

GM 518

TESTIMONY BY
KALBERT K. YOUNG
INTERIM DIRECTOR, DEPARTMENT OF BUDGET & FINANCE
STATE OF HAWAII

TO THE SENATE COMMITTEE ON WAYS AND MEANS

FEBRUARY 2, 2011
8:30 A.M.
CONFERENCE ROOM 211

TESTIMONY ON GOV. MSG. NO. 518 RELATING TO GUBERNATORIAL
NOMINEE KALBERT K. YOUNG FOR DIRECTOR OF DEPARTMENT OF
BUDGET AND FINANCE

Dear Chair Ige, Vice Chair Kidani, and members of the Committee:

Thank you for the opportunity to appear before you today in regards to my nomination to serve as the Director for the Department of Budget and Finance.

The Governor's offer to nominate me for the role of Director for the Department is not an opportunity that I considered lightly. The dire fiscal and financial condition of the State of Hawaii as a governmental entity is not really much of a secret to anyone. However, few people outside of this building can grasp the full depth and magnitude of that condition. Although it took only a day-and-a-half on the job for me to reach the sober reality that our State of Hawaii is in a far worst condition than even I had previously believed, it was not until after I agreed to the Governor's offer that I was able to truly visualize the depth of the challenges ahead of us. Even with that being said, I am ready to accept that challenge and look forward to working with the Governor, the departments and staff and, of course, the legislature.

I am originally from the University-area of Manoa on the island of Oahu, but have been working for the last 7 to 8 years on the island of Maui. I have worked in both the private and public sector. My most recent position was with the County of Maui as its Director of Finance – having served in that role for the last 6 years.

During my tenure as Finance Director I helped make significant improvements in the County's overall financial position in both the operations of the department as well as for the larger strategic position of the County as a financial leader among its other governmental jurisdictions in the State of Hawaii. The County of Maui has significantly improved its financial stature as evidenced by some notable items below:

- Grown general fund carryover savings balances from approximately \$5 million (FY03) to more than \$60 million (FY10).
- Developed model and legislation for Post-Employment Obligations Fund which was initiated and established in Maui County, but from which, was adopted by other counties and cities in the State.
- Established funding strategy to address County's annual required contribution to address its unfunded liability for non-pension retirement benefits (OPEB).
- Real property tax policy that reduced real property tax rates from FY04 to FY09.
- Removed negative watch rating on County credit in 2005.
- Secured credit rating upgrades from all three major rating agencies in 2007 and by Standard & Poor's in 2010.
- Structured bond transactions to refund debt and to take advantage of Federal ARRA financing programs. The County's November 2010 \$73M G.O. bond transaction had a net true-interest-cost of less than 2.50%.

Please keep in mind that many of these accomplishments were achieved during a period of the economic down-cycle.

My background also includes work experience in the private sector for the Kamehameha Schools Bishop Estate where I worked in the area of government affairs, budget & financial planning, and internal audit. During my time at KSBE, the institution also undertook significant structural re-organization and expansion. I was fortunate to be involved with the organization during that historical period

and equally grateful to have been involved enough to work with the staff and management there during its evolution. This combination of work experience and background over the last 15 years includes a large breadth of organizational budgeting and financial management of importance to sustaining revenue, debt financing, and capital projects.

My vision for the Department of Budget and Finance is to build on, and build up, its credibility. In these difficult financial times, the department and I expect to stand as the organizational guide towards improving the overall financial condition. However, I do not want the Department of Budget and Finance to be, in perception or form, the road block to executing departmental operations. B&F will assist other departments and agencies in the accountable execution of their appropriated budgets.

To follow are some of the short-, intermediate-, and long-term issues that I consider as goals and/or upcoming issues to address.

In the short term, the number one goal has been to construct the FY12/13 budget. The vast majority of energy and attention of the staff, the deputy and me have been towards this effort. Beyond the budget construction efforts, the deputy and I have already begun work on several policy areas of importance. The goal is to make processes contemporaneous and consistent with some of the best practices for organizations of similar size and responsibilities in the private sector, but also to install procedures and policies that are modern and consistent with other governmental jurisdictions.

Short term (0-8 months)

- Advise Governor and direct departments on the construction of the FY12/13 budget.
- Construct FY12/13 budget within parameters established by Governor and submit to legislature.
- Review executive branch policies related to the execution and administration of the budget
- Review departmental policies, practices, and procedures related to the Treasury function.

- Amend, revise and update policies in Treasury function in the area of the short-term investment policy, underwriting selection criteria, and debt management policy.

