

# S.B. NO. 2762

JAN 25 2010

---

## A BILL FOR AN ACT

---

RELATING TO THE UNIVERSITY OF HAWAII.

### BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1       SECTION 1.   Section 40-1, Hawaii Revised Statutes, is  
2   amended by amending subsection (b) to read as follows:

3       "(b)   With respect to the executive branch, except the  
4   University of Hawaii [~~until June 30, 2011,~~] and the Hawaii  
5   tourism authority, and the department of education until June  
6   30, 2011, the comptroller shall have complete supervision of all  
7   accounts.   The comptroller shall preaudit all proposed payments  
8   of \$10,000 or more to determine the propriety of expenditures  
9   and compliance with executive orders and rules that may be in  
10   effect.   When necessary, the comptroller shall withhold approval  
11   of any payment.   Whenever approval is withheld, the department  
12   or agency concerned shall be promptly notified.   With respect to  
13   the University of Hawaii, the Hawaii tourism authority, and the  
14   department of education, the comptroller shall issue warrants  
15   for the release of funds for the operating costs of the  
16   university, the Hawaii tourism authority, or the department of  
17   education, as applicable, in amounts and at times mutually  
18   agreed upon by the governor or director of finance and the

S.B. NO. 2762

1 university, the Hawaii tourism authority, or department of  
2 education, as applicable; provided[+] that:

3 (1) The amounts released shall not exceed the allotment  
4 ceilings for the respective funding sources of the  
5 university's or the department of education's  
6 appropriations established by the governor for an  
7 allotment period pursuant to section 37-34, or in the  
8 case of the Hawaii tourism authority, revenues  
9 received by the convention center enterprise special  
10 fund and the tourism special fund pursuant to section  
11 237D-6.5; and

12 (2) The comptroller may issue warrants as an advance from  
13 the state treasury to the University of Hawaii, the  
14 Hawaii tourism authority, and the department of  
15 education to establish a checking account and provide  
16 working capital in amounts and at times mutually  
17 agreed upon by the governor or director of finance and  
18 the University of Hawaii, the Hawaii tourism  
19 authority, and the department of education.

20 The University of Hawaii shall preaudit all proposed payments of  
21 \$10,000 or more and the Hawaii tourism authority and the  
22 department of education shall preaudit all proposed payments to

S.B. NO. 2762

1 determine the propriety of expenditures and compliance with  
2 applicable laws, executive orders, and rules as may be in  
3 effect. The University of Hawaii, the Hawaii tourism authority,  
4 and the department of education shall make disbursements for  
5 operating expenses from the amounts released by the comptroller  
6 and maintain records and documents necessary to support those  
7 disbursements at times mutually agreed upon by the university  
8 president, the executive director of the Hawaii tourism  
9 authority, or the superintendent of education, as applicable,  
10 and the comptroller; provided that when requested by the  
11 university, the Hawaii tourism authority, or department of  
12 education, the comptroller shall make all disbursements for the  
13 university, the Hawaii tourism authority, or department of  
14 education, as applicable, subject to available allotment. Funds  
15 released pursuant to this section shall be deposited by the  
16 university, the Hawaii tourism authority, or department of  
17 education, as applicable, in accordance with the provisions  
18 applicable to the director of finance by chapter 38. Except for  
19 moneys deposited by the Hawaii tourism authority in the  
20 convention center enterprise special fund pursuant to section  
21 201B-8, and in the tourism special fund pursuant to section  
22 201B-11, any interest earned on the deposit of funds released

1 pursuant to this section shall be deposited in the state  
2 treasury at the end of each fiscal year."

