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# A BILL FOR AN ACT

RELATING TO FUNDS.

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

1 PART I

2 SECTION 1. Chapter 304A, Hawaii Revised Statutes, is  
3 amended by adding a new section to be appropriately designated  
4 and to read as follows:

5 "§304A- University of Hawaii quasi-endowment trust fund.

6 There is established the University of Hawaii quasi-endowment  
7 trust fund into which shall be deposited income derived from the  
8 university's endowment fund. Income deposited into this account  
9 may be expended by the university as set forth by the board of  
10 regents in policies and guidelines for costs and expenses  
11 associated with student financial aid programs, including  
12 scholarships and student support services, awards, and project  
13 opportunities for the university."

14 PART II

15 SECTION 2. The purpose of this part is to repeal the  
16 University of Hawaii community services special fund.



1           The legislature finds that the fund does not meet the  
2 criteria for a special fund and should be repealed.

3           SECTION 3. Section 304A-2156, Hawaii Revised Statutes, is  
4 repealed.

5           ~~["§304A-2156] University of Hawaii community services~~  
6 ~~special fund. (a) There is established the University of~~  
7 ~~Hawaii community services special fund. Except as otherwise~~  
8 ~~provided by law, all revenues, including interest, derived and~~  
9 ~~collected from the university's provision of public service~~  
10 ~~programs shall be deposited into the University of Hawaii~~  
11 ~~community services special fund. The university may establish~~  
12 ~~and collect fees and charges for public service programs. All~~  
13 ~~revenues deposited into the University of Hawaii community~~  
14 ~~services special fund shall be used exclusively for the costs of~~  
15 ~~providing public service programs. The university may establish~~  
16 ~~accounts under the community services special fund to facilitate~~  
17 ~~the administration of this fund among the various campuses and~~  
18 ~~operating units of the University of Hawaii system. All~~  
19 ~~expenditures from this fund shall be subject to legislative~~  
20 ~~appropriation.~~



1 ~~(b) As used in this section, "public service programs"~~

2 ~~means:~~

3 ~~(1) Noncredit educational programs in professional~~

4 ~~development and training, personal growth, and~~

5 ~~cultural enrichment, and~~

6 ~~(2) Cooperative extension and consultative services." ]~~

7 PART III

8 SECTION 4. The purpose of this part is to reclassify the

9 Hawaii educator loan program special fund as a revolving fund.

10 SECTION 5. Section 304A-701, Hawaii Revised Statutes, is

11 amended by amending subsection (g) to read as follows:

12 "(g) In accordance with chapter 103D, the university may  
13 enter into written contracts with collection agencies for the  
14 purpose of collecting delinquent loans. All payments collected,  
15 exclusive of a collection agency's commissions, shall revert,  
16 and be credited, to the Hawaii educator loan program [~~special~~  
17 revolving fund. A collection agency that enters into a written  
18 contract with the university for the collection of delinquent  
19 loans pursuant to this section may collect a commission from the  
20 debtor in accordance with the terms of, and up to the amounts  
21 authorized in, the written contract."



1 SECTION 6. Section 304A-703, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 "[+]§304A-703[+] Capacity of minors in qualifying for  
4 Hawaii educator loans. Any student otherwise qualifying for a  
5 loan under the Hawaii educator loan program [~~special~~] revolving  
6 fund shall not be disqualified because the student is under the  
7 age of eighteen years, and for the purpose of applying for,  
8 receiving, and repaying the loan, any such person shall be  
9 deemed to have full legal capacity to act and shall have all  
10 rights, powers, privileges, and obligations of an adult with  
11 respect thereto."

12 SECTION 7. Section 304A-704, Hawaii Revised Statutes, is  
13 amended to read as follows:

14 "[+]§304A-704[+] Rules governing Hawaii educator loan  
15 program [~~special~~] revolving fund. The university may adopt  
16 rules to implement the Hawaii educator loan program. The rules  
17 shall be adopted pursuant to chapter 91 but shall be exempt from  
18 the public notice and public hearing requirements."

19 SECTION 8. Section 304A-2161, Hawaii Revised Statutes, is  
20 amended to read as follows:



1 " ~~[+]§304A-2161[+]~~ Hawaii educator loan program ~~[special]~~  
2 revolving fund. There is established the Hawaii educator loan  
3 program ~~[special]~~ revolving fund, for the purpose of providing  
4 loans pursuant to section ~~[+]304A-701[+]~~. ~~[The following may be~~  
5 ~~deposited into the special fund:—appropriations]~~ Appropriations  
6 made by the legislature, private contributions, repayment of  
7 loans, including interest and payments received on account of  
8 principal, and moneys from other sources ~~[, provided that:~~

9 ~~(1) Moneys on balance in the special fund at the close of~~  
10 ~~each fiscal year shall remain in that fund and shall~~  
11 ~~not lapse to the credit of the general fund; and~~  
12 ~~(2)] shall be deposited into the revolving fund and shall~~  
13 ~~be expended by the University.~~ An amount from the  
14 ~~[special]~~ revolving fund not exceeding five per cent  
15 of the total amount of outstanding loans may be set by  
16 the university to be used for administrative expenses  
17 incurred in administering the ~~[special]~~ revolving  
18 fund."

