

# TAX FOUNDATION OF HAWAII

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SUBJECT: MISCELLANEOUS, Repeal Non-General Funds

BILL NUMBER: HB 63, HD-1

INTRODUCED BY: House Committee on Higher Education & Technology

EXECUTIVE SUMMARY: Reclassifies the notaries public revolving fund and criminal forfeiture revolving fund as special funds. Reclassifies the litigation deposits trust fund as a trust account. Abolishes the national mortgage settlement trust account. Abolishes the criminal justice commission trust account.

SYNOPSIS:

- Reclassifies the litigation deposits trust fund in section 28-16, HRS, as a trust account.
- Reclassifies the notaries public revolving fund in section 456-9.5 as a special fund..
- Reclassifies the criminal forfeiture fund in section 712A-16 as a special fund..
- Abolishes the Hawaii criminal justice commission trust account.
- Abolishes the national mortgage settlement trust account.

Makes technical and conforming amendments.

Provides that any unencumbered balances in the repealed funds lapse to the credit of the general fund.

EFFECTIVE DATE: July 1, 2060.

STAFF COMMENTS: 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, HRS 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 bill was the result of Auditor’s Report Nos. 19-16 (relating to the department of the attorney general).

Digested 2/9/2021