



EXECUTIVE CHAMBERS
HONOLULU

NEIL ABERCROMBIE
GOVERNOR

GOV. MSG. NO. 1230

June 14, 2013

The Honorable Donna Mercado Kim,
President
and Members of the Senate
Twenty-Seventh State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

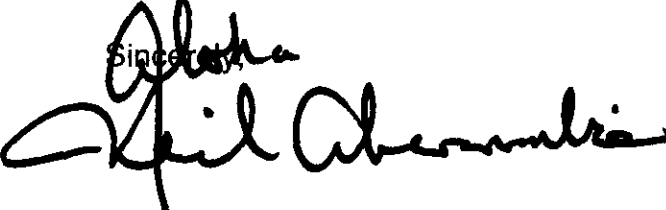
The Honorable Joseph M. Souki,
Speaker and Members of the
House of Representatives
Twenty-Seventh State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kim, Speaker Souki, and Members of the Legislature:

This is to inform you that on June 14, 2013, the following bill was signed into law:

HB504 HD1 SD1

RELATING TO STATE FUNDS
ACT 130 (13)

Aloha
Sincerely,


NEIL ABERCROMBIE
Governor, State of Hawaii

Approved by the Governor

on JUN 14 2013

HOUSE OF REPRESENTATIVES
TWENTY-SEVENTH LEGISLATURE, 2013
STATE OF HAWAII

ACT 130

H.B. NO. 504
H.D. 1
S.D. 1

A BILL FOR AN ACT

RELATING TO STATE FUNDS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the office of the
2 auditor concluded in its July 2012 *Study of the Transfer of Non-*
3 *general Funds to the General Fund*, Report No. 12-04, that to
4 gain more flexibility over the budget process, new safeguards
5 need to be built into criteria for special and revolving funds.

6 The purpose of this Act is to implement certain
7 recommendations of the auditor, including requiring special and
8 revolving funds to reflect a link between the program funded and
9 the source of revenue.

10 SECTION 2. Section 23-11, Hawaii Revised Statutes, is
11 amended to read as follows:

12 "[~~§~~23-11~~§~~] **New special or revolving funds.** (a) Within
13 five days after the deadline for the introduction of bills in
14 each legislative session, the clerks of each house of the
15 legislature shall transmit, to the [~~legislative~~] auditor for
16 analysis, copies of all legislative bills that were introduced
17 in their respective houses during that session that propose to
18 establish new special or revolving funds.



1 (b) The criteria to be used by the auditor in analyzing
2 each legislative bill shall include~~[, but not be limited to, the~~
3 ~~extent to which the fund]~~:

4 (1) ~~[Serves the purpose for which it is being created;~~
5 ~~and]~~ The need for the fund, as demonstrated by:

6 (A) The purpose of the program to be supported by the
7 fund;

8 (B) The scope of the program, including financial
9 information on fees to be charged, sources of
10 projected revenue, and costs; and

11 (C) An explanation of why the program cannot be
12 implemented successfully under the general fund
13 appropriation process; and

14 (2) ~~[Reflects]~~ Whether there is a clear [link] nexus
15 between the [benefit] benefits sought and [changes]
16 charges made upon the program users or beneficiaries
17 ~~[of the program,]~~ or a clear link between the program
18 and the sources of revenue, as opposed to serving
19 primarily as a means to provide the program or users
20 with an automatic means of support [which] that is
21 removed from the normal budget and [appropriations]
22 appropriation process.



1 Each analysis shall set forth the probable effects of the
2 proposed fund and shall also assess alternative forms of
3 funding.

4 (c) No later than thirty days prior to the adjournment
5 sine die of each legislative session, the [legislative] auditor
6 shall submit the analysis of each transmitted legislative bill
7 to each house of the legislature."

8 SECTION 3. Section 23-12, Hawaii Revised Statutes, is
9 amended to read as follows:

10 "§23-12 Review of special, revolving, and trust funds.

11 (a) The office of the [state] auditor shall report to the
12 legislature, at each regular session, a review of special,
13 revolving, and trust funds established to provide services
14 rendered by any state department or establishment to other state
15 departments or establishments or to any political subdivision of
16 the State. The review shall include [~~but not be limited to~~]:

- 17 (1) An evaluation of the original intent and purpose of
18 each fund, both as expressed by the legislature and as
19 understood by the expending agency;
- 20 (2) The degree to which each fund achieves the stated and
21 claimed purposes;



- 1 (3) An evaluation of performance standards established by
2 the agency; and
- 3 (4) A summary statement reflecting total fund transactions
4 in the preceding five fiscal years, including the fund
5 balance at the beginning of each fiscal year, total
6 deposits and withdrawals, amount of interest earned,
7 total expenditures made from the fund, and the ending
8 fund balance for each fiscal year.
- 9 (b) Each special, revolving, and trust fund shall be
10 reviewed every five years as follows:
- 11 (1) Beginning [~~1994~~] 2014 and every five years thereafter,
12 the auditor shall submit a review of the special,
13 revolving, and trust funds of the department of
14 accounting and general services; the department of
15 agriculture; the department of budget and finance; and
16 the department of land and natural resources;
- 17 (2) Beginning [~~1995~~] 2015 and every five years thereafter,
18 the auditor shall submit a review of the special,
19 revolving, and trust funds of the department of the
20 attorney general; the department of business, economic
21 development, and tourism; and the University of Hawaii
22 system;



