



# UNIVERSITY OF HAWAII SYSTEM

## Legislative Testimony

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Testimony Presented Before the  
Senate Committee on Ways and Means  
March 17, 2020 at 10:35 a.m.

by  
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University of Hawai'i System

### HB 1632 HD1 – RELATING TO NON-GENERAL FUNDS

Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the Committee:

Thank you for the opportunity to present testimony today. The University of Hawai'i (UH) **opposes** HB 1632 HD1, Relating to Non-General Funds. This bill makes various changes to different non-general funds. Most notably, it abolishes the UH intercollegiate athletics special fund. The University is agreeable to repeal the Professional Student Exchange Program Revolving Fund.

We believe that this is an error and that a different fund – the Professional Student Exchange Program Revolving Fund – was intended to be repealed rather than the Intercollegiate Athletics Special Fund.

Auditor's Report No. 20-03, Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the University of Hawai'i, was submitted by the Office of the Auditor in early February. Exhibit 2.3 on page 10 of that Report presented six funds that the Office of the Auditor felt did not meet criteria for continuance and should be closed or reclassified. The Professional Student Exchange Program Revolving Fund is listed one line above the University of Hawai'i at Mānoa Intercollegiate Athletics Special Fund, which may be the cause of this misunderstanding.

Repeal of the Intercollegiate Athletics Special Fund would be devastating to the intercollegiate athletics programs at both Mānoa and Hilo campuses. This repeal would prohibit UH from directly receiving any funds related to intercollegiate athletics activities or use of its athletics facilities.

We respectfully request that the section repealing the Intercollegiate Athletics Special Fund be removed from this bill and instead a section repealing the Professional Student Exchange Program Revolving Fund (Section 304A-2277, HRS) be added instead.

Thank you for this opportunity to testify.

# TAX FOUNDATION OF HAWAII

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SUBJECT: MISCELLANEOUS, Repeal Non-General Funds

BILL NUMBER: HB 1973, SD-1

INTRODUCED BY: House Committee on Finance

EXECUTIVE SUMMARY: Abolishes, repeals, or reclassifies various non-general funds of the department of the attorney general and the University of Hawaii.

SYNOPSIS: As it relates to the department of the attorney general:

- Makes technical amendments to section 28-16, HRS, governing the litigation deposits trust account.
- Reclassifies the notaries public revolving fund in section 456-9.5, HRS, as a special fund.
- Reclassifies the criminal forfeiture fund in section 712A-16, HRS, as a special fund.
- Abolishes the administratively created Hawaii criminal justice commission trust account.
- Abolishes the administratively created national mortgage settlement trust account.

As it relates to the University of Hawaii:

- Abolishes the intercollegiate athletics special fund in section 304A-2176, HRS.

Makes technical and conforming amendments.

EFFECTIVE DATE: July 1, 2020.

STAFF COMMENTS: 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.

Because of the spotlight of monies in special funds, HRS section 23-12 requires the State Auditor to review all existing special, revolving, and trust funds beginning in 2014 and at five-year intervals. This bill was the result of Auditor’s Report Nos. 19-16 (relating to the department of the attorney general) and 20-03 (relating to the University of Hawaii).

Digested 3/14/2020