



GOV. MSG. NO. 1327

EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

July 13, 2015

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Twenty-Eighth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki,
Speaker
and Members of the House
Twenty-Eighth State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

I am transmitting herewith HB540 HD1 SD2 CD1, without my approval, and with the statement of objections relating to the measure.

HB540 HD1 SD2 CD1

RELATING TO THE UNIVERSITY OF HAWAII
ACCOUNTING AND FINANCIAL MANAGEMENT
SYSTEM

Sincerely,

DAVID Y. IGE
Governor, State of Hawaii

EXECUTIVE CHAMBERS

HONOLULU

July 13, 2015

STATEMENT OF OBJECTIONS TO HOUSE BILL NO. 540

Honorable Members
Twenty-Eighth Legislature
State of Hawaii

Pursuant to Section 16 of Article III of the Constitution of the State of Hawaii, I am returning herewith, without my approval, House Bill No. 540, entitled, "A Bill for an Act Relating to the University of Hawaii Accounting and Financial Management System."

The purpose of this bill is to extend to June 30, 2018, the authority of the University of Hawaii to maintain a separate accounting and financial management system that is compatible with the State of Hawaii accounting and financial systems, while ensuring that appropriations to the University of Hawaii are expended for the specific purposes intended by the Legislature. The original measure was limited to extending the authority of the University of Hawaii to maintain a separate accounting and financial management system and to amend chapter 304A, Hawaii Revised Statutes, to require the University of Hawaii to submit performance reports to the Legislature. As passed, however, the bill as recommended by the Conference Committee amends chapter 304A, Hawaii Revised Statutes, to provide that any appropriations to the University of Hawaii must be expended by the University of Hawaii for the specific purpose described in the appropriations bill, budget worksheets, or other appropriations vehicle. In addition, the proposed new section requires the University of Hawaii to submit a report to the Legislature if it does not expend the funds for the specific purposes described by the Legislature, and also provides that an amount equal to any moneys appropriated that were not expended in accordance with the specific purposes described by the Legislature shall be returned by the University of Hawaii to the general fund.

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HOUSE BILL NO. 540
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This bill is objectionable for several reasons. Operationally, this bill would require, for example, that appropriations made during the 2015 legislative session must be expended by June 30, 2016. If moneys were expended not according to the purposes specified by the Legislature, the University of Hawaii would report that fact to the 2017 session of the Legislature, and the University of Hawaii would be required to return those moneys to the general fund in fiscal year 2017-2018. This could result in a reduction in the base budget for the University of Hawaii and will result in uncertainty for the University of Hawaii with respect to how much money it actually has available to expend and how much it may have to hold in reserve and unexpended to cover the possible contingency that it must repay the general fund.

Second, this bill as passed is subject to challenge for violation of Section 14 of Article III of the Constitution of the State of Hawaii, because there are multiple subjects in the bill, some of which are not expressed in its title. The bill is entitled, "Relating to the University of Hawaii Accounting and Financial Management System." However, section 2 of the bill, which adds a new section to chapter 304A, Hawaii Revised Statutes, imposing requirements on the University of Hawaii regarding spending and reporting appropriations to the Legislature, does not appear to be covered by the bill's title and does not appear to be related to the other sections of the bill that extend the time for the University of Hawaii to use its specific accounting and financial computer systems.

Finally, Section 6 of Article X of the Constitution of the State of Hawaii provides, among other things, that "[t]he board [of regents] shall also have exclusive jurisdiction over the internal structure, management, and operation of the university. This section shall not limit the power of the legislature to enact laws of statewide concern. The legislature shall have the exclusive jurisdiction to identify laws of statewide concern." Because the Legislature did not make the requisite finding that this bill is a law of statewide concern, the bill is vulnerable to a challenge that it violates

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Section 6 of Article X of the Constitution of the State of Hawaii, because it impacts the internal management and operation of the University of Hawaii.

