
A BILL FOR AN ACT

RELATING TO HIGHER EDUCATION.

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

1 PART I

2 SECTION 1. The legislature finds that the University of
3 Hawaii currently has a backlog of deferred repair and
4 maintenance projects totaling over \$484,000,000. Simply
5 complying with building code and health and safety requirements
6 across all campuses of the University of Hawaii will cost over
7 \$38,000,000 in fiscal year 2013-2014 and an additional
8 \$38,000,000 in fiscal year 2014-2015. These costs do not
9 include the additional \$50,000,000 to \$60,000,000 in repair and
10 maintenance costs necessary to maintain all of the university
11 campuses yearly.

12 The legislature further finds that eighty-five thousand
13 students use facilities at university campuses systemwide. It
14 is essential to the future of the University of Hawaii and its
15 students and faculty that a safe and proper learning environment
16 be provided and maintained.

17 The legislature declares that the backlog of deferred
18 repair and maintenance projects of the University of Hawaii



1 system is a matter of statewide concern and therefore subject to
2 the purview of the legislature pursuant to article X, section 6,
3 of the Hawaii state constitution. Accordingly, the purpose of
4 this Act is to establish the means of funding necessary repair
5 and maintenance projects at University of Hawaii campuses
6 statewide.

7 PART II

8 SECTION 2. Chapter 304A, Hawaii Revised Statutes, is
9 amended as follows:

10 1. By adding a new subpart to part VI, to be appropriately
11 designated and to read:

12 "CAMPUS PLANNING FACILITY BOARD

13 §304A-A Campus planning facility board; established. (a)

14 There is established within the University of Hawaii a campus
15 planning facility board that shall consist of the chancellors
16 from each campus of the university or the chancellor's designee.

17 (b) The campus planning facility board shall evaluate,
18 identify, prioritize, and allocate moneys from the major repairs
19 and replacement special fund established under section 304A-B to
20 fund repair and maintenance projects of the university.



1 (c) The campus planning facility board shall adopt rules
2 pursuant to chapter 91 to effectuate this section and to
3 administer the major repairs and replacement special fund."

4 2. By adding a new section to part V, subpart C, to be
5 appropriately designated and to read:

6 "§304A-B Major repairs and replacement special fund; major
7 repairs and replacement fee; established. (a) There is
8 established the major repairs and replacement special fund, into
9 which shall be deposited:

- 10 (1) Beginning July 1, 2017, moneys collected from the
11 major repairs and replacement fee, which shall consist
12 of five per cent of all moneys received by the
13 University of Hawaii, except as provided by law;
14 (2) Appropriations by the legislature to the special fund;
15 and
16 (3) Gifts, donations, and grants from public agencies and
17 private persons.

18 (b) The major repairs and replacement special fund shall
19 be used solely to fund repair and maintenance projects on the
20 university's backlog list that have been approved for funding by
21 the campus planning facility board and that have an estimated
22 useful life of no less than two years.



1 SECTION 4. The director of finance is authorized to issue
2 general obligation bonds in the sum of \$38,000,000 or so much
3 thereof as may be necessary and the same sum or so much thereof
4 as may be necessary is appropriated for fiscal year 2013-2014,
5 the revenues of which shall be deposited into the major repairs
6 and replacement special fund established under section 304A-B,
7 Hawaii Revised Statutes.

8 SECTION 5. There is appropriated out of the major repairs
9 and replacement special fund the sum of \$38,000,000 or so much
10 thereof as may be necessary for fiscal year 2013-2014 and the
11 same sum or so much thereof as may be necessary for fiscal year
12 2014-2015 for the purpose of funding repair and maintenance
13 projects of the University of Hawaii pursuant to sections 304A-A
14 and 304A-B, Hawaii Revised Statutes.

15 The sums appropriated shall be expended by the University
16 of Hawaii for the purposes of this Act.

17 PART V

18 SECTION 6. In codifying the new sections added by section
19 2 of this Act, the revisor of statutes shall substitute
20 appropriate section numbers for the letters used in designating
21 the new sections in this Act.

