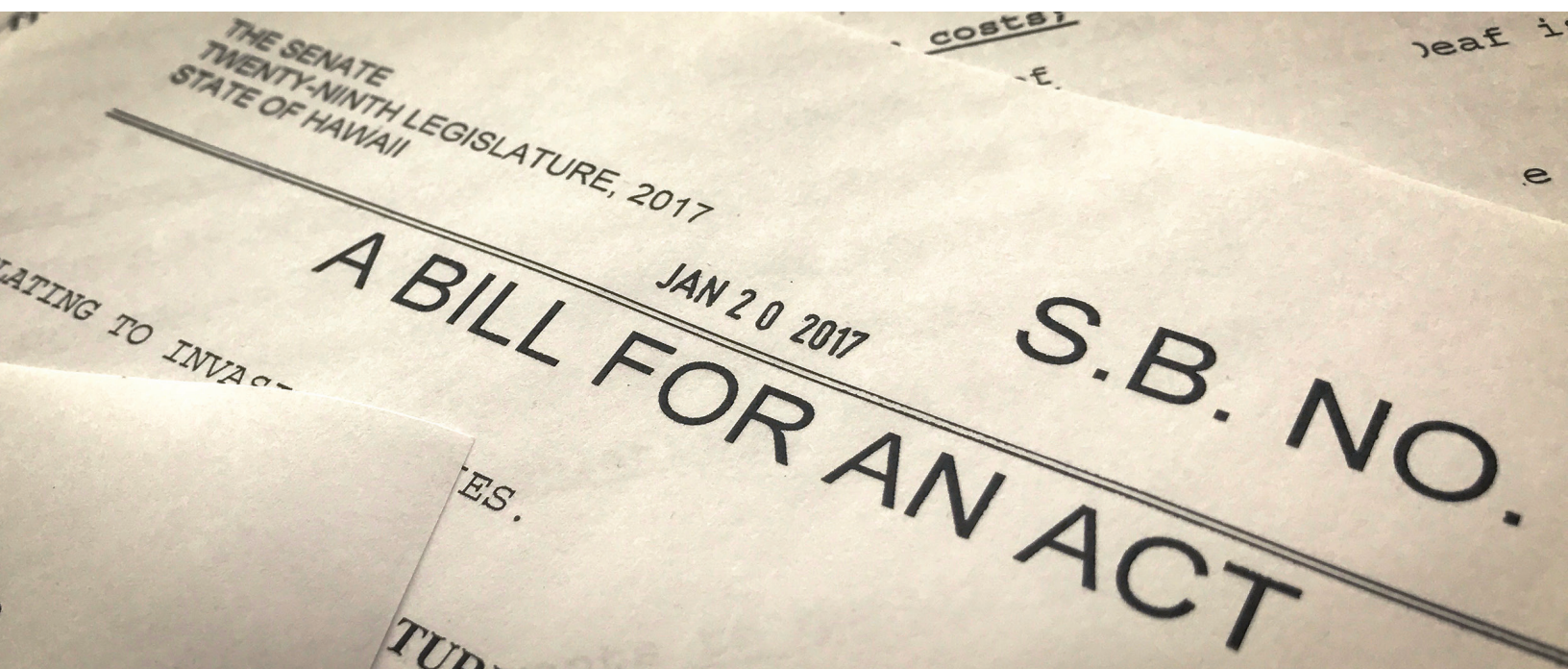


# Analyses of Proposed Special and Revolving Funds 2017

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. 17-03**  
March 2017



**OFFICE OF THE AUDITOR**  
STATE OF HAWAII



## **OFFICE OF THE AUDITOR**

### **STATE OF HAWAII**

#### ***Constitutional Mandate***

Pursuant to Article VII, Section 10 of the Hawai'i State Constitution, the Office of the Auditor shall conduct post-audits of the transactions, accounts, programs and performance of all departments, offices and agencies of the State and its political subdivisions.

The Auditor's position was established to help eliminate waste and inefficiency in government, provide the Legislature with a check against the powers of the executive branch, and ensure that public funds are expended according to legislative intent.

Hawai'i Revised Statutes, Chapter 23, gives the Auditor broad powers to examine all books, records, files, papers and documents, and financial affairs of every agency. The Auditor also has the authority to summon people to produce records and answer questions under oath.

#### ***Our Mission***

*To improve government through independent and objective analyses.*

We provide independent, objective and meaningful answers to questions about government performance. Our aim is to hold agencies accountable for their policy implementation, program management and expenditure of public funds.

#### ***Our Work***

We conduct performance audits (also called management or operations audits), which examine the efficiency and effectiveness of government programs or agencies, as well as financial audits, which attest to the fairness of financial statements of the State and its agencies.

Additionally, we perform procurement audits, sunrise analyses and sunset evaluations of proposed regulatory programs, analyses of proposals to mandate health insurance benefits, analyses of proposed special and revolving funds, analyses of existing special, revolving and trust funds, and special studies requested by the Legislature.

We report our findings and recommendations to the Governor and the Legislature to help them make informed decisions.

*For more information on the Office of the Auditor, visit our website:*  
<http://auditor.hawaii.gov>

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# Foreword

This report compiles our analyses of new special and revolving funds proposed by 2017 legislative bills. The analyses were prepared in accordance with 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. We previously transmitted our analysis of specific proposed funds to the committee or committees to which the bill establishing the fund was referred. Our work was performed from January to February 2017.

Leslie H. Kondo  
State Auditor



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# Auditor's Summary

## Overview of Proposed Special and Revolving Fund Analyses

Report No. 17-03



PHOTO: OFFICE OF THE AUDITOR

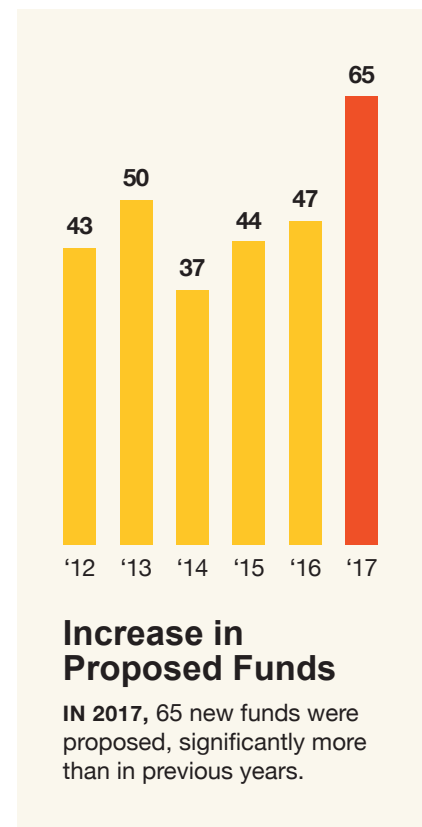
## 65 funds proposed in 2017 did not meet criteria

We reviewed 110 house and senate bills proposing 65 special and revolving funds during the 2017 legislative session of which none 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. Over the past ten years, the number of these non-general funds and the amount of money contained in them have substantially increased. Much of this upward trend has 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, 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.

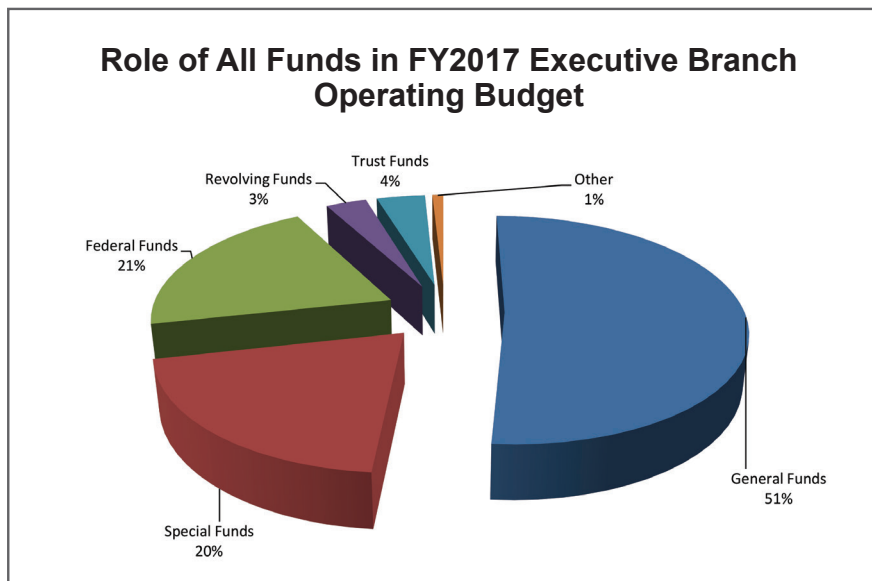
General funds, which made up about two-thirds of state operating budget outlays in the late 1980s, had dwindled to about half of outlays. By 2011,



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.

