

**har2-Samantha**

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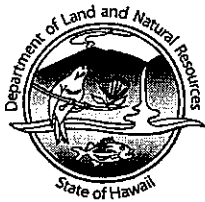
**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, January 26, 2012 7:57 AM  
**To:** WLOtestimony  
**Cc:** moana.bjur@hawaii.gov  
**Subject:** Testimony for HB1977 on 1/27/2012 9:00:00 AM  
**Attachments:** ~1062499.pdf

Testimony for WLO 1/27/2012 9:00:00 AM HB1977

Conference room: 325  
Testifier position: Comments Only  
Testifier will be present: Yes  
Submitted by: Guy Kaulukukui  
Organization: Department of Land and natural Resources  
E-mail: [moana.bjur@hawaii.gov](mailto:moana.bjur@hawaii.gov)  
Submitted on: 1/26/2012

Comments:

NEIL ABERCROMBIE  
GOVERNOR OF HAWAII



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

POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

WILLIAM J. AILA, JR.  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

GUY H. KAULUKUKUI  
FIRST DEPUTY

WILLIAM M. TAM  
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

**Testimony of  
WILLIAM J. AILA, JR.  
Chairperson**

**Before the House Committee on  
WATER, LAND, AND OCEAN RESOURCES**

**Friday, January 27, 2012  
9:00 AM  
State Capitol, Conference Room 325**

**In consideration of  
HOUSE BILL 1977  
RELATING TO STATE PARKS AND TRAILS**

House Bill 1977 proposes statutory amendments to deposit .001% of GET revenues into the Special Land and Development Fund for the Hawaii statewide Trail and Access Program and the State Parks Special Fund. The Department of Land and Natural Resources (the Department) appreciates the intent of this measure but is concerned about the impact on the Administration's Fiscal Year 2013 General Fund requests.

This measure will allow the Department to receive additional revenues of .001% GET to manage public recreational areas within the Department's parks and trails programs.

The Department's General Fund continues to be reduced. For example, the State Parks General Fund appropriation has been reduced over the years from \$8 million in 1992, to less than \$4 million in the current budget. The Department's Division of State Parks has been challenged to keep parks open, and in many instances, is only able to provide minimal services. This situation, in the long run, has increased operational costs due to deferred maintenance.

While the Department welcomes funding to improve the recreational experience of over 10,000,000 annual visitors to Hawaii's state parks and trails, the Department however is concerned about the impact on the Administration's Fiscal Year 2013 General Fund requests.

**har2-Samantha**

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**From:** Lois.H.Kaneshiro@hawaii.gov  
**Sent:** Thursday, January 26, 2012 7:51 AM  
**To:** WLOtestimony  
**Cc:** DBFLeg.DIR@hawaii.gov  
**Subject:** HB Nos. 1976 & 1977 - 1/27/12 - 9:00 a.m.  
**Attachments:** HB1976\_BUF\_01-27-12\_WLO.pdf; HB1977\_BUF\_01-27-12\_WLO.pdf

Please confirm receipt by replying to this e-mail.

Thank You

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON WATER, LAND & OCEAN RESOURCES  
ON  
HOUSE BILL NO. 1977

January 27, 2012

RELATING TO STATE PARKS AND TRAILS

House Bill No. 1977 requires that one-half of the 0.001 percent of the general excise tax revenues collected pursuant to a proposed amendment to Article XI of the State Constitution be allocated to the Special Land and Development Fund for the Hawaii statewide trail and access program, and that the other one-half of the 0.001 percent of general excise tax revenues be allocated to the State Parks Special Fund.

While the Department of Budget and Finance supports the general intent of protecting Hawaii's open spaces such as parks and trails, the department opposes House Bill No. 1977 as it amends the Hawaii Revised Statutes to earmark general fund revenues. It would be more appropriate to fund these programs via the budget process, which allows the Executive Branch and the Legislature to evaluate the funding requirements for parks and trails against other budget priorities and available resources.

har2-Samantha

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**From:** Makaala Kaaumoana [makaala@hawaiian.net]  
**Sent:** Thursday, January 26, 2012 2:26 PM  
**To:** WLOtestimony  
**Subject:** Testimony in support of HB 1977

Aloha Chair Rep. Jerry L. Chang, Chair  
And Vice Chair Rep. Sharon E. Har, Vice Chair  
And committee members

The Hanalei Watershed Hui implements a community authored Watershed Action Plan in Hanalei, Kaua'i. Our kuleana includes the restoration and preservation of the natural, cultural and economic resources of the four ahupua'a of Hanalei.

We are in string support of HB 1977 as it would provide economic support for access for cultural practitioners and others to provide sustenance for their ohana.

Me ka pono,  
Makaala

Maka'ala Ka'aumoana  
Executive Director  
Hanalei Watershed Hui  
P.O.Box 1285  
Hanalei, HI 96714  
808-826-1985  
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808-431-4444 fax  
Skype makaala9

*The Hanalei Watershed Hui mission is to support and protect the ecology, cultures and sustainable economies of Hanalei.*

**har2-Samantha**

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**From:** Tina Desuacido [tina500@juno.com]  
**nt:** Wednesday, January 25, 2012 2:39 PM  
**o:** WLOtestimony  
**Subject:** Tax Foundation of Hawaii Testimony  
**Attachments:** h1976-12.pdf; h1977-12.pdf

**DATE:** Wednesday, January 25, 2012

House Committee on Water, Land & Ocean Resources

**FROM:** Tax Foundation of Hawaii

**Total Pages**   3  

**FOR:** Representative Jery Chang

**Testifier:** Lowell L. Kalapa, President – Tax Foundation of Hawaii

(Mr. Kalapa will not appear in person at the hearing.)

