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Testimony to the Senate Committee on Ways and Means

Friday, March 15, 2013

9:05 a.m.

State Capitol - Conference Room 211

RE: H.B. 504, H.D. 1, Relating to State Funds

Dear Chair Ige, Vice-Chair Kidani, and members of the Committee:

My name is Gladys Marrone, Government Relations Director for the Building Industry Association of Hawaii (BIA-Hawaii), the voice of the construction industry. We promote our members through advocacy and education, and provide community outreach programs to enhance the quality of life for the people of Hawaii. BIA-Hawaii is a not-for-profit professional trade organization chartered in 1955, affiliated with the National Association of Home Builders.

BIA-Hawaii **supports** H.B. 504, H.D. 1, which proposes to amend criteria to be used in establishing and evaluating new special or revolving funds, requiring link between benefits sought and charges on users, and a clear link between program and revenue source.

The purpose of this Act is to implement certain recommendations of the auditor, including requiring special and revolving funds to reflect a clear link between the program funded and the source of revenue. The office of the auditor concluded in its July 2012 *Study of the Transfer of Non-general Funds to the General Fund*, Report No. 12-04, that to gain more flexibility over the budget process, new safeguards need to be built into criteria for special and revolving funds:

- 1) Require evidence of need for evaluating new special and revolving funds;
- 2) institute regular reviews of special funds, and include the Departments of Transportation and of Defense in regular reviews of revolving and trust funds;
- 3) Establish the clear nexus criterion for the establishment and continuance of special and revolving funds and clarify the definition of special and revolving funds; and
- 4) Repeal funds that fail to meet criteria for continuance.

Moneys in special funds are not subject to the same level of scrutiny as general funds and may obscure government expenditures. H.B. 504, H.D. 1 will assist policy makers and taxpayers in comprehending true total government expenditures.

Thank you for the opportunity to share with you our views.