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WRITTEN TESTIMONY
OF
CURT T. OTAGURO, COMPTROLLER
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BEFORE THE
SENATE COMMITTEE ON GOVERNMENT OPERATIONS
ON
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CONFERENCE ROOM 225, STATE CAPITOL

H.B. 356 H.D. 1
RELATING TO CLAIMS AGAINST THE STATE

Chair Thielen, Vice Chair Inouye, and Members of the Committee, thank you for the opportunity to testify on H.B. 356 H.D. 1. The Department of Accounting and General Services supports H.B. 356 H.D. 1 (the measure) and offers the following comments.

The measure intends to increase the settlement and payment authority of the Risk Management Office (Office) as of July 1, 2020 by using the United States Department of Labor Consumer Price Index (CPI). It also requires the Office to publish and notify the legislature and attorney general of the adjusted amounts by June 15th of every year thereafter. In addition, the Office shall prepare, for each fiscal year, the report of all claims arbitrated, compromised or settled based on the adjusted amount determined by the comptroller.

When applying the methodology and applicable CPI's outlined in the measure from 2014 (base year) to 2019, the average annual change in settlement authority was insignificant, averaging \$190 and \$286 per year for tort and automobile claims, respectively. Specifically, the Comptroller's claim's settlement amount from 2014 through 2019 would range from \$10,000 to

\$10,954 for tort claims and \$15,000 to \$16,431 for auto claims over the six (6) year period.

Therefore, the six (6) year increase would be \$954 for tort claims and \$1,431 for auto claims.

As reference, S.B. 124, companion to H.B. 356, was heard by the joint committee of the Government Operations and Judiciary on February 7, 2019. The committee's report amended SB124 by removing the requirement that the maximum amounts that may be paid from the state risk management revolving fund be link to the United States Department of Labor Consumer Price Index for All Urban Consumers for Honolulu.

Any claims above the Office's settlement and payment authority is handled by the Attorney General's office. Annually, the Attorney General submits their list of settlements to the Legislature for appropriations which might include tort and auto claims. As a result, the Office also analyzed the claims paid in the Attorney General's Settlement Acts for the five (5) year period from 2014 through 2018. The average number of claims on their list is 26 with an average total value of \$8.7 million per year. It was found that even if the Comptroller's settlement authority for tort/auto claims were raised from \$10,000/\$15,000 to \$25,000, the average annual number of claims (tort and auto) to be eliminated from the Attorney General's Settlement Acts would be only four (4) with an average annual value of \$64,555. Although there will not be significant operational changes for the Department of the Attorney General and the Department of Accounting and General Services, no significant benefits are anticipated for the general public.

As reference, the Senate joint committee of the Government Operations and Judiciary also amended S.B. 124 by increasing the Comptroller's settlement authority for automobile claims from \$15,000 to \$25,000 and increasing the limit on the Comptrollers settlement authority for tort claims from \$10,000 to \$25,000.

The measure does not address negative changes to the CPI index and how the methodology would reduce the Comptroller's settlement authority for negative changes. For example, in 1998, the CPI index was -0.2%.

In summary, the Office can agree to increase the settlement and payment authority, however, the CPI methodology may not be the best approach.

Thank you for the opportunity to testify on this matter.