



**TESTIMONY OF JAN K. YAMANE, ACTING STATE AUDITOR,
ON HOUSE BILL NO. 2465, HD1,
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 2465, HD1, would repeal, abolish, reclassify, and transfer balances of various non-general funds of the Department of Human Services (DHS) and its administratively attached agency, the Hawai'i Public Housing Authority (HPHA).

The impetus for this bill is our Report No. 15-19, *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Human Services*. 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). 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.

Funds that do not meet criteria and would be repealed by HB 2465, HD1

We support repealing DHS funds that *do not meet* criteria:

1. **Child Care Licensing and Registration Special Fund** (Section 2) established under Section 346-159, HRS. We recommended the fund be repealed; DHS concurred.
2. **Housing First Special Fund** (Section 5) established under Section 346-377, HRS. We recommended the fund be repealed; DHS concurred.
3. **Housing Project Bond Special Fund** (Section 14) established under Section 356D-28, HRS. We recommended the fund be repealed; HPHA concurred.

Fund that does not meet criteria and would be amended by HB 2465, HD1

We support amending the revenue sources of the Spouse and Child Abuse Special Account that *does not meet* criteria:

1. **Spouse and Child Abuse Special Account** (Section 9) established by Section 346-7.5, HRS. We recommended the fund be repealed because there is no clear link with the revenues derived from a portion of fees for copies of birth, marriage, divorce, and death certificates, and marriage licenses issued by the Department of Health, as authorized under Section 338-14.5, HRS, and Section 572-5, HRS.

Fund that does not meet criteria and would be reclassified by HB 2465, HD1

We support reclassifying the following administratively established DHS fund that *does not meet* criteria:

1. **Temporary Deposits – Payroll Overpayment Housing and Community Development Corporation of Hawai‘i** (Section 18) We recommended the trust fund be reclassified as a trust account because it functions as, and meets the criteria for, a trust account; HPHA concurred.

Funds that do not meet criteria and would be abolished by HB 2465, HD1

We support abolishing the following administratively established DHS and HPHA funds that *do not meet* criteria:

1. **Blueprint for Change Program** (Section 19) – We recommended the fund be closed and the remaining balance returned to the Emergency and Budget Reserve Special Fund; DHS concurred.
2. **Costs Related to Homeless Assistance** (Section 19) – We recommended the fund be closed and the remaining balance returned to the Emergency and Budget Reserve Special Fund; DHS concurred.
3. **Hale Mahaolu** (Section 19) – We recommended the fund be closed and the remaining balance returned to the Emergency and Budget Reserve Special Fund; DHS concurred.
4. **Hawai‘i Immigrant Health Initiative Program** (Section 19) – We recommended the fund be closed and the remaining balance returned to the Emergency and Budget Reserve Special Fund; DHS concurred.

5. **Outreach Services** (Section 19) – We recommended the fund be closed and the remaining balance returned to the Emergency and Budget Reserve Special Fund; DHS concurred.
6. **Outreach Services to Locate Uninsured Children** (Section 19) – We recommended the fund be closed and the remaining balance returned to the Emergency and Budget Reserve Special Fund; DHS concurred.
7. **Outstationed Eligibility Worker Services** (Section 19) – We recommended the fund be closed and the remaining balance returned to the Emergency and Budget Reserve Special Fund; DHS concurred.
8. **Shelter Plus Care Program** (Section 19) – We recommended the fund be closed and the remaining balance returned to the Emergency and Budget Reserve Special Fund; DHS concurred.
9. **Support Domestic Violence Shelters Statewide** (Section 19) – We recommended the fund be closed and the remaining balance returned to the Emergency and Budget Reserve Special Fund; DHS concurred.
10. **Financial Assistance for Housing** (Section 19) – We recommended the fund be closed; HPHA concurred.

Funds that do not meet criteria and would be abolished by HB2465, HD1

We support abolishing the following DHS funds that do not meet criteria:

1. **Blind Shop Revolving and Handicraft Fund** (Section 20) established by section 347-12, HRS, was repealed by Act 147, Session Laws of Hawai'i 2015. We recommended the fund be closed; DHS concurred.

2. **DHS Homeless Trust Fund** (Section 20) – We recommended the fund be closed; DHS concurred.

3. **Geist Foundation Trust Account** (Section 20) – We recommended the fund be closed; DHS concurred.

