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FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY LAUREL A. JOHNSTON
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEES ON
ECONOMIC DEVELOPMENT, TECHNOLOGY & TOURISM AND
GOVERNMENT OPERATIONS
ON
SENATE CONCURRENT RESOLUTION NO. 158
SENATE RESOLUTION NO. 118

March 23, 2018
1:45 p.m.
Conference Room 414

REQUESTING THE GOVERNOR AND THE LEGISLATURE TO CONVENE A JOINT TASK FORCE TO IDENTIFY AND EXAMINE POTENTIAL SOURCES OF INCREASED REVENUE AND MEASURES TO REDUCE STATE COSTS.

Chair Wakai, Chair Kim, and members of the Committees, thank you for the opportunity to provide testimony on S.C.R. No. 158 and S.R. No. 118. Our Department supports the intent of these Resolutions.

On behalf of Governor Ige's Administration, we believe that our budget approach for the past three years has put the State of Hawai‘i in a much better financial position because of our responsible fiscal management policies. With the Legislature's support, we have made significant progress in strengthening our general fund reserves and addressing our unfunded pension and other post-employment benefits (OPEB) liabilities. We have built up our Emergency and Budget Reserve Fund (EBRF) to $310.7 million in preparation for future economic downturns. By continuing to aggressively address pension and OPEB unfunded liabilities, we will reduce the amounts needed in the future. The State's OPEB prefunding contributions that were made in FY17 are expected to save over $1.6 billion over the next 20 years. Additionally, Act 49, the General Appropriations Act of 2017, appropriated funds to step up the OPEB annual required contribution from 90% in FY 18 to 100% in FY 19. We have also adopted a schedule of increased pension contributions pursuant to Act 17, SLH 2017, which will result in full funding within a 30-year horizon and approximately $15 billion in expected savings over the funding period.

We have worked diligently over the past three years to improve our credit ratings for general obligation (G.O.) bonds, and the rating agencies have recognized our sound fiscal management. Thus, we have been able to borrow funds to address our infrastructure needs at rates that will save our State over the 20-year life of these bonds. Finally, Moody's Analytics recently "stress tested" all 50 states and assessed that Hawai'i was one of 16 states that was prepared for a recession in consideration of our reserve funds and responsible fiscal management of our unfunded liabilities.

The State's financial stability is critical to ensure the continuation of essential state services such as funding of our public school system, public university system, healthcare systems on the neighbor islands, and social services for our families, which will always be at the forefront of our priorities. Over the past several fiscal years, the State's fiscal position has fluctuated significantly, and general fund revenue growth trends have not always been consistent with economic activity. Fortunately, in current fiscal year 2018 (FY18), general fund revenue collections have been positive, as recognized by the Council on Revenues in their just concluded meeting of March 13.

However, our commitments to fund collective bargaining increases and the State's unfunded pension and OPEB liabilities have added significant amounts to the annual operating budget. Thus, we must continue with our responsible fiscal management to prepare for future downturns in revenue collections, while supporting the increased costs of our daily operations.

Thank you again for the opportunity to testify and for your consideration of our comments.

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To: The Honorable Glenn Wakai, Chair
and Members of the Senate Committee on Economic Development, Tourism, and Technology

The Honorable Donna Mercado Kim, Chair
and Members of the Senate Committee on Government Operations

Date: Friday, March 23, 2018
Time: 1:45 P.M.
Place: Conference Room 414, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: S.C.R. 158 and S.R. 118, Requesting the Governor and Legislature to Convene a Joint Task Force to Identify and Examine Potential Sources of Increased Revenue and Measures to Reduce State Costs

The Department of Taxation (Department) appreciates the intent of S.C.R. 158 and S.R. 118 and offers the following comments for the committee's consideration.

S.C.R. 158 and S.R. 118 both request the Governor and Legislature to convene a task force to identify and examine potential sources of revenue and ways to reduce the state's costs. The measures identifies several potential sources of increased revenue, including:

- Ensuring the taxation of illegal transient accommodations;
- Ensuring the taxation of resort fees;
- Increasing the base of the transient accommodations tax on time shares occupied by the owner;
- Ensuring transient accommodations taxes are due from online transient accommodations intermediaries;
- Increasing the conveyance tax on high value properties; and
- Increasing the withholding on sales of real property by nonresidents.

Both resolutions require the task force be composed of the Chair of the Senate Committee on Ways and Means or the Chair's designee, the Chair of the House Committee on Finance or the Chair's designee, and a representative from the Governor's office. Both measures encourage the task force to meet each quarter. Both measures also instruct the task force to study ways to reduce the state's costs.

Finally, both measures request the Governor to share the Governor's six-year financial plan with the Legislature no later than twenty days prior to the convening of the regular session.

The Department appreciates the intent of both of these measures and is willing and able to participate in or assist the task force in any way necessary.

Thank you for the opportunity to provide comments.

SCR-158
Submitted on: 3/21/2018 12:00:23 AM
Testimony for ETT on 3/23/2018 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Louise Storm	Individual	Comments	No

Comments:

To reduce state costs and enhance the revenue stream, how about fully staffing and training personnel in departments that are causing bottlenecks to efficient operation due to inadequate staffing? Examples: inadequate staffing in DAGS causes delays that add to costs of projects or loss of funding of money that must be used within a certain time limit; inadequate staffing in Vital Records causes a slow down in processing requests for certificates of birth, marriage, and death for which the state charges fees and could be making more money if the department was more efficient; etc.