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TESTIMONY OF THE DEPARTMENT OF AGRICULTURE
BEFORE THE HOUSE COMMITTEE ON FINANCE

FEBRUARY 20, 2019
2:00 P.M.
CONFERENCE ROOM 308

HOUSE BILL NO. 123 HD1
RELATING TO NON-GENERAL FUNDS

Chairperson Luke and Members of the Committee:

Thank you for the opportunity to present testimony on House Bill 123 HD1. This bill abolishes the Hawaii Department of Agriculture Biocontrol Foreign Exploration special fund and transfers the unencumbered balances to the general fund. The Department offers comments.

The Department has no concerns with the abolishment of the special fund but would like to note that the current fund balance is zero since funds were returned to the Department of Land and Natural Resources in January 2019.

Thank you again for the opportunity to testify on this measure.



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SUBJECT: MISCELLANEOUS, Repeal non-general funds

BILL NUMBER: HB 123, HD-1

INTRODUCED BY: House Committee on Agriculture

EXECUTIVE SUMMARY: Abolishes the Biocontrol Foreign Exploration special fund of the Department of Agriculture and transfers the unencumbered balance to the general fund, in accordance with the State Auditor's recommendation in Report No. 18-15.

SYNOPSIS: Abolishes the administratively established Biocontrol Foreign Exploration special fund.

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

EFFECTIVE DATE: July 1, 2150.

STAFF COMMENTS: This measure implements the state auditor's recommendation in Report No. 18-15.

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 2/16/2019