

TAX FOUNDATION OF HAWAII

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SUBJECT: MISCELLANEOUS, Allow Certain Special Funds and Revolving Funds to Pay Own Administrative Costs

BILL NUMBER: SB 2598

INTRODUCED BY: DELA CRUZ

EXECUTIVE SUMMARY: Authorizes the use of moneys in certain special and revolving funds for operation and administration costs of the programs.

SYNOPSIS: Amends section 163D-17, HRS, relating to the Hawaii Agricultural Development Revolving Fund, to allow the fund to pay personnel and other operating costs.

Amends section 206E-16, HRS, regarding the Hawaii Community Development Special Fund, to allow the fund to pay for the costs of its administration.

Amends section 206M-62, HRS, regarding the Strategic Development Programs Revolving Fund, to allow the fund to administer and fund the cost of operations of strategic development programs, and for any other purpose deemed necessary to carry out the purposes of the laws in part V of chapter 206M, HRS.

Amends section 302A-1706, HRS, relating to the School Facilities Special Fund, to pay for the cost of operations.

EFFECTIVE DATE: Upon approval.

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. Under the State’s own criteria for special funds and revolving funds in sections 37-52.3 and 37-52.4 respectively, both special and revolving funds are supposed to be self-sustaining.

In addition, the State charges special funds a flat 5% fee for central services expenditures in section 36-27 and allows the administering agency to charge the special fund actual cost of administration in section 36-30.

The fact that these amendments are being sought suggests that the funds involved are taking in more than is being spent to maintain the associated program. We recommend that the user fees or other charges that are now feeding the funds should be lowered, as opposed to finding more and more things that the funds can be spent on.

Digested: 2/27/2026