19 PART IV

20 SECTION 9. The purpose of this part is to reclassify the  
21 community colleges special fund as a revolving fund.



1 SECTION 10. Section 304A-2162, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 " ~~[+]§304A-2162 [+~~ Community colleges ~~[special]~~ revolving  
4 fund. (a) Section ~~[+]304A-2003 [+~~ notwithstanding, there is  
5 established a community colleges ~~[special]~~ revolving fund to  
6 receive, disburse, and account for funds of programs and  
7 activities of the community colleges, including but not limited  
8 to off-campus programs, summer session programs, overseas  
9 programs, evening sessions, study abroad, exchange programs,  
10 cultural enrichment programs, and consultative services that  
11 help make available the resources of the community colleges to  
12 the communities they serve.

13 (b) The ~~[special]~~ revolving fund may include deposits  
14 from:

15 (1) The University of Hawaii tuition and fees special fund  
16 established in section ~~[+]304A-2153 [+~~;

17 (2) Tuition, fees, and charges for affiliated  
18 instructional, training, and public service courses  
19 and programs; and

20 (3) Fees, fines, and other money collected for:

21 (A) Student health;



- 1 (B) Transcript and diploma;  
2 (C) Library;  
3 (D) Facility use;  
4 (E) Child care;  
5 (F) Auxiliary enterprises;  
6 (G) Alumni; and  
7 (H) Other related activities."

8 PART V

9 SECTION 11. The purpose of this part is to repeal the  
10 Hawaii medical education special fund.

11 The legislature finds that the fund no longer serves the  
12 purpose for which it was created, does not meet the criteria for  
13 a special fund, and should be repealed.

14 SECTION 12. Section 304A-1702, Hawaii Revised Statutes, is  
15 amended by amending subsections (b), (c), and (d) to read as  
16 follows:

17 "~~(b) The program shall be funded with moneys received for~~  
18 ~~graduate medical education and deposited into the Hawaii medical~~  
19 ~~education special fund established under section [304A-2164].~~

20 ~~(e)]~~ (b) All funding for the graduate medical education  
21 program shall be nonlapsing.



- 1        ~~[(d)]~~ (c) Program moneys shall only be expended if:
- 2        (1) Approved by the medical education council; and
- 3        (2) Used for graduate medical education in accordance with
- 4                sections ~~[+]304A-1704 [.]~~ and ~~[+]304A-1705 [.]~~."

5        SECTION 13. Section 304A-2164, Hawaii Revised Statutes, is

6        repealed.

7        ~~["§304A-2164]—Hawaii medical education special fund.~~

8        ~~There is established a Hawaii medical education special fund,~~

9        ~~into which shall be deposited all funds received by the medical~~

10        ~~education council, including:~~

- 11        ~~(1) Moneys from the federal Centers for Medicaid and~~
- 12                ~~Medicare Services or other federal agencies;~~
- 13        ~~(2) State appropriations; and~~
- 14        ~~(3) Grants, contracts, donations, or private~~
- 15                ~~contributions.~~

16        ~~The fund shall be administered by the university. Moneys~~

17        ~~deposited in the fund shall be expended by the university for~~

18        ~~the purposes of the graduate medical education program~~

19        ~~established under section [304A-1702]."]~~

20





## 1 PART VI

2 SECTION 14. The purpose of this part is to repeal the  
3 discoveries and inventions special fund.

4 The legislature finds that the fund does not meet the  
5 criteria for a special fund and should be repealed.

6 SECTION 15. Section 304A-2253, Hawaii Revised Statutes, is  
7 amended by amending subsection (c) to read as follows:

8 "(c) Notwithstanding [~~sections~~] section 304A-107 [~~and~~  
9 ~~{304A-2174}~~] to the contrary, the board of regents, or its  
10 designee, may establish a separate account within the research  
11 and training revolving fund for the purpose of providing advance  
12 funding to meet reimbursable costs incurred in connection with  
13 federally financed research and training projects. Any  
14 reimbursement received as a result of providing advance funding  
15 shall be deposited into the research and training revolving fund  
16 to be used for the purpose of meeting reimbursable costs  
17 incurred in connection with federally financed projects."

18 SECTION 16. Section 304A-2174, Hawaii Revised Statutes, is  
19 repealed.

20 ["~~{304A-2174}~~ Discoveries and inventions special fund.  
21 There is established a discoveries and inventions special fund



1 ~~into which shall be deposited a portion of the total indirect~~  
2 ~~overhead funds generated by the university for research and~~  
3 ~~training purposes in the prior fiscal year, as determined by the~~  
4 ~~board of regents. Appropriations by the legislature subject to~~  
5 ~~the approval of the governor, proceeds from the commercial~~  
6 ~~exploitation of inventions and intellectual property developed~~  
7 ~~at the university, gifts, donations, fees collected, and grants~~  
8 ~~from public agencies and private persons may also be deposited~~  
9 ~~into the special fund for the purposes of supporting innovation~~  
10 ~~and research commercialization and the patenting, copyrighting,~~  
11 ~~licensing, and marketing of discoveries, inventions, and~~  
12 ~~technologies developed at the university. The special fund~~  
13 ~~shall be used to develop technologies that have potential~~  
14 ~~commercial value, support the administration of technology~~  
15 ~~transfer activities, and facilitate economic development through~~  
16 ~~education and research undertaken at the university." ]~~

17 PART VII

18 SECTION 17. The purpose of this part is to repeal the  
19 University of Hawaii alumni special fund.

20 The legislature finds that the fund no longer serves the  
21 purpose for which it was created and should be repealed.



