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# A BILL FOR AN ACT

RELATING TO THE UNIVERSITY OF HAWAII.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1 PART I

2 SECTION 1. This part amends sections of the Hawaii Revised  
3 Statutes that are not set for repeal and reenactment by Act 58,  
4 Session Laws of Hawaii 2004, as amended.

5 SECTION 2. Section 40-2, Hawaii Revised Statutes, is  
6 amended to read as follows:

7 "§40-2 Accounting systems and internal control; enforcing  
8 the use of and inspection of the same. (a) The accounting  
9 system installed by the commission on public accountancy under  
10 Act 181, Session Laws of Hawaii 1923, as amended by Act 220,  
11 Session Laws of Hawaii 1925, for use in the offices of the  
12 comptroller, director of finance, departmental and agency  
13 services of the State, and the auditors, treasurers,  
14 departmental and agency services of the several counties shall  
15 be the accounting and reporting systems of the State and  
16 counties; provided that the University of Hawaii [~~until June~~  
17 ~~30, 2011,~~] may install a different accounting system [~~which~~]



1 that shall be in conformity with generally accepted accounting  
2 principles as applied to colleges and universities; and provided  
3 further that the department of education, until June 30, 2011,  
4 may install a different accounting system [~~which~~] that shall be  
5 in conformity to generally accepted accounting principles. The  
6 comptroller shall make such changes and modifications in the  
7 accounting system as shall from time to time appear to be in the  
8 best interest of the State and counties.

9 (b) The departments and agencies of the executive branch  
10 are respectively charged with the responsibility to maintain an  
11 adequate system of internal control and with the further  
12 responsibility to see that the internal control system continues  
13 to function effectively as designed. The comptroller shall make  
14 such investigations and audits from time to time to enforce the  
15 use of the accounting system and internal control systems in the  
16 executive branch.

17 (c) The judiciary, the legislature, and each county shall  
18 be responsible for the establishment and maintenance of its  
19 respective internal control system."

20 SECTION 3. Section 40-58, Hawaii Revised Statutes, is  
21 amended to read as follows:



1       "§40-58 In favor of assignees. No assignment of moneys by  
2 a person to whom the State is directly indebted shall be  
3 effective unless the assignment is first approved by the  
4 comptroller or, in the case of [~~the University of Hawaii and~~]  
5 the department of education[~~7~~] until June 30, 2011, and the  
6 University of Hawaii, by their respective chief financial  
7 officers. The comptroller or the chief financial officers of  
8 the University of Hawaii and the department of education may  
9 prescribe the form for an assignment, and may approve the  
10 assignment within a reasonable time period if, in their  
11 respective discretion, the rights or obligations of the State,  
12 the University of Hawaii, or the department of education under  
13 any contract or other undertaking or under any law, rule, or  
14 order by a competent authority will not be prejudiced thereby.  
15 Upon approval of the assignment, the comptroller or the  
16 respective chief financial officers of the University of Hawaii  
17 and the department of education shall draw a warrant payable to  
18 the assignee. Except as to contracts encumbered by the  
19 comptroller, the University of Hawaii, or the department of  
20 education, each expending agency, upon notification of the  
21 comptroller's approval of an assignment, shall prepare a claim  
22 for payment in accordance with the terms of the assignment."



1 SECTION 4. Section 40-81, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 "§40-81 Report by agencies receiving special moneys. All  
4 state officers, departments, boards, bureaus, commissions, or  
5 agencies collecting or receiving any moneys not required by law  
6 to be deposited in the state treasury shall report to the  
7 comptroller all receipts and disbursements on account thereof  
8 for each quarterly period of the calendar year not later than  
9 the fifteenth day following the end of each quarterly period on  
10 such forms and under such rules as may be prescribed by the  
11 comptroller; provided that [~~until June 30, 2011,~~] with respect  
12 to all moneys held outside the state treasury by the University  
13 of Hawaii or until June 30, 2011, by the department of education  
14 pursuant to the authority granted to the university and the  
15 department of education by this chapter, the University of  
16 Hawaii and the department of education shall report to the  
17 comptroller all transactions for each quarterly period not later  
18 than the fifteenth day following the end of each quarterly  
19 period on such forms and under such rules as may be prescribed  
20 by the comptroller."



