

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 1829

February 18, 2009

RELATING TO ECONOMIC STIMULUS

House Bill No. 1829 requires the Director of Finance to release funds required to match federal funds from the federal economic stimulus plan within: a) fifteen days of receipt of federal funds for county projects; and b) thirty days of receipt of federal funds for state projects. The bill also requires the Governor and the respective mayors to submit annual reports to the Legislature on the date federal funds were received and matching funds were released, and the status of each state and county program that was funded by the federal economic stimulus plan. The bill is effective upon approval and sunsets on December 31, 2012.

The Department of Budget and Finance has serious reservations with this bill. It is not clear from the bill the source of matching funds that are being referred to. Is the Legislature going to provide additional appropriations for matching purposes, or are the departments expected to divert existing resources from their tight budgets for this purpose? For capital improvement projects, will the Legislature grant the Director of Finance with the Governor's approval wide authority to transfer appropriations from other authorized projects to meet federal matching requirements?

Further, the department has strong objections to using extremely scarce state resources to meet county matching requirements. The counties have their own dedicated sources of revenues and they should be responsible for funding their federal matches for county projects.

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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. 1740
RELATING TO FUNDS
and
H.B. 1734
RELATING TO MANAGEMENT OF STATE FUNDS.

The HHFDC has the following comments on H.B. 1740 and H.B. 1734 as it applies to repealing the exemption from the central service expense assessment fee for the Housing Loan Program Revenue Bond Special Fund and the Housing Project Bond Special Fund.

These Bond Special Funds were established to account for a system of housing projects to be financed from the proceeds of bonds secured under the same trust indenture. These funds serve as pass through funds in which the HHFDC issues tax-exempt revenue bonds for a private housing developer/owner. The trustees for these funds provide the necessary administrative services. Activity reports on these funds are submitted to the Department of Accounting and General Services. As such, we do not believe that the repeal of the exemption from the central service expense assessment for these funds is appropriate.

Thank you for the opportunity to testify.

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**

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

**In consideration of
HOUSE BILL 1740
RELATING TO FUNDS**

House Bill 1740 would apply assessments for central service expense fees (section 36-27, Hawaii Revised Statutes (HRS)), and departmental administrative expenses (section 36-30, HRS) to various departmental special funds that are currently exempted from such fees. These proposals would be repealed on June 30, 2015. The Department of Land and Natural Resources (Department) comments are limited to the Sport Fish Special Fund established under section 187A-9.5, HRS. While the Department is sensitive to the State's dismal economic situation and as such, amicable to temporary funding source options to help balance the budget, the Department nonetheless raises the following concern it has with this measure.

The Sport Fish Special 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 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 current federal fiscal year). Federal law (§80.4, 50 CFR Ch 1-F, Part 80) prohibits the diversion of any funds from license fees 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.

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
STATEPARKS



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

ON THE FOLLOWING MEASURE:

H.B. NO. 1740, RELATING TO FUNDS.

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.

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 1740 RELATING TO FUNDS.

Purpose of Bill: Subjects all special funds, except the Hawaii hurricane relief fund, convention center enterprise special fund, and the tourism special fund, to assessments for central service and departmental administrative expenses. Repealed on 6/30/2015.

Department's Position: The Department of Education opposes this measure. By assessing the Department of Education's special funds for central service and departmental administrative expenses, we estimate that about \$17.3 million would be removed from Department of Education funds on an annual basis.

Here are the major areas impacted and the assessment proposed by this measure:

State Educational Facilities Improvement (SEFI)	\$13.7 million
School Food Services	\$ 1.7 million
A+ Program Interdepartmental Transfer -- DHS	\$ 0.6 million
A+ Program Revolving Fund	\$ 0.3 million
Driver Education	\$ 0.3 million
School Bus Revolving Fund	\$ 0.2 million
Discretionary Grant Search and Development	\$ 0.2 million
Summer School	\$ 0.1 million
Other smaller funds	\$ 0.2 million
Total estimated impact of proposed annual assessment	\$17.3 million

(Detailed calculations are attached.)

