

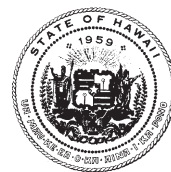
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# Analyses of Proposed Special and Revolving Funds 2016

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Section 23-11, Hawai'i Revised Statutes, requires the Auditor to submit no later than 30 days prior to the end of the legislative session an analysis of each new special or revolving fund proposed by legislative bills.

Report No. 16-02  
March 2016



**THE AUDITOR**  
STATE OF HAWAII

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## Office of the Auditor

The missions of the Office of the Auditor are assigned by the Hawai'i State Constitution (Article VII, Section 10). The primary mission is to conduct post audits of the transactions, accounts, programs, and performance of public agencies. A supplemental mission is to conduct such other investigations and prepare such additional reports as may be directed by the Legislature.

Under its assigned missions, the office conducts the following types of examinations:

1. Financial audits attest to the fairness of the financial statements of agencies. They examine the adequacy of the financial records and accounting and internal controls, and they determine the legality and propriety of expenditures.
2. Management audits, which are also referred to as performance audits, examine the effectiveness of programs or the efficiency of agencies or both. These audits are also called program audits, when they focus on whether programs are attaining the objectives and results expected of them, and operations audits, when they examine how well agencies are organized and managed and how efficiently they acquire and utilize resources.
3. Sunset evaluations evaluate new professional and occupational licensing programs to determine whether the programs should be terminated, continued, or modified. These evaluations are conducted in accordance with criteria established by statute.
4. Sunrise analyses are similar to sunset evaluations, but they apply to proposed rather than existing regulatory programs. Before a new professional and occupational licensing program can be enacted, the statutes require that the measure be analyzed by the Office of the Auditor as to its probable effects.
5. Health insurance analyses examine bills that propose to mandate certain health insurance benefits. Such bills cannot be enacted unless they are referred to the Office of the Auditor for an assessment of the social and financial impact of the proposed measure.
6. Analyses of proposed special funds and existing trust and revolving funds determine if proposals to establish these funds are existing funds meet legislative criteria.
7. Procurement compliance audits and other procurement-related monitoring assist the Legislature in overseeing government procurement practices.
8. Fiscal accountability reports analyze expenditures by the state Department of Education in various areas.
9. Special studies respond to requests from both houses of the Legislature. The studies usually address specific problems for which the Legislature is seeking solutions.

Hawai'i's laws provide the Auditor with broad powers to examine all books, records, files, papers, and documents and all financial affairs of every agency. The Auditor also has the authority to summon persons to produce records and to question persons under oath. However, the Office of the Auditor exercises no control function, and its authority is limited to reviewing, evaluating, and reporting on its findings and recommendations to the Legislature and the Governor.



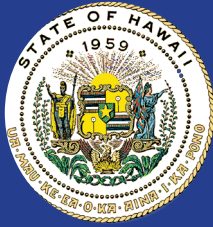
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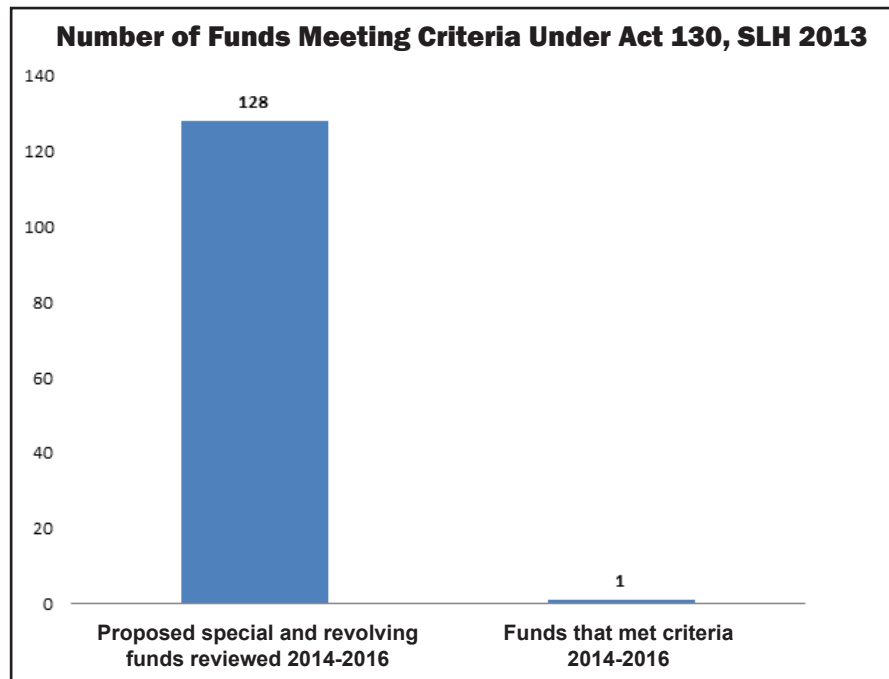
**Only one of 128 funds proposed during the past three legislative sessions has met the statutory criteria for establishing special or revolving funds.**

# Overview of Proposed Special and Revolving Fund Analyses

2016 Legislative Session, March 2016

*None of the 2016 proposed funds reviewed met criteria*

Legislation adopted to promote the efficient allocation of public funds between general fund and special, revolving, and trust funds seems to be having an impact. None of the 47 new special and revolving funds proposed during the 2016 legislative session met amended statutory criteria for establishing such funds. Only one fund in the past three years has met the criteria.

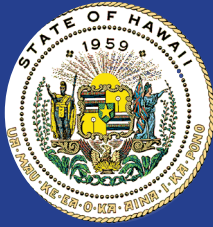


## A proliferation of funds

In 2013, the Legislature amended Section 23-11, HRS, after the Auditor recommended changes to stem a trend in the proliferation of special and revolving funds over the past 30 years. Such funds erode the Legislature's ability to control the state budget through the general fund appropriation process.

General funds, which made up about two-thirds of state operating budget outlays in the late 1980s, had dwindled to about half of outlays. Much of the trend was caused by an increase in special funds, which are funds set aside by law for a specified object or purpose. By 2011, special funds amounted to \$2.48 billion, or 24.3 percent, of the State's \$10.2 billion operating budget. Also ballooning were revolving funds, which are used to pay for goods and services and are replenished through charges to users of the goods and services or transfers from other accounts or funds. By 2011, revolving funds made up \$384.2 million, or 3.8 percent, of the State's operating budget.

Further hampering the Legislature's control over the budget process was a 2008 court case. In *Hawai'i Insurers Council v. Linda Lingle, Governor of the State of Hawai'i*, the state Supreme Court determined that under only certain conditions could the Legislature "raid" special funds to balance the state budget. In 2013, in order to gain more control over the budget process, the Legislature built new safeguards into the criteria for establishing special funds.



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## The Issue

Non-general funds, such as special, revolving, federal, and trust funds, exist outside the State's main financial account, or general fund. Over the past 30 years, the number of non-general funds and the amount of money contained in them have substantially increased. In FY2011, non-general funds accounted for about half of the State's \$10.4 billion operating budget, up from one-third in 1992. This proliferation of non-general funds has hampered the Legislature's ability to direct general fund spending.

- At least 729 non-general funds and accounts held an estimated unencumbered cash balance of \$2.47 billion.
- Between 1980 and 2010, the number of special and revolving funds almost tripled to 313 funds.
- Fund raids authorized by the Legislature in FY2009, FY2010, and FY2011 totaled \$161 million.

For the full text of this and other reports, visit our website:  
<http://auditor.hawaii.gov/>

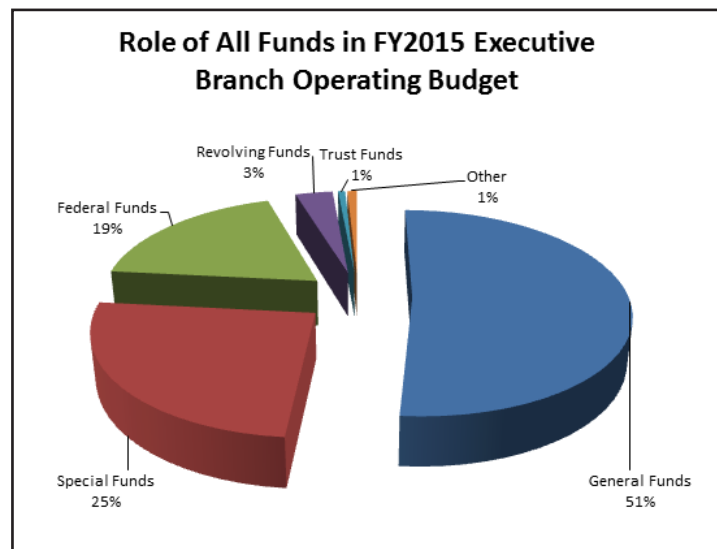
## The new criteria

Section 23-11, HRS, requires the Auditor to analyze all bills proposing to establish new special or revolving funds according to the following criteria:

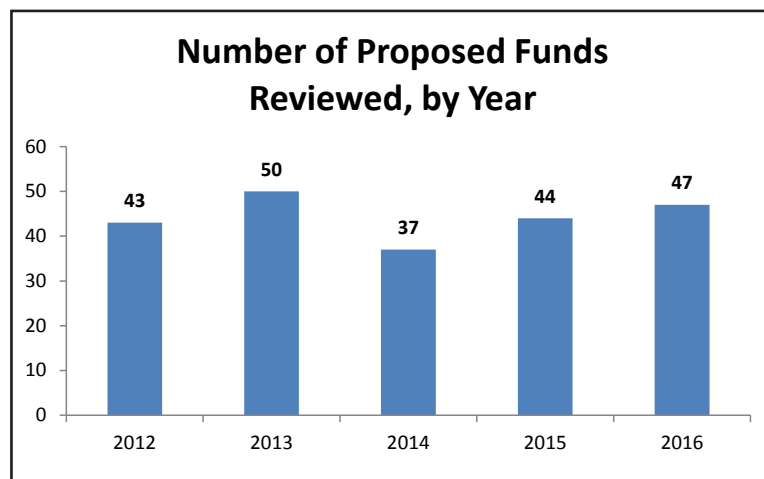
1. The need for the fund, as demonstrated by:
  - The purpose of the program to be supported by the fund;
  - The scope of the program, including financial information on fees to be charged, sources of projected revenue, and costs; and
  - An explanation of why the program cannot be implemented successfully under the general fund appropriation process; and
2. Whether there is a clear nexus between the benefits sought and charges made upon the program users or beneficiaries or a clear link between the program and the sources of revenue, as opposed to serving primarily as a means to provide the program or users with an automatic means of support that is removed from the normal budget and appropriation process.