3 SECTION 2. Section 40-2, Hawaii Revised Statutes, is  
4 amended to read as follows:

5 "§40-2 Accounting systems and internal control; enforcing  
6 the use of and inspection of the same. The accounting system  
7 installed by the commission on public accountancy under Act 181,  
8 Session Laws of Hawaii 1923, as amended by Act 220, Session Laws  
9 of Hawaii 1925, for use in the offices of the comptroller,  
10 director of finance, departmental and agency services of the  
11 State, and the auditors, treasurers, departmental and agency  
12 services of the several counties shall be the accounting and  
13 reporting systems of the State and counties; provided that the  
14 University of Hawaii [~~until June 30, 2011,~~] may install a  
15 different accounting system which shall be in conformity with  
16 generally accepted accounting principles as applied to colleges  
17 and universities; and provided further that the department of  
18 education, until June 30, 2011, may install a different  
19 accounting system which shall be in conformity to generally  
20 accepted accounting principles. The comptroller shall make such  
21 changes and modifications in the accounting system as shall from

1 time to time appear to be in the best interest of the State and  
2 counties.

3       The departments and agencies of the executive branch are  
4 respectively charged with the responsibility to maintain an  
5 adequate system of internal control and with the further  
6 responsibility to see that the internal control system continues  
7 to function effectively as designed. The comptroller shall make  
8 such investigations and audits from time to time to enforce the  
9 use of the accounting system and internal control systems in the  
10 executive branch.

11       The judiciary, the legislature, and each county shall be  
12 responsible for the establishment and maintenance of its  
13 respective internal control system."

14       SECTION 3. Section 40-4, Hawaii Revised Statutes, is  
15 amended to read as follows:

16       "**§40-4 Publication of statements.** The comptroller shall  
17 prepare and submit to the governor, immediately following the  
18 close of each fiscal year, a statement of income and expenditure  
19 by funds, showing the principal sources of revenue, the function  
20 or purpose for which expenditures were made, together with a  
21 consolidated statement showing similar information for all  
22 funds; also a statement showing the balance in each fund at the

1 beginning of the fiscal year, plus the receipts, minus the  
2 disbursements, and the balance on hand at the close of the  
3 fiscal year after deducting outstanding warrants and vouchers.  
4 The comptroller may request all agencies, the judiciary, the  
5 University of Hawaii [~~until June 30, 2011~~], the Hawaii tourism  
6 authority, the department of education until June 30, 2011, and  
7 the legislature to provide such information as may be required  
8 for the preparation of statements."

9 SECTION 4. Section 40-6, Hawaii Revised Statutes, is  
10 amended to read as follows:

11 "§40-6 **Approval of business and accounting forms.** The  
12 comptroller shall determine the forms required to adequately  
13 supply accounting and statistical data for the state government.  
14 The comptroller shall require heads of departments and  
15 establishments of the state government to submit proposed new  
16 forms or proposed changes in current business and accounting  
17 forms for review and approval before ordering the same printed;  
18 except that the University of Hawaii [~~until June 30, 2011~~], and  
19 the Hawaii tourism authority, and the department of education  
20 until June 30, 2011, shall be subject to this requirement only  
21 with respect to uniform business and accounting forms of  
22 statewide use in the State's accounting system. All standard

1 state forms shall be classified, numbered, and standardized in  
2 design, dimensions, color, and grade of paper and recorded in a  
3 catalogue of accounting and statistical forms by the  
4 comptroller."

5 SECTION 5. Section 40-58, Hawaii Revised Statutes, is  
6 amended to read as follows:

7 "§40-58 In favor of assignees. No assignment of moneys by  
8 a person to whom the State is directly indebted shall be  
9 effective unless the assignment is first approved by the  
10 comptroller or, in the case of [~~the University of Hawaii and~~]  
11 the department of education[7] until June 30, 2011, and the  
12 University of Hawaii by their respective chief financial  
13 officers. The comptroller or the chief financial officers of  
14 the University of Hawaii and the department of education may  
15 prescribe the form for an assignment, and may approve the  
16 assignment within a reasonable time period if, in their  
17 respective discretion, the rights or obligations of the State,  
18 the University of Hawaii, or the department of education under  
19 any contract or other undertaking or under any law, rule, or  
20 order by a competent authority will not be prejudiced thereby.  
21 Upon approval of the assignment, the comptroller or the  
22 respective chief financial officers of the University of Hawaii

1 and the department of education shall draw a warrant payable to  
2 the assignee. Except as to contracts encumbered by the  
3 comptroller, the University of Hawaii, or the department of  
4 education, each expending agency, upon notification of the  
5 comptroller's approval of an assignment, shall prepare a claim  
6 for payment in accordance with the terms of the assignment."

