

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 2963

February 7, 2012

RELATING TO EXECUTIVE SALARIES

Senate Bill No. 2963 proposes to amend the salary range for the director of finance to be the same as either the attorney general or the administrative director of the State.

The Department of Budget and Finance opposes this measure as a matter of fiscal constraint. The position of director of finance is classified as a tier 2 position for compensation purposes. Both the attorney general and the administrative director of the State are classified as tier 1 positions. The difference between tier 1 positions and tier 2 positions is approximately \$5,448 per year. Any increase in the compensation of this position would have to be borne by the Department's existing budget.

For FY12 and continuing through FY13, the majority of departments are implementing labor cost savings where employees are working under 5% pay reductions - including employees in the Department of Budget and Finance. This measure would essentially increase the salary of the finance director while the rest of the employees in the Department are currently reduced. This would be bad for morale within the Department as well as statewide.

The function and role of the director of finance are varied and diverse involving management and direction over the budget and treasury. Both of these areas involve significant financial undertakings that have direct implications for the future financial strategy and stability of the State. Over the past year the responsibilities of the finance director have expanded with various initiatives (e.g., Public Land Development Corporation). Governor Abercrombie has also identified the finance director to serve in the capacity of the chief financial officer (CFO) for the State. The formal establishment of the CFO position is planned to eventually be created via statute, but until then we are mapping the framework for the CFO structure. In the meantime, the finance director has been assigned to shepherd those efforts and manage the dispersed finance-related functions of the State. I am certain that the executive salary commission will consider the role and duties of the finance director when it next deliberates the range of compensation for all directors in accordance with §26-52, Hawaii Revised Statutes.

I would like to believe that S.B. 2963 was introduced by senators who recognize the important role the director of finance assumes in the overall management of the State and I would like to think that it was further borne out of recognition for the performance of the current director over the past year. If so, I extend my gratitude and appreciation for their support and for the Committee's willingness to hear this bill. However, in the interest of fiscal constraint and financial equity, I encourage the Senate Committee on Ways and Means to hold S.B. 2963.