



STATE OF HAWAII
DEPARTMENT OF HEALTH
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Testimony in SUPPORT of S.B. 3120
RELATING TO THE OFFICE OF HEALTH CARE ASSURANCE SPECIAL FUND.

SENATOR JARRETT KEOHOKALOLE, CHAIR
SENATE COMMITTEE ON HEALTH

Hearing Date: Monday, January 31, 2022

Room Number: Video Conf.

1 **Fiscal Implications:** The intent of this bill is to focus the budget approval through the more
2 dynamic budget approval process rather than through a static statutory ceiling. The bill would
3 also lessen reliance on general funds by shifting costs to special funds.

4 **Department Testimony:** The Department is in STRONG SUPPORT of this bill to lessen
5 reliance on general funds especially during this period of budget uncertainty resulting from the
6 state's economic impacts due to the COVID-19 pandemic.

7 This bill would remove the OHCA special fund spending ceiling from statute and
8 establish the ceiling through the budget process which must be done anyway even with a
9 spending ceiling in statute. This would allow the legislature to approve spending from year to
10 year as needed to cover costs of contracted health care facility inspectors and investigations on
11 unlicensed care facilities, fund contracts that modernize operations and modernize the license
12 application and licensure survey activities, and to offset other general fund limitations, rather
13 than burden OHCA with an artificial and unrealistic ceiling in statute.

1 In addition, through this bill the legislature would allow the Department to retain revenue
2 in the special fund to further reduce reliance on general funds for operational support during and
3 after the pandemic.

4 Thank you for the opportunity to testify in STRONG SUPPORT of this measure.

5 **Offered Amendments:** None.

TAX FOUNDATION OF HAWAII

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SUBJECT: MISCELLANEOUS, Enhancement of Office of Healthcare Assurance Special Fund

BILL NUMBER: SB 3120; HB 2152

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

EXECUTIVE SUMMARY: Increase the ceiling of the Office of Healthcare Assurance Special Fund to meet expanding program needs and diminish dependence on the general fund.

SYNOPSIS: Amends section 321-1.4, HRS, to delete the requirement that not more than \$327,000 of the special fund may be used during any fiscal year for activities carried out by the office of health care assurance, and the requirement that monies in the special fund in excess of \$387,500 be transferred to the general fund.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: This is an Administration measure submitted by the department of health and identified as HTH-23 (22).

Special funds are pots of money that exist for a specific purpose, and largely bypass the legislative appropriation process. The existence of hundreds of these special funds has often confounded those who seek answers to simple questions like “How much money does the State have?”

Our Legislature is supposed to be the steward of all state moneys, but special funds make it very easy to lose track of where the money is and how it is being spent. Departments are supposed to tell the Legislature if they have special funds and how much is in them, but they don’t always. Recently, in Report No. 20-01, the State Auditor took DBEDT to task for failing to report \$6.5 million in non-general fund moneys. DBEDT’s response? Just that they’ll “take corrective action.” Not even a “Whoops! We screwed up and promise to do better next time!” This followed closely on the heels of Report No. 19-16, where the Auditor found that \$1.04 million in non-general fund moneys administered by the Attorney General wasn’t reported. That department responded that they “shall establish procedures to assure required reports are issued.” Is it any wonder that it’s getting harder and harder to follow the money and rein in government spending?

Another tactic that appears to be gaining traction among special fund supporters is “scope creep.” It involves expanding the scope of what the special fund moneys may be spent on. If special fund moneys can be spent on more and more things, then there tends to be more spending, and then the funds need to be fed more and more to stay afloat. Then who is going to do the feeding? Probably we, the taxpayers.

In this bill, the Department of Health is very brazen in saying that they want to provide more programs and services, and that use of special funds “will reduce dependence on the general fund

during the COVID-19 pandemic and allow the legislature to use its limited general funds on other critical programs.” In other words, “Let us use this money without going through the troublesome appropriation process where the legislature scrutinizes what we do.”

We have news for you, Department of Health. The Legislature is *supposed* to oversee and scrutinize what every executive agency, including yours, does. It’s their job to see that taxpayer money is well spent. That is one of their key functions and the appropriations process is the way they do it.

The moral of the story is that special funds are often used to obfuscate and confuse, to put a smokescreen between those who spend the money and those who are charged with making sure the money is well spent. Let’s do all of ourselves a favor and get rid of the special funds we don’t really need, and make sure that the operations of the ones we do need are transparent and accountable.

Digested: 1/29/2022