



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
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by
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HB 1260 HD1 – RELATING TO GOVERNMENT

Chair Oshiro, Vice Chair Lee and Members of the Committee:

This bill proposes the establishment of a State Securitization Account within the Department of Accounting and General Services. We wish to express our concerns and request clarification regarding several aspects of this measure:

§36-A(a) would have a major impact to the University Bond System (UBS), as the Director of Finance is the sole determiner of what "excess" funds are. If the Director of Finance were to transfer all UBS voluntary plant fund transfers or account balances into the State Securitization Account, it would impair the UBS projects of doing necessary repairs and improvements and violate the bond documents and covenants under which the bonds were issued.

§36-A(b) seems to leverage non-general fund revenue sources as a means to issue additional general obligation bonds. This may have the impact of reducing the University's debt capacity.

§36-A(c) enables the fund to "temporarily finance capital improvement projects." We are unclear as to whether this enables the initiation of projects that are not authorized by the Legislature, which would contradict §103-7, which requires that all CIP projects requiring the use of state funds to be authorized by the Legislature and Governor.

§36-B(a) requires that no non-general funds shall be used for CIP purposes unless the funds are from the State Securitization Account. This would seem to preclude the University from performing any CIP projects with sources of funding such as UH West Oahu, which currently has a special fund authorization of \$100 million to finance the development of the campus.

Furthermore, 36-B(b) states: "Except as permitted in subsection (a), all capital improvement projects shall be financed by the issuance of general obligation bonds." This would seem to preclude the University from issuing revenue bonds and using the proceeds to perform CIP projects. This would also essentially end any further use of our bond system to do any future CIP projects.

Accordingly, we respectfully express our concerns and request clarification as to the foregoing matters.

Thank you for the opportunity to submit this testimony.