



WRITTEN TESTIMONY

**TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
HOUSE BILL NO. 648, H.D.1, Proposed S.D1**

**April 2, 2014**

RELATING TO STATE FINANCES

House Bill No. 648, H.D.1, proposed S.D.1, repeals certain appropriations in acts passed during the regular session of 2013 that the designated expending agency does not plan to expend in fiscal year 2014.

The Department of Budget and Finance (Department) has concerns pertaining to Part VI, Section 13, of the proposed S.D. 1 which proposes to lapse the specific appropriation as authorized by Act 268, SLH 2013, in the sum of \$500,000 in general funds for FY14 which is authorized for this Department to conduct a study and develop an implementation plan to have both the Employer-Union Health Benefits Trust Fund (EUTF) and the Employee's Retirement System (ERS) jointly share investment information and services. The Department is currently working with both the EUTF and the ERS, as well as a number of contractors that provide services to both of those agencies, on the necessary details to initiate the study and develop the required action plan to satisfy the objectives of Act 268, SLH 2013. Thus far, it is clear that the scope of this study and the implementation plan will need to discuss or address some rather complex issues and matters that will impact both entities. For example, there already

are a number of identified issues involving both operational and possible tax exemption status considerations - especially as it pertains to the ERS. The possible joint use of investment information, advice, and services provided by fund managers retained by both boards to achieve possible financial and operational benefits to both agencies over the long term is by far no simple matter. The potential of having the necessary financial expertise to be shared without having to increase staffing or duplicate efforts for both agencies which could also result in lower overall investment management fees for both the EUTF and ERS is however a very worthwhile goal because it will directly benefit both the State and the counties. For practical purposes of operations in contracting and encumbering the necessary funds to pay for contractors already conducting work on this project, I respectfully request that the Legislature reduce funding by no more than \$400,000 in FY14. Based on expectations of costs and the current budget for the work required of contractors, the Department would be comfortable if the FY15 appropriation was subsequently reduced by \$150,000. These reductions should be sufficient to satisfy the anticipated cost of the project while deriving the necessary savings that I believe the Legislature is seeking and still ensuring that the intent and purpose of Act 268, SLH 2013, can be effectuated.

The proposed S.D. 1 also lapses the specific appropriation provided in Act 268, SLH 2013, to support the operations of the Hawaii Employer-Union Health Benefits Task Force (Task Force) in FY14. I would like to note that H.B. 2265 was submitted to the 2014 Legislature and proposed to extend the lapse date for the funds to be used to support the operations of the Task Force from June 30, 2014 to June 30, 2015 and proposed to move the submission date for the report prepared by the Task Force from

submittal to the 2014 Legislature to the 2015 Legislature as a result of difficulties encountered in the constitution of this task force. Because H.B 2265 did not pass over to the Senate however, unless an appropriate alternative vehicle can be found, it appears that the FY14 appropriation to support the operations for the Task Force can be lapsed. The Administration may consider convening its own working group or task force to continue the intended work of the Task Force. However, to do so, would then require the Department to locate funds or savings from other operations to satisfy any costs in that endeavor.

Finally, regarding other lapses of specific appropriations that are provided for in the proposed S.D. 1, we defer to the Department of Human Services to provide appropriate comments and input as may be applicable in regards to the necessity of the continued funding or lapsing of these other FY14 specific appropriations..

Thank you for the opportunity to provide written testimony on this important measure.