Despite the new criteria, special and revolving funds persist: in FY2017, the general fund comprised approximately 51 percent of the State operating budget, with special and revolving funds comprising 23 percent.



## The Issue

**NON-GENERAL FUNDS**, such as special, revolving, federal, and trust funds, exist outside the State’s main financial account, the general fund. Over the past 10 years, the number of non-general funds and the amount of money contained in them have substantially increased. In FY2017, non-general funds accounted for about half of the State’s \$13.7 billion operating budget, an increase of 29% from FY2008. This proliferation of non-general funds has hampered the Legislature’s ability to control the state budget through the general fund appropriation process.

## 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.

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.



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# Acquisition of Agricultural Lands Trust Fund

## H.B. No. 924

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish the Acquisition of Agricultural Lands Trust Fund to be administered by the Agribusiness Development Corporation of the Department of Agriculture. The purpose of the fund is to acquire agricultural lands for the protection of such lands, public land banking, conservation of agricultural lands, or the promotion of farm ownership and diversified agriculture. Revenues to the fund would be collected from the proposed increase in the general excise tax rates. Moneys in the fund shall be used to acquire agricultural lands pursuant to Section 163D-31, Hawai‘i Revised Statutes. Similar funds were proposed in H.B. No. 330 during the 2015 legislative session; H.B. No. 1873 and S.B. Nos. 2041 and 2965 during the 2014 legislative session; and S.B. No. 191 during the 2013 legislative session.

#### Criteria

Although the Acquisition of Agricultural Lands Trust Fund is labeled as a trust fund, it is strikingly similar to a special fund and for that reason is reviewed here. 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 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 would be financially self-sustaining.

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### **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 or linkage does not exist between the program and general excise tax revenues.

### **Self-sustainability**

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

## **Probable Effects**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Agribusiness Land and Facilities Special Fund

## S.B. No. 1208

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish the Agribusiness Land and Facilities Special Fund to be administered by the Agribusiness Development Corporation of the Department of Agriculture. The purpose of the fund would be for acquisition, operation, and maintenance costs relating to large tracts of former agricultural lands; and repayment of revenue bonds. Revenues to the fund would be allocated from the corporation's operations; monies received from the acquisition, lease, management, and operation of the large tracts of former agricultural land; proceeds from revenue bonds; and legislative appropriations. A similar fund was proposed in S.B. No. 2560 and H.B. No. 2011 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

This bill does not satisfy criteria for establishing a special fund. Although nexus or linkage exists between the sources of revenue and the program, evidence is lacking to demonstrate that the fund would be financially self-sustaining.

#### Demonstrated need for the fund

The fund is necessary to separately account for the proceeds of revenue bonds issued for purposes of acquiring the specified parcels

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of land and to receive revenues derived from the parcels. However, 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 the revenues allocated from the corporation's operations, and monies received from the acquisition, lease, management, and operation of agricultural lands. Linkage exists between bond sale proceeds and acquiring former agricultural land. However, no clear link or nexus exists between the program and continued support from legislative appropriations.

### **Self-sustainability**

The fund is intended to be self-sustaining. However, estimated revenue and expenditure information has not been provided to demonstrate that the fund has the capacity to be financially self-sustaining.

## **Probable Effects**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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**

No alternate funding sources have been identified.

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# Agriculture Accelerator Special Fund

## S.B. No. 1204

## Does Not Meet Criteria

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### Description and Purpose of the Proposed Fund

This bill would establish the Agriculture Accelerator Special Fund and program to be administered by the Agribusiness Development Corporation, which is administratively attached to the Department of Agriculture. The purpose of the program would be to provide grants to existing or new agriculture businesses that engage in farming, aquaculture, or ranching activities in the state in return for one to six percent equity in the agriculture business. Revenues to the fund would come from a portion of the environmental response, energy, and food security tax imposed on each barrel of petroleum product under Section 243-3.5, Hawai‘i Revised Statutes; legislative appropriations; grants or donations; and interest earned. Moneys in the fund would provide grants to agriculture businesses for purchasing equipment; improving energy efficiency; studying, planning, and constructing a new process and packaging facility; training in food safety technology; acquiring branching and marketing support; and other approved uses.

### 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 program and the sources of revenue. 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 would have the capacity to be financially self-sustaining.

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### **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 nexus or linkage exists between the program and grants and donations, and interest earned, nexus or linkage does not exist between the program and a portion of the environmental response, energy, and food security tax, 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.



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# Alternative Energy Research and Development Revolving Fund

## S.B. No. 680

## Does Not Meet Criteria

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### Description and Purpose of the Proposed Fund

This bill would establish the Alternative Energy Research and Development Revolving Fund to be administered by the High Technology Development Corporation of the Department of Business, Economic Development, and Tourism. The purpose of the program is to promote research and development of alternative energy in Hawai‘i by providing matching grants to businesses that meet specific criteria. Moneys in the fund would provide grants to for-profit businesses that have at least 80 percent ownership by Hawai‘i residents, have been doing business in Hawai‘i for not less than 30 years, and have a grant awarded from the Office of Naval Research related to alternative energy production. Grants from the fund would not exceed 50 percent of the grant awarded by the Office of Naval Research. This bill provides for \$5 million of general funds to be appropriated into the fund each year for fiscal years 2018 and 2019. The fund is to be dissolved on June 30, 2019, and the remaining balance would be transferred to the general fund. A similar fund was proposed in S.B. No. 1370 and H.B. No. 1513 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 criteria for establishing a revolving fund. A revolving fund would not be the appropriate fund type for this financing activity as evidence is lacking to demonstrate that the fund would have the capacity to be financially self-sustaining with means to replenish the fund. The bill also does not satisfy nexus or linkage requirements, and evidence is lacking to show that the fund would be needed to support the program.

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

The criteria for demonstrating the need for this revolving fund has not been met because the program could be funded with general fund appropriations.

### **Nexus or linkage**

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

### **Self-sustainability**

The fund will need general fund appropriations to be financially self-sustaining as legislative appropriations are the main source of revenue to the fund.

## **Probable Effects**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# **Aquatic In-Lieu Fee Mitigation Special Fund and Aquatic Mitigation Banking Special Fund S.B. No. 110 and H.B. No. 789 Does Not Meet Criteria**

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## **Description and Purpose of the Proposed Fund**

These bills would establish the Aquatic In-Lieu Fee Mitigation Special Fund and Aquatic Mitigation Banking Special Fund to be administered by the Department of Land and Natural Resources. The legislature finds that in lieu-fee mitigation is an effective mechanism to restore, create, enhance, or preserve aquatic habitats. Revenues of the Aquatic In-Lieu Mitigation Special Fund would come from moneys received from persons using aquatic in-lieu fee mitigation; aquatic resource violations; legislative appropriations; grants, awards, and donations from public or private sources; and interest earned. Revenues of the Aquatic Mitigation Banking Special Fund would come from moneys received from the sale of aquatic mitigation bank credits; aquatic resource violations; legislative appropriations; grants, awards, and donations from public or private sources; and interest earned. Moneys in the funds will be used for the selection, design, acquisition, implementation, and management of aquatic in-lieu fee mitigation and bank projects, 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 projects (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the projects 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 project users or beneficiaries, or (b) a clear link between the project and sources of revenue—as opposed to providing the project 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.

