



# UNIVERSITY OF HAWAII SYSTEM

## Legislative Testimony

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Testimony Presented Before the  
Senate Committee on Higher Education  
Tuesday, February 16, 2021 at 3:05 p.m.

by

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University of Hawai'i System

### SB 1393 – RELATING TO THE RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII

Chair Kim, Vice Chair Kidani, and members of the Committee:

The University of Hawai'i (UH) opposes SB 1393.

In 1965, the Hawai'i State Legislature recognized the unique requirements of the research industry in Hawai'i when it created the Research Corporation of the University of Hawai'i (RCUH) to support the UH research and training enterprise by allowing it certain exemptions from cumbersome State procurement practices – which enables UH to function as a more nimble enterprise able to effectively compete for federal and other research and training funding. At no other point in time, has this flexibility become more important to UH as it works build a thriving innovation sector to help diversify and rebuild an economy shattered by the COVID-19 pandemic.

The University of Hawai'i recognizes and acknowledges that over the last five years that the Research Corporation of the University of Hawai'i (RCUH) management fee has increased significantly, primarily due to a rise in their operating costs. While UH appreciates this proactive effort by the Legislature to help reduce the cost to its research enterprise, there is concern that a yet-to-be determined cap amount under this measure may result in a fixed amount that is either a too low or too high, resulting in additional or unnecessary expenditures for services provided.

A task force/working group comprised of UH representatives is already in place and is currently examining the entire operation to determine the root cause or causes of this increase and to recommend potential solutions to reduce and/or contain operational costs, while still maintaining the necessary level of service in support of UH's research and training activities.

Thank you for the opportunity to testify on this measure.



TESTIMONY PRESENTED BEFORE THE  
SENATE COMMITTEE ON HIGHER EDUCATION  
February 16, 2021, 3:05 pm

**SB 1393 – RELATING TO THE RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAI'I**

Chair Kim, Vice Chair Kidani, and Members of the Committee:

The Research Corporation of the University of Hawai'i (RCUH) respectfully opposes Senate Bill 1393, which seeks to cap the management fee that RCUH can recover to support research activity at the University of Hawai'i (UH).

RCUH provides critical support services to UH by efficiently delivering procurement, personnel, and other support services in a timely manner. This allows UH researchers to focus on their unique and complex research projects, which are funded by various sponsors with specific deliverables and requirements. A cap on the management fee would limit RCUH's ability to operate like a business, restrict its ability to react to the needs of the University, and limit its recovery of cost for any unanticipated demands for services. This would not only be detrimental to RCUH, but it would also jeopardize the continued success of UH research.

Currently, the RCUH management fee is negotiated between UH and RCUH through an Internal Agreement. An agreement has been in place since 1968 and has been amended, revised and renegotiated numerous times over the past 50 years. Additionally, UH and RCUH are currently evaluating the management fee arrangement through a joint committee (RCUH Management Fee Work Group) that was recently commissioned by the UH Vice President for Research and Innovation, Dr. Vassilis Symros.

As it relates to RCUH's operating cost and the resulting impact on service fees, UH has many opportunities to influence or exert control over RCUH's operating costs. The RCUH Board of Directors is comprised of eight (8) members, four (4) of whom directly represent the University of Hawai'i:

- Two (2) members of the UH Board of Regents;
- One (1) UH research faculty member; and the
- UH Vice President for Research and Innovation (ex-officio, non-voting).

As half of the RCUH Board members are either current UH employees or UH Regents, RCUH believes that UH's interests are more than adequately and fairly represented. Board members meet quarterly and have the opportunity to discuss, approve, disapprove, or amend RCUH's operating budget every year.

In conclusion, RCUH believes that the management fee is best negotiated between RCUH and UH as the current process and governing model already addresses the concerns raised in the measure. Accordingly, RCUH respectfully opposes SB 1393 to arbitrarily cap the management fee.

Sincerely,

Leonard R. Gouveia, Jr.  
Executive Director

**SB-1393**

Submitted on: 2/11/2021 2:59:25 PM

Testimony for HRE on 2/16/2021 3:05:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Brian Powell	Individual	Oppose	No

Comments:

The problem this measure intends to solve remains opaque. RCUH rates are based on the expenses it incurs to handle significant amounts of extramural funds that are brought to the UH. RCUH is a service organization. That is all it is. It serves the research community at the University of Hawaii to continue to bring several hundred million dollars of investment into the state of HI each year. Setting a cap will serve only to limit its ability to service its customers (the research community). By limiting the services they provide to the research community, there is a likelihood that research funding will be impacted because RCUH will not be able to service (staff, etc.) the grants.

It becomes hard to trust an opaque legislative body that does not express its intentions to the elected populace when introducing bills.