

**TESTIMONY OF JAN K. YAMANE, ACTING STATE AUDITOR,
ON HOUSE BILL NO. 2465
RELATING TO NON-GENERAL FUNDS**

House Committee on Finance

March 1, 2016

Chair Luke and Members of the Committee:

Thank you for the opportunity to testify in support of this bill. HB 2465 would repeal, abolish, reclassify, and transfer balances of various non-general funds of the Department of Human Services (DHS) and its administratively attached agency, the Hawai'i Public Housing Authority (HPHA).

The impetus for this bill is our Report No. 15-19, *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Human Services*. Our review of these funds includes an evaluation of the original intent and purpose of each fund, including the degree to which each fund continues to serve its intended purpose. We also evaluate whether each fund meets statutory criteria for its respective fund type (i.e., special, revolving, or trust). Moreover, for special and revolving funds, we conclude on the need for the fund based on the purpose and

scope of the program it supports. This bill would implement many of our report recommendations.

Funds that do not meet criteria and would be repealed by HB 2465

We support repealing DHS funds that *do not meet* criteria:

1. **Child Care Licensing and Registration Special Fund** (Section 2) established under Section 346-159, HRS. We recommended the fund be repealed; DHS concurred.
2. **Housing First Special Fund** (Section 5) established under Section 346-377, HRS. We recommended the fund be repealed; DHS concurred.
3. **Housing Project Bond Special Fund** (Section 14) established under Section 356D-28, HRS. We recommended the fund be repealed; HPHA concurred.

Fund that does not meet criteria and would be amended by HB 2465

We support amending the revenue sources of the Spouse and Child Abuse Special Account that *does not meet* criteria:

1. **Spouse and Child Abuse Special Account** (Section 9) established by Section 346-7.5, HRS. We recommended the fund be repealed because there is no clear link with the revenues derived from a portion of fees for copies of birth, marriage, divorce, and death certificates, and marriage licenses issued by the Department of Health, as authorized under Section 338-14.5, HRS, and Section 572-5, HRS.

Fund that does not meet criteria and would be reclassified by HB 2465

We support reclassifying the following administratively established DHS fund that *does not meet* criteria:

1. **Temporary Deposits – Payroll Overpayment Housing and Community Development Corporation of Hawai‘i** (Section 18) We recommended the fund be reclassified as a trust account because it functions as, and meets the criteria for, a trust account; HPHA concurred.

Funds that do not meet criteria and would be abolished by HB 2465

We support abolishing the following administratively established DHS and HPHA funds that *do not meet* criteria:

1. **Blueprint for Change Program** (Section 19) – We recommended the fund be closed and the remaining balance returned to the Emergency and Budget Reserve Special Fund; DHS concurred.
2. **Costs Related to Homeless Assistance** (Section 19) – We recommended the fund be closed and the remaining balance returned to the Emergency and Budget Reserve Special Fund; DHS concurred.
3. **Hale Mahaolu** (Section 19) – We recommended the fund be closed and the remaining balance returned to the Emergency and Budget Reserve Special Fund; DHS concurred.
4. **Hawai‘i Immigrant Health Initiative Program** (Section 19) – We recommended the fund be closed and the remaining balance returned to the Emergency and Budget Reserve Special Fund; DHS concurred.

5. **Outreach Services** (Section 19) – We recommended the fund be closed and the remaining balance returned to the Emergency and Budget Reserve Special Fund; DHS concurred.
6. **Outreach Services to Locate Uninsured Children** (Section 19) – We recommended the fund be closed and the remaining balance returned to the Emergency and Budget Reserve Special Fund; DHS concurred.
7. **Outstationed Eligibility Worker Services** (Section 19) – We recommended the fund be closed and the remaining balance returned to the Emergency and Budget Reserve Special Fund; DHS concurred.
8. **Shelter Plus Care Program** (Section 19) – We recommended the fund be closed and the remaining balance returned to the Emergency and Budget Reserve Special Fund; DHS concurred.
9. **Support Domestic Violence Shelters Statewide** (Section 19) – We recommended the fund be closed and the remaining balance returned to the Emergency and Budget Reserve Special Fund; DHS concurred.
10. **Financial Assistance for Housing** (Section 19) – We recommended the fund be closed; HPHA concurred.

