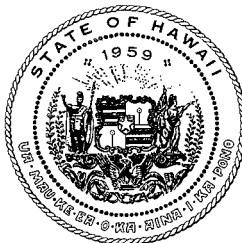


STATE OF HAWAII
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February 14, 2014

DEPT. COMM. NO. 79

The Honorable Donna Mercado Kim
Senate President
State Capitol, Room 409
Honolulu, Hawaii'i 96813

Dear Madam President:

I transmit to you 10 analyses our office has completed on special and revolving funds proposed in the current legislative session. Our analyses were conducted pursuant to Section 23-11, HRS. Copies of these analyses have also been transmitted to the committees of referral.

Sincerely,

Jan K. Yamane
Acting State Auditor

Enclosures

RECEIVED
SENATE
OFFICE OF THE PRESIDENT

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THE SENATE
CLERK'S OFFICE
STATE OF HAWAII

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ANALYSIS

Analysis of the Internet Crimes Against Children Special Fund H.B. No. 2550 and S.B. No. 2595

Section 23-11, Hawai'i Revised Statutes, requires the Auditor to submit no later than 30 days prior to the end of the legislative session an analysis of each new special or revolving fund proposed by legislative bills.



THE AUDITOR
STATE OF HAWAII

Analysis of the Internet Crimes Against Children Special Fund Proposed in H.B. No. 2550 and S.B. No. 2595

Description and Purpose

These bills establish the Internet Crimes Against Children Special Fund to be administered by the Department of the Attorney General. The purpose of the fund is to support the investigation and prosecution of child pornographers and other perpetrators of Internet-facilitated crimes against children, to promote education on internet safety to the public and minors, and to rescue child victims from abuse and exploitation. A similar fund under the same name was proposed in S.B. No. 702 during the 2013 legislative session.

Sources of revenue to the fund will come from a \$10 court fee upon every defendant for each felony or misdemeanor conviction, legislative appropriations, gifts, and grants. Moneys in the fund shall be used to provide training and equipment for local law enforcement agencies' use in investigating and prosecuting Internet crimes against children, to enable Internet crimes investigators to follow the trail of child pornography traffic to locate children in need of protection; and to support the work of the State's Internet Crimes Against Children Task Force and its affiliate agencies.

Criteria

Our analysis is of the Internet Crimes Against Children Special Fund to support law enforcement programs aimed at combating Internet-facilitated crimes against children. Three criteria are used in analyzing the fund:

1. the need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, projected revenues, and costs) and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. whether the fund demonstrates the capacity to be financially self-sustaining.

Analysis

The bills do not satisfy all criteria for establishing a special fund. Although the bills partially satisfy clear nexus or linkage

requirements, evidence is lacking to show that the fund is needed and cannot be implemented through the general fund appropriation process. Evidence is also lacking to demonstrate that the fund has the capacity to be financially self-sustaining.

Demonstrated need for the fund

There is insufficient information on the scope of the programs to demonstrate the fund is needed to support the programs. Detailed financial information regarding projected revenues and costs has not been provided. In addition, an explanation of why the programs cannot be successfully implemented under the general fund appropriation process was not provided.

Nexus or linkage

Linkage would exist for gifts and grants that are specifically designated for the programs. However, no clear nexus exists between court fees imposed upon convicted defendants and the beneficiaries of the program. There is also no clear nexus or linkage between legislative appropriations and the programs.

Self-sustainability

Estimated revenue and expenditure information has not been provided to demonstrate that the fund has the capacity to be financially self-sustaining.

Probable Effects

Additional administrative costs associated with a new fund will be incurred by central service agencies of state government. Undetermined amounts of revenue will be deposited into the fund and will not be subject to the normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear to be less than they are.

Alternate Funding

Apart from direct general fund appropriations, alternate sources of revenue have not been identified.

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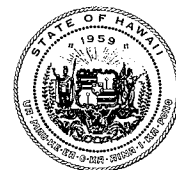
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ANALYSIS

Analysis of the American Red Cross Hawai'i State Chapter Special Fund H.B. No. 1893 and S.B. No. 2362

Section 23-11, Hawai'i Revised Statutes, requires the Auditor to submit no later than 30 days prior to the end of the legislative session an analysis of each new special or revolving fund proposed by legislative bills.



