



STATE OF HAWAI'I
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**TESTIMONY OF JAN K. YAMANE, ACTING STATE AUDITOR,
 ON HOUSE BILL NO. 2427,
 RELATING TO THE REPEAL OF NON-GENERAL FUNDS**

House Committee on Finance

February 19, 2014

Chair Luke and Members of the Committee:

Thank you for the opportunity to testify in support of this bill, which would repeal a number of funds and trust accounts in the Departments of Accounting and General Services, Agriculture, and Budget and Finance.

The impetus for this bill stems from our Report No. 14-01, *Review of Special Funds Revolving Funds, Trust Funds, and Trust Accounts of the Departments of Accounting and General Services, Agriculture, and Budget and Finance*. Our review of these funds includes an evaluation of 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). The funds we listed in Report No. 14-01 as not meeting criteria would be repealed by HB 2427:

Department of Accounting and General Services

1. Kapolei Recreational Sports Complex Special Fund (Section 8)
2. Parking Control Revolving Fund Escrow Account (Section 14)
3. Donations for Voter Registration Drive trust account (Section 14)



4. Hawai'i FYI – ICSD trust account (Section 14)
5. Returned ACH Tax Refunds trust account (Section 14)

Department of Agriculture

1. Agricultural Development and Food Security Special Fund (Section 9)
2. Agricultural Park Special Fund (Section 10)
3. Non-Agricultural Park Lands Special Fund (Section 11)
4. Irrigation System Revolving Fund (Section 12)
5. HDOA Biocontrol Foreign Exploration Special Fund (Section 14)

Department of Budget and Finance

1. Hawai'i Self-Directed Investments (Section 14)

We concluded these funds and accounts no longer serve their intended purpose or meet statutory criteria; hence, it is appropriate for the Legislature to repeal each statutory provision and, for those administratively established, to repeal the funds or accounts and transfer remaining balances to the general fund.

In addition, we have only just released our Report No. 14-04, *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Departments of Defense and Land and Natural Resources*. Therein, we identified 11 funds that do not meet statutory criteria, including:

Department of Defense

1. State DOD Physical Amelioration Donation trust fund (administratively established; no statutory provision)



Department of Land and Natural Resources

1. Boating Special Fund (Section 200-8, HRS)
2. Bureau of Conveyances Special Fund (Section 502-08, HRS)
3. Forest Stewardship Fund (Section 195F-4, HRS)
4. Land Conservation Fund (Section 173A-5, HRS)
5. Special Land and Development Fund (Section 171-19, HRS)
6. Na Ala Hele Special Fund (administratively established; no statutory provision)
7. Natural Area Reserve Fund (Section 195-9, HRS)
8. Preservation of Endangered Plants trust account (administratively established; no statutory provision)
9. Land Division–Water Monitoring Service trust account (administratively established; no statutory provision)

Should the Legislature decide that these funds and accounts are also appropriate for repeal, those statutory provisions could be added to this bill. The administratively established funds and accounts could be added to Section 14 of this bill.

Thank you again for the opportunity to testify in support of HB 2427. I am available to answer any questions you may have.



State of Hawaii
DEPARTMENT OF AGRICULTURE
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TESTIMONY OF SCOTT E. ENRIGHT
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE ON FINANCE
WEDNESDAY, FEBRUARY 19, 2014
2:00 P.M.
Room 308

HOUSE BILL NO. 2427
RELATING TO THE REPEAL OF NON-GENERAL FUNDS

Chairperson Luke and Members of the Committee:

Thank you for the opportunity to testify on House Bill No. 2427 that repeals specific non-general funds including: the agricultural development and food security special fund, agricultural park special fund, Hawaii Department of Agriculture (HDOA) biocontrol foreign exploration special fund, irrigation system revolving fund, and non-agricultural park lands special fund. The HDOA respectively opposes parts of this bill. In particular, the Department opposes the repeal of the agricultural development and food security special fund, agricultural park special fund, irrigation system revolving fund, and non-agricultural park lands special fund.

The Agricultural Development and Food Security Fund was created by Act 73 of the 2010 Legislative Session. The Department would point out that in Act 73 the Legislature had clearly stated that “producing local food would reduce Hawaii’s demand for fossil fuels, keep money in our community, and decrease the State’s vulnerability to food-supply disruptions caused by natural disasters or worldwide economic events”. This language would seem to point to a clear nexus between the tax on petroleum products and programs to support food security. HDOA has moved forward with this mandate and has funded positions and programs to preserve agricultural lands, repair



irrigation systems, lower the costs of farming, and raise both the supply and demand of local food.

The Agricultural Park Special Fund and the Non-Agricultural Park Lands Special Fund support the Agricultural Park Program and the Non-Agricultural Park Lands Program, respectively. HDOA would like to emphasize the strong nexus that occurs between income generated through rental income, appraisal fees, and other fees, and the salaries, equipment rentals, and other related operations and maintenance costs required to effectively run the Agricultural Park and Non-Agricultural Park Lands Programs.

With regards to the HDOA Biocontrol Foreign Exploration Special Fund, HDOA has since closed this fund and has had the remaining monies returned to the Department of Land and Natural Resources.

The Irrigation System Revolving Fund provides the necessary support for the upkeep of state irrigation systems state-wide. HDOA understands the importance of water to agriculture and as a result is hesitant to raise water rates that increase costs for our local farmers and ranchers. While this can mean a shortage within the fund, we believe the continuity in water pricing allows for better planning for our local farmers and ranchers.

Thank you for the opportunity to present testimony.