Funds that do not meet criteria and would be abolished by HB2465

We support abolishing the following DHS funds that do not meet criteria:

1. **Blind Shop Revolving and Handicraft Fund** (Section 20) established by section 347-12, HRS, was repealed by Act 147, Session Laws of Hawai'i 2015. We recommended the fund be closed; DHS concurred.

2. **DHS Homeless Trust Fund** (Section 20) – We recommended the fund be closed; DHS concurred.

3. **Geist Foundation Trust Account** (Section 20) – We recommended the fund be closed; DHS concurred.

4. **Kahikolu ‘Ohana O Wai‘anae Project Trust Fund** (Section 20) – We recommended the fund be closed; DHS concurred.

5. **Recruitment of Foster Parents Trust Account** (Section 20) – We recommended the fund be closed; DHS concurred.

Thank you again for the opportunity to testify in support of HB 2465. I am available to answer any questions you may have.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Repeal non-general funds

BILL NUMBER: HB 2465

INTRODUCED BY: LUKE

EXECUTIVE SUMMARY: Repeals various non-general funds including special funds, revolving funds, trust funds, and trust accounts, all in accordance with the State Auditor's recommendations in report no. 15-19.

BRIEF SUMMARY: Repeals the following and transfers any unencumbered balances to the general fund:

1. Child care licensing and registration special fund (HRS section 346-159);
2. Housing first special fund (HRS section 346-377).
3. The housing project bond special funds (HRS sections 356D-23 and 356D-28);

Removes the earmark against Department of Health certificate fees for the spouse and child abuse special account (HRS section 346-7.5).

Removes language in the public housing revolving fund (HRS section 356D-28) requiring a separate special fund to be established for each public housing project

Repeals the following and transfers any unencumbered balances to the emergency and budget reserve fund:

1. The blueprint for change program special fund administratively established in 2010;
2. The costs related to homeless assistance special fund administratively established in 2003;
3. The Hale Mahaolu special fund administratively created in 2010;
4. The Hawai'i immigrant health initiative program special fund administratively created in 2010;
5. The outreach services special fund administratively created in 2010;
6. The outreach services to locate uninsured children special fund administratively created in 2010;
7. The outstationed eligibility worker services special fund administratively created in 2010;
8. The shelter plus care program special fund administratively created in 2010;
9. The support domestic violence shelters statewide special fund administratively established in 2010; and
10. The financial assistance for housing special fund administratively established in 2001.

Repeals the following and transfers any unencumbered balances to the general fund:

1. The blind shop revolving and handicraft fund (HRS section 347-12, repealed by Act 147, SLH 2015);
2. The department of human services homeless trust fund created in 2006;
3. The Geist foundation trust account created in 1997;
4. Kahikolu 'Ohana O Wai'anae project trust fund created in 2007; and
5. The recruitment of foster parents trust account created in 1987.

EFFECTIVE DATE: July 1, 2016.

STAFF COMMENTS: This measure implements some of the state auditor's recommendations in the various auditor's reports that reviewed the special funds, revolving funds, trust funds, and trust accounts of the state.

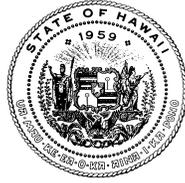
The 1989 Tax Review Commission noted that use of special fund financing is a "departure from Hawaii's sound fiscal policies and should be avoided." It also noted that special funds are appropriate where the revenues to the funds maintain some direct connection between a public service and the beneficiary 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.

Seconding the Commission's harsh criticism was the State Auditor's report issued in February of 1991 that recognized that the "tax is levied on the general public rather than specific beneficiaries of the program," and thus the fund did not reflect a "direct link between user benefits and user charges."

As a result of the recent spotlight of monies in special funds, Act 130, SLH 2013, requires the State Auditor to review all existing special, revolving, and trust funds beginning in 2014 and every five years which assists in making government finances more transparent.