THE AUDITOR
STATE OF HAWAII

Analysis of the American Red Cross Hawai'i State Chapter Special Fund Proposed in H.B. No. 1893 and S.B. No. 2362

Description and Purpose

These bills establish the American Red Cross Hawai'i State Chapter Special Fund under Chapter 127, Hawai'i Revised Statutes (*Disaster Relief*). Revenues to the fund shall come from individuals who designate \$3 from their state income tax refund to be deposited to the fund when submitting a state income tax return. Moneys in the fund shall be transferred on an annual basis to the American Red Cross Hawai'i State Chapter. It is unclear which state department will administer the fund.

Criteria

Our analysis is of the American Red Cross Hawai'i State Chapter Special Fund to support the American Red Cross Hawai'i State Chapter. Three criteria are used in analyzing the fund:

1. the need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, projected revenues, and costs) and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. whether the fund demonstrates the capacity to be financially self-sustaining.

Analysis

In their current form, the bills do not satisfy all criteria necessary to establish a special fund. This fund supports the American Red Cross Hawai'i State Chapter by designating a \$3 contribution from individual state income tax returns refunds. This type of activity is fiduciary in nature and should be classified as a trust fund. Pursuant to Section 37-62, Hawai'i Revised Statutes, a trust fund means a fund in which designated persons or classes of persons have a vested beneficial interest or equitable ownership, or which was created or established by a gift, grant, contribution, devise or bequest that limits the use of the fund to designated objects or purposes. Special funds are used to account for revenues earmarked for particular purposes,

such as a state program, and from which expenditures are made for those (program) purposes.

Demonstrated need for the fund

As proposed, the special fund is not needed to support the American Red Cross Hawai'i State Chapter.

Nexus or linkage

Linkage exists between the source of revenue (taxpayer donations) and the program (the American Red Cross Hawai'i State Chapter).

Self-sustainability

The fund should be classified as a trust fund, not a special fund. As a trust fund, the fund would be considered financially self-sustaining.

Probable Effects

Additional administrative costs associated with a new fund will be incurred by central service agencies of state government. Undetermined amounts of revenue will be deposited into the fund and will not be subject to the normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear to be less than they are.

Alternate Funding

There is no feasible alternative source of funding for this fiduciary fund activity.

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ANALYSIS

Analysis of the Energy Systems Development Special Fund S.B. No. 2196

Section 23-11, Hawai'i Revised Statutes, requires the Auditor to submit no later than 30 days prior to the end of the legislative session an analysis of each new special or revolving fund proposed by legislative bills.



THE AUDITOR
STATE OF HAWAII

Analysis of the Energy Systems Development Special Fund Proposed in S.B. No. 2196

Description and Purpose

This bill re-establishes the Energy Systems Development Special Fund, which was repealed on June 30, 2013. The Hawai'i Natural Energy Institute at the University of Hawai'i at Mānoa will administer the fund. The purpose of the fund is to develop an integrated approach to, and portfolio management of, renewable energy and energy efficiency technology projects that will reduce Hawai'i's dependence on fossil fuel, imported oil, and other imported energy resources. Revenues to the fund shall come from a portion of the environmental response, energy, and food security tax pursuant to Section 243-3.5, Hawai'i Revised Statutes; legislative appropriations, and gifts, donations, investment earnings or other income received by the institute. Moneys in the fund may be used for the following activities: obtaining matching federal and private funds; awarding contracts or grants to develop and deploy technologies that will reduce Hawai'i's dependence on imported energy resources and imported oil; and managing the portfolio of projects.

Criteria

Our analysis is of the Energy Systems Development Special Fund to support the program activities of the Hawai'i Natural Energy Institute. Three criteria are used in analyzing the fund:

1. the need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, projected revenues, and costs) and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. whether the fund demonstrates the capacity to be financially self-sustaining.

Analysis

The bill does not satisfy all criteria for establishing a special fund. Although the bill partially satisfies clear nexus or linkage requirements, evidence is lacking to show the fund is needed and cannot be implemented through the general fund appropriation process. Evidence is also lacking to demonstrate that the fund has the capacity to be financially self-sustaining.

Demonstrated need for the fund

There is insufficient information on the scope of the program to demonstrate the fund is needed. Detailed financial information regarding fees to be charged, sources of projected revenues, and costs has not been provided. In addition, an explanation of why the program cannot be successfully implemented under the general fund appropriation process was not provided.

