
SENATE CONCURRENT RESOLUTION

ESTABLISHING A JOINT LEGISLATIVE SPECIAL 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, which represents nearly twenty-five per cent of the
9 State's 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 State Auditor required the
16 State to revalue the SLARS at \$114,000,000 less than what the
17 State paid and other subsequent revaluations of the SLARS have
18 estimated the loss at \$254,000,000; and
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20 WHEREAS, it has been asserted by the State Auditor that a
21 portion of the SLARS were purchased in violation of State laws
22 that specify the maximum period of maturity and the minimum
23 financial rating that 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 State Auditor issued a report citing several
29 inadequacies, oversight, and legal violations in the purchase of
30 the SLARS by Department of Budget and Finance officials; and
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1 WHEREAS, there has been widespread disagreement between the
2 State Auditor, the Director of Finance, and the Administration,
3 regarding the legality and fiscal integrity of the SLARS
4 investments; and
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6 WHEREAS, a joint legislative special investigating
7 committee would help to provide answers to questions surrounding
8 the SLARS investments and help to clear the record between the
9 State Auditor's assertions and the Department of Budget and
10 Finance's legal obligations; and
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12 WHEREAS, section 21-3, Hawaii Revised Statutes, authorizes
13 the establishment of a legislative investigating committee by
14 resolution, and Rule 14(3) of the Rules of the Senate allow for
15 the establishment of special investigative committees; now,
16 therefore,
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18 BE IT RESOLVED by the Senate of the Twenty-fifth
19 Legislature of the State of Hawaii, Regular Session of 2010, the
20 House of Representatives concurring, that:
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22 (1) The Legislature hereby jointly establishes a joint
23 legislative special investigating committee pursuant
24 to chapter 21, Hawaii Revised Statutes, to oversee the
25 investigation of the Department of Budget and
26 Finance's handling of the State's investment in
27 student loan auction rate securities;
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29 (2) The purpose and the duties of the investigating
30 committee and the subject matter and scope of its
31 investigatory authority shall be to assist the
32 independent attorney in charge of the investigation by
33 holding meetings and hearings as requested, receiving
34 all information from the investigation, and submitting
35 a final report to the Legislature;
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37 (3) The investigating committee shall have every power and
38 function allowed to an investigating committee under
39 the law, including without limitation the power to:
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41 (A) Adopt rules for the conduct of its proceedings;
42

43 (B) Issue subpoenas requiring the attendance and
44 testimony of witnesses and subpoenas duces tecum



1 requiring the production of books, documents,
2 records, papers, or other evidence in any matter
3 pending before the investigating committee;
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5 (C) Hold hearings appropriate for the performance of
6 its duties, at such times and places as the
7 committee determines;
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9 (D) Administer oaths and affirmations to witnesses at
10 hearings of the investigating committee;
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12 (E) Report or certify instances of contempt as
13 provided in section 21-14, Hawaii Revised
14 Statutes;
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16 (F) Determine the means by which a record shall be
17 made of its proceedings in which testimony or
18 other evidence is demanded or adduced;
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20 (G) Provide for the submission, by a witness's own
21 counsel and counsel for another individual or
22 entity about whom the witness has devoted
23 substantial or important portions of the
24 witness's testimony, of written questions to be
25 asked of the witness by the chair; and
26

27 (H) Exercise all other powers specified under chapter
28 21, Hawaii Revised Statutes, with respect to an
29 investigating committee; and
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31 (4) The investigating committee shall consist of six
32 members, comprised of one budget chair from the
33 Senate, one budget chair from the House, one majority
34 member from the Senate who shall be appointed by the
35 Senate President, one majority member from the House
36 who shall be appointed by the Speaker of the House of
37 Representatives, one minority member from the Senate
38 who shall be appointed by the Senate President, and
39 one minority member from the House who shall be
40 appointed by the Speaker of the House of
41 Representatives; and
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43 BE IT FURTHER RESOLVED that the Senate President and the
44 Speaker of the House of Representatives, from time to time, may



1 refer to the investigating committee specific matters that are
2 within the scope of the committee's jurisdiction, and that the
3 investigating committee shall work in cooperation with the
4 President and the Speaker for the purposes stated in this
5 Concurrent Resolution; and
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7 BE IT FURTHER RESOLVED that the investigating committee
8 shall submit its written findings and recommendations to the
9 Legislature no later than twenty days prior to the convening of
10 the Regular Session of 2011; and
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12 BE IT FURTHER RESOLVED that certified copies of this
13 Concurrent Resolution be transmitted to the Governor, President
14 of the Senate, Speaker of the House of Representatives, Director
15 of Finance, Attorney General, and the State Auditor.