Digested 2/27/2016

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LATE

**Testimony in OPPOSITION to HB2465
RELATING TO NON-GENERAL FUNDS**

REPRESENTATIVE SYLVIA LUKE, CHAIR
HOUSE COMMITTEE ON FINANCE

Hearing Date: March 1, 2016

Room Number: 308

1 **Fiscal Implications:** None for Department of Health.

2

3 **Department Testimony:** The Department of Health (DOH) concurs with the premise of HB2465 which is
4 to assure financial transparency of public moneys and appropriate use of special funds. However, DOH
5 disagrees with some of the auditor's findings regarding Part IV, Spouse and Child Abuse Special Account
6 (SCASA) and respectfully opposes repeal of deposits of certain fees into SCASA. DOH takes no position
7 on other sections.

8

9 The legislative auditor agrees that SCASA serves the purposes for which it was created: supporting
10 children and families experiencing trauma as a result of family violence, abuse, or neglect, and provides
11 training resources for service providers who support and work with these families and children; but
12 questioned the nexus with a fee for certified copies of vital records. Fees are generated in large part
13 from transactions related to marriages, births, deaths, and divorces, all of which bear immediate and
14 indivisible proximity to the institution of the family. Statistics on spouse and child abuse are available, in
15 part, precisely because the State of Hawaii documents vital records:

- 16 • Domestic violence increased 18% statewide in the category of Abuse of Family or Household
17 Members (2,586 to 3,044);
- 18 • Temporary Restraining Orders (TRO) issued by Family Court increased by 14% (4,532 to 5,169);
- 19 • Over a five-year period, there were a total of 46 murders involving domestic violence.

20

21 The connection between vital records and family violence in a public policy context is made clear by
22 these examples, and vital records were required to produce them. Ending the cycles of violence and

- 1 fostering healthy children and families is a Department of Health priority. However, if it is the intent of
- 2 the Legislature to abolish deposits from vital records copies, the department insists that general funds
- 3 be appropriated such that, at a minimum, services are not diminished.

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 29, 2016 8:07 PM
To: FINTestimony
Cc: mrocca@hscadv.org
Subject: Submitted testimony for HB2465 on Mar 1, 2016 11:02AM

LATE

HB2465

Submitted on: 2/29/2016

Testimony for FIN on Mar 1, 2016 11:02AM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Michelle Rocca	Hawaii State Coalition Against Domestic Violence	Oppose	No

Comments: The Hawaii State Coalition Against Domestic Violence opposes HB 2465 as this measure would serve to discontinue a critical source of funding for domestic violence programs statewide. In addition to the crucial loss of services that this fund provides, the Domestic Violence Fatality Review team, which provides essential insight into the causes of, and systematic solutions to ending domestic violence homicide, would lose it's funding as well. HSCADV thanks you for the opportunity to testify in strong opposition of this bill and we urge the committee to consider the adverse impact this loss of funding will have on some of Hawaii's most vulnerable families.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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LATE

February 29, 2016

TO: The Honorable Representative Sylvia Luke, Chair
House Committee on Finance

FROM: Rachael Wong, DrPH, Director

SUBJECT: **HB 2465 RELATING TO NON-GENERAL FUNDS**

Hearing: Tuesday, March 1, 2016; 11:02 a.m.
Conference Room 308, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) agrees with the intent to improve government efficiency and the best use of public funds, as well as most of the measure's provisions. However, DHS opposes the amendment to the revenue sources of the Spouse and Child Abuse Special Account (SCASA) (Part IV).

PURPOSE: Repeals and transfers the unencumbered balances of various non-general funds and accounts recommended by the auditor in auditor's report no. 15-19. Amends the revenue sources of the spouse and child abuse special account.

The SCASA provides for domestic abuse programs that served 2,000 adults and 7,000 children in Hawai'i in State Fiscal Year 2015. Of those adults, 60% are married (and one-third are divorced). Children comprise more than three-quarters of those served. The fund provides critical services to the most fragile and at-risk families we serve, such as domestic violence shelters for survivors and their children seeking safety, services for medically fragile infants and toddlers, crisis response services for minor victims of sex trafficking, and comprehensive counseling and/or intensive home-based services for families involved in child welfare who may be able to reunify or remain safely with their children with appropriate services and supports.

