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WRITTEN ONLY

TESTIMONY BY SETH S. COLBY, Ph.D.
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 2519, H.D. 1

February 25, 2026
2:00 p.m.
Room 308 and Videoconference

RELATING TO THE UNIVERSITY OF HAWAII

The Department of Budget and Finance (B&F) offers comments on this bill.

House Bill No. 2519, H.D. 1, amends Chapter 304A, HRS, by adding a new part that: 1) requires appropriations made to the University of Hawai'i (UH) to be allocated as specified block appropriations; 2) requires UH to submit annual fiscal and performance reports; 3) exempts UH from Chapter 103D for procurements with a value below an unspecified amount; 4) authorizes UH to carry forward up to 10% of unexpended general funds without reversion to the general fund at the end of each fiscal year, provided that any unencumbered funds at the end of the third fiscal year shall lapse to the general fund; 5) designates 5% of UH's total general fund block appropriation as performance-based funding and specifies conditions on that funding, including a condition that the funding shall not lapse; and 6) establishes a UH budget stabilization fund (UHBSF). The bill further exempts UH from requirements to submit line-item budget requests beginning in FY 28; exempts UH from all requirements in Section 37-74, HRS; requires UH to submit quarterly reports to the Legislature

regarding this transition; and appropriates an unspecified sum of general funds for UH for FY 27 for the purposes of this bill.

Regarding the authorization to continuously carry forward unexpended general funds, B&F notes that all appropriations of general funds shall be for specified periods not exceeding three years pursuant to Article VII, Section 11, of the Constitution of the State of Hawai'i. Accordingly, all general fund appropriations, including statutorily authorized carryover funds, should have a specified lapse date. It is also unclear who is responsible for evaluating UH's performance and approving the release of performance-based funding. B&F further notes that indefinitely carrying forward unexpended general funds would negatively impact the State's general fund financial plan and its ability to fund other critical programs and initiatives moving forward.

Additionally, it is unclear if the non-lapsing language for UHBSF applies to the appropriations or the cash balance of the fund. If it applies to the former, then it would still run afoul of Article VII, Section 11, of the Constitution of the State of Hawai'i; if it applies to the latter, then it would appear unnecessary since cash balances of special funds do not generally lapse to the general fund unless otherwise specified in statute or session law.

B&F also has concerns that block appropriations and exemption from line-item budget requests may reduce transparency. It is unclear how UH would quantify its requests to increase appropriations or whether changes in the breakdown of internal allocations of each block appropriation would be readily apparent.

Thank you for your consideration of our comments.



UNIVERSITY OF HAWAII SYSTEM

‘ŌNAEHANA KULANUI O HAWAII

Legislative Testimony

Hō'ike Mana'o I Mua O Ka 'Aha'ōlelo

Testimony Presented Before the
House Committee on Finance
February 25, 2026 at 2:00 p.m.

By

Luis P. Salaveria

Vice President for Budget and Finance/Chief Financial Officer
University of Hawai'i System

HB 2519 HD1 – RELATING TO THE UNIVERSITY OF HAWAII

Chair Todd, Vice Chair Takenouchi, and Members of the Committee:

Thank you for the opportunity to present testimony today. The University of Hawai'i (UH) **supports** HB 2519 HD1, Relating to the University of Hawaii. This bill establishes block appropriations and increases fiscal flexibility for the University of Hawai'i. Establishes a University of Hawaii Budget Stabilization Fund, authorizes limited procurement and fiscal exemptions, and implements performance-based funding metrics.

The UH appreciates the increased fiscal flexibility and feels that this will increase our efficiency and effectiveness, allowing UH administrators to maximize the resources provided by the state taxpayer and our students and their families.

A similar block funding strategy is already present in the state, as the Department of Education (DOE) receives approximately \$1.3 billion each year in a single Program ID, EDN100. This allows there to be no differentiation on the Legislature's part between elementary, middle, and high schools nor is there differentiation between different geographic regions of the state. DOE's Administration is budgeted in EDN300, and this bill would provide a parallel funding mechanism.

