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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. 326, S.D. 1

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

RELATING TO REVOLVING FUNDS

The Department of Budget and Finance (B&F) supports this bill.

Senate Bill (S.B.) No. 326, S.D. 1, amends Section 37-52.4, HRS, to require the Legislature, in establishing or reviewing a revolving fund, to ensure the revolving fund is financially self-sustainable by either annual projections that show that the revolving fund will be sustainable without appropriations of general funds or a schedule of projected collections of outstanding payments to the revolving fund.

As a matter of general policy, B&F does not support the creation or continuance of any revolving fund, which does not meet the requirements of Section 37-52.4, HRS. We believe that the proposed amendments would help to ensure that each revolving fund is financially self-sustainable and an appropriate means of financing to support a program or activity. As such, B&F supports S.B. No. 326, S.D. 1.

Thank you for your consideration of our comments.

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SUBJECT: MISCELLANEOUS, Require Revolving Funds to Demonstrate Financial Self-Sustainability

BILL NUMBER: SB 326 SD 1

INTRODUCED BY: Senate Committee on Ways and Means

EXECUTIVE SUMMARY: Requires the Legislature, in establishing or reviewing a revolving fund, to ensure the revolving fund is financially self-sustainable by either annual projections that show that the revolving fund will be sustainable without appropriations of general funds or a schedule of projected collections of outstanding payments to the revolving fund.

SYNOPSIS: Amends section 37-52.4, HRS, which specifies criteria for revolving funds and now requires a revolving fund to be financially self-sustaining, to require that the fund demonstrate this by (A) Annual projections that show that the revolving fund will be sustainable without appropriations of general funds into the revolving fund; or (B) A schedule of projected collections of outstanding payments to the revolving fund that will capitalize the revolving fund.

EFFECTIVE DATE: July 1, 2050.

STAFF COMMENTS: Part III of chapter 37, HRS (sections 37-51 to 37-54), entitled “Budgetary Control of Special Funds,” attempts to establish criteria for the establishment or continuance of special funds, revolving funds, or administratively established accounts and funds. Many of the sections in this part can be traced to Act 320, SLH 1957.

It has been our observation that these criteria are often ignored, both by executive branch agencies and the legislative branch. The Office of the Auditor periodically examines non-general funds controlled by agencies and recommends that the Legislature reclassify or abolish funds not meeting the criteria. Sometimes these recommendations are enacted, sometimes not.

We are not convinced that adding specifics to the criteria in the underlying law will help government officials adhere to it.

Digested: 3/25/25