



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Higher Education
February 5, 2015 at 2:00pm

by
Donald O. Straney, Ph.D.
Chancellor, University of Hawai'i at Hilo

HB 548 – RELATING TO HIGHER EDUCATION

Chair Choy, Vice Chair Ichiyama, and Members of the Committee:

My name is Donald Straney, Chancellor of the University of Hawai'i at Hilo, and I am presenting the University's testimony on HB 548.

This Bill establishes a Board of Governors for the Daniel K. Inouye College of Pharmacy at the University of Hawai'i at Hilo and a special fund to receive all revenues to the College. It assigns to Board of Governors an advisory role as well as the power and duties of managing expenditures of the College, among other duties. This would appear to replace functions currently exercised by the Board of Regents of the University of Hawai'i, the Chancellor of the University of Hawai'i at Hilo, the Dean of the Daniel K. Inouye College of Pharmacy, and the College's existing advisory group.

Considering the recent review of special and revolving funds administered by the University of Hawai'i by the State Auditor, the University is conservative in its support of establishing new special funds - especially, to ensure the requirements of Chapter 37-52.3(4), HRS, which requires special funds to demonstrate the capacity to be financially self-sustaining. Furthermore, the University believes that the objective of the special fund - to ensure financial sustainability and success of the college of pharmacy - can already be accomplished through the College's current funding and management structure.

For the reasons above, the University of Hawai'i requests that the House Committee on Higher Education defer further action on this measure.

LATE

WRITTEN ONLY

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON HIGHER EDUCATION
ON
HOUSE BILL NO. 548

February 5, 2015

RELATING TO HIGHER EDUCATION

House Bill No. 548: 1) establishes the University of Hawaii at Hilo (UHH) College of Pharmacy Special Fund; 2) exempts the special fund from the central services expenses pursuant to Section 36-27, HRS, but not the pro rata share of departmental administrative expenses pursuant to Section 36-30, HRS; and 3) establishes the UHH College of Pharmacy Board of Governors that will report to the University of Hawaii (UH) Board of Regents, and administer the proposed special fund.

The UHH College of Pharmacy Special Fund would generate revenues through College of Pharmacy tuition, grants, program fees, donations, and interest. The special fund may be used to reimburse UHH for revenue bonds for construction and maintenance and procure or pay debt service on loans to construct, maintain, and operate the College of Pharmacy. House Bill No. 548 does not include an appropriation to expend from the special fund.

The Department of Budget and Finance recognizes the bill's intent to provide a funding mechanism for the UHH Pharmacy School. However, as a matter of general policy, the department does not support the creation of any special fund which does not meet the requirements of Section 37-52.3, 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. 548, it is difficult to determine whether the proposed special fund will be self-sustaining.

Additionally, it should be noted that Section 36-27(a)(3), HRS, currently provides an exception for special funds of the UH; thus, the proposed language relating to central services pursuant to Section 36-27 appears redundant.