



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on Higher Education
and
Senate Committee on Government Operations
January 30, 2020 at 3:45 p.m.
by
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SB 2576– RELATING TO REIMBURSEMENTS FOR STATE CONTRIBUTIONS

Chairs Kim and Thielen, Vice-Chairs Kidani and Inouye, and members of the Committees:

Thank you for the opportunity to present testimony today. The University of Hawai'i (University) is supportive of the concept in SB 2576 to the extent that the bill enables the current practice of "S397" whereby fringe costs can continued to be paid by the General Fund on some positions where their salaries are paid for in part or in whole by the Tuition and Fees Special Fund (TFSF). However, the prescription proposed in the bill will complicate the current practice, so we are offering the following comments and requested amendments.

We are appreciative that the Legislature seeks to put into statute the practice that the Department of Budget and Finance (B&F), the Department of Accounting and General Services (DAGS), and the University have utilized for the last 15 years as a cost-sharing agreement that is beneficial to both the University and the rest of State government. "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 TFSF if the University has sufficient TFSF funds. Only if TFSF funds are used for General Fund authorized positions, can "S397" be utilized for fringe expense. This approach was developed more than 15 years ago in response to the economic downturn at the time, when there were insufficient General Funds to meet payroll. The practice served to preserve existing positions and service levels.

In order to streamline the proposed legislation, the University offers the following comments. The creation of a specific definition ("S397 account") may be problematic and unnecessary as the term "S397" refers to a budget/payroll code and is a mechanical reference to the current process. As such, Section 2 is not necessary and does not need to be specifically referenced by that term.

Additionally, the bill at Section 2 references a "memorandum dated July 18, 2005, between the department of accounting and general services and the University of

Hawaii.” We do not believe this is an accurate reference as we are not aware of such a memorandum between those parties. Be that as it may, this reference is not necessary and can be eliminated from the bill.

The bill proposes setting a specific cap. This could be operationally problematic to execute depending on the limit on such a cap or the period for implementation of this bill. For example, S397 remains a significant cost-share expense between the State and the University. As previously presented to the Committee, for FY19, the S397 expense was approximately \$14.2 million. This is a fringe cost that were it not provided for in General Funds, the University would have had to provide such funds from tuition and fees to cover current level of services. For this \$14.2 million in general funded fringe, the University put up more than \$27.2 million in TFSF funds to pay for General Fund authorized positions for which there was insufficient or no General Funds appropriated. We respectfully request that the cap be removed.

Also previously reported to Committee, in FY19, the University noted that approximately 1,215 positions utilized S397. However, this only meant that at some point during the year those positions may have utilized S397. It was NOT that all of those persons’ fringe were applied to S397 or that it was used for the duration of the year. The University does not object to the reporting requirement. However, listing all changes in salary amounts and the rationale for these changes may be quite voluminous.

Thank you for this opportunity to testify.