In addition, each analysis must seek to determine whether the proposed fund can be financially self-sustaining, as required by Sections 37-52.3 and 37-52.4, HRS.

Despite the new criteria, special and revolving funds persist: in FY2015, the general fund comprised approximately 51 percent of the State operating budget, with special and revolving funds comprising 28 percent.



In 2012, there were 43 new funds proposed, increasing to 50 in 2013. Although the number dropped to 37 in 2014, it has increased in each of the past two years, 44 in 2015 and 47 in 2016.



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# Analyses of Proposed Special and Revolving Funds 2016

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Section 23-11, Hawai'i Revised Statutes, requires the Auditor to submit no later than 30 days prior to the end of the legislative session an analysis of each new special or revolving fund proposed by legislative bills.

Submitted by

**THE AUDITOR**  
STATE OF HAWAI'I

Report No. 16-02  
March 2016

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## Foreword

This report compiles our analyses of new special and revolving funds proposed by 2016 legislative bills. The analyses were prepared in response to Section 23-11, Hawai‘i Revised Statutes, which requires the Auditor to analyze all legislative bills introduced each session that propose to establish new special or revolving funds, and were transmitted to a committee or committees of referral. Our work was performed from January to February 2016.

We wish to express our appreciation for the cooperation and assistance extended to us by members of the Legislature and their staff, the director and staff of the Department of Budget and Finance, and other individuals whom we contacted during the course of our work.

Jan K. Yamane  
Acting State Auditor

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# Agricultural Land Acquisition Fund

## S.B. No. 3098

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

This bill would establish an Agricultural Land Acquisition Fund, to be administered by the Department of Agriculture. The purpose of the fund would be to provide for the acquisition and management of agricultural lands having value to the State. Revenues to the fund would come from the sale of general obligation bonds issued for agricultural land acquisition; proceeds or revenue from the operation, management, sale, lease, or other disposition of agricultural land or the improvements on the agricultural land acquired or constructed by the Agribusiness Development Corporation; and other private or public funds. Moneys in the fund would be used for the acquisition of interests or rights in agricultural land having value to the State, whether in fee title or through the establishment of permanent agricultural easements; the payment of debt service on such land; annual administration costs, and costs related to the operation, maintenance, and management of lands acquired that are necessary to protect, maintain, or restore resources at risk on agricultural lands, or that provide for greater public access and enjoyment of agricultural lands. A similar fund was proposed in H.B. No. 2081 and S.B. No. 2514 during the 2014 legislative session.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

The Agricultural Land Acquisition Fund is strikingly similar to a special fund and for that reason is analyzed as such. This bill does not satisfy the criteria for establishing a special fund. Although nexus or linkage exists

between the sources of revenue and the activities, evidence is lacking to show that the fund is needed to support the activities and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund could be financially self-sustaining.

### **Demonstrated need for the fund**

There is insufficient information to demonstrate the fund is needed to support the activities. Detailed financial information regarding the fees to be charged, sources of projected revenues, and costs have not been provided. In addition, an explanation of why the activities cannot be successfully implemented with general fund appropriations was not provided.

### **Nexus or linkage**

Nexus exists between the activities and the proceeds from the sale of any general obligation bonds authorized and issued for purposes of this bill; and any net proceeds or revenue from the operation, management, sale, lease, or other disposition of agricultural land or the improvements on the agricultural land acquired or constructed by the Agribusiness Development Corporation. In addition, linkage exists between the activities and moneys contributed from any other private or public source to the fund.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for these activities could be provided through direct general fund appropriations.

# Agriculture Grant Special Fund

## H.B. No. 2546

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

This bill would establish an Agriculture Grant Program and Agriculture Grant Special Fund, to be administered by the Department of Agriculture. The purpose of the program would be to assist qualified farmers by providing grants to expand farm operations, improve farm productivity, change or add specific crops, invest in food safety improvements on farms, and provide for farm workforce development. Revenues to the fund would come from legislative appropriations. The bill would also provide \$5 million in general funds to the fund for FY2016–17.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

This bill does not satisfy the criteria for establishing a special fund. Nexus or linkage does not exist between the source of revenue and the program, and evidence is lacking to show that the fund is needed to support the program and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund could be financially self-sustaining.

#### Demonstrated need for the fund

There is insufficient information to demonstrate the fund is needed to support the program. Detailed financial information regarding fees to be charged, sources of projected revenues, and costs have not been provided. In addition, an explanation of why the program cannot be

successfully implemented with general fund appropriations was not provided.

### **Nexus or linkage**

Linkage does not exist between the program and continued legislative appropriations to the fund.

### **Self-sustainability**

The fund has no source of revenue other than legislative appropriations and would therefore not be self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for this program could be provided through direct general fund appropriations.

# Air Conditioning for Public Schools Special Fund

## H.B. No. 2462

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish the Air Conditioning for Public Schools Special Fund, to be administered by the Department of Education. The purpose of the fund would be to reimburse the general fund for payment of debt service on general obligation bonds issued to install air conditioning at all public schools. Revenues to the fund would come from a portion of the environmental response, energy, and food security tax revenues and interest earned. Any unencumbered and unexpended moneys in the fund would be transferred to the general fund. This bill would also provide that an unspecified amount of general obligation bonds be issued for the fiscal years 2016–2021 to finance the air condition installations.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

This bill does not satisfy criteria for establishing a special fund. Nexus, or linkage, does not exist between the revenues received from the environmental response, energy, and food security tax with the projects. Evidence is lacking to show that the fund is needed to support the projects and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund would have the capacity to be financially self-sustaining.

### **Demonstrated need for the fund**

There is insufficient information to demonstrate the fund is needed to support the projects. Detailed financial information regarding the fees to be charged, sources of projected revenues and costs have not been provided. In addition, sufficient explanations of why the projects cannot be successfully implemented with general fund appropriations were not provided.

### **Nexus or linkage**

Nexus, or linkage, does not exist between the projects and the portion of revenues from the environmental response, energy, and food security tax received from petroleum distributors, and interest earned on the fund.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for these projects could be provided through direct general fund appropriations.

# Common Elements Maintenance Fee and Rent Revolving Fund

## H.B. No. 1957

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

This bill would establish a Common Elements Maintenance Fee and Rent Revolving Fund and related pilot project, to be administered by the Department of Accounting and General Services. The purpose of the project would be to determine and assess common elements maintenance fees and rent for office space leased to state departments at Alii Place. The project will only be conducted if title to the building is transferred to the State. The proposed revolving fund and its related pilot project would be repealed on June 30, 2021. Revenues to the fund would come from annual common elements maintenance fees and rent paid by state department tenants. Moneys in the fund would be used for costs associated with acquiring, operating, and maintaining the building.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

This bill does not satisfy the criteria for establishing a revolving fund. Although nexus exists between the sources of revenue and the project, evidence is lacking to show that the fund is needed to support the project. Evidence is also lacking to demonstrate that the fund would have the capacity to be financially self-sustaining with means to replenish the fund.

### **Demonstrated need for the fund**

There is insufficient information to demonstrate the fund is needed to support the project. Detailed financial information regarding the fees charged, sources of projected revenues, and costs have not been provided.

### **Nexus or linkage**

Nexus exists between the project and revenues received from rent and maintenance fees paid by state department tenants.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

There is no feasible alternative funding to this fund.



# Community Improvement District Revolving Fund

## H.B. No. 2069

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

This bill would establish community improvement districts and a Community Improvement District Revolving Fund, to be administered by the Department of Accounting and General Services. The community improvement districts would be used “as an innovative means of accelerating appropriate development in certain areas of the State.” Revenues to the fund would come from the counties for loan repayment and interest from various assessments or fees from community facilities districts, special improvement districts, improvement districts, tax increment financing, and other sources; appropriations from the legislature or counties; federal grants and subsidies; private investor contributions; and grants and donations. Moneys in the fund would be used to make loans to counties, state agencies, or private developers for the costs of planning, designing, or constructing infrastructure improvements that meet the goals and requirements of a community improvement district; and repay private investors for their investment plus any interest accrued.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

This bill does not satisfy the criteria for establishing a revolving fund. Although nexus and linkage exists between the program’s activities and revenue sources, evidence is lacking to show that the fund is needed to support the activities. Evidence is also lacking to demonstrate that the fund could be financially self-sustaining with means to replenish the fund.

### **Demonstrated need for the fund**

There is insufficient information to demonstrate the fund is needed to support the activities. Detailed financial information regarding fees to be charged, sources of projected revenues and costs have not been provided.

### **Nexus or linkage**

Nexus exists between the program's activities and funds received by the department from the counties for the repayment of loan principals and the payment of simple interest from assessments or fees from community facilities districts, special improvement districts, improvement districts, and tax increment financing. Linkage exists between the activities and federal grants and subsidies to the State or counties; private investor contributions; and grants and donations. However, linkage does not exist with continued appropriations from the Legislature or counties.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

There is no feasible alternative funding to this fund.

# Criminal Forfeiture Special Fund

## S.B. No. 2466

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

This bill would establish the Criminal Forfeiture Special Fund and repeal the existing revolving Criminal Forfeiture Fund administered by the Department of the Attorney General. The purpose of the new fund would be to provide assistance to victims of crime and their families. Revenues to the fund would come from proceeds from the sale of, and penalties paid, associated with forfeited property, and interest income. This bill would also transfer the remaining balance of the existing revolving Criminal Forfeiture Fund to the fund.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

This bill does not satisfy the criteria for establishing a special fund. Although linkage exists between the sources of revenue and the fund's activities, evidence is lacking to show that the fund is needed and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund could be self-sustaining.

