

TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
HOUSE BILL NO. 1733

February 18, 2009

RELATING TO INTEREST

House Bill No. 1733 provides for the temporary transfer into the general fund of interest earned on short-term investment of moneys of certain special funds, revolving funds and special accounts for Fiscal Years 2010 to 2015.

We support moving this bill forward to foster continued discussions. During these difficult times and considering the grave fiscal condition we are facing, all options must be kept open. While it is recognized that this bill may be unpopular, we will need to make difficult decisions to address our budget shortfall and ensure the fiscal health of our State. We defer discussion of the impact of this bill on individual special funds to the departments.

Based on Fiscal Year 2008 revenues, interest earnings from all special and revolving funds were approximately \$123 million. Of this amount, approximately \$24 million was from the Department of Business, Economic Development and Tourism and \$64 million from the Department of Transportation. It should be noted that use of Department of Transportation revenues may be limited due to federal, bond covenant and other statutory requirements. However, interest earnings are expected to be less in Fiscal Year 2009 because the average yield on investments has declined - it was 4.39% in Fiscal Year 2007, 4.08% in Fiscal Year 2008 and it is projected to be 3.00% in Fiscal Year 2009.



LINDA LINGLE  
GOVERNOR  
JAMES R. AIONA, JR.  
LT. GOVERNOR

STATE OF HAWAII  
OFFICE OF THE DIRECTOR  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
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LAWRENCE M. REIFURTH  
DIRECTOR  
RONALD BOYER  
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON FINANCE

TWENTY-FIFTH LEGISLATURE  
Regular Session of 2009

Wednesday, February 18, 2009  
2:30 p.m.

**TESTIMONY ON HOUSE BILL NO. 1733  
RELATING TO INTEREST.**

TO THE HONORABLE MARCUS R. OSHIRO, CHAIR, MARILYN B. LEE, VICE CHAIR,  
AND MEMBERS OF THE COMMITTEE:

My name is Lawrence Reifurth, Director of Commerce and Consumer Affairs  
("DCCA" or the "Department"). The Department has concerns about H.B. No. 1733.

H.B. No. 1733 proposes to temporarily transfer into the general fund, the interest  
earned on "short-term investments" of certain special funds, revolving funds, and  
special accounts over the period of FY 2010 through FY 2015. The bill identifies:

- (1) 176 funds and accounts administered by executive agencies, (including  
the Department's Compliance Resolution Fund, the Insurance  
Commissioner's Education and Training Fund, the Special Drivers  
Education Fund account, the Captive Insurance Administrative Fund, and  
the Loss Mitigation Grant Fund);

- (2) 44 funds and accounts administered by the University of Hawaii; and
- (3) Seven funds and accounts administered by the Judiciary;

from which the interest from "short-term investments" will be transferred into the general fund. The Department is concerned about the consequences of such transfers.

The Department understands and appreciates the economic and fiscal challenges with which the Administration and Legislature must contend. The Department also appreciates the need to find savings and other sources of revenues to help balance the general fund. However, the investment monies that the measure proposes to transfer from the CRF and its related trust funds to the general fund arguably belong as much to our customers as the underlying funds which have been invested. As such, the proposed transfer could raise issues under the recently decided case of *Hawai'i Insurers Council v. Lingle*, and I urge you to consult with the Attorney General before proceeding with the proposal.

According to the Department of Budget and Finance, DCCA's investment pool interest income for the first seven months of FY09 is less than \$500,000 (presumably due in large part to the poor performance of investments over this period). It may, therefore, be fair to assume that the value of the Department's FY09 investment income will be less than \$1 million.

As a result, the Department's concerns are less focused on our practical ability to withstand the loss of the expected revenues (if these were the only monies to be transferred from the CRF over the same time period), as it is the principle that our

Testimony of DCCA  
February 18, 2009  
H.B. No. 1733  
Page 3

customers' money should continue in the service of our customers, and the legal issues that could be raised by *HIC v. Lingle*.