For the foregoing reasons, I am returning House Bill No. 540 without my approval.

Respectfully,

A handwritten signature in black ink, appearing to read "David Y. Ige". The signature is fluid and cursive, with a large loop at the end.

DAVID Y. IGE
Governor of Hawaii

ORIGINAL

VETO

HOUSE OF REPRESENTATIVES
TWENTY-EIGHTH LEGISLATURE, 2015
STATE OF HAWAII

H.B. NO.

540
H.D. 1
S.D. 2
C.D. 1

A BILL FOR AN ACT

RELATING TO THE UNIVERSITY OF HAWAII ACCOUNTING AND FINANCIAL
MANAGEMENT SYSTEM.

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

1 SECTION 1. The legislature finds that the University of
2 Hawaii has maintained a separate accounting system since 1986,
3 which has been compatible with both Hawaii accounting system
4 requirements and generally accepted accounting principles. The
5 legislature further finds that the University of Hawaii has
6 recently upgraded its accounting system through its
7 participation in the Kualii financial system consortium, a
8 university-based financial management software that better meets
9 the unique needs of university systems throughout the United
10 States. Since the implementation of the Kualii financial system,
11 the University of Hawaii continues to provide bi-monthly payroll
12 feeds to the department of accounting and general services, in
13 addition to routine and annual financial reports that are
14 included in the State of Hawaii annual consolidated financial
15 statements.

16 The purpose of this Act is to extend the authority of the
17 University of Hawaii to maintain a separate accounting and



1 financial management system that is compatible with the State of
2 Hawaii accounting and financial systems while ensuring that
3 appropriations to the University of Hawaii are expended for the
4 specific purposes intended by the legislature.

5 SECTION 2. Chapter 304A, Hawaii Revised Statutes, is
6 amended by adding a new section to be appropriately designated
7 and to read as follows:

8 "§304A- Appropriations; specific purpose. (a) Any
9 appropriation made by the legislature for a specific purpose as
10 described in the general appropriations bill, supplemental
11 appropriations bill, budget worksheets, or other appropriations
12 vehicle shall be expended by the University of Hawaii for the
13 specific purpose as described in the general appropriations
14 bill, supplemental appropriations bill, budget worksheets, or
15 other appropriations vehicle, as applicable.

16 (b) If the University of Hawaii does not expend the funds
17 for the specific purpose as described by the legislature, the
18 university shall submit a report to the legislature no later
19 than twenty days prior to the convening of the next regular
20 session. The report shall include a detailed explanation of why



1 the funds were not expended or, if the funds were expended for a
2 different purpose, why they were expended for that purpose.

3 (c) During the fiscal year following the submission of a
4 report pursuant to subsection (b), an amount equal to any funds
5 appropriated for the prior fiscal year that were not expended in
6 accordance with the specific purpose as described by the
7 legislature, plus any related recurring appropriations, shall be
8 returned by the University of Hawaii to the general fund."

9 SECTION 3. Section 40-1, Hawaii Revised Statutes, is
10 amended by amending subsection (b) to read as follows:

11 "(b) With respect to the executive branch, except the
12 University of Hawaii until June 30, [~~2016,~~] 2018, the Hawaii
13 tourism authority, and the department of education until
14 June 30, 2015, the comptroller shall have complete supervision
15 of all accounts. The comptroller shall preaudit all proposed
16 payments of \$10,000 or more to determine the propriety of
17 expenditures and compliance with executive orders and rules that
18 may be in effect. When necessary, the comptroller shall
19 withhold approval of any payment. Whenever approval is
20 withheld, the department or agency concerned shall be promptly
21 notified. With respect to the University of Hawaii, the Hawaii



1 tourism authority, and the department of education, the
2 comptroller shall issue warrants for the release of funds for
3 the operating costs of the university, the Hawaii tourism
4 authority, or the department of education, as applicable, in
5 amounts and at times mutually agreed upon by the governor or
6 director of finance and the university, the Hawaii tourism
7 authority, or department of education, as applicable; provided
8 that:

- 9 (1) The amounts released shall not exceed the allotment
10 ceilings for the respective funding sources of the
11 university's or the department of education's
12 appropriations established by the governor for an
13 allotment period pursuant to section 37-34, or in the
14 case of the Hawaii tourism authority, revenues
15 received by the convention center enterprise special
16 fund and the tourism special fund pursuant to section
17 237D-6.5; and
- 18 (2) The comptroller may issue warrants as an advance from
19 the state treasury to the University of Hawaii, the
20 Hawaii tourism authority, and the department of
21 education to establish a checking account and provide



1 working capital in amounts and at times mutually
2 agreed upon by the governor or director of finance and
3 the University of Hawaii, the Hawaii tourism
4 authority, and the department of education.

5 The University of Hawaii and the department of education shall
6 preaudit all proposed payments of \$10,000 or more and shall
7 preaudit samples of the population of proposed payments of less
8 than \$10,000; provided that the sample size comprises at least
9 five per cent of the population, and is of a size that the chief
10 financial officers of the University of Hawaii and the
11 department of education, as applicable, determine appropriate,
12 to determine the propriety of expenditures and compliance with
13 applicable laws, executive orders, and rules. The Hawaii
14 tourism authority shall preaudit all proposed payments to
15 determine the propriety of expenditures and compliance with
16 applicable laws, executive orders, and rules as may be in
17 effect. The University of Hawaii, the Hawaii tourism authority,
18 and the department of education shall make disbursements for
19 operating expenses from the amounts released by the comptroller
20 and maintain records and documents necessary to support those
21 disbursements at times mutually agreed upon by the university



1 president, the executive director of the Hawaii tourism
2 authority, or the superintendent of education, as applicable,
3 and the comptroller; provided that when requested by the
4 university, the Hawaii tourism authority, or department of
5 education, the comptroller shall make all disbursements for the
6 university, the Hawaii tourism authority, or department of
7 education, as applicable, subject to available allotment. Funds
8 released pursuant to this section shall be deposited by the
9 university, the Hawaii tourism authority, or department of
10 education, as applicable, in accordance with the provisions
11 applicable to the director of finance by chapter 38. Except for
12 moneys deposited by the Hawaii tourism authority in the
13 convention center enterprise special fund pursuant to section
14 201B-8, and in the tourism special fund pursuant to section
15 201B-11, any interest earned on the deposit of funds released
16 pursuant to this section shall be deposited in the state
17 treasury at the end of each fiscal year."

18 SECTION 4. Section 40-2, Hawaii Revised Statutes, is
19 amended by amending subsection (a) to read as follows:

20 "(a) The accounting system installed by the commission on
21 public accountancy under Act 181, Session Laws of Hawaii 1923,



1 as amended by Act 220, Session Laws of Hawaii 1925, for use in
2 the offices of the comptroller, director of finance,
3 departmental and agency services of the State, and the auditors,
4 treasurers, departmental and agency services of the several
5 counties shall be the accounting and reporting systems of the
6 State and counties; provided that the University of Hawaii,
7 until June 30, [~~2016,~~] 2018, may install a different accounting
8 system that shall be in conformity with generally accepted
9 accounting principles as applied to colleges and universities;
10 and provided further that the department of education, until
11 June 30, 2011, may install a different accounting system that
12 shall be in conformity to generally accepted accounting
13 principles. The comptroller shall make [~~such~~] changes and
14 modifications in the accounting system [~~as shall from time to~~
15 ~~time appear to be~~] that are in the best interest of the State
16 and counties."