In State Fiscal Year (SFY) 2015, the SCASA received at least \$346,258 in revenue from fees generated for vital records from the Department of Health. This amount represents more than half

of the \$491,138 total revenues SCASA received. Eliminating this revenue source would effectively undermine the ability of the Department to fulfill the purposes of the special fund, which is to provide resources and services for adults and children who have experienced abuse and need support beyond what restricted federal funding may allow, as well as other needed training resources for responders and service providers who work with children and families experiencing trauma.

It should be noted that the auditor agrees that the Spouse and Child Abuse Special Account (SCASA) serves the purposes for which it was created. However, the auditor questioned the link between the benefits of spouse and child abuse intervention and prevention programs supported by the fund and revenues derived from a portion of fees for copies of birth, marriage, divorce, and death certificates, and marriage licenses issued by the Department to Health pursuant to sections 338-14.5 and 572-5, Hawaii Revised Statutes (HRS).

We disagree with the auditor's analysis that there is no clear link between fees generated through vital records and the purpose of SCASA. It all comes down to families. Despite the many changes and notions of who comprises a "family," the family remains the fundamental unit of society upon which our community is built. Vital records are an essential component to formally establishing one's family. The Department of Human Services has embraced a multigenerational approach, 'Ohana Nui, that invests early and concurrently in children and families to improve health outcomes, and we are mandated to protect the health and safety of children and vulnerable adults. The SCASA fund provides the department with the ability to address the needs of this at-risk population on intergenerational levels.

The portion of the fees directed to the SCASA goes to support children and families experiencing trauma as a result of domestic violence or child abuse and neglect, and the SCASA provides training resources for service providers who support and work with these families and children.

There are specific ways domestic violence affects marriages, families and children. The American Association for Marriage and Family Therapy notes that, in almost 20 percent of all marriages, couples physically assault one another. It has found that emotional abuse is even more common. The National Domestic Violence Hotline also found that a child witnesses violence in 22% of intimate partner violence cases filed in state courts. Additionally, 30 to 60% of perpetrators of intimate partner violence also abuse children in the household. One study found that children who

were exposed to violence in the home were 15 times more likely to be physically and/or sexually assaulted than the national average. Domestic violence is costly to individuals and their families as well as to society: it impacts the civil and criminal justice systems, the labor force (loss of work), educational outcomes (school absenteeism), and other sectors in our communities. Domestic violence affects all economic, education levels, age, and ethnic groups. Additionally, the National Alliance to End Homelessness reports that domestic violence survivors make up approximately 12% of the sheltered homeless population and that domestic violence is the immediate cause of homelessness for many women. Domestic violence, child abuse and neglect, and family violence require intervention by multiple systems working collaboratively together.

In the State of Hawaii Violence Against Women Grant Implementation Plan, the Department of the Attorney General reported that between 2008 and 2012:

1. Domestic violence increased 18% statewide in the category of Abuse of Family or Household Members (2,586 to 3,044);
2. Temporary Restraining Orders (TRO) issued by Family Court increased by 14% (4,532 to 5,169); and
3. Most seriously, over a five-year period, there were a total of 46 murders involving domestic violence.

This information is shared to highlight that the state cannot successfully address spousal and child violence and abuse without access to resources to provide additional services and programs to whole families. Couples who marry are included in this population, as are couples who divorce, and those who have never married. Concurrently, we are aware that inter-generational trauma impacts children, and this requires intervention to stop these cycles of violence.

Utilizing a portion of the fees for copies of birth, marriage, divorce, and death certificates, and marriage licenses shows a strong commitment of our State, its individuals, and its families in actively addressing child and spouse abuse and neglect in our communities. There is a clear connection between the reasons the fees are generated and the purpose, activities, and individuals the SCASA serves: It's all about families.

Alternatively, if the Committee agrees with the auditor, the Department asks that the legislature appropriate the same amount to the SCASA in general funds so that the work of the SCASA will be continued.

Thank you for the opportunity to testify on this bill.