



EXECUTIVE CHAMBERS
HONOLULU

LINDA LINGLE
GOVERNOR

Testimony of
Linda L. Smith
Senior Policy Advisor to the Governor

Before the
HOUSE COMMITTEE ON LEGISLATIVE MANAGEMENT
Friday, February 6, 2009, 2:00 p.m.
Room 423, State Capitol

H.B. 1364 RELATING TO THE BUDGET

Chair Tokioka, Vice Chair Oshiro, and members of the Committee:

The Office of the Governor **opposes** H.B. 1364. This bill requires the Governor to provide a quarterly report to the Legislature on all appropriation restrictions within 30 days after the close of each allotment period. This bill also requires that if restrictions are not reported, appropriations must be immediately released.

According to article VII, section 5, of the State Constitution, and section 37-37 of the Hawaii Revised Statutes, it is the responsibility of the Governor to ensure that the budget is balanced and expenditures are made prudently. Especially in light of the current fiscal situation, significant reductions have been made to amounts appropriated to the Executive Branch for fiscal year 2008-2009 by the previous Legislature. Whether these are across-the-board reductions or program-related reductions, limits are being put in place with the budget deficit in mind.

Requiring all appropriation restrictions to be explained each quarter will not provide an accurate or complete picture of the overall funding for programs and departments. Especially in cases when appropriations may be reduced but substituted with another method of funding in a subsequent quarter, submitting reports on restrictions made during the quarter will only create confusion or misunderstanding.

With decisions being made throughout the year on over 500 appropriation accounts in the Executive budget alone, there is a possibility that accidental omissions may occur in reporting. As a result, it unnecessarily penalizes the State and its taxpayers if an inadvertent reporting error leads to the release of legitimately restricted funds.

On an annual basis, the Department of Budget and Finance provides the Legislature with a Budget-in-Brief, which provides a complete and accurate picture of the State's funding and expenditures. Requiring the explanation of budget restrictions on a quarterly basis will only create confusion and complicate the budgeting process. As such, the Office of the Governor must oppose H.B. 1364.

WRITTEN ONLY

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. 1364

February 6, 2009

RELATING TO THE BUDGET

House Bill No. 1364 amends Chapter 37, Hawaii Revised Statutes, by adding a new section to require the Governor or the Director of Finance to report each restriction of appropriations to the Legislature no later than 30 days after the end of each quarter. Failure of the Governor or the Director of Finance to submit the report will result in the immediate release of the restricted appropriations.

We are opposed to this bill. Administratively, it may be difficult to implement this bill because of the number of decisions that may be made to restrict appropriations. The Executive budget alone consists of over 250 programs and 500 appropriation accounts. Decisions may be made at the beginning of the fiscal year, quarterly, and as needed throughout the fiscal year. Decisions may be made involving a single appropriation, one or more programs, or one or more departments.

Additionally, we question how Subsection (C) on page 2 will work. The Governor has the final authority on releasing appropriations and it is unclear how funds can be immediately released without the Governor's approval.

To: Representative James Tokioka, Chair
Representative Blake Oshiro, Vice Chair
House Committee on Legislative Management

From: Seth Corpuz-Lahne
1554 Ulupii St.
Kailua, HI 96734

RE: Support for HB 1364, Relating to the Budget

Hearing: Friday February 6, 2009
Conference Room 423
2:00 PM

Chair Tokioka, Vice-Chair Oshiro, members of the Committee on Legislative Management, thank you for this opportunity to testify in support of HB 1364. Under the current law the Governor may reduce or limit appropriations in the budget bill, and not give an explanation as to why the expenditure is being cut. It is important to the people of Hawaii, their Legislature, and the integrity of the budget process that the Governor's reasons for not funding a program included in the budget be public knowledge. Numerous programs, from building schools to funding the care of our kupuna, have been consigned to the Limbo of unfunded mandates after the Executive unilaterally decided not to release funds, making the Budget bill little more than lip-service in the face of a Governor determined to not fund initiatives that have run the legislative gauntlet. Solutions can be found to address funding shortfalls, but the current state affairs amounts to a line item budget veto that cannot be overridden. I ask for the Committee's support of this important bill, HB 1364, Relating to the Budget, so that the Legislature will be better informed of the Governor's reasons and intentions behind reducing or limiting appropriations, and that, failing notification, the funds are disbursed as indicated, thank you.