1 SECTION 18. Section 304A-2175, Hawaii Revised Statutes, is  
2 repealed.

3 ~~["§304A-2175] University of Hawaii alumni special fund.~~  
4 ~~There is established the University of Hawaii alumni special~~  
5 ~~fund into which shall be deposited funds and proceeds received~~  
6 ~~by the university from alumni activities and donations from~~  
7 ~~alumni. Funds deposited into this special fund may be expended~~  
8 ~~by the university for all costs associated with conducting~~  
9 ~~alumni affairs, activities, and programs for the university~~  
10 ~~system, including but not limited to expenses for honoraria,~~  
11 ~~hotel and room rentals, food and refreshment, printing and~~  
12 ~~mailing, banners and signs, plaques and awards, airfare and per~~  
13 ~~diem, leis, rental of audiovisual, musical, and stage equipment,~~  
14 ~~and activity supplies and materials, without regard to statutory~~  
15 ~~competitive bidding requirements." ]~~

16 PART VIII

17 SECTION 19. The purpose of this part is to repeal the  
18 animal research farm, Waialeale, Oahu special fund.

19 The legislature finds that the fund no longer serves its  
20 original purpose, does not meet the criteria for a special fund,  
21 and should be repealed.



1 SECTION 20. Section 304A-2177, Hawaii Revised Statutes, is  
2 repealed.

3 ["~~§304A-2177~~ ~~Animal research farm, Waialeale, Oahu special~~  
4 ~~fund. There is established the animal research farm, Waialeale,~~  
5 ~~Oahu special fund for the animal research farm, Waialeale, Oahu,~~  
6 ~~operated by the college of tropical agriculture and human~~  
7 ~~resources of the University of Hawaii, into which shall be~~  
8 ~~deposited the receipts from fees realized from the sale of~~  
9 ~~livestock, services, and supplies. Funds deposited into this~~  
10 ~~special fund shall be expended for animal research, and services~~  
11 ~~and supplies related thereto.~~"]

12 PART IX

13 SECTION 21. The purpose of this part is to reclassify the  
14 professional student exchange program special fund as a  
15 revolving fund.

16 SECTION 22. Section 304A-2179, Hawaii Revised Statutes, is  
17 amended to read as follows:

18 "[+] §304A-2179 [+] Professional student exchange program  
19 [~~special~~] revolving fund. (a) There is established a  
20 professional student exchange program [~~special~~] revolving fund  
21 to be administered and expended by the Hawaii commission.



1 (b) The following moneys shall be deposited into the  
2 ~~[special]~~ revolving fund:

3 (1) Principal and interest payments received as repayment  
4 of financial support from former or current  
5 participants of the professional student exchange  
6 program, pursuant to section 304A-3209; and

7 (2) Interest earned or accrued on moneys in the ~~[special]~~  
8 revolving fund.

9 (c) Moneys in the ~~[special]~~ revolving fund shall be  
10 expended to:

11 (1) Support the professional student exchange program's  
12 activities, including the provision of financial  
13 support to participants at Western Interstate  
14 Commission for Higher Education receiver institutions;  
15 and

16 (2) Enforce the collection of delinquent obligations."

17 PART X

18 SECTION 23. The purpose of this part is to repeal the  
19 career and technical training projects revolving fund for the  
20 University of Hawaii at Hilo.



1 The legislature finds that the revolving fund is not  
2 necessary.

3 SECTION 24. Section 304A-2268, Hawaii Revised Statutes, is  
4 repealed.

5 ~~["§304A-2268] Career and technical training projects~~  
6 ~~revolving fund, University of Hawaii at Hilo. There is~~  
7 ~~established the career and technical training projects revolving~~  
8 ~~fund for the career and technical training projects of the~~  
9 ~~community colleges and the University of Hawaii at Hilo into~~  
10 ~~which shall be deposited the receipts from fees for services,~~  
11 ~~supplies, and use of equipment provided by or in connection with~~  
12 ~~these projects. Funds deposited in this account shall be~~  
13 ~~expended for vocational and technical training projects, and~~  
14 ~~supplies, equipment, and services related thereto."]~~

15 PART XI

16 SECTION 25. The purpose of this part is to repeal the  
17 conference center revolving fund for the conference center  
18 program in the college of continuing education and community  
19 service of the University of Hawaii at Hilo.



1           The legislature finds that the fund does not serve its  
2 original purpose, experiences minimal activity, and should be  
3 repealed.

4           SECTION 26. Section 304A-2272, Hawaii Revised Statutes, is  
5 repealed.

6           ~~["§304A-2272—Conference center revolving fund,  
7 University of Hawaii at Hilo. There is established the  
8 conference center revolving fund for the conference center  
9 program in the college of continuing education and community  
10 service of the University of Hawaii at Hilo. All fees, charges,  
11 and other moneys collected in conjunction with the conference  
12 center program shall be deposited in the revolving fund. The  
13 dean of the college of continuing education and community  
14 service is authorized to expend funds from the revolving fund  
15 for all costs associated with conducting conferences, seminars,  
16 and courses by the conference center program, including but not  
17 limited to expenses for honoraria, hotel and room rentals, food  
18 and refreshment, printing and mailing, airfare and per diem,  
19 leis, rental of audiovisual equipment, and conference supplies  
20 and materials."]~~

21



## 1 PART XII

2 SECTION 27. The purpose of this part is to repeal the  
3 Senator Hiram L. Fong scholarship program endowment trust fund.

