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Lt. Governor



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**TESTIMONY OF SHARON HURD
CHAIRPERSON, BOARD OF AGRICULTURE**

BEFORE THE HOUSE COMMITTEE ON FINANCE

**THURSDAY, FEBRUARY 22, 2024
1:00 PM
CONFERENCE ROOM 308 AND VIDEOCONFERENCE**

**HOUSE BILL NO. 2236, HD1
RELATING TO NON-GENERAL FUNDS**

Chair Yamashita, Vice Chair Kitagawa, and Members of the Committee:

Thank you for the opportunity to testify on House Bill No. 2236, HD1. This bill reclassifies, repeals, or abolishes certain non-general funds of the Department of Agriculture (DOA), pursuant to the recommendations made by the Auditor in Auditor's Report No. 23-13.

DOA recognizes that amendments offered in testimony on the previous draft of this bill have been incorporated into this version of the bill. The amendments will allow the Department to utilize the funds identified in the bill for its intended purposes.

Thank you for the opportunity to testify on this measure.



TAX FOUNDATION OF HAWAII

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SUBJECT: MISCELLANEOUS, Reclassify Funds of Department of Agriculture

BILL NUMBER: HB 2236 HD 1

INTRODUCED BY: House Committee on Agriculture & Food Systems

EXECUTIVE SUMMARY: Reclassifies, repeals, or abolishes certain non-general funds of the Department of Agriculture, pursuant to the recommendations made by the Auditor in Auditor's Report No. 23-13 and to transfer any unencumbered balance of repealed or abolished funds to the general fund.

SYNOPSIS:

Abolishes the aquaculture loan reserve fund, a special fund administratively established in 1972. Any unencumbered balances shall lapse to the credit of the aquaculture loan revolving fund.

Reclassifies to a trust account the Office of Hawaiian Affairs ceded land proceeds account, a trust fund administratively established in 2003.

Abolishes the producer's settlement fund, a trust fund administratively established in 1980 with any unencumbered balances lapsing to the general fund.

EFFECTIVE DATE: July 1, 3000.

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. 23-13.

Digested: 2/20/2024