7 SECTION 6. Section 40-81, Hawaii Revised Statutes, is  
8 amended to read as follows:

9 "§40-81 Report by agencies receiving special moneys. All  
10 state officers, departments, boards, bureaus, commissions, or  
11 agencies collecting or receiving any moneys not required by law  
12 to be deposited in the state treasury shall report to the  
13 comptroller all receipts and disbursements on account thereof  
14 for each quarterly period of the calendar year not later than  
15 the fifteenth day following the end of each quarterly period on  
16 such forms and under such rules as may be prescribed by the  
17 comptroller; provided that [~~until June 30, 2011,~~] with respect  
18 to all moneys held outside the state treasury by the University  
19 of Hawaii or, until June 30, 2011, by the department of  
20 education pursuant to the authority granted to the university  
21 and the department of education by this chapter, the University  
22 of Hawaii and the department of education shall report to the

1 comptroller all transactions for each quarterly period not later  
2 than the fifteenth day following the end of each quarterly  
3 period on such forms and under such rules as may be prescribed  
4 by the comptroller."

5 SECTION 7. Act 58, Session Laws of Hawaii 2004, as amended  
6 by section 50 of Act 22, Session Laws of Hawaii 2005, as amended  
7 by section 1 of Act 306, Session Laws of Hawaii 2006, and as  
8 amended by section 12 of Act 5, Special Session Laws of Hawaii  
9 2009, is amended by amending section 14 to read as follows:

10 "SECTION 14. This Act shall take effect upon its approval;  
11 provided that:

12 (1) The amendments made to sections 40-1, 40-4, and 40-6,  
13 Hawaii Revised Statutes, by part I of this Act shall  
14 not be repealed when those sections are reenacted on  
15 June 30, 2006, by section 1 of Act 137, Session Laws  
16 of Hawaii 2005;

17 (2) Sections 3, 4, 5, 6, and 7 of Part I shall be repealed  
18 on June 30, 2010, and:

19 (A) Sections 201B-2 and 201B-11, Hawaii Revised  
20 Statutes, shall be reenacted in the form in which  
21 they read on May 5, 2004; except that the  
22 amendments made by Act 5, Special Session Laws of

S.B. NO. 2762

1 Hawaii 2009, to section 201B-2, Hawaii Revised  
 2 Statutes, and subsection (c) of section 201B-11,  
 3 Hawaii Revised Statutes, shall not be repealed;  
 4 and  
 5 (B) Sections 40-1, 40-4, and 40-6, Hawaii Revised  
 6 Statutes, shall be reenacted in the form in which  
 7 they read on [~~June 30, 1986;~~] May 5, 2004, except  
 8 that the amendments made by sections 1, 3, and 4  
 9 of Act 161, Session Laws of Hawaii 2006, section  
 10 1 of Act 37, Session Laws of Hawaii 2008, and  
 11 sections 1, 3, and 4 of Act , Session Laws of  
 12 Hawaii 2010, shall not be repealed; and

13 (3) Section 9 shall take effect on July 1, 2004."