4 The legislature finds that the fund does not serve the  
5 purpose for which it was created and should be repealed.

6 SECTION 28. Section 304A-2353, Hawaii Revised Statutes, is  
7 repealed.

8 ~~["[§304A-2353] The Senator Hiram L. Fong scholarship~~  
9 ~~program; endowment trust. (a) There is established the Senator~~  
10 ~~Hiram L. Fong scholarship program to be administered by the~~  
11 ~~university with proceeds from an endowment trust that shall~~  
12 ~~receive its initial funding by an appropriation out of the~~  
13 ~~general revenues of the State. The program shall provide~~  
14 ~~financial support to students enrolled at any campus of the~~  
15 ~~university.~~

16 ~~(b) Awards shall be granted annually to one female student~~  
17 ~~and one male student who:~~

- 18 ~~(1) Are graduates of a public high school in the State;~~  
19 ~~(2) Are upperclassmen at the university;~~  
20 ~~(3) Submit winning essays to the board of regents on the~~  
21 ~~senator's contributions to Hawaii;~~





- 1       ~~(4) Have a demonstrated commitment to local community~~  
2           ~~issues, as shown by volunteer work and participation~~  
3           ~~in community organizations; and~~
- 4       ~~(5) Have a demonstrated interest and knowledge of the~~  
5           ~~history of immigration to Hawaii.~~
- 6       ~~(c) The amount to be awarded to a student shall be~~  
7       ~~determined by the board of regents with due regard to the total~~  
8       ~~amount of funds available for the program. The award that a~~  
9       ~~student receives under this program may be used to:~~
- 10       ~~(1) Pay for the costs of tuition and fees for a single~~  
11           ~~academic year;~~
- 12       ~~(2) Pay for the costs of textbooks and other instructional~~  
13           ~~materials for a single academic year;~~
- 14       ~~(3) Pay for the costs of room and board at a dormitory or~~  
15           ~~apartment maintained by the university for a single~~  
16           ~~academic year; or~~
- 17       ~~(4) Defray the difference between student need, as~~  
18           ~~determined by the Free Application for Federal Student~~  
19           ~~Aid, and the total cost of attendance for a single~~  
20           ~~academic year.~~



1 ~~(d) The board of regents shall adopt rules to implement~~  
2 ~~the Senator Hiram L. Fong scholarship program. The rules shall~~  
3 ~~be adopted pursuant to chapter 91 but shall be exempt from the~~  
4 ~~public notice and public hearing requirements.~~

5 ~~(e) The scholarship program shall be funded with proceeds~~  
6 ~~from an endowment trust established with initial funding by an~~  
7 ~~appropriation out of the general revenues of the State and shall~~  
8 ~~be administered by the board of regents for the purposes of~~  
9 ~~supporting the Senator Hiram L. Fong scholarship program." ]~~

10 PART XIII

11 SECTION 29. The purpose of this part is to repeal the  
12 Senator Oren E. Long scholarship program endowment trust.

13 The legislature finds that the fund does not serve the  
14 purpose for which it was created and should be repealed.

15 SECTION 30. Section 304A-2354, Hawaii Revised Statutes, is  
16 repealed.

17 [~~§304A-2354~~] ~~The Senator Oren E. Long scholarship~~  
18 ~~program; endowment trust. (a) There is established the Senator~~  
19 ~~Oren E. Long scholarship program to be administered by the~~  
20 ~~university with proceeds from an endowment trust that shall~~  
21 ~~receive its initial funding by an appropriation out of the~~



1 ~~general revenues of the State. The program shall provide~~  
2 ~~financial support to students enrolled at any campus of the~~  
3 ~~university.~~

4 ~~(b) Awards shall be granted annually to one female student~~  
5 ~~and one male student who:~~

6 ~~(1) Are graduates of a public high school in the State;~~

7 ~~(2) Are upperclassmen at the university; and~~

8 ~~(3) Submit winning essays to the board of regents on the~~  
9 ~~senator's contributions to Hawaii.~~

10 ~~(c) The amount to be awarded to a student shall be~~  
11 ~~determined by the board of regents with due regard to the total~~  
12 ~~amount of funds available for the program. The award that a~~  
13 ~~student receives under this program may be used to:~~

14 ~~(1) Pay for the costs of tuition and fees for a single~~  
15 ~~academic year;~~

16 ~~(2) Pay for the costs of textbooks and other instructional~~  
17 ~~materials for a single academic year;~~

18 ~~(3) Pay for the costs of room and board at a dormitory or~~  
19 ~~apartment maintained by the university for a single~~  
20 ~~academic year; or~~



1       ~~(4) Defray the difference between student need, as~~  
2           ~~determined by the Free Application for Federal Student~~  
3           ~~Aid, and the total cost of attendance for a single~~  
4           ~~academic year.~~

