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OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 3074**

**February 2, 2022
10:00 a.m.
Room 211 & Videoconference**

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

Senate Bill No. 3074 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 some 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 Hawaii 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, Appropriate \$1B to Emergency and Budget Reserve Fund

BILL NUMBER: SB 3074, HB 2106

INTRODUCED BY: SB by KOUCHI by request, HB by SAIKI by request

EXECUTIVE SUMMARY: Makes a general fund appropriation of \$1 billion for fiscal year 2021-2022 to further capitalize the Emergency and Budget Reserve Fund.

SYNOPSIS: Appropriates \$1 billion to the Emergency and Budget Reserve Fund in section 328L-3, HRS.

EFFECTIVE DATE: Upon Approval

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

The justification sheet for the bill recites that the proposed \$1 billion deposit will bring the fund balance to about 14.7% of prior year general fund revenues.

We question why so much is being squirreled away, and therefore doing nothing at the moment, as opposed to addressing the needs we now have and could not deal with previously such as deferred maintenance across the state, at the airports, and so on.

We also wonder whether the federal government would take a dim view of idling so much money, because a substantial amount of recovery funds are being distributed to the State and are meant to be used for recovery.

Digested: 2/1/2022