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# 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 and every five years thereafter, the  
12 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 and every five years thereafter, the  
18 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 and every five years thereafter, the  
2 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 and every five years thereafter, the  
8 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 and every five years thereafter, the  
13 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 "§~~[+]~~37-52.3~~[+]~~ **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;
- 11 (2) Reflects a clear nexus between the benefits sought and  
12 charges made upon the program users or beneficiaries  
13 ~~[of the program,]~~ or a clear link between the program  
14 and the sources of revenue, as opposed to serving  
15 primarily as a means to provide the program or users  
16 with an automatic means of support that is removed  
17 from the normal budget and appropriation process;
- 18 (3) Provides an appropriate means of financing for the  
19 program or activity; ~~[and]~~
- 20 (4) Demonstrates the capacity to be financially self-  
21 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 5. Section 37-52.4, Hawaii Revised Statutes, is  
5 amended to read as follows:

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

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



- 1           (4) Demonstrates the capacity to be financially self-
- 2                   sustaining~~[-]~~; and
- 3           (5) Is used only when the means of financing is essential
- 4                   to the successful operation of the program or
- 5                   activity."

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

8           SECTION 7. This Act shall take effect on July 1, 2030.





**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 07/01/2030. (HD1)

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

