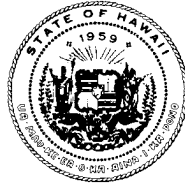


DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO:

Statement of
Craig K. Hirai
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON FINANCE

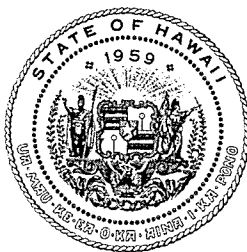
March 19, 2015 at 2:00 p.m.
State Capitol, Room 308

In consideration of
S.B. 1092, S.D. 1
RELATING TO THE REPEAL OF NON-GENERAL FUNDS.

The HHFDC **supports** Part II of S.B. 1092, S.D. 1. We defer to the Department of Transportation with respect to the remainder of the bill.

The HHFDC concurred with the Legislative Auditor's findings that the Pineapple Workers and Retirees Housing Assistance Fund is no longer serving the purpose for which it was created. Accordingly, we have no objections to the repeal of this Fund.

Thank you for the opportunity to testify.



**TESTIMONY OF JAN K. YAMANE, ACTING STATE AUDITOR,
ON SENATE BILL NO. 1092, SENATE DRAFT 1,
RELATING TO THE REPEAL OF NON-GENERAL FUNDS**

House Committee on Finance

March 19, 2015

Chair Luke and Members of the Committee:

I am Jan Yamane, Acting State Auditor. Thank you for the opportunity to testify in support of Senate Bill No. 1092, Senate Draft 1 (SB 1092, SD 1), which would, among other purposes, repeal various non-general funds and accounts and lapse the unencumbered balances to the general fund.

In 2014, we released various reports on our reviews of special, revolving, and trust funds and trust accounts, two of which relate to departments impacted by SB 1092, SD 1:

- 1) Report No. 14-05 (DOT) and
- 2) Report No. 14-13 (AG and DBEDT)

Our funds reviews evaluate the original intent and purpose of each fund, including the degree to which each fund continues to serve its intended purpose. We also evaluate whether each fund meets statutory criteria for its respective fund type (i.e., special, revolving, or trust). We do not conclude about the effectiveness of programs and their management; however, for special and revolving funds, we conclude on the need for the fund based on the purpose and scope of the program it supports. This bill would implement two of the funds listed in our reports that do not meet criteria for a special fund and should be repealed as follows:

1. **Pineapple Workers and Retirees Housing Assistance Fund Special Fund** (Section 2) established under §201H-85, HRS. We recommended repeal; DBEDT agreed (Report No. 14-13).
2. **Transportation Use Special Fund** (Section 4) established under §261-D-1, HRS. We recommended repeal; DOT agreed (Report No. 14-05).

Thank you for this opportunity to testify in support of Senate Bill 1092, S.D 1. I am available to answer any questions you may have.

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NOS. 159, S.D. 1 AND 1092, S.D. 1

March 19, 2015

RELATING TO THE REPEAL OF NON-GENERAL FUNDS

Senate Bill No. 159, S.D. 1, and Senate Bill No. 1092, S.D. 1, repeals several unused or inactive non-general fund accounts with low balances or no activity in recent years.

Senate Bill No. 159, S.D. 1, also abolishes various administratively established trust accounts. The funds being repealed in the bill are as follows:

- Captain Cook Memorial Fund, Sections 6E-4, 6E-33, HRS
- Statewide Geospatial Information and Data Integration Special Fund, Sections 225M-6, 225M-7, HRS
- Food Distribution Program Revolving Fund, Section 302A-1315, HRS
- Career and Technical Training Projects Revolving Fund, Section 304A-2268, HRS
- University of Hawaii Alumni Special Fund, Section 304A-2175, HRS
- Animal Research Farm, Waialeale, Oahu Special Fund, Section 304A-2177, HRS
- Public Health Nursing Services Special Fund, Chapter 321, Part XXXV, HRS, and Section 321-432, HRS
- Blind Shop Revolving and Handicraft Fund, Section 347-12, HRS

- Fee Simple Residential Revolving Fund, Sections 201H-211, 516-5, 516-44, 516-45, HRS
- Donations for Voter Registration Drive Trust, Hawaii FYI-ICSD Trust Account, Parking Control Revolving Fund Escrow Account, Returned ACH Tax Refunds Trust Account, HDOA Biocontrol Foreign Exploration Special Fund, Hawaii EUTF Self-Directed Investments Trust Account and an account controlled by the State Commission on Fatherhood

Senate Bill No. 1092, S.D. 1, repeals the following two non-general fund accounts:

- Pineapple Workers and Retirees Housing Assistance Fund, Section 201H-85, HRS
- Transportation Use Special Fund, Sections 261D-1, 261D-3, 261D-4, 261-5, 36-30(a), HRS

The Department of Budget and Finance supports the intent of both bills, which combined are similar to the Administration bill, Senate Bill No. 1092.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

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SUBJECT: MISCELLANEOUS, Repeal of special funds

BILL NUMBER: SB 1092, SD-1

INTRODUCED BY: Senate Committee on Ways and Means

EXECUTIVE SUMMARY: Implements the state auditor's recommendation to repeal various special funds.

BRIEF SUMMARY: Repeals the following:

Pineapple workers and retirees housing assistance fund (HRS section 201H-85)
Transportation use special fund (HRS section 261D-1)

EFFECTIVE DATE: July 1, 2015

STAFF COMMENTS: This measure implements the state auditor's recommendation in the recently released auditor's reports that reviewed the special funds, revolving funds, trust funds, and trust accounts of the various state departments.

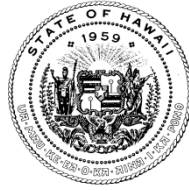
The 1989 Tax Review Commission noted that use of special fund financing is a "departure from Hawaii's sound fiscal policies and should be avoided." It also noted that special funds are appropriate where the revenues to the funds maintain some direct connection between a public service and the beneficiary of that service. The Commission found that special funds which merely set aside general funds cannot be justified as such actions restrict budget flexibility, create inefficiencies, and lessen accountability. It recommended that such programs can be given priority under the normal budget process without having to resort to this type of financing.

Seconding the Commission's harsh criticism was the State Auditor's report issued in February of 1991 that recognized that the "tax is levied on the general public rather than specific beneficiaries of the program," and thus the fund did not reflect a "direct link between user benefits and user charges."

As a result of the recent spotlight of monies in special funds, the legislature by Act 130, SLH 2013, requires the State Auditor to review all existing special, revolving, and trust funds beginning in 2014 and every five years which assists in making government finances more transparent.

Digested 3/18/15

DAVID Y. IGE
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LATE

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869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

IN REPLY REFER TO:

March 19, 2015
2:00 p.m.
State Capitol, Room 308

S.B.1092, S.D. 1
RELATING TO THE REPEAL OF NON-GENERAL FUNDS

House Committee on Finance

The Department of Transportation **supports** this bill, which abolishes the transportation use special fund, which no longer serves the purposes for which it was created.

Thank you for the opportunity to submit this testimony.