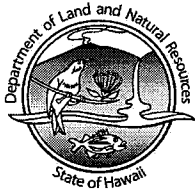


HB 39

LINDA LINGLE
GOVERNOR OF HAWAII



**STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

**Testimony of
LAURA H. THIELEN
Chairperson**

**Before the Senate Committee on
WAYS AND MEANS**

**April 6, 2009
9:30 AM**

State Capitol, Conference Room 211

**In consideration of
HOUSE BILL 39, HOUSE DRAFT 1, Proposed SENATE DRAFT 1
RELATING TO STATE REVENUES**

House Bill 39, House Draft 1, Proposed Senate Draft 1 would: 1) Temporarily repeal the Central Service and Administrative expenses exemption for certain special funds; 2) Temporarily transfer of interest from certain special funds, revolving funds, and special accounts to the general fund; and 3) Transfer monies from certain special and revolving funds into the State General Fund. The Department of Land and Natural Resources' (Department) comments are restricted to those special funds under its purview. While the Department is sensitive to the State's difficult economic situation and as such, amicable to temporary funding source options to help balance the budget, the Department nonetheless raises the following concerns it has with this measure.

The Department's general fund budget was reduced by \$1.38M last legislative session. This reduction was compounded with a 4% general fund budget restriction (\$1.3M) imposed by the Administration. Just recently, the Department was instructed to restrict another 2% (\$654,863) on their general fund spending. The Department notes that its 2010-11 Biennium Budget request proposes an additional \$6.4M reduction in general funds. The Department has explored supplementing the loss of general funds with federal funds and special funds, as alternative funding sources, to continue the Department's efforts and initiatives to protect, preserve and enhance the quality of our state's natural and cultural resources which directly affect the quality of life for our residents and form the basis for our tourism economy.

Specifically, with regard to the Sport Fish Special Fund, this Fund contains monies derived from the sale of freshwater game fish licenses sold by the Department. These monies are then used to support the Department's Sport Fish Program, including the management of public fishing areas such as those at Kokee, Kauai, Lake Wilson and Nuuanu Reservoirs on Oahu, and many other projects.

LAURA H. THIELEN
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

RUSSELL Y. TSUJI
FIRST DEPUTY

KEN C. KAWAHARA
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

The Department notes that an exemption from central services and administrative fees was obtained by way of Act 86, Session Laws of Hawaii 2002, because the fee assessment would jeopardize the receipt of over \$2M in federal funds to the State (currently \$3.4M for the most current federal fiscal year). Federal law (§80.4, 50 CFR Ch 1-F, Part 80) prohibits the diversion of any funds from license fees or any interest derived there from, paid by fishermen for any other purpose than the administration of the State's fish and wildlife agency.

Implementing the provisions of this bill would run counter to federal law, and could jeopardize over \$3.4M in federal funds that the State can ill afford to forego under current economic circumstances.

Linda Lingle
GOVERNOR



KAREN SEDDON
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
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Honolulu, Hawaii 96813
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IN REPLY REFER TO

Statement of
Karen Seddon
Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON WAYS AND MEANS

April 6, 2009, 9:30 a.m.
Room 211, State Capitol

In consideration of
H.B. 39, H.D. 2, Proposed S.D. 1
RELATING TO REVENUES.

The HHFDC offers the following concerns on H.B. 39, H.D. 2, Proposed S.D. 1 relative to (1) the temporary repeal of the exemption from the central service expense assessment fee for the Housing Loan Program Revenue Bond Special Fund and the Housing Project Bond Special Fund and (2) the transfer of at least \$14,300,000 from the Dwelling Unit Revolving Fund (DURF) to the General Fund.

Section 2 of the proposed S.D. 1 temporarily repeals the exemption for the "(7) Housing loan program revenue bond special fund" and "(8) Housing project bond special fund" from central service and administrative expenses. These Bond Special Funds were established to account for a system of housing projects that are financed from the proceeds of bonds secured under the same trust indenture. These funds serve as pass through funds in which the HHFDC issues tax-exempt revenue bonds for a private housing developer/owner. The trustees for these funds provide the necessary administrative services. Activity reports on these funds are submitted to the Department of Accounting and General Services. As such, we do not believe these Bond Special Funds should be subject to central service expenses.