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February 19, 2014

LATE

HEARING BEFORE THE
HOUSE COMMITTEE ON FINANCE

TESTIMONY ON HB 2427
RELATING TO THE REPEAL OF NON-GENERAL FUNDS
Room 308
2:00 PM

Aloha Chair Luke, Vice Chairs Nishimoto and Johanson, and Members of the Committee:

I am Christopher Manfredi, President of the Hawaii Farm Bureau Federation (HFB). Organized since 1948, the HFB is comprised of 1,832 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interest of our diverse agricultural community.

HFB strongly opposes HB 2427 that repeals the agricultural development and food security special fund, agricultural park special fund, HDOA biocontrol foreign exploration special fund, and the irrigation system revolving fund.

The environmental response, energy, and food security tax, or barrel tax was intended to support critical investments in clean energy, local agricultural production, and environmental response to reduce the State's dependence on imported fossil fuels and food products. As an organization typically opposed to new taxes, HFB took an unusual step by supporting the 'barrel tax'. It was a desperate move by the industry to secure stable funding for Hawaii's agricultural industries.

The barrel tax was originally intended to increase local capacity to grow and produce import replacement products in order to fulfill the State's vision for increased self sufficiency and sustainability. During the economic downturn, proceeds from this fund were reallocated to balance the budget. **Please restore these funds to their original levels and for their original purposes. Repeal of these aforementioned funds is a giant step in precisely the wrong direction and represents a broken promise to Hawaii's farmers and ranchers and is counter to Governor Abercrombie's New Day initiative.**

HDOA's biocontrol foreign exploration special fund is critically important to identifying biological controls for invasive species like fireweed and potentially Coffee Berry Borer and Macadamia Felted Coccid.

HDOA's irrigation system revolving fund provides important investment dollars for irrigation systems statewide.

If these funds disappear expect to be importing more food while shipping jobs out of state. Expect an uptick in government dependency and higher unemployment rates, replete with all of the negative effects those conditions carry with them; from homelessness, to impacts on tourism, to reduced food security, higher crime rates, and increased drug use, it's all on the table when farmers stop farming.

Please oppose HB 2427.

Thank you for the opportunity to comment on this measure.

LATE

Testimony of The Nature Conservancy of Hawai'i
Opposing H.B. 2427 Relating to the Repeal of Non-General Funds
House Committee on Finance
Tuesday, February 19, 2014, 2:00PM, Room 308

The Nature Conservancy of Hawai'i is a private non-profit conservation organization dedicated to the preservation of the lands and waters upon which life in these islands depends. The Conservancy has helped to protect nearly 200,000 acres of natural lands in Hawai'i. Today, we actively manage more than 35,000 acres in 11 nature preserves on Maui, Hawai'i, Moloka'i, Lāna'i, and Kaua'i. We also work closely with government agencies, private parties and communities on cooperative land and marine management projects.

The Nature Conservancy opposes the provisions of H.B. 2427 that would repeal the HDOA's Agricultural Development and Food Security Special Fund, Biocontrol Foreign Exploration Special Fund, and Irrigation System Revolving Fund. We believe these funds help to provide a consistent and reliable investment in policies, plans and programs that are important to better self-reliance for our islands in a changing world.

Climate change caused by burning fossil fuels is an imminent and unprecedented threat to every person in Hawai'i. Even if we drastically reduce CO₂ emissions now, we will still feel certain effects of climate change. In Hawai'i, science indicates that this will likely include, amongst other things:

- More frequent and more severe storms;
- Overall, less rainfall and therefore less fresh water;
- Higher temperatures that will likely favor invasive pests and diseases.

In response, we must plan and implement mitigative and adaptive measures to ensure the resilience of our natural and human systems. Protecting and enhancing the health of our forested watersheds as being implemented by the Department of Land and Natural Resources is one critically important initiative. Likewise, consistent, dependable investments in our agriculture security and invasive species prevention and control are also essential components of building self-reliance and resilience here in the middle of the Pacific Ocean.

Thank you for the opportunity to provide these comments.

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NEIL ABERCROMBIE
GOVERNOR



Dean H. Seki
Comptroller

Maria E. Zielinski
Deputy Comptroller

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DEPARTMENT OF ACCOUNTING
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WRITTEN TESTIMONY
OF
DEAN H. SEKI, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
HOUSE COMMITTEE
ON
FINANCE
ON
February 19, 2014

H.B. 2427

RELATING TO THE REPEAL OF NON-GENERAL FUNDS

Chair Luke and members of the Committee, thank you for the opportunity to submit written testimony on H.B. 2427.

The Department of Accounting and General Services (DAGS) supports H.B. 2427 with respect to those accounts administered by DAGS.

Thank you for the opportunity to submit written testimony on this matter.

NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

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FREDERICK D. PABLO
DIRECTOR OF TAXATION

JOSHUA WISCH
DEPUTY DIRECTOR

To: The Honorable Sylvia Luke, Chair
and Members of the House Committee on Finance

Date: Wednesday, February 19, 2014
Time: 2:00 p.m.
Place: Conference Room 308, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.B. No. 2427, Relating to The Department of Taxation

H.B. 2427 proposes to repeal certain non-general funds, including the returned ACH tax refund trust account as set forth in section 14 of this bill. The Department supports the repeal of this trust account.

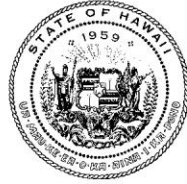
Since 2012, with the collaboration of the Department of Accounting and General Services, the Department now handles all returned tax refunds directly; therefore, the returned ACH tax refund trust account is no longer necessary.

Thank you for the opportunity to provide comments.

LATE TESTIMONY

NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



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