



**HAWAI'I COMMUNITY
DEVELOPMENT AUTHORITY**

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CHAIRPERSON

CRAIG K. NAKAMOTO
EXECUTIVE DIRECTOR

Statement of
CRAIG K. NAKAMOTO
Executive Director
Hawai'i Community Development Authority
before the
SENATE COMMITTEE ON WAYS AND MEANS

Monday, March 2, 2026
10:00 AM
State Capitol, Conference Room 211 & Videoconference

In consideration of
SB 2598
RELATING TO NON-GENERAL FUNDS.

Chairperson Dela Cruz, Vice Chairperson Moriwaki, and members of the Committee. The Hawai'i Community Development Authority (HCDA) respectfully offers **comments** regarding SB 2598, which proposes allowing moneys in certain special and revolving funds to be used for administrative and operating costs of related programs.

SB 2598 proposes to amend Section 206E-16, *Hawaii Revised Statutes*, to read as follows:

"§206E-16 Hawaii community development special fund. There is created the Hawaii community development special fund into which all receipts and revenues of the authority shall be deposited. Proceeds from the fund shall be used for the purposes of this chapter[.], including the costs of its administration."

This amendment is not necessary because the HCDA already funds its administrative costs exclusively through special funds. Furthermore, requiring administrative expenses to come from the Hawai'i community development special fund could create conflicts with other HCDA special funds that also cover administrative costs.

Thank you for the opportunity to provide testimony.

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



WENDY GADY
EXECUTIVE DIRECTOR

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
HUI HO'OULU AINA MAHIAI

TESTIMONY OF WENDY L. GADY
EXECUTIVE DIRECTOR
AGRIBUSINESS DEVELOPMENT CORPORATION

BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS
March 2, 2026
10:00 a.m.
Conference Room 211& Videoconference

SENATE BILL NO. 2598
RELATING TO NON-GENERAL FUNDS

Chairperson Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

The Agriculture Development Corporation (ADC) respectfully offers **comments** regarding SB 2598, which proposes allowing moneys in certain special and revolving funds to be used for administrative and operating costs of related programs.

The Hawaii agricultural development revolving fund was created by section 163D-17, Hawaii Revised Statute. The purpose of the fund is to:

- (1) Purchase qualified securities issued by enterprises for the purpose of raising seed capital; provided that the investment shall comply with the requirements of this chapter;
- (2) Make grants, loans, and provide other monetary forms of assistance necessary to carry out the purposes of this chapter; and
- (3) Purchase securities as may be lawful investments for fiduciaries in the State.

All appropriations, grants, contractual reimbursements, and other funds not designated for this purpose may be used to pay for the proper general expenses and to carry out the purposes of the corporation.

Section 163D-17(b), HRS, (emphasis added).

The fund is almost entirely comprised of licensing fees, which are used to support the general expenses and carry out the purposes of the corporation. ADC does not use this fund to benefit a general public purpose, but to cover the expenses of the corporation.

ADC has adhered to the fiscally responsible practice of maintaining the fund balance in excess of its operating costs in order to develop a reserve fund, to protect against unforeseen situations.

This amendment is not necessary because the ADC already uses revolving funds to cover appropriate administrative costs. Furthermore, requiring administrative expenses to come from the Agribusiness Development Corporation's special fund could create conflicts with other ADC special fund administrative costs.

For these reasons, I respectfully submit comments for Senate Bill 2598. Thank you for your consideration.

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