#### Demonstrated need for the fund

There is insufficient information to demonstrate the fund is needed to support the activities described. Detailed financial information regarding fees to be charged, sources of projected revenues, and costs have not been provided. In addition, an explanation of why the activities cannot be successfully implemented with general fund appropriations was not provided.

### **Nexus or linkage**

Linkage exists between revenues received from sale proceeds and penalties associated with forfeited property, interest income, and transfers from the existing established Criminal Forfeiture Fund and assistance provided to victims of crime and their families.

### **Self-sustainability**

Estimated revenue and expenditure information was not provided to demonstrate that the fund has the capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for the activities described could be provided through direct general fund appropriations.

# Department of Education Capital Improvement Projects Revolving Fund S.B. No. 2279 Does Not Meet Criteria

## Description and Purpose of the Proposed Fund

This bill would establish a Department of Education Capital Improvement Projects Revolving Fund, to be administered by the Department of Education. Revenues would come from income tax refund designations and legislative appropriations. This bill would also provide \$66 million in general funds into the fund for FY2016–17. Moneys in the fund would be used for capital improvement projects and any backlog of capital improvement projects.

## Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

## Analysis

This bill does not satisfy the criteria for establishing a revolving fund. A revolving fund would not be the appropriate fund type for this financing activity because evidence is lacking to demonstrate that the fund could be financially self-sustaining with means to replenish the fund. Linkage exists between the projects and income tax refund designations, but not with continuing legislative appropriations. Evidence is also lacking to show that the fund would be needed to support the projects.

### Demonstrated need for the fund

There is insufficient information to demonstrate the fund is needed to support the projects. Detailed financial information regarding fees to be charged, sources of projected revenues, and costs have not been

provided. In addition, an explanation of why the projects cannot be successfully implemented with general fund appropriations was not provided.

### **Nexus or linkage**

Linkage exists between the projects and income tax refund designations and legislative appropriations used as seed money to establish the revolving fund. However, linkage does not exist with continuing legislative appropriations.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for these projects could be provided through the Education Design and Construction Project Assessment Fund.

# Disease Outbreak Response Fund

## H.B. No. 1745

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish a Disease Outbreak Response Fund, to be administered by the Department of Health. The purpose of the fund would be to provide immediate relief in response to an epidemic control suppression or prevention activity in the event that the director of health declares an epidemic is imminent or has occurred. Revenues to the fund would come from legislative appropriations requested by the director of health. The bill would also provide an unspecified amount of general funds to the fund for FY2016–17. Moneys in the fund would be used for immediate relief in response to an emergency or disaster in any part of the state.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

The Disease Outbreak Response Fund is strikingly similar to a special fund and for that reason is analyzed as such. This bill does not satisfy the criteria for establishing a special fund. Nexus or linkage does not exist between the sources of revenue and the activities, and evidence is lacking to show that the fund is needed to support the activities and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund could be financially self-sustaining.

### **Demonstrated need for the fund**

There is insufficient information to demonstrate the fund is needed to support the activities. Detailed financial information regarding fees to be charged, sources of projected revenues, and costs have not been provided. In addition, an explanation of why the activities cannot be successfully implemented with general fund appropriations was not provided.

### **Nexus or linkage**

Nexus or linkage does not exist between the activities and continued appropriations from the Legislature.

### **Self-sustainability**

The fund would rely entirely on general fund appropriations and therefore would not be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for these activities could be provided through direct general fund appropriations.



# Firearms Insurance Special Fund

## S.B. No. 3032

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

This bill would establish a Firearms Insurance Special Fund and Firearms Insurance Program, to be administered by the insurance commissioner of the Department of Commerce and Consumer Affairs. The purpose of the program would be to cover rates, rate filings, and rate reviews by the insurance commissioner and provide firearms coverages and rights. Revenues to the fund would come from fees charged to owners of firearms. Moneys in the fund would be used to support programs that provide mental health services and enhance firearms safety.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

This bill does not satisfy the criteria for establishing a special fund. Although nexus, or linkage, exists between the sources of revenue and the program, evidence is lacking to show that the fund is needed to support the program and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund could be financially self-sustaining.

#### Demonstrated need for the fund

There is insufficient information to demonstrate the fund is needed to support the program. Detailed financial information regarding fees to be charged, sources of projected revenues, and costs have not been

provided. In addition, an explanation of why the program cannot be successfully implemented with general fund appropriations was not provided.

### **Nexus or linkage**

Nexus or linkage exists between fees charged to firearm owners and firearms insurance and safety programs. However, only partial linkage exists between fees charged and programs that provide mental health services

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for this program could be provided through direct general fund appropriations.

# Gap Tuition Assistance Program Special Fund

## S.B. No. 2530

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

This bill would establish a Gap Tuition Assistance Program and a Gap Tuition Assistance Program Special Fund to be administered by the Department of Education. The purpose of the program would be to provide grants for need-based tuition assistance to applicants to enable their completion of continuing education certificate training programs at community colleges for in-demand occupations. Revenues to the fund would come from legislative appropriations. The bill would also provide an unspecified general fund appropriation into the fund for FY2016–17. Moneys in the fund would be used for the Gap Tuition Assistance Program.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

This bill does not satisfy the criteria for establishing a special fund. Nexus or linkage does not exist between the sources of revenue and the program, and evidence is lacking to show that the fund is needed to support the program and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund could be financially self-sustaining.

#### Demonstrated need for the fund

There is insufficient information to demonstrate the fund is needed to support the program. Detailed financial information regarding fees

to be charged, sources of projected revenues, and costs have not been provided. In addition, an explanation of why the program cannot be successfully implemented with general fund appropriations was not provided.

#### **Nexus or linkage**

Nexus or linkage does not exist between the program and legislative appropriations.

#### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

### **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

### **Alternate Funding**

Support for this program could be provided through direct general fund appropriations.

# Hawai‘i Capital Loan Revolving Fund

## S.B. No. 2792

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

This bill would establish a Hawai‘i Capital Loan Revolving Fund, to be administered by the Department of Business, Economic Development, and Tourism (DBEDT). The purpose of the fund would be to provide funding for the Hawai‘i Capital Loan Program. Revenues to the fund would come from loan repayment and interest payments, and transfers from the State Disaster Revolving Loan Fund. The bill would provide \$2 million in general funds into the fund for FY2016–17. The bill would also provide \$100,000 for FY2016–17 for one full-time equivalent permanent program manager within DBEDT. Moneys in the fund would be used to support the program and for programs associated with administering the fund and its mandated purpose. A similar fund was proposed in H.B. No. 771 and S.B. No. 1002 during the 2015 legislative session.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

This bill does not satisfy the criteria for establishing a revolving fund. Although a revolving fund would be an appropriate fund type for this financing activity, the bill does not satisfy linkage requirements between the program and the transfer of moneys from the State Disaster Revolving Loan Fund. Evidence is lacking to demonstrate that the fund would have the capacity to be financially self-sustaining with means to replenish the fund.

### **Demonstrated need for the fund**

A revolving fund is needed to support the program because it cannot be successfully implemented with general fund appropriations, as the fund provides direct loans to be replenished with loan repayments and interest payments.

### **Nexus or linkage**

Nexus exists between the program and moneys received as loan repayments and interest payments. Linkage exists between the program and legislative appropriations used as seed moneys to establish the revolving fund. However, linkage does not exist with transfers from the State Disaster Revolving Loan Fund to the revolving fund.

### **Self-sustainability**

Estimated revenue and expenditure information has been provided, but it is unclear whether the revolving fund demonstrates the capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

There is no feasible alternative funding to this fund.

# Hawai‘i Charter School Facility Development Special Fund H.B. No. 2733 Does Not Meet Criteria

## Description and Purpose of the Proposed Fund

This bill would establish a Hawai‘i Charter School Facility Development Special Fund, to be administered by the State Public Charter School Commission. The purpose of the fund would be to support the development of charter school facilities. Revenues to the fund would come from contributions, grants, endowments, gifts, loans, bond financing, interest earnings, and legislative appropriations. The bill would also provide \$10 million in general funds to the fund for FY2016–17 and establish an income tax credit for contributions of money or in-kind goods and services. Moneys in the fund would be used for the acquiring, planning, designing, improving, constructing, equipping, furnishing, administering, operating, and maintaining of charter school facilities; or pledged by the commission to secure loans from private lending institutions. Similar funds were proposed in H.B. No. 2576 during the 2014 legislative session and H.B. No. 49 during the 2015 legislative session.

## Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

## Analysis

This bill does not satisfy all the criteria for establishing a special fund. Although linkage exists between the sources of revenue and the program’s activities, evidence is lacking to show that the fund is needed to support the activities and cannot be successfully implemented under the general fund appropriation process. Evidence is also lacking to demonstrate that the fund could be financially self-sustaining.

### **Demonstrated need for the fund**

There is insufficient information to demonstrate the fund is needed for the purpose of developing charter school facilities or to be pledged to secure loans from private lending institutions. Detailed financial information regarding projected revenues and costs has not been provided. In addition, an explanation of why the activities cannot be successfully implemented under the general fund appropriation process was not provided.

### **Nexus or linkage**

Linkage exists between the activities and revenues from contributions, grants, endowments, gifts, loans, bond financing, interest earnings, and legislative appropriations used as seed moneys to establish the fund. However, linkage does not exist between the activities and continued support from legislative appropriations.

### **Self-sustainability**

Estimated revenue and expenditure information was not provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for activities could be provided through direct general fund appropriations.



