

DAVID Y. IGE
GOVERNOR



WESLEY K. MACHIDA
DIRECTOR

LAUREL A. JOHNSTON
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 794, H.D. 1, S.D. 1

April 4, 2017
9:35 a.m.
Room 211

RELATING TO ENERGY AT THE UNIVERSITY OF HAWAII

House Bill No. 794, H.D. 1, S.D. 1, establishes the University of Hawaii Green Special Fund to help the University of Hawaii (UH) reduce energy consumption and costs. The special fund would generate revenues through savings from energy conservation measures, legislative appropriations, rebates, private contributions, and investment earnings. The bill also contains a \$10,000,000 general fund appropriation for deposit into the new fund that would be used to support energy efficiency, renewable energy and sustainability projects and services.

As a matter of general policy, the department does not support the creation of special funds which do not meet the requirements of Section 37-52.3, HRS. Special funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or

activity; and 4) demonstrate the capacity to be financially self-sustaining. In regards to House Bill No. 794, H.D. 1, S.D. 1, it is difficult to determine whether the proposed special fund would be self-sustaining.

In addition, it should be noted that Section 196-121, HRS, provides a financing mechanism for energy efficiency and renewable energy projects through energy savings contracts (ESCOs) and energy performance contracts (EPCOs). Other State departments and agencies have used these financing mechanisms to finance many of the same types of projects as proposed under the UH Green Special Fund. Further, the ESCOs and EPCOs may be more flexible as they utilize existing budgetary resources, and do not require seed money (such as this \$10,000,000), nor the ongoing calculations of energy savings for deposit into the special fund.

Thank you for your consideration of our comments.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on Ways and Means
April 4, 2017 at 9:35 a.m.

By
Jan Gouveia
Vice President for Administration
and
Kalbert K. Young
Vice President for Budget and Finance/CFO
University of Hawai'i System

HB 794 HD1 SD1 – RELATING TO ENERGY AT THE UNIVERSITY OF HAWAII

Chair Tokuda, Vice Chair Dela Cruz, and members of the committee:

Thank you for the opportunity to submit testimony on HB 794 HD1 SD1. The University of Hawai'i ("University") supports this measure which establishes a green special fund within the University to reduce energy consumption and costs. This bill will facilitate a sustainable means of financing energy efficient and other sustainability projects at the University that will ultimately improve energy performance, reduce operating costs, and modernize our facilities.

Green Revolving Funds ("GRFs") are prominent across many colleges and universities dedicated to addressing sustainable facilities, operations and behaviors. These funds are typically managed by the university to fund energy-efficient projects, reduce resource use, and other sustainable efforts which repays the GRFs either through savings realized by the project or other sources of income.

GRFs have gained momentum across the nation. According to the Association for the Advancement of Sustainability in Higher Education, there are at least 85 universities that use GRFs as part of their sustainability programs.

Last year, the University of Hawai'i formally established the Office of Energy Management ("OEM"). In addition to supporting smaller campus initiatives, the OEM has taken on a larger effort to holistically tackle the high energy consumption across all ten campuses. To assist in this effort, a green special fund is necessary to support multiple methods of financing (including internal loans, other special funds, and private donations) and the repayment of debt service from special funds, private donations, and energy rebates. Establishment of a green special fund at the University will also ensure that funding dedicated to sustainability initiatives are used for that particular purpose and, more importantly, ensure that any savings from the investment be reinvested toward other sustainable projects.

There is strong student support for this initiative as well. In August 2015, the Associated Students of the University of Hawai'i ("ASUH") passed a resolution in support of a Green Revolving Fund, saying that *"ASUH acknowledges the growing concern our university's*

infrastructure faces and believes that sustainability projects that reduce operational costs is integral in improving both the fiscal nature of this university along with its environment”.

The student resolution further states that *“ASUH hopes the GRFs would serve as an example for organizations and departments on this campus to lead best business practices to not only save money, but to also further promote sustainability in a fiscally responsible manner”.*

The green special fund advanced by HB 794 HD1 SD1 will improve fiscal management, increase transparency, and support the University’s progress towards its Net Zero Energy mandate (Act 99, Session Laws of Hawaii 2015).

Lastly, the University of Hawai’i understands the current fiscal environment and knows the legislature has to make some very hard choices when it comes to funding programs in the state. In the event the legislature finds there are no funds available this fiscal year for HB 794, UH respectfully request that the appropriation language in Section 3 be removed from the bill and that the creation of the green special fund be passed with no moneys attached.

Thank you for the opportunity to testify in support of HB 794 HD1 SD1.



Email: communications@ulupono.com

SENATE COMMITTEE ON WAYS & MEANS
Tuesday, April 4, 2017 — 9:35 a.m. — Room 211

Ulupono Initiative Strongly Supports HB 794 HD 1 SD 1, Relating to Energy at the University of Hawaii

Dear Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committees:

My name is Murray Clay and I am Managing Partner of the Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally produced food; increase affordable, clean, renewable energy; and reduce waste. Ulupono believes that self-sufficiency is essential to our future prosperity and will help shape a future where economic progress and mission-focused impact can work hand in hand.

Ulupono strongly supports HB 794 HD 1 SD 1, which establishes the University of Hawai'i Green Special Fund to fund energy conservation measures, because it aligns with our goal of increasing the production of clean, renewable energy in Hawai'i.

The University of Hawai'i is one of the largest consumers of electricity for the utility and therefore could be one of the most impactful and effective organizations in utilizing energy efficiency projects. Increased energy efficiency funding will help to reduce the long-term costs of operating and maintaining University infrastructure. If the University of Hawai'i is able to implement increased energy efficiency measures, this will further help meet our state's goal of 100 percent renewable energy, of which 30 percent is energy efficiency.

Energy efficiency is one of the most cost effective methods to reduce imported fossil fuels. Furthermore, energy efficiency investments typically pay for themselves in a relative short time period.

The majority of the operating cost of the University is paid for through taxpayer and student tuition costs. A reduction in these building costs will help save taxpayer funds and make college more affordable, which helps to develop the next set of energy leaders in Hawai'i.

As Hawai'i's energy issues become more complex and challenging, we appreciate this committee's efforts to look at policies that support renewable energy production.

Investing in a Sustainable Hawai'i



Thank you for this opportunity to testify.

Respectfully,

Murray Clay
Managing Partner

From: mailinglist@capitol.hawaii.gov
Sent: Friday, March 31, 2017 5:42 PM
To: WAM Testimony
Cc: launahele@yahoo.com
Subject: *Submitted testimony for HB794 on Apr 4, 2017 09:35AM*

HB794

Submitted on: 3/31/2017

Testimony for WAM on Apr 4, 2017 09:35AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Benton	Individual	Support	No

Comments:

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