

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE CONCURRENT RESOLUTION NO. 133

April 4, 2013

REQUESTING THE DEPARTMENT OF BUDGET AND FINANCE TO CREATE A
TASK FORCE FOR RESPONSIBLE FISCAL ACTION

Senate Concurrent Resolution (S.C.R.) No. 133 requests that the Department of Budget and Finance create a task force to:

- Review fiscal imbalances of state government, including but not limited to, analyses of projected state expenditures, analyses of projected state revenues, and analyses of the current and long-term actuarial financial condition of state government;
- Identify factors that affect the long-term fiscal imbalances of state government; and
- Analyze potential courses of action to address factors that affect the long-term fiscal imbalance of state government.

The task force is to be made up of: the Director of Finance (or designee) who shall serve as chair; two members of the Executive Branch appointed by the Governor; one member of the Senate appointed by the Senate President; one member of the Senate appointed by the Senate Minority Leader; one member of the House appointed by the Speaker; and one member of the House appointed by the House Minority Leader. The task force is required to submit a report of its findings and recommendations, including any proposed legislation, to the Legislature twenty days prior to the convening of the 2014 Regular Session and dissolve on June 30, 2014.

We find the concept of an all-encompassing study of state fiscal imbalances to be intellectually intriguing; however, we have a major concern whether such a study can be accomplished within the time frame specified and with the staff resources and capabilities that the department has in house. We understand what our major cost drivers are -- Medicaid, pension/FICA contributions, EUTF contributions and OPEB pre-funding, debt service, and collective bargaining -- and we have a short-term projection of revenues through the Council on Revenues forecasts. But what we do not have, and what is crucial to the type of analysis desired by S.C.R. No. 133, is the capability and resources to dynamically model costs and revenues so that “what if scenarios” can be run to identify potential budget problem areas and problem budget periods.

It is our understanding that the 2010-13 Tax Review Commission did develop a dynamic budget model that could be used for this purpose; however, the Tax Review Commission did not have adequate time to present its model and have the Legislature and Executive use the model before the start of this session. If the intent is to pursue this type of analysis, we would strongly suggest that funds be provided so that the consulting firm that developed the Tax Review Commission’s model could be re-engaged to support the Task Force’s efforts.

Finally, it should be recognized that pinpointing problem areas in the budget in advance is helpful in providing adequate lead time to develop “solutions” to help address/mitigate these problems. However, the real difficulty is actually coming to agreement on taking action, which usually involves raising revenue (taxes and/or fees) or cutting back benefits in some fashion to reduce and/or mitigate costs.

From: mailinglist@capitol.hawaii.gov
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Cc: tabraham08@gmail.com
Subject: Submitted testimony for SCR133 on Apr 4, 2013 09:00AM
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SCR133

Submitted on: 3/27/2013

Testimony for WAM on Apr 4, 2013 09:00AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Troy Abraham	Individual	Support	No

Comments: I support passage of bill to create a team to organize hawaii's budget and fix it in a way it handles ALL issues in a timely manner

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