



STATE OF HAWAII
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
235 S. BERETANIA STREET
HONOLULU, HAWAII 96813-2437

February 22, 2013

TESTIMONY TO THE
HOUSE COMMITTEE
ON
FINANCE

For Hearing on Monday, February 25, 2013
11:00 a.m., Conference Room 308

BY

BARBARA A. KRIEG
DIRECTOR

House Bill No. 1177
Relating to the Hawaii Employer-Union Health Benefits Trust Fund

TO CHAIRPERSON SYLVIA LUKE AND MEMBERS OF THE COMMITTEE:

The purpose of H.B. 1177 is to amend Chapter 87A, Hawaii Revised Statutes relating to the administration of the Hawaii Employer-Union Health Benefits Trust Fund (EUTF).

The Department of Human Resources Development ("DHRD") has comments regarding section 8 of this bill, which proposes transferring the EUTF from the Department of Budget and Finance to DHRD for administrative purposes.

First, the Department of Budget and Finance ("B&F") utilizes data from the EUTF to do the former's budget projections, forecasting and collective bargaining cost estimates, which is an important piece of the State's financial plan. Further, the Employees' Retirement System ("ERS"), which is also administratively attached to B&F, needs to work closely with the EUTF for retirement information. As such, it would be most beneficial and efficient if the EUTF continues to be housed together with the ERS and under the purview of B&F.

Second, we read section 9 of this bill to mean that employees of the Department of Budget and Finance, whose functions and duties are to provide day-to-day administrative oversight of the EUTF, will be transferred to DHRD. However, if this is not the case, we anticipate that we would need four additional positions (Accountant V, Accounting Clerk IV, Personnel Management Specialist III, and Program Budget Analyst V) since DHRD does not have the resources and financial expertise necessary to provide effective administrative oversight of the EUTF. This would require an appropriation of approximately \$225,000 for FY 14 for the four positions (salaries plus computers and operating expenses) and \$217,000 for FY 15 (salaries & operating expenses).

Finally, transferring the EUTF to DHRD will not result in any cost savings that would warrant taking said action. To the contrary, the transfer could cause unforeseen problems which may prove to be even more costly. In that regard, we concur with B&F that given the fiscal complexities involved and the size of EUTF's expenditures in relation to the total State budget, transferring the EUTF to DHRD would not be in the best interest of the State.

Thank you for the opportunity to provide comments on this measure.



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TESTIMONY
OF
AARON S. FUJIOKA
ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE
HOUSE COMMITTEE
ON
FINANCE

February 25, 2013

11:00 a.m.

HB 1177

RELATING TO THE HAWAII EMPLOYEE-UNION HEALTH BENEFITS TRUST FUND.

Chair Luke, Vice-Chair Nishimoto, Vice-Chair Johanson, and committee members, thank you for the opportunity to testify on HB 1177. The State Procurement Office (SPO) testimony is limited to SECTION 1, adding new sections to chapter 87A, specifically page 1, lines 4 to 8 of the bill.

The SPO opposes the amendment in SECTION 1 proposing to exempt the Hawaii Employer-Union Benefits Trust Fund (EUTF) from HRS chapter 103D, the Hawaii Public Procurement Code (Code).

Since the inception of the Code in 1994, state and county departments and agencies have procured and awarded contracts totaling billions of dollars. Whether an expenditure was for construction of capitol improvement projects (CIP), or for goods and services to provide needed services to the public, billions of dollars have been awarded pursuant to the Code.

Today, state and county departments and agencies continue to adhere to the Code requirements in conducting their procurements to award contracts. For example, the City & County of Honolulu's rail construction project has and continues to procure and award contracts expending millions of dollars in accordance with the Code. The State Business and IT/IRM Transformation Plan under the management of the Chief Information Officer (CIO), Office of Information Management and Technology (OIMT), has identified areas needing IT services and new systems. The OIMT is currently in various stages of procurements for numerous solicitations and contracts amounting to millions of dollars in contract awards. All of these solicitations and resulting contract awards were and are conducted in accordance with the Code.

Governmental bodies following the Code which provides oversight and accountability, have a responsibility to maintain the confidence of the vendor/contractor community and the public in the procurement system, by conducting procurement in an accountable, ethical and transparent manner, which are vital to good government.

The Code is the single source of public procurement policy to be applied equally and uniformly, while providing fairness, open competition, a level playing field, in the procurement and contracting process. Public procurement's primary objective is to give everyone equal opportunity to compete for government contracts; to prevent favoritism, collusion or fraud in awarding of contracts. The Code should not be viewed as an obstacle to EUTF's mission, but rather as the single source of public procurement policy to be applied equally and uniformly. To legislate that any one entity, the EUTF, should be exempt from compliance with HRS chapter 103D conveys a sense of disproportionate equality in the law's application.

We request that SECTION 1, page 1, lines 4 to 8 of the bill be deleted. Thank you.