Intermediate Term (6-18 months)

- Implement processes, policies, and guidelines aimed installing more fiscal accountability to departments to manage their annual budgets.
- Explore contemporary financing opportunities for large-scale capital projects.
- Begin framework and construction for second-year biennium budget construction.
- Improve IT functionality and capabilities within department.

Longer Term (12-36 months)

- Develop strategy for deliberation with Executive and Legislative branch to address unfunded liability issue for pension and OPEB.
- Improve financing capabilities and/or options for agencies and departments to fund development, capital projects, or private/public project initiatives.
- Secure improved IT functionality within the department to assist with budget construction and financial reporting.

Overall Goal

- Improve State credit rating.
- Increase debt financing capabilities at the State either through new funding mechanisms or reduced debt load.
- Implement pro-active strategy that addresses unfunded liability.

In closing, I believe that my background and experience are valuable assets in a nominee for the position of Director for the Department of Budget and Finance. I respectfully request your favorable consideration and am open to discuss any aspect of my professional background that you may have.



EXECUTIVE CHAMBERS

HONOLULU

NEIL ABERCROMBIE
GOVERNOR

Testimony on GM 518
Confirmation of Kalbert K. Young
Director, Department Budget and Finance

Governor Neil Abercrombie

SENATE COMMITTEE ON WAYS AND MEANS
Senator David Ige, Chair
Senator Michelle Kidani, Vice Chair

February 2, 2011
8:30 a.m. Room 211

Chair Ige, Vice Chair Kidani and committee members, I respectfully ask for your favorable support of my nominee Kalbert K. Young as the Director of the Department of Budget and Finance. Since being appointed on November 30, 2010, Mr. Young has shown tremendous leadership skills within Budget and Finance. His management abilities and financial knowledge are needed in BUF to move the state forward. He also understands the challenges ahead and that it will take all of us to make a difference.

Mr. Young is the right person to lead BUF and I am proud to have him as a member of my team to ensure a New Day in Hawaii.

Thank you for your consideration to confirm this leader.

TESTIMONY BY DEAN K. HIRATA
DEPUTY DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
SENATE COMMITTEE ON WAYS AND MEANS
ON
GOVERNOR'S MESSAGE NO. 518

February 2, 2011

Chair Ige, Vice-Chair Kidani, and Members of the Committee:

Good morning, I am **Dean Hirata**, Deputy Director of the Department of Budget and Finance. I am here this morning to provide testimony in support of the appointment of Kalbert K. Young as Director of Finance.

During the past eight weeks that I have worked with Mr. Young, he has consistently demonstrated the ability to quickly grasp the vast operations of the State and its finances. Beginning with the details of the operating and CIP budgets and ultimately, the overall financial plan to address the fiscal challenges facing our State, he has displayed a strong understanding of budgeting principles. He realizes the need to develop and implement potential solutions that will address the State's challenges over the next biennium, while at the same time improve and sustain its fiscal health for the long-term.

Mr. Young brings a wealth of experience from both the private and public sectors. He is bright, capable, and hardworking. His "no-nonsense approach," openness to new ideas, and ability to collaborate with others, represents the type of financial leadership I believe the State needs at this time.

I urge the Senate to **confirm the appointment of Kalbert K. Young** as Director of Finance.

Thank you for this opportunity to testify.

NEIL ABERCROMBIE
GOVERNOR



KALBERT K. YOUNG
INTERIM DIRECTOR

DEAN K. HIRATA
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE

P.O. BOX 150
HONOLULU, HAWAII 96810-0150

February 2, 2011

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF ECONOMIC RECOVERY
AND REINVESTMENT (ARRA)

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

The Honorable David Ige, Chair
Senate Committee on Ways and Means
Twenty-Sixth State Legislature
State Capitol
Honolulu, Hawaii 96813

Dear Senator Ige:

This is a letter in **support** of Mr. Kalbert K. Young's appointment as Director of Finance.

Mr. Young has shown himself to be a quick study in learning the operations of State government and its finances. He has a good ability to absorb details of the operating and CIP budgets and displays a sound understanding of budgeting principles. He also brings with him a wealth of hands-on, finance-related experience from both the private and public sectors.

Mr. Young is smart, capable, and hardworking. In the past two months as Interim Director of Finance, he has consistently demonstrated his sound judgment, communication skills and ability to work with and lead people.

I believe that Mr. Young possesses the aptitude and necessary skills to make an excellent Director of Finance. I urge the Senate to confirm his appointment.

Sincerely,

A handwritten signature in black ink, appearing to read "Neal Miyahira".

