

ACT 240

S.B. NO. 2377

A Bill for an Act Relating to Special and Revolving Funds.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. The future fiscal condition of the State is not immune to change. As the economy fluctuates, so will general fund revenues. Special and revolving funds provide guaranteed sources of revenue to particular programs without regard to the State's overall fiscal condition. The legislature finds that it is fiscally prudent to subject all special and revolving funds to an evaluation to determine whether:

- (1) Their continued existence is justified; and
- (2) Moneys appropriated from the general fund for these programs and revenues generated by programs funded by special or revolving funds should be deposited into the general fund.

The purpose of this Act is to ensure the fiscal integrity of the State by:

- (1) Establishing a review process for all new and proposed special and revolving funds; and
- (2) Subjecting all existing special and revolving funds to a one-time evaluation.

SECTION 2. Chapter 36, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

“§36- New special or revolving funds. Within five days after the deadline for the introduction of bills in each legislative session, the clerks of each house of the legislature shall transmit, to the legislative auditor for analysis, copies of all legislative bills that were introduced in their respective houses during that session that propose to establish new special or revolving funds.

The criteria to be used by the auditor in analyzing each legislative bill shall include, but not be limited to, the extent to which the fund:

- (1) Serves the purpose for which it is being created; and
- (2) Reflects a clear link between the benefit sought and changes made upon the users or beneficiaries of the program, as opposed to serving primarily as a means to provide the program or users with an automatic means of support which is removed from the normal budget and appropriations process.

Each analysis shall set forth the probable effects of the proposed fund and shall also assess alternative forms of funding.

No later than thirty days prior to the adjournment sine die of each legislative session, the legislative auditor shall submit the analysis of each transmitted legislative bill to each house of the legislature.”

SECTION 3. The legislative auditor shall evaluate each fund existing on or prior to July 1, 1990, described in section 6 of this Act according to the review date schedule, and shall submit an evaluation report to the legislature not less than sixty days after the completion of the review. The evaluation shall be based on the criteria contained in section 4 of this Act and shall assess whether the public interest requires that the fund be continued, modified, or repealed. A single report may encompass the evaluation of more than one fund and may include funds relating to programs administered by different agencies.

Each department shall assist the auditor in collecting and reporting any data the auditor may require to conduct the evaluation.

If the auditor finds that the fund should be modified, the auditor shall incorporate in the auditor’s report, recommended legislation, if appropriate, to be considered for enactment and which, if enacted, would improve the policies, procedures, and practices of the fund evaluated.

If the auditor finds that the fund should be repealed, the auditor shall nevertheless evaluate the effectiveness and efficiency of the fund and make appropriate recommendations to improve the policies, procedures, and practices.

The auditor shall provide the department of budget and finance and each department whose funds are evaluated pursuant to this Act not less than thirty days to review and comment upon the evaluation report prior to submission of the report to the legislature. If the auditor receives written comments from the department of budget and finance or the department whose funds are being evaluated, the auditor shall append the written comments to the evaluation report for submission to the legislature.

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The auditor may request the assistance of the legislative reference bureau in drafting the recommended legislation. Any other law to the contrary notwithstanding, the auditor may release copies of preliminary reports to the bureau if the auditor requests the bureau's assistance under this section. The bureau shall comply with the auditor's request if the auditor provides a copy of the preliminary report to the bureau at the same time the report is provided to the department.

SECTION 4. The criteria to be used by the auditor in analyzing whether a particular fund should be continued, modified, or repealed shall include, but is not limited to, the extent to which the fund:

- (1) Continues to serve the purpose for which it was originally created; and
- (2) Reflects a clear link between the benefit sought and changes made upon the users or beneficiaries of the program, as opposed to serving primarily as a means to provide the program or users with an automatic means of support which is removed from the normal budget and appropriations process.

SECTION 5. Each special or revolving fund existing on or prior to July 1, 1990, shall be repealed based upon the recommendations of the auditor and the approval of the legislature through passage of legislation repealing the fund.