## 1 PART II

2 SECTION 5. This part amends sections of the Hawaii Revised  
3 Statutes in the form in which they will read after they are  
4 repealed and reenacted under Act 58, Session Laws of Hawaii  
5 2004, as amended, on June 30, 2010.

6 SECTION 6. Section 40-1, Hawaii Revised Statutes, is  
7 amended to read as follows:

8 "§40-1 Comptroller to supervise accounts, etc. (a) The  
9 comptroller shall be the general accountant of the State~~[7]~~ and  
10 ~~[he]~~ shall cause to be recorded every receipt and disbursement  
11 of money made to, by, or through the treasury. ~~[He]~~ The  
12 comptroller shall have the power to withhold any disbursement  
13 for which no appropriation has been made or which would cause a  
14 specific appropriation to be exceeded.

15 (b) With respect to the executive branch, ~~[he]~~ except the  
16 University of Hawaii, the comptroller shall have complete  
17 supervision of all accounts. ~~[He]~~ The comptroller shall  
18 preaudit all proposed payments of \$10,000 or more to determine  
19 the propriety of expenditures and compliance with ~~[such]~~  
20 executive orders~~[7]~~ and rules ~~[and regulations]~~ that may be in  
21 effect. ~~[He shall]~~ When necessary, the comptroller shall  
22 withhold ~~[his]~~ approval of any payment. Whenever ~~[he withholds]~~



1 ~~his approval, he shall promptly notify]~~ approval is withheld,  
2 the department or agency concerned[-] shall be promptly  
3 notified. With respect to the University of Hawaii, the  
4 comptroller shall issue warrants for the release of funds for  
5 the operating costs of the university in amounts and at times  
6 mutually agreed upon by the governor or director of finance and  
7 the university; provided:

8 (1) The amounts released shall not exceed the allotment  
9 ceilings for the funding sources of the university's  
10 appropriations established by the governor for an  
11 allotment period pursuant to section 37-34; and

12 (2) The comptroller may issue warrants as an advance from  
13 the state treasury to the University of Hawaii, to  
14 establish a checking account and provide working  
15 capital in amounts and at times mutually agreed upon  
16 by the governor or director of finance and the  
17 University of Hawaii.

18 The University of Hawaii shall preaudit all proposed payments of  
19 \$10,000 or more to determine the propriety of expenditures and  
20 compliance with applicable laws, executive orders, and rules as  
21 may be in effect. The University of Hawaii shall make  
22 disbursements for operating expenses from the amounts released



1 by the comptroller and maintain records and documents necessary  
2 to support those disbursements at times mutually agreed upon by  
3 the university president and the comptroller; provided that when  
4 requested by the university, the comptroller shall make all  
5 disbursements for the university subject to available allotment.  
6 Funds released pursuant to this section shall be deposited by  
7 the university in accordance with the provisions applicable to  
8 the director of finance by chapter 38. Any interest earned on  
9 the deposit of funds released pursuant to this section shall be  
10 deposited in the state treasury at the end of each fiscal year.

11 (c) With respect to the judiciary and the legislature,  
12 [~~he~~] the comptroller shall make available to the judiciary and  
13 the legislature the total amount appropriated to each, except  
14 that the judiciary and the legislature may request [~~his~~] the  
15 comptroller's services in maintaining custody of the amount  
16 appropriated to each and in making payments therefrom. When  
17 such services are requested, [~~he~~] the comptroller shall make all  
18 disbursements requested by the judiciary or the legislature, but  
19 [~~he~~] shall not make any disbursement for which no appropriation  
20 has been made or which would cause a specific appropriation to  
21 be exceeded.



1 (d) Any financial transaction recorded [~~by the~~  
2 ~~comptroller~~] may be inspected by the public.