Nexus or linkage

Partial linkage exists between the use of environmental response, energy, and food security tax proceeds and the program because petroleum product users would, arguably, benefit from a more energy self-sufficient and less fossil fuel-dependent state. Linkage exists between the program and gifts, donations, investment earnings and other income received by the institute.

Self-sustainability

Estimated revenue and expenditure information has not been provided to demonstrate that the fund has the capacity to be financially self-sustaining.

Probable Effects

Additional administrative costs associated with a new fund will be incurred by central service agencies of state government. Undetermined amounts of revenue will be deposited into the fund and will not be subject to the normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear to be less than they are.

Alternate Funding

Support for this program could be provided through direct general fund appropriations.

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ANALYSIS

Analysis of the Hawai'i Home Loan Guarantee Revolving Fund S.B. No. 2538

Section 23-11, Hawai'i Revised Statutes, requires the Auditor to submit no later than 30 days prior to the end of the legislative session an analysis of each new special or revolving fund proposed by legislative bills.



THE AUDITOR
STATE OF HAWAII

Analysis of the Hawai'i Home Loan Guarantee Revolving Fund Proposed in S.B. No. 2538

Description and Purpose

This bill establishes the Hawai'i Home Loan Guarantee Program and the Hawai'i Home Loan Guarantee Revolving Fund, to be administered by the Hawai'i Housing Finance and Development Corporation, which is administratively attached to the Department of Business, Economic Development and Tourism. The purpose of the program is to assist eligible households in obtaining single-family dwellings and related facilities for their own use by guaranteeing sound loans that would not be made without a guarantee. In particular, the corporation shall guarantee 90 percent of the principal balance of loans made to qualified applicants by private lenders that are otherwise unable to lend applicants sufficient funds at reasonable rates. When any installment of principal and interest has been due for 120 days and has not been paid by the borrower, the corporation shall issue, on request of the lender, a check for the percentage of the overdue payment guaranteed, and shall acquire a division of interest in the collateral pledged by the borrower in proportion to the amount of the payment.

Sources of revenue to the fund include annual fees and up-front non-refundable fees paid by the lenders to the corporation. The fund will also receive payments collected from borrowers for any guarantee payments previously made by the corporation to cover borrowers' overdue payments. Other sources of revenue include gifts, donations, or grants from public agencies and private persons; interest earnings; and legislative appropriations. This bill provides that an unspecified amount be appropriated out of the general revenues of the State, for fiscal year 2014-15, into the fund.

Criteria

Our analysis is of the Hawai'i Home Loan Guarantee Revolving Fund to support the Hawai'i Home Loan Guarantee Program. Three criteria are used in analyzing the fund:

1. the need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, projected revenues, and costs) and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and

3. whether the fund demonstrates the capacity to be financially self-sustaining.

Analysis

The bill does not satisfy all criteria to establish a revolving fund. Although the bill satisfies clear nexus or linkage requirements, evidence is lacking to demonstrate that the fund has the capacity to be financially self-sustaining.

Demonstrated need for the fund

A revolving fund is the appropriate fund type to support this program. We note, however, that detailed financial information regarding fees to be charged, sources of projected revenues, and costs has not been provided.

Nexus or linkage

Nexus exists between the benefits sought and the fees charged to lenders, which may be passed on to borrowers. Linkage exists between the program and gifts, donations, and grants from private agencies or public persons that are designated for the program.

Self-sustainability

Estimated revenue and expenditure information has not been provided to demonstrate that the fund has the capacity to be financially self-sustaining.

Probable Effects

Additional administrative costs associated with a new fund will be incurred by central service agencies of state government. Undetermined amounts of revenue will be deposited into the fund and will not be subject to the normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear to be less than they are.

Alternate Funding

Apart from direct general fund appropriations, no alternative sources of funding have been identified.

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ANALYSIS

Analysis of the Hawai'i Hope Card Program Special Fund H.B. No. 1839

Section 23-11, Hawai'i Revised Statutes, requires the Auditor to submit no later than 30 days prior to the end of the legislative session an analysis of each new special or revolving fund proposed by legislative bills.



