

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR



JADE T. BUTAY
DIRECTOR

WILLIAM G. KUNSTMAN
DEPUTY DIRECTOR

STATE OF HAWAII
KA MOKU'ĀINA O HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
KA 'OIHANA PONO LIMAHANA

February 8, 2023

To: The Honorable Scot Z. Matayoshi, Chair,
The Honorable Andrew Takuya Garrett, Vice Chair, and
Members of the House Committee on Labor & Government Operations

Date: Thursday, February 8, 2024
Time: 10:00 a.m.
Place: Conference Room 309, State Capitol

From: Jade T. Butay, Director
Department of Labor and Industrial Relations (DLIR)

Re: H.B. 2235 RELATING TO NON-GENERAL FUNDS

The **DLIR supports the intent** of HB 2235 that proposes to reclassify or repeal certain non-general funds of the DLIR pursuant to the recommendations made in the Auditor's Report No. 23-06. The department concurs with most of the State Auditor's recommendations, but prefers the Boiler & Elevator Revolving Fund remain a revolving fund pursuant to Act 186 (SLH, 2018). Maintaining the fund as a revolving fund will help the Boiler & Elevator Branch maintain its self-sufficiency and avoid the necessity of general fund requests.

The DLIR notes that it has a request through the Governor's Executive Supplemental Budget to re-establish a ceiling on the Labor Law Enforcement Special Fund to enable the department to use penalties collected by the Hawaii Occupational Safety and Health (HIOSH) and the Wage Standards Division to collect penalties and fees assessed by the department.

The department notes that the Legislature is currently deliberating on the Human Trafficking Victim Services Fund in HB1967 and SB2602.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Reclassify or Repeal DLIR Funds

BILL NUMBER: HB 2235

INTRODUCED BY: YAMASHITA

EXECUTIVE SUMMARY: Reclassifies or repeals certain non-general funds of the Department of Labor and Industrial Relations, pursuant to the recommendations made by the Auditor in Auditor's Report No. 23-06.

SYNOPSIS: Amends section 371-12.5, HRS, to reclassify the labor law enforcement special fund as a trust account.

Amends section 397-13, HRS, to reclassify the boiler and elevator revolving fund as a special fund.

Repeals section 706-650.5, HRS, which established the human trafficking victim services fund.

Reclassifies the national governors' association grant trust account, administratively established in 2021, and the non-profit employers deposit account, administratively established in 1972, as trust funds.

Makes conforming changes.

EFFECTIVE DATE: July 1, 2024.

STAFF COMMENTS: 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 on monies in special funds, HRS 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 bill was the result of Auditor’s Report No. 23-06.

Digested: 2/6/2024