
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 recommendations
7 of the auditor, including requiring special and revolving funds
8 to reflect a link between the program funded and the source of
9 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~~[7]~~ but not be limited to~~[7]~~
3 the extent to which the ~~[fund]~~ bill:

4 (1) ~~[Serves the purpose for which it is being created,~~
5 and] Shows evidence of need by stating the program's
6 purpose; describing its scope; presenting financial
7 information on fees to be charged, sources of
8 projected revenue, and costs; and explaining why the
9 program cannot be implemented successfully under the
10 general fund appropriation process; and
11 (2) Reflects a clear link between the ~~[benefit]~~ benefits
12 sought and ~~[changes]~~ charges made upon the ~~[users or~~
13 ~~beneficiaries of the program,]~~ program users or
14 beneficiaries, or a clear link between the program and
15 the sources of revenue, as opposed to serving
16 primarily as a means to provide the program or users
17 with an automatic means of support ~~[which]~~ that is
18 removed from the normal budget and ~~[appropriations]~~
19 appropriation process.

20 Each analysis shall set forth the probable effects of the
21 proposed fund and shall also assess alternative forms of
22 funding.



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

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

7 "**§23-12 Review of special, revolving, and trust funds.**

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

14 (1) An evaluation of the original intent and purpose of
15 each fund, both as expressed by the legislature and as
16 understood by the expending agency;

17 (2) The degree to which each fund achieves the stated and
18 claimed purposes;

19 (3) An evaluation of performance standards established by
20 the agency; and

21 (4) A summary statement reflecting total fund transactions
22 in the preceding five fiscal years, including the fund



1 balance at the beginning of each fiscal year, total
2 deposits and withdrawals, amount of interest earned,
3 total expenditures made from the fund, and the ending
4 fund balance for each fiscal year.

5 (b) Each special, revolving, and trust fund shall be
6 reviewed every five years as follows:

7 (1) Beginning 1994 and every five years thereafter, the
8 auditor shall submit a review of the special,
9 revolving, and trust funds of the department of
10 accounting and general services; the department of
11 agriculture; the department of budget and finance; and
12 the department of land and natural resources;

13 (2) Beginning 1995 and every five years thereafter, the
14 auditor shall submit a review of the special,
15 revolving, and trust funds of the department of the
16 attorney general; the department of business, economic
17 development, and tourism; and the University of Hawaii
18 system;

19 (3) Beginning 1996 and every five years thereafter, the
20 auditor shall submit a review of the special,
21 revolving, and trust funds within the judiciary and of
22 the department of commerce and consumer affairs; the



1 department of Hawaiian home lands; the department of
2 health; and the department of human services;

3 (4) Beginning 1997 and every five years thereafter, the
4 auditor shall submit a review of the special,
5 revolving, and trust funds of the office of the
6 governor; the office of Hawaiian affairs; and the
7 department of education; [~~and~~]

8 (5) Beginning 1998 and every five years thereafter, the
9 auditor shall submit a review of the special,
10 revolving, and trust funds of the department of labor
11 and industrial relations; the department of taxation;
12 the department of human resources development; the
13 department of public safety; and all other moneys
14 expended in accordance with section 37-40[-]; and

15 (6) Beginning 2014 and every five years thereafter, the
16 auditor shall submit a review of the special,
17 revolving, and trust funds of the department of
18 transportation and the department of defense."

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

21 "§[+]37-52.3[+] **Criteria for the establishment and**
22 **continuance of special funds.** Special funds shall [~~only~~] be



1 established only pursuant to an act of the legislature. The
2 legislature, in establishing or reviewing a special fund to
3 determine whether it should be continued, shall ensure that the
4 special fund:

- 5 (1) Serves the purpose for which it was originally
6 established;
- 7 (2) Reflects a clear nexus between the benefits sought and
8 charges made upon the [~~users or beneficiaries of the~~
9 ~~program,~~] program users or beneficiaries, or a clear
10 link between the program and the sources of revenue,
11 as opposed to serving primarily as a means to provide
12 the program or users with an automatic means of
13 support that is removed from the normal budget and
14 appropriation process;
- 15 (3) Provides an appropriate means of financing for the
16 program or activity; [~~and~~]
- 17 (4) Demonstrates the capacity to be financially self-
18 sustaining[~~-~~]; and
- 19 (5) Is used only when the means of financing is essential
20 to the successful operation of the program or
21 activity."
- 22



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

3 " ~~[+]§37-52.4[+]~~ **Criteria for the establishment and**
4 **continuance of revolving funds.** Revolving funds shall only be
5 established pursuant to an act of the legislature. The
6 legislature, in establishing or reviewing a revolving fund to
7 determine whether it should be continued, shall ensure that the
8 revolving fund:

- 9 (1) Serves the purpose for which it was originally
10 established;
- 11 (2) Reflects a clear nexus between the benefits sought and
12 charges made upon the ~~[users or beneficiaries of the~~
13 ~~program,]~~ program users or beneficiaries, or a clear
14 link between the program and the sources of revenue,
15 as opposed to serving primarily as a means to provide
16 the program or users with an automatic means of
17 support that is removed from the normal budget and
18 appropriation process;
- 19 (3) Provides an appropriate means of financing for the
20 program or activity; ~~[and]~~
- 21 (4) Demonstrates the capacity to be financially self-
22 sustaining~~[-]~~; and



1 (5) Is used only when the means of financing is essential
 2 to the successful operation of the program or
 3 activity."

4 SECTION 6. Statutory material to be repealed is bracketed
 5 and stricken. New statutory material is underscored.

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

7

INTRODUCED BY:

[Signature]

[Signature]

Rida Cubani Ha

[Signature]

Calvin M. Day

[Signature]

[Signature]

[Signature]

Lirdadchizane

JAN 18 2013



H.B. NO. 504

Report Title:

Special funds; Revolving Funds; Auditor Report

Description:

Amends criteria to be used in establishing and evaluating new special or revolving funds, requiring link between benefits sought and charges on users, and a clear link between program and revenue source. Effective June 30, 2013.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

