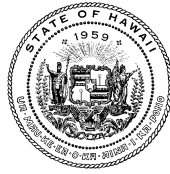


DAVID Y. IGE
GOVERNOR



CURT T. OTAGURO
COMPTROLLER
AUDREY HIDANO
DEPUTY COMPTROLLER

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

P.O. BOX 119, HONOLULU, HAWAII 96810-0119

TESTIMONY
OF
CURT T. OTAGURO
COMPTROLLER, DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
BEFORE THE
HOUSE COMMITTEE ON FINANCE
ON
FEBRUARY 6, 2019, 2:00 P.M.
CONFERENCE ROOM 308, STATE CAPITOL

H.B. 121
RELATED TO NON-GENERAL FUNDS

Chair Luke, Vice Chair Cullen, and Members of the Committee, thank you for the opportunity to submit written testimony in support of House Bill (HB) 121.

This measure implements the State Auditor's recommendation in Report No. 18-21 by abolishing the various non-general fund and accounts and transferring the unencumbered balances to the general fund. Specifically, HB 121 abolishes the following:

- The Captain Cook memorial fund,
- The custodial services special fund,
- The donations for voter registration drive trust account, and
- The information technology trust fund

The Department of Accounting and General Services (DAGS) supports this measure as the funds and accounts do not meet criteria for continuance. DAGS is able to administratively close them and will do so. Any remaining balances will be transferred to the general fund.

Thank you for the opportunity to provide testimony.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

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SUBJECT: MISCELLANEOUS, Repeal non-general funds

BILL NUMBER: HB 121

INTRODUCED BY: LUKE, CULLEN

EXECUTIVE SUMMARY: Abolishes various non-general funds and accounts of the Department of Accounting and General Services and transfers the unencumbered balances to the general fund, in accordance with the State Auditor's recommendation in Report No. 18-21.

SYNOPSIS: Abolishes the Captain Cook memorial fund, statutory authority for which was repealed by Act 147, SLH 2015.

Repeals three other administratively established funds.

All unencumbered balances remaining on July 1, 2019, will lapse to the general fund.

EFFECTIVE DATE: July 1, 2019.

STAFF COMMENTS: This measure implements the state auditor's recommendation in Report No. 18-21.

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. This law gave rise to the present report and the recommendations that came with it.

Digested 2/4/2019