
A BILL FOR AN ACT

RELATING TO STATE FUNDS.

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

1 SECTION 1. Section 23-11, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "~~{}~~\$23-11~~{}~~ **New special or revolving funds.** (a) Within
4 five days after the deadline for the introduction of bills in
5 each legislative session, the clerks of each house of the
6 legislature shall transmit, to the [legislative] auditor for
7 analysis, copies of all legislative bills that were introduced
8 in their respective houses during that session that propose to
9 establish new special or revolving funds.

10 (b) The criteria to be used by the auditor in analyzing
11 each legislative bill shall include~~[7]~~ but not be limited to~~[7]~~
12 the extent to which the fund:

13 (1) ~~[Serves the purpose for which it is being created,]~~
14 Shows evidence of need by stating the program's
15 purpose, describing the scope, presenting financial
16 information on fees to be charged, sources of
17 projected revenue, and costs; and explains why the



1 program cannot be implemented successfully under the
2 general fund appropriation process; and

3 (2) Reflects a clear link between the [~~benefit~~] benefits
4 sought and [~~changes~~] charges made upon the program
5 users or beneficiaries [~~of the program,~~] or a clear
6 link between the program and the sources of revenue,
7 as opposed to serving primarily as a means to provide
8 the program or users with an automatic means of
9 support [~~which~~] that is removed from the normal budget
10 and [~~appropriations~~] appropriation process.

11 Each analysis shall set forth the probable effects of the
12 proposed fund and shall also assess alternative forms of
13 funding.

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

18 SECTION 2. Section 23-12, Hawaii Revised Statutes, is
19 amended to read as follows:

20 "**§23-12 Review of special, revolving, and trust funds.**

21 (a) The office of the [~~state~~] auditor shall report to the



1 legislature, at each regular session, a review of special,
2 revolving, and trust funds established to provide services
3 rendered by any state department or establishment to other state
4 departments or establishments or to any political subdivision of
5 the State. The review shall include but not be limited to:

- 6 (1) An evaluation of the original intent and purpose of
7 each fund, both as expressed by the legislature and as
8 understood by the expending agency;
- 9 (2) The degree to which each fund achieves the stated and
10 claimed purposes;
- 11 (3) An evaluation of performance standards established by
12 the agency; and
- 13 (4) A summary statement reflecting total fund transactions
14 in the preceding five fiscal years, including the fund
15 balance at the beginning of each fiscal year, total
16 deposits and withdrawals, amount of interest earned,
17 total expenditures made from the fund, and the ending
18 fund balance for each fiscal year.
- 19 (b) Each special, revolving, and trust fund shall be
20 reviewed every five years as follows:



- 1 (1) Beginning 1994 and every five years thereafter, the
2 auditor shall submit a review of the special,
3 revolving, and trust funds of the department of
4 accounting and general services; the department of
5 agriculture; the department of budget and finance; and
6 the department of land and natural resources;
- 7 (2) Beginning 1995 and every five years thereafter, the
8 auditor shall submit a review of the special,
9 revolving, and trust funds of the department of the
10 attorney general; the department of business, economic
11 development, and tourism; and the University of Hawaii
12 system;
- 13 (3) Beginning 1996 and every five years thereafter, the
14 auditor shall submit a review of the special,
15 revolving, and trust funds within the judiciary and of
16 the department of commerce and consumer affairs; the
17 department of Hawaiian home lands; the department of
18 health; and the department of human services;
- 19 (4) Beginning 1997 and every five years thereafter, the
20 auditor shall submit a review of the special,
21 revolving, and trust funds of the office of the



1 governor; the office of Hawaiian affairs; and the
2 department of education; [~~and~~]

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

10 (6) Beginning 2014 and every five years thereafter, the
11 auditor shall submit a review of the special,
12 revolving, and trust funds of the department of
13 transportation and the department of defense."

14 SECTION 3. Section 37-52.3, Hawaii Revised Statutes, is
15 amended to read as follows:

16 "[~~+~~]**§37-52.3[~~+~~]** **Criteria for the establishment and**
17 **continuance of special funds.** Special funds shall [~~only~~] be
18 established only pursuant to an act of the legislature. The
19 legislature, in establishing or reviewing a special fund to
20 determine whether it should be continued, shall ensure that the
21 special fund:



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

14 SECTION 4. Section 37-52.4, Hawaii Revised Statutes, is
 15 amended to read as follows:

16 "~~{~~§37-52.4~~}~~ **Criteria for the establishment and**
 17 **continuance of revolving funds.** Revolving funds shall only be
 18 established pursuant to an act of the legislature. The
 19 legislature, in establishing or reviewing a revolving fund to
 20 determine whether it should be continued, shall ensure that the
 21 revolving fund:

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

14 SECTION 5. Section 37-62, Hawaii Revised Statutes, is
 15 amended by amending the definitions of "revolving fund" and
 16 "special funds" to read as follows:

17 "Revolving fund" means a fund from which is paid the cost
 18 of goods and services rendered or furnished to or by a state
 19 agency and which is replenished through charges made for the
 20 goods or services or through transfers from other accounts or
 21 funds [-]; provided that the funds are used only when the means



1 of financing is essential to the successful operation of a
2 program or activity and there is a clear link between the
3 program or activity and the sources of revenue dedicated to its
4 support.

5 "Special funds" means funds [~~which~~] that are dedicated or
6 set aside by law for a specified object or purpose, but
7 excluding revolving funds and trust funds[-]; provided that the
8 funds are used only when the means of financing is essential to
9 the successful operation of a program or activity and there is a
10 clear link between the program or activity and the sources of
11 revenue dedicated to its support."

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

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

15



Report Title:

Special Funds; Revolving Funds; Auditor

Description:

Amends criteria to be used by the auditor in analyzing legislative bills proposing to establish new special or revolving funds. Clarifies that a special or revolving fund to be established or continued shall reflect a clear nexus between benefits sought and charges made upon program users or beneficiaries or between the program and the sources of revenue. Requires the auditor to review special funds, as well as revolving and trust funds, of designated governmental entities. Beginning 2014 and every five years thereafter, requires the auditor to review the special, revolving, and trust funds of the DOT and DOD.

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