5       ~~(d) The board of regents shall adopt rules to implement~~  
6       ~~the Senator Oren E. Long scholarship program. The rules shall~~  
7       ~~be adopted pursuant to chapter 91 but shall be exempt from the~~  
8       ~~public notice and public hearing requirements.~~

9       ~~(e) The scholarship program shall be funded with proceeds~~  
10       ~~from an endowment trust established with initial funding by an~~  
11       ~~appropriation out of the general revenues of the State and shall~~  
12       ~~be administered by the board of regents for the purposes of~~  
13       ~~supporting the Senator Oren E. Long scholarship program." ]~~

14                                    PART XIV

15           SECTION 31. The purpose of this part is to repeal the  
16 Hawaii health corps revolving fund.

17           The legislature finds that the fund is inactive and should  
18 be repealed.

19           SECTION 32. Section 309H-6, Hawaii Revised Statutes, is  
20 repealed.



1           ~~["§309H-6] Hawaii health corps revolving fund. (a)~~

2           ~~There is established in the treasury of the State the Hawaii~~  
3           ~~health corps revolving fund, which shall be administered by the~~  
4           ~~University of Hawaii John A. Burns school of medicine and the~~  
5           ~~University of Hawaii at Manoa school of nursing and dental~~  
6           ~~hygiene, and into which shall be deposited:~~

7           ~~(1) Any funds appropriated by the legislature for the~~  
8           ~~Hawaii rural health care provider loan repayment~~  
9           ~~program;~~

10          ~~(2) Gifts, donations, and grants from public agencies and~~  
11          ~~private persons;~~

12          ~~(3) Reimbursements of loan repayments under the Hawaii~~  
13          ~~rural health care provider loan repayment program;~~

14          ~~(4) Proceeds of the operations of the Hawaii health corps~~  
15          ~~program; and~~

16          ~~(5) Interest earned or accrued on moneys deposited into~~  
17          ~~the fund.~~

18          ~~(b) The University of Hawaii John A. Burns school of~~  
19          ~~medicine and the University of Hawaii at Manoa school of nursing~~  
20          ~~and dental hygiene may expend moneys from the fund for the~~



1 ~~purposes of this chapter, including the operational expenses of~~  
2 ~~the Hawaii health corps program." ]~~

3 PART XV

4 SECTION 33. The following funds are abolished:

- 5 (1) The hurricane Iniki insurance proceeds special fund
- 6 administratively established in 1993 and administered
- 7 by the University of Hawaii;
- 8 (2) The agency fund trust account administratively
- 9 established prior to July 1985 and administered by the
- 10 University of Hawaii; and
- 11 (3) The University of Hawaii Okinawa program trust fund
- 12 administratively established in 1968 and administered
- 13 by the University of Hawaii,

14 and any unencumbered balances remaining shall lapse to the  
15 credit of the general fund.

16 PART XVI

17 SECTION 34. On July 1, 2015, all unencumbered balances  
18 remaining in the accounts and funds repealed by this Act shall  
19 lapse to the credit of the general fund.





**Report Title:**

University of Hawaii; Non-General Funds; Repeal; Transfer of Balances; Establishment

**Description:**

Repeals various non-general funds and accounts and transfers the unencumbered balances to the general fund. Establishes the University of Hawaii Quasi-endowment Trust Fund. Makes conforming amendments. (HB545 HD1)

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





# HB545 HD1

# TESTIMONY

Measure Title: RELATING TO FUNDS.

Report Title: University of Hawaii; Non-General Funds; Repeal; Transfer of Balances; Establishment

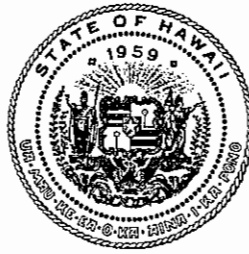
Description: Repeals various non-general funds and accounts and transfers the unencumbered balances to the general fund. Establishes the University of Hawaii Quasi-endowment Trust Fund. Makes conforming amendments. (HB545 HD1)

Companion:

Package: None

Current Referral: HEA, WAM

Introducer(s): CHOY, ICHIYAMA, KONG, LOPRESTI, SAY



**TESTIMONY OF JAN K. YAMANE, ACTING STATE AUDITOR,  
ON HOUSE BILL NO. 545, HOUSE DRAFT 1, RELATING TO FUNDS**

**Senate Committee on Higher Education and the Arts**

**March 24, 2015**

Chair Taniguchi and Members of the Committee:

I am Jan Yamane, Acting State Auditor. Thank you for the opportunity to testify in partial support of House Bill 545, House Draft 1 (HB 545, HD 1), which would repeal and reclassify a number of funds in the University of Hawai'i. We also offer comments on specific sections of this bill.

The impetus for this bill is our Report No. 14-18, *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the University of Hawai'i*. Our review of these funds includes an evaluation of the original intent and purpose of each fund, including the degree to which each fund continues to serve its intended purpose. We also evaluate whether each fund meets statutory criteria for its respective fund type (i.e., special, revolving, or trust). The bill would implement many of our report recommendations.

