

JOSH GREEN, M. D.
GOVERNOR
KE KIA'ĀINA

SYLVIA LUKE
LT. GOVERNOR
KA HOPE KIA'ĀINA



BRENN A H. HASHIMOTO
DIRECTOR
KA LUNA HO'OKELE

RYAN YAMANE
DEPUTY DIRECTOR
KA HOPE LUNA HO'OKELE

STATE OF HAWAII | KA MOKU'ĀINA O HAWAII
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
KA 'OIHANA HO'OMŌHALA LIMAHANA
235 S. BERETANIA STREET
HONOLULU, HAWAII 96813-2437

Statement of
BRENN A H. HASHIMOTO
Director, Department of Human Resources Development

Before the
SENATE COMMITTEE ON LABOR AND TECHNOLOGY
Monday, March 13, 2023
3:00PM
State Capitol, Conference Room 224

In consideration of
HB38, RELATING TO NON-GENERAL FUNDS

Chair Moriwaki, Vice Chair Lee, and the members of the committee.

The Department of Human Resources Development (DHRD) is in **support** of HB38 HD1.

The purpose of the bill is to reclassify the human resources development special fund as a revolving fund pursuant to the recommendation made by the Auditor in Auditor's Report 22-12.

DHRD concurs with the Auditor's recommendations and supports reclassifying the special fund as a revolving fund. However, DHRD would like to note that an adjustment also needs to be made in the operating budget to change the special fund ceiling (B funds) to a revolving fund ceiling (W funds). The two actions would need to be implemented together for the conversion of the fund to be completed correctly.

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

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Reclassify DHRD Fund

BILL NUMBER: HB 38 HD 1

INTRODUCED BY: House Committee on Finance

EXECUTIVE SUMMARY: Reclassifies the human resources development special fund as a revolving fund pursuant to the recommendation made by the Auditor in Auditor's Report No. 22-12.

SYNOPSIS: Amends section 26-5(g), HRS, to reclassify the human resources development special fund as a revolving fund.

EFFECTIVE DATE: June 30, 3000.

STAFF COMMENTS: 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 on monies in special funds, HRS 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 bill was the result of Auditor’s Report No. 22-12.

Digested: 2/25/2023