Thank you for the opportunity to submit testimony.

LINDA LINGLE  
GOVERNOR OF HAWAII



**STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

**Testimony of  
LAURA H. THIELEN  
Chairperson**

**Before the House Committee on  
FINANCE**

**Wednesday, February 18, 2009  
2:30 PM  
State Capitol, Conference Room 308**

**In consideration of  
HOUSE BILL 1733  
RELATING TO INTEREST**

House Bill 1733 would temporarily transfer of interest from certain special funds, revolving funds, and special accounts to the general fund. The Department of Land and Natural Resources' (Department) comments are restricted to those special funds under its purview. While the Department is sensitive to the State's difficult economic situation and as such, amicable to temporary funding source options to help balance the budget, the Department nonetheless raises the following concerns it has with this measure.

The Department's general fund budget was reduced by \$1.38M last legislative session. This reduction was compounded with a 4% general fund budget restriction (\$1.3M) imposed by the Administration. Just recently, the Department was instructed to restrict another 2% (\$650,000+) on their general fund spending. The Department notes that its 2010-11 Biennium Budget request proposes an additional \$6.4M reduction in general funds. The Department has explored supplementing the loss of general funds with federal funds and special funds, as alternative funding sources, to continue the Department's efforts and initiatives to protect, preserve and enhance the quality of our state's natural and cultural resources which directly affect the quality of life for our residents and form the basis for our tourism economy.

Specifically, with regard to the Sport Fish Special Fund, this Fund contains monies derived from the sale of freshwater game fish licenses sold by the Department. These monies are then used to support the Department's Sport Fish Program, including the management of public fishing areas such as those at Kokee, Kauai, Lake Wilson and Nuuanu Reservoirs on Oahu, and many other projects.

The Department notes that an exemption from central services and administrative fees was obtained by way of Act 86, Session Laws of Hawaii 2002, because the fee assessment would jeopardize the receipt of over \$2M in federal funds to the State (currently \$3.4M for the most

LAURA H. THIELEN  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

RUSSELL Y. TSUJI  
FIRST DEPUTY

KEN C. KAWAHARA  
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
BUREAU OF CONVEYANCES  
COMMISSION ON WATER RESOURCE MANAGEMENT  
CONSERVATION AND COASTAL LANDS  
CONSERVATION AND RESOURCES ENFORCEMENT  
ENGINEERING

FORESTRY AND WILDLIFE  
HISTORIC PRESERVATION  
KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

current federal fiscal year). Federal law (§80.4, 50 CFR Ch 1-F, Part 80) prohibits the diversion of any funds from license fees or any interest derived there from, paid by fishermen for any other purpose than the administration of the State's fish and wildlife agency.

Implementing the provisions of this bill would run counter to federal law, and could jeopardize over \$3.4M in federal funds that the State can ill afford to forego under current economic circumstances.

LINDA LINGLE  
Governor



State of Hawaii  
DEPARTMENT OF AGRICULTURE  
1428 South King Street  
Honolulu, Hawaii 96814-2512

SANDRA LEE KUNIMOTO  
Chairperson, Board of Agriculture

DUANE K. OKAMOTO  
Deputy to the Chairperson

TESTIMONY OF SANDRA LEE KUNIMOTO  
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE ON FINANCE  
WEDNESDAY, FEBRUARY 18, 2009  
2:30 P.M.  
ROOM 308

HOUSE BILL NO. 1733  
RELATING TO INTEREST

Chairperson Oshiro and Members of the Committee:

Thank you for the opportunity to testify on House Bill No. 1733, which provides for the temporary transfer of interest from certain special funds, revolving funds, and special accounts to the general fund. The Department of Agriculture provides comments.