**Funds that do not meet criteria would be repealed by HB 545, HD 1**

We support repealing UH funds that *do not meet* criteria:

1. **University of Hawai'i Community Services Special Fund** (Section 3) established under Section 304A-2156, HRS. We recommended repeal; UH deferred to the Legislature.
2. **Hawai'i Medical Education Special Fund** (Section 13) established under §304A-2164, HRS. We recommended repeal; UH disagreed.

3. **Discoveries and Inventions Special Fund** (Section 16) established under §304A-2174, HRS. We recommended repeal; UH disagreed.
4. **University of Hawai‘i Alumni Special Fund** (Section 18) established under §304A-2175, HRS. We recommended repeal; UH deferred to the Legislature.
5. **Animal Research Farm, Waiale‘e, O‘ahu Special Fund** (Section 20) established under §304A-2177. We recommended repeal; UH deferred to the Legislature;
6. **Career and Technical Training Projects Revolving Fund** (Section 24) established under §304A-2268. We recommended repeal; UH deferred to the Legislature;
7. **Senator Hiram L. Fong Scholarship Program Endowment Trust** (Section 28) established under §304A-2353. We recommended repeal; UH deferred to the Legislature; and
8. **Senator Oren E. Long Scholarship Program Endowment Trust** (Section 30) established under §304A-2354. We recommended repeal; UH deferred to the Legislature.

**Funds that would be reclassified by HB 545, HD 1**

The funds we listed in Report No. 14-18 that serve the purpose for which they were originally created, but function as and meet the criteria for revolving funds, would be repealed as a special fund and reclassified to a revolving fund.

1. **Hawai‘i Educator Loan Program Special Fund** (Section 7) established under 304A-704, HRS.
2. **Community Colleges Special Fund** (Section 10) established under §304A-2162, HRS; and
3. **Professional Student Exchange Program Special Fund** (Section 22) established under §304A-2179.

**Funds that do not meet criteria would be abolished by HB 545, HD1**

Section 33 of the bill abolishes administratively created funds that do not meet criteria.

1. **Hurricane Iniki Insurance Proceeds Special Fund;** and
2. **University of Hawai'i Okinawa Program Trust Fund.**

Section 33 would also abolish the administratively established **Agency Fund Trust Account.**

In Report No. 14-18 we noted this account continues to serve the purpose for which it was created and meets the criteria for a trust account.

**We have little to no information on the fund repealed in Part XIV**

Section 31 would repeal the **Hawai'i Health Corps Revolving Fund.** While we generally support the Legislature decreasing the high number of special and revolving funds, we have little information on fund. The fund was created in 2012 but has had no financial activity and therefore the fund has limited history from which to determine whether it is serving the purpose and meeting revolving fund criteria.

**Comments on establishing the University of Hawai'i Quasi-Endowment Trust Fund**

Section 1 statutorily establishes the **University of Hawai'i Quasi-Endowment Trust Fund.** However, unlike special and revolving funds established under Sections 37-52.3 and 57-52.4, HRS, respectively, trust funds and accounts are not required to be established by an act of the Legislature. In addition, Section 1 of this bill may not meet the definition of a trust fund when the primary sources of income to be deposited into the fund from the existing revolving fund are derived from interest earned from the UH-Mānoa Stadium Stock Fund and community colleges' lease rents. Section 37-62, HRS, defines a trust fund as one in which "designated persons or classes of persons have a vested beneficial interest ownership, or which was created or established by a gift, grant, contribution, devise or bequest that limits the use of the fund to designated objects or purposes." Since the UH needs a vehicle to expend the endowment moneys and other cash deposits for specific purposes as explained in its testimony on HB 545, it may be more appropriate to statutorily create a special or revolving fund, rather than a trust fund.

Thank you for the opportunity to testify in partial support of HB 545, HD 1. I am available to answer any questions you may have.



# UNIVERSITY OF HAWAII SYSTEM

## Legislative Testimony

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Testimony Presented Before the  
Senate Committee on Higher Education and the Arts  
March 24, 2015 at 1:30 pm Room 224

by  
Kalbert Young  
Vice President – Budget & Finance & Chief Financial Officer  
University of Hawai'i

### HB 545 HD1 – RELATING TO FUNDS

Chair Taniguchi, Vice Chair Inouye, and members of the Higher Education and the Arts Committee:

Thank you for this opportunity to testify. The University of Hawai'i (UH) generally supports the proposed actions in HB 545 HD1, Relating to Funds, but does request consideration for a number of revisions.

HB 545 HD1 proposes several actions:

- Establishes the University of Hawaii Quasi-endowment Trust Fund
- Repeals the following funds:
  - University of Hawaii Community Services Special Fund;
  - Hawaii Medical Education Special Fund;
  - Discoveries and Inventions Special Fund;
  - University of Hawai'i Alumni Special Fund;
  - Animal Research Farm, Waiale'e, O'ahu Special Fund;
  - Career and Technical Training Projects Revolving Fund;
  - Conference Center Revolving Fund;
  - Senator Hiram K. Fong Scholarship Endowment Trust Fund;
  - Senator Oren E. Long Scholarship Endowment Trust Fund; and
  - Hawaii Health Corps Special Fund
- Reclassifies the following funds as revolving funds:
  - Hawaii Educator Loan Program Special Fund;
  - Community Colleges Special Fund; and
  - Professional Student Exchange Program Special Fund
- Abolishes the following funds:
  - Hurricane Iniki Insurance Proceeds Special Fund;
  - Agency Fund Trust Account; and
  - University of Hawaii Okinawa Program Trust Fund
- Lapses all unencumbered balances in these funds to the credit of the general fund

