

Honolulu, Hawaii

APR - 9 2010

RE: S.C.R. No. 18
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fifth State Legislature
Regular Session of 2010
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred
S.C.R. No. 18 entitled:

"SENATE CONCURRENT RESOLUTION REQUESTING THE AUDITOR TO
CONDUCT A FINANCIAL AND MANAGEMENT AUDIT OF THE DEPARTMENT OF
EDUCATION, "

begs leave to report as follows:

The purpose of this measure is to request the Auditor to
conduct a financial and management audit of the Department of
Education.

Your Committee conducted a public hearing on a proposed draft
of this concurrent resolution. The purpose of the proposed draft
was to establish a joint legislative special investigating
committee to oversee the investigation of the Department of Budget
and Finance's handling of the State's investment in student loan
auction rate securities. Under the proposed draft, the joint
legislative committee will be given various powers and functions
including:

- (1) Adopting rules for the conduct of its proceedings;
- (2) Issuing subpoenas;
- (3) Holding hearings;
- (4) Administering oaths;



- (5) Reporting or certifying instances of contempt;
- (6) Determining how a record will be made of its proceedings;
- (7) Providing for the submission, by a witness's own counsel and counsel for another individual or entity about whom the witness has devoted substantial or important portions of the witness's testimony, of written questions to be asked of the witness by the chair; and
- (8) Exercising all other powers with respect to an investigating committee.

Further, the proposed draft allows the Senate President and the Speaker of the House of Representatives, from time to time, to refer to the joint legislative committee specific matters that are within the scope of the committee's jurisdiction. The joint legislative committee is requested to report its findings and recommendations to the Legislature no later than twenty days prior to the convening of the Regular Session of 2011.

Your Committee has amended this measure by replacing its contents with the contents of the proposed draft and amending the proposed draft by:

- (1) Clarifying that there is established a joint legislative investigating committee;
- (2) Providing for the dissolution of the joint legislative investigating committee upon the submission of its report to the Legislature;
- (3) Adding a reference to the appropriate provision of the Rules of the House of Representatives; and
- (4) Making technical nonsubstantive amendments for the purposes of clarity, consistency, and style.

Your Committee finds that the State is suffering an estimated loss of at least \$254,000,000 from a total state investment of \$1,100,000,000 made through the Department of Budget and Finance in student loan auction rate securities. Due to the collapse of the student loan auction rate securities market, the assets are frozen and the State is unable to utilize the securities.



Furthermore, the Auditor has found that a portion of the student loan auction rate securities was purchased in violation of state laws that specify the maximum period of maturity and the required minimum financial rating for state investment purchases. The Auditor also cited several inadequacies, including failures in oversight on the part of the Department of Budget and Finance.

In light of the widespread disagreement among the Auditor, the Director of Finance, and the Administration regarding the legality and fiscal integrity of the student loan auction rate securities investments, your Committee finds that establishing a joint legislative investigating committee will help to resolve the issues in dispute and will provide assistance to the Legislature in formulating any future corrective policies.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee concurs with the intent and purpose of S.C.R. No. 18, as amended herein, and recommends its adoption in the form attached hereto as S.C.R. No. 18, S.D. 1.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,


DONNA MERCADO KIM, Chair

The Senate
Twenty-Fifth Legislature
State of Hawaii

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* SCR 18	Committee Referral: WAM	Date: 4/7/10		
<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)	/			
TSUTSUI, Shan S. (VC)	/			
CHUN OAKLAND, Suzanne	/			
ENGLISH, J. Kalani	/			
FUKUNAGA, Carol	/			
GALUTERIA, Brickwood				/
HEE, Clayton				/
HOOSER, Gary L.				/
KIDANI, Michelle N.	/			
KOKUBUN, Russell S.	/			
TOKUDA, Jill N.	/			
HEMMINGS, Fred	/			
TOTAL	9	0	0	3
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				

*Only one measure per Record of Votes