

# HB 1652

## LATE

### Testimony

**Measure Title:** RELATING TO HIGHER EDUCATION.

**Report Title:** UH Hilo College of Pharmacy; Pilot Program; Special Fund; Appropriations (\$)

**Description:** Establishes a 5-year pilot program at the UH Hilo College of Pharmacy to ensure its financial self-sufficiency. Establishes a special fund for the College of Pharmacy. Effective July 1, 2525. (HB1652 HD1)

**Companion:** [SB2550](#)

**Package:** None

**Current Referral:** HRE, WAM

**Introducer(s):** CHOY

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON HIGHER EDUCATION  
ON  
HOUSE BILL NO. 1652, H.D. 1

March 11, 2014

RELATING TO HIGHER EDUCATION

House Bill No. 1652, H.D. 1, establishes a five-year pilot program for the pharmacy school of the University of Hawaii at Hilo (UHH), commencing on July 1, 2014 and terminating on June 30, 2019, to which the pharmacy program shall be financially self-sufficient and managerially independent. The bill specifically: 1) establishes the UHH College of Pharmacy Special Fund which shall be administered by the Pharmacy Board of Governors who shall report to the University of Hawaii (UH) Board of Regents; 2) exempts the special fund from the central services expenses pursuant to Section 36-27, HRS, and the pro rata share of departmental administrative expenses pursuant to Section 36-30, HRS; 3) establishes the UHH College of Pharmacy Board of Governors; 4) appropriates an unspecified sum of general funds, special funds, general obligation bond funds, and revenue bond funds for the purposes of the Act; and 5) authorizes the issuance of general obligation bond funds (Director of Finance) and revenue bond funds (Board of Regents).

The Department of Budget and Finance (B&F) recognizes the bill's intent to provide a funding mechanism for the UHH Pharmacy School and offers the following comments:

- First, there is a practical inconsistency in attempting to issue long-term debt for a facility when the statutory basis is a “five-year pilot program.” Issuance of long-term debt is a formal, legal process that binds the issuer to the bond holders who provide the capital for the project. To be viable, the statutory authority must encompass, at the very least, the term of the bond financing mechanism. Additionally, the issuer needs to clearly demonstrate long-term financial sustainability with sufficient reserves and coverage ratios to address contingencies and unforeseen events. This will be especially critical in a newly created, standalone credit situation as proposed in this bill.
- Second, the Administration has included in the FY 15 Supplemental Budget \$33,000,000 (\$28,000,000 in general obligation bond funds and \$5,000,000 in revenue bond funds to be secured by UH system revenues) to construct a new instructional facility for the UHH Pharmacy School. At present, this would be the preferred funding method for the facility considering revenue streams of UHH, the pharmacy school, and the UH system, governance, and the availability of reasonable financing options. However, the Administration and B&F are open to considering and discussing any other sustainable financing strategies that can be developed. Our end objective is to ensure that the UH system and UHH can execute the construction of an appropriate pharmacy school.



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March 10, 2014

Honorable Brian Taniguchi, Chair  
Honorable Gilbert Kahele, Vice Chair  
Members of the Senate Committee on Higher Education

RE: **HB1652 HD1** Relating to the Higher Education  
DATE: March 11, 2014  
TIME: 2:45 pm  
PLACE: Room 414  
POSITION: **Support**

Dear Chair Taniguchi, Vice Chair Kahele and members of the Committee:  
HB 1652 HD1 establishes a five year pilot program at the Pharmacy School of the University of Hawaii Hilo.

The College of Pharmacy (COP) could be an economic driver for Hilo and the community. Students have been asking about the college. We believe that the budget of the University of Hawaii and subsequently included in the Governor's Executive Budget of \$28 million in G.O. Bonds and \$5 million in revenue bonds is the right way to go. For these reasons we support HB 1652 HD1

Thank you for the opportunity to submit this testimony in support to HB1652 HD1.

Sincerely,

Al Lardizabal  
Government Relations

I stand in strong support of the bills to secure funding for the permanent building for The Daniel K. Inouye College of Pharmacy (DKICP). Thank you to the House Finance Committee for considering this important issue.

DKICP is the only program in Hawaii and the Pacific Region to offer the Doctor of Pharmacy. This is the only recognized degree for becoming a licensed, registered pharmacist. Without a permanent building, the college is in imminent risk of losing accreditation and closing, which means Hawai`i would no longer have a college of pharmacy. This would have dire effects on health care in Hawai`i as well as all related health care organizations.

The pharmacist shortage in the Pacific region served by the UH College of Pharmacy continues to be the most severe in the nation according to data from Pharmacy Manpower Project. At the same time, DKICP is transforming health care in Hawai`i with new models of care such as the \$14.4 million Pharm2Pharm project, which leverages the current supply of pharmacists.

Funding for a permanent building helps to assure the College can meet all of the professional accreditation standards and continue contributing to the State and the profession. I know I join many others who live on the Big Island in giving the Daniel K. Inouye College of Pharmacy my full support.

Antonio Verduzco  
Student Pharmacist  
Class of 2015  
The Daniel K. Inouye College of Pharmacy