The effect of this measure would be to severely cripple the Department of Education's financial ability to carry out its objectives. We have also attached specific examples of such impacts.

Thank you for the opportunity to provide testimony.

SPECIAL FUND ASSESSMENT

As of June 30, 2008

Source: DAFR4420

Fund	Appn		Revenue			Expense Outlay			Assessment			
			a/o 6/30/07	a/o 6/30/08	Net Revenue	Expenditure	Encumb	Carry Exp	Total Outlay	5% Revenue	4.51% Expense	Total
SPECIAL FUND SUBJECT TO ASSESSMENT												
S	301	LAHAINALUNA BOARDING SCHOOL SPECIAL FUND	23,191.00	25,635.10	2,444.10	1,716.30	-	-	1,716.30	122.21	77.41	199.62
S	302	ADULT ED SP FEES/ACT179 CONT IMPL ACT51		1,227,438.12	1,227,438.12	730,897.65	74,236.67	(12,903.88)	792,230.44	61,371.91	35,729.59	97,101.50
S	321	HAW TCHR STDS BRD/SCHL COMM COUNCILS	1,048,711.00	2,553,458.26	1,504,747.26	637,568.00	202,559.60	(50,598.37)	789,529.23	75,237.36	35,607.77	110,845.13
S	325	USE OF SCHL FAC	1,303,868.00	2,817,862.08	1,513,994.08	706,651.19	266,128.75	(16,595.69)	956,184.25	75,699.70	43,123.91	118,823.61
S	327	SCHOOL LEVEL MINOR REPAIR & MAINTENANCE	25,752.00	148,265.73	122,513.73	32,002.10	113,172.96	(821.33)	144,353.73	6,125.69	6,510.35	12,636.04
S	328	FELIX STIPEND PROGRAM SPECIAL FUND		34,308.30	34,308.30	(889.73)	-	-	(889.73)	1,715.42	(40.13)	1,675.29
		SUBTOTAL	2,401,522.00	6,806,967.59	4,405,445.59	2,107,945.51	656,097.98	(80,919.27)	2,683,124.22	220,272.29	121,008.90	341,281.19
SPECIAL FUND EXEMPT												
S	304	SCHOOL FOOD SERVICES	1,687,034.00	23,063,903.96	21,366,869.96	14,562,745.83	20,729.22	(1,968.77)	14,581,506.28	1,068,343.50	657,625.93	1,725,969.43
S	322	ADULT ED	803,858.00	466,769.53	(337,088.47)	159,529.58	25,063.41	(4,494.27)	180,098.72	(16,854.42)	8,122.45	(8,731.97)
S	323	SUMMER SCH	(30,694.00)	1,386,455.77	1,417,149.77	672,683.48	927,824.19	(4,342.30)	1,596,165.37	70,857.49	71,987.06	142,844.55
S	326	SCHL BUS REVOLVING FUND	1,292,301.00	3,534,322.17	2,242,021.17	1,800,865.16	119,178.80	(13,676.19)	1,906,367.77	112,101.06	85,977.19	198,078.25
S	330	REIMB FOR LOST TEXTBOOKS & EQUIPT/70/05	313,482.00	1,232,408.49	918,926.49	134,749.67	74,898.49	(21,674.20)	187,973.96	45,946.32	8,477.63	54,423.95
S	339	HAWAII SCHOOL-LEVEL MINOR REPAIRS & MAINTENANCE SPECIAL FUND		1,137,427.00	1,137,427.00	548,442.62	117,368.74	(6,349.93)	659,461.43	56,871.35	29,741.71	86,613.06
S	340	STATE EDUCATIONAL FACIL IMP SPECIAL FUND		151,400,000.00	151,400,000.00	135,956,352.00	-	-	135,956,352.00	7,570,000.00	6,131,631.48	13,701,631.48
S	345	FEDERAL REVENUE MAXIMIZATION REVOLVING		576,573.00	576,573.00	250,656.63	-	-	250,656.63	28,828.65	11,304.61	40,133.26
S	346	AFTER SCHOOL PLUS REVOLVING FUND	1,351,093.00	3,916,109.07	2,565,016.07	1,611,403.92	1,567,346.69	(101,185.46)	3,067,565.15	128,250.80	138,347.19	266,597.99
S	347	SEARCHING DISC GRTS & DEV PROGRAM APPLNS	121,314.00	3,745,952.35	3,624,638.35	254,531.00	-	-	254,531.00	181,231.92	11,479.35	192,711.27
S	348	EDUCATION RESEARCH & DEVELOPMENT		206,115.38	-	-	-	-	-	-	-	-
S	350	DRIVE ED-UNDERWRITER'S FEE NO FAULT	136,514.00	4,673,575.68	4,537,061.68	1,140,224.32	440,245.88	(44,307.94)	1,536,162.26	226,853.08	69,280.92	296,134.00
S	352	FELIX RESPONSE TEAM TITLE VI-E	6.00	4,155.96	4,149.96	-	-	(4,149.72)	(4,149.72)	207.50	(187.15)	20.35
S	353	ARTS IN PUBLIC PLACES	94,305.00	440,041.14	345,736.14	81,720.42	10,329.51	(527.74)	91,522.19	17,286.81	4,127.65	21,414.46
S	355	A+ INTERDEPARTMENTAL TRANSFER-DHS	428,033.00	8,043,983.27	7,615,950.27	2,892,624.07	2,832,218.34	(588,804.17)	5,136,038.24	380,797.51	231,635.32	612,432.83
		SUBTOTAL	6,197,246.00	203,817,792.77	197,414,431.39	160,066,528.70	6,125,203.27	(791,480.69)	165,400,251.28	9,870,721.57	7,459,551.34	17,330,272.91
		Total	8,598,768.00	210,624,760.36	201,819,876.98	162,174,474.21	6,781,301.25	(872,399.98)	168,083,375.50	10,090,993.86	7,580,560.24	17,671,554.10

