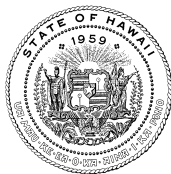


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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

February 4, 2021

FINANCE MEMORANDUM

MEMO NO. 21-02

TO: All Department Heads

FROM: Craig K. Hirai /s/
Director of Finance

SUBJECT: Review of House Bill Nos. 1297 (Relating to State Finances), 1298
(Relating to State Funds), and 1299 (Relating to Non-General Funds)

The 2021 Legislature has introduced several bills which may significantly impact State non-general funds:

- House Bill (H.B.) No. 1297, Relating to State Finances, which amends Section 36-27, HRS, to make all special funds subject to deductions for central service expenses; Section 36-30, HRS, to remove the exemption for specified special funds from the assessment of administrative expenses; and various other sections of the HRS to direct the respective revenues to the general fund instead of the currently specified special funds.
- H.B. No. 1298, Relating to State Funds, which authorizes the transfer of excess unencumbered non-general fund balances as of December 31, 2020 to the general fund by the Director of Finance in March 2021.
- H.B. No. 1299, Relating to Non-General Funds, which repeals various non-general funds and accounts and transfers unencumbered balances to the general fund.

H.B. No. 1298 and H.B. No. 1299 are intended to trigger a full accounting of various non-general funded program objectives, performance, and results by repealing or abolishing those non-general funds. However, the actions currently proposed by these three bills could impair the State's ability to provide critical services provided by the respective non-general funded programs.

Therefore, it is essential that the Executive Branch work quickly to identify potentially problematic statutory changes, transfers of "excess" unencumbered non-general fund balances, or other proposed actions. We recognize that programs have operating

costs, including payroll costs, for the remainder of FY 21 that could not be encumbered and, thus, transferring the identified cash balances could cripple some programs, especially in the midst of an ongoing fiscal year without alternative means of financing.

The following general guidance is provided for your review. Please provide all information requested using the attached formats for the respective bills (additional information may be included in the comments section or attached, as necessary), including, but not limited to, the following:

H.B. No. 1297, Relating to State Finances

Departments shall include the following information regarding each identified fund:

1. Purpose of the fund.
2. Source of revenues.
3. Impact of the changes proposed by H.B. No. 1297 due to the elimination of the exemption for the central services assessment, elimination of the exemption for the administrative expense assessment, revision to the distribution of revenues, or abolishment of special fund, as applicable.

H.B. No. 1298, Relating to State Funds

Departments should conduct their review based on cumulative balances of the fund or account, not necessarily the specific appropriation accounts identified in the bill. For example, if a FY 17 appropriation account such as S-17-123-A has been identified, your review should be based on S-XX-123-A, encompassing the cumulative balances remaining in all fiscal year accounts of the fund, as applicable.

Use the following criteria to determine unrequired cash balances for each fund (similar to Executive Memorandum No. 20-11, *Review of Excess Special and Revolving Fund Balances*, dated December 29, 2020):

- Operating costs, such as payroll and contract requirements, until June 30, 2021.
- Capital improvement program (CIP) costs for contracts (if any) expected to be encumbered by June 30, 2021.
- Revenue collection schedules and the impact of COVID-19 on anticipated revenues.
- Funding required to support operating and CIP (if any) costs for FB 2021-23.
- State, federal or other limitations on the use of the fund.

Departments shall include the following information:

1. Statutory or other authority for the fund or account.

2. The cash balance of the fund as of January 31, 2021.
3. The unrequired cash balance as of January 31, 2021.
4. Restrictions on the use of the funds, as applicable.
5. Explanation if no funds have been considered unrequired.
6. Impact if an amount exceeding the unrequired cash balance identified in Item No. 3 is transferred to the general fund.

H.B. No. 1299, Relating to Non-General Funds

Departments shall include the following information regarding each identified fund or account:

1. Intended purpose of the fund or account.
2. The statutory or other authority for the fund or account.
3. Source of revenues.
4. Indicate if the respective program is proposed to be abolished.
5. Impact of the proposed action to eliminate the fund, account, or program, as applicable.

Please note that this review is intended to provide the Department of Budget and Finance (B&F) and the Governor with a statewide overview of the impact of the proposed actions, as well as identify circumstances that may require extra attention. Departments should also work closely with the Legislature to justify, as appropriate, the continuation of the identified funds and the need to retain current and future revenues.

The Excel templates will be transmitted to each department by their B&F analyst. Each department shall submit via email its completed review with an official transmittal memorandum in PDF format from your department's designated email account to B&F at DBF.DOCS@hawaii.gov by February 12, 2021. The Excel files and other pertinent electronic files reflecting your department's submittal shall also be sent via email to your B&F analyst.

If there are any questions, please have your staff contact Mr. Neal Miyahira, Administrator of the Budget, Program Planning and Management Division, at 586-1530.

Attachments

HB 1297 - Relating to State Finances

| Bill Section No. | Dept | Fund | Purpose of Fund | Sources of Revenues | Impact of Changes from HB 1297 | Comments |
|---|------|------|-----------------|---------------------|--------------------------------|----------|
| Removes Central Services Assessment Exemption | | | | | | |
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| Removes Administrative Services Assessment Exemption | | | | | | |
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| Revises Distribution of the Cigarette Tax Revenues | | | | | | |
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| Revises Distribution of Various Fees and Surcharges | | | | | | |
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| Revises Description of Trauma System Special Fund | | | | | | |
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| Abolishes Special Funds | | | | | | |
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| Appropriates General Funds | | | | | | |
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HB 1299, Relating to Non-General Funds

| Bill Section No. | Dept | Prog ID | Apprn Symbol | Name of Fund | Intended Purpose of the Fund/Acct | Source of Revenue | MOF | How funds and accts are established | | Fund Action | Abolish Prog Funded by Spec Fund Y/N | Impact of Proposed Action to Repeal Funds/Acct | Impact of Proposed Action to Abolish Programs | Comments |
|------------------|------|---------|--------------|--------------|-----------------------------------|-------------------|-----|-------------------------------------|------------------------|-------------|--------------------------------------|--|---|----------|
| | | | | | | | | Administratively (Cite HAR) | Statutorily (Cite HRS) | | | | | |
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