In Fiscal Years 08 and 07, special funds and accounts held by the Department of Agriculture (DOA) earned \$365,000 and \$250,000 in interest respectively. The Agribusiness Development Corporation earned approximately 1/3 of the total interest in each of the two fiscal years. The DOA's animal quarantine and pesticide use revolving fund earned approximately 30%-33% in each of the two fiscal years. The remaining 1/3 came from interest earned in the irrigation, agricultural parks, and other, miscellaneous funds and accounts.

For certain funds and accounts, interest earned represents a significant amount of funding that contributes to the operation of the program. While we understand the need to explore all possible sources of funding in these serious economic times, we are concerned that an "across the board" transfer of interest could have unintended consequences.

LINDA LINGLE  
GOVERNOR



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TESTIMONY  
OF  
AARON S. FUJIOKA  
ADMINISTRATOR  
STATE PROCUREMENT OFFICE

TO THE  
HOUSE COMMITTEE  
ON  
FINANCE

February 18, 2009

2:30 PM

HB 1733

RELATING TO INTEREST.

Chair Oshiro, Vice-Chair Lee and committee members, thank you for the opportunity to testify on HB 1733.

The State Procurement Office (SPO) submits testimony limited to SECTION 2, item (16) Surplus federal property revolving funds—section 103D-1107, HRS. The Surplus Property Management Program, AGS 244, operates on funds accumulated from service charges deposited, invested or used in accordance with §103D-1103 based on the Federal Property and Administrative Services Act of 1949. Program funds cover direct and reasonable indirect cost of operating the State Agency for Surplus Property (SASP); equipment for the SASP; maintain a reasonable working capital reserve; rehabilitate surplus property, including the purchase of replacement parts; and pay for cost of audits. All funds collected from service charges, or from other sources such as interest, are solely for the operation of the SASP and the benefit of participating donees. “Donees” include public agencies, nonprofit educational and public health activities, nonprofit and public programs for the elderly, public airports, educational activities and homeless programs.

The SPO requests that item (16) on page 3, lines 9 and 10 be deleted.

Thank you.



**TESTIMONY OF THE STATE ATTORNEY GENERAL  
TWENTY-FIFTH LEGISLATURE, 2009**

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ON THE FOLLOWING MEASURE:

H.B. NO. 1733, RELATING TO INTEREST.

BEFORE THE:

HOUSE COMMITTEE ON FINANCE

DATE: Wednesday, February 18, 2009 TIME: 2:30 PM

LOCATION: State Capitol, Room 308

TESTIFIER(S):

WRITTEN TESTIMONY ONLY. For more information, call  
Bridget Holthus, Special Assistant to the Attorney General,  
at 586-1284.

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Chair Oshiro and Members of the Committee:

The Department of the Attorney General recognizes the current fiscal difficulties; however, we note that this bill will reduce the amount of funds available for programs administered by the Department of the Attorney General, and to that extent it will have a negative effect on those programs.

**Date:** 02/18/2009

**Committee:** House Finance

**Department:** Education

**Person Testifying:** Patricia Hamamoto, Superintendent of Education

**Title of Bill:** HB 1733 RELATING TO INTEREST.

**Purpose of Bill:** Provides for the temporary transfer of interest from certain special funds, revolving funds, and special accounts to the general fund.

**Department's Position:** The Department of Education opposes this measure.

The Department receives interest from the state's investment pool earnings. The interest is credited to each respective special, trust or revolving fund.

The impact of this bill would be to reduce the Department's special funds, trust funds and revolving funds by \$1.7 million annually. With budget reductions and restrictions already being implemented, the Department cannot support such further reductions. Details are on the attached schedule.

Thank you for this opportunity to provide testimony.