3 SECTION 7. Section 40-4, Hawaii Revised Statutes, is  
4 amended to read as follows:

5 "§40-4 Publication of statements. The comptroller shall  
6 prepare and submit to the governor, and publish in a newspaper  
7 of general circulation in the [~~State,~~] state, immediately  
8 following the close of each fiscal year, a statement of income  
9 and expenditure by funds, showing the principal sources of  
10 revenue, the function or purpose for which expenditures were  
11 made, together with a consolidated statement showing similar  
12 information for all funds; also a statement showing the balance  
13 in each fund at the beginning of the fiscal year, plus the  
14 receipts, minus the disbursements, and the balance on hand at  
15 the close of the fiscal year after deducting outstanding  
16 warrants and vouchers. The comptroller may request all  
17 agencies, the judiciary, the University of Hawaii, and the  
18 legislature to provide such information as may be required for  
19 the preparation of statements."

20 SECTION 8. Section 40-6, Hawaii Revised Statutes, is  
21 amended to read as follows:





1           "§40-6 Approval of business and accounting forms. The  
2 comptroller shall determine the forms required to adequately  
3 supply accounting and statistical data for the state government.  
4 The comptroller shall require heads of departments and  
5 establishments of the state government to submit proposed new  
6 forms or proposed changes in current business and accounting  
7 forms for review and approval before ordering the same  
8 printed[-]; except that the University of Hawaii shall be  
9 subject to this requirement only with respect to uniform  
10 business and accounting forms of statewide use in the State's  
11 accounting system. All standard state forms shall be  
12 classified, numbered, and standardized in design, dimensions,  
13 color, and grade of paper and recorded in a catalogue of  
14 accounting and statistical forms by the comptroller."

15   PART III

16           SECTION 9. This part amends sections of the Hawaii Revised  
17 Statutes set for repeal and reenactment under Act 58, Session  
18 Laws of Hawaii 2004, as amended, in the event that the 2010  
19 legislature either repeals the reenactment provisions of Act 58,  
20 Session Laws of Hawaii 2004, as amended, that apply to these  
21 sections, or extends the date on which these sections will be  
22 repealed and reenacted.



1 SECTION 10. Section 40-1, Hawaii Revised Statutes, is  
2 amended by amending subsection (b) to read as follows:  
3 "(b) With respect to the executive branch, except the  
4 University of Hawaii [~~until June 30, 2011,~~] and the Hawaii  
5 tourism authority, and the department of education until  
6 June 30, 2011, the comptroller shall have complete supervision  
7 of all accounts. The comptroller shall preaudit all proposed  
8 payments of \$10,000 or more to determine the propriety of  
9 expenditures and compliance with executive orders and rules that  
10 may be in effect. When necessary, the comptroller shall  
11 withhold approval of any payment. Whenever approval is  
12 withheld, the department or agency concerned shall be promptly  
13 notified. With respect to the University of Hawaii, the Hawaii  
14 tourism authority, and the department of education, the  
15 comptroller shall issue warrants for the release of funds for  
16 the operating costs of the university, the Hawaii tourism  
17 authority, or the department of education, as applicable, in  
18 amounts and at times mutually agreed upon by the governor or  
19 director of finance and the university, the Hawaii tourism  
20 authority, or department of education, as applicable;  
21 provided[+] that:



1 (1) The amounts released shall not exceed the allotment  
2 ceilings for the respective funding sources of the  
3 university's or the department of education's  
4 appropriations established by the governor for an  
5 allotment period pursuant to section 37-34, or in the  
6 case of the Hawaii tourism authority, revenues  
7 received by the convention center enterprise special  
8 fund and the tourism special fund pursuant to section  
9 237D-6.5; and

10 (2) The comptroller may issue warrants as an advance from  
11 the state treasury to the University of Hawaii, the  
12 Hawaii tourism authority, and the department of  
13 education to establish a checking account and provide  
14 working capital in amounts and at times mutually  
15 agreed upon by the governor or director of finance and  
16 the University of Hawaii, the Hawaii tourism  
17 authority, and the department of education.

