

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON LEGISLATIVE MANAGEMENT
ON
HOUSE BILL NO. 2064

February 5, 2008

RELATING TO THE BUDGET

House Bill No. 2064 amends Chapter 37, HRS, as follows:

1. Requires the Governor or Director of Finance to provide written notice to the joint legislative budget committee prior to the imposition of any restriction or withholding of any appropriation and the reasons therefor.
2. Authorizes the joint legislative budget committee to hold public hearings on such restrictions.
3. Requires the allotment estimates submitted by Executive departments and agencies to the Director of Finance to include the entire amounts appropriated in the Budget Act and any other appropriation act.

The Department of Budget and Finance strongly opposes these proposed amendments.

Chapter 37, HRS, authorizes the Director of Finance, with the approval of the Governor, to restrict the expenditure of funds appropriated by the Legislature under certain conditions. Prior notice to the Legislature (including the chairpersons of the Senate Ways and Means Committee and the House Finance Committee) of the intent to reduce or change allotment amounts is required for reductions exceeding 2.5 per cent of total general fund appropriations (Sections 37-36 and 37-37).

Pursuant to Chapter 37, HRS, the expenditure of all appropriations, including specific appropriations, is subject to the allotment system, except as otherwise provided by law. As a matter of policy, expenditures of specific appropriations are not generally included in the initial allotment/spending plan at the beginning of the fiscal year. Instead, they are reviewed on a case-by-case basis as the need for expenditure arises. This has been a long-standing practice of past and current administrations to ensure that public funds are spent economically and efficiently.

The requirement that departmental allotment requests shall include the full amounts of appropriations contravenes the authority and responsibility of the Executive Branch in its capacity as administrator of State programs and finances. Under certain conditions, restrictions are the appropriate, prudent, and necessary actions to exercise control over the spending of public funds and maintain fiscal balance.

As in the past, our department will always comply with legislative inquiry into the restriction policies, the amounts, and reasons therefor.