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## **Analysis**

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

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

There is insufficient information to demonstrate the funds are needed to support the projects. Detailed financial information regarding the fees to be charged, sources of projected revenues and costs has 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**

Nexus or linkage exists between aquatic mitigation projects and the moneys collected from persons using aquatic in-lieu fee mitigation; sale of aquatic mitigation bank credits; aquatic resource violations; grants, awards, and donations from public and private sources; and interest earned. 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 funds capacity to be financially self-sustaining.

## **Probable Effects**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Clean Energy Savings Jump Start Fund

## H.B. No. 1593

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish the Clean Energy Savings Jump Start Fund and program to be administered by the Hawai‘i Green Infrastructure Authority within the Department of Business, Economic Development, and Tourism. The purpose of the program is to assist disadvantaged communities with investments in clean energy and energy efficiency. Moneys in the fund would be used for rebate program payments and administrative costs for the program and fund. The primary beneficiaries are energy storage system owners who provide third-party financing to energy storage system users, or purchase and install an eligible energy storage system in this State after December 31, 2017.

Revenues to the fund would come from the Hawai‘i Green Infrastructure Special Fund established pursuant to Section 196-65, Hawai‘i Revised Statutes, for an unspecified amount of funds to be appropriated for fiscal year 2017-18. The Hawai‘i Green Infrastructure Special Fund makes green infrastructure loans, and pays administrative and other costs of the Hawai‘i Green Infrastructure 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 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. Although nexus or linkage exists between the sources of revenue and the program, evidence is lacking to show that the fund is needed to

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support the program and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund would be financially self-sustaining.

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

There is insufficient information to demonstrate that the fund is needed to support the program. Detailed financial information regarding projected revenues and costs has 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 exists between the program and monies transferred from the Hawai'i Green Infrastructure Special Fund because individuals who purchase and install an eligible energy storage system in this State through the green infrastructure loan would benefit from the rebate 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.



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# Common Elements Maintenance Fee and Rent Revolving Fund

## H.B. No. 376

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish the 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 the Princess Victoria Kamamalu Building. The proposed revolving fund and 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 to operate and maintain 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 project (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the project 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 project users or beneficiaries, or (b) a clear link between the project and sources of revenue—as opposed to providing the project 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 revolving fund. Although nexus or linkage exists between the sources of revenue and the project, evidence is lacking to show that the fund is needed to support the project and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund would be financially self-sustaining.

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

### **Nexus or linkage**

Nexus exists between the project and the 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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 project could be provided through direct general fund appropriations.

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# Community Crosswalks Special Fund

## H.B. No. 1507

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish the Community Crosswalks Special Fund and pilot program to be administered by the Department of Transportation. The purpose of the program would be to design and implement a specially painted crosswalk that represents a neighborhood's unique culture and promotes pedestrian safety. Revenues to the fund would come from legislative appropriations, moneys withdrawn from the Safe Routes to School Program Special Fund established pursuant to Section 291C-4, HRS, and gifts and other private funds. The Community Crosswalks Special Fund shall be abolished on June 30, 2019, and all unencumbered balances shall lapse to the general 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 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 would have the capacity to be financially self-sustaining.

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### **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**

Linkage exists between the program and gifts and other private funds and legislative appropriations used as initial seed moneys to establish the fund. Partial nexus or linkage exist between the program and moneys withdrawn from the Safe Routes to School Program Special Fund. However, nexus or 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Condominium Dispute Resolution Special Fund

## S.B. No. 165 and H.B. No. 381

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

These bills would establish the Condominium Dispute Resolution Special Fund to be administered by the Condominium Dispute Resolution Commission within the Department of Commerce and Consumer Affairs. The purpose of the Condominium Dispute Resolution Commission would be to administer alternative dispute resolution processes relating to condominiums. Revenues to the fund would come from legislative appropriations and fees charged to condominium associations. Moneys in the fund would be used for the salary of the commission ombudsman, employees, specialists, and consultants to assist in the performance of 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 activity (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the activity 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 activity and sources of revenue—as opposed to providing the activity 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 criteria for establishing a special fund. Although partial linkage exists between the sources of revenue and the activities, evidence is lacking to show that the fund is needed to support the activity and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund would be financially self-sustaining.

#### Demonstrated need for the fund

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

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

### **Nexus or linkage**

Linkage exists between the commission and fees charged to condominium associations. However, linkage does not exist between the activity 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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 activity could be provided through direct general fund appropriations.



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# Creative Media and Film Infrastructure Special Fund

## S.B. No. 905 and H.B. No. 1039

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

These bills would amend the Hawai‘i Television and Film Development Special Fund and create the Creative Media and Film Infrastructure Special Fund to be administered by the Department of Business, Economic Development, and Tourism. The purpose of the fund would be to broaden the sources of revenues by capturing revenues from the Hawai‘i Film Studio and other potential revenue sources in order to provide a necessary funding mechanism for ongoing basic repair and maintenance of the film studio as well as other new infrastructure to support the creative media and film industries. Revenues to the fund would come from legislative appropriations; donations, contributions, and grants; and revenues, fees, and charges from the rental and operation of the film studio, processing of film permits pursuant to Section 201-14, Hawai‘i Revised Statutes (HRS), and the film production income tax credit pursuant to Section 235-17, HRS.

#### 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 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 would have the capacity to be financially self-sustaining.

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### **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 has 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 the program and revenues from donations, contributions, grants, and revenues, fees, and charges from the rental and operation of the film studio, processing of film permits, and processing of motion picture, digital media, and film production income tax credit. However, nexus or 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# **Criminal Forfeiture Special Fund**

## **S.B. No. 180**

### **Does Not Meet Criteria**

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#### **Description and Purpose of the Proposed Fund**

This bill would establish the Criminal Forfeiture Special Fund and repeal the existing Criminal Forfeiture [Revolving] 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 associated with forfeited property, penalties, and interest income. This bill would also transfer the remaining balance of the existing Criminal Forfeiture Fund to this proposed fund. A similar fund was proposed in S.B. No. 2466 during the 2016 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 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 financially 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

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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 the revenues received from sale proceeds and penalties associated with forfeited property, interest income, and transfers from the existing 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Designated Redevelopment District Revolving Funds

## S.B. No. 1185 and H.B. No. 1469

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

These bills would establish the Designated Redevelopment District Revolving Funds and planning committee to be administered by the Department of Land and Natural Resources. A separate revolving fund would be established for each district designated by the legislature. The purpose of the committee would be to define the policies for the management of public lands in the designated area; establish a plan for the designated area, including district-wide improvements; and implement asset and property management concepts that can optimize income from the properties. Revenues to the fund would come from fifty percent of the revenues, income, and receipts collected from the designated districts; legislative appropriations; and gifts, grants, and other funds. A similar fund was proposed in H.B. No. 1267 during the 2015 legislative session.

#### Criteria

We used three criteria to analyze the funds:

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 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 and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund would be financially self-sustaining.

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### **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 or linkage exists between the program and fifty percent of the revenues, income, and receipts collected from the designated districts; legislative appropriations used as initial seed moneys to establish the fund; and any gifts, grants, and other funds. However, nexus or 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.



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# Earned Income Tax Credit Special Fund

## S.B. No. 707

## Does Not Meet Criteria

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### Description and Purpose of the Proposed Fund

This bill would establish the Earned Income Tax Credit Special Fund and related State earned income tax credit to be administered by the Department of Taxation. Revenues to the fund would be collected from taxable income over \$200,000 pursuant to Chapter 235-51, Hawai‘i Revised Statutes, provided that in each fiscal year, revenues in excess of an unspecified amount would be deposited into the general fund. Moneys in the fund would be used for earned income tax credit claims.

### 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. 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 would 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 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.

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### **Nexus or linkage**

Linkage exists between the tax credit and the revenues received from taxes imposed on individuals.

### **Self-sustainability**

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

## **Probable Effects**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Education Special Fund

## H.B. No. 449

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish the Education Special Fund to be administered by the Department of Education. The purpose of the fund would be to support early education and public schools. Revenues to the fund would come from permit fees, fines, and excise taxes related to the sale of marijuana, marijuana products, or manufactured marijuana products.