# Hawai‘i High Impact Loan Program for Commercialization Special Fund

## H.B. No. 2219 and S.B. No. 2504

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

These bills would establish a Hawai‘i High Impact Loan Program for Commercialization (HI-Impact) and Hawai‘i Impact Loan Program for Commercialization Special Fund, to be administered by the High Technology Development Corporation. The purpose of the program would be to make loans to support Hawai‘i-based small businesses in the fields of dual-use technologies, tourism-technology, agriculture-technology, manufacturing-technology, sports-technology, finance-technology, building and construction-technology, and other cross-industry collaborations (excluding energy generation technology). Revenues to the fund would come from loan repayments, fees, fines and penalties, legislative appropriations, and interest income. The bill would also provide an unspecified general fund appropriation into the fund for FY2016–17. Moneys in the fund would be used to make loans to support Hawai‘i-based small businesses in the fields described above, and administrative costs.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

Although the Hawai‘i High Impact Loan Program for Commercialization Special Fund is labeled a special fund, it is strikingly similar to a revolving fund and for that reason is analyzed as such. These bills do not satisfy the criteria for establishing a revolving fund. Although nexus

or linkage exists between some sources of revenue and the program, evidence is lacking to show that the fund is needed to support the program. Evidence is also lacking to demonstrate that the fund would have the capacity to be financially self-sustaining with means to replenish the fund.

### **Demonstrated need for the fund**

There is insufficient information to demonstrate the fund is needed to support the program. Detailed financial information regarding the fees to be charged, sources of projected revenues and costs have not been provided.

### **Nexus or linkage**

Nexus exists between the program and loan repayments. Linkage exists between the program and fees, fines and penalties, and interest accrued upon the funds in the revolving fund, and legislative appropriations used as seed money. However, linkage does not exist with continuing legislative appropriations.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

There is no feasible alternative funding to this fund.

# Hawai‘i Property Assessed Clean Energy Revolving Fund H.B. No. 1524 Does Not Meet Criteria

## Description and Purpose of the Proposed Fund

This bill would establish a Hawai‘i Property Assessed Clean Energy Program and Hawai‘i Property Assessed Clean Energy Revolving Fund, to be administered by the Department of Business, Economic Development and Tourism, for the purpose of increasing activity in residential and commercial renewable energy projects. Revenues to the fund would come from revenue bond proceeds, loan repayments, program operations, interest earned, and grants. Moneys in the fund would be used to make loans to residential and commercial property owners for energy efficiency improvements and renewable energy systems, repay any debt service on the revenue bonds, and administer the loan program.

## Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

## Analysis

This bill does not satisfy all criteria necessary to establish a revolving fund. Although the bill satisfies nexus or linkage requirements, and a revolving fund would be the appropriate type for this financing activity, evidence is lacking to demonstrate that the fund has the capacity to be financially self-sustaining.

### Demonstrated need for the fund

Since the primary revenue source would be from bond proceeds, a revolving fund is needed to support the program.

### **Nexus or linkage**

Nexus exists between proceeds from the issuance of revenue bonds and repayments of loans. Linkage exists between moneys received from the operation of the program, interest earned, and grants.

### **Self-sustainability**

Revenue and expenditure information was not available to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

There is no feasible alternative funding mechanism for this fund.

# Hawai‘i Rx Special Fund

## H.B. No. 1681

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

This bill would reenact the Hawai‘i Rx Program and establish a Hawai‘i Rx Special Fund, to be administered by the Department of Human Services. The purpose of the program would be to combine the purchasing power of all persons to reduce prescription drug costs for all residents in Hawai‘i. Revenues to the fund would come from manufacturers who pay rebates, legislative appropriations, interest income, and other revenues designated for the fund. Moneys in the fund would be used to reimburse pharmacies for discounts provided to program participants and the cost of administering the program.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

This bill does not satisfy the criteria for establishing a special fund. Although linkage exists between the program and revenues received from manufacturer rebates, linkage does not exist with continued support from legislative appropriations. Evidence is lacking to show that the fund is needed and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund would have the capacity to be self-sustaining.

#### Demonstrated need for the fund

There is insufficient information to demonstrate the fund is needed to support the program. Detailed financial information regarding fees to be charged, sources of projected revenues, and costs have not been

provided. In addition, an explanation of why the program cannot be successfully implemented with general fund appropriations was not provided.

### **Nexus or linkage**

Although linkage exists between the program and the manufacturer rebates, interest income, and other income designated for the fund, linkage does not exist between the program and continued support from legislative appropriations.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate that the fund has the capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's government central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

The program could be supported through direct general fund appropriations.

# Hawai‘i Three to Six Out-of-School Revolving Fund

## H.B. No. 2738 and S.B. No. 3099

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

These bills would establish a Hawai‘i Three to Six Out-of-School Revolving Fund, to be administered by the Department of Education. The purpose of the program would be to provide quality care and a quality learning experience while preventing Hawai‘i’s youth from engaging in risky behaviors. Revenues to the fund would come from legislative appropriations; fees collected from student participants; and private funding sources, as well as donated or voluntary services. The bills would also provide \$9 million in general funds into the fund for FY2016–17. Moneys in the fund would be used to support the Hawai‘i Three to Six Out-of-School Program.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

These bills do not satisfy the criteria for establishing a revolving fund. Although nexus or linkage exists between the program and some revenue sources, evidence is lacking to show that the fund is needed to support the program. Evidence is also lacking to demonstrate that the fund would have the capacity to be financially self-sustaining with means to replenish the fund.

#### Demonstrated need for the fund

There is insufficient information to demonstrate the fund is needed to support the program. Detailed financial information regarding the fees

to be charged, sources of projected revenues, and costs have not been provided. In addition, an explanation of why the program cannot be successfully implemented with general fund appropriations was not provided.

### **Nexus or linkage**

Nexus exists between the program and fees collected from student participants in the program. Linkage exists between the program and private funding sources, as well as donated or voluntary services. However, linkage does not exist with continued legislative appropriations made to the fund.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for this program could be provided through direct general fund appropriations.



# Hawai‘i Water Infrastructure Special Fund

## H.B. No. 2029 and S.B. No. 2503

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

These bills would establish a Hawai‘i Water Infrastructure Special Fund and Hawai‘i Water Infrastructure Loan Program, to be administered by the Hawai‘i Water Infrastructure Authority administratively attached to the Department of Land and Natural Resources. The purpose of the program would be to make loans to private entities, which may lease or provide water infrastructure equipment to utility customers; and direct loans to utility customers on terms approved by the authority. Revenues to the fund would come from water infrastructure charges received for the use and services of the loan program, including loan repayments; interest earned; and other moneys specified for the fund. These bills would also provide that an unspecified amount of general funds into the fund for FY2016–17. Moneys in the fund would be used for making water infrastructure loans, administrative costs, and any other program related costs.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

Although the Hawai‘i Water Infrastructure Special Fund is labeled as a special fund, it is strikingly similar to a revolving fund and for that reason is analyzed as such. These bills do not satisfy the criteria for establishing a revolving fund. Although nexus or linkage exists between the sources of revenue and the program, evidence is lacking to show that the fund is needed to support the program. Evidence is also lacking to demonstrate that the fund would have the capacity to be financially self-sustaining with means to replenish the fund.

### **Demonstrated need for the fund**

There is insufficient information to demonstrate the fund is needed to support the program. Detailed financial information regarding the fees to be charged, sources of projected revenues, and costs have not been provided. In addition, an explanation of why the program cannot be successfully implemented with general fund appropriations was not provided.

### **Nexus or linkage**

Nexus exists between the program and water infrastructure charges received for the use and services of the loan program, including the repayment of loans made under the program. Linkage exists between the program and interest earned.

### **Self-sustainability**

Although estimated revenue and expenditure information has not been provided, the fund will not need general fund appropriations to be financially self-sustaining, as it is replenished with the water infrastructure charges received for the use and services of the loan program and repayments of loans made under the program.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

There is no feasible alternative funding to this fund.

# High-Growth Grant Special Fund

## H.B. No. 2545

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

This bill would establish a High-Growth Grant Program and High-Growth Grant Special Fund, to be administered by the Department of Business, Economic Development, and Tourism. The purpose of the program would be to assist qualified businesses by providing grants for specified purposes. Revenues to the fund would come from legislative appropriations. The bill would also provide that \$4 million in general funds to the fund for FY2016–17.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

This bill does not satisfy the criteria for establishing a special fund. Nexus or linkage does not exist between the source of revenue and the program, and evidence is lacking to show that the fund is needed to support the program and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund could be financially self-sustaining.

#### Demonstrated need for the fund

There is insufficient information to demonstrate the fund is needed to support the program. Detailed financial information regarding fees to be charged, sources of projected revenues, and costs have not been provided. In addition, an explanation of why the program cannot be successfully implemented with general fund appropriations was not provided.

### **Nexus or linkage**

Linkage does not exist between the program and continued legislative appropriations to the fund.

### **Self-sustainability**

The fund has no source of revenue other than legislative appropriations and would therefore not be self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for this program could be provided through direct general fund appropriations.

# Homeless Special Fund

## H.B. No. 2536

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

This bill would establish a Homeless Special Fund, to be administered by the director of human services. Moneys in the fund would be used to “reduce and address any homeless purpose upon approval by a two-thirds vote of each house of the Legislature.” Revenues to the fund would come from a portion of the unclaimed prize money from the state lottery and moneys remaining in the State Lottery Revolving Fund at the end of each fiscal year.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

This bill does not satisfy the criteria for establishing a special fund. The fund lacks a well-defined purpose and scope, as moneys may be used for any homelessness-related purpose approved by the Legislature. Nexus or linkage does not exist between the sources of revenue and the program. Evidence is lacking to show that the fund is needed to support homelessness-related purposes and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund could be financially self-sustaining.

#### Demonstrated need for the fund

There is insufficient information to demonstrate the fund is needed to support the program. The fund does not have a clear purpose and scope, as moneys may be used for any legislatively approved purpose to reduce

or address homelessness. Detailed financial information regarding fees to be charged, sources of projected revenues, and costs was not provided. An explanation of why the program cannot be successfully implemented with general fund appropriations was also not provided.

### **Nexus or linkage**

Nexus or linkage does not exist between the program and the portion of revenues received from unclaimed lottery prize money and moneys remaining in the State Lottery Revolving Fund at each fiscal year end.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for this program could be provided through direct general fund appropriations.

