

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

ROBERT YU
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON LOWER & HIGHER EDUCATION
ON
HOUSE BILL NO. 2488

February 6, 2020
2:10 p.m.
Room 309

RELATING TO EDUCATION

The Department of Budget and Finance offers comments on House Bill (H.B.) No. 2488.

H.B. No. 2488 establishes the Moanalua High School Performing Arts Center Special Fund for the repair and maintenance of the performing arts center (PAC), provided that the Department of Education (DOE) contracts with a contractor to market and maintain the PAC. The rental income from the PAC, along with all interest earned, shall be deposited into the fund which will be administered by the DOE.

As a matter of general policy, the department does not support the creation of any special fund that does not meet the requirements of Section 37-52.3, HRS. Special funds should: 1) serve a need as demonstrated by the purpose, scope of work, and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or

activity; and 4) demonstrate the capacity to be financially self-sustaining. In regards to H.B. No. 2488, it is difficult to determine whether the proposed special fund would be self-sustaining or why the program cannot be implemented under the general fund appropriation process.

It should be noted that there are certain Internal Revenue Code restrictions regarding third-party operations of public facilities that are financed by tax exempt general obligation bonds.

Thank you for your consideration of our comments.