

SB 2555

Testimony

Measure Title: RELATING TO THE UNIVERSITY OF HAWAII.
Report Title: University of Hawaii; Revenue Bonds
Description: Repeals the authority of the University of Hawaii to issue revenue bonds.
Companion: [HB1727](#)
Package: None
Current Referral: HRE, WAM
Introducer(s): TANIGUCHI

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON HIGHER EDUCATION
ON
SENATE BILL NO. 2555

February 4, 2014

RELATING TO THE UNIVERSITY OF HAWAII

Senate Bill No. 2555 repeals the authority for the University of Hawaii (UH) to issue revenue bonds.

The Department would like to provide comments on this bill. The UH currently has an established revenue bond program through which capital projects and improvements are funded by revenue bonds supported by revenues generated by UH. If the intent of this bill is to have the UH cash fund their capital improvements through revenues generated, the Department would like to point out that the financing of long-lived assets through debt instruments can be a prudent form of financial management when appropriately planned and executed. However, if the intent of this bill would be to have the State fund UH's capital improvement projects through increased general obligation bond (GO) funding, this would create additional funding pressure upon the limited GO bond funding resource without any additional revenue to support increasing debt service requirements.

Thank you for the opportunity to provide testimony on this measure.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on Higher Education
February 4, 2014 at 3:00pm
by
Howard Todo, Chief Financial Officer
Vice President of Budget and Finance
University of Hawai'i

SB 2555 – RELATING TO THE UNIVERSITY OF HAWAII

Chair Taniguchi, Vice Chair Kahele, and Members of the Committee:

Thank you for the opportunity to provide testimony on SB 2555 – Relating to the University of Hawaii. We respectfully oppose the repeal of Section 304A-2603 of the Hawai'i Revised Statutes and Chapter 304A, part VI, subpart D of the Hawai'i Revised Statutes. These statutes establish the structure under which the University is able to issue revenue bonds which are authorized by the Legislature to finance capital improvement projects.

Without these statutes, the University would be unable to issue revenue bonds as authorized and appropriated by the Legislature to be funded by revenue bonds. Recent University of Hawai'i projects funded by revenue bonds include the Cancer Research Center, the UH West O'ahu Kapolei campus, energy conservation projects at the Community Colleges and Maui College, Hilo Student Housing and College of Pharmacy projects, Mānoa Student Housing renovations, the Information Technology Building, and the Center for Microbial Oceanography: Research and Education (C-More) at UH Mānoa.

The ability to issue revenue bonds to fund projects authorized by the legislature to be funded by that source of financing is critical to the University. Accordingly, we respectfully request that this bill be held.