



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Higher Education
February 10, 2015 at 2:00 pm Room 309

by
Kalbert Young
Vice President – Budget & Finance & Chief Financial Officer
University of Hawai'i

HB 542 – RELATING TO THE BUDGET

Chair Choy, Vice Chair Ichiyama, and members of the Higher Education committee:

Thank you for this opportunity to testify. The University of Hawai'i (UH) opposes HB 542, Relating to the Budget. This bill would remove certain program executive provisions that are specific to UH, in addition to establishing reporting requirements for all departments.

Section 1 would establish a master list of non-general fund accounts and require the director of finance to submit such a list to the Legislature. UH defers to the Department of Budget and Finance on this section.

Other sections, however, would remove certain program executive provisions that would impede operations at UH and would appear to violate Article X, Section 6 of the Hawai'i State Constitution, which states that "...The board (of regents) shall also have the exclusive jurisdiction over the internal structure, management, and operation of the university..." A number of the proposed deleted sections of Hawai'i Revised Statutes allow for budget flexibility of the University to manage financial operations in conjunction with the provision above. For example, the bill proposes to eliminate Section 37-74(d)(2), HRS, which currently permits the University's "flexibility to transfer appropriated funds and positions for the operating cost category among programs among cost elements in a program, and between quarters, as applicable." Eliminating such a provision effectively eliminates basic fiscal budgetary flexibility that is afforded other departments specified in Section 37-74, HRS.

We therefore respectfully request that you hold this measure, or pass this measure in an amended form to only include Section 1 at the deference of the State Budget & Finance Director.

Thank you for your time and consideration.

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WRITTEN ONLY

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON HIGHER EDUCATION
ON
HOUSE BILL NO. 542

February 10, 2015

RELATING TO THE BUDGET

House Bill No. 542 amends Chapter 37, HRS, "Budget," by adding a new section that requires the Director of Finance to provide an annual report that includes a master list of non-general fund accounts along with the fund balance at the beginning of the fiscal year and a statement indicating each department's compliance with the requirements of Section 37-52.5, HRS, "Criteria for the establishment and continuance of administratively established accounts and funds," and, for the University of Hawaii (UH), Section 304A-2007, HRS, "Special and revolving funds; annual report; expenditures in excess of appropriations."

The bill also amends Section 37-74, HRS, "Program execution," by requiring the operations plan to indicate compliance with Sections 37-52.5 and, for the UH, 304A-2007, HRS, and for the Department of Budget and Finance (B&F) to review the operations plan to determine that the agency is in compliance with the reporting requirements of Sections 37-52.5 and, for the UH, 304A-2007, HRS.

In addition, the bill amends Section 37-74, HRS, to remove program execution exceptions provisions that are specific to the UH.

Regarding the reporting requirements for non-general fund accounts, Section 37-47, HRS, "Reporting of non-general fund information," already requires the departments to submit a report on non-general fund accounts no later than

20 days prior to the convening of each regular legislative session. B&F, working with legislative staff from the two money committees, develops the format for that report. We suggest amending that report to include a statement of compliance with Sections 37-52.5 and 304A-2007, HRS, and suggest amending Section 37-47, HRS, rather than adding a new section to Chapter 37.

Regarding the removal of program execution exceptions for the UH, we defer to the UH regarding the operational impacts of these provisions. The effect of removing UH's program budget execution exception provisions will mean that the UH will be subject to budget execution processes that are applicable to nearly all other executive departments; i.e., 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 and may affect UH's ability to more timely meet fluctuations in resource requirements due to actual student enrollments; however, we would defer to UH for that operational insight.