22 SECTION 7. New statutory material is underscored.



1 SECTION 8. This Act shall take effect on July 1, 2013, and
2 shall be repealed on June 30, 2033.



Report Title:

University of Hawaii; Repair and Maintenance

Description:

Establishes the Campus Planning Facility Board and the Major Repairs and Replacement Special Fund to address University repairs and maintenance. Transfers special fund moneys to the special fund. Authorizes the issuance of general obligation bonds. Sunsets June 30, 2033. Effective July 1, 2013.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.





UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Higher Education
February 12, 2013 at 2:00 PM

by
Brian Minaai
Associate Vice President for Capital Improvements
University of Hawai'i

HB 115 HD1 – RELATING TO HIGHER EDUCATION

Chair Choy, Vice Chair Ichiyama, and Members of the House Committee on Higher Education:

Thank you for the opportunity to testify in support of the intent of this measure with concerns.

HB 115 HD1 proposes establishing the Campus Planning Facility Board and the Major Repairs and Replacement Special Fund to address University repairs and maintenance. HB 115 HD1 also deposits 5% of all moneys received by the University beginning July 1, 2017, and transfers 10% of special fund balances for fiscal years 2014-15, and 2015-16 into this special fund. The bill also authorizes the issuance of and appropriates \$38 million general obligation bonds, authorizes special fund appropriation ceilings of \$38 million in fiscal years 2013-14 and 2014-15, and sunsets June 30, 2033.

We are grateful for considering such a measure to address the University's \$460 million backlog of deferred repair and maintenance projects. As you know, our needs are sizeable and a detailed priority list of renovation, capital renewal, and backlog of maintenance projects has been provided to you.

The University acknowledges the importance for a campus planning facility board that evaluates, identifies, prioritizes, and allocate moneys for repair and maintenance projects of the University. In fact, at end of every Legislative Session, the University convenes such a group consisting of the three vice chancellors for administration of the four year universities, the associate vice president for the community colleges system, their respective directors of facilities management, and the staff of the Office of Capital Improvements with that overall objective in mind. Thus, statutorily establishing such a board is not necessary.

The University supports in concept the establishment of a major repairs and replacement special fund to fund repair and maintenance projects in the University's backlog. However, the University has grave concerns on subsection 304A-B(a)(1) regarding the requirement of 5% of all moneys received by the University of Hawai'i be deposited in this special fund beginning July 1, 2017. Clear, careful definition of funds

that the Committee intends for the 5% to be applied to is necessary in order to avoid legal issues and uncertainties. The University's operating budget is approximately \$1.5 billion and consists of general funds, tuition and student fees, extramural contracts and grants, gifts and donations, auxiliary enterprise revenues, operations of the projects in the revenues undertakings special fund (bond system), revenue and general obligation bond proceeds, research and training revolving funds, as well as other special and revolving funds which have been established by statute for specific purposes. In addition there are questions such as when moneys are considered to be received and whether the 5% is on gross or net revenues. Without clear definition, it is not possible to determine how to apply this legislation or how much the earmarked funds would amount to. Furthermore, the amount of the requirement, depending upon its application and amount, could constitute a significant restriction on the flexibility of the University to carry out its operations and pursue its educational mission.

The University has additional concerns regarding the proposed subsection 304A-B(b) which restricts the fund to be used solely to fund repair and maintenance projects on the University's backlog list. The University requires the additional flexibility to use such funds for minor and major renovation and renewal projects where deemed appropriate.

The University also has grave concerns on Part III Section 3(1) and (2) of the bill which requires the director of finance to deduct 10% of the University's special fund balances for fiscal year 2014-15 and again for fiscal year 2015-16. These special fund balances are necessary working capital for the specific purposes of the respective special fund. Furthermore, such earmarks may have significant adverse impact on those programs funded by these special funds. Also, the bill's language is vague as to, at what point in time during the fiscal year is the director of finance to make this deduction, i.e. beginning of the specified fiscal year or the end of the fiscal year and whether it will be applied to each special fund individually or all special fund balances in total.

