

# TAX FOUNDATION OF HAWAII

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SUBJECT: MISCELLANEOUS, Repeal non-general funds

BILL NUMBER: HB 1653, HD-2

INTRODUCED BY: House Committee on Finance

EXECUTIVE SUMMARY: Abolishes non-general funds and accounts, in accordance with the State Auditor's recommendation in Report No. 17-11.

SYNOPSIS: Abolishes the revolving funds for correctional facility stores account as recommended in Auditor's Report No. 17-11: Unencumbered balances will lapse to the administrator/inmate activity trust account.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: This measure implements the state auditor's recommendation in Report No. 17-11.

The 1989 Tax Review Commission noted that use of special fund financing is a "departure from Hawaii's sound fiscal policies and should be avoided." It also noted that special funds are appropriate where the revenues to the funds maintain some direct connection between a public service and the beneficiary of that service. The Commission found that special funds which merely set aside general funds cannot be justified as such actions restrict budget flexibility, create inefficiencies, and lessen accountability. It recommended that such programs can be given priority under the normal budget process without having to resort to this type of financing.

Because of the spotlight of monies in special funds, Hawaii Revised Statutes section 23-12 requires the State Auditor to review all existing special, revolving, and trust funds beginning in 2014 and at five-year intervals. This review assists in making government finances more transparent.

Digested 3/9/2018