The University of Hawaii Community Services Special Fund is still in use and should not be repealed. The Auditor's Report indicates that the fund is still serving the purpose for

which it was created – namely, providing public service programs including noncredit educational programs in professional development and training, personal growth and cultural enrichment; and cooperative extension and consultative services. Examples of such programs include the College of Tropical Agriculture and Human Resource's Agricultural Diagnostic Service Center which provides plant and soil testing services, diagnostics and recommendations throughout the state, and the Hawai'i English Language Program (HELP) which provides full-time English language training for international students.

The fund has run a deficit in recent years; but that is due to an issue of annual transfers not being executed rather than a fundamental insufficiency of revenues. However, these issues are being resolved during the current fiscal year, and UH expects that the deficit in this fund will eventually be eliminated. **The University recommends that the University of Hawaii Community Services Special Fund continue to be a statutorily authorized special fund as there are existing programs using the fund and its deficit is anticipated to be eliminated within a few years.**

The Hawaii Medical Education Special Fund was established in 2003 with the Hawai'i Medical Education Council (HMEC) to address the needs of graduate medical education in Hawai'i. This account was established to separate any funding received by the state or extramural funding that was solely designated to support graduate medical education in Hawai'i. As of January 2015, a Family Medicine residency consortium has been established with direct funding Queens, Hawai'i Pacific Health, and HMSA. A portion of these consortium funds that have been designated to support the family medicine residency program may be deposited into this fund as early as this March. Eliminating this fund would hinder the operations of this critical family residency program at Wahiawa General Hospital, Queens Medical Center, and Kapi'olani Women's and Children's Medical Center. The Auditor's Report No. 14-18 recommended repeal of this fund, given what the Auditor noted as the program's "unfunded status and the fund's lack of financial activity." **Considering that recent activity to finalize the consortium will mean that there will be activity for this fund's purpose, the University recommends maintaining the statutory authority of the Hawaii Medical Education Special Fund.**

The Discoveries and Inventions Special Fund (DISF) supports innovation and research commercialization. Its enabling statute (304A-2174) states that the fund "...shall be used to develop technologies that have potential commercial value, support the administration of technology transfer activities, and facilitate economic development through education and research undertaken at the university." This fund is a major component of UH's strategic priorities in the Hawai'i Innovation Initiative. In partnership with the local business community, UH has recently taken on a greater role to help diversify the state's economy by building a thriving innovation, research, and education and training enterprise. The Office of Technology Transfer and Economic Development (OTTED) will be an integral part of this commitment.

The DISF will provide OTTED and the University of Hawai'i the opportunity for funding innovation and research commercialization and to secure patents, copyrights, licensing and marketing of discoveries, inventions, and technologies developed at UH. To help spearhead this effort, local venture capitalist and entrepreneur William K. Richardson was hired in December 2014 as OTTED director. His office will work closely with UH's recently launched proof-of-concept center, XLR8UH, to help faculty and student researchers to fully exploit their UH-owned technologies commercially. The Auditor in Audit Report 14-18 did note that this special fund does continue to serve its originally intended purpose, but noted that it receives funds from the Research and Training Revolving Fund (RTRF) to cover some expenses. Considering the overall use, the future focus and purpose of the fund, such RTRF funding is believed appropriate, to do otherwise, would mean that total support for this established program would be borne solely by general fund appropriations. **The University recommends that the Discoveries and Inventions Special Fund be maintained as a statutorily authorized special fund since there is an existing program and operation already in place that is dependent upon the use of the fund.**

Similarly, the Hawaii Health Corps Revolving Fund was created by Act 187, SLH 2012, which passed unanimously from the Legislature. The fund was created to support the Hawai'i Health Corps Program and the Hawai'i Rural Health Care Provider Loan Repayment Program to encourage eligible physicians, physician assistants, and nurse practitioners to serve for a period of time in designated health professional shortage areas. Given the limited history for this fund, and that sources of originating funds are by private gifts, donations, legislative appropriations and loan repayments over time, the University believes it is premature to repeal this fund with less than 3 years since its inception. The Auditor did not recommend for this fund to be repealed in Audit Report 14-18, considering that there was limited history to determine if its status was more appropriate as a special fund or a revolving fund. **In agreeing, the University recommends that the Hawaii Health Corps Revolving Fund maintain its current statutorily authorized status as a revolving fund.**

The Conference Center Revolving Fund – UH at Hilo was created to account for fees, charges and other moneys that UH-Hilo collected for the Conference Center Program in the College of Continuing Education and Community Service. Although recognizing that there has been minimal activity in its recent history, UH-Hilo is planning to utilize the Conference Center Revolving Fund to support the delivery of conference services in the immediate future and believes that this fund is needed and should be continued. This approach will help support a strategy and concept to encourage independent self-sustainability for a number of programs where possible. **The University recommends that the Conference Center Revolving Fund – UH at Hilo be allowed more time to maintain its statutory authority as a revolving fund.**

The University is in the process of abolishing the Hurricane Iniki Insurance Proceeds Special Fund as identified by the Auditor's Report 14-18. The University agrees that the original purpose of the fund has been satisfied and is returning the unencumbered balance to the DAGS Risk Management. **The University agrees with HB 545 HD1's recommendation to repeal the Hurricane Iniki Insurance Proceeds Special Fund.**

**Please note that the University of Hawaii Okinawa Program Trust Fund was closed in FY2014 and therefore its inclusion in HB 545 is unnecessary for practical purposes.** This trust fund was created administratively, but has since been closed administratively from use.