Department of Education

Impact of HB 1740

State Educational Facilities Improvement (SEFI) \$13.7 million

For existing capital improvement program (CIP) appropriations not yet allotted, we would need to reduce the scope of the projects accordingly, with the actual impact varying from project to project. One example is if five percent were assessed on a facilities appropriation of \$7 million, that would be equate to about 1 less classroom from that appropriation. For a repairs and maintenance (R&M) appropriation of \$100 million, the \$5 million assessment would mean approximately 43 fewer R&M projects. Where scope cannot be reduced sufficiently, there is the potential we would not be able to implement numerous projects at all. For future appropriations, our budget estimates would need to be escalated to account for the assessment.

School Food Services \$ 1.7 million

The provisions of the U.S. Department of Agriculture National School Lunch Program require School Food Authorities to meet minimum nutrition standards. Assessing HIDEOE School Food Service Branch special funds by \$1.7 million would decrease revenue used to cover food costs, and compromise the Department's ability to meet federal nutrition standards.

A+ Program Interdepartmental Transfer -- DHS \$ 0.6 million

A+ Program Revolving Fund \$ 0.3 million

The Department of Human Services funds are used to subsidize students in the A+ After School program who come from families in poverty. The Memorandum of Agreement (MOA) with the Department of Human Services stipulates that the funds are strictly for reimbursement to eligible families for the cost of "latch-key" after-school child care.

The A+ Revolving Fund represents parent payments for the A+ Program. Assessing this fund will result in the Department having to obtain Board of Education approval to raise the fee charges for the A+ Program.

Driver Education **\$ 0.3 million**

Assessing the Driver Education program would result in significant impairments to the Department's ability to provide driver education classes for high school students.