# Homelessness and Affordable Housing Special Fund

## S.B. No. 2464

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish a Homelessness and Affordable Housing Special Fund, to be administered by the Department of Human Services. Revenues would come from legislative appropriations and new residential development fees collected from developers. The fee would be an unspecified percent of the development and actual capital cost of multi-unit residential development projects in the State that exceed \$20 million. Moneys in the fund would be used to build, rent, or rehabilitate housing for the homeless.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, projected sources of revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

This bill does not satisfy the criteria for establishing a special fund. Linkage does not exist between the sources of revenue and the proposed activities, and evidence is lacking to show that the fund is needed and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund could be self-sustaining.

#### Demonstrated need for the fund

There is insufficient information to demonstrate the fund is needed to support the proposed activities. Detailed financial information regarding fees to be charged, sources of projected revenues, and costs have not

been provided. In addition, an explanation of why the activities cannot be successfully implemented with general fund appropriations was not provided.

### **Nexus or linkage**

Linkage does not exist between the revenues received from legislative appropriations, a new residential development fee collected from developers, and homeless housing activities.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate that the fund has the capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for homeless housing activities could be provided through direct general fund appropriations.



# Homelessness Fund

## H.B. No. 2429

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

This bill would establish a Homelessness Fund, to be administered by the Department of Human Services. Revenues to the special fund would come from proceeds from the operation, management, sale, lease, or other disposition of any homeless facility, shelter, or program; from a portion of the realty conveyance tax imposed and collected under Chapter 247, Hawai'i Revised Statutes; and from any other private or public source. Moneys in the fund would be expended for homeless facilities or any other program for the homeless.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

This bill does not satisfy the criteria for establishing a special fund. Although nexus or linkage exists between the sources of revenue and the program, evidence is lacking to show that the fund is needed to support the program and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund could be financially self-sustaining.

#### Demonstrated need for the fund

There is insufficient information to demonstrate the fund is needed to support the program. Detailed financial information regarding the fees charged, sources of projected revenues, and costs have not been

provided. In addition, a sufficient explanation of why the program cannot be successfully implemented with general fund appropriations was not provided.

### **Nexus or linkage**

Nexus or linkage exists between the homeless facilities program and the revenues received from the net proceeds from the operation, management, sale, lease, or other disposition of any homeless facility, shelter, or program. Linkage also exists between the program and the revenues received from private or public sources and a portion of the realty conveyance tax.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for this program could be provided through direct general fund appropriations.

# Housing for the Homeless Special Fund

## S.B. No. 2057

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

This bill would establish an Executive Office on Homeless Identity Protection and Housing for the Homeless Special Fund, to be temporarily administered by the Office of the Governor until permanent establishment of the executive office within the Department of Human Services on July 1, 2018. The purpose of the office and fund would be to assist homeless individuals with obtaining government-issued identification documents. Revenues to the fund would come from legislative appropriations. This bill would also provide an unspecified amount of general funds to the fund for FY2016-17.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, projected revenues, and costs) and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the activity and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

This bill does not satisfy the criteria for establishing a special fund. Linkage does not exist between continued support from legislative appropriations and helping the homeless obtain identification documents. There is also no demonstrated need for the fund and the fund would not be self-sustaining without legislative appropriations.

#### Demonstrated need for the fund

The criteria for demonstrating the need for this special fund have not been met because the activities can be funded with general fund appropriations.

### **Nexus or linkage**

Linkage exists between the cost of administering the homeless identity protection process and legislative appropriations used as seed moneys to establish the special fund. However, linkage does not exist between helping the homeless obtain identification documents and continued support from legislative appropriations.

### **Self-sustainability**

Although estimated revenue and expenditure information has not been provided, the fund would need general fund appropriations to be financially self-sustaining as legislative appropriations are the only source of revenue to the fund.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to the normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for the program's activities could be provided through direct general fund appropriations.

# Infrastructure Capacity Construction Loan Revolving Fund H.B. No. 2027 and S.B. No. 2510 Does Not Meet Criteria

## Description and Purpose of the Proposed Fund

These bills would establish an Infrastructure Capacity Construction Loan Revolving Fund, to be administered by the Department of Accounting and General Services. The purpose of the fund would be to provide loans to counties, state agencies, and private developers for infrastructure improvements. Revenues to the fund would come from the counties for repayment of loan principal and interest from various assessments or fees from various specified districts, and other areas where property value increases are captured over periods of time. Other revenues would come from federal grants and subsidies, private investors, voluntary contributions, and legislative appropriations. The bills would also provide an unspecified general fund appropriation into the fund for FY2016–17. Moneys in the fund would be used to make loans to counties, state agencies, or private developers for the costs of new infrastructure; to repay private investors for their investment plus any interest accrued on their investments; and to pay administrative expenses of the fund. Similar funds were proposed in H.B. No. 1741 and S.B. No. 2757 during the 2014 legislative session, and H.B. No. 441 during the 2015 legislative session.

## Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenues, and costs) and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

## Analysis

These bills do not satisfy the criteria for establishing a revolving fund. Although nexus or linkage exists between the sources of revenues and

the activities, evidence is lacking to show that the fund is needed to support the program. Evidence is also lacking to demonstrate that the fund could be financially self-sustaining.

### **Demonstrated need for the fund**

There is insufficient information to demonstrate the fund is needed to support the activities. Detailed financial information regarding fees to be charged, sources of projected revenues, and costs was not provided.

### **Nexus or linkage**

Nexus exists between users of fund moneys—the counties, state agencies, or private developers who would borrow from the fund—and payments these borrowers would make on loans. Linkage exists with federal grants and subsidies, donations, investments, contributions, and legislative appropriations used as seed moneys to establish the revolving fund. However, linkage does not exist between the activities and continued support from legislative appropriations.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

There is no feasible alternative funding to this fund.

# Infrastructure Development Loan Revolving Fund

## S.B. No. 3023

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

This bill would establish an Infrastructure Development Loan Revolving Fund, to be administered by the Department of Budget and Finance. The purpose of the fund would be to provide loans for infrastructure improvements that support transit-oriented development. Revenues would come from legislative appropriations, private contributions, loan payments, other returns, and moneys from the federal government and other sources. Moneys in the fund would be used to provide no-interest loans for the development, pre-development, or construction of infrastructure projects to expedite the building of transit-oriented development, particularly those involving affordable housing, and administrative expenses.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

This bill does not satisfy the criteria for establishing a revolving fund. Although nexus or linkage exists between the activities and some revenue sources, evidence is lacking to show that the fund is needed to support the activities. Evidence is also lacking to demonstrate that the fund would have the capacity to be financially self-sustaining with means to replenish the fund.

### **Demonstrated need for the fund**

There is insufficient information to demonstrate the fund is needed to support the activities. Detailed financial information regarding fees to be charged, sources of projected revenues, and costs have not been provided.

### **Nexus or linkage**

Nexus exists between the activities and loan payments. Linkage exists between the activities and private contributions, moneys from the federal government, and legislative appropriations used as seed money to establish the revolving fund. However, linkage does not exist with continuing legislative appropriations.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

There is no feasible alternative funding to this fund.



# Invasive Species Authority Special Fund

## H.B. No. 2270 and S.B. No. 2799

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

These bills would establish an Invasive Species Authority Special Fund and restructure the Hawai'i Invasive Species Council into a new entity, the Hawai'i Invasive Species Authority. The authority and fund would be administered by the Department of Agriculture. The purpose of the authority would be to provide policy level direction, coordination, and planning for the control and eradication of harmful invasive species infestations through the State and for preventing the introduction of other invasive species that may be potentially harmful. Revenues would come from legislative appropriations, grants, donations, contributions, and interest earned. H.B. 2270 would appropriate \$900,000 in general funds into the fund for FY2016–17; S.B. 2799 would appropriate \$10 million in general funds. Moneys in the fund would be used by the authority to hire employees, specialists, and consultants to complete invasive species projects.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenues, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

These bills do not satisfy the criteria for establishing a special fund. Although linkage exists between the sources of revenue and the projects, evidence is lacking to show that the fund is needed to support the projects and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund would have the capacity to be financially self-sustaining.

### **Demonstrated need for the fund**

There is insufficient information to demonstrate the fund is needed to support the projects. Detailed financial information regarding the fees to be charged, sources of projected revenues, and costs have not been provided. In addition, an explanation of why the projects cannot be successfully implemented with general fund appropriations was not provided.

### **Nexus or linkage**

Linkage exists between the moneys received from grants, donations, and contributions, interest earned, and legislative appropriations used as seed moneys to establish the special fund and the projects. However, linkage does not exist between the projects and continued support from legislative appropriations.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for these projects could be provided through direct general fund appropriations.

# Invasive Species Rapid Response Special Fund

## H.B. No. 1596

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

This bill would establish an Invasive Species Rapid Response Special Fund, to be administered by the Invasive Species Council within the Department of Land and Natural Resources. The purpose of the fund would be to create a mechanism for the rapid response to invasive species so that newly detected threats can be immediately addressed. Revenues to the fund would come from legislative appropriations. This bill would also provide an unspecified amount of general funds to the fund for FY2016-17.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, source of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

This bill does not satisfy the criteria for establishing a special fund. Linkage does not exist between continued support from legislative appropriations and invasive species rapid response activities. There is also no demonstrated need for the fund and the fund would not be self-sustaining without legislative appropriations.

#### Demonstrated need for the fund

The criteria for demonstrating the need for this special fund have not been met because the activities could be funded with general fund appropriations.

### **Nexus or linkage**

Although linkage exists between the cost of administering the invasive species rapid response activities and legislative appropriations used as seed moneys to establish the special fund, linkage does not exist between the activities and continued support from legislative appropriations.

### **Self-sustainability**

Although estimated revenue and expenditure information has not been provided, the fund would need general fund appropriations to be financially self-sustaining as legislative appropriations are the only source of revenue to the fund.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for the program's activities could be provided through direct general fund appropriations.

# Law Enforcement Standards Board Special Fund and Law Enforcement Employment Standards and Training Board Special Fund H.B. No. 1903, S.B. Nos. 2325 and 2755 Does Not Meet Criteria

## Description and Purpose of the Proposed Fund

H.B. No. 1903 and S.B. No. 2325 would establish a Law Enforcement Standards Board Special Fund administered by a Law Enforcement Standards Board. S.B. No. 2755 would establish a Law Enforcement Employment Standards and Training Board Special Fund administered by a Law Enforcement Employment Standards and Training Board. The boards would be administratively attached to the Department of the Attorney General and administer the respective funds.

The purpose of the boards would be to develop statewide standards for employment and training for state and county law enforcement officers. Revenues to the funds would come from application fees for certification as a law enforcement officer, as well as gifts, grants, interest earned, and legislative appropriations. The bills would also provide an unspecified general fund appropriation into the funds for FY2016–17. Moneys in the funds would be used to defray the costs of board duties. Similar funds were proposed in H.B. No. 1803 and S.B. No. 2937 during the 2014 legislative session, and in H.B. No. 1210 and S.B. No. 568 during the 2015 legislative session.

## Criteria

We used three criteria to analyze the funds:

1. The need for the funds, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenues, and costs) and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the activity users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the funds demonstrate the capacity to be financially self-sustaining.

## Analysis

These bills do not satisfy the criteria for establishing special funds. Although nexus or linkage exists between the sources of revenue and the activities, evidence is lacking to show that the funds are needed to support the activities. Evidence is also lacking to demonstrate that the funds could be financially self-sustaining.

### **Demonstrated need for the funds**

There is insufficient information to demonstrate the funds are needed to support the activities. Detailed financial information regarding fees to be charged, sources of projected revenues, and costs were not provided.

### **Nexus or linkage**

Nexus exists between fees charged to law enforcement officers and the program's activities. Linkage exists between gifts, grants, interest earned, and legislative appropriations used as initial seed moneys to establish the special funds and their activities. However, linkage does not exist between the activities and continued support from legislative appropriations.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the funds' capacities to be financially self-sustaining.

## Probable Effects

Administrative costs associated with new funds would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the funds and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## Alternate Funding

Support for these activities could be provided through the Criminal Forfeiture Fund.

# Measurement Standards Special Fund

## S.B. No. 2621

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

This bill would establish a Measurement Standards Special Fund, to be administered by the Department of Agriculture. Revenues to the fund would come from legislative appropriations, collections of the measurement standards tax, interest income, and allotments from other sources. Moneys in the fund would be used to administer the measurement standard statute.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

This bill does not satisfy the criteria for establishing a special fund. Although nexus or linkage exists between some sources of revenue and the program, evidence is lacking to show that the fund is needed to support the program and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund could be financially self-sustaining.

#### Demonstrated need for the fund

There is insufficient information to demonstrate the fund is needed to support the program. An explanation of why the program cannot be successfully implemented with general fund appropriations was provided; however, detailed financial information regarding fees to be charged, sources of projected revenues, and costs have not been provided.

### **Nexus or linkage**

Nexus exists between the program's activities and the measurement standards tax. In addition, linkage exists between the program, interest income, and allotments from other sources. However, linkage does not exist with legislative appropriations.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for this program could be provided through direct general fund appropriations.



# Mock Credit Union Special Fund

## H.B. No. 2442

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

This bill would establish a Mock Credit Union Special Fund, to be administered by the principal of each high school within the Department of Education. The purpose of the fund would be to provide short-term loans to students to finance, produce, and sell products for entrepreneurial projects sponsored by their school. Revenues to the fund would come from loan repayments, fees and fines, gifts, donations, grants, and legislative appropriations. The bill would also provide an unspecified general fund appropriation to the fund for FY2016–17.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

Although the Mock Credit Union Special Fund is labeled as a special fund it is strikingly similar to a revolving fund and for that reason is reviewed as such. This bill does not satisfy the criteria for establishing a revolving fund. Although nexus or linkage exists between the sources of revenue and the projects, evidence is lacking to show that the fund is needed to support the projects. Evidence is also lacking to demonstrate that the fund would have the capacity to be financially self-sustaining.

#### Demonstrated need for the fund

There is insufficient information to demonstrate the fund is needed to support the projects. Detailed financial information regarding the fees to be charged, sources of projected revenues, and costs have not been provided.

### **Nexus or linkage**

Nexus or linkage exists between the loan repayments, fees and fines, gifts, donations, grants, and legislative appropriations used as seed moneys to establish the revolving fund with the projects. However, linkage does not exist between the projects and continued support from legislative appropriations.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

There is no feasible alternative funding to this fund.

# Parametric Disaster Insurance Special Fund

## H.B. No. 2576

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

This bill would establish a Parametric Disaster Insurance Pilot Program and Parametric Disaster Insurance Special Fund, to be administered by the Department of Accounting and General Services. The purpose of the program would be to explore parametric disaster insurance policies and purchase parametric disaster insurance for the State. Revenues to the fund would come from interest earned from moneys in the Hurricane Reserve Trust Fund; moneys received from the payout of a parametric disaster insurance policy; and legislative appropriations. Moneys in the fund would be used to purchase parametric disaster insurance for the State.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

This bill does not satisfy the criteria for establishing a special fund. Although nexus or linkage exists between some sources of revenue and the program, evidence is lacking to show that the fund is needed to support the program and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund could be financially self-sustaining.

#### Demonstrated need for the fund

There is insufficient information to demonstrate the fund is needed to support the program. Detailed financial information regarding fees to be charged, sources of projected revenues, and costs have not been

provided. In addition, an explanation of why the program cannot be successfully implemented with general fund appropriations was not provided.

### **Nexus or linkage**

Linkage exists between the program and moneys received from payout of a parametric disaster insurance policy. However, linkage does not exist with interest earned from moneys in the Hurricane Reserve Trust Fund or continuing legislative appropriations.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for this program could be provided through direct general fund appropriations.

# Pathways for Academic Career and Employment Special Fund S.B. No. 2528 Does Not Meet Criteria

## Description and Purpose of the Proposed Fund

This bill would establish a Pathways for Academic Career and Employment Program, to be known as PACE Hawai‘i, and a Pathways for Academic Career and Employment Special Fund, to be administered by the Department of Education. The purpose of the program would be to provide funding to community colleges to develop, in coordination with various partners, projects to enable eligible participants to acquire effective academic and employment training to secure gainful, quality, in-state employment. Revenues to the fund would come from legislative appropriations. The bill would also provide an unspecified general fund appropriation into the fund for FY2016–17. Moneys in the fund would be used to employ pathway navigators to assist students applying for or enrolled in eligible PACE Hawai‘i projects and provide staff and support for the development and implementation of regional industry sector partnerships within the county served by the community college.

## Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

## Analysis

This bill does not satisfy the criteria for establishing a special fund. Nexus or linkage does not exist between the sources of revenue and the program, and evidence is lacking to show that the fund is needed to support the program and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund could be financially self-sustaining.

### **Demonstrated need for the fund**

There is insufficient information to demonstrate the fund is needed to support the program. Detailed financial information regarding fees to be charged, sources of projected revenues, and costs have not been provided. In addition, an explanation of why the program cannot be successfully implemented with general fund appropriations was not provided.

### **Nexus or linkage**

Nexus or linkage does not exist between the program and continued legislative appropriations.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for this program could be provided through direct general fund appropriations.

# Public Housing Improvement Special Fund

## S.B. No. 3026

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

This bill would establish a Public Housing Improvement Special Fund, to be administered by the Hawai‘i Public Housing Authority. The purpose of the fund would be to provide additional moneys for the repair, maintenance, and improvement needs of public housing. Revenues to the fund would come from a portion of income tax remittances under Section 235-102.5, Hawai‘i Revised Statutes; interest and investment earnings; grants; donations; and contributions from private or public sources. Moneys in the fund would be used for housing project and facilities improvements, and minor repair and maintenance of public housing.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

This bill does not satisfy the criteria for establishing a special fund. Although linkage exists between the sources of revenue and the projects, evidence is lacking to show that the fund is needed to support the projects and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund could be financially self-sustaining.

#### Demonstrated need for the fund

There is insufficient information to demonstrate the fund is needed to support the projects. Detailed financial information regarding the fees to be charged, sources of projected revenues, and costs have not been

provided. In addition, an explanation of why the projects cannot be successfully implemented with general fund appropriations was not provided.

### **Nexus or linkage**

Linkage exists between public housing improvement projects and revenues received from a portion of designated income tax refunds, interest and investment earnings, grants, donations, and contributions.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for these projects could be provided through the Public Housing Revolving Fund or direct general fund appropriations.



# Public Service Legal Loan Repayment Assistance Fund

## H.B. No. 1531

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish a Public Service Legal Loan Repayment Assistance Program and Public Service Legal Loan Repayment Assistance Fund, to be administered by the Hawai'i Justice Foundation and William S. Richardson School of Law at the University of Hawai'i. The purpose of the program is to provide loan repayment assistance to licensed lawyers who practice in public service positions. Revenues to the fund would come from private contributions, investment income, and an initial general fund appropriation for an unspecified amount for FY2016–17. Moneys in the fund would be used for program loan assistance and administration. Similar funds were proposed in H.B. No. 549 and S.B. No. 635 during the 2015 legislative session.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

This bill does not satisfy the criteria for establishing a special fund. Although linkage exists between the sources of revenue and the program, evidence is lacking to show that the fund is needed to support the program and that the program cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund could be financially self-sustaining.

provided. In addition, an explanation of why the projects cannot be successfully implemented with general fund appropriations was not provided.

### **Nexus or linkage**

Linkage exists between public housing improvement projects and revenues received from a portion of designated income tax refunds, interest and investment earnings, grants, donations, and contributions.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for these projects could be provided through the Public Housing Revolving Fund or direct general fund appropriations.

# Puuhonua Commission Special Fund

## H.B. No. 2190 and S.B. No. 2629

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

These bills would establish a Puuhonua Commission and a Puuhonua Commission Special Fund, to be administered by the Department of Public Safety. The purpose of the commission would be to provide formerly incarcerated individuals a place to heal or become whole again in a way that benefits society. Moneys in the fund would be used to support the Puuhonua Commission and Puuhonua Commission advisory committees. Revenues would come from legislative appropriations and grants or donations made to the commission.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

These bills do not satisfy the criteria for establishing a special fund. Although nexus or linkage exists between some sources of revenue and the commission's activities, evidence is lacking to show that the fund is needed to support the program and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund could be financially self-sustaining.

#### Demonstrated need for the fund

There is insufficient information to demonstrate the fund is needed to support the program. Detailed financial information regarding fees to be charged, sources of projected revenues, and costs have not been

provided. In addition, an explanation of why the program cannot be successfully implemented with general fund appropriations was not provided.

### **Nexus or linkage**

Linkage exists between the program and grants or donations made to the Puuhonua Commission. However, linkage does not exist with ongoing legislative appropriations.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for the commission's activities could be provided through direct general fund appropriations.

# Rail Business Interruption Fund

## H.B. No. 1588 and S.B. No. 2633

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

These bills would establish a Rail Business Interruption Fund, to be administered by the Office of Planning. The purpose of the fund would be to provide financial assistance to small businesses that abut or face a rail transit corridor and are able to produce relevant financial records that demonstrate a loss of business revenue of at least 25 percent or greater, or substantial hardship directly related to rail construction. Revenues to the fund would come from no less than \$2 million in aggregate from contractors involved in rail construction, no less than \$2 million from any State county with a population of over 700,000 people, and no less than \$2 million from the general fund. The bills would also appropriate \$150,000 of general funds to the fund for FY2016–17. Moneys in the fund would be used to provide financial assistance to eligible small businesses to cover fixed operating expenses, such as utility, insurance, rent or mortgage, payroll, and other types of eligible documented business-related expenses.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, projected revenues, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the activity and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

These bills do not satisfy the criteria for establishing a special fund. Although linkage exists between the small businesses impacted by rail's construction and revenues from contractors involved in that construction, it does not exist with revenues received from the counties. Evidence is lacking to show that the fund is needed and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund would have the capacity to be self-sustaining.

### **Demonstrated need for the fund**

There is insufficient information to demonstrate the fund is needed to support the program's activities. Detailed financial information regarding fees to be charged, sources of projected revenues, and costs have not been provided. In addition, an explanation of why the program's activities cannot be successfully implemented with general fund appropriations was not provided.

### **Nexus or linkage**

Linkage exists between the program's financial assistance activities and the revenues received from contractors involved with rail construction, and with legislative seed moneys to establish the special fund. However, linkage does not exist between the financial assistance activities and revenue from the counties or continued support from legislative appropriations.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate that the fund has the capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for the program's activities could be provided through direct general fund appropriations.

# Rapid Response Training Revolving Fund

## H.B. No. 2642

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

This bill would establish a Rapid Response Training Program and Rapid Response Training Revolving Fund, to be administered by the Department of Business, Economic Development, and Tourism. The program would facilitate the development of a rapid response training capacity capable of developing and delivering short-term customized training programs for businesses and industries that cannot be provided in a timely fashion by existing training programs. Revenues to the fund would come from legislative appropriations, training fees paid by firms or other agencies and organizations related to training services, donations, contributions, grants, and governmental fund transfers. Moneys in the fund would be used to contract with appropriate training providers for the development of custom training programs and for administrative expenses.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

Although the Rapid Response Training Revolving Fund is labeled as a revolving fund, it operates more like a special fund and for that reason is analyzed as such. The bill does not satisfy the criteria for establishing a special fund. Although nexus or linkage exists between the sources of revenue and the program, evidence is lacking to show that the fund is needed to support the program and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund could be financially self-sustaining with means to replenish the fund.

### **Demonstrated need for the fund**

There is insufficient information to demonstrate the fund is needed to support the program. Detailed financial information regarding fees to be charged, sources of projected revenues, and costs have not been provided. In addition, an explanation of why the program cannot be successfully implemented under the general fund appropriation process was not provided.

### **Nexus or linkage**

Nexus or linkage exists between the training fees paid by firms or other agencies and organizations, donations, contributions, grants, and governmental fund transfers. However, linkage does not exist between continued support from legislative appropriations and the program.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for this program could be provided through direct general fund appropriations.



# Rx Plus Special Fund

## H.B. No. 1682

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish an Rx Plus Program and Rx Plus Special Fund, to be administered by the Department of Human Services. The purpose of the program would be to combine the purchasing power of all qualified State residents to reduce prescription drug costs and improve the quality of health care. Program participants must have a family income equal to or less than 350 percent of the federal poverty level and lack prescription drug coverage or have exceeded the extent of their drug benefits. Revenues to the fund would come from moneys received from manufacturers and labelers who pay rebates, legislative appropriations, interest income, and other revenues designated for the fund. Moneys in the fund would be used for reimbursement payments to participating pharmacies for discounts provided to program participants and the cost of administering the program. The bill would also provide that an unspecified general fund appropriation into the fund for FY2016–17.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

This bill does not satisfy the criteria for establishing a special fund. Although linkage exists between the program and revenues received from manufacturer rebates and from legislative appropriations used as initial seed moneys, linkage does not exist with continued support from legislative appropriations. Evidence is lacking to show that the fund is needed and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund could be self-sustaining.

### **Demonstrated need for the fund**

There is insufficient information to demonstrate the fund is needed to support the program. Detailed financial information regarding the fees to be charged, sources of projected revenues and costs have not been provided. In addition, an explanation of why the program cannot be successfully implemented with general fund appropriations was not provided.

### **Nexus or linkage**

Although linkage exists between the program and the manufacturer rebates, interest income, other income designated for the fund, and legislative appropriations used as seed moneys to establish the special fund, linkage does not exist between the program and continued support from legislative appropriations.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate that the fund has the capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

The program could be supported through direct general fund appropriations.

# Shipping Container Inspection Program Special Fund

## H.B. No. 2485 and S.B. No. 2632

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

These bills would establish a Shipping Container Inspection Program and Shipping Container Inspection Program Special Fund, to be administered by the Department of Public Safety. The purpose of the program would be to randomly inspect shipping containers arriving in Honolulu for illegal fireworks and explosives smuggled into the State. Revenues to the fund would come from legislative appropriations, gifts, donations, grants, and all proceeds collected by the Department of Transportation from shipping container import fees. The bills would also appropriate \$250,000 in general funds into the fund for FY2016–17. Moneys in the fund would be used to support and administer the program.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

These bills do not satisfy the criteria for establishing a special fund. Although nexus or linkage exists between some sources of revenue and the program, evidence is lacking to show that the fund is needed to support the program and that the program cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund could be financially self-sustaining.

### **Demonstrated need for the fund**

There is insufficient information to demonstrate the fund is needed to support the program. Detailed financial information regarding fees to be charged, sources of projected revenues, and costs have not been provided. In addition, an explanation of why the program cannot be successfully implemented with general fund appropriations was not provided.

### **Nexus or linkage**

Nexus exists between the program and proceeds collected by the Department of Transportation from shipping container import fees. Linkage exists between the program and gifts, donations, and grants. However, linkage does not exist with legislative appropriations.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for this program could be provided through direct general fund appropriations.

# Sports and Entertainment Authority Special Fund

## H.B. No. 1847 and S.B. No. 2216

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

These bills would establish a Sports and Entertainment Authority Special Fund to receive fees and other moneys for administration, operation, maintenance, promotion, and management of the Aloha Stadium and entertainment and sports development in the State. The bills would also transfer powers and duties from the Stadium Authority to the Sports and Entertainment Authority and repeal the Stadium Authority, the Stadium Authority Special Fund, and the Kapolei Recreational Sports Complex Special Fund.

The new authority, which would administer the fund, would be administratively attached to the Department of Accounting and General Services. Revenues to the fund would come from a portion of revenues from the transient accommodations tax, legislative appropriations, gifts, grants, interest income, and funds received pursuant to a management contract or collected by the new authority from the operations of a state sports complex. Moneys in the fund would be used for the new authority's administrative expenses and to finance the capital improvement projects for and maintenance of the Aloha Stadium, the state sports complex, and related facilities. This bill would also transfer the balances of the existing Stadium Special Fund, Stadium Special Account, and Kapolei Recreational Sports Complex Special Fund to the fund.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

## **Analysis**

These bills do not satisfy the criteria for establishing a special fund. Although linkage exists between the sources of revenue and the authority's activities, evidence is lacking to show that the fund is needed to support the authority's activities. Evidence is also lacking to demonstrate that the fund could be financially self-sustaining.

### **Demonstrated need for the fund**

There is insufficient information to demonstrate the fund is needed to support the authority's activities. Detailed financial information regarding the fees to be charged, sources of projected revenues and costs was not provided.

### **Nexus or linkage**

Linkage exists between the authority's activities and revenues from the transient accommodations tax, gifts, grants, interest, transfers from existing funds, and moneys received from the operations of state sports or entertainment complexes. However, linkage does not exist between the activities and continued support from legislative appropriations.

### **Self-sustainability**

Estimated revenue and expenditure information was not provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for the authority's activities could be provided through direct general fund appropriations.

# State Lottery Prize Revolving Fund

## H.B. No. 2536

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

This bill would establish a State Lottery Prize Revolving Fund, to be administered by a Hawai‘i State Lottery Commission within the Department of Accounting and General Services. The purpose of the commission would be to oversee a state lottery to produce the maximum amount of net revenue consistent with the dignity of the state. Revenues to the fund would consist of a portion of the sale of lottery tickets or shares and a portion of unclaimed lottery prizes, if any. Moneys in the fund would be used for the payment of prizes to holders of winning lottery tickets or shares.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

This bill does not satisfy the criteria for establishing a revolving fund. Although nexus or linkage exists between the lottery program and the revenue sources, evidence is lacking to show that the funds are needed to support the program. Evidence is also lacking to demonstrate that the fund could be financially self-sustaining.

#### Demonstrated need for the fund

There is insufficient information to demonstrate the fund is needed to support the program. Detailed financial information regarding the fees to be charged, sources of projected revenues, and costs were not provided.

### **Nexus or linkage**

Nexus or linkage exists between a state lottery and revenues received from a portion of sales of lottery tickets and fees charged to parties involved in the voluntary assignment of lottery prizes.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

There is no feasible alternative funding for this fund.



# State Lottery Revolving Fund

## H.B. No. 2536

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish a State Lottery Revolving Fund, to be administered by a Hawai‘i State Lottery Commission within the Department of Accounting and General Services. The purpose of the commission would be to oversee a state lottery to produce the maximum amount of net revenue consistent with the dignity of the state. Revenues to the fund would consist of the sale of lottery tickets or shares, fees charged to parties involved in a voluntary assignment of lottery prizes, and all other moneys credited or transferred from any other fund or source pursuant to statute, with the exception of moneys set aside for payment of prizes. Moneys in the fund would be used for expenses of the commission and the operation of the lottery. Transfers would be made to the Homeless Special Fund from moneys remaining in the fund at the end of each fiscal year.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

This bill does not satisfy the criteria for establishing a revolving fund. Nexus or linkage does not exist between a state lottery and transfers made to the Homeless Special Fund. Evidence is lacking to show that the funds are needed to support the program. Evidence is also lacking to demonstrate that the fund could be financially self-sustaining.

### **Demonstrated need for the fund**

There is insufficient information to demonstrate the fund is needed to support the program. Detailed financial information regarding the fees to be charged, sources of projected revenues and costs were not provided.

### **Nexus or linkage**

Nexus or linkage exists between a state lottery and revenues received from the sales of lottery tickets and fees charged to parties involved in the voluntary assignment of lottery prizes. However, nexus or linkage does not exist between a state lottery and transfers made to the Homeless Special Fund.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

There is no feasible alternative funding for this fund.

# Student Loan Subsidy Program Special Fund

## H.B. No. 2733, S.B. Nos. 2586 and 2594

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

These bills would establish a Student Loan Subsidy Program and a Student Loan Subsidy Program Special Fund, to be administered by the Department of Education. The purpose of the program would be to provide financial support to teachers who provide special education, vocational or technical education, or career pathway programs. Revenues to the fund would come from legislative appropriations, private contributions, and moneys from other private sources. H.B. 2733 and S.B. 2586 would also provide \$5 million in general funds into the fund for FY2016–17; S.B. 2594 would provide an unspecified amount of general funds. Moneys in the fund would be used for providing loan subsidies to qualifying teachers under the program.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, projected revenues, and costs) and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

These bills do not satisfy the criteria for establishing a special fund. Although linkage exists between private contributions and legislative appropriations used as seed moneys with the program, linkage does not exist between continued support from legislative appropriations and the program. Evidence is lacking to show that the fund is needed and would have the capacity to be self-sustaining.

### **Demonstrated need for the fund**

There is insufficient information to demonstrate the fund is needed to support the program. Detailed financial information regarding fees charged, sources of projected revenues, and costs has not been provided.

### **Nexus or linkage**

Although linkage exists between the private contributions and legislative appropriations used as seed moneys to establish the special fund with the program, linkage does not exist between continued support from legislative appropriations with the program.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate that the fund has the capacity to be financially self-sustaining. According to the legislator who proposed the bill, the fund may periodically need general fund appropriations in order to ensure continuance of the program it supports.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to the normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

There is no feasible alternative funding to this fund.

# Transit Oriented Development Infrastructure Authority Special Fund H.B. No. 2199 Does Not Meet Criteria

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## Description and Purpose of the Proposed Fund

This bill would establish a Transit Oriented Development Infrastructure Authority Special Fund and Transit Oriented Development Infrastructure Authority, to be administratively placed within the Department of Business, Economic Development, and Tourism. The authority would oversee and manage the development of infrastructure on state-owned, transit-oriented development locations within one-quarter mile from any rail station. Revenues to the fund would come from a portion of transient accommodations tax revenues, legislative appropriations, gifts, donations, grants, and interest income. The bill would also provide an unspecified general fund appropriation into the fund for FY2016–17. Moneys in the fund would be used for administrative, personnel, and operational costs of the authority.

## Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenues, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

## Analysis

This bill does not satisfy the criteria for establishing a special fund. Although linkage, or partial linkage, exists between the sources of revenue and the authority's activities, evidence is lacking to show that the fund is needed to support the activities and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund could be financially self-sustaining.

### **Demonstrated need for the fund**

There is insufficient information to demonstrate the fund is needed to support the authority's activities. Detailed financial information regarding fees to be charged, sources of projected revenues, and costs have not been provided. In addition, an explanation of why the activities cannot be successfully implemented with general fund appropriations was not provided.

### **Nexus or linkage**

Although linkage, or partial linkage, exists between the activities and revenues received from a portion of transient accommodations tax revenues, legislative appropriations used as seed moneys to establish the special fund, gifts, donations, grants, and interest income, linkage does not exist between the activities and continued support from legislative appropriations.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for the activities could be provided through direct general fund appropriations.

# Uninsured Motorist Identification Special Fund

## H.B. No. 2187

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

This bill would establish an Uninsured Motorist Identification Database Program and an Uninsured Motorist Identification Special Fund, to be administered by the Insurance Division of the Department of Commerce and Consumer Affairs. The purpose of the program would be to establish a database to verify compliance with motor vehicle insurance requirements and assist in reducing the number of uninsured motor vehicles on state highways. Revenues to the fund would come from motor vehicle reinstatement fees collected under Section 249-31, Hawai'i Revised Statutes, and interest earned on the fund. Moneys in the fund would be used for the development and administration of the database program.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

This bill does not satisfy the criteria for establishing a special fund. Although linkage exists between the sources of revenue and the program, evidence is lacking to show that the fund is needed to support the program and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund could be financially self-sustaining.

#### Demonstrated need for the fund

There is insufficient information to demonstrate the fund is needed to support the program. Detailed financial information regarding the

fees charged, sources of projected revenues, and costs have not been provided. In addition, an explanation of why the program cannot be successfully implemented with general fund appropriations was not provided.

### **Nexus or linkage**

Linkage exists between the database program and the reinstatement fees collected from motorists and interest earned.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for this program could be provided through direct general fund appropriations.



# University Innovation and Commercialization Initiative Special Fund

## H.B. No. 2414 and S.B. No. 2943

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

These bills would establish an Innovation and Commercialization Initiative Program and University Innovation and Commercialization Initiative Special Fund, to be administered by the University of Hawai‘i. The purpose of the program would be to promote, sponsor, and participate in the transformation of products of its research and instructional activities into viable economic enterprises, and to create, finance, and participate in organizations that contribute to economic development and workforce diversification using university research and affiliated university personnel. Revenues to the fund would come from legislative appropriations, loan repayments, investment income, moneys received from venture agreements, royalties, premiums or fees charged by the university, and any other moneys required by the program. Moneys in the fund would be expended by the university for all costs and expenses associated with the program’s operations.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

These bills do not satisfy the criteria for establishing a special fund. Although nexus, or linkage, exists between the sources of revenue and the program, evidence is lacking to show that the fund is needed to support the program. Evidence is also lacking to demonstrate that the fund could be financially self-sustaining.

### **Demonstrated need for the fund**

There is insufficient information to demonstrate the fund is needed to support the program. Detailed financial information regarding fees to be charged, sources of projected revenues, and costs have not been provided.

### **Nexus or linkage**

Nexus or linkage exists between the program and the revenue sources from loan repayments, investment income, moneys received from venture agreements, royalties, premiums or fees, and legislative appropriations used as seed moneys to establish the fund. However, linkage does not exist between the program and continued support from legislative appropriations.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

There is no feasible alternative funding to this fund.

# University of Hawai‘i Green Special Fund

## H.B. No. 2240

### Does Not Meet Criteria

#### Description and Purpose of the Proposed Fund

This bill would establish a University of Hawai‘i Green Special Fund, to be administered by the University of Hawai‘i. The purpose of the fund would be to collect and expend revenues to harness savings realized from energy efficiency investments and other sources of revenues to reinvest into further measures to reduce energy consumption and operating costs towards achieving the university’s net-zero energy goal. Revenues to the fund would come from savings realized by the university from energy conservation measures; legislative appropriations; investment earnings, gifts, donations, or other income; rebates, grants or incentives associated with energy conservation measures; and other moneys transferred by the university. Moneys in the fund would be used to support energy efficiency, renewable energy and sustainability projects and services, as well as planning, design and implementation of sustainability projects for the benefit of the university.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the program (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
2. Whether there is (a) a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or (b) a clear link between the program and sources of revenue—as opposed to providing the program with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

#### Analysis

This bill does not satisfy the criteria for establishing a special fund. Although nexus or linkage exists between some sources of revenue and the projects, evidence is lacking to show that the fund is needed to support the projects and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund could be financially self-sustaining.

### **Demonstrated need for the fund**

There is insufficient information to demonstrate the fund is needed to support the projects. Detailed financial information regarding fees to be charged, sources of projected revenues, and costs have not been provided. In addition, an explanation of why the projects cannot be successfully implemented with general fund appropriations was not provided.

### **Nexus or linkage**

Linkage exists between the projects and savings realized by the university from energy conservation measures; investment earnings, gifts, or donations; and rebates, grants or incentives associated with energy conservation measures. However, linkage does not exist with legislative appropriations, other income, and other moneys transferred by the university.

### **Self-sustainability**

Estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Administrative costs associated with a new fund would be incurred by the State's central service agencies. Undetermined amounts of revenue would be deposited into the fund and would not be subject to normal lapsing requirements. From a legislative perspective, special and revolving funds are less desirable because the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear less than they are.

## **Alternate Funding**

Support for these projects could be provided through direct general fund appropriations.