NEAL MIYAHIRA, Administrator
Budget, Program Planning & Management
Division
Department of Budget and Finance

NEIL ABERCROMBIE
GOVERNOR



KALBERT K. YOUNG
INTERIM DIRECTOR

DEAN K. HIRATA
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE

P.O. BOX 150
HONOLULU, HAWAII 96810-0150

February 1, 2011

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

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF ECONOMIC RECOVERY
AND REINVESTMENT (ARRA)

The Honorable Shan Tsutsui, Chair
Senate Committee on Ways and Means
Twenty-Sixth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

Dear Chair Tsutsui:

Subject: Governor's Message No. 518
Letter in Support of Mr. Kalbert K. Young
Gubernatorial Nominee for Director of Finance

On behalf of the Financial Administration Division ("Division") of the Department of Budget and Finance ("Department"), thank you for the opportunity to submit this letter in **strong support** of Mr. Kalbert K. Young, gubernatorial nominee for Director of Finance.

The Division is responsible for the Debt Management, Treasury Management, Unclaimed Property and HI-529 College Savings programs for the State of Hawaii. In the relatively short period that Mr. Young has served as Interim Director of Finance, I have come to appreciate and respect Mr. Young's ability to quickly grasp the intricate details of the various programs while maintaining a broader view of the policy considerations in administering these programs.

Mr. Young is able to clearly articulate his priorities and objectives for the Division and Department which provides staff with a clear and concise understanding of the tasks to be performed. Mr. Young's management style encourages staff input and participation and has created a supportive work environment for the Department staff.

For these reasons, I am respectfully requesting your favorable consider of Mr. Kalbert K. Young as Director of Finance.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Kami".

SCOTT KAMI, Administrator
Financial Administration Division

NEIL ABERCROMBIE
GOVERNOR



STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM

February 1, 2011

The Honorable David Y. Ige
Chair, Senate Committee on Ways and Means
State Capitol, Room 211
Honolulu, Hawaii 96813

Dear Chair Ige and Members of the Senate Committee on Ways and Means:

I **strongly support** the confirmation of Kalbert K. Young as the Director of the Department of Budget and Finance. I have known Mr. Young for several years when he was the Director of Finance for the County of Maui. During those years, I had many discussions with him on the actuarial valuation and financial status of the Employees' Retirement System of the State of Hawaii (ERS). He was able to quickly grasp the complexities of the actuarial valuation and assumptions used to determine the funded status of the ERS.

Mr. Young is intelligent, articulate, respectful, supportive, and possesses a caring attitude. His ability to learn quickly and communicate in a manner that is easily understood by many, coupled with his experience as the Director of Finance for the County of Maui, makes him an ideal person to meet the budget challenges of the State in the coming years. The more than 111,000 members, retirees, and beneficiaries of the ERS will also benefit from his confirmation by continuing to serve as a member of the ERS Board of Trustees. It is for these reasons and many others that I urge the Committee to confirm Mr. Young as the Director of the Department of Budget and Finance. Thank you for your consideration with Mr. Young's confirmation.

Sincerely,

A handwritten signature in cursive script that reads "Wesley K. Machida".

Wesley K. Machida
Administrator
Employees' Retirement System



Employees' Retirement System
of the State of Hawaii

**Charmaine Tavares
P.O. Box 355
Wailuku, HI 96793**

January 31, 2011

Honorable Senator David Y. Ige, Chair
Honorable Senator Michelle Kidani, Vice Chair
And Members
Senate Committee on Ways and Means, Conference 211
State Capitol
Honolulu, Hawaii 96813

Dear Chair Ige and Members of the Senate Ways and Means Committee:

SUBJECT: GM518 Consideration and Confirmation to the Director of the Department of Budget and Finance, KALBERT YOUNG

I am pleased to offer **support** of the confirmation of Kalbert Young as Director, Department of Budget and Finance.

In 2007 I served as Mayor of the County of Maui and I appointed Mr. Young as the Director of the Department of Finance. Mr. Young is knowledgeable in both budget and finance areas. His keen analytical skills combined with his excellent ability to communicate with administrators, legislators and the community, resulted in the County of Maui's stable and positive financial condition. Under his leadership, the County was granted a bond rating upgrade and the lowest interest rate (2.49) in the County's history in the most recent bond sale.

He is keenly aware of the responsibility of using taxpayers' funds to operate government. His advice was always presented with clarity and backed by research and data pertinent to the issues of revenue generation and county expenditures.

I urge you to support Mr. Kalbert Young as Director of the Department of Budget and Finance for the State of Hawaii.

