



JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

LUIS P. SALAVERIA
DIRECTOR

SABRINA NASIR
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
Ka 'Oihana Mālama Mo'ohelu a Kāla
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT

WRITTEN ONLY

TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 2239

February 21, 2024
2:00 P.M.
Room 308 and Videoconference

RELATING TO NON-GENERAL FUNDS.

The Department of Budget and Finance supports H.B. No. 2239 to reclassify or abolish certain non-general funds of the Department of Budget and Finance, pursuant to the recommendations made by the Auditor in Auditor's Report No. 24-01 (Review of Special Funds, Revolving Funds, Trust Funds and Trust Accounts of the Department of Budget and Finance). The Department concurs with the report's recommendation to reclassify the Temporary Deposits-Budget and Finance account as a trust fund or to be closed; and to abolish the Temporary Deposits-Budget and Finance Financial Administration Division trust account. Both have zero balances.

Thank you for your consideration of our comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Reclassify Funds of Department of Budget & Finance

BILL NUMBER: HB 2239

INTRODUCED BY: YAMASHITA

EXECUTIVE SUMMARY: Reclassifies or abolishes certain non-general funds of the Department of Budget and Finance, pursuant to the recommendations made by the Auditor in Auditor's Report No. 24-01.

SYNOPSIS: Reclassifies the “Temporary Deposits – Budget & Finance Trust Account,” administratively established prior to 1980, as a trust account.

Abolishes the “Temporary Deposits – Budget & Finance Financial Administration Division Trust Account,” administratively established in 2021.

EFFECTIVE DATE: July 1, 2024.

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. 24-01.

Digested: 2/19/2024