SECTION 6. The following funds within the departments of accounting and general services, agriculture, and budget and finance shall be reviewed by June 30, 1991:

- (1) Department of accounting and general services:
 - (A) Section 8-5 (King Kamehameha celebration fund);
 - (B) Section 29-22 (surplus federal property revolving fund);
 - (C) Section 41D-4 (state risk management revolving fund);
 - (D) Section 106-15 (central purchasing revolving fund);
 - (E) Section 107-8 (public improvement revolving fund);
 - (F) Section 109-3 (stadium special fund);
 - (G) Section 105-11 (state motor pool revolving fund);
 - (H) Section 106-23 (state surplus property revolving fund); and
 - (I) Section 107-11 (state parking revolving fund); and
- (2) Department of agriculture:
 - (A) Section 142-24 (animal industry revolving fund);
 - (B) Section 153-3 (Hawaii agricultural products revolving fund);
 - (C) Section 155-14 (agriculture loan revolving fund);
 - (D) Section 163-31 (marketing order revolving fund);
 - (E) Section 166-10 (agricultural park special fund);
 - (F) Section 167-22 (irrigation system revolving fund); and
 - (G) Section 219-4 (aquaculture loan revolving fund); and
- (3) Department of budget and finance (excluding the housing finance and development corporation):
 - (A) Section 39-62 (special funds for deposit of revenue or user taxes of an undertaking or a loan program when revenue bonds are issued);
 - (B) Section 88-126 (special fund for a county regarding county contributions to the pension and retirement system);
 - (C) Section 88-224 (contribution fund for employees retirement system of the State of Hawaii);

- (D) Section 106-16 (state telecommunications site and equipment maintenance revolving fund); and
- (E) Section 364-9 (veterans bonds funds).

The following funds within the departments of the attorney general and business and economic development, and the housing finance and development corporation shall be reviewed by June 30, 1992:

- (1) Department of the attorney general: Section 712A-16 (criminal forfeiture fund); and
- (2) Housing finance and development corporation:
 - (A) Section 201E-57 (housing finance revolving fund and housing project bond special funds);
 - (B) Section 201E-73 (housing loan program revenue bond special funds);
 - (C) Section 201E-132 (rental assistance revolving fund);
 - (D) Section 201E-160 (state mortgage guarantee fund);
 - (E) Section 201E-204 (dwelling unit revolving fund);
 - (F) Section 201E-207 (homes revolving fund);
 - (G) Section 201E-208 (rental housing revolving fund);
 - (H) Section 201E-217 (Hawaii development revolving fund); and
 - (I) Section 201E-235 (elderly housing revolving fund); and
- (3) Department of business and economic development:
 - (A) Section 125C-7 (petroleum products control fund);
 - (B) Section 189-23 (large fishing vessel loan revolving fund);
 - (C) Section 189-43 (small fishing vessel loan revolving fund);
 - (D) Section 201-85 (special fund for out-of-state offices);
 - (E) Section 206E-16 (Hawaii community development revolving fund);
 - (F) Section 206E-109 (reserved housing loan program revenue bond special funds);
 - (G) Section 206E-157 (public facility revenue bond special funds);
 - (H) Section 206J-17 (Aloha Tower fund);
 - (I) Section 206M-15 (high technology research and development fund);
 - (J) Section 206M-15.5 (high technology special fund);
 - (K) Section 206M-17 (development funds for each issue of bonds issued by high technology development corporation);
 - (L) Section 206P-7 (Hawaii information network special fund);
 - (M) Section 206X-10 (Waikiki convention center development revolving fund);
 - (N) Section 209-34 (state disaster revolving loan fund);
 - (O) Section 210-3 (Hawaii capital loan revolving fund);
 - (P) Section 211-4 (commercial loan guarantee reserve fund);
 - (Q) Section 211E-2 (Hawaii innovation development fund);
 - (R) Section 212-9 (foreign trade zones special fund);
 - (S) Section 227-4 (natural energy laboratory of Hawaii special fund); and
 - (T) Section 516-111 (fee title acquisition loan program revenue bond special funds).

The following funds within the judiciary and the departments of commerce and consumer affairs, education, health, and human services shall be reviewed by June 30, 1993:

- (1) Judiciary: Section 286G-2 (driver education and training fund); and
- (2) Department of commerce and consumer affairs:
 - (A) Section 26-9 (special fund for compliance resolution);

- (B) Section 314-13 (public broadcasting revolving fund);
- (C) Section 415-128 (special fund for deposit of special handling fees for certification of documents);
- (D) Section 431:2-307 (insurance examiner's revolving fund);
- (E) Section 431:10C-115 (special drivers' education fund account);
- (F) Section 467-11 (real estate education fund);
- (G) Section 467-16 (real estate recovery fund); and
- (H) Section 468K-3 (travel agency recovery fund); and
- (3) Department of education:
 - (A) Section 296-44 (special school lunch fund);
 - (B) Section 296D-1 (school priority fund);
 - (C) Section 298-3.5 (special summer school fund);
 - (D) Section 304-25 (laboratory school cafeteria special fund; department of education school cafeteria special fund);
 - (E) Section 312-2 (special fund for deposit of moneys to benefit library services); and
 - (F) Section 312-3.6 (libraries special fund); and
- (4) Department of health:
 - (A) Section 128D-2 (environmental emergency response revolving fund);
 - (B) Section 321-93 (revolving fund for home health services);
 - (C) Section 325-6 (epidemic control fund);
 - (D) Section 326-27 (revolving fund for Kalaupapa store); and
 - (E) Section 342D-54 (water pollution control revolving fund); and
- (5) Department of human services:
 - (A) Section 346-9 (revolving fund for workshop or home labor purposes for welfare recipients);
 - (B) Section 347-12 (blind shop revolving and handicraft fund);
 - (C) Section 359-13 (housing revolving fund); and
 - (D) Section 359A-2 (teachers' housing revolving fund).

