



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

LATE

Testimony Presented Before the
Senate Committee on Ways and Means
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by
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SB 105 – RELATING TO THE BUDGET

Chair Tokuda, Vice Chair Kouchi, and members of the Ways and Means committee:

Thank you for this opportunity to testify. The University of Hawai'i (UH) supports the intent and objective of SB105, Relating to Budgeting, but does defer to the State Department of Budget & Finance for the practical implications of implementing this measure. This measure would require the inclusion of debt service on the forward-looking 6-year financial plan for bond funded capital improvement projects.

As a matter of best practices in budgeting, forward-looking financial plans are valuable for affording known or potential cost items. Inclusion of anticipated debt service is an obvious. While the executive branch already includes a calculation for anticipated debt service aligned for the amount of proposed general obligation bonds as part of the executive branch budget submittal, it is recognizably difficult to state with any finality the "term of the bonds, total debt service to fully amortize the bonds, and annual debt service, itemized by principal and interest, in each of the next six fiscal years" as required by proposed Section 37-69(d)(1)(K)(vi). The timing and structure of bond transactions are best arranged closer to executing the actual transaction because that allows for building the most efficient bond structure and most cost effective debt service profile.

In general, I do agree that including diligence of debt service costs when considering funding of capital projects is important. The University would defer to the State of Hawaii Director of Finance as to determining the appropriateness, timing and ultimate debt service cost profile that would be in the best interest of the State to fund University capital projects.

Thank you for your time and consideration.