17 SECTION 5. Section 40-4, Hawaii Revised Statutes, is
18 amended to read as follows:

19 "§40-4 **Publication of statements.** The comptroller shall
20 prepare and submit to the governor, immediately following the
21 close of each fiscal year, a statement of income and expenditure



1 by funds, showing the principal sources of revenue, the function
2 or purpose for which expenditures were made, together with a
3 consolidated statement showing similar information for all
4 funds; also a statement showing the balance in each fund at the
5 beginning of the fiscal year, plus the receipts, minus the
6 disbursements, and the balance on hand at the close of the
7 fiscal year after deducting outstanding warrants and vouchers.
8 The comptroller may request all agencies, the judiciary, the
9 University of Hawaii until June 30, [~~2016,~~] 2018, the Hawaii
10 tourism authority, the department of education until June 30,
11 2011, and the legislature to provide such information as may be
12 required for the preparation of statements."

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

15 "**§40-6 Approval of business and accounting forms.** The
16 comptroller shall determine the forms required to adequately
17 supply accounting and statistical data for the state government.
18 The comptroller shall require heads of departments and
19 establishments of the state government to submit proposed new
20 forms or proposed changes in current business and accounting
21 forms for review and approval before ordering the same printed;



1 except that the University of Hawaii until June 30, [~~2016~~]
2 2018, the Hawaii tourism authority, and the department of
3 education until June 30, 2011, shall be subject to this
4 requirement only with respect to uniform business and accounting
5 forms of statewide use in the State's accounting system. All
6 standard state forms shall be classified, numbered, and
7 standardized in design, dimensions, color, and grade of paper
8 and recorded in a catalogue of accounting and statistical forms
9 by the comptroller."

10 SECTION 7. Section 40-58, Hawaii Revised Statutes, is
11 amended to read as follows:

12 "**§40-58 In favor of assignees.** No assignment of moneys by
13 a person to whom the State is directly indebted shall be
14 effective unless the assignment is first approved by the
15 comptroller or, in the case of the University of Hawaii until
16 June 30, [~~2016~~] 2018, and the department of education until
17 June 30, 2011, by their respective chief financial officers.
18 The comptroller or the chief financial officers of the
19 University of Hawaii and the department of education may
20 prescribe the form for an assignment[~~7~~] and may approve the
21 assignment within a reasonable time period if, in their



1 respective discretion, the rights or obligations of the State[7]
2 or the University of Hawaii, or the department of education
3 under any contract or other undertaking or under any law, rule,
4 or order by a competent authority will not be prejudiced
5 thereby. Upon approval of the assignment, the comptroller or
6 the respective chief financial officers of the University of
7 Hawaii and the department of education shall draw a warrant
8 payable to the assignee. Except as to contracts encumbered by
9 the comptroller[7] or the University of Hawaii, or the
10 department of education, each expending agency, upon
11 notification of the comptroller's approval of an assignment,
12 shall prepare a claim for payment in accordance with the terms
13 of the assignment."

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

16 "**§40-81 Report by agencies receiving special moneys.** All
17 state officers, departments, boards, bureaus, commissions, or
18 agencies collecting or receiving any moneys not required by law
19 to be deposited in the state treasury shall report to the
20 comptroller all receipts and disbursements on account thereof
21 for each quarterly period of the calendar year not later than



1 the fifteenth day following the end of each quarterly period on
2 such forms and under such rules as may be prescribed by the
3 comptroller; provided that with respect to all moneys held
4 outside the state treasury by the University of Hawaii until
5 June 30, [~~2016~~] 2018, or the department of education until
6 June 30, 2011, pursuant to the authority granted to the
7 university and the department of education by this chapter, the
8 University of Hawaii and the department of education shall
9 report to the comptroller all transactions for each quarterly
10 period not later than the fifteenth day following the end of
11 each quarterly period on [~~such~~] forms and under [~~such~~] rules as
12 may be prescribed by the comptroller."

