was able to enter the PhD program at UH's Second Language Studies department, regarded as the finest in the nation, due to the full financial support I receive. Without this financial support, I could have easily gone to another university in California, or one in Canada. As it is, I am able to put my knowledge and expertise to use in enriching our understanding of the local language situation which is unique in the entire world, helping the state that I consider home. I will be the first PhD for my family, a fourth generation Japanese American born and raised in Hawai'i. I would hate to leave here to pursue my education in some other state or country but will do so if forced to for lack of funding. I urge you, do NOT pass this bill.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 28, 2010 7:20 PM
To: FINTestimony
Cc: johnswee@hawaii.edu
Subject: Testimony for SB2695 on 3/29/2010 7:00:00 PM

Testimony for FIN 3/29/2010 7:00:00 PM SB2695

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: John A. Sweeney
Organization: University of Hawaii at Manoa - Political Science
Address:
Phone:
E-mail: johnswee@hawaii.edu
Submitted on: 3/28/2010

Comments:

Cutting an additional \$20 million from UH Manoa's already decimated budget will undermine the University's ability to provide a quality educational experience. This money will take services and scholarships away from students, and it is likely that these reductions would actually make it economically impossible for students to attend college, especially if it impacts scholarships and research funding.

Please reconsider this measure and look to other areas, not to education and future generations.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 28, 2010 11:27 PM
To: FINTestimony
Cc: masado@hawaii.edu
Subject: Testimony for SB2695 on 3/29/2010 7:00:00 PM

Testimony for FIN 3/29/2010 7:00:00 PM SB2695

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Michael A. Sado
Organization: Individual
Address:
Phone:
E-mail: masado@hawaii.edu
Submitted on: 3/28/2010

Comments:

If these cuts are allowed to happen it would be the worst thing for the future of our state. The only thing that will turn the economic tide for our state, is to build up education, not destroy it!!!!!! The long term effects have to be considered, not just the here and now, I truly believe that these cuts may seem like a solution, but they will do much more harm in the long run than they will help in the short term.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 28, 2010 3:44 PM
To: FINTestimony
Cc: carlmj@hawaii.edu
Subject: Testimony for SB2695 on 3/29/2010 7:00:00 PM

Testimony for FIN 3/29/2010 7:00:00 PM SB2695

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Carl Matthew Johnson
Organization: Individual
Address: 2514 S Beretania Apt 1 Honolulu, HI
Phone: (808) 599-0232
E-mail: carlmj@hawaii.edu
Submitted on: 3/28/2010

Comments:

I am a graduate student living in Moiliili. The UH system has some of the most attractive graduate programs in the world in terms of content--but some of the worst in terms of funding versus cost of living. Further cutting the UH budget will impact not only the UH community, but also the greater island community as well. Remember that President Obama would not be alive today if his father had not come to study in the UH system. How many other potential future Obamas might the UH system be incubating today? How many will there be if the budget is further slashed? We need to think about the budget for UH not just in terms of this year but the next forty years. Remember agriculture and tourism are only going to continue to decline as CO2 taxes come into play at the federal and global level. We must plant the seeds today for a new Hawaiian economy tomorrow. The UH system is the place where those seeds will grow--or wither.

FINTestimony

From: mailinglist@capitol.hawaii.gov
ent: Monday, March 29, 2010 1:31 PM
To: FINTestimony
Cc: alan.hayashi@baesystems.com
Subject: Testimony for SB2695 on 3/29/2010 7:00:00 PM

Testimony for FIN 3/29/2010 7:00:00 PM SB2695

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Alan S. Hayashi
Organization: Individual
Address: 207-4 Kawaihae Street Honolulu, Hawaii 96825
Phone: 808-255-6699
E-mail: alan.hayashi@baesystems.com
Submitted on: 3/29/2010

Comments:

The University of Hawaii College of Engineering must have budget to accomodate the STEM students graduating from our high schools, otherwise we will revert to a service dirven economy, with no minnovation capability. Mahalo for allowing me to testify.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 29, 2010 1:10 PM
To: FINTestimony
Cc: mtchandl@hawaii.edu
Subject: Testimony for SB2695 on 3/29/2010 7:00:00 PM

Testimony for FIN 3/29/2010 7:00:00 PM SB2695

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Michael Chandler
Organization: Individual
Address:
Phone:
E-mail: mtchandl@hawaii.edu
Submitted on: 3/29/2010

Comments:

I believe this hearing needs to be deferred until additional testimony can be submitted by members of the University of Hawai'i system. The majority of faculty, staff, and students were not aware of this bill until our administration sent a system-wide notification late last night.