14 SECTION 8. Statutory material to be repealed is bracketed  
 15 and stricken. New statutory material is underscored.

16 SECTION 9. This Act shall take effect on June 29, 2010.

17  
 18 INTRODUCED BY: \_\_\_\_\_

19 BY REQUEST

**Report Title:**

University of Hawaii; Autonomy

**Description:**

Repeals the sunset provisions, with respect to the University of Hawaii, from sections 40-1, 40-2, 40-4, 40-6, 40-58, and 40-81, Hawaii Revised Statutes, and amend section 14 of Act 58, Session Laws of Hawaii 2006, as amended, from repealing the provisions pertaining to the University of Hawaii in sections 40-1, 40-4, and 40-6, Hawaii Revised Statutes.

JUSTIFICATION SHEET

DEPARTMENT: University of Hawaii

TITLE: A BILL FOR AN ACT RELATING TO THE UNIVERSITY OF HAWAII.

PURPOSE: To authorize the University of Hawaii to be able to continue processing its own fiscal documents.

MEANS: Amend sections 40-1(b), 40-2, 40-4, 40-6, 40-58, and 40-81, Hawaii Revised Statutes, and section 14 of Act 58, Session Laws of Hawaii 2004.

JUSTIFICATION: Act 321, Session Laws of Hawaii 1986 (Act 321), was one of several laws that provided the University of Hawaii (University) with greater autonomy over its internal operations. It allowed the University to assume authority and responsibility for all matters related to the acquisition of goods and services, pre-audit payments, fund accounting, and business and accounting forms. Act 321 also: (1) provided the University's Board of Regents with the authority to approve certain exceptions to statutory competitive bidding requirements and (2) authorized the University to install its own accounting system in conformity with generally accepted accounting principles as applied to colleges and universities.

The University seeks to retain and maintain this delegated authority and responsibility by removing the "sunset" deadlines from all of the affected statutory provisions.

Since 1986, the University has used the greater flexibility afforded by Act 321 to effectively increase efficiency in financial administration. The University believes that over that span of time, the University has successfully demonstrated its ability to independently administer its financial

operations with no adverse impact on the State. Because of this success and lack of negative impact on the State, this flexibility, authority, and responsibility should remain unchanged. Consequently, all of the sunset deadlines set forth in the six sections of chapter 40, Hawaii Revised Statutes, that would terminate such flexibility, authority, and responsibility are no longer necessary and should be removed.

Amendments to section 14 of Act 58, Session Laws of Hawaii 2004, which took effect on May 6, 2004, are required to preserve the provisions pertaining to the University of Hawaii. Act 58 of 2004 amended sections 40-1, 40-4, and 40-6, Hawaii Revised Statutes, to insert provisions for the Hawaii Tourism Authority. As last amended by section 12 of Act 5, Special Session Laws of Hawaii 2009, section 14(2) of Act 58 of 2004 will repeal the current sections 40-1, 40-4, and 40-6 on June 30, 2010, and reenact the versions of those sections that were in effect on June 30, 1986, before the provisions pertaining to the University of Hawaii were enacted. Consequently, section 14(2) of Act 58 of 2004 will in effect repeal the provisions in sections 40-1, 40-4, and 40-6 pertaining to the University of Hawaii. Because the Hawaii Tourism Authority provisions of chapter 40 were added on May 6, 2004, the correct version of the sections to be reenacted, for the purpose of the repeal of the Hawaii Tourism Authority provisions, should be the versions in effect on May 5, 2004, not on June 30, 1986. To preserve the amendments made to those sections for the University of Hawaii since May 5, 2004, section 14(2) of Act 58 of 2004 must be further amended to expressly preserve those amendments by specifying the subsequent session law amendments that should be preserved.

Because the amendments to section 14(2) of Act 58 of 2004 must take effect before the repeal and reenactment on June 30, 2010, this legislative proposal specifies an earlier effective date, which is expressly stated to be the day before, June 29, 2010.

Impact on the public: None.

Impact on the department and other agencies:  
None.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM  
DESIGNATION: UOH-900.

OTHER AFFECTED  
AGENCIES: Budget and Finance, Department of Accounting  
and General Services.

EFFECTIVE DATE: June 29, 2010.