
SENATE CONCURRENT RESOLUTION

ESTABLISHING A JOINT LEGISLATIVE INVESTIGATING COMMITTEE TO
OVERSEE THE INVESTIGATION OF THE DEPARTMENT OF BUDGET AND
FINANCE'S HANDLING OF THE STATE'S INVESTMENT IN STUDENT
LOAN AUCTION RATE SECURITIES.

1 WHEREAS, the State of Hawaii is currently in the midst of
2 an economic recession, whereby every dollar in the State's
3 budget would help the State maintain essential services and
4 reduce its budget deficit; and
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6 WHEREAS, the State previously purchased \$1,100,000,000 in
7 student loan auction rate securities (SLARS) from Salomon Smith
8 Barney, representing nearly twenty-five per cent of the State's
9 total investment in securities; and
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11 WHEREAS, due to the financial collapse of the securities
12 market, the assets have been frozen and the State is unable to
13 utilize the \$1,100,000,000 in SLARS; and
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15 WHEREAS, six months ago, the Auditor required the State to
16 revalue the SLARS at \$114,000,000 less than the amount that the
17 State actually paid, and other subsequent revaluations of the
18 SLARS have estimated the loss at \$254,000,000; and
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20 WHEREAS, it has been asserted by the Auditor that a portion
21 of the SLARS were purchased in violation of state laws that
22 specify the maximum period of maturity and the minimum financial
23 rating that state investment purchases must have; and
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25 WHEREAS, a secondary market reportedly exists for the State
26 to sell the SLARS at a discount; and
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28 WHEREAS, the Auditor issued a report citing several
29 inadequacies, failures in oversight, and legal violations in the



1 purchase of SLARS by Department of Budget and Finance officials;
2 and

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4 WHEREAS, there has been widespread disagreement between the
5 Auditor, the Director of Finance, and the Administration
6 regarding the legality and fiscal integrity of the SLARS
7 investments; and

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9 WHEREAS, a joint legislative investigating committee would
10 help to provide answers to questions surrounding the SLARS
11 investments and help to clear the record between the Auditor's
12 assertions and the Department of Budget and Finance's legal
13 obligations;

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15 WHEREAS, section 21-3, Hawaii Revised Statutes, authorizes
16 the establishment of a legislative investigating committee by
17 resolution, and Rule 14(3) of the Rules of the Senate and Rule
18 14 of the Rules of the House of Representatives allow for the
19 establishment of special committees now, therefore,

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21 BE IT RESOLVED by the Senate of the Twenty-fifth
22 Legislature of the State of Hawaii, Regular Session of 2010, the
23 House of Representatives concurring, that:

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25 (1) The Legislature hereby jointly establishes a joint
26 legislative investigating committee pursuant to
27 chapter 21, Hawaii Revised Statutes, to oversee the
28 investigation of the Department of Budget and
29 Finance's handling of the State's investment in
30 student loan auction rate securities;

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32 (2) The purpose and the duties of the investigating
33 committee and the subject matter and scope of its
34 investigatory authority shall be to assist the
35 independent attorney in charge of the investigation by
36 holding meetings and hearings as requested, receiving
37 all information from the investigation, and submitting
38 a final report to the Legislature;

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- 1 (3) The investigating committee shall have every power and
2 function allowed to an investigating committee under
3 the law, including without limitation the power to:
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- 5 (A) Adopt rules for the conduct of its proceedings;
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- 7 (B) Issue subpoenas requiring the attendance and
8 testimony of witnesses and subpoenas duces tecum
9 requiring the production of books, documents,
10 records, papers, or other evidence in any matter
11 pending before the investigating committee;
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- 13 (C) Hold hearings appropriate for the performance of
14 its duties, at such times and places as the
15 committee determines;
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- 17 (D) Administer oaths and affirmations to witnesses at
18 hearings of the investigating committee;
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- 20 (E) Report or certify instances of contempt as
21 provided in section 21-14, Hawaii Revised
22 Statutes;
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- 24 (F) Determine the means by which a record shall be
25 made of its proceedings in which testimony or
26 other evidence is demanded or adduced;
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- 28 (G) Provide for the submission, by a witness's own
29 counsel and counsel for another individual or
30 entity about whom the witness has devoted
31 substantial or important portions of the
32 witness's testimony, of written questions to be
33 asked of the witness by the chair; and
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- 35 (H) Exercise all other powers specified under chapter
36 21, Hawaii Revised Statutes, with respect to an
37 investigating committee; and
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- 39 (4) The joint legislative investigating committee shall
40 consist of six members, comprised of one budget chair
41 from the Senate, one budget chair from the House of



1 Representatives, one majority member from the Senate
2 who shall be appointed by the Senate President, one
3 majority member from the House of Representatives who
4 shall be appointed by the Speaker of the House of
5 Representatives, one minority member from the Senate
6 who shall be appointed by the Senate President, and
7 one minority member from the House of Representatives
8 who shall be appointed by the Speaker of the House of
9 Representatives;

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11 BE IT FURTHER RESOLVED that the Senate President and the
12 Speaker of the House of Representatives, from time to time, may
13 refer to the joint legislative investigating committee specific
14 matters that are within the scope of the committee's
15 jurisdiction, and that the investigating committee shall work in
16 cooperation with the President and the Speaker for the purposes
17 stated in this Concurrent Resolution; and

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19 BE IT FURTHER RESOLVED that the joint legislative
20 investigating committee shall submit its written findings and
21 recommendations to the Legislature no later than twenty days
22 prior to the convening of the Regular Session of 2011 and shall
23 dissolve upon submission of its report; and

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25 BE IT FURTHER RESOLVED that certified copies of this
26 Concurrent Resolution be transmitted to the Governor, President
27 of the Senate, Speaker of the House of Representatives, Director
28 of Finance, Attorney General, and the Auditor.

