

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON JUDICIARY AND LABOR
ON
SENATE BILL NO. 248

February 5, 2015

RELATING TO TRUST FUNDS

Senate Bill No. 248 proposes to amend Sections 37-40, 302A-1122, and 304A-106 of the HRS, to require that the expenditure of trust funds for the compensation, including fringe benefits, of public employees and contracts for services, as defined under Section 103D-104 of the HRS, be appropriated and allotted.

The Department of Budget and Finance has concerns regarding this bill. We are uncertain why it would be preferable to only appropriate trust funds used for public employee compensation or contracts for services. This may not provide the true expenditure requirements of the trust fund. Ideally, if trust funds were required to be appropriated, the appropriation would reflect the full program cost.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on Judiciary and Labor
February 5, 2015 at 9:00 am Room 016

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

SB 248 – RELATING TO TRUST FUNDS

Chair Keith-Agaran, Vice Chair Shimabukuro, and members of the Judiciary and Labor committee:

Thank you for this opportunity to testify. Senate Bill 248, Relating to Trust Funds, proposes to require that expenditures from trust funds for employee compensation, including fringe benefits, and some contracts for services under Section 103D-104, HRS, are to be appropriated and allotted. The University of Hawai'i (UH) has concerns regarding the practicality of this bill.

UH does have a number of trust funds that are subject to periodic review by the Legislative Auditor. As recently as December 2014, the Auditor conducted a review of the appropriateness of trust funds within UH.

Trust funds provide a specific operational feature. Section 37-62, HRS, defines the purpose of trust funds to be a fiduciary responsibility of state government in which the assets are held only for those designated to benefit from the funds. While trust funds at UH don't pay for normal payroll per se, there are trust funds that do pay for compensation. For example, Section 304A-2352, HRS, created the University of Hawai'i Workers' Compensation and Unemployment Insurance Compensation Trust Fund. The fund pays employees' claims for workers compensation and unemployment insurance benefits. It would be difficult to pre-determine a rate of payout in the budget process that would satisfy future year's claims for compensation.

The practical impact of SB 248 on trust fund objectives and operations could be significant.

The University of Hawai'i appreciates the opportunity to express its concerns.