18 The University of Hawaii shall preaudit all proposed payments of  
19 \$10,000 or more and the Hawaii tourism authority and the  
20 department of education shall preaudit all proposed payments to  
21 determine the propriety of expenditures and compliance with  
22 applicable laws, executive orders, and rules as may be in



1 effect. The University of Hawaii, the Hawaii tourism authority,  
2 and the department of education shall make disbursements for  
3 operating expenses from the amounts released by the comptroller  
4 and maintain records and documents necessary to support those  
5 disbursements at times mutually agreed upon by the university  
6 president, the executive director of the Hawaii tourism  
7 authority, or the superintendent of education, as applicable,  
8 and the comptroller; provided that when requested by the  
9 university, the Hawaii tourism authority, or department of  
10 education, the comptroller shall make all disbursements for the  
11 university, the Hawaii tourism authority, or department of  
12 education, as applicable, subject to available allotment. Funds  
13 released pursuant to this section shall be deposited by the  
14 university, the Hawaii tourism authority, or department of  
15 education, as applicable, in accordance with the provisions  
16 applicable to the director of finance by chapter 38. Except for  
17 moneys deposited by the Hawaii tourism authority in the  
18 convention center enterprise special fund pursuant to section  
19 201B-8, and in the tourism special fund pursuant to section  
20 201B-11, any interest earned on the deposit of funds released  
21 pursuant to this section shall be deposited in the state  
22 treasury at the end of each fiscal year."



1 SECTION 11. Section 40-4, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 "§40-4 Publication of statements. The comptroller shall  
4 prepare and submit to the governor, immediately following the  
5 close of each fiscal year, a statement of income and expenditure  
6 by funds, showing the principal sources of revenue, the function  
7 or purpose for which expenditures were made, together with a  
8 consolidated statement showing similar information for all  
9 funds; also a statement showing the balance in each fund at the  
10 beginning of the fiscal year, plus the receipts, minus the  
11 disbursements, and the balance on hand at the close of the  
12 fiscal year after deducting outstanding warrants and vouchers.  
13 The comptroller may request all agencies, the judiciary, the  
14 University of Hawaii [~~until June 30, 2011~~], the Hawaii tourism  
15 authority, the department of education until June 30, 2011, and  
16 the legislature to provide such information as may be required  
17 for the preparation of statements."

18 SECTION 12. Section 40-6, Hawaii Revised Statutes, is  
19 amended to read as follows:

20 "§40-6 Approval of business and accounting forms. The  
21 comptroller shall determine the forms required to adequately  
22 supply accounting and statistical data for the state government.



1 The comptroller shall require heads of departments and  
2 establishments of the state government to submit proposed new  
3 forms or proposed changes in current business and accounting  
4 forms for review and approval before ordering the same printed;  
5 except that the University of Hawaii [~~until June 30, 2011,~~] and  
6 the Hawaii tourism authority, and the department of education  
7 until June 30, 2011, shall be subject to this requirement only  
8 with respect to uniform business and accounting forms of  
9 statewide use in the State's accounting system. All standard  
10 state forms shall be classified, numbered, and standardized in  
11 design, dimensions, color, and grade of paper and recorded in a  
12 catalogue of accounting and statistical forms by the  
13 comptroller."

14 PART IV

15 SECTION 13. Statutory material to be repealed is bracketed  
16 and stricken. New statutory material is underscored.

17 SECTION 14. This Act shall take effect on July 1, 2020;  
18 provided that:

19 (1) Part II shall only take effect upon the repeal and  
20 reenactment of sections 40-1, 40-4, and 40-6, Hawaii  
21 revised Statutes, on June 30, 2010, pursuant to Act  
22 58, Session Laws of Hawaii 2004, as amended; and



1           (2) Part III shall only take effect upon the repeal of  
2           paragraph (2)(B) of section 14 of Act 58, Session Laws  
3           of Hawaii 2004, as amended, pursuant to an Act of the  
4           2010 Legislature; or in the absence of that repeal,  
5           upon the extension of the June 30, 2010, repeal date  
6           in paragraph (2) of section 14 of Act 58, Session Laws  
7           of Hawaii 2004, as amended, pursuant to an Act of the  
8           2010 Legislature.



**Report Title:**

University of Hawaii; Fiscal Autonomy

**Description:**

Extends University of Hawaii (UH) fiscal autonomy from the comptroller by removing the June 30, 2011 sunset date on UH's authority to: (1) Supervise its accounts; (2) Install a different accounting system; (3) Submit changes only to uniform business and accounting forms for review and approval; (4) Approve assignments of moneys to creditors; and (5) On Comptroller's authority to request UH to provide information for the preparation of income and expenditure statements. (SB2385 HD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