THE AUDITOR
STATE OF HAWAII

Analysis of the Hawai'i Hope Card Program Special Fund Proposed in H.B. No. 1839

Description and Purpose

This bill establishes the Hawai'i Hope Card Program and the Hawai'i Hope Card Program Special Fund to be administered by the Department of the Attorney General. The purpose of the program is to issue hope cards to holders of long-term protective orders to allow law enforcement to quickly verify the existence of the long-term protective orders and easily obtain information about the person to be restrained. Revenues to the fund shall come from fees collected for each hope card issued; gifts, donations, and grants from public agencies and private persons; and legislative appropriations. This bill also provides that an unspecified amount be appropriated out of the general fund into the fund for fiscal year 2014-15. Moneys in the fund shall be used for staff positions; materials and equipment necessary to produce hope cards; internet and telephone access expenses; public information materials; and other administrative and operational costs.

Criteria

Our analysis is of the Hawai'i Hope Card Program Special Fund to support the Hawai'i Hope Card Program. Three criteria are used in analyzing the fund:

1. the need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, projected revenues, and costs) and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. whether the fund demonstrates the capacity to be financially self-sustaining.

Analysis

The bill does not satisfy all criteria necessary to establish a special fund. Although the bill satisfies clear nexus or linkage requirements, evidence is lacking to show that the fund is needed and cannot be implemented through the general fund appropriation process. Evidence is also lacking to demonstrate that the fund has the capacity to be financially self-sustaining.

Demonstrated need for the fund

There is insufficient information on the scope of the program to demonstrate the fund is needed to support the program. Detailed financial information regarding fees to be charged, sources of projected revenues, and costs has not been provided. In addition, an explanation of why the program cannot be successfully implemented under the general fund appropriation process was not provided.

Nexus or linkage

Nexus exists between the charges made upon program users and the benefits sought. Linkage exists between the program and revenues derived from gifts, donations, and grants from public agencies and private persons. Linkage does not exist between legislative appropriations and the program.

Self-sustainability

Estimated revenue and expenditure information has not been provided to demonstrate that the fund has the capacity to be financially self-sustaining.

Probable Effects

Additional administrative costs associated with a new fund will be incurred by central service agencies of state government. Undetermined amounts of revenue will be deposited into the fund and will not be subject to the normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear to be less than they are.

Alternate Funding

Support for this program could be provided through direct general fund appropriations.

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ANALYSIS

Analysis of the Hawai'i Justice League Revolving Fund H.B. No. 2182 and S.B. No. 2255

Section 23-11, Hawai'i Revised Statutes, requires the Auditor to submit no later than 30 days prior to the end of the legislative session an analysis of each new special or revolving fund proposed by legislative bills.



THE AUDITOR
STATE OF HAWAII

Analysis of the Hawai'i Justice League Revolving Fund Proposed in H.B. No. 2182 and S.B. No. 2255

Description and Purpose

These bills establish the Hawai'i Justice League and its Hawai'i Justice League Revolving Fund to be administered by the University of Hawai'i, William S. Richardson School of Law. The purpose of the Hawai'i Justice League program is to encourage lawyers to pursue public interest work by providing partial repayment of student loans for lawyers who agree to serve for at least five consecutive years as a lawyer pursuing public interest work in Hawai'i. Revenues to the fund shall include reimbursements of loan repayments from participants that fail to satisfy their public interest service commitment; gifts, donations, and grants from public agencies; and legislative appropriations. The bills also provide that an unspecified amount be appropriated out of the general fund to the revolving fund for fiscal year 2014-15.

Criteria

Our analysis is of the Hawai'i Justice League Revolving Fund created to support the Hawai'i Justice League loan repayment assistance program. Three criteria are used in analyzing the fund:

1. the need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, projected revenues, and costs) and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. whether the fund demonstrates the capacity to be financially self-sustaining.

Analysis

The bills do not satisfy all criteria for establishing a revolving fund. Although the bills satisfy the linkage requirement for gifts and grants received and reimbursements from lawyers who fail to commit to public interest work, evidence is lacking to show that the fund is needed and cannot be implemented through the general fund appropriation process. Evidence is also lacking to demonstrate that the fund has the capacity to be financially self-sustaining.

Demonstrated need for the fund

The criteria for demonstrating the need for this fund has not been met. Detailed financial information regarding fees to be charged, sources of projected revenues, and costs has not been provided. In addition, an explanation of why the program cannot be successfully implemented under the general fund appropriation process was not provided.

Nexus or linkage

No clear link exists between the program and legislative appropriations or moneys from unidentified public agencies. However, linkage exists between moneys received from gifts, grants or donations designated for the program. Linkage also exists between moneys received from reimbursements made by participants that fail to satisfy their public interest service commitment.