#### 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. No clear 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 would 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 has not been provided. In addition, an explanation of why the program cannot be successfully implemented with general fund appropriations was not provided.

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### **Nexus or linkage**

Nexus or linkage does not exist between fees, taxes, and fines related to the sale of marijuana, marijuana products, or manufactured marijuana products and education.

### **Self-sustainability**

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

## **Probable Effects**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Energy Storage Market Acceleration Special Fund

## S.B. No. 660

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish the Energy Storage Market Acceleration Special Fund and program to be administered by the Hawai‘i Green Infrastructure Authority, which is administratively attached to the Department of Business, Economic Development, and Tourism. The purpose of the program is to help accelerate the market transformation and adoption of energy storage technologies through rebates for eligible energy storage systems. Revenues to the fund would come from an unspecified amount appropriated into the fund from the Hawai‘i Green Infrastructure Special Fund established pursuant to Section 196-65, Hawai‘i Revised Statutes. Moneys in the fund would provide rebates and administrative costs related to 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 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 would be financially self-sustaining.

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

There is insufficient information to demonstrate that the fund is needed to support the program. Detailed financial information regarding projected revenues and costs has 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 exists between the moneys deposited into the fund from the Hawai'i Green Infrastructure Special Fund and the Energy Storage Market Acceleration Program because individuals who purchase and install an eligible energy storage system in this State through the green infrastructure loan benefit from the rebate program payments.

### **Self-sustainability**

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

## **Probable Effects**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Family Self-Sufficiency Program Revolving Fund

## S.B. No. 1106 and H.B. No. 1557

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

These bills would establish the Family Self-Sufficiency Program Revolving Fund and program to be administered by the Hawaii Public Housing Authority. The purpose of the program is to assist tenants in state public housing transition into home ownership by providing tenants with the means to save funds towards the purchase of a permanent dwelling. The authority would set aside 250 dwelling units in low-income projects for occupancy by tenants participating in the program. The purpose of the fund is to hold trust accounts of participating program tenants and to provide matching funds to tenants to use solely toward the purchase of a housing unit. Revenues to the fund would come from rental payments collected from participating program tenants, moneys collected from former participants, earned interest, and legislative appropriations. The trust fund moneys are the authority's funds until the tenant vacates the unit and a purchase and sale agreement of a housing unit is signed and provided to the authority. These bills provide for \$1.38 million of general funds to be appropriated into the fund for both fiscal years 2018 and 2019.

#### 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.

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## Analysis

These bills do not satisfy 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 and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund would 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 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 program and rental payments. 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

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.



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# Farm to School Grant Program Special Fund

## S.B. No. 807 and H.B. No. 255

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

These bills would establish the Farm to School Grant Special Fund and program to be administered by the Department of Education (DOE) in coordination with the Department of Agriculture. The program would assist farmers participating in the program by providing grants to facilitate compliance with requirements of the Food and Drug Administration Food Safety Modernization Act; implement United States Department of Agriculture (USDA) good agricultural practices; perform USDA hazard analysis critical control point procedures; invest in food safety improvements on farms; provide regulatory compliance training; and harmonize the price at which farmers must sell and DOE can afford to buy the products. These bills appropriate \$2 million of general funds into the fund each year for fiscal years 2018 and 2019. Moneys in the fund would be used to provide grants to farmers participating in 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 criteria for establishing a special fund. Nexus or linkage does not exist between continued support from legislative appropriations and the program. There is also no demonstrated need for the fund, and the fund would not be self-sustaining without legislative appropriations.

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

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

### **Nexus or linkage**

Nexus or linkage does not exist between the program 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 main source of revenue to the fund.

## **Probable Effects**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Firearms Insurance Special Fund

## S.B. No. 9

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish the 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. A similar fund was proposed in S.B. No. 3032 during the 2016 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 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 would have the capacity to be financially self-sustaining.

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### **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 or linkage exists between the 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Food Safety Certification Costs Grant Program

## Special Fund

### H.B. No. 453

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish the Food Safety Certification Costs Grant Program Special Fund and grant program to be administered by the Department of Agriculture. The purpose of the program would be to assist farmers and ranchers in meeting the costs of complying with the federal Food Safety Modernization Act, United States Food and Drug Administration regulations, and state food safety laws. The program would provide grants up to \$5,000 per qualified applicant. Revenues to the fund would come from legislative appropriations and interest earned. This bill would also provide that an unspecified amount of general funds be appropriated into the fund for fiscal year 2018.

#### 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 program and the sources of revenue. There is also no demonstrated need for the fund, and the fund is not financially self-sustaining as legislative appropriations are the main source of revenue.

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

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

### **Nexus or linkage**

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

### **Self-sustainability**

The fund will need general fund appropriations to be financially self-sustaining as legislative appropriations are the main source of revenue to the fund.

## **Probable Effects**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# **Hawai‘i Keiki: Healthy and Ready to Learn Special Fund S.B. No. 510 and H.B. No. 672 Does Not Meet Criteria**

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## **Description and Purpose of the Proposed Fund**

These bills would establish the Hawai‘i Keiki: Healthy and Ready to Learn Special Fund and program to be administered by the Department of Education in collaboration with the Department of Health and Department of Human Services. The purpose of the program is to increase coordination and facilitate departmental and interdepartmental activities related to comprehensive school-based health service. Revenues to the fund would come from: legislative appropriations; grants; federal reimbursements; and interest earned. These bills provide for \$4 million of general funds to be appropriated into the fund each year for fiscal years 2018 and 2019. Moneys in the fund would be used to implement, expand, and sustain 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 criteria for establishing a special fund. Although nexus or linkage may exist 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 would be financially self-sustaining.

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### **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 has 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 the program and the grants, federal reimbursements and interest earned. However, nexus or linkage does not exist between the program and continued support from legislative appropriations.

### **Self-sustainability**

Although expected annual costs for the program are provided, estimated revenue information has not been provided to demonstrate that the fund has the capacity to be financially self-sustaining.

## **Probable Effects**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.



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# Hawai'i Obesity and Chronic Disease Prevention Special Fund

## S.B. No. 375 and H.B. No. 210

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

These bills would establish the Hawai'i Obesity and Chronic Disease Prevention Special Fund to be administered by the Department of Health, the Hawai'i Interagency Obesity Prevention Council, and the Hawai'i Obesity and Chronic Disease Prevention Trust Fund as a separate fund of a nonprofit entities selected by director of health. The legislature finds that consumption of sugar-sweetened beverages is linked to serious health problems, including but not limited to: weight gain, obesity, prediabetes, diabetes, tooth decay, heart disease, and other health problems. Revenues to the special fund would come from fees imposed on the sale of sugar-sweetened beverages and interest earned. Moneys in the special fund would be used to implement oral health promotion and prevention services for children; to restore adult dental benefits to Medicaid and Quest enrollees; and to deposit moneys into the trust fund of the selected nonprofit entity. Moneys in the trust fund would be used to coordinate and support statewide obesity and chronic disease prevention programs. These bills provide for an unspecified amount of general funds be appropriated into the special fund each year for fiscal years 2018 and 2019.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the activities (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the activities 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 activity and sources of revenue—as opposed to providing the activity 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.

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## Analysis

These bills do not satisfy criteria for establishing a special fund. Although partial linkage exists between the sources of revenue and some health programs, 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 would 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 has 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

Partial linkage exists between the sugar-sweetened beverage fees and oral health services, dental benefits, and statewide obesity and chronic disease prevention programs. However, nexus or linkage does not exist with 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

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Hawai'i Public Service Loan Program Revolving Fund

## S.B. No. 348

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish the Hawai'i Public Service Loan Program Revolving Fund and Hawai'i Public Service Loan Forgiveness Program to be administered by the University of Hawai'i. The purpose of the program would be to provide financial support to students who complete a degree program within the University of Hawai'i system and agree to work as a full-time employee of the State or county for a period of time to be determined by the university. Revenues to the fund would come from legislative appropriations, private contributions, loan repayments, interest earned, and moneys from other sources.

