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OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 2106**

**February 23, 2022
2:00 p.m.
Room 308 and Videoconference**

**MAKING AN APPROPRIATION TO THE EMERGENCY AND BUDGET RESERVE
FUND**

House Bill No. 2106 makes a \$1 billion general fund appropriation in FY 22 to be deposited to and to significantly boost the Emergency and Budget Reserve Fund (EBRF).

The Department of Budget and Finance strongly supports this Administration bill. Nearly two years into the COVID-19 pandemic, Hawai'i's economy has been through drastic changes. Amidst dramatically reduced revenues and to support costs associated with the pandemic response, we along with other states were provided extraordinary amounts of federal funds. However, the pandemic is still unfolding and there could also be some troubling climate change and geopolitical issues ahead of us. We believe the State must be prepared to weather the worst on its own because the federal government may not be able to assist as generously in the future. Recapitalizing the EBRF will further enhance the State's reserves for times of unforeseen economic downturns and natural disasters.

This deposit will also satisfy the requirement of Article VII, Section 6, of the Hawai'i State Constitution, that whenever the State general funds balance at the close of each of two successive fiscal years exceeds 5 percent of general fund revenues for each of the two fiscal years, the Legislature must provide for a tax refund or tax credit to the taxpayers of the State or make a deposit into one or more emergency funds, as provided by law.

According to the U.S. Department of Education, this appropriation is not subject to the maintenance of effort requirements under the Elementary and Secondary School Emergency Relief fund and Governor's Emergency Education Relief II fund.

Thank you for your consideration of our comments.

TAX FOUNDATION OF HAWAII

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SUBJECT: MISCELLANEOUS, Adds \$1 Billion to Rainy Day Fund

BILL NUMBER: HB 2106; SB 3074

INTRODUCED BY: HB by SAIKI by request; SB by KOUCHI by request (Governor's Package)

EXECUTIVE SUMMARY: Makes a general fund appropriation for fiscal year 2021-2022 to further capitalize the Emergency and Budget Reserve Fund.

SYNOPSIS: Appropriates \$1 billion from the state general fund to the "Rainy Day Fund" (HRS section 328L-3).

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: This is an Administration bill sponsored by the Department of Budget and Finance, designated BUF-17 (22).

We believe that appropriations to be made to budget reserve funds, including this one, should be made sparingly because we have no shortage of immediate needs. As such, we would prefer a more data-driven number with some analysis behind the amount ultimately selected.

Digested: 2/20/2022