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WRITTEN ONLY
TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 1021

February 27, 2023
10:35 a.m.
Room 211 and Videoconference

RELATING TO SPECIAL FUNDS

The Department of Budget and Finance (B&F) offers comments on this bill.

Senate Bill (S.B.) No. 1021 proposes to authorize agencies to expend moneys from special funds under an agency's control for capital improvement program (CIP) projects, subject to legislative appropriation or authorization. The bill would prohibit the expenditure of amounts that exceed 20% of the special fund's ceiling.

Section 37-52.3, HRS, requires that special funds: 1) serve a need as demonstrated by the purpose and scope of the program that cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining.

Presumably, the enabling statutes for the State's special funds take into consideration the appropriateness of the program needs to be funded by each

respective special fund. As such, it would be more appropriate to revise the enabling statute for a special fund, should it be deemed appropriate to fund CIP projects.

Legislative appropriations for special funded CIP in the budget act and other specific appropriation acts provide the total “special fund ceiling” for a given fiscal year. Further, Article VII, Section 5, of the Hawai‘i State Constitution requires that no public money be expended except pursuant to appropriations made by law. Thus, prohibiting the expenditure of amounts for CIP projects that exceed 20% of the special fund’s ceiling would be irrelevant.

Thank you for your consideration of our comments.

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

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA



STATE OF HAWAI'I | KA MOKU'ĀINA 'O HAWAI'I
DEPARTMENT OF LAND AND NATURAL RESOURCES
KA 'OIHANA KUMUWAIWAI 'ĀINA

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**Testimony of
DAWN N. S. CHANG
Chairperson**

**Before the Senate Committee on
WAYS AND MEANS**

**Monday, February 27, 2023
10:35 A.M.
State Capitol, Conference Room 211**

**In consideration of
SENATE BILL 1021
RELATING TO SPECIAL FUNDS**

Senate Bill 1021 proposes to authorize agencies to expend monies from special funds under the agency's control for capital improvement projects, provided the legislature made an appropriation or authorized the use of the funds, and the expenditure does exceed 20% of the special fund's ceiling. **The Department of Land and Natural Resources (Department) supports the intent of this measure but recommends that it be deferred for the reasons below.**

While authority in this measure would provide the Department with the ability to address deferred maintenance and emergency projects in a more timely manner, **the Department of Budget and Finance (B&F) has informed the Department that this measure may be unconstitutional. The Department is in discussions with B&F to achieve the intent of this measure and should be able to do so without needing a statutory amendment.**

Mahalo for the opportunity to provide comments on this measure.

DAWN N.S. CHANG
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE
MANAGEMENT

LAURA H.E. KAAKUA
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M. KALEO MANUEL
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BOATING AND OCEAN RECREATION
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COMMISSION ON WATER RESOURCE
MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES
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HISTORIC PRESERVATION
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