#### 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 revolving fund. Although nexus or linkage exists between the sources of revenues and the program and there is a demonstrated need for the fund, evidence is lacking to demonstrate that the fund could be financially self-sustaining.

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

The fund is needed 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 loan repayments, including interest. Linkage exists between the general fund appropriations used as initial seed moneys, and private contributions. However, nexus or linkage does not exist between the program and continued general fund 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Hawai'i Transit Oriented Development Revolving Fund

## H.B. No. 1212

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish the Hawai'i Transit Oriented Development Revolving Fund and the Transit Oriented Development Authority to be placed within the Department of Business, Economic Development, and Tourism. The purpose of the authority would be to plan and develop infrastructure capacity at each of the rail transit stations that will support the planned growth and density at each of the rail transit stations. Revenues to the fund would come from gifts or grants, legislative appropriations, and any surplus from the special fund created to account for assessments and interest for specific public facilities financed by the issuance of bonds. A similar fund was proposed in H.B. No. 2199 during the 2016 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 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 and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund would be financially self-sustaining.

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### **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, 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 program and gifts or grants, any surplus from the special fund created to account for bond repayment, and legislative appropriations used as initial seed moneys to establish the fund. However, nexus or 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# High-Growth Grant Program Special Fund

## S.B. No. 767 and H.B. No. 521

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

These bills would establish the High-Growth Grant Program and 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 to expand business operation, improve business productivity, or invest in food safety or quality control programs. Revenues to the fund would come from legislative appropriations. These bills would also provide that an unspecified amount of general funds be appropriated each year into the fund for fiscal years 2018 and 2019. Moneys in the fund would provide grants to qualified businesses for equipment purchases, management and workforce training, infrastructure improvements, and consulting or feasibility studies. A similar fund was proposed in H.B. No. 2545 during the 2016 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

These bills do not satisfy criteria for establishing a special fund. Nexus or linkage does not exist between the source of revenue and the program. Although the fund is needed to appropriate grants to private businesses or local entrepreneurs, the fund does not have the capacity to be financially self-sustaining as the only source of revenue are legislative appropriations.

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

Although the fund is needed to appropriate grants to private businesses or local entrepreneurs, detailed financial information regarding the fees to be charged, sources of projected revenues and costs has not been provided.

### **Nexus or linkage**

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

### **Self-sustainability**

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

## **Probable Effects**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.



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# High Technology Equipment Loan Program

## Special Fund

### H.B. No. 911

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish the High Technology Loan Special Fund and program to be administered by the High Technology Development Corporation within the Department of Business, Economic Development, and Tourism. The purpose of the program would be to allow companies to borrow high technology equipment at a low cost from the corporation for a fee and allowing companies to loan their own equipment to other companies through the program in exchange for a fee, from which the corporation retains a commission. Revenues to the fund would come from fees and commissions from program users and legislative appropriations. This bill would also provide that an unspecified amount of general funds be appropriated into the fund for fiscal years 2018 and 2019.

#### 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. 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 would be financially self-sustaining.

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### **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 or linkage exists between the program and fees and commissions from program users. However, nexus or 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# HI-Impact Special Fund

## H.B. No. 1449

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish the HI-Impact Special Fund and related loan program to be administered by the High Technology Development Corporation. The purpose of the HI-Impact Loan Program would be to make loans to support Hawai‘i-based small businesses in the fields of dual-use technologies, tourism-technology, agriculture-technology, ocean recreational-technology, finance-technology, building and construction-technology, life science-technology, biomedical engineering-technology, aerospace-technology, and other cross-industry collaborations, excluding energy generation technology. Revenues would come from loan repayments, fees, fines, penalties, legislative appropriations, and interest income. The bill provides for an unspecified general fund appropriation into the fund for fiscal years 2018 and 2019. Moneys in the fund would be used to make loans and administer the program. A similar fund was proposed in S.B. No. 2504 and H.B. No. 2219 during the 2016 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

Although the HI-Impact Special Fund is labeled as a special fund, it is very similar to a revolving fund, and for that reason is analyzed as such. This bill does not satisfy criteria for establishing a revolving fund. Although nexus or linkage exists between some sources of revenue and the program, evidence is lacking to demonstrate that the fund is needed to support the program. Furthermore, evidence is lacking to demonstrate that the fund would have the capacity to be financially self-sustaining with means to replenish the fund.

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### **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, penalties, interest income, 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Hilo Community Economic Revolving Fund

## S.B. No. 1292 and H.B. No. 1479

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

These bills would establish the Hilo Community Economic Revolving Fund to be administered by the Hawai'i Community Development Authority. The authority's duties related to the Hilo Community Economic District would be to provide leases for economic purposes including hotel, resort, commercial, and industrial uses; and to provide infrastructural support and improvement for the district. Revenues to the fund would come from income and receipts for the district including moneys from government agencies or private individuals or organizations, and assessments of landowners; legislative appropriations; and interest earned. An unspecified percent of revenue collected by the authority for the district will be transferred to the Special Land and Development 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 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 and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund would be financially self-sustaining.

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### **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 or linkage exists between the program and revenue from income and receipts for the district, legislative appropriations used as initial seed moneys to establish the fund, and interest earned. However, nexus or 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Homelessness and Affordable Housing Special Fund

## S.B. No. 6

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish the Homelessness and Affordable Housing Special Fund to be administered by the Department of Human Services. The purpose of the fund would be to build, rent, and rehabilitate housing for the homeless. Revenues to the fund would come from legislative appropriations and new residential development fees collected from developers. A similar fund was proposed in S.B. No. 2464 during the 2016 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 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 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 proposed 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.

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### **Nexus or linkage**

Linkage does not exist between the homeless housing activities and revenues received from continued legislative appropriations and residential development fees collected from developers.

### **Self-sustainability**

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

## **Probable Effects**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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 homeless housing activities could be provided through direct general fund appropriations.



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# Homelessness Fund

## H.B. No. 1440 and H.B. No. 1441

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

These bills would establish a Homelessness Fund to be administered by the Department of Human Services. Revenues to the fund would come from proceeds from the operation, management, sale, lease, or other disposition of any homeless facility, shelter, or program; allocation of the realty conveyance tax imposed and collected under Chapter 247, Hawai‘i Revised Statutes; and from any other private or public contribution. Moneys in the fund would be expended for homeless facilities and any other program for the homeless. A similar fund was proposed in H.B. No. 2429 during the 2016 legislative session.

We used three criteria to analyze the fund:

#### Criteria

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 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 would 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 has

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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 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Housing for the Homeless Special Fund

## S.B. No. 10

## Does Not Meet Criteria

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### Description and Purpose of the Proposed Fund

This bill would establish the Housing for the Homeless Special Fund and establishes an executive office on homeless identity protection temporarily placed within the Office of the Governor and to be permanently established within the Department of Human Services for administrative purposes only on July 1, 2019. The purpose of the fund would be to assist homeless individuals with the process, including associated costs, of obtaining government-issued identification documents. Revenues to the fund would come from legislative appropriations. This bill provides for an unspecified amount of general funds be appropriated into the fund for both fiscal years 2018 and 2019.

### 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 sources of revenue and the program. There is no demonstrated need for the fund and the fund does not have the capacity to be financially self-sustaining, as the only source of revenue are legislative appropriations.

#### Demonstrated need for the fund

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

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### **Nexus or linkage**

Although linkage exists between the program and general fund appropriations used as initial seed moneys, nexus or linkage does not exist between the program and continued general fund appropriations.

### **Self-sustainability**

The fund will need general fund appropriations to be financially self-sustaining as legislative appropriations are the only source of revenue to the fund.