Self-sustainability

Estimated revenue and expenditure information has not been provided to demonstrate that the fund has the capacity to be financially self-sustaining.

Probable Effects

Additional administrative costs associated with a new fund will be incurred by central service agencies of state government. Undetermined amounts of revenue will be deposited into the fund and will not be subject to the normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear lower than actually incurred.

Alternate Funding

Apart from direct general fund appropriations for this program, no alternate funding source has been identified.

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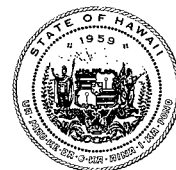
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ANALYSIS

Analysis of the Whitmore Project Facility Revenue Bond Special Fund

H.B. No. 2185 and S.B. No. 3065

Section 23-11, Hawai'i Revised Statutes, requires the Auditor to submit no later than 30 days prior to the end of the legislative session an analysis of each new special or revolving fund proposed by legislative bills.



THE AUDITOR
STATE OF HAWAII

Analysis of the Whitmore Project Facility Revenue Bond Special Fund Proposed in H.B. No. 2185 and S.B. No. 3065

Description and Purpose

These bills establish the Whitmore Project Facility Revenue Bond Special Fund into which proceeds of revenue bonds would be deposited for purchasing certain parcels of land from the Dole Food Company, Inc. Moneys in the fund shall be used for the acquisition of lands from the company, as identified in Section 40 of Act 134, Session Laws of Hawai'i 2013. In this act, the Legislature approved a revenue bond appropriation in the amount of \$175 million for the Department of Agriculture to be expended by the Agribusiness Development Corporation for land acquisition on O'ahu. The fund shall be administered by the Agribusiness Development Corporation, which is administratively attached to the Department of Agriculture.

The bills provide that, after the land exchange between the State and the company, the State shall transfer approximately 6,000 acres of the acquired lands to the Agribusiness Development Corporation for farming and ranching, and approximately 9,000 acres to the Department of Land and Natural Resources for hiking, hunting, recreation, and watershed and species protection. Additionally, the bills provide that existing land with housing shall be transferred to the Hawai'i Housing Finance and Development Corporation for workforce housing.

Criteria

Our analysis is of the Whitmore Project Facility Revenue Bond Special Fund to support the related land acquisition as part of the agribusiness development program. Three criteria are used in analyzing the fund:

1. the need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, projected revenues, and costs) and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. whether the fund demonstrates the capacity to be financially self-sustaining.

Analysis

These bills do not satisfy all criteria necessary to establish a special fund. Although the bills satisfy clear nexus or linkage requirements, evidence is lacking to show that the fund would be financially self-sustaining.

Demonstrated need for the fund

The fund is needed to separately account for the proceeds of revenue bonds issued for purposes of acquiring the specified parcels of land. However, detailed financial information regarding projected revenues and costs, including repayment of the revenue bonds, has not been provided.

Nexus or linkage

Linkage exists between the source of revenue (bond proceeds) and the use of the moneys to acquire the specified parcels of land.

Self-sustainability

As a revenue bond special fund, the fund is intended to be self-sustaining. However, projected revenue and expenditure information has not been provided to demonstrate that the fund has the capacity to be financially self-sustaining.

Probable Effects

Additional administrative costs associated with a new fund will be incurred by central service agencies of state government. Undetermined amounts of revenue will be deposited into the fund and will not be subject to the normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear to be less than they are.

Alternate Funding

Support for this program could be provided through direct general fund appropriations.

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ANALYSIS

Analysis of the Fish Misbranding Special Fund H.B. No. 1888

Section 23-11, Hawai'i Revised Statutes, requires the Auditor to submit no later than 30 days prior to the end of the legislative session an analysis of each new special or revolving fund proposed by legislative bills.



THE AUDITOR
STATE OF HAWAII

Analysis of the Fish Misbranding Special Fund Proposed in H.B. No. 1888

Description and Purpose

This bill establishes the Fish Misbranding Special Fund to be administered by the Department of Health (DOH). The purpose of the fund is to cover the cost of imposing administrative fines upon any person who engages in the misbranding of fish or fish products that results in the illness of a consumer of the product. Revenues to the fund shall come from fines imposed on the misbranding of fish or fish products resulting in illness of consumers, legislative appropriations, and interest earned or accrued on moneys deposited in the fund. A similar fund under the same name was proposed in H.B. No. 641 during the 2013 legislative session.