Aloha,

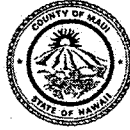
Charmaine Tavares

Former Mayor, County of Maui

Council Chair
Danny A. Mateo

Vice-Chair
Joseph Pontanilla

Council Members
Gladys C. Baisa
Robert Carroll
Elle Cochran
Donald G. Couch, Jr.
G. Riki Hokama
Michael P. Victorino
Mike White



Director of Council Services
Ken Fukuoka

COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.mauicounty.gov/council

January 27, 2011

Honorable David Y. Ige, Chair
And Members of the Senate Committee on Ways and Means
State Capitol
Honolulu, Hawaii
WAMTestimony@Capitol.hawaii.gov

Dear Chair Ige and Members of the Senate Ways and Means Committee:

**SUBJECT: TESTIMONY IN SUPPORT OF CONFIRMATION TO THE
DIRECTOR OF THE DEPARTMENT OF BUDGET AND
FINANCE, GUBERNATORIAL NOMINEE, KALBERT K.
YOUNG (GM 518)**

I wish to offer testimony in support of Mr. Kalbert K. Young for Director of the Department of Budget and Finance. I have known and worked with Kalbert for about 9 years. We met, when I served as the Chair of the Council's Budget and Finance Committee and Mr. Young was the Director of the Department of Finance, County of Maui.

I can attest to Mr. Young's competence, qualifications, knowledge, professionalism, and personal integrity to serve as the Director of the Department of Budget and Finance. He will provide a balanced approach to address the State's fiscal requirements and the steady and wise leadership needed during these challenging times.

I respectfully request your favorable consideration and confirmation of Kalbert K. Young for Director of the Department of Budget and Finance.

Sincerely,

A handwritten signature in black ink, appearing to read "Riki Hokama", written over a yellow rectangular background.

RIKI HOKAMA
Council Member

GRH:jem

SENATE COMMITTEE ON WAYS AND MEANS
TESTIMONY IN SUPPORT OF
KALBERT K. YOUNG
GUBERNATORIAL NOMINEE DIRECTOR FOR THE
DEPARTMENT OF BUDGET AND FINANCE

Date: Wednesday, February 2, 2011
Time: 8:30 a.m.
Place: Conference Room 211

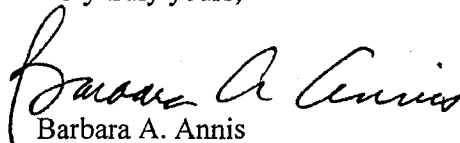
Chair Ige and Members of the Committee:

I am writing in **strong support** of Kalbert K. Young's confirmation as the Director for the Department of Budget and Finance. As the Administrative Services Officer of the Department of Budget and Finance, I have had the experience of working for Mr. Young in his capacity as the Interim Director for the Department.

I have found Mr. Young to be an extremely capable Director for the Department of Budget and Finance. He is professional, extremely bright and displays a high degree of integrity. Mr. Young's prior experience in government and private finance has enabled him to quickly grasp and unravel the State's very complex budget and finance process. As the Interim Director of the Department of Budget and Finance, Mr. Young's strong leadership has gained him the respect from all of the division administrators within the Department of Budget and Finance.

I strongly urge the committee to recommend Kalbert K. Young for confirmation as the Director for the Department of Budget and Finance.

Very truly yours,



Barbara A. Annis

Administrative Services Officer
Department of Budget and Finance

**Testimony of John M. Tonaki, State Public Defender
to the Senate Committee on Ways and Means**

February 2, 2011

GM 518: Nomination of Kalbert K. Young as Director of the Department of Budget and Finance

Chair Ige and Members of the Committee:

Thank you for the opportunity to express my support for Kalbert K. Young to serve as Director of the Department of Budget and Finance. Since assuming the position as interim director in December, Mr. Young has been very proactive in learning about the department and listening to the myriad of concerns which all of the agencies within the department have. He and Deputy Director Dean Hirata took the time to meet with all of the department's administrators to learn about the many challenges which the agencies face. I came away from these meetings very impressed with the depth of his knowledge, understanding and compassion for the public which we serve.

In his short time in office, the difficult and burdensome process by which requests are made to fill vacant positions has already been amended to dispense with much of the red tape. I am optimistic about the future of the department under Mr. Young's leadership and I look forward to working with him on more issues in the future. I fully support his nomination.



January 29, 2011

Testimony

RE:GM 518 Submitting for consideration and confirmation to the Director of the Department of Budget and Finance, Gubernatorial Nominee, KALBERT K. YOUNG, for a term to expire Dec 1, 2014

Chair Ige and Members of the Committee:

Maui County Farm Bureau on behalf of our commercial farm and ranch families and organizations on the island support the nomination of Mr. Kalbert K. Young as Director of the Department of Budget and Finance.

