

**TESTIMONY OF JAN K. YAMANE, ACTING STATE AUDITOR,
ON HOUSE BILL NO. 2415,
RELATING TO NON-GENERAL FUNDS**

Senate Committee on Ways and Means

March 23, 2016

Chair Tokuda and Members of the Committee:

Thank you for the opportunity to testify in support of this bill. HB 2415 would repeal, reclassify, and abolish various non-general funds of the Department of Accounting and General Services (DAGS) and the Department of Transportation (DOT).

The impetus for this bill is our Report Nos. 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*, and 14-05, *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Transportation*. Our review 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). Moreover, for special and revolving funds, we conclude on the need for the fund based on the purpose and scope of the program it supports. This bill would implement many of our report recommendations.

Fund that does not meet criteria and would be repealed by HB 2415

We support repealing the following DAGS fund that *does not meet* criteria:

- **Kapolei Recreational Sports Complex Special Fund** (Section 2) established under Section 109-3, HRS. We recommended the fund be repealed; DAGS concurred.

Fund that does not meet criteria and would be reclassified by HB 2415

We support reclassifying the following administratively established DOT fund that *does not meet* criteria.

- **Prepaid Airport Use Charge Fund** (Section 6) – We recommended the fund be reclassified as a trust fund because moneys deposited in the fund are the property of signatory airlines and may not be used for any purpose other than those set forth in the Prepaid Airport Use Charge Fund agreement; DOT concurred.

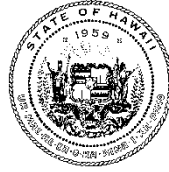
Fund that does not meet criteria and would be abolished by HB 2415

We support abolishing the following DOT fund that *does not meet* criteria.

- **Photo Enforcement Revolving Fund** (Section 8) – This fund does not serve the purpose for which it was created and does not meet criteria because it is inactive. As of FY2013, the fund had a balance of \$241 and remained open. The Legislature repealed the photo traffic enforcement system and the fund through Act 58, SLH 2002, which also authorized the transfer of all fund moneys to the general fund. We recommended the fund be abolished; DOT concurred.

Thank you again for the opportunity to testify in support of HB 2415. I am available to answer any questions you may have.

DAVID Y. IGE
GOVERNOR



DOUGLAS MURDOCK
COMPTROLLER

AUDREY HIDANO
Deputy Comptroller

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

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TESTIMONY
OF
DOUGLAS MURDOCK, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
SENATE COMMITTEE
ON
WAYS AND MEANS
ON
MARCH 23, 2016

H.B. 2415

RELATING TO NON GENERAL FUNDS

Chair Tokuda, and members of the Committee, thank you for the opportunity to testify before you on H.B. 2415. The Department of Accounting and General Services (DAGS) supports H.B. 2415 (the measure).

This account was included in Auditor's report "Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Departments of Accounting and General Services, Agriculture, and Budget and Finance" dated January 2014 (Report No. 14-01) as no longer serving its original purpose. We agreed with the Auditor's conclusion that authority for the Fund should be repealed.

Thank you for the opportunity to testify on this bill.

From: mailinglist@capitol.hawaii.gov
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Cc: russell.t.uchida@hawaii.gov
Subject: Submitted testimony for HB2415 on Mar 23, 2016 09:15AM
Date: Tuesday, March 22, 2016 9:44:33 AM

HB2415

Submitted on: 3/22/2016

Testimony for WAM on Mar 23, 2016 09:15AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Russell Uchida	Department of Accounting & General Services/Stadium Authority	Support	No

Comments: With repeal of the Kapolei Recreational Sports Complex Special Fund, we are respectfully requesting that the Committee strongly consider deletion of all remaining references to the Kapolei Recreational Sports Complex within the various subsection of HRS Section 109.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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TAX FOUNDATION OF HAWAII

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SUBJECT: MISCELLANEOUS, Repeal non-general funds

BILL NUMBER: HB 2415

INTRODUCED BY: LUKE

EXECUTIVE SUMMARY: Repeals various non-general funds including special funds, revolving funds, trust funds, and trust accounts, in accordance with the State Auditor's recommendations.

BRIEF SUMMARY: Repeals the Kapolei recreational sports complex special fund (HRS section 109-9) and makes conforming amendments as recommended in Report 14-01.

Reclassifies the prepaid airport use charge fund from a special fund to a trust fund as recommended in Report 14-05.

Abolishes the photo enforcement revolving fund because it is inactive.

EFFECTIVE DATE: July 1, 2016.

STAFF COMMENTS: This measure implements some of the state auditor's recommendations in the various auditor's reports that reviewed the special funds, revolving funds, trust funds, and trust accounts of the state.

The 1989 Tax Review Commission noted that use 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 beneficiary of that service. 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 that 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."

As a result of the recent spotlight of monies in special funds, Act 130, SLH 2013, requires the State Auditor to review all existing special, revolving, and trust funds beginning in 2014 and every five years which assists in making government finances more transparent.

Digested 3/21/2016