Investment Pool Interest Earned  
as of June 30, 2008

Apprn	Programs	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	TOTAL
S301	Regular Instruction HI Schools	84.12	186.30	96.13	93.63	94.30	187.40	0.00	183.03	0.00	167.37	0.00	1,092.28
S302	Adult Education	1,068.84	2,116.00	1,321.39	1,507.69	1,505.14	1,502.25	1,490.01	872.98	1,032.02	441.80	480.64	13,318.76
S304	School Food Services	5,309.93	13,102.93	4,882.31	9,173.16	9,971.83	7,463.79	10,176.22	15,881.64	13,914.67	10,521.55	8,801.51	109,199.54
S321	Hawaii Teachers Standards Board	6,441.81	12,214.23	7,527.21	9,864.34	8,781.03	8,782.34	9,446.21	8,378.15	7,389.42	6,178.60	5,158.01	90,141.35
S322	Adult Education	1,447.55	2,381.54	1,449.09	1,719.74	1,702.34	2,000.89	1,430.89	2,012.55	1,131.47	1,496.24	795.45	17,567.85
S323	Summer School	2,133.38	4,120.32	2,203.87	1,333.09	1,022.28	1,496.55	1,583.43	1,869.41	2,024.07	1,935.82	1,540.09	21,242.41
S325	Use of School Facilities	6,287.21	11,561.97	7,352.43	9,700.88	8,565.42	8,318.77	9,417.36	8,549.57	7,657.54	6,490.75	5,274.26	89,176.26
S326	School Bus Revolving Fund	4,086.83	6,423.87	5,276.25	8,014.86	9,433.85	9,586.62	11,808.47	10,022.58	8,818.75	7,186.03	5,828.12	86,286.01
S327	School Level Minor Repair & Maintenance	682.97	1,401.09	1,037.52	1,125.07	826.59	992.83	644.03	758.85	526.25	531.67	396.49	8,934.36
S330	Reimbursement for Lost Textbooks & Eq	3,705.27	6,908.37	4,224.23	5,662.82	5,134.81	4,855.95	5,526.38	4,828.87	4,457.65	3,715.54	3,137.87	52,157.34
S346	After School Plus Revolving Fund	5,871.44	13,003.35	6,029.50	7,534.10	6,535.29	7,268.72	8,667.24	8,054.16	7,115.65	6,059.68	4,536.33	60,675.46
S347	Searching Discretionary Grants & Developing Prog Application	12,620.66	23,393.74	5,645.41	11,725.53	15,207.82	15,116.15	17,832.68	15,332.05	13,836.90	11,429.05	9,531.81	151,871.58
S348	Education Research & Development	717.21	1,324.82	796.84	999.75	897.59	954.98	873.08	985.90	716.56	750.38	505.79	9,522.66
S350	Driver Education Underwriter's Fees	11,568.66	21,009.66	6,525.21	11,840.77	14,165.31	13,719.42	14,878.19	12,252.44	10,247.18	9,082.34	7,894.14	132,971.30
S353	Art in Public Places	407.23	983.97	448.21	571.32	510.41	481.08	413.57	411.92	328.10	297.01	291.66	5,144.48
S355	A+ Intra-Department Transfer - DHS	17,080.48	33,638.62	23,739.65	32,570.91	28,782.63	24,438.71	28,056.24	23,446.28	20,308.21	18,894.18	14,304.32	263,051.43
	Sub-total	79,523.59	153,771.98	78,555.05	113,437.56	113,096.44	107,186.45	121,822.04	113,841.38	99,504.42	82,978.09	68,456.09	1,132,153.07
T902	Donations & Gifts	12,804.87	23,076.45	15,186.21	19,988.09	18,071.85	17,319.94	20,680.50	18,671.57	17,239.13	14,711.37	12,471.03	190,200.81
T913	Foundations & Other Grants	15,001.30	27,817.15	26,071.22	36,307.73	31,587.28	26,709.12	27,872.77	23,057.13	20,096.32	16,307.23	13,711.53	264,538.78
T915	School Athletic Fund	1,803.15	3,396.58	2,119.59	2,686.35	3,883.19	3,978.21	3,992.04	3,913.09	3,124.21	2,872.74	2,034.91	33,804.06
T916	OLELO - Educational Prog on Public Access TV	1,979.11	3,176.29	2,758.08	3,729.60	3,809.20	4,103.87	4,223.96	3,605.29	3,275.22	2,792.38	2,363.23	35,806.23
	Sub-total	31,588.43	57,486.47	48,135.10	62,881.77	57,351.32	52,111.14	58,789.27	49,247.08	43,734.88	36,683.72	30,570.70	524,348.88
	<b>TOTAL</b>	<b>111,112.02</b>	<b>211,238.45</b>	<b>124,690.15</b>	<b>176,129.33</b>	<b>170,447.76</b>	<b>159,277.59</b>	<b>178,591.31</b>	<b>163,088.44</b>	<b>143,239.30</b>	<b>119,861.81</b>	<b>99,026.79</b>	<b>1,686,502.95</b>