MCFB has worked with Mr. Young during two administrations in Maui County. While we have experienced hardships during these economically difficult years, Maui has weathered the storm and according to recent forecasts, the county is expecting a budget surplus. This does not happen overnight but through a careful and timely reaction to financial conditions.

Under Mr. Young's tenure, Maui County's support of agriculture has remained steadfast. He has been approachable and willing to listen and discuss various points of view. We believe it is critical to the future of Hawaii to have a person like Mr. Young who can listen to all sides of an issue before making critical financial decisions during these difficult times. Short term results will need to be balanced with long term impacts and Mr. Young is skilled at achieving that balance. Rhetoric says that we should operate to protect our children's future. We need people in leadership positions who truly operate by that creed.

Thank you for this opportunity to provide our opinion on this important matter. If there are questions, please contact Warren Watanabe, Executive Director of MCFB at 2819718.

MAHINA MARTIN
605 Kailana Street, Wailuku, Maui, Hawai'i 96793
mahinamartin@gmail.com
(808) 385.1221

February 1, 2010

Honorable Senator David Ige
Chair, Senate Ways and Means Committee
Honorable Senator Michelle Kidani
Vice-Chair, Senate Ways and Means Committee
Hawaii State Capitol

TESTIMONY IN SUPPORT OF KALBERT YOUNG
GUBERNATORIAL NOMINEE
FOR DIRECTOR OF THE DEPARTMENT OF BUDGET AND FINANCE

Aloha Senate Committee Chair Ige, Vice-Chair Kidani and Committee Members:

I am writing in **support** of Mr. Kalbert Young's nomination by Governor Neil Abercrombie to the position of Director of the Department of Budget and Finance.

As a member of Mayor Charmaine Tavares' administration from 2007 - 2010 I had an opportunity to work with Mr. Young. He served as the Director of the County of Maui's Department of Finance during the time I served as the administration's community relations and communications director.

As our state and Maui County faced some of the most difficult economic times Mr. Young demonstrated steady and strong leadership that made a significant difference in the financial well-being of Maui County. In my capacity I was very often faced with finding effective means and strategies for communicating with our constituents that were spread out over Maui, Molokai and Lanai. Throughout the four years I worked with him and other administration cabinet members I have found him a professional who will work with others to find solutions. Mr. Young is able to present complex financial issues to members of the public in a manner that is understandable and well appreciated by the community and is confident in offering honest and straightforward assessments of issues.

He is widely respected for his ability to communicate well thought out strategies and offer solutions directed at results. Department staff held Mr. Young in high regard and his rapport with the general public at community meetings consistently produced positive feedback.

In these challenging economic times I believe the State of Hawaii will find leadership we will all benefit from by having Mr. Young serve as the Director of the Department of Budget and Finance.

Thank you for your consideration.

Respectfully submitted,

/s/

Mahina Martin

Testimony for WAM 2/2/2011 8:30:00 AM GM518

LATE

Conference room: 211
Testifier position: support
Testifier will be present: Yes
Submitted by: Maurice T Morita
Organization: Hawaii LECET
Address: 1617 Palama St. Honolulu, HI
Phone: 808-225-0326
E-mail: mauricetmorita@gmail.com
Submitted on: 2/1/2011

Comments:

My name is Maurice Morita, Assistant Director of Hawaii LECET and we strongly support Kalbert Young as the Director of Budget & Finance.

I have know Mr. Young for many years and he is very capable to lead the State of Hawaii out of the deficit we are facing.

Thank you for the opportunity to testify.

NEIL ABERCROMBIE
GOVERNOR



LATE

STATE OF HAWAII
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
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SUNSHINE P.W. TOPPING

ADMINISTRATOR
VACANT

February 2, 2011

TESTIMONY BY
SANDRA YAHIRO, ASSISTANT ADMINISTRATOR
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
TO THE COMMITTEE ON WAYS AND MEANS
ON
GM 518

RELATING TO THE CONSIDERATION AND CONFIRMATION TO THE DIRECTOR OF
THE DEPARTMENT OF BUDGET & FINANCE, GUBERNATORIAL NOMINEE,
KALBERT K. YOUNG

Chair Ige and Committee Members,

I have known Kalbert Young for several years, first during his tenure as the Director of the Department of Finance for Maui County, and now as interim Director of the Department of Budget and Finance. I have found Mr. Young to be extremely knowledgeable in the areas of government budget and finance, fair, and a good leader. If you confirm him as Director of B&F, I firmly believe he will assist Governor Abercrombie in steering Hawaii state government in the right economic direction.

I **urge you to confirm** Mr. Young as the next Director of the Department of Budget & Finance.