13 SECTION 9. Act 58, Session Laws of Hawaii 2004, as amended
14 by section 50 of Act 22, Session Laws of Hawaii 2005, as amended
15 by section 1 of Act 306, Session Laws of Hawaii 2006, as amended
16 by section 12 of Act 5, Special Session Laws of Hawaii 2009, as
17 amended by section 5 of Act 102, Session Laws of Hawaii 2010, is
18 amended by amending section 14 to read as follows:

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



- 1 (1) The amendments made to sections 40-1, 40-4, and 40-6,
2 Hawaii Revised Statutes, by part I of this Act shall
3 not be repealed when those sections are reenacted on
4 June 30, 2006, by section 1 of Act 137, Session Laws
5 of Hawaii 2005;
- 6 (2) Sections 3, 4, 5, 6, and 7 of part I shall be repealed
7 on June 30, 2015, and:
- 8 (A) Sections 201B-2 and 201B-11, Hawaii Revised
9 Statutes, shall be reenacted in the form in which
10 they read on May 5, 2004; except that the
11 amendments made by Act 5, Special Session Laws of
12 Hawaii 2009, to section 201B-2, Hawaii Revised
13 Statutes, and subsection (c) of section 201B-11,
14 Hawaii Revised Statutes, shall not be repealed;
15 and
- 16 (B) Sections 40-1, 40-4, and 40-6, Hawaii Revised
17 Statutes, shall be reenacted in the form in which
18 they read on [~~June 30, 1986,~~] May 5, 2004; and
- 19 (3) Section 9 shall take effect on July 1, 2004."
- 20 SECTION 10. Act 124, Session Laws of Hawaii 2010, is
21 amended by amending section 15 to read as follows:



1 "SECTION 15. This Act, upon its approval, shall take
2 effect retroactive to April 30, 2010; provided that:

3 (1) Part II shall only take effect upon the repeal and
4 reenactment of sections 40-1, 40-4, and 40-6, Hawaii
5 Revised Statutes, on June 30, 2010, pursuant to Act
6 58, Session Laws of Hawaii 2004, as amended; and

7 (2) Part III shall only take effect upon the repeal of
8 paragraph (2)(B) of section 14 of Act 58, Session Laws
9 of Hawaii 2004, as amended, pursuant to an Act of the
10 2010 legislature; or in the absence of that repeal,
11 upon the extension of the June 30, 2010, repeal date
12 in paragraph (2) of section 14 of Act 58, Session Laws
13 of Hawaii 2004, as amended, pursuant to an Act of the
14 2010 legislature[-]; provided further that the
15 amendments to sections 40-1, 40-4, and 40-6, Hawaii
16 Revised Statutes, by part III shall not be repealed
17 when those sections are repealed and reenacted
18 pursuant to section 5 of Act 102, Session Laws of
19 Hawaii 2010."

20 SECTION 11. Act 161, Session Laws of Hawaii 2010, is
21 amended by amending section 8 to read as follows:



1 "SECTION 8. This Act, upon its approval, shall take effect
2 retroactive to April 30, 2010; provided that:

3 (1) Part II shall only take effect upon the repeal and
4 reenactment of section 40-1, Hawaii Revised Statutes,
5 on June 30, 2010, pursuant to Act 58, Session Laws of
6 Hawaii 2004, as amended; and

7 (2) Part III shall only take effect upon the repeal of
8 paragraph (2)(B) of section 14 of Act 58, Session Laws
9 of Hawaii 2004, as amended, pursuant to an Act of the
10 2010 legislature; or in the absence of that repeal,
11 upon the extension of the June 30, 2010, repeal date
12 in paragraph (2) of section 14 of Act 58, Session Laws
13 of Hawaii 2004, as amended, pursuant to an Act of the
14 2010 legislature[-]; provided that the amendment to
15 section 40-1, Hawaii Revised Statutes, by part III
16 shall not be repealed when that section is repealed
17 and reenacted pursuant to section 5 of Act 102,
18 Session Laws of Hawaii 2010."

19 SECTION 12. Statutory material to be repealed is bracketed
20 and stricken. New statutory material is underscored.