**SPECIAL FUNDS**

Apprn 345 (Federal Revenue Maximization Revolving) and Apprn 352 (Felix Response Team Title IV-E) are not included as they are currently not participating in investment pool. Their cash receipts as of 6/30/08 are \$576,573 and \$4,150, respectively.

**TRUST FUNDS**

Apprn 936 (Office of Hawaiian Affairs) and Apprn 938 (Ahi Like Program) are also not included as they are currently not participating in the investment pool. Their cash receipts as of 6/30/08 are \$47,822 and \$90,227, respectively.



# UNIVERSITY OF HAWAII SYSTEM

## Legislative Testimony

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Testimony Presented Before the  
House Committee on Finance  
February 18, 2009 at 2:30pm  
by

Howard Todo  
Vice President for Budget & Finance/CFO, University of Hawaii'i

### HB 1733 – RELATING TO INTEREST

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

This bill provides for the temporary transfer of interest from special funds, revolving funds, and special accounts to the general fund.

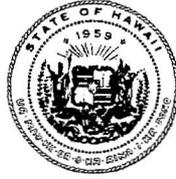
Under current law, the University retains all interest earned on its special and revolving funds. Passage of this bill will require that from July 1, 2009 until June 30, 2011, the president of the University of Hawaii shall transfer to the director of finance any interest earned on moneys of its special and revolving funds.

In many cases interest earnings are a significant portion of a program's operating revenue and the loss of these earnings would have a severe impact on program finances. Additionally, there may be legal issues associated with the transfer of interest earnings to the general fund. The University's special and revolving funds including interest earnings are pledged as security to University revenue bondholders. The transfer of interest may be a violation of existing bond covenants.

Accordingly, the University wished to express concern regarding the foregoing impact and aspects of this measure.

Thank you for the opportunity to provide this testimony.

Linda Lingle  
GOVERNOR



KAREN SEDDON  
EXECUTIVE DIRECTOR

**STATE OF HAWAII**

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM  
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION  
677 QUEEN STREET, SUITE 300  
Honolulu, Hawaii 96813  
FAX: (808) 587-0600

IN REPLY REFER TO

Statement of  
**Karen Seddon**  
Hawaii Housing Finance and Development Corporation  
Before the

**HOUSE COMMITTEE ON FINANCE**

February 18, 2009, 2:30 p.m.  
Room 308, State Capitol

In consideration of  
**H.B. 1733**  
**RELATING TO INTEREST.**

The HHFDC has the following comments on H.B. 1733 as it relates to our special and revolving funds. H.B. 1733 would transfer to the General Fund, from FY 2010 through FY 2015, all investment interest earned by the Housing Finance Revolving Fund, the Kikala-Keokea Housing Revolving Fund, the Pineapple Workers and Retirees Housing Assistance Fund, the Rental Assistance Revolving Fund, the Dwelling Unit Revolving Fund, and the Fee Simple Residential Revolving Fund.

The HHFDC is funded solely by its special funds, which cover all of the agency's administrative expenses, including personnel costs, and fringe benefits. Of the listed funds, only the Housing Finance Revolving Fund, Rental Assistance Revolving Fund, Dwelling Unit Revolving Fund, and Fee Simple Residential Revolving Fund earn investment interest. Transferring investment interest to the General Fund would affect the amount of funds available for financing assistance to affordable housing efforts.

