

STAND. COM. REP. NO.

2055

Honolulu, Hawaii

FEB 14 2020

RE: S.B. No. 2576
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirtieth State Legislature
Regular Session of 2020
State of Hawaii

Sir:

Your Committees on Higher Education and Government
Operations, to which was referred S.B. No. 2576 entitled:

"A BILL FOR AN ACT RELATING TO REIMBURSEMENTS FOR STATE
CONTRIBUTIONS,"

beg leave to report as follows:

The purpose and intent of this measure is to:

- (1) Specify exemptions for the University of Hawaii from sections 87A-39 and 88-125, Hawaii Revised Statutes;
- (2) Codify in statute the cost-sharing agreement between the University of Hawaii and the Department of Budget and Finance; and
- (3) Require annual reporting by the Department of Budget and Finance.

Your Committees received comments on this measure from the Department of Budget and Finance, Department of Accounting and General Services, and University of Hawai'i System.

Your Committees find that "S397" refers to a practice whereby General Fund authorized positions at the University that have insufficient General Funds appropriated to pay their salaries, can instead have the salaries paid for in part or in whole from the



Tuition and Fees Special Fund, while the fringe costs continue to be paid by the General Fund. This cost-sharing agreement has been utilized by the Department of Budget and Finance, Department of Accounting and General Services, and University for the last fifteen years but without any formal authorization to do such a practice.

While this practice may have had made sense when it originated fifteen years ago during an economic downturn, it bears further scrutiny at the present time. This legislative oversight is appropriate considering that, according to budget data provided by the Department of Budget and Finance for fiscal years 2014 to 2019, the cumulative salary costs paid out of the Tuition and Fees Special Fund continue to decrease while the cumulative fringe costs paid by General Funds continue to increase. Your Committees are cognizant of the fact that fringe costs can change due to a wide variety of factors.

In fiscal year 2019-2020, the University of Hawaii utilized the S397 practice with approximately 1,215 positions. As a part of this enhanced legislative oversight called for in the reporting provisions of this measure, your Committees require that the University, using fiscal year 2019-2020 as the salary cap start date, with fringe costs determining wages, shall report to the Legislature annually on all S397 positions authorized in the Budget Justification Details of the respective Appropriations Act or Supplemental Appropriations Act, with these positions and descriptions to remain the same. Your Committees anticipate that these reporting requirements will enhance fiscal prudence and encourage the efficient use of funds in the operations of the university. This salary cap can also be changed by passage of a concurrent resolution, if necessary.

Your Committees have amended this measure by:


- (1) Deleting a statutory definition of the S397 account;
- (2) Replacing language that:
 - (A) Specifies exemptions for the University of Hawaii from sections 87A-39 and 88-125, Hawaii Revised Statutes;



- (B) Codifies in statute the cost-sharing agreement between the University of Hawaii and the Department of Budget and Finance; and
 - (C) Mandates reporting of various items; and
- (3) Providing that the salary costs shall be capped at an unspecified amount and that this salary cap shall be adjusted by passage of a concurrent resolution.

As affirmed by the records of votes of the members of your Committees on Higher Education and Government Operations that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 2576, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 2576, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committees on Higher Education
and Government Operations,



LAURA H. THIELEN, Chair



DONNA MERCADO KIM, Chair



The Senate
Thirtieth Legislature
State of Hawai'i

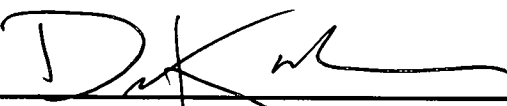
Record of Votes
Committee on Higher Education
HRE

Bill / Resolution No.:* SB 2576	Committee Referral: HRE/GVO, WAM	Date: 1/30/20		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
KIM, Donna Mercado (C)	✓			
KIDANI, Michelle N. (VC)	✓			
KAHELE, Kaiali'i	✓			
KEITH-AGARAN, Gilbert S.C.	✓			
FEVELLA, Kurt	✓			
TOTAL	5			
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center; font-family: cursive; font-size: 1.2em;">Michelle N. Kidani</div>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes

The Senate
Thirtieth Legislature
State of Hawai'i

Record of Votes
Committee on Government Operations
GVO

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SB2576	HRE/GVO, WAM	1/30/2020		
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Members	Aye	Aye (WR)	Nay	Excused
THIELEN, Laura H. (C)	✓			
INOUYE, Lorraine R. (VC)				✓
BAKER, Rosalyn H.	✓			
KANUHA, Dru Mamo	✓			
FEVELLA, Kurt	✓			✓ DVC
TOTAL	4			1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

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