While the University appreciates the \$38 million general obligation bond proceeds that are to be deposited in the subject special fund, the University reminds the Committee that the University's number one priority, Health & Safety projects alone total \$38 million for each of the two years, and to prevent an increase of backlog, funding the University's annual capital renewal requirements for the next two years totals another \$98 million. The University requests that the bill provide at a minimum \$174 million in general obligation bonds to fund the two years of Health & Safety projects requested and the \$98 million for the two years of annual capital renewal requirements.

Section 5 of Part IV of this bill appropriates \$38 million from this fund for each of the fiscal years 2013-14 and 2014-15, which the University interprets to be a \$38 million special fund expenditure ceiling for the next two fiscal years. In fiscal year 2013-14, the \$38 million in general obligation bond proceeds alone will exhaust this special fund expenditure ceiling. The University recommends amending the bill to increase the appropriation from \$38 million to a dollar amount that would equal the annual amounts transferred into this special fund. In the out years, the University will need to request the 2015 Legislature for additional appropriations for the fiscal year 2015-16 and 2016-17 expenditures.

We realize that our needs are many, and that there are limited resources for other competing needs. HB 115 HD1 has the potential to positively impact the physical

environment at all of our campuses, which will benefit the entire University of Hawai'i community and the state. However, we have grave concerns as to the application and effect of this measure on the operations of the University.

Thank you for the opportunity to testify on this measure.

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TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON HIGHER EDUCATION
ON
HOUSE BILL NO. 115, H.D. 1

February 12, 2013

RELATING TO HIGHER EDUCATION

House Bill No. 115, H.D. 1, establishes the Major Repairs and Replacement Special Fund, into which shall be deposited, beginning July 1, 2017: moneys collected from the major repairs and replacement fee (consist of 5% of all moneys received by the University of Hawaii (UH)); appropriations by the Legislature; and gifts, donations and grants from public agencies and private persons. Additionally, House Bill No. 115, H.D. 1, also proposes to transfer 10% of the balances of all special funds for FY 2014-15; 10% of the balances of all special funds for 2015-16 to be deposited into the Major Repairs and Replacement Special Fund unless prohibited by federal law; and appropriates \$38 million in general obligation (G.O.) bond funds in FY 2014 and 2015 for deposit into the new special fund. The special fund shall be used solely to fund repair and maintenance projects on the University's backlog list that have been approved by the proposed campus planning facility board.

The Department of Budget and Finance recognizes the bill's intent to fund UH's backlog of repair and maintenance projects and defers to UH regarding the bill's overall fiscal implications on their programs and budgets. However, as a matter of general policy, we do not support the creation of any special fund which does not meet the requirements of Section 37-52.3 of the HRS. Special or revolving funds should: 1) reflect a clear nexus between the benefits sought and charges made

upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. In regards to House Bill No. 115, H.D. 1, it is questionable whether there is a clear nexus between the benefits sought and the source of funding and whether the fund will be self-sustaining. We encourage the Legislature to scrutinize the fiscal and operational plan for this program to ensure that it conforms to requirements of Section 37-52.3, HRS.

Additionally, we recommend that a financial analysis be done of the affected UH special funds to ensure that the affected special funds have sufficient revenues after the proposed transfers to cover any revenue bond debt service costs and revenue bond reserve requirements. Not being able to pay revenue bond debt service or maintain reserve requirements will have severe adverse financial consequences for the UH and possibly the State.

Finally, we have a technical comment on this bill. Federal tax law requires, among other things, that tax-exempt G.O. bond proceeds be used to finance projects that serve public purposes. As the UH has numerous public/private partnerships, the UH will need to ensure that, tax-exempt G.O. bond proceeds will not be used for the benefit of private entities. The State would need to issue taxable G.O. bonds at a higher cost should the UH provide financing assistance to private entities. The annual debt service for the \$76 million G.O. bond appropriation is approximately \$6,360,000.