We also note that by the terms of Act 203, Session Laws of Hawaii 2007, any remaining balances in the Pineapple Workers and Retirees Housing Assistance Fund lapse into the General Fund on June 30, 2009.

Thank you for the opportunity to testify.

Written Statement of  
**YUKA NAGASHIMA**  
**Executive Director & CEO**  
High Technology Development Corporation  
before the  
**HOUSE COMMITTEE ON FINANCE**  
Wednesday, February 18, 2009  
2:30 PM  
State Capitol, Conference Room 308

In consideration of  
**HB 1733 RELATING TO INTEREST.**

Chair Oshiro, Vice Chair Lee and Members of the House Committee on Finance.

The High Technology Development Corporation (HTDC) would like to provide comments on this measure, but only as it relates to HTDC which is found in Section 2 (a) (67) High technology special fund -- section 206M-15.5, HRS; and (68) Hawaii technology loan revolving fund -- section 206M-15.6, HRS.

However, as submitted in previous testimonies on the State budget, while HTDC supports efforts to balance the budget in these critical and difficult economic times, we want to again inform the committee that HTDC operates on special funds from its operations. Since the mid-1990's the HTDC or high technology special fund has been used to cover payroll and fringe benefits for all its non-federal funded staff at a rate of 50%-75%. As a result of this and continuing budget reductions, our special fund financial projections which we previously submitted, reveal that our agency will become insolvent in 5 years. To manage these budget reductions, we have over the years reprogrammed and reduced personnel costs through position abolishment and position vacancies; however, slowly and in 3-4 years we project our special fund balance which covers personnel salaries and benefits and program operations including the innovation/incubation centers will be depleted (deficit balance). Currently, only the remaining non-special funded salaries (25% to 50%) and the Small Business Innovation Research Grant/Small Business Innovation Technology Transfer Grant Program are covered through general fund appropriations. There are no general funds to cover other operating expenditures.

We are hopeful that other future opportunities the legislature is considering such as a tech park or innovation center on Oahu will allow us to balance our program and facilities operations. Particularly, since in 6 years the land lease with the University of Hawaii for HTDC's flagship project, Manoa Innovation Center, will expire. While the legislature's resolution passed in 2008 recommended extending the Manoa Innovation Center land lease for 5 years, we also understood from the University that they will require the space for office and administrative use.

Thank you for the opportunity to submit this testimony.

# HACBED

Hawai`i Alliance for Community-Based Economic Development  
677 Ala Moana Blvd., Suite 702 Honolulu, HI 96813  
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Community Voice, Collective Action

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Public Charter School

Kukui & Gary Maunakea-Forth  
(*O`ahu*)  
WCRC/Mala Ai`Opio (MA`O)

Tommy Otake (*at large*)  
Attorney At Law

## **HACBED Staff**

Robert Agres, Jr  
*Executive Director*

Brent Dillabaugh  
*Asset Policy Coordinator*

Larissa Meinecke  
*Asset Policy Associate*

John Higgins  
*Capacity Building Associate*

Hanale Vincent  
*Planning & Research Associate*

Briana Monroe  
*Program Support Assistant*

Joonghee Park  
*Planning & Research Assistant*

Wednesday, February 18, 2009, 2:30 PM  
House Committee on Finance, Conference Rm. 308  
Testimony **Supporting HB 733**  
Tax Refund Deposits

Dear Chair Oshiro and Committee Members:

The Hawai`i Alliance for Community Based Economic Development (HACBED) is submitting testimony in support of **HB 733**.

HB 733 prohibits a tax preparer from designating their personal or business account for direct deposit of a tax refund rather than their client's account. This is an appropriate safeguard to protect taxpayers and insure that their refunds go to their direct benefit.