We have a few comments and suggestions:

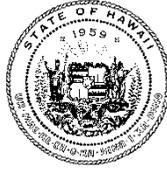
The Committee may want to consider providing the performance funding designated in 304A-F as another block of funding as outlined in 304A-A subsection (a). As its own block, this will allow the Legislature to appropriate that block on its own as well as allow the Governor and the State Department of Budget and Finance (B&F) to release it on its own – separate from the other blocks.

The UH is appreciative of the exemption from position ceilings but notes that we are already exempt from this provision, pursuant to Chapter 37-74(f)(1).

The UH does not require additional general fund resources to effectuate this change.

Thank you for this opportunity to testify. We look forward to working with the Legislature throughout this session to advance UH's fiscal flexibility.

JOSH B. GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



BONNIE KAHAKUI
ADMINISTRATOR

DAYNA OMIYA
ASSISTANT ADMINISTRATOR

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TESTIMONY
OF
BONNIE KAHAKUI, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE
ON
FINANCE
FEBRUARY 25, 2026, 2:00 PM

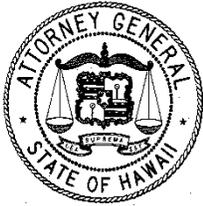
HOUSE BILL 2519, HD1
RELATING TO THE UNIVERSITY OF HAWAII

Chair Todd, Vice Chair Takenouchi, and members of the committee, thank you for the opportunity to submit testimony on House Bill 2519, HD1, which establishes block appropriations and increase fiscal flexibility for the University of Hawaii Budget Stabilization Fund, authorizes limited procurement and fiscal exemptions, and implements performance-based funding metrics.

House Bill 2519, HD1, proposes exemptions from Hawaii Revised Statutes (HRS) Chapter 103D, Hawaii Public Procurement Code (Code), for procurements below an unspecified threshold, contingent on the University adopting internal rules for competition, transparency, and ethical standards under §304A-C.

The State Procurement Office (SPO) respectfully opposes any procurement exemption from HRS Chapter 103D for the University of Hawaii. Exemptions from the Code mean that procurements made with taxpayer funds will not be subject to the same oversight, accountability, transparency requirements and ethical considerations mandated under established procurement processes.

Thank you for the opportunity to submit testimony on this measure.



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
KA 'OIHANA O KA LOIO KUHINA
THIRTY-THIRD LEGISLATURE, 2026**

ON THE FOLLOWING MEASURE:

H.B. NO. 2519, H.D. 1, RELATING TO THE UNIVERSITY OF HAWAII.

BEFORE THE:

HOUSE COMMITTEE ON FINANCE

DATE: Wednesday, February 25, 2026 **TIME:** 2:00 p.m.

LOCATION: State Capitol, Room 308

TESTIFIER(S): Anne E. Lopez, Attorney General, or
Candace J. Park, Deputy Attorney General

Chair Todd and Members of the Committee:

The Department of the Attorney General provides the following comments.

This bill, among other things, establishes the University of Hawaii Budget Stabilization Fund, a special fund to be administered by the Board of Regents.

In the new part added to chapter 304A, Hawaii Revised Statutes, by section 2 of this bill, in section 304A-F on page 7, lines 9-11, we recommend naming the fund the Budget Stabilization Special Fund, for clarification purposes.

With respect to the special fund, section 304A-F(e) on page 8, lines 14-15, of the bill provides: "Moneys in the fund shall not lapse at the end of the fiscal year." This sentence is ambiguous and we recommend removing it for two reasons. First, special funds do not "lapse" back to the general fund. The Budget Stabilization Special Fund consists of (1) tuition, fees, and other university revenues deposited into the fund; (2) legislative appropriations; and (3) investment earnings and interest income.

Notwithstanding the sentence "Moneys in the fund shall not lapse at the end of the fiscal year," any and all moneys in the Budget Stabilization Special Fund will remain in the fund and will not be returned to the general fund; this includes unexpended and unencumbered funds.

Second, article VII, section 5, of the Hawaii Constitution states that "[n]o public money shall be expended except pursuant to appropriations made by law." Once moneys are in the Budget Stabilization Special Fund, the Board of Regents may not

expend any of the Budget Stabilization Special Fund absent an appropriation by the Legislature. This constitutional requirement cannot be altered by statute absent a revision to the Hawaii Constitution. For these reasons, we recommend deleting page 8, lines 14-15.

Thank you for the opportunity to provide these comments.