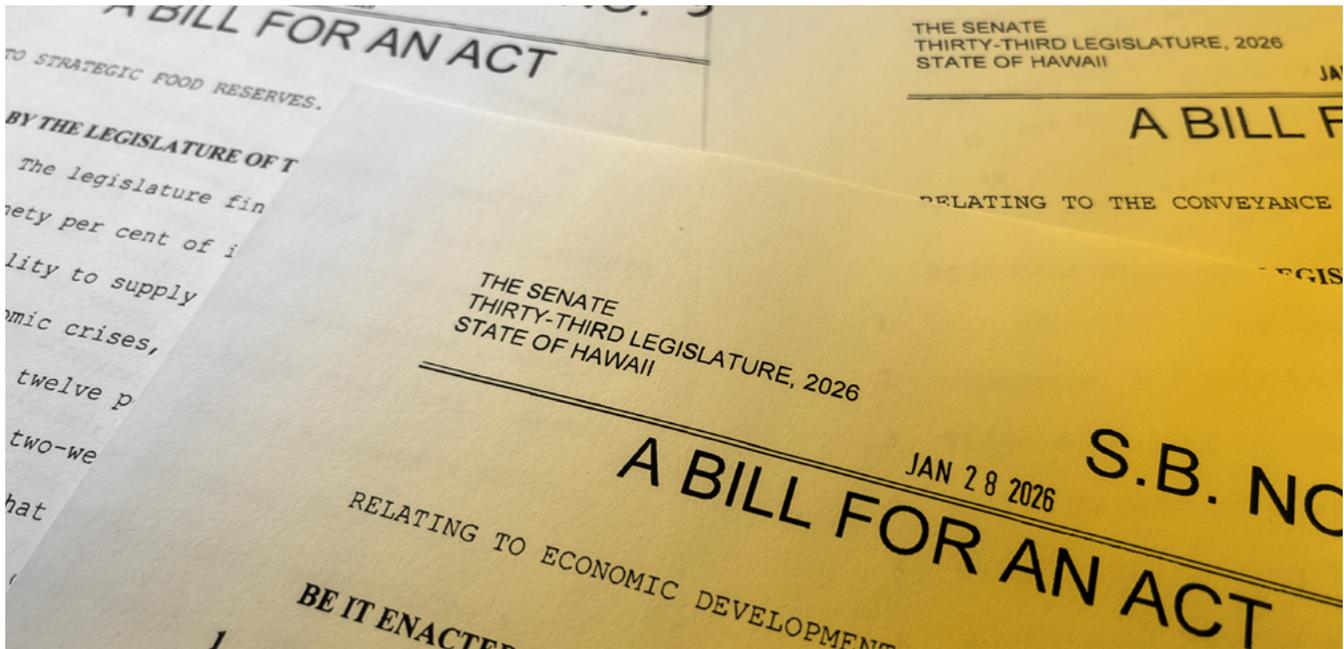


# Auditor's Summary

## Analyses of Proposed Special and Revolving Funds 2026

Report No. 26-07

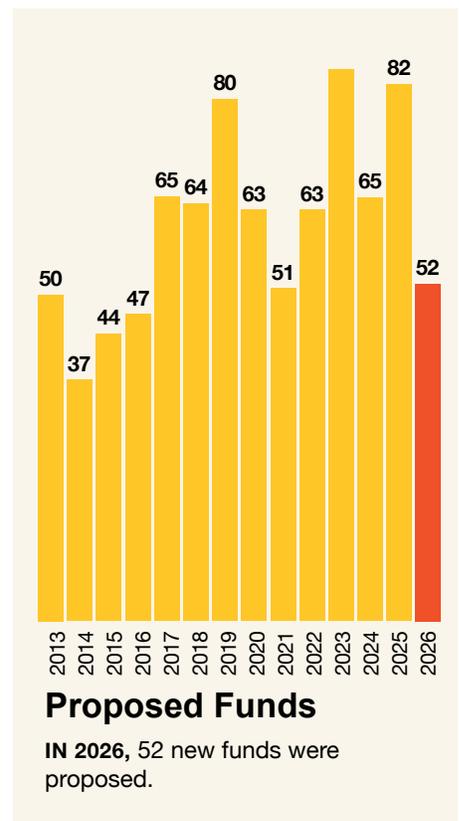


### Fifty-two of the funds proposed in 2026 did not meet criteria.

We reviewed 76 House and Senate bills proposing 52 special and revolving funds during the 2026 legislative session, none of which met criteria.

**ONLY ABOUT HALF OF THE MONEY** the State spends each year comes from its main financial account, the General Fund. The other half of expenditures are financed by special, revolving, federal, and trust funds. Between 2008 and 2012, the number of these non-general funds and the amount of money contained in them substantially increased. Much of that upward trend had been caused by an increase in special funds, which are funds set aside by law for a specified object or purpose.

In 2013, the Legislature amended Section 23-11, Hawai'i Revised Statutes (HRS), after the Auditor recommended changes to rein in the proliferation of special and revolving funds over the past 30 years. General funds, which made up about two-thirds of state operating budget outlays in the late 1980s, had dwindled to about half of outlays, eroding the Legislature's ability to control the state budget through the general fund appropriation process and obscuring how much the State has to spend.



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 Hawai‘i 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.

Seventy-six bills were introduced during the 2026 legislative session, proposing 52 new special and revolving funds. We determined that none of the proposed new special or revolving funds met the criteria in Section 23-11, HRS.

## The 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.



[Link to the complete report](https://files.hawaii.gov/auditor/Reports/2026/26-07.pdf)  
<https://files.hawaii.gov/auditor/Reports/2026/26-07.pdf>

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