Tax refunds are an important opportunity for families to build assets for several reasons:

- Tax refunds are often the only time when families have a significant amount of disposable income.
- Research shows that allowing the splitting of refunds increases saving, especially those that have never previously saved any of their refunds.

This bill would insure that taxpayers with a refund have direct control over their asset building opportunity. Thank you for this opportunity to testify.

Sincerely,

Brent Dillabaugh  
Policy Coordinator

# HACBED

Community Voice, Collective Action

Hawai`i Alliance for Community-Based Economic Development  
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American Heart Association | American Stroke Association

*Learn and Live.*

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## Testimony on HB 1733, "Relating To Management of State Funds"

The American Heart Association opposes cuts to state tobacco prevention, education and cessation services.

The American Heart Association maintains a national policy not to accept government funding, instead relying on the support of private donors to support its lifesaving mission. Under that policy, the AHA has never received funds from Hawaii's Tobacco Trust Fund. Its role in regards to state funding is that of a watchdog, insuring that the state properly invests the funds that are intended to limit taxpayers' subsidization of the tobacco industry.

When the state settled its law suit against the tobacco industry in 1998, the funds the industry agreed to pay the state were intended to help offset the years of economic and health damage that the industry's products inflicted on the Hawaii public. Hawaii taxpayers subsidize healthcare costs and lost productivity originating from the use of tobacco products by over an estimated half-billion dollars each year. Admirably, Hawaii lawmakers at the time wisely saw to invest 25 percent of those dollars received from the industry into tobacco prevention, education and cessation programs to begin to curtail those losses inflicted on the public. Unfortunately, following the attacks on New York's World Trade Center and the Pentagon, legislators felt the need to cut that investment in half to fund the construction of the UH medical school. Since then, the amounts being invested annually in tobacco control have continued to be whittled away through administration fees, enforcement allocations to the attorney general's office, and additional operational funding allocations to the medical school. To date, Hawaii has never met the Centers for Disease Control's recommended minimum levels of annual investment in tobacco-control funding (estimated at \$10 to \$15 per capita annually). Successes in reducing tobacco use among both adults and children have occurred through the strong efforts of community organizations, however, one must wonder how much further along the state might have been had it maintained its original funding commitments to tobacco control.

**A key point to contemplate is that tobacco-control program funding received through the States Tobacco Industry Master Settlement Agreement cost taxpayers nothing. It is covered by the tobacco companies. However, cuts to that funding to redirect it to other programs or services will costs taxpayers dearly.**

Experiences in other states that have curtailed funding to successful tobacco prevention programs have shown that hard fought gains in smoking rate reductions can quickly be reversed if commitment to those programs is not maintained. The tobacco industry continues to market and advertise its products to potential new young nicotine addicts, investing over an estimated \$40 million each year in Hawaii alone. Further cuts in tobacco-control funding will allow the tobacco industry to run roughshod through our communities with limited response from the state.

### Serving Hawaii since 1948

For information on the AHA's educational or research programs, contact your nearest AHA office, or visit our web site at [www.americanheart.org](http://www.americanheart.org) or e-mail us at [hawaii@heart.org](mailto:hawaii@heart.org)

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*"Building healthier lives,  
free of cardiovascular  
diseases and stroke."*

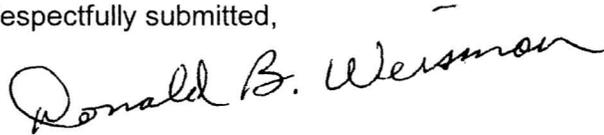
Hawaii prides itself in having one of the most progressive healthcare systems in the nation. With employers covering the vast majority of employee healthcare costs through state law, that system will be hard pressed to stay viable should smoking rates be allowed to again climb to levels that once existed. More importantly, the social toll on Hawaii families that increases in tobacco use rates would have will be far more damaging.