There are a number of other funds identified for recommended action in HB545 HD1. The University does not have any opposition to the repeal or recommended disposition of these funds described in this measure.

In conclusion, UH **prefers the companion version of this bill, SB 160 SD2**, and respectfully requests the Committee amend HB 545 HD1 accordingly.

Thank you for your time and consideration.



**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [HEA Testimony](#)  
**Cc:** [tina@tfhawaii.org](mailto:tina@tfhawaii.org)  
**Subject:** Submitted testimony for HB545 on Mar 24, 2015 13:30PM  
**Date:** Friday, March 20, 2015 11:07:55 AM  
**Attachments:** [h0545a15.pdf](#)

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**HB545**

Submitted on: 3/20/2015

Testimony for HEA on Mar 24, 2015 13:30PM in Conference Room 224

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Thomas Yamachika	Tax Foundation of Hawaii	Comments Only	No

Comments: Here is the Tax Foundation of Hawaii testimony on HB 545, HD-1.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Repeals non-general funds of the University of Hawaii

BILL NUMBER: HB 545, HD-1

INTRODUCED BY: House Committee on Higher Education

EXECUTIVE SUMMARY: Repeals various non-general funds of the University of Hawaii. Some of the repeals are in accordance with the State Auditor's recommendation. Some other funds are spared and it is unclear why.

BRIEF SUMMARY: Repeals the following and transfers any unencumbered balances to the general fund:

- University of Hawaii community services special fund
- Hawaii medical education special fund
- Discoveries and inventions special fund
- University of Hawaii alumni special fund
- Animal research farm, Waialeale, Oahu special fund
- Career and training projects revolving fund, University of Hawaii at Hilo
- Conference center revolving fund, University of Hawaii at Hilo
- The Senator Hiram L. Fong scholarship program; endowment trust
- The Senator Oren E. Long scholarship program; endowment trust
- Hawaii health corps revolving fund

Abolishes the following funds administered by the University of Hawaii and provides that any unencumbered balances shall lapse to the general fund:

- Hurricane Iniki insurance proceeds special fund (established in 1993)
- Agency fund trust account (established prior to July 1985)
- University of Hawaii Okinawa program trust fund (established in 1968)

Reclassifies the following special funds into revolving funds:

- Hawaii educator loan program special fund - Hawaii educator loan program revolving fund
- Community colleges special fund - Community colleges revolving fund
- Professional student exchange program special fund - Professional student exchange program revolving fund

Establishes a University of Hawaii quasi-endowment trust fund into which shall be deposited income derived from the University's endowment fund.

EFFECTIVE DATE: July 1, 2015

STAFF COMMENTS: This measure implements some of the State Auditor's recommendations in the Auditor's report No. 14-18 that reviewed the special funds, revolving funds, trust funds, and trust accounts of the University of Hawaii. The report recommended some special funds should be reclassified as revolving funds and this measure repeals and abolishes various funds of the University of Hawaii.

The original measure repealed the center for labor education and research revolving fund, but this draft maintains this fund. The Auditor's report states that: "This fund continues to serve the purpose for which it was created, but does not meet all the criteria for a revolving fund and should be repealed. The fund is not self-sustaining, as expenditures have exceeded revenues for four fiscal years in our review period and the cash balance is declining." It would appear that the repeal of this fund would be the appropriate course of action.

This draft also creates the University of Hawaii quasi-endowment trust fund. The committee report states that it renames the "unrestricted quasi-endowment income and scholarship revolving fund" as this fund and codifies it, but does not repeal the administratively established "Endowment Fund (trust fund)" which the Auditor found to continue to serve the purpose for which it was created and meets the criteria for a trust fund. Thus, if this measure passes there would be two trust funds. The unrestricted quasi-endowment income and scholarship revolving fund should be repealed as recommended by the Auditor's report.

The 1989 Tax Review Commission noted that use of special fund financing is a "departure from Hawaii's sound fiscal policies and should be avoided." It also noted that special funds are appropriate where the revenues to the funds maintain some direct connection between a public service and the beneficiary of that service. The Commission found that special funds which merely set aside general funds cannot be justified as such actions restrict budget flexibility, create inefficiencies, and lessen accountability. It recommended that such programs can be given priority under the normal budget process without having to resort to this type of financing.

Seconding the Commission's harsh criticism was the State Auditor's report issued in February of 1991 that recognized that the "tax is levied on the general public rather than specific beneficiaries of the program," and thus the fund did not reflect a "direct link between user benefits and user charges."

As a result of the recent spotlight of monies in special funds, the legislature by Act 130, SLH 2013, requires the State Auditor to review all existing special, revolving, and trust funds beginning in 2014 and every five years which assists in making government finances more transparent.

Digested 3/2/15