4. **Kahikolu ‘Ohana O Wai‘anae Project Trust Fund** (Section 20) – We recommended the fund be closed; DHS concurred.

5. **Recruitment of Foster Parents Trust Account** (Section 20) – We recommended the fund be closed; DHS concurred.

Thank you again for the opportunity to testify in support of HB 2465, HD1. I am available to answer any questions you may have.



March 22, 2016

To: Senate Committee on Ways and Means
Senator Jill N. Tokuda, Chair
Senator Donovan M. Dela Cruz, Vice Chair

From: Michelle Rocca, Training and Technical Assistance Director
Hawaii State Coalition Against Domestic Violence

Re: Testimony in Opposition of HB 2465, HD1

Good morning Chair Tokuda, Vice Chair Dela Cruz, and members of the committee. On behalf of the Hawaii State Coalition Against Domestic Violence we thank you for the opportunity to share our testimony in **opposition of HB 2465, HD1** relating to non-general funds, specifically Part III, Section 8 of this measure: *The purpose of this part is to amend the revenue sources of the domestic violence and sexual assault special fund. The legislature finds that the account does not meet the clear nexus criterion. Specifically, there is no clear link between the benefits of domestic violence and sexual assault intervention or prevention sought by the fund and revenues derived from a portion of fees for copies of birth, marriage, divorce, and death certificates pursuant to section 338-14.5, Hawaii Revised Statutes.*

The Hawaii State Coalition Against Domestic Violence is a partnership of twenty two domestic violence program providers across the state. This funding source is crucial for domestic violence service programs to provide the essential services to families experiencing domestic violence. The link is clear: domestic violence intervention and prevention absolutely impact families who are experiencing domestic violence, many of whom have incurred the fees of birth and marriage certificates as an organic process of their established family units.

These funds are used to support direct services (such as counseling, shelter, legal advocacy, alternatives to violence courses, etc.), training, system advocacy and community collaboration. These services clearly impact the lives of married couples and children who may need to access a variety of the services offered as they navigate a course to safety.

We strongly urge you to consider allowing the fund to remain intact. The absence of the financial support provided by these funds will have a significant and negative impact on the community of domestic violence programs that are serving the families in our state.

Thank you for your consideration and for the opportunity to provide testimony on this matter.

TAX FOUNDATION OF HAWAII

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SUBJECT: MISCELLANEOUS, Repeal non-general funds

BILL NUMBER: HB 2465, HD-1

INTRODUCED BY: House Committee on Finance

EXECUTIVE SUMMARY: Repeals various non-general funds including special funds, revolving funds, trust funds, and trust accounts, all in accordance with the State Auditor's recommendations in report no. 15-19.

BRIEF SUMMARY: Repeals the following and transfers any unencumbered balances to the general fund:

1. Child care licensing and registration special fund (HRS section 346-159);
2. Housing first special fund (HRS section 346-377).
3. The housing project bond special funds (HRS sections 356D-23 and 356D-28);

Removes the earmark against Department of Health certificate fees for the spouse and child abuse special account (HRS section 346-7.5).

Removes language in the public housing revolving fund (HRS section 356D-28) requiring a separate special fund to be established for each public housing project

Repeals the following and transfers any unencumbered balances to the emergency and budget reserve fund:

1. The blueprint for change program special fund administratively established in 2010;
2. The costs related to homeless assistance special fund administratively established in 2003;
3. The Hale Mahaolu special fund administratively created in 2010;
4. The Hawai'i immigrant health initiative program special fund administratively created in 2010;
5. The outreach services special fund administratively created in 2010;
6. The outreach services to locate uninsured children special fund administratively created in 2010;
7. The outstationed eligibility worker services special fund administratively created in 2010;
8. The shelter plus care program special fund administratively created in 2010;
9. The support domestic violence shelters statewide special fund administratively established in 2010; and
10. The financial assistance for housing special fund administratively established in 2001.

Repeals the following and transfers any unencumbered balances to the general fund:

1. The blind shop revolving and handicraft fund (HRS section 347-12, repealed by Act 147, SLH 2015);
2. The department of human services homeless trust fund created in 2006;
3. The Geist foundation trust account created in 1997;
4. Kahikolu 'Ohana O Wai'anae project trust fund created in 2007; and
5. The recruitment of foster parents trust account created in 1987.

Includes unspecified amount appropriations to the Department of Human Services and the Hawaii Public Housing Authority to fund programs that had been funded by the special funds.

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