Section 13 of the proposed S.D. 1 transfers "excess" funds of at least \$14,300,000 from DURF to the General Fund effective July 1, 2010. We respectfully disagree that DURF will have a balance in excess of the requirements of the fund. The transfer of \$14,300,000 would significantly impede HHFDC's ability to promote affordable housing development at a time when such housing is sorely needed. Our plans for new housing development rely on additional infusions into the DURF.

We recognize the need to address the budget shortfall and stand ready to work with the Committee to identify "excess" funds.

Thank you for the opportunity to provide comments on this measure.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Comments Provided to the
Senate Committee on Ways and Means
April 6, 2009 at 9:30am

by
Howard Todo
Vice President for Budget & Finance/CFO, University of Hawai'i

HB39 HD2 Proposed SD1 – RELATING TO STATE REVENUES

Chair Kim, Vice Chair Tsutsui and Members of the Committee:

Thank you for the opportunity to provide comments on this measure.

The University of Hawaii strongly opposes this bill.

The Research and Training Overhead funds are used to support the research mission of the university. The funds are to be used for purposes that may result in additional research and training grants and contracts, and for facilitating research and training at the University. Funds are used (1) to recruit and support top faculty members; (2) for administrative support (i.e. fiscal, HR, compliance, etc.) for extramural contracts and grants; (3) to repair, replace, maintain, upgrade scientific equipment and facilities for continued research; (4) for mandatory matching for extramural contracts and grants; (5) for research projects; (6) for funding of graduate students; and (7) for working capital.

Additionally, an estimated \$1,500,000 is needed for the next 15 years for revenue bond payments for the Biomedical Sciences Building addition. The addition is needed to increase research space at the University which will increase research dollars. Funds have also been committed to several initiatives to expand the research programs at the University. These include committing start up funding or to supplement cost matching for new research programs such as the Applied Research Lab and Center of Excellence as well as to build a Regional Bio-containment Laboratory facility. Such investments are needed to aid the future growth of the research enterprise. A sweep would seriously jeopardize commitments made to sponsors to share in the costs of these new ventures. In addition, funds are required to pay the RCUH management fee of \$2 million for the rest of the year and any unforeseen expenses of ORS, which are both essential to management of the research enterprise.

If balances are swept, (1) it will significantly reduce the University's ability to recruit and retain new and competitive faculty; (2) we will be unable to meet ongoing obligations to fund start-up or required matching for grants for faculty, especially those hired in the last 3-5 years; (3) federal research dollars flowing to UH will decrease; (4) we will not be able to continue to maintain and operate scientific equipment and facilities; (5) working capital requirements for utilities, repairs, etc. cannot be met; and (6) we will be vulnerable to legal action from our inability to meet prior commitments/obligations.

Thank you for the opportunity to provide comments with regards to this measure.



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Alison Powers
Executive Director

TESTIMONY OF ALISON POWERS

SENATE COMMITTEE ON WAYS AND MEANS
Senator Donna Mercado Kim, Chair
Senator Shan S. Tsutsui, Vice Chair

Monday, April 6, 2009
9:30 a.m.

HB 39, HD2, PROPOSED SD1

Chair Kim, Vice Chair Tsutsui and members of the Committee, my name is Alison Powers, Executive Director of Hawaii Insurers Council. Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately 60% of all property and casualty insurance premiums in the state.

Hawaii Insurers Council **opposes Section 15** of the proposed SD1 if the transfer of \$3.3 million from the Compliance Resolution Fund to the general fund includes funds from the Insurance Regulation sub-account of the Compliance Resolution Fund.

The Hawaii Supreme Court ruled in December 2008 that the transfer of \$3.5 million from the Insurance Regulation sub-account in 2002 and 2003 into the general fund was unconstitutional under the separation of powers doctrine and the State is required to return the \$3.5 million.

Transferring funds from the Insurance Regulation sub-account into the general fund would again violate the separation of powers doctrine as the Supreme Court has already determined.

Thank you for this opportunity to provide testimony.