## **Probable Effects**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Industrial Hemp Special Fund

## S.B. Nos. 773 and 884 and H.B. Nos. 1018 and 1474

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

These bills would establish the Industrial Hemp Special Fund to be administered by the Department of Agriculture. The purpose of the fund would be to provide funding for the Agriculture Hemp Pilot Program, which was established to allow cultivation of industrial hemp and distribution of its seed in the state for purposes of agricultural or academic research. Revenues to the fund would come from legislative appropriations, any fees collected by the department under the program, and interest earned. Moneys in the fund would be used to hire employees, specialists, and consultants necessary to complete projects related to 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 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 would 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 has

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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 the program and fees collected by the department in relation to the program, and interest earned. However, nexus or 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Infrastructure Capacity Construction Loan Revolving Fund

## H.B. No. 628

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill 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, repayment of loan principal and interest from various assessments or fees from specified districts and other areas where property value increases are captured for the purposes of infrastructure financing. Other revenues would come from federal grants and subsidies, private investors, voluntary contributions, and legislative appropriations. The bill would also provide an unspecified amount of general fund appropriations into the fund for fiscal years 2018 and 2019. In addition to providing loans, moneys in the fund would be used to repay private investors for their investment plus any earned interest; 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, H.B. No. 441 during the 2015 legislative session, and H.B. No. 2027 and S.B. No. 2510 during the 2016 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 activities (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the activities 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 activity and sources of revenue—as opposed to providing the activities 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.

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## Analysis

This bill does not satisfy criteria for establishing a revolving 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. Evidence is also lacking to demonstrate that the fund would 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 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

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.



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# Infrastructure Development Loan Revolving Fund

## H.B. No. 660

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish an Infrastructure Development Loan Revolving Fund to be administered by the Hawai'i Housing Finance and Development Corporation. The purpose of the fund would be to provide loans to developers for the costs of the infrastructure for qualified developments. Qualified developments are determined by an unspecified percent of the housing units in the development rented to households with income at or below 80 percent of the area median income, or an unspecified percent of housing units in the development sold in fee simple to households with incomes at or below 140 percent of the area median income. Revenues would come from legislative appropriations, loan repayments, and earned interest. This bill would also appropriate general funds in the amount of \$50 million into the fund for fiscal year 2018. A similar fund was proposed in S.B. No. 3023 during the 2016 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 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.

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### **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 was not provided.

### **Nexus or linkage**

Nexus or linkage exists between the program and loan payments, and legislative appropriations used as seed money to establish the revolving fund. However, linkage does not exist with 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Internet Lottery and Gaming Special Fund

## S.B. No. 677

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish the Internet Lottery and Gaming Special Fund to be administered by the proposed Hawai‘i Internet Lottery and Gaming Corporation (program), which would be used to conduct and regulate internet wagering and gaming for the benefit of the State. Revenues to the fund would come from operations of the program, including but not limited to offerings of internet wagering on games of chance and games of skill (i.e., lottery, poker, and casino games). This bill would prohibit the use of general funds to pay the expenses of the program or prizes of the lottery. Moneys in the fund would be used for public school and University of Hawai‘i capital improvements, scholarships and educational loan repayments for medical students who commit to practice medicine in Hawai‘i for ten years after completion of their residency, University of Hawai‘i John A. Burns School of Medicine Family Practice Rural Residency Program, watershed protection, problem gambling reduction and prevention programs, and administration of the corporation and fund. Similar funds were proposed in S.B. No. 768 during the 2013 legislative session, and H.B. No. 2422 and S.B. No. 2980 during the 2012 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.

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## Analysis

This bill does not satisfy criteria for establishing a special fund. Although there is a demonstrated need for the fund and the fund is intended to be financially self-sustaining, nexus does not exist between the benefits sought and the charges made upon the users.

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

The fund is needed to support the program because it cannot be successfully implemented with general fund appropriations. The program is intended to be self-funded, and the use of general funds is prohibited for purposes of the program.

### **Nexus or linkage**

Nexus or linkage exists between program and the proceeds from internet gaming and other gaming related activities from which moneys have been designated to problem gambling reduction and prevention programs, and administration of the program and fund. However, nexus does not exist for moneys allocated to public school and university capital improvements, scholarships and conditional educational loan repayments, university residency program, and watershed protection.

### **Self-sustainability**

Although estimated revenue and expenditure information has not been provided, the fund is intended to be self-sustaining and self-funded.

## Probable Effects

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Intervenor Compensation Special Fund

## H.B. No. 805

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish the Intervenor Compensation Program and special fund. The program is administered by the Public Utilities Commission and the fund is administered by the Department of Commerce and Consumer Affairs. The purpose of the program would be to provide compensation for reasonable advocate's fees, reasonable expert witness fees, and other reasonable costs to an intervenor who makes a substantial contribution to a proceeding resulting in a decision favorable to the interest of consumers. The compensation considers, and may not exceed, the market rates paid to persons of comparable training and experience who offer similar services. Revenues to the fund would come from public utilities or from the public benefits fee.

#### 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. 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 would be financially self-sustaining.

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### **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 or linkage exists between the program and revenues received from public utilities and public benefits fee.

### **Self-sustainability**

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

## **Probable Effects**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# **Invasive Species Rapid Response Special Fund**

## **S.B. No. 636 and H.B. No. 904**

### **Does Not Meet Criteria**

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#### **Description and Purpose of the Proposed Fund**

These bills 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 mitigate and eradicate newly detected invasive species threats in the state. Revenues to the fund would come from legislative appropriations and interest earned. These bills would also provide an unspecified amount of general funds to the fund for fiscal years 2018 and 2019.

#### **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. Nexus or linkage does not exist between continued support from legislative appropriations and the program. There is also no demonstrated need for the fund, and the fund would not be self-sustaining without continued legislative appropriations.

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

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

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### **Nexus or linkage**

Nexus or linkage does not exist between the program 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 main source of revenue.

## **Probable Effects**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.



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# Kama'aina Card Fee Special Fund

## H.B. No. 34

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish the Kama'aina Card Fee Special Fund and Kama'aina Card Program to be administered by the director of the Department of Transportation. The purpose of the program would be to provide a kama'aina card for qualified nonresident individuals born in Hawai'i. Revenues to the fund would come from fees assessed for the processing and issuance of kama'aina cards and interest earned. Moneys in the fund would be used for the purposes of 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 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 would 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 have not been provided. In addition, an explanation of why the program cannot be successfully implemented with general fund appropriations was not provided.

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### **Nexus or linkage**

Nexus or linkage exists between the program and the fees 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# King Kamehameha Celebration Commission Special Fund

## S.B. No. 601

## Does Not Meet Criteria

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### Description and Purpose of the Proposed Fund

This bill would establish the King Kamehameha Celebration Commission Special Fund to be administered by the Department of Accounting and General Services. The purpose of the fund would be to pay expenses arising out of the annual King Kamehameha Day celebration events. Revenues to the fund would come from gifts, donations, and grants from public agencies and private persons and legislative appropriations. This bill also provides that \$100,000 of general funds be appropriated into the fund for both fiscal years 2018 and 2019.

### 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. 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 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 program. Detailed financial information regarding

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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**

Linkage exists between the program and the revenues received from gifts, donations, and grants from public agencies and private persons, and general fund appropriations used as initial seed moneys. However, nexus or linkage does not exist between the program and continued support from general fund 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Marijuana Dispensary Special Fund

## S.B. No. 319 and H.B. No. 108

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

These bills would establish the Marijuana Dispensary Special Fund to be administered by the Department of the Attorney General. Revenues to the fund would come from general excise taxes derived from medical marijuana dispensaries, legislative appropriations, and investment income. Moneys would be used for enforcement purposes relating to the medical marijuana dispensary system, provided that the moneys are equally divided among the department, the county police departments, and the county prosecutors' offices. These bills provide for an unspecified amount of general funds to be appropriated into the fund for fiscal year 2018.