The following funds within the departments of labor and industrial relations, land and natural resources, personnel services, taxation, and transportation shall be reviewed by June 30, 1994:

- (1) Department of labor and industrial relations:
 - (A) Section 383-121 (unemployment compensation fund);
 - (B) Section 383-121.5 (special unemployment insurance administration fund);
 - (C) Section 386-151 (special compensation fund);
 - (D) Section 392-61 (special fund for disability benefits); and
 - (E) Section 393-41 (special premium supplementation fund); and
- (2) Department of land and natural resources:
 - (A) Section 171-19 (special land and development fund);
 - (B) Section 171-138 (industrial park special fund);
 - (C) Section 174-22 (land and water development revolving fund);
 - (D) Section 180-17 (special funds for each soil and water conservation district);
 - (E) Section 181-10 (special fund for deposit of moneys forfeited under any bond or deposit pursuant to chapter 181 strip mining);
 - (F) Section 183D-10.5 (wildlife revolving fund); and
 - (G) Section 206-41 (development revolving fund); and
- (3) Department of personnel services: Section 81-3 (revolving fund for in-service training programs and activities); and

- (4) Department of taxation: Section 231-23 (Tax reserve fund); and
- (5) Department of transportation:
 - (A) Section 248-8 (state highway fund; airport revenue fund; boating special fund);
 - (B) Section 261D-1 (transportation use special fund);
 - (C) Section 264-15 (highway advance acquisition revolving fund);
 - (D) Section 266-14 (special fund for deposit of surplus received from sale of freight on which demurrage and other charges are due);
 - (E) Section 266-17 (special fund for payment of all due bonds or other revenue obligations and interest);
 - (F) Section 266-19 (harbor special fund);
 - (G) Section 268-6 (special fund for deposit of gross revenues derived from the operation of the ferry system); and
 - (H) Section 279E-5 (OMPO revolving fund).

The following funds within the department of public safety and the University of Hawaii shall be reviewed by June 30, 1995:

- (1) Department of public safety:
 - (A) Section 353-31 (revolving funds for correctional facility stores); and
 - (B) Section 354-12 (correctional industries account); and
- (2) University of Hawaii:
 - (A) Section 150-41 (revolving fund for seed distribution);
 - (B) Section 304-8.1 (University of Hawaii research and training revolving fund);
 - (C) Section 304-8.3 (transcript and diploma revolving fund);
 - (D) Section 304-8.4 (vocational and technical training projects revolving fund);
 - (E) Section 304-8.5 (animal research farm, Waialeale, Oahu revolving fund);
 - (F) Section 304-8.6 (University of Hawaii student activities revolving fund);
 - (G) Section 304-8.7 (University of Hawaii at Manoa intercollegiate athletics revolving fund; University of Hawaii at Hilo intercollegiate athletics revolving fund);
 - (H) Section 304-8.8 (University of Hawaii at Manoa malpractice special fund);
 - (I) Section 304-8.9 (systemwide computer services special fund);
 - (J) Section 304-8.91 (child care programs revolving fund);
 - (K) Section 304-8.92 (discoveries and inventions revolving fund);
 - (L) Section 304-8.93 (library special fund);
 - (M) Section 304-37 (center for labor education and research revolving fund);
 - (N) Section 304-44.5 (algal mass culture facility, Snug Harbor, Oahu; revolving fund);
 - (O) Section 304-91 (state higher education loan fund);
 - (P) Section 304-101 (community college and Hilo campus bookstore revolving fund);
 - (Q) Section 305-4 (special fund for special programs and activities of the community colleges);
 - (R) Section 306-10 (university revenue-undertakings fund); and
 - (S) Section 308-2 (university parking revolving fund).

SECTION 7. New statutory material is underscored.¹

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SECTION 8. This Act shall take effect on July 1, 1990.
(Approved June 25, 1990.)

Note

1. Edited pursuant to HRS §23G-16.5.