

DAVID Y. IGE  
GOVERNOR OF  
HAWAII



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

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**Testimony of  
SUZANNE D. CASE  
Chairperson**

**Before the Senate Committee on  
WATER AND LAND**

**Wednesday, March 13, 2019  
1:20 PM  
State Capitol, Conference Room 229**

**In consideration of  
HOUSE BILL 125, House Draft 1  
RELATING TO NON-GENERAL FUNDS**

House Bill 125, House Draft 1 proposes to abolish various non-general funds and accounts of the Department of Land and Natural Resources (Department) and transfer the unencumbered balances to the General Fund. **The Department supports this measure in its present form.**

*SECTION 2. Assistance in Managing Land Fund*

The Department agrees with the findings of Auditor's Report No. 18-19.

*SECTION 3. Native Resources and Fire Protection Program Special Fund*

The Department agrees with the Auditor's comments and shall close the account.

*SECTION 4. Preservation of Endangered Plants Trust Fund*

The Department agrees with the Auditor's comments and shall close the account.

*SECTION 5. Recreational Renaissance – State Parks Special Fund*

The Department agrees with the Auditor's comments and shall close the account.

Thank you for the opportunity to comment on this measure.

**SUZANNE D. CASE**  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

**ROBERT K. MASUDA**  
FIRST DEPUTY

**M. KALEO MANUEL**  
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

# TAX FOUNDATION OF HAWAII

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SUBJECT: MISCELLANEOUS, Repeal non-general funds

BILL NUMBER: HB 125, HD-1

INTRODUCED BY: House Committee On Finance

EXECUTIVE SUMMARY: Abolishes various non-general funds and accounts of the Department of Land and Natural Resources and transfers the unencumbered balances to the general fund, in accordance with the State Auditor's recommendation in Report No. 18-19.

SYNOPSIS: Repeals four administratively established funds.

All unencumbered balances remaining will lapse to the general fund.

EFFECTIVE DATE: July 1, 2019.

STAFF COMMENTS: This measure implements the state auditor's recommendation in Report No. 18-19.

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.

Because of the spotlight of monies in special funds, Hawaii Revised Statutes section 23-12 requires the State Auditor to review all existing special, revolving, and trust funds beginning in 2014 and at five-year intervals. This review assists in making government finances more transparent. This law gave rise to the present report and the recommendations that came with it.

Digested 3/11/2019