Criteria

Our analysis is of the Fish Misbranding Special Fund to offset costs incurred by the DOH associated with imposing fish misbranding fines. Three criteria are used in analyzing the fund.

1. the need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, projected revenues, and costs) and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. whether the fund demonstrates the capacity to be financially self-sustaining.

Analysis

The bill does not satisfy all criteria for establishing a special fund. Although the bill appears to satisfy clear nexus or linkage requirements, evidence is lacking to show that the fund is needed and cannot be implemented through the general fund appropriation process. Evidence is also lacking to demonstrate that the fund has the capacity to be financially self-sustaining.

Demonstrated need for the fund

There is insufficient information on the scope of the program to demonstrate that a new special fund is needed to support the program. Detailed financial information regarding fines, projected revenues, and costs has not been provided. In addition, an explanation of why the program cannot be successfully implemented under the general fund appropriation process was not provided.

Nexus or linkage

Linkage exists between fines assessed on violators and the costs associated with enforcing fish misbranding laws. However, linkage does not exist between legislative appropriations and the program.

Self-sustainability

Estimated revenue and expenditure information has not been provided to demonstrate that the fund has the capacity to be financially self-sustaining.

Probable Effects

Additional administrative costs associated with a new fund will be incurred by central service agencies of state government. Undetermined amounts of revenue will be deposited into the fund and will not be subject to the normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear to be less than they are.

Alternate Funding

Other than direct general fund appropriations for this program, no alternate funding source has been identified.

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Acting State Auditor
State of Hawai'i

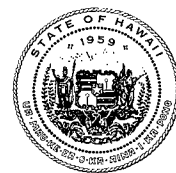
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ANALYSIS

Analysis of the Saltwater Fish Special Fund H.B. No. 1912

Section 23-11, Hawai'i Revised Statutes, requires the Auditor to submit no later than 30 days prior to the end of the legislative session an analysis of each new special or revolving fund proposed by legislative bills.



THE AUDITOR
STATE OF HAWAII

Analysis of the Saltwater Fish Special Fund Proposed in H.B. No. 1912

Description and Purpose

This bill establishes the Saltwater Fish Special Fund to be administered by the Department of Land and Natural Resources (DLNR). The purpose of the fund is to support the activities of DLNR enforcement officers responsible for conservation and resources enforcement functions. The source of revenue to the fund shall be fees collected from licenses issued to regulate noncommercial saltwater fishing.

Criteria

Our analysis is of the Saltwater Fish Special Fund to support the DLNR's conservation and resources enforcement functions. Three criteria are used in analyzing the Saltwater Fish Special Fund:

1. the need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, projected revenues, and costs) and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. whether the fund demonstrates the capacity to be financially self-sustaining.

Analysis

The bill does not satisfy all criteria for establishing a special fund. Although the bill partially satisfies clear nexus or linkage requirements, evidence is lacking to show the fund is needed to support the program and cannot be implemented through the general fund appropriation process. Evidence is also lacking to demonstrate that the fund has the capacity to be financially self-sustaining.

Demonstrated need for the fund

There is insufficient information on the scope of the program to demonstrate the fund is needed to support the program. Detailed financial information regarding licensing fees to be charged,

projected revenues, and costs has not been provided. In addition, an explanation of why the program cannot be successfully implemented under the general fund appropriation process was not provided.

Nexus or linkage

Some nexus exists between the licensing fees paid by noncommercial saltwater fishers and the enforcement of conservation and resource management laws for the protection of saltwater fish stocks. However, conservation and resource enforcement is not limited to the laws affecting saltwater fish. The unrelated enforcement does not result in a direct benefit for the fishers and, accordingly, for those expenditures there is no clear nexus. Linkage exists between the program and the fees collected from fishers for saltwater fishing licenses.

Self-sustainability

Estimated revenue and expenditure information has not been provided to demonstrate that the fund has the capacity to be financially self-sustaining.

Probable Effects

Additional administrative costs associated with a new fund will be incurred by central service agencies of state government. Undetermined amounts of revenue will be deposited into the fund and will not be subject to the normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear to be lower than they are.

Alternate Funding

Other than direct general fund appropriations for this program, no alternate funding source has been identified.

