



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on Ways and Means
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by
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SB 248 SD1 – RELATING TO TRUST FUNDS

Chair Tokuda, Vice Chair Kouchi, and members of the Ways and Means committee:

Thank you for this opportunity to testify. Senate Bill 248 Senate Draft 1, 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 serious 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 generally 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 Hawaii 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 SB248 SD1 on trust fund objectives and operations could be significant. In this regards, I do not believe that the University would be able to practically deliver the operations of government, and responsibilities of an employer (related around Section 304A-2352, HRS) due to the requirements of this proposed bill.

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