

# TAX FOUNDATION OF HAWAII

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SUBJECT: MISCELLANEOUS, Reclassify DHRD Fund

BILL NUMBER: HB 38 HD 1

INTRODUCED BY: House Committee on Labor & Government Operations

EXECUTIVE SUMMARY: Reclassifies the human resources development special fund as a revolving fund pursuant to the recommendation made by the Auditor in Auditor's Report No. 22-12.

SYNOPSIS: Amends section 26-5(g), HRS, to reclassify the human resources development special fund as a revolving fund.

EFFECTIVE DATE: June 30, 3000.

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 on 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 No. 22-12.

Digested: 2/25/2023