

DEPARTMENT OF BUDGET AND FINANCE

<http://www.hawaii.gov/budget/>

The Department of Budget and Finance, established under section 26-8, Hawaii Revised Statutes, is headed by the Director of Finance. The Department administers the development of the State's short-, intermediate-, and long-range financial plans, administers the state budget, and provides programs for the improvement of management and financial management of state agencies. It coordinates all budget services, supervises the implementation of the fiscal policies established by the Governor or mandated by the Legislature, prepares the Governor's budget for submission to the Legislature, and has custody of all state funds.

Administrative and Research Office

The Administrative and Research Office (ARO) plans, directs, and coordinates comprehensive programs, services, and functions for the Department. This Office provides services in budget, organizational management, procurement, financial accounting management, and systems analyses and formulates policies, procedures, and guidelines in support of departmental programs. ARO also administers a comprehensive personnel management program and provides assistance in all functional areas of personnel management to the Department's administration, programs, and employees.

Budget, Program Planning and Management Division

The Budget, Program Planning and Management Division's primary function is to optimize the expenditure of all public funds. It does this by assisting state agencies to improve the operational effectiveness of their programs and the effectiveness of agency budgeting, and by issuing guidelines and instructions regarding appropriate statewide implementation of statutory and constitutional budget provisions.

The Division conducts studies and evaluations of the effectiveness of state programs. It also develops and implements a program evaluation system and coordinates the planning and program analysis projects of the State's agencies. The Division analyzes and assists the administration in improving management systems, policies, and procedures; develops a format and procedures for a statewide program structure; and reviews requests for reorganization. The Division also develops staffing and performance standards and methods to improve the utilization of space, time, and personnel. Additionally, the Division administers the State's capital improvements program, together with the Public Works Division of the Department of Accounting and General Services.

The Division also develops and implements resource allocation policies of state government and makes long-range budget and resource allocations. The Division reviews long- and short-range program plans, and prepares the executive budget that is submitted to the Legislature. The Division also supervises and controls all budget appropriations authorized by

the Legislature, and provides program revenue and expenditure data and analysis to appropriate divisions of the Department. In addition, the Division prepares and updates the State's general fund financial plan, and provides staff support to the Council on Revenues, primarily regarding non-tax and special fund tax revenue projections. The Division also provides fiscal and budgetary staff support on matters involving collective bargaining negotiations and the analysis of collective bargaining proposals and contracts.

Financial Administration Division

As custodian of the public funds and securities, the Financial Administration Division (FAD) manages the State Treasury, where receipts, investments, disbursements, and transfers of funds are conducted. FAD monitors the State's investments and cash flow requirements and develops investment strategies accordingly.

Through the issuance and control of state bonds, FAD manages the public debt. Other agencies are also assisted with their bond sale requirements. All tasks related to the issuance of bonds are conducted by FAD, which include preparing and reviewing all bond documents and official statements, monitoring bond yields and market conditions, coordinating pricing and document preparation between all involved parties, ensuring conformance with laws and regulations, and monitoring repayments.

Included in FAD's responsibilities is the Unclaimed Property Program. The Program receives, holds in custody, and returns to its owners properties deemed to be abandoned.

ATTACHED FOR ADMINISTRATIVE PURPOSES

Employees' Retirement System

The Employees' Retirement System of the State of Hawaii (ERS) was established by the Legislature in 1925 (now codified as section 88-22, Hawaii Revised Statutes) to provide retirement, disability, and survivor benefits for state general employees, teachers, professors, judges, county general employees, police officers, firefighters, and elected officials.

ERS is a qualified defined benefit pension plan under section 401(a) of the Internal Revenue Code. As such, ERS is exempt from federal income taxation on its investment earnings. Since January 1, 1988, member contributions have been tax deferred under section 414(h) of the Internal Revenue Code.

The general administration and operation of ERS is the responsibility of the eight-member Board of Trustees (Board). The Board is comprised of the Director of Finance as an ex officio member and four members of the System, two of whom are general employees, one teacher, and one retirant elected by the members of the System for six years. The remaining three trustees are citizens of the State, not public employees, one of whom is a responsible

officer of a bank authorized to do business in the State, or a person of similar experience, appointed by the Governor, with the advice and consent of the Senate, for six-year terms.

Under the direction of the Board, ERS administers three plans for the benefit of eligible state and county employees. These plans are the Contributory, Hybrid, and Noncontributory Plans. Those in the Contributory and Hybrid Plans are required to make contributions to ERS and may also be covered by Social Security, whereas members in the Noncontributory Plan do not make contributions to ERS and are covered by Social Security. In addition, ERS accounts for and safeguards the billions of dollars in its investment portfolio.

Hawaii Employer-Union Health Benefits Trust Fund

Chapter 87A of the Hawaii Revised Statutes established a trust fund known as the Hawaii Employer-Union Health Benefits Trust Fund (EUTF). EUTF is the state agency that provides eligible state and county employees and retirees and their eligible dependents with health and life insurance benefits. EUTF replaced the Hawaii Public Employees Health Fund, effective July 1, 2003. EUTF is administered by a board of trustees (Board). The Board is responsible for determining the nature and scope of the benefit plans offered, negotiating and entering into contracts with insurance carriers, establishing eligibility criteria and management policies for EUTF, and overseeing all EUTF activities. There are ten trustees, five representing the public employers and five representing employee-beneficiaries, including a retiree representative. The day-to-day administration of EUTF is managed by an Administrator who reports and is responsible to the Board. The EUTF Administrator and staff positions are exempt from civil service. EUTF has three branches: the Financial Services Branch, Information Systems Branch, and Member Services Branch. EUTF operates according to administrative rules adopted in February 2003, and since revised from time to time.

Public Utilities Commission

The Public Utilities Commission, established under section 269-2, Hawaii Revised Statutes, is responsible for regulating all chartered, franchised, certificated, and registered public utility companies that provide electricity, gas, telecommunications, private water and sewage, and motor and water carrier transportation services in the State. It also oversees the administration of a one call center that provides advance warning to excavators of the location of subsurface installations in the area of an excavation in order to protect those installations from damage. In addition, the Commission has recently been tasked with the development and maintenance of the petroleum industry monitoring, analysis and reporting program that is intended to increase transparency within the petroleum industry. The Commission has statutory authority to enforce applicable state statutes, adopt administrative rules, and set policies and standards.

The Commission is a three-member commission appointed by the Governor subject to the advice and consent of the Senate. Members of the Commission are appointed for six years or until a successor is appointed but for not more than twelve consecutive years. No person owning

any interest in any public utility corporation or having any income from a public utility may be appointed to the Commission. The Chairperson of the Commission is designated by the Governor.

Office of the State Public Defender

The Office of the State Public Defender is established under section 802-8, Hawaii Revised Statutes.

Any indigent person arrested for, charged with, or convicted of an offense punishable by imprisonment, or threatened with involuntary confinement in a mental institution, is entitled to representation by a public defender from the Office of the State Public Defender. In addition, representation is provided children who may come within the purview of chapter 571, Hawaii Revised Statutes, relating to Family Courts.

The State Public Defender is appointed by the Defender Council for a term of four years, and until a successor is appointed and qualified. During the term of office, the Public Defender devotes full time to duties of the Office and is not permitted to engage in the general practice of law.

Defender Council. The Defender Council is the governing body of the Office of the State Public Defender, pursuant to section 802-9, Hawaii Revised Statutes. The five-member Council is appointed by the Governor. The membership of the Council includes at least one member from each of the counties and is chaired by the person selected by its members.

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