If such a deferment is not granted, I urge the Finance Committee to oppose SB 2695. Existing cuts to our budget have already been devastating. The cuts proposed in SB 2695 would greatly reduce the University's capacity to control damages caused by existing budget cuts.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 29, 2010 1:57 PM
To: FINTestimony
Cc: brasovan@hawaii.edu
Subject: Testimony for SB2695 on 3/29/2010 7:00:00 PM

Testimony for FIN 3/29/2010 7:00:00 PM SB2695

Conference room: 308
Testifier position:
Testifier will be present: No
Submitted by: Nicholas Brasovan
Organization: Individual
Address:
Phone:
E-mail: brasovan@hawaii.edu
Submitted on: 3/29/2010

Comments:

As funds are diverted away from U.H., this will, of course, cause professorial talent and educational resources to move away from the university. This will in turn hurt U.H.'s credibility in the academic world, and thus impede its recent and future graduates from being competitive when searching for jobs: especially those of us who will pursue careers in academia.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 29, 2010 12:29 PM
To: FINTestimony
Cc: cfrankli@hawaii.edu
Subject: Testimony for SB2695 on 3/29/2010 7:00:00 PM
Attachments: SB2695_testimony.doc

Categories: Agenda 6

Testimony for FIN 3/29/2010 7:00:00 PM SB2695

Conference room: 308
Testifier position: oppose
Testifier will be present: Yes
Submitted by: Cynthia Franklin
Organization: Individual
Address: 2345 St. Louis Drive Honolulu, HI
Phone: 808 956-7884
E-mail: cfrankli@hawaii.edu
Submitted on: 3/29/2010

Comments:

I am writing to oppose SB2695 most strenuously. It is unprecedented to raid University coffers to address state budget shortfalls, and it is also unethical and short-sighted, to say the least. It is bad enough that the State has made draconian cuts to the University—cuts so crippling that the quality of the University—the only Research 1 institution available to the people of this state without traveling for thousands of miles—is suffering greatly. But then, to raid funding that the University is raising in an attempt to stay afloat is, quite simply, appalling on moral as well as political and economic grounds. Morally, it is stealing from students who deserve the right to a quality education. Politically, not only do I predict those in support of such a Bill will lose their constituencies over this one, but also (and here's where economics enter in as well), there is no surer way to bring this state down than to bring down the University. Quality higher education is key to the future of this state—key in every possible measurable way.

I have been a professor at UH-M since 1994. I love my students and I am committed to my job. Since the already devastating cuts, my workload has risen exponentially. We have a shrinking faculty and rising class sizes. To do my job adequately and to do right by my students, I regularly work 10-12 hour days, and log in many weekend hours. I also buy my own paper, my own toner, my own equipment, and pay for my own Xeroxing. When my already old computer dies, I will pay to replace it. The building in which I work has a practically inoperable elevator and inadequate technology in the classrooms. I borrow library access from friends at other institutions because our own library has become so substandard when it is even open. How much do you reasonably think you can cut from this university and retain faculty members? How deeply do you wish to hack away at the morale of those of us who work and study in this institution?

I can only hope you have not thought through your plan to further decimate this university, and in such an unprecedented way. I know I am not alone in opposing this bill and any legislator who supports it with every fiber of my being.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 28, 2010 9:43 PM
To: FINTestimony
Cc: nychoi@hawaii.edu
Subject: Testimony for SB2695 on 3/29/2010 7:00:00 PM
Attachments: testimony.docx

Testimony for FIN 3/29/2010 7:00:00 PM SB2695

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Na Young Choi
Organization: Individual
Address: 1811 East-West Rd. Honolulu
Phone: 944-7030
E-mail: nychoi@hawaii.edu
Submitted on: 3/28/2010

Comments:

Hello. I am currently studying second language studies at UH Manoa for my graduate degree. I am writing to plea for stopping the \$69 million dollars of budget-cut proposal imposed on UH. UHM is already suffering from a budget cut of \$100 million dollars; the faculties have already got their salaries cut, libraries that were used to run 24 hours a day are now partly open on the weekends and we have less classes offered. If the budget is cut down more, that means less access for the quality higher education with less tuition awards and other academic grants for students. For example, attending academic conferences in one's own field is really important for many graduate students but not many people can make a trip freely because it is out of the state most of the time and it is too expensive for a sole student to cover many flight tickets and accommodations every time. Students truly appreciate those chances of traveling and attending conferences since it is an enlightening experiences for their academic growth of which they will eventually return to the society. Cutting a budget for an education should not be placed on top of the list; it might be good for a short period of time with immediate treatment of the problem but it banishes much more yet unrevealed potentials of many students and possibilities what they can offer for the good of the community and society in the future.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 28, 2010 7:59 PM
To: FINTestimony
Cc: mmpchock@hawaii.edu
Subject: Testimony for SB2695 on 3/29/2010 7:00:00 PM

Testimony for FIN 3/29/2010 7:00:00 PM SB2695

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Megan Chock
Organization: Individual
Address:
Phone:
E-mail: mmpchock@hawaii.edu
Submitted on: 3/28/2010

Comments:

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 28, 2010 6:22 PM
To: FINTestimony
Cc: mlrollin@hawaii.edu
Subject: Testimony for SB2695 on 3/29/2010 7:00:00 PM

Testimony for FIN 3/29/2010 7:00:00 PM SB2695

Conference room: 308
Testifier position: oppose
Testifier will be present: Yes
Submitted by: Michael Rollins
Organization: Individual
Address: 2449 Ala Wai Blvd No 9 Honolulu, HI
Phone: 8087779893
E-mail: mlrollin@hawaii.edu
Submitted on: 3/28/2010

Comments: