

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 1491, H.D. 1

February 21, 2014

RELATING TO THE BUDGET

House Bill No. 1491, H.D. 1, proposes to amend Chapter 37-74, HRS, which would remove program budget execution exception provisions that are specific to the University of Hawaii (UH).

The Department of Budget and Finance (B&F) defers to the UH regarding the operational impacts of the program budget execution exception provisions. The effect of removing UH's program budget execution exception provisions will mean that the UH will be subject to budget execution processes as applicable to nearly all other executive departments. This will likely mean that UH will be subject to reviews and recommendations by B&F and approvals by the Governor. Operationally, this will likely add to UH's current bureaucratic processes.

Current program budget execution provisions of executive departments require review and recommendations from B&F staff to the Director of Finance, review and recommendations by the Director of Finance to the Governor, and then the approval of the Governor.

We do not know how this could affect UH's ability to more timely meet fluctuations in resource requirements due to actual student enrollments and would defer to UH for that operational insight.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Finance
February 21, 2014 at 12:00 p.m.

by

Howard Todo, Vice President for Budget and Finance/Chief Financial Officer
University of Hawai'i

HB 1491 HD1 – RELATING TO THE BUDGET

Chair Luke, Vice Chairs Nishimoto and Johanson and members of the Committee:

The University of Hawai'i leadership opposes this measure because these amendments would seriously impede our ability to leverage our myriad revenue sources, particularly given the fact that our general fund appropriation represents only 40 percent of our entire operating budget. These amendments prohibit us from transferring funds between programs that are intended to be financed with both state appropriations and non-general funds. For instance, some of our administrative programs receive both general fund appropriations and non-general fund revenues from the campuses to support system wide central services such as information technology, risk management, and payroll processing. Further, for the community college system, where fluctuations in enrollment between semesters may mean that general funds need to be transferred amongst campuses, and adding additional processes penalizes a system that has been striving to reward performance based upon cost-effective use of its limited resources.

In addition, we recently adopted the Kualii Financial System (KFS), an open source financial management system developed by a consortium of universities, to assist both public and private universities in managing their revenue and expenditures using electronic tools. The KFS system does not recognize fiscal quarters, per se, but it does require our fiscal administrators to develop and input an annual budget at the beginning of each fiscal year, which was not a requirement under our prior financial management system. Should we be required to request quarterly allotments from the Department of Budget and Finance, this measure would essentially add more paperwork for our fiscal administrators (FAs), who are realizing the potential that KFS offers in managing their day-to-day fiscal responsibilities using electronic tools.

Article 10, section 6 of the Hawai'i State Constitution recognizes the authority of the BOR "... to have exclusive jurisdiction over the internal structure, management, and operation of the university" in balance with the Legislature's "... power to enact laws of statewide concern". While HD1 was amended to include expression of legislative concerns regarding managing of public funds, we note that 60 percent of our operating budget is funded by tuition revenues paid by private individuals, or contracts and grants awarded for specific purposes that cannot be re-allocated. Thus, we do question whether the University should be required to consult with the State's Department of Budget and Finance (B&F) regarding management of non-general fund revenues that are collected by the University System for university-specific activities and held outside the State treasury. The University System is required by state law to request annual

allotments, and report on transfers of, general funds and is also subject to the B&F's authority to restrict such allotments. If the legislature believes there needs to be other procedural requirements on the allotment and transfer of general funds to the University System as an issue of statewide concern, we are willing to discuss such with the Committee.

We respectfully request that this measure be Held.

Thank you for your consideration of our testimony on this measure.

finance8-Danyl

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 20, 2014 2:59 AM
To: FINTestimony
Cc: aagbanna@hawaii.edu
Subject: *Submitted testimony for HB1491 on Feb 21, 2014 12:00PM*

HB1491

Submitted on: 2/20/2014

Testimony for FIN on Feb 21, 2014 12:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Antonia Agbannawag	Individual	Support	No

Comments:

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