

Establishment of S397 per UH “Budget Development” Presentation¹

- Historically, tuition revenue was deposited with the state; State returned General funds to UH. The State paid the fringe on general funded salaries
- In 1996, State allowed UH to keep tuition revenue and swept equal amount of General funds
- General fund budget cuts over time led to certain positions not being funded by the Legislature, which then led to the creation of S397

No Statutory Authority for S397

- Under HRS §37-52.3 “special funds shall be established only pursuant to an act of the legislature.”
 - S397 is not included on UH list of “Statutory Authorization for Appropriated Non-General Funds”²
- UH reports that S397 is not a special fund, but a payroll account established by “Agreement”
 - Estimated establishment in 2007-2008 by agreement between UH and the Department of Budget & Finance
 - Original agreement was for the Legislature to pay fringe for approximately \$4 - 6M in tuition-funded salaries each year
- The number of tuition-funded positions and S397 have since grown
 - In FY2018 the State paid a total of \$19M in fringe benefits for \$36.1M in salaries
 - In FY2019 - \$14.9M in fringe benefits for \$27.2M in salaries
 - Fringe rate has also risen from approximately 30% to 60%
- Legislature is not given notice of positions with tuition funds that State must pay fringe
 - Unable to calculate in the Legislature’s financial plan

Fringe Rate

- Federal government approves the fringe rate. They are willing to pay a fair and equitable amount
 - Concern that if the Feds view the state as exempting UH from paying fringe for non-general funded positions, they will request justification as to why they do not receive such exemption
- UH claims that S397 Agreement allows the use of tuition funds for any authorized, non-funded positions, with the State covering the fringe
- No other department or entity that uses funds other than general funds for positions/salaries, is exempt from paying the fringe

¹http://manoa.hawaii.edu/ovcafo/newtalkstory/FY19_Budget_Development_TalkStory.pdf

²<http://www.hawaii.edu/budget/sites/www.hawaii.edu.budget/files/Copy%20of%20UUBO.Statutory%20Authorization%20for%20Appropriated%20Non-General%20Funds%20%2801-02-18%29-1.pdf>

§37-52.3 Criteria for the establishment and continuance of special funds. Special funds shall be established only pursuant to an act of the legislature. The legislature, in establishing or reviewing a special fund to determine whether it should be continued, shall ensure that the special fund:

(1) Serves a need, as demonstrated by:

- (A) The purpose of the program to be supported by the fund;
- (B) The scope of the program, including financial information on fees to be charged, sources of projected revenue, and costs; and
- (C) An explanation of why the program cannot be implemented successfully under the general fund appropriation process;

(2) Reflects a clear nexus between the benefits sought and charges made upon the program users or beneficiaries or a clear link between the program and the sources of revenue, as opposed to serving primarily as a means to provide the program or users with an automatic means of support that is removed from the normal budget and appropriation process;

(3) Provides an appropriate means of financing for the program or activity that is used only when essential to the successful operation of the program or activity; and

(4) Demonstrates the capacity to be financially self-sustaining. [L 2002, c 178, pt of §2; am L 2013, c 130, §4]

[\$87A-39] Reimbursement for state contributions. (a) All state agencies having control of funds other than the general fund shall reimburse the State for contributions made by the State pursuant to sections 87A-32, 87A-33, 87A-34, 87A-35, 87A-36, and 87A-37 on account of agency employees whose compensation is paid in whole or part from funds other than the general fund.

(b) All state and county agencies receiving federal funds, which may be expended for the purpose of replacing the contributions payable by the State to the fund, shall set aside a portion of the federal funds sufficient to reimburse the State for contributions made by the State pursuant to sections 87A-32, 87A-33, 87A-34, 87A-35, 87A-36, and 87A-37, on account of the employees in the agencies whose compensation is paid in whole or part from federal funds. [L 2001, c 88, pt of §1]

**Data provided by B&F*

**University of Hawaii System
GF & TFSF Payroll and Other Expenditures
FY2013-14 to FY2018-2019**

		FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
General Funds	Payroll	379,142,332	398,426,465	422,256,713	449,394,322	459,542,278	478,955,403
	Others	12,130,307	14,722,193	19,116,077	22,058,439	25,624,970	27,194,926
	Total	391,272,639	413,148,658	441,372,790	471,452,761	485,167,248	506,150,329
TFSF <i>Tuition & Fees</i> <i>Special Fund</i>	Payroll	149,982,103	143,629,183	128,675,705	127,061,382	125,216,844	123,226,864
	Others	147,717,814	133,530,709	130,490,675	134,523,794	137,457,421	137,560,819
	Transfers	48,524,605	53,405,304	54,481,639	59,726,166	58,264,434	59,900,106
	Total	346,224,522	330,565,196	313,648,019	321,311,342	320,938,699	320,687,789
S397	Wage	\$58,793,253	\$56,598,422	\$44,522,152	\$38,967,837	\$36,139,691	\$26,997,184
	Fringe	\$22,310,132	\$22,313,253	\$18,727,999	\$17,911,876	\$17,968,573	\$14,252,016