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TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 1473, S.D. 2, H.D. 1

March 27, 2025
2:00 p.m.
Room 308 and Videoconference

RELATING TO CENTRAL SERVICES ASSESSMENT

The Department of Budget and Finance (B&F) offers comments on this bill.

Senate Bill (S.B.) No. 1473, S.D. 2, H.D. 1, amends: 1) Section 36-28, HRS, Transfer from State Highway Fund (SHF), for central services expenses;

2) Section 36-28.5, HRS, Transfer from Airport Revenue Fund (ARF); and

3) Section 36-29, HRS, Transfer from Harbor Special Fund (HSF), by adding language to cap the amount transferred from the central services assessment (CSA) on the SHF, ARF, and HSF at an undetermined dollar amount. Section 36-27, HRS, sets the percentage used for calculating CSAs on special funds throughout the State at 5%.

S.B. No. 1473 would limit the amount transferrable to the general fund at 2.5% of the revenues collected or an undetermined dollar amount, whichever is less. In addition, S.B. No. 1473 would have the Department of Transportation (DOT) calculate an annual percentage adjustment based on the Urban Honolulu Consumer Price Index increases in that year to deduct additional amounts to be transferred for the CSA on the amount transferred from each fund.

The purpose of the CSA is to defray the prorated expenses of government in relation to all special funds. B&F estimates this measure could reduce the projected transfers to the general fund by a total of approximately \$23.3 million in FY 26; \$24.3 million in FY 27; \$25.3 million in FY 28; \$26.3 million in FY 29; \$27.1 million in FY 30; and \$27.6 million in FY 31. Without this transfer from these special funds administered by DOT, the general fund will need to find additional revenue sources to pay for central services costs that the State is dependent on, which include services provided by the Departments of Accounting and General Services, Human Services, and Taxation, B&F, and the Offices of the Governor and Lieutenant Governor. The effective date of this measure is July 1, 3000.

Thank you for your consideration of our comments.

JOSH GREEN, M.D.
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KE KIA'ĀINA



TESTIMONY BY:

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Thursday, March 27, 2025
2:00 p.m.

State Capitol, Conference Room 308 & Videoconference

S.B. 1473, S.D. 2, H.D. 1
RELATING TO CENTRAL SERVICES ASSESSMENT

House Committee on Finance

The Hawaii Department of Transportation (HDOT) **supports S.B. 1473, S.D. 2, H.D. 1**, which addresses the deduction and transfer of funds for central service expenses from the State Highway Fund, Airport Revenue Fund, and Harbor Special Fund.

S.B. 1473, S.D. 2, H.D. 1, proposes to amend sections 36-28, 36-28.5, and 36-29, Hawaii Revised Statutes by: (1) limiting transfers to 2.5 percent of all receipts and deposits in the fund, or an unspecified dollar amount, whichever is less; and (2) creating a process to deduct additional amounts based on the Consumer Price Index.

Historically, HDOT's Central Services Assessment (CSA) contributions have constituted a majority of the funds contributed by departments to defray the cost of central government services—a majority both in percentage and on a per-employee basis. Limiting the base deductions to 2.5 percent from each of HDOT's modal programs (Airports, Harbors, and Highways), for a combined total of about \$22,500,000, is intended to equitably reduce the disparity between HDOT's CSA contributions to those of the other departments that contribute funds for central services expenses.

For example, in Fiscal Year (FY) 2023, HDOT contributed \$45,000,000 or 74 percent of the CSA funding. By comparison, the second-highest contributing department contributed \$5,000,000 or 8 percent in FY 2023. Establishing a 2.5 percent base contribution for HDOT would reduce this disparity, bringing HDOT's contribution to four and a half times that of the next highest contributing department, as opposed to the current eight-fold difference.

Moreover, because the purpose of the CSA is to defray the cost of central government services, it is also informative to analyze contributions on a per-employee basis. The per-employee basis is calculated by dividing the amount of CSA contributions by the number of positions in a department (including temporary positions). In FY 2023, HDOT had approximately 2800 positions and contributed \$45,000,000, which results in a contribution of \$16,000 for each employee. By comparison, this is more than double the

next highest per-employee contribution from the Department of Commerce and Consumer Affairs, which contributes \$7,000 per employee. Establishing a 2.5 percent or about \$22,500,000 base contribution for HDOT would reduce this disparity by reducing HDOT's per employee contribution to \$8,000 per employee, which would still be the highest per employee contribution.

The funding retained by HDOT as a result of S.B. 1473, S.D. 2, H.D. 1, would allow for the completion of critical projects and initiatives that enhance infrastructure, improve public safety, and support long-term transportation goals.

Thank you for the opportunity to provide testimony.