

Honolulu, Hawaii

MAR 27 2015

RE: H.B. No. 545  
H.D. 1  
S.D. 1

Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Eighth State Legislature  
Regular Session of 2015  
State of Hawaii

Madam:

Your Committee on Higher Education and the Arts, to which was referred H.B. No. 545, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO FUNDS,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Establish the University of Hawaii quasi-endowment trust fund;
- (2) Repeal and reclassify various non-general funds and accounts of the University of Hawaii and transfer the unencumbered balances to the general fund; and
- (3) Make conforming amendments.

Your Committee received testimony in support of this measure from the Office of the Auditor and University of Hawaii System. Your Committee received comments on this measure from the Tax Foundation of Hawaii.

Your Committee finds that particular funds of the University of Hawaii no longer serve their respective intended purposes. In addition, many no longer meet the criteria for special funds and should be changed to revolving funds.



However, your Committee finds that this measure, if left unamended, would repeal some funds that still serve their purpose and meet the criteria for special funds.

Your Committee finds that the University of Hawaii community services special fund continues to provide public service programs, including noncredit educational programs in professional development, personal growth, and cultural enrichment, as well as cooperative extension and consultative services. In recent years, this fund has run a deficit, as noted by the Auditor; however, this deficit is due to an issue of annual transfers not being executed, rather than a fundamental insufficiency of revenues. To ensure the sustainability and continued provision of services under this fund and avoid a deficit, legislative action may be necessary to ensure the timely transfer of funds.

Your Committee further finds that the Hawaii medical education council was established in 2003 to address the needs of graduate medical education in Hawaii. This fund was specifically established to separate any funding received by the State or extramural funding that was solely designated to support graduate medical education in Hawaii. This special fund continues to serve this purpose.

Your Committee finds that the discoveries and inventions special fund supports innovation and research commercialization. This special fund is a major component of the University's strategic priorities in the Hawaii Innovation Initiative. Recently, the University of Hawaii has taken on a greater role in diversifying the State's economy by building a thriving innovation, research, and training enterprise.

Accordingly, your Committee has amended this measure by:

- (1) Deleting language reclassifying the community colleges special fund as a revolving fund;
- (2) Deleting language repealing the following special funds:
  - (A) University of Hawaii community services special fund;
  - (B) Hawaii medical education special fund; and
  - (C) Discoveries and inventions special fund;



- (3) Deleting language repealing the University of Hawaii Okinawa program trust fund; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Higher Education and the Arts that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 545, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 545, H.D. 1, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Higher Education  
and the Arts,

  
BRIAN T. TANIGUCHI, Chair