#### Criteria

We used three criteria to analyze the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the activities (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the activities 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 activity and sources of revenue—as opposed to providing the activities 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 criteria for establishing a special fund. Although partial nexus or linkage exists between some 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 would 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

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the fees to be charged, sources of projected revenues and costs has 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 law enforcement relating to marijuana and general excise tax revenue from marijuana dispensaries and investment income. 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Native Hawaiian Health Fund

## S.B. No. 1314

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish the Native Hawaiian Health Fund and Office of Native Hawaiian Health to be administered by the Department of Health. The purpose of the office would be to address health disparities of Native Hawaiians. Revenues to the fund would come from legislative appropriations, and a portion of the transient accommodations tax as follows: two percent for FY 2017-2018, four percent for FY 2018-2019, six percent for FY 2019-2020, eight percent for FY 2020-2021, and ten percent for FY 2021-2022 and each fiscal year thereafter. Moneys in the fund would be used to fund expenses relating to plans, strategies, actions, and programs addressing significant health disparities affecting Native Hawaiians; to create an epidemiology center; to seek replacement funding for health services and research; and to recommend improvements to infrastructure to increase the safety and health in Native Hawaiian communities.

#### 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. Linkage does not exist 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 would be financially self-sustaining.

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

There is insufficient information to demonstrate the fund is needed to support the program. Detailed financial information regarding the 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 revenue from the transient accommodations tax. Linkage does not exist with continuing legislative appropriations.

### **Self-sustainability**

The fund cannot be self-sustaining without continued allocations from the transient accommodations tax. Furthermore, estimated revenue and expenditure information have not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.



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# Office of Condominium Complaints and Enforcement Special Fund

## S.B. No. 1139 and H.B. No. 35

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish the Office of Condominium Complaints and Enforcement Special Fund to be administered by the Department of the Attorney General. The purpose of the office would be to assist unit owners by investigating disputes, providing recommendations or guidance, processing requests submitted to alternative dispute resolution, educating the public, and publishing advisory opinions. Revenues to the fund would come from legislative appropriations; gifts, donations, and grants from public agencies and private persons; administrative penalties, fines, and other charges collected; thirty-five percent of all fees collected into the Condominium Education Trust Fund established under Section 514B-71, Hawai'i Revised Statutes; and interest earned.

#### 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. 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 would have the capacity to be financially self-sustaining.

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### **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 or linkage exists between the program and legislative appropriations used as initial seed moneys to establish the fund; gifts, donations, and grants from public agencies and private persons; administrative penalties, fines, and other charges; thirty-five percent of all fees collected under the Condominium Education Trust Fund established under Section 514B-71, Hawai‘i Revised Statutes; and interest income. However, nexus or linkage does not exist between the program and legislative appropriations 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Parametric Disaster Insurance Special Fund

## S.B. No. 799 and H.B. No.791

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

These bills would establish the Parametric Disaster Insurance Special Fund and pilot program to be administered by the Risk Management Office within the Department of Accounting and General Services. The purpose of the program is to explore parametric disaster insurance policies and to purchase parametric disaster insurance for the State. Revenues to the fund would come from interest earned from moneys in the Hurricane Reserve Trust Fund as provided under Section 431P-16, Hawai‘i Revised Statutes; 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. A similar fund was proposed in H.B. No. 2576 during the 2016 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

These bills do not satisfy 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 would be financially self-sustaining.

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### **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**

Linkage exists between 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 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Photo Red Light Imaging Detector Systems Program Account S.B. No. 221 and H.B. No. 736 Does Not Meet Criteria

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## Description and Purpose of the Proposed Fund

These bills would establish the Photo Red Light Imaging Detector Systems Program and account, which may be implemented by any county on state or county highways. The purpose of the program would be to enforce the traffic-control signal laws of the State. Revenues to the fund would come from fines imposed on violations under the photo red light imaging detector system. Moneys in the fund would be used for the establishment, operation, management, and maintenance of a photo red light imaging detector system. Similar funds were proposed in H.B. Nos. 2789 and 2790 during the 2012 legislative session. A similar fund was also proposed in S.B. No. 693 during the 2013 legislative session.

## Criteria

Although the Photo Red Light Imaging Detector Systems Program Account is labeled as a special account, it is strikingly similar to a special fund and for that reason is reviewed here. 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 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 would be financially self-sustaining.

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### **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 or linkage exists between the program and revenues received from the fines assessed on violations under the photo red light imaging detector system.

### **Self-sustainability**

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

## **Probable Effects**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Private Trade, Vocational, and Technical School Licensure Special Fund

## S.B. No. 1286 and H.B. Nos. 494 and 1265

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

These bills would establish the Private Trade, Vocational, and Technical School Licensure Special Fund to be administered by the Department of Education. The purpose of the fund would be to license private trade, vocational, and technical schools that require legal authorization by the State to be considered an eligible institution per federal regulations in order to participate in student aid programs. Revenues to the fund would come from initial and renewal licensure fees paid by private trade, vocational, and technical school applicants. Moneys in the fund would be used for activities related to licensure requirements, including processing of applications and professional staff certificates, conducting site monitoring visits, and annual fiscal reviews. The primary users and beneficiaries would be the private, trade, vocational, and technical schools.

#### 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.

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## Analysis

These bills do not satisfy criteria for establishing a special fund. Although 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 appropriation.

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

Although information was provided to demonstrate the fund is needed to support the activities, sufficient explanation as to why the activities cannot be successfully implemented with general fund appropriations was not provided.

### **Nexus or linkage**

Nexus exists between the private trade, vocational, and technical schools and the licensing program because these schools require the license to participate in student aid programs.

### **Self-sustainability**

The program is intended to be financially self-sustaining. Projected revenue and expenditure information has been provided over a two-year period, which anticipates 10 schools with a proposed fee of \$10,000 per school to offset the projected cost of \$100,000.

## Probable Effects

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.



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# Public School Innovation Grants Special Fund

## S.B. No. 958 and H.B. No. 1092

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

These bills would establish the Public School Innovation Grants Special Fund to be administered by the Board of Education. The purpose of the fund would be to support the Public School Innovation Grants Program by making awards to schools or programs that reflect the Board of Education's guiding principles and that have potential for knowledge transfer within the public school system. Revenues to the fund would come from fifty per cent of Department of Education (DOE) carryover funds pursuant to section 37-41.5(a), Hawai'i Revised Statutes; legislative appropriations; and interest earned. These bills provides for \$10 million of general funds to be appropriated into the fund for fiscal year 2018. A similar fund was proposed in H.B. No. 2473 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

These bills do not satisfy 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 would be financially self-sustaining.

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### **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 has 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 the program and DOE carryover funds and interest earned. However, nexus or linkage does not exist with continued support from general fund 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Quality Education Special Fund

## S.B. No. 686 and H.B. No. 180

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

These bills would establish the Quality Education Special Fund to be administered by the Department of Education. The purpose of the fund would be to recruit and retain public school teachers; lower public school class sizes; improve special education staffing and resources; and offer additional instruction in career and technical education, arts, music, theatre, dance, Hawaiian studies, and Hawaiian language. Revenues to the fund would come from the proceeds of the education surcharge on residential investment property and visitor accommodations as established under these bills, all other funds received and available for purposes of the fund, and interest earned.

#### 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 criteria for establishing a special fund. Nexus or linkage does not exist between the program and the sources of revenue. 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 would have the capacity to be financially self-sustaining.

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### **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, sufficient explanations of why the program cannot be successfully implemented with general fund appropriations was not provided.

### **Nexus or linkage**

Although nexus or linkage exists between the program and revenues received from interest earned, nexus or linkage does not exist between the program and proceeds of the education surcharge on residential investment property and visitor accommodations. It is also unclear whether nexus or linkage exists between the program and all other funds received by the department.

### **Self-sustainability**

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

## **Probable Effects**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Rail Business Interruption Fund

## H.B. No. 539

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill 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 eligible small businesses that have experienced a loss of business revenue from rail transit development. Revenues to the fund would come from no less than \$2 million in the aggregate from contractors involved in rail transit construction; no less than \$2 million from any county of the State with a population of over seven hundred thousand; and no less than \$2 million from the general fund. The bill provides for \$150,000 of general fund appropriations to the fund for fiscal years 2018 and 2019. Moneys in the fund would be used for 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. A similar fund was proposed in Senate Bill No. 2633 and House Bill No. 1588 during the 2016 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 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 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 would have the capacity to be financially self-sustaining.

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

There is insufficient information to demonstrate the fund is needed for the purpose of supporting the program. Detailed financial information regarding fees to be charged, 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's financial assistance activities and the revenues received from contractors involved in rail transit construction. 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 the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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 could be provided through direct general fund appropriations.

