



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 Higher Education
February 18, 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 – RELATING TO THE UNIVERSITY OF HAWAII

Chair Garrett, Vice Chair Amato, and Members of the Committee:

Thank you for the opportunity to present testimony today. The University of Hawai'i (UH) **supports** HB 2519, 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:

There is no mention in the bill about Aquaria (UOH881) and the Small Business Development Center (UOH220). The Committee may want to make it clear that the block appropriation mechanism does not apply to these entities.

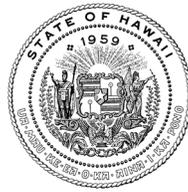
The Committee may want to consider providing the performance funding designated in 304A-F as another block of funding as outlined in 304A-A subsection (a). As its own block, this will allow the Legislature to appropriate that block on its own as well as allow the Governor and the State Department of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

Page 3, line 16 should refer to section 304A-2153 and not 304A-2154.

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 GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

SETH S. COLBY, Ph.D.
DIRECTOR

SABRINA NASIR
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
Ka 'Oihana Mālama Mo'ohelu a Kālā
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT

WRITTEN ONLY

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

**February 18, 2026
2:00 p.m.
Room 309 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 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) allows for legislative approval for transfers of funds between capital improvement projects and operating purposes; 3) requires UH to submit annual fiscal and performance reports; 4) exempts UH from Chapter 103D for procurements with a value below \$500,000; 5) authorizes UH to carry forward unexpended general funds without reversion to the general fund at the end of each fiscal year; 6) designates 5% of UH's total general fund block appropriation as performance-based funding and specifies conditions on that funding; and 7) establishes a UH budget stabilization fund. 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.

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.

B&F additionally notes that transfers of funds appropriated for capital improvement projects to operating expenses are currently not permitted. In cases where projects have been funded with tax-exempt general obligation bonds, expending those funds for operating purposes, even with legislative approval, may result in liability for the State.

Thank you for consideration of our comments.

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



BONNIE KAHAKUI
ADMINISTRATOR

DAYNA OMIYA
ASSISTANT ADMINISTRATOR

STATE OF HAWAI'I | KA MOKU'ĀINA O HAWAI'I
STATE PROCUREMENT OFFICE

P.O. Box 119
Honolulu, Hawaii 96810-0119
Tel: (808) 586-0554
email: state_procurement_office@hawaii.gov
<http://spo.hawaii.gov>

TESTIMONY
OF
BONNIE KAHAKUI, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE
ON
HIGHER EDUCATION
FEBRUARY 18, 2026, 2:00 PM

HOUSE BILL 2519
RELATING TO THE UNIVERSITY OF HAWAII

Chair Garrett, Vice Chair Amato, and members of the committee, thank you for the opportunity to submit testimony on House Bill 2519. The State Procurement Office (SPO) acknowledges the intent of this bill to allow the University of Hawaii greater fiscal flexibility in allocating resources at its discretion. However, the SPO respectfully opposes the university's exemption from Chapter 103D, Hawaii Revised Statutes (HRS), for procurements below a \$500,000 threshold.

Comments

The SPO provides comments Section 2, Page 4, lines 18-20, and Page 5, 1-2, set forth below:

"§304A-D Procurement and fiscal exemptions. (a) The university shall be exempt from chapter 103D for procurements with a value below \$500,000; provided that the university adopts internal rules requiring competition, transparency, and ethical standards."

The bill does not provide a justification for exempting procurements below the \$500,000 threshold from Chapter 103D, HRS. Furthermore, the bill states that the university will adopt its own internal regulatory framework, but it does not specify the governing safeguards for the framework to protect the State's interests and the appropriate use of public funds.

Recommendations

The SPO offers the following revision to House Bill 2519:

"§304A-D Procurement and fiscal exemptions. (a) The university shall be ~~[exempt from]~~ subject to chapter 103D for procurements. ~~[with a value below \$500,000; provided that the university adopts internal rules requiring competition, transparency, and ethical standards.]~~"

Exemptions from the Code mean that procurements made with taxpayer funds will not be subject to the same oversight, accountability and transparency requirements mandated under established procurement processes. Without defined standards or procedures, the university has broad discretion over procurements under the threshold, raising concerns regarding consistency, fairness, and stewardship of public funds. Additionally, this will cause confusion among the vendor community, who relies on consistency throughout the State and not having differing procurement processes, within the State, dependent on the jurisdiction, and the entire procurement process becomes less efficient.

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



The House Committee on Higher Education
February 18, 2026
Room 309
2:00 PM

RE: HB 2519, Relating to University of Hawaii

Attention: Chair Andrew Takuya Garrett, Vice Chair Terez Amato, Members of the Committee

The University of Hawaii Professional Assembly (UHPA), the exclusive bargaining representative for all University of Hawai'i faculty members across Hawai'i's statewide 10-campus system, **supports HB 2519.**

We believe this measure represents a critical step toward modernizing the University's financial governance by granting the institution greater fiscal autonomy and the tools for prudent, long-term management. Enabling the University to retain unexpended funds and build necessary reserves allows for strategic planning that looks beyond the immediate fiscal year. This approach provides a vital safety net against economic volatility, ensuring that academic programs and essential services remain stable regardless of fluctuations in state revenue, while empowering the administration and faculty to respond with agility to the evolving educational needs of our students.

We also endorse the modernization of workforce management through the removal of position ceilings. Allowing the University to manage its personnel based on actual funding and operational needs—rather than arbitrary caps—promotes efficiency. We appreciate that the bill requires these internal counts to remain consistent with collective bargaining agreements, ensuring that our members' rights are protected while granting the University the flexibility it needs to thrive.

UHPA supports the passage of HB 2519.

Respectfully submitted,

Christian L. Fern
Executive Director
University of Hawaii Professional Assembly

**University of Hawaii
Professional Assembly**