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

**WRITTEN ONLY**  
TESTIMONY BY RODERICK K. BECKER  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEE ON GOVERNMENT OPERATIONS  
ON  
HOUSE BILL NO. 618

**March 14, 2019**  
**2:45 p.m.**  
**Room 225**

**RELATING TO STATE FUNDS**

House Bill (H.B.) No. 618: establishes the Repair and Maintenance Special Fund (RMSF) within the Department of Budget and Finance to be used for repair and maintenance of State department facilities; restricts the fund from being used for personnel costs; prohibits the fund from being considered part of the employer's ability to meet collective bargaining costs during arbitration; and appropriates undetermined amounts of general funds and special funds in FY 20 and FY 21 for the fund.

As a matter of general policy, the department does not support the creation of special funds which do not meet the requirements of Section 37-52.3, HRS. Special funds should: 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. Regarding H.B. No. 618, there does not appear to be any source of revenues to support the RMSF aside from appropriations from the general fund.

In addition, the department believes that the fund may be better suited for establishment within the Department of Accounting and General Services since its Public Works Division is more experienced with planning, contracting for, and overseeing construction projects to repair and maintain facilities for State agencies.

Thank you for your consideration of our comments.

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

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SUBJECT: MISCELLANEOUS, New Repair and Maintenance Special Fund

BILL NUMBER: HB 618

INTRODUCED BY: LUKE, CULLEN

EXECUTIVE SUMMARY: Establishes the repair and maintenance special fund for the repair and maintenance of state department facilities. Prohibits fund moneys from funding employee salaries and costs or from being considered as part of the employer's ability to pay those costs.

SYNOPSIS: Adds a new section to chapter 36, HRS, establishing the repair and maintenance special fund.

States that special fund moneys shall not be expended for salaries, cost adjustments, collective bargaining cost items, and other costs for officers and employees included or excluded from collective bargaining.

Provides that moneys in the special fund shall not be considered as part of the employer's financial ability to meet costs within the meaning of section 89-11, HRS>

EFFECTIVE DATE: July 1, 2019.

STAFF COMMENTS: In 2002, the Legislature set requirements for establishing and continuing special and revolving funds. Sections 37-52.3 and 37-52.4, HRS, now state that the criteria used to review special and revolving funds are the extent to which each fund:

- Serves a need, as demonstrated by the purpose of the program to be supported by the fund; the scope of the program, including financial information on fees to be charged, sources of projected revenue, and costs; and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
- Reflects a clear nexus between the benefits sought and charges made upon the program users or beneficiaries, or a clear link between the program and the sources of revenue—as opposed to serving primarily as a means to provide the program or users with an automatic means of support, removed from the normal budget and appropriation process;
- Provides an appropriate means of financing for the program or activity, that is used only when essential to the successful operation of the program or activity; and
- Demonstrates the capacity to be financially self-sustaining.

We are concerned that the new special fund fails more than one of the above criteria for a valid special fund, and that its establishment subverts the appropriation process.

Digested 2/4/2019