



## DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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GOVERNOR

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Statement of  
**MIKE MCCARTNEY**  
Director

Department of Business, Economic Development, and Tourism  
before the  
**HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT**

Friday, February 12, 2021  
9:30 AM  
State Capitol, Conference Room 312

In consideration of  
**HB59**  
**RELATING TO NON-GENERAL FUNDS.**

Chair Quinlan, Vice Chair Holt and members of the Committee.

The Department of Business, Economic Development and Tourism offers comments on HB59 that repeals, abolishes, or reclassifies various non-general funds of the Department of Business, Economic Development, and Tourism (DBEDT).

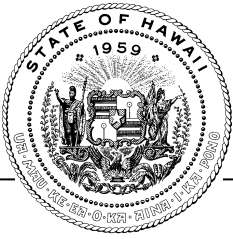
This measure beginning on page 17, line 13, seeks to change the statute of the Hawaii Community-based economic development (HRS 210D-4) “revolving” fund to a “special” fund, based upon the Auditor’s assessment that the fund does not meet the test of a “revolving” fund. Since the Auditor’s report, the Hawaii community-based economic development revolving fund has received a \$1 million grant from the Economic Development Administration (EDA).

With a 20 percent required state match of \$250,000 by the CBED revolving fund, this EDA grant will re-capitalize the CBED revolving loan fund (RLF). It will also generate loan payments and interest on a revolving basis in order to provide funds for subsequent loans. The re-capitalized CBED RLF will be a true revolving loan fund by EDA definitions and the associated EDA RLF grant regulations.

The CBED RLF is an important component of the overall CBED program allowing DBEDT to support community-based businesses to be successful along with the communities in which they operate.

We defer to HCDA and HTDC on their revolving funds.

Thank you for the opportunity to testify.



# HAWAII STATE ENERGY OFFICE STATE OF HAWAII

DAVID Y. IGE  
GOVERNOR

SCOTT J. GLENN  
CHIEF ENERGY OFFICER

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Testimony of  
**SCOTT J. GLENN, Chief Energy Officer**

before the  
**HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT**

Friday, February 12, 2021  
9:30 AM  
State Capitol, Conference Room 312

Comments in consideration of  
**HB 59**

**RELATING TO NON-GENERAL FUNDS.**

Chair Quinlan, Vice Chair Holt and Members of the Committee, the Hawaii State Energy Office (HSEO) **offers comments** on HB 59 which repeals, abolishes, or reclassifies various non-general funds of the Department of Business, Economic Development, and Tourism (DBEDT), including a trust account that was administratively established in support of a federal grant received by HSEO.

HSEO was awarded a grant from the U.S. Department of Agriculture to conduct investment-grade energy audits for rural small businesses and farms where the auditee was required to pay at least 25 percent of the cost of the audit. A trust account was established to be used for the deposit and expenditure of the auditees' share of the cost of the energy audits. The grant was completed, and the trust account balance is zero.

HSEO agrees that the trust account for energy audits – recipients' share of cost should be abolished as it has served the purpose for which it was created and is no longer needed. HSEO defers to the other affected agencies and divisions of DBEDT regarding the other funds and accounts.

Thank you for the opportunity to testify.

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

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SUBJECT: MISCELLANEOUS, Repeal Non-General Funds

BILL NUMBER: HB 59

INTRODUCED BY: LUKE, CULLEN

EXECUTIVE SUMMARY: Repeals, abolishes, or reclassifies various non-general funds of DBEDT pursuant to the recommendations of the Auditor.

SYNOPSIS:

- Reclassifies the Hawaii community development revolving fund in section 206E-16, HRS, as a special fund.
- Reclassifies the Kalaeloa community development revolving fund in section 206E-204, HRS, as a special fund.
- Reclassifies the Hawaii community-based economic development revolving fund in section 210D-4, HRS, as a special fund.
- Repeals the research and development special fund in section 206M-15.3.
- Repeals the Hawaii technology loan revolving fund in section 206M-15.6.
- Reclassifies the administratively established Kalaeloa facilities trust account as a special fund.
- Abolishes the administratively established energy audits - recipients' share of cost trust account.

Makes technical and conforming amendments. Provides that any unencumbered balances in the repealed funds lapse to the credit of the general fund.

EFFECTIVE DATE: July 1, 2021.

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. 20-01.

Digested 2/10/2021



Written Statement of  
**Len Higashi**  
Acting Executive Director  
Hawaii Technology Development Corporation  
before the  
**House Committee On Economic Development**  
Friday, February 12, 2021  
9:30 a.m.  
Videoconference

In consideration of  
**HB59**  
**RELATING TO NON-GENERAL FUNDS.**

Chair Quinlan, Vice Chair Holt, and Members of the Committee.

The Hawaii Technology Development Corporation (HTDC) offers **comments** on HB59 that repeals, abolishes, or reclassifies various non-general funds of the Department of Business, Economic Development, and Tourism..

The bill repeals the HRS 206M-15.3 Research and Development Special Fund. The account was last used to award grants in FY19. If the legislature intends to appropriate funds for the program, HTDC believes the program could be appropriated with general funds. HTDC does not object to its repeal.

The bill repeals the HRS 206M-15.6 Hawai'i Technology Revolving Loan Fund. The account has not been funded since inception in 2000. The fund concept has merit, but if there is no intention by the legislature to appropriate funds into the account, HTDC does not object to its repeal.

Thank you for the opportunity to offer these comments.



**HAWAII COMMUNITY  
DEVELOPMENT AUTHORITY**

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DAVID Y. IGE  
GOVERNOR

JOHN WHALEN  
CHAIR

DEEPAK NEUPANE, P.E., AIA  
EXECUTIVE DIRECTOR

Statement of  
**DEEPAK NEUPANE, P.E., AIA**  
**Executive Director**  
Hawaii Community Development Authority  
before the

**HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT**

Friday, February 12, 2021

9:30 AM

State Capitol, Conference Room 312

In consideration of  
**HB 59**  
**RELATING TO NON-GENERAL FUNDS.**

Chair Quinlan, Vice Chair Holt, and members of the Committee. The Hawaii Community Development Authority (HCDA) offers **comments** on HB 59 that reclassifies, repeals, or abolishes various non-general funds to transfer the unencumbered balances to the general fund.

Hawaii Community Development Revolving Fund provides funding for HCDA's operations as well as for development of public facilities and affordable housing within the Kakaako Community Development District. This fund has been vital in making Kakaako a place where Hawaii's residents can truly live, work and play.

The bill changes "revolving fund" to "special fund" only in HRS §206E-6, 16, 184, 185, 195, and 204. I note that the term "revolving fund" still remains in §206E-16.5 and should be changed to "special fund" for consistency should this bill advance.

Also, Act 268, Sessions Laws of Hawaii 2019, established the new stadium development district, and states the HCDA, with the approval of the governor, may issue in one or more series revenue bonds in a total amount not to exceed \$180,000,000. The proceeds of the revenue bonds shall be deposited into the Hawaii community development revolving fund created in Section 206E-16, HRS. The wording "revolving fund" should be changed to "special fund" in Act 268 should this bill advance.

Thank you for the opportunity to testify.