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Statement of
BRENNA H. HASHIMOTO
Director, Department of Human Resources Development

Before the
HOUSE COMMITTEE ON LABOR AND GOVERNMENT OPERATIONS
Tuesday, January 31, 2023
9:00AM
State Capitol, Conference Room 309

In consideration of
HB38, RELATING TO NON-GENERAL FUNDS

Chair Matayoshi, Vice Chair Garrett, and the members of the committee.

The Department of Human Resources Development (DHRD) is in **support** of HB38.

The purpose of the bill is to reclassify the human resources development special fund as a revolving fund pursuant to the recommendation made by the State Auditor in Auditor's Report 22-12.

DHRD concurs with the Auditor's recommendations and supports reclassifying the special fund as a revolving fund.

Thank you for the opportunity to provide testimony on this measure.

TAX FOUNDATION OF HAWAII

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SUBJECT: MISCELLANEOUS, Reclassify DHRD Fund

BILL NUMBER: HB 38

INTRODUCED BY: YAMASHITA

EXECUTIVE SUMMARY: Reclassifies the human resources development special fund as a revolving fund pursuant to the recommendation made by the Auditor in Auditor's Report No. 22-12.

SYNOPSIS: Amends section 26-5(g), HRS, to reclassify the human resources development special fund as a revolving fund.

EFFECTIVE DATE: July 1, 2023.

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 of 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. 22-12.

Digested: 1/30/2023