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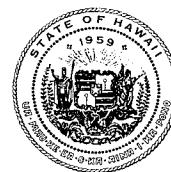
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ANALYSIS

Analysis of the Veterans Recovery Plan Special Fund H.B. No. 1577 and S.B. No. 2604

Section 23-11, Hawai'i Revised Statutes, requires the Auditor to submit no later than 30 days prior to the end of the legislative session an analysis of each new special or revolving fund proposed by legislative bills.



THE AUDITOR
STATE OF HAWAII

Analysis of the Veterans Recovery Plan Special Fund Proposed in H.B. No. 1577 and S.B. No. 2604

Description and Purpose

These bills establish the Veterans Recovery Plan and Traumatic Brain Injury Treatment Center—a five-year pilot program—at the University of Hawai‘i, John A. Burns School of Medicine, and the Veterans Recovery Plan Special Fund. The purpose of the center is to make available, to persons who qualify, therapies for treatment of brain insults, post-traumatic stress disorder, and other military service-connected injuries. The purpose of the fund is to reimburse practitioners and healthcare providers seeking payment for services to persons who receive treatment and other costs at the center related to receiving treatment. The fund will be administered by the Insurance Division of the Hawai‘i Department of Commerce and Consumer Affairs.

Moneys in the fund shall be used: (1) to pay practitioners and healthcare providers for medical treatment and therapies at the center; (2) for expenses related to receiving treatment, including travel and housing; (3) to purchase or lease and installation of durable medical equipment needed to carry out treatment; (4) for education and training of medical personnel needed to carry out treatment; and (5) to pay the school of medicine a per treatment fee. Revenue sources for the fund shall consist of (1) fees collected under the bill, including a \$50-per-treatment payment to the fund; (2) legislative appropriations; (3) general obligation bonds; (4) funds transferred from other sources in the state budget as needed to meet the needs of residents seeking treatment; and (5) collections from third-party payers. The bills also provide that the director of finance, in fiscal year 2014-15, may issue an unspecified amount of general obligation bonds and that the same sum be appropriated to the Veterans Recovery Plan Special Fund to acquire hyperbaric chambers to conduct treatment.

Criteria

Our analysis is of the Veterans Recovery Plan Special Fund to support the Veterans Recovery Plan and Traumatic Brain Injury Treatment Center at the University of Hawai‘i, John A. Burns School of Medicine. Three criteria are used in analyzing the fund:

1. the need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, projected revenues, and costs) and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;

2. whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. whether the fund demonstrates the capacity to be financially self-sustaining.

Analysis

The bills do not satisfy all criteria for establishing a special fund. Although the bills appear to partially satisfy clear nexus or linkage requirements, evidence is lacking to show the fund is needed to support the treatment center and cannot be implemented through the general fund appropriation process; and that the fund would be financially self-sustaining.

Demonstrated need for the fund

There is insufficient information on the scope of the program to demonstrate the fund is needed to support the Veterans Recovery Plan and Traumatic Brain Injury Treatment Center. Detailed financial information regarding projected revenues and costs has not been provided. In addition, an explanation of why the program cannot be successfully implemented under the general fund appropriation process was not provided.

Nexus or linkage

The bills list five sources of revenue. Three are public sources: (1) general obligation bond revenue, (2) legislative appropriations, and (3) funds issued from other sources in the state budget as needed. Two are private sources: (1) third-party payers responsible for a patient's treatment (such as Medicaid or private insurance) and (2) fees of \$50 from each treatment payment.

Nexus exists for payments received from patients and third-party payers responsible for patient treatments. However, there is no nexus between the public revenue sources and the program because these revenues do not come from charges made to the beneficiaries of the program. A clear link would exist for general obligation bond proceeds used to acquire medical equipment to establish the program, but there would not be a clear link between the use of bond proceeds or legislative appropriations merely to support the program on an ongoing basis. Finally, it is not known whether there is a clear link between the program and "funds transferred from other sources in the state budget as needed..." as this potential source of revenue is undefined.

Self-sustainability

Estimated revenue and expenditure information has not been provided to demonstrate that the fund has the capacity to be financially self-sustaining.

Probable Effects

Additional administrative costs associated with a new fund will be incurred by central service agencies of state government. Undetermined amounts of revenue will be deposited into the fund and will not be subject to the normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear to be less than they are.

Alternate Funding

Apart from direct general fund appropriations, alternate sources of revenue have not been identified.

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