Think of the amazing changes we have witnessed over the last 10 years in our social environment thanks to wise investment and use of tobacco settlement funds. Adult smoking has dropped from rates in the mid-20s to a rate of almost 15 percent; youth smoking rates have dropped by over half to below 10 percent; and smoking in most workplaces is virtually non-existent. This generation is perhaps the most cognizant of the dangers of tobacco use of any in our state's history.

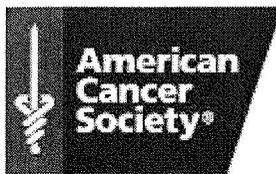
Now is not the time to reverse course on one of the most successful health success stories in our islands' long history. Now is the time to stay committed, celebrate that success and see this journey of enlightenment through to its full fruition.

The American Heart Association strongly urges legislators to stay the course on tobacco control and maintain current levels of investment in the public's health.

Respectfully submitted,

A handwritten signature in black ink that reads "Donald B. Weisman". The signature is written in a cursive style with a horizontal line above the name.

Donald B. Weisman  
Hawaii Communications and Marketing/Government Affairs Director



February 17, 2009

Committee on Finance  
Representative Marcus Oshiro, Chair  
Representative Marilyn Lee, Vice Chair

**Hearing:**

2:30 P.M., Wednesday, February 18, 2009  
Hawaii State Capitol, Room 308

**RE: HB1733, Relating to Interest**

**TESTIMONY IN OPPOSITION OF CERTAIN PROVISIONS**

Chair Oshiro, Vice Chair Lee, and members of the Committee on Finance. My name is George Massengale and I am the Director of Government Relations with the American Cancer Society Hawaii Pacific Inc. Thank you for the opportunity to testify in opposition to certain provisions of HB1733, which provides for the temporary transfer of interest from certain special funds, revolving funds, and special accounts to the general fund.

The American Cancer Society Hawaii Pacific Inc., was founded in 1948, and is a community-based, voluntary health organization dedicated to eliminating cancer as a major health problem by preventing cancer, saving lives, and diminishing suffering from cancer, through research, education, advocacy, and service. This mission is consistent with the Society's ambitious 2015 goals of slashing the cancer mortality rate by 50%, reducing the incidence of cancer by 25%, and improving the quality of life of cancer patients and survivors by reducing the pain and suffering that cancer causes.

Three years ago the American Cancer Society strongly supported legislation that raised the cigarette tax in Hawaii and allocated a portion of the new revenues into the **Hawaii Cancer Research Special Fund, the Communities Health Centers Special Fund, the Trauma System Special Fund and Emergency Medical Services Special Fund**. In addition the **Society has strongly advocated that more moneys should be utilized for Tobacco Control Prevention, Cessation, and Education**. Hawaii has never met the CDC's recommended minimum level for tobacco control funding.

We certainly acknowledge that the State is undergoing a significant and possibly long term economic downturn. Numerous jobs have been lost, and many more will be lost. **Many people will loose their health insurance coverage. The roles of the underinsured and uninsured will climb. We need to ensure that all of our citizens have access to health care and other programs that promote the public health.**

The Society opposes the temporary transfers of interest from the following funds into the general fund:

- Tobacco enforcement special fund;
- Cancer detection development revolving fund;
- Cigarette tax stamp administrative special fund;
- Community health centers special fund;
- Trauma system special fund;
- Emergency medical services special fund;
- Public health nursing services special fund;
- Hawaii organ and tissue education special fund;
- Hawaii tobacco settlement special fund;
- Hawaii cancer research special fund. (From University of Hawaii funds)

Curtailling programs that rely on the aforementioned special funds will impact progress that is currently being made in cancer research and treatment, access to primary health care and emergency services, and tobacco control prevention, cessation and education. As our State's economic crisis deepens we need to ensure that we retain a viable public health safety net for all our people.

Mahalo for giving me the opportunity to provide testimony regarding our concerns to the committee. We would ask that the special funds we have noted be excluded from the transfer of interest to the general fund.

Very truly yours,



George S. Massengale, JD  
Director of Government Relations