School Bus Revolving Fund **\$ 0.2 million**

The Student Transportation Revolving Fund provides financial support for operating DOE school buses in the West Hawaii district. The expenses includes, but are not limited to: School Bus Leases (14 buses), Student Transportation Services Branch West Hawaii Personnel, fuel for buses, insurance, repairs and maintenance, etc. Assessments to this fund would impair the Department's ability to provide bus transportation services to students in the West Hawaii area.

Discretionary Grant Search and Development **\$ 0.2 million**

Current proposed legislation (HB 181 and SB 164) are intended to expand the use of this special fund for critically needed federal grant monitoring, compliance and audit functions. Assessment of this fund would severely hamper the Department's planned implementation of these functions.

Summer School **\$ 0.1 million**

Summer school programs must be fully self-supporting; tuition payments must cover all costs for teachers, directors, clerical staff, custodial staff and supplies, security, and instructional materials. Balances in the Summer School fund are used to subsidize summer school programs during the following year. Already, many schools cannot offer summer school without going into deficit, because the income generated from tuition is insufficient to cover program expenditures. Currently, many schools have had difficulty balancing their budgets, and assessing the fund will put them deeper into deficit.

Assessing the summer school fund will deny many students the opportunity to participate in summer school. The projected assessment of \$142,855 would prevent schools from hiring at least 40 summer school teachers. With an average class size of 28, this would mean that approximately 1,120 students

could not participate in summer school. Ultimately, some of these students will be unsupervised during the summer. This will not only negatively impact their academic achievement, but may also lead to more serious problems, including crime, school failure, pregnancy, etc.

Other smaller funds **\$ 0.2 million**

Monies from Adult Education Special Fees are used to fund special interest classes as described in the Hawaii Revised Statutes, Section 302A-433. These special interest classes must be fully self-supporting; revenues generated from the \$2 per hour tuition collected must cover the costs associated with running the class, including hiring the instructor at \$22.43 per hour. Monies are also used to fund tuition-free special interest classes that the Community Schools for Adults (CSAs) are required to run, including the Hawaiian Language & Culture classes, and low-cost courses, such as computer skill training for displaced workers seeking the re-enter the workforce, and the Substitute Teacher Training Course, required for DOE substitute teachers. Some CSAs, especially in rural areas, must run classes with a small enrollment due to the limited population in their areas; these schools operate the classes to serve the general public and fulfill the requirements set forth in HRS Section 302A-433.

Assessing the Adult Education fund will force the CSAs to limit the number of special interest classes they can offer, and deter them from providing the cultural opportunities they are required to provide through HRS 302A-433. It would also prevent the CSAs from providing the courses they sponsor through long-standing partnerships with county governments, community colleges, non-profit organizations, and other agencies. For example, the projected assessment of \$97,102 would prevent the schools from running over 430 10-hour classes. Ultimately, this would deny over 4,500 students the opportunity to explore cultural opportunities through adult education classes.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

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 Hawai'i

HB 1740 – RELATING TO FUNDS

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

HB 1740 repeals the University of Hawaii's exemption from assessments on special funds for central services and departmental administrative expenses.

For fiscal year 2008, receipts for University of Hawaii special funds totaled approximately \$318 million. A 5% assessment on these receipts would have resulted in a \$16 million reduction in funds available to the University. The bulk of the special funds revenue can be attributed to the Tuition and Fees Special Fund and the University Revenue Undertakings Special Fund. The revenue for these funds directly impact the services provided to our students, including educational programs, student and faculty housing, the campus center and bookstore operations, and other critical functions. A reduction in funds available to support these operations would have an adverse impact on the quality of services available to our students and faculty.

In addition, the University provides much of its own administrative services internally, via its own Human Resources, Financial Management, Internal Audit and other offices. Assessing the University the same assessment rate as other state agencies that rely more heavily on state central services would place an undue burden on the University.

Accordingly, the University wishes to express its concerns regarding HB 1740.

Thank you for the opportunity to provide testimony on this measure.