



**TESTIMONY OF JAN K. YAMANE, ACTING STATE AUDITOR,
ON SENATE BILL NO. 2552
RELATING TO NON-GENERAL FUNDS**

Senate Committee on Ways and Means

February 4, 2016

Chair Tokuda and Members of the Committee:

Thank you for the opportunity to testify in support of this bill. SB2552 would repeal, abolish, and transfer balances of various non-general funds of the Department of Health (DOH).

The impetus for this bill is our Report No. 15-17, *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Health*. 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.

Fund that does not meet criteria would be repealed by SB 2552

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

1. **Early Intervention Trust Fund** (Sections 2 to 3) established pursuant to Section 321-356, HRS. We recommended the fund be repealed; DOH concurred.

Funds that do not meet criteria would be abolished by SB 2552

We support abolishing the following administratively established DOH funds that *do not meet* criteria.

1. **Early Childhood Obesity Special Fund** (Section 6) – We recommended the fund be closed and the remaining balance returned to the general fund; DOH concurred.
2. **Grant for Catholic Charities – Lanakila Senior Center Special Fund** (Section 6) – We recommended the fund be closed and the remaining balance returned to the general fund; DOH concurred.
3. **Grant for Emergency Room Subsidy at Wai‘anae Coast Clinic Special Fund** (Section 6) – We recommended the fund be closed and the remaining balance returned to the general fund; DOH concurred.
4. **Grant for Hawai‘i Primary Care Association Dental Special Fund** (Section 6) – We recommended the fund be closed and the remaining balance returned to the general fund; DOH concurred.
5. **Hospital-Based Poison Center Special Fund** (Section 6) – We recommended the fund be closed and the remaining balance returned to the general fund; DOH concurred.

6. **Program for All Inclusive Care for Elderly Special Fund** (Section 6) – We recommended the fund be closed and the remaining balance returned to the general fund; DOH concurred.
7. **Resources to Nonprofit, Community-Based Health Care Special Fund** (Section 6) – We recommended the fund be closed and the remaining balance returned to the general fund; DOH concurred.
8. **Subsidy for St. Francis Medical Center – Bone Marrow Special Fund** (Section 6) – We recommended the fund be closed and the remaining balance returned to the general fund; DOH concurred.
9. **Funding for Grant Pursuant to Chapter 42F, HRS** (Section 7) – We recommended the fund be closed and the remaining balance returned to the Emergency and Budget Reserve Special Fund; DOH concurred.
10. **Healthy Aging Partnerships Program Special Fund** (Section 7) – We recommended the fund be closed and the remaining balance returned to the Emergency and Budget Reserve Special Fund; DOH concurred.
11. **Partnership in Community Living Program Special Fund** (Section 7) – We recommended the fund be closed and the remaining balance returned to the Emergency and Budget Reserve Special Fund; DOH concurred.
12. **Hilo Shippers’ Wharf Committee Charitable Trust Fund** (Section 8) established pursuant to Third Circuit Court Vesting Order Trust No. 03-1-0010. We recommended the fund be closed and the remaining balance transferred to the County of Hawai‘i; DOH concurred.

Thank you again for the opportunity to testify in support of SB 2552. I am available to answer any questions you may have.

TAX FOUNDATION OF HAWAII

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SUBJECT: MISCELLANEOUS, Repeal non-general funds

BILL NUMBER: SB 2552

INTRODUCED BY: TOKUDA, BAKER, DELA CRUZ, ENGLISH, GALUTERIA, HARIMOTO, INOUE, KEITH-AGARAN, KIDANI, NISHIHARA, SHIMABUKURO

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.

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

1. Early intervention trust fund (HRS section 321-356);
2. The early childhood obesity special fund administratively established in fiscal year 2011-2012 by the department of health;
3. The grant for Catholic Charities-Lanakila Senior Center special fund administratively established in 2007;
4. The grant for emergency room subsidy at Wai'anāe Coast Clinic special fund administratively established in 2007;
5. The grant for Hawai'i Primary Care Association Dental special fund administratively established in 2007;
6. The hospital-based poison center special fund established in 2006;
7. The program for all-inclusive care for elderly special fund administratively established in 2006;
8. The resources to nonprofit, community based health care special fund administratively established in 2006; and
9. The subsidy for St. Francis Medical Center-Bone Marrow special fund administratively established in 2007.

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

1. The funding for grant pursuant to chapter 42F, HRS, special fund administratively established in 2010 for moneys appropriated from the emergency and budget reserve fund through Act 191, SLH 2010, and Act 25, SLH 2011, which extended the lapse date to the end of fiscal year 2011-2012;
2. The healthy aging partnerships program special fund administratively established in 2010 for moneys from the emergency and budget reserve fund authorized through Act 191, SLH 2010, for fiscal year 2010-2011 and Act 25, SLH 2011, which extended the lapse date from June 30, 2011 to June 30, 2012; and

3. The partnership in community living program special fund administratively established in 2010 for moneys appropriated from the emergency and budget reserve special fund through Act 191, SLH 2010, and Act 25, SLH 2011, which extended the lapse date to the end of fiscal year 2011-2012.

Repeals the following and transfers any unencumbered balance to the county of Hawaii:

1. The Hilo Shippers' Wharf Committee Charitable trust fund established pursuant to third circuit court vesting order trust no. 03-1-0010.

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 2/1/2016