

HB 1654

**RELATING TO
NON-GENERAL
FUNDS**

A BILL FOR AN ACT

RELATING TO NON-GENERAL FUNDS.

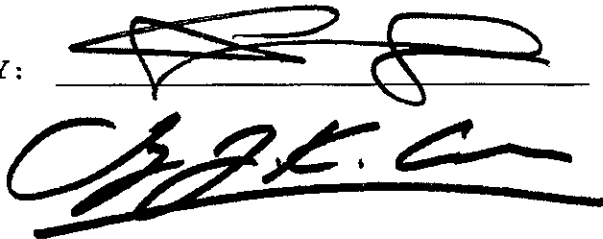
BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to abolish the
2 office of community services special fund of the department of
3 labor and industrial relations pursuant to the recommendation by
4 the auditor in auditor's report no. 17-12 and to transfer the
5 unencumbered balances to the general fund.

6 SECTION 2. The office of community services special fund
7 is abolished and any remaining unencumbered balance shall lapse
8 to the general fund.

9 SECTION 3. This Act shall take effect on July 1, 2018.
10

INTRODUCED BY:



JAN 11 2018



H.B. NO. 1654

Report Title:

Repeal of Non-General Funds; DLIR; Transfer of Balance

Description:

Abolishes the office of community services special fund of the Department of Labor and Industrial Relations and transfers unencumbered balance to the general fund.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.



HB 1654

TESTIMONY

DAVID Y. IGE
GOVERNOR

SHAN S. TSUTSUI
LIEUTENANT GOVERNOR



LEONARD HOSHIJO
ACTING DIRECTOR

**STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

830 PUNCHBOWL STREET, ROOM 321
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January 29, 2018

To: The Honorable Aaron Ling Johanson, Chair,
The Honorable Daniel Holt, Vice Chair, and
Members of the House Committee on Labor & Public Employment

Date: Tuesday, January 30, 2018
Time: 930 a.m.
Place: Conference Room 309, State Capitol

From: Leonard Hoshijo, Acting Director
Department of Labor and Industrial Relations (DLIR)

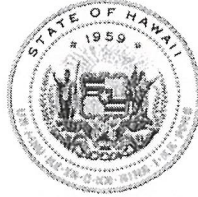
Re: H.B. No. 1654 RELATING TO NON-GENERAL FUNDS

This proposal abolishes the Office of Community Services Special Fund in DLIR and transfers the unencumbered balance to the general fund. The Department supports this measure as the Office of Community Services (OCS) no longer needs the account.

DLIR concurs with the State Auditor's recommendation that this special fund does not meet the criteria for continuance as a special fund and supports OCS's effort to eliminate the fund and transfer the remaining moneys to the General Fund. The Department's supplemental budget requests include an elimination of the fund and transfer of the funds to the general fund.

DAVID Y. IGE
GOVERNOR

SHAN S. TSUTSUI
LIEUTENANT GOVERNOR



LEONARD HOSHIJO
ACTING DIRECTOR

RONA M. SUZUKI
EXECUTIVE DIRECTOR

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IN REPLY REFER TO:
OCS 18.2095

January 26, 2018

TO: The Honorable Aaron Ling Johanson, Chair,
The Honorable Daniel Holt, Vice Chair, and
Members of the House Committee on Labor & Public Employment

DATE: January 30, 2018
TIME: 9:30 AM
PLACE: State Capitol, Room 309

FROM: Rona M. Suzuki, Executive Director
Department of Labor and Industrial Relations (DLIR)
Office of Community Services

Re: H.B. 1654: Relating to Non-General Funds

I. Overview of Proposed Legislation

This proposal abolishes the Office of Community Services Special Fund in the Department of Labor and Industrial Relations and transfers the unencumbered balance to the general fund.

The Office of Community Services **supports** this measure as the Office of Community Services Special Fund account is no longer needed.

II. Comments on the House Bill

This bill is a housekeeping measure that will close an account that is no longer needed.

As reflected in the Office of the Auditor's November 2017 report, "Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Labor and Industrial Relations," the Office of Community Services fund was administratively established in 2009 (Appropriation Account Code: S-332-L). This fund was created to accommodate a 2008 interdepartmental transfer appropriation of \$1,200,000 for Fiscal Year 2009 to provide services under the Compact of Free Association agreement and for employment core services for low income persons. The Hawaii Department of Human

Services provided funding for this from the Temporary Assistance for Needy Families program.

Records indicate that this account has been used for a variety of programs since establishment. OCS has been working to clean up the use of this fund. In 2017 budget, we reduced the appropriation for this account. In the 2018 budget, we are requesting the elimination of the appropriation for this account. We estimate that \$352,452 will be transferred to the General Fund.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Repeal non-general funds

BILL NUMBER: HB 1654

INTRODUCED BY: LUKE, CULLEN

SYNOPSIS: Repeals the office of community services special fund, in accordance with the State Auditor's recommendation in Report No. 17-12.

EFFECTIVE DATE: July 1, 2018.

STAFF COMMENTS: This measure implements the state auditor's recommendation in Report No. 17-12 that reviewed 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.

Because of the spotlight of monies in special funds, Hawaii Revised Statutes section 23-12 requires the State Auditor to review all existing special, revolving, and trust funds beginning in 2014 and at five-year intervals. This review assists in making government finances more transparent.

Digested 1/26/2018

HB 1654

**LATE
TESTIMONY**

HB-1654

Submitted on: 1/30/2018 5:36:37 AM

Testimony for LAB on 1/30/2018 9:30:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Teresa Parsons | | Support | No |

Comments:

LATE