**Date of Hearing – Friday, January 27, 2012**

**Position: Comments**

**Time of Hearing – 9:00 am**

**Number of Copies - 5 copies**

**HB 1976 – Proposing an Amendment to Article XI of the Hawaii Constitution to Provide  
Dedicated  
Funding for the Hawaii Statewide Trail and Access Program and the State  
Parks Special Fund (1 Page)**

**HB 1977 - Relating to state parks and trails (2 pages)**

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** GENERAL EXCISE, Disposition for Hawaii statewide trail and access program and state parks special fund

**BILL NUMBER:** HB 1977

**INTRODUCED BY:** Evans, Awana, Hanohano, Morikawa, Nakashima and 3 Democrats

**BRIEF SUMMARY:** Amends HRS section 237-31 to provide that: (1) one half of .001 percent of all general excise tax revenues realized by the state in each fiscal year shall be deposited quarterly into the special land and development fund established by HRS section 171-19 to be used for the Hawaii statewide trail and access program established under HRS section 198D-2; and (2) one half of .001 percent of all general excise tax revenues realized by the state in each fiscal year shall be deposited quarterly into the state parks special fund established by HRS section 184-3.4.

Makes conforming amendments to HRS sections 171-9, 184-2.4, and 198D-2.

This act shall take effect upon ratification of a constitutional amendment requiring .001 percent of general excise tax revenues to be appropriated for the special land and development fund for the Hawaii statewide trail and access program and the state parks special fund; provided that the amendments to HRS section 171-19 shall not be repealed when this section is reenacted on June 30, 2013 pursuant to Act 209, SLH 2010.

**EFFECTIVE DATE:** As noted

**STAFF COMMENTS:** This measure proposes to earmark a .001 percent of general excise tax revenues derived in a fiscal year and deposit half of the proceeds into each of the following funds: (1) the special land and development fund to be used for the statewide trail and access program; and (2) the state parks special fund.

The legislature by Act 368, SLH 1989, set a precedent by earmarking \$90 million in general excise tax revenues to be deposited into a special fund established for the purpose of improvement and construction of educational facilities under the department of education. This earmarking was rescinded when the money supply for the general fund started to run dry. If this measure is enacted, it would again earmark general funds and establish an automatic funding system to divert funds to the special land and development fund and the state parks special fund. It should be remembered that earmarking general funds to special funds merely diminishes the amount of general funds available to the legislature and is poor tax and finance policy.

The Tax Review Commission noted that use of this type 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

beneficiaries of that service. Even the State Auditor has set this as one of the basic criteria in determining whether or not a special fund is appropriate.

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 which 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." The Auditor recommended that the fund established by Act 368 be repealed and that educational facilities should be funded through the normal capital improvements appropriations process. The legislature should take the advice of the Auditor and repeal the state educational facilities improvement special fund and reject any new proposals to earmark traditional general fund receipts for new special funds.

While the intent of this measure is to provide funds for the special land and development fund for the Hawaii statewide trail and access program and the state parks special fund, then a direct appropriation each year would be a more accountable means of making this commitment. At least the general fund appropriation will be subject to public scrutiny and taxpayers will know why there is not enough money to fund schools or social services which must be paid with general funds. It would be interesting to see how parents, teachers and students would react if they knew that their education funding was being reduced because a portion of the general excise tax will now be designated for these two special funds.

Further, it should be noted that both of these funds already receive revenues from the sale or lease of public lands, a portion of the state fuel tax, and the transient accommodations tax. If nothing else, taxpayers and lawmakers should ask what is being done with these revenues before they take another chunk of money out of the state general fund. It would be interesting to learn when either of these funds was last audited and evaluated as to how the current resources are being used. Since those resources are earmarked, there is no doubt that either fund has gotten the close scrutiny of lawmakers.

Further, the problem with special funds is that once the money is deposited to the special fund, lawmakers tend to lose oversight over how the moneys are being used. This is especially true when funds are an earmarked percentage of the funding source. Once the money is earmarked, those who are responsible for the program can merely sit back and wait for the next chunk of change to flow in. This is what happened when the general excise tax was earmarked for the special educational facilities fund. There was no one asking what was being done with the money and why it was not being spent in a timely manner because the program managers did not have to come back each year to ask for and justify the need for additional appropriations. The result is the backlog of maintenance of educational facilities.

Instead of proposing measures to earmark general fund revenues, lawmakers should go back and read a little of their own history and learn from their mistakes. If lawmakers adopt this methodology to fund various state programs, why would there be a need for the legislature, after all, isn't the legislative branch supposed to be the check and balance to all other branches and departments of state government?

Finally this proposal represents an outright circumvention of the constitutional limit on general fund expenditures as the general excise tax is a receipt of the state general fund.