- 1 (3) Beginning [~~1996~~] 2016 and every five years thereafter,
2 the auditor shall submit a review of the special,
3 revolving, and trust funds within the judiciary and of
4 the department of commerce and consumer affairs; the
5 department of Hawaiian home lands; the department of
6 health; and the department of human services;
- 7 (4) Beginning [~~1997~~] 2017 and every five years thereafter,
8 the auditor shall submit a review of the special,
9 revolving, and trust funds of the office of the
10 governor; the office of Hawaiian affairs; and the
11 department of education; [~~and~~]
- 12 (5) Beginning [~~1998~~] 2018 and every five years thereafter,
13 the auditor shall submit a review of the special,
14 revolving, and trust funds of the department of labor
15 and industrial relations; the department of taxation;
16 the department of human resources development; the
17 department of public safety; and all other moneys
18 expended in accordance with section 37-40[-]; and
- 19 (6) Beginning 2014 and every five years thereafter, the
20 auditor shall submit a review of the special,
21 revolving, and trust funds of the department of
22 transportation and the department of defense."



1 SECTION 4. Section 37-52.3, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "[~~f~~]~~§~~37-52.3[~~f~~] **Criteria for the establishment and**
4 **continuance of special funds.** Special funds shall [~~only~~] be
5 established only pursuant to an act of the legislature. The
6 legislature, in establishing or reviewing a special fund to
7 determine whether it should be continued, shall ensure that the
8 special fund:

- 9 (1) Serves [~~the purpose for which it was originally~~
10 ~~established,~~] a need, as demonstrated by:
- 11 (A) The purpose of the program to be supported by the
12 fund;
- 13 (B) The scope of the program, including financial
14 information on fees to be charged, sources of
15 projected revenue, and costs; and
- 16 (C) An explanation of why the program cannot be
17 implemented successfully under the general fund
18 appropriation process;
- 19 (2) Reflects a clear nexus between the benefits sought and
20 charges made upon the program users or beneficiaries
21 [~~of the program,~~] or a clear link between the program
22 and the sources of revenue, as opposed to serving



1 primarily as a means to provide the program or users
2 with an automatic means of support that is removed
3 from the normal budget and appropriation process;

4 (3) Provides an appropriate means of financing for the
5 program or activity[;] that is used only when
6 essential to the successful operation of the program
7 or activity; and

8 (4) Demonstrates the capacity to be financially self-
9 sustaining."

10 SECTION 5. Section 37-52.4, Hawaii Revised Statutes, is
11 amended to read as follows:

12 "[~~§~~37-52.4~~§~~] **Criteria for the establishment and**
13 **continuance of revolving funds.** Revolving funds shall only be
14 established pursuant to an act of the legislature. The
15 legislature, in establishing or reviewing a revolving fund to
16 determine whether it should be continued, shall ensure that the
17 revolving fund:

18 (1) Serves [~~the purpose for which it was originally~~
19 ~~established;~~] a need, as demonstrated by:

20 (A) The purpose of the program to be supported by the
21 fund;



1 (B) The scope of the program, including financial
2 information on fees to be charged, sources of
3 projected revenue, and costs; and

4 (C) An explanation of why the program cannot be
5 implemented successfully under the general fund
6 appropriation process;

7 (2) Reflects a clear nexus between the benefits sought and
8 charges made upon the program users or beneficiaries
9 ~~[of the program,]~~ or a clear link between the program
10 and the sources of revenue, as opposed to serving
11 primarily as a means to provide the program or users
12 with an automatic means of support that is removed
13 from the normal budget and appropriation process;

14 (3) Provides an appropriate means of financing for the
15 program or activity~~[+]~~ that is used only when
16 essential to the successful operation of the program
17 or activity; and

18 (4) Demonstrates the capacity to be financially self-
19 sustaining."

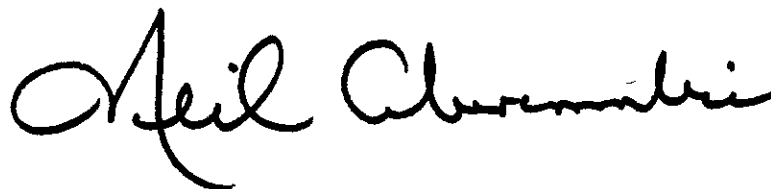
20 SECTION 6. Statutory material to be repealed is bracketed
21 and stricken. New statutory material is underscored.

22 SECTION 7. This Act shall take effect on June 30, 2013.



H.B. NO. 504
H.D. 1
S.D. 1

APPROVED this 14 day of JUN, 2013

A handwritten signature in black ink, reading "Neil Abernethy". The signature is written in a cursive style with a large initial "N".

GOVERNOR OF THE STATE OF HAWAII