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# Resources for Enrichment, Athletics, Culture, and Health (R.E.A.C.H.) Program Special Fund

## S.B. No. 500 and H.B. No. 385

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

These bills establish the Resources for Enrichment, Athletics, Culture, and Health (R.E.A.C.H.) program and special fund to be administered by the Office of Youth Services within the Department of Human Services. The purpose of the program is to establish, support, or enhance after-school activities in public middle schools. Revenues to the fund shall come from program fees, legislative appropriations, interest earned, and any other moneys. Moneys in the fund shall be used for administering and operating the R.E.A.C.H. program. A similar revolving fund was proposed in H.B. Nos. 1756 and 2330, and S.B. Nos. 2441 and 2880 during the 2014 legislative session, and H.B. Nos. 397 and 959, and S.B. Nos. 980 and 1128 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

These bills do not satisfy criteria for establishing a special fund. 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 the program and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund would be financially self-sustaining.

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

The criteria for demonstrating the need for this special fund has not been met because the program could be funded with general fund appropriations. Furthermore, the legislature provided funding during fiscal years 2015, 2016, and 2017 to the Office of Youth Services for the R.E.A.C.H. initiative.

### **Nexus or linkage**

Although nexus or linkage exists between the program and the fees and interest earned, linkage does not exist between the program and continued legislative appropriations. It is also unclear whether linkage exists between the program and monies made available from other sources.

### **Self-sustainability**

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

## **Probable Effects**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, the funding stream is not fully controlled by the appropriation process. Legislative control is reduced because special and revolving funds divert monies 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.



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# Shipping Container Inspection Program

## Special Fund

### S.B. No. 598 and H.B. No. 7

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

These bills would establish the Shipping Container Inspection Program Special Fund and program 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 shipping container fees collected by the Department of Transportation, gifts, donations, grants, and legislative appropriations. These bills provide for \$50,000 in general funds to be appropriated into the fund each year for fiscal years 2018 and 2019. Moneys in the fund would be used to establish and administer the program. A similar fund was proposed in S.B. No. 2632 and H.B. No. 2485 during the 2016 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

These bills do not satisfy 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 would be financially self-sustaining.

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### **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 shipping container fees collected by the Department of Transportation. Linkage exists between the program and gifts, donations, and grants. However, linkage does not exist with 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Sign Language Interpreter Licensing Special Fund

## S.B. No. 972 and H.B. No. 1106

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

These bills would establish the Sign Language Interpreter Licensing Special Fund and American Sign Language English Licensing Program to be administered by an unspecified department. The purpose of the program would be to administer licensure of American Sign Language English interpreters. Revenues to the fund would come from fees, surcharges, and fines collected. These bills would also provide that an unspecified amount of general funds be appropriated into the fund each year for fiscal years 2017 and 2018. Moneys in the fund would be used for costs associated with 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

These bills do not satisfy 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 would 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 have

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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 the fees, surcharges, and fines collected. 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Special Operations K9 Unit Special Fund

## S.B. No. 1293 and H.B. No. 1468

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

These bills would establish the Special Operations K9 Unit Special Fund to be administered by the Department of Public Safety. The purpose of the fund would be to support explosive, narcotics, and currency detection efforts by law enforcement. Revenues to the fund would come from government agencies or private individuals or organizations through grants, gifts, awards, donations, and landowner assessments; and legislative appropriations. These bills also provide for \$7 million of general funds to be appropriated each year into the fund for fiscal years 2018 and 2019. Moneys in the fund would be used for federal, state, and county law enforcement efforts, including the hiring of personnel to prevent narcotic use and trafficking, detect explosives, and detect currency.

#### 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. 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 would be financially self-sustaining.

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### **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**

Partial nexus or linkage exists between program and gifts, awards, donations, and assessments of landowners for costs to administer and operate the K9 unit. 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# State Gaming Revolving Fund

## H.B. No. 766

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish the State Gaming Revolving Fund to be administered by the Hawai'i Shipboard Gaming Board within the Department of Business, Economic Development, and Tourism. The purpose of the board would be to administer, regulate, and enforce the system of shipboard gaming within the territorial and archipelagic waters of the State. Revenues to the fund would come from fees, taxes and fines collected by the board. This bill provides for an unspecified amount of general funds to be appropriated into the fund each year for fiscal years 2018 and 2019. Moneys in the fund would be for the costs incurred by the board for the administration and enforcement of the program. Funds remaining at the end of each fiscal year would be transferred to the director of finance of each county for capital costs of a mass transit project and expenses for compliance with the Americans with Disabilities Act of 1990 (ADA). A similar fund was proposed in S.B. No. 767 during the 2013 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 criteria for establishing a revolving fund. A revolving fund would not be the appropriate fund type for this financing activity as evidence is lacking to demonstrate that the fund would have the capacity to be financially self-sustaining with means to replenish the fund. The bill also does not satisfy nexus or linkage

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requirements and evidence is lacking to show that the fund would be needed to support the program.

### **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 has 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 the program and fees, taxes and fines collected by the board. However, nexus or linkage does not exist between the sources of revenue and funds transferred to counties for capital costs of a mass transit project or expenses for ADA compliance.

### **Self-sustainability**

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

## **Probable Effects**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.



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# State Lottery Prize Revolving Fund

## H.B. No. 348

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish the State Lottery Prize Revolving Fund to be administered by the Hawai'i State Lottery Commission within the Department of Accounting and General Services. The purpose of the commission is 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. Moneys in the fund would be used for the payment of prizes to holders of winning lottery tickets or shares. A similar fund was proposed in H.B. No. 2536 during the 2016 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 criteria for establishing a revolving fund. Although nexus or linkage exists between the sources of revenue and the lottery program, evidence is lacking to show that the fund would be needed to support the program. 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 program. Detailed financial information regarding the

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fees to be charged, sources of projected revenues and costs has not been 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.

### **Self-sustainability**

Although the fund is intended to be self-sustaining, estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# State Lottery Revolving Fund

## H.B. No. 348

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish the 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 is 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 sales of lottery tickets or shares, fee 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 general fund from moneys remaining in the fund at the end of each fiscal year. This bill would also provide that an unspecified amount of general funds be appropriated to the commission for fiscal years 2018 and 2019. A similar fund was proposed in H.B. No. 2536 during the 2016 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 criteria for establishing a revolving fund. A revolving fund would not be the appropriate fund type for this financing activity as evidence is lacking to demonstrate that the fund would have the capacity to be financially self-sustaining with means to replenish the fund. The bill also does not satisfy nexus or linkage

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requirements, and evidence is lacking to show that the fund would be needed to support the program.

### **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 has 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 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 any transfers made to the general 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Statewide Interoperable Public Safety Communications Trust Fund

## H.B. No. 203

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish the Statewide Interoperable Public Safety Communications Trust Fund and Statewide Interoperability Executive Board to be administered by the Department of Defense. The board shall be the primary steering group for the Hawai‘i statewide communications interoperability plan. The fund would be to pay for or offset costs of public safety telecommunications systems and human resources. Revenues to the fund would come from surcharges on various motor vehicle citations and criminal penalties, grants, fees, charges, and legislative appropriations. Moneys in the fund would be used for board-related meeting and travel expenses, communications equipment, projects, infrastructure, and training.

#### Criteria

Although the Statewide Interoperable Public Safety Communications Trust Fund is labeled as a trust fund, it is strikingly similar to a special fund and for that reason is reviewed here. 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. 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

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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 program. Detailed financial information regarding the fees to be charged, sources of projected revenues and costs has 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 program and surcharges on various motor vehicle citations and criminal penalties, grants, fees, and charges. However, no linkage exists 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Tax Rate Decal Special Fund

## S.B. No. 1083 and H.B. No. 948

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

These bills would establish the Tax Rate Decal Special Fund to be administered by the Department of Agriculture. The purpose of the fund would be to ensure that every retail dealer posts a tax rate decal on each fuel pump owned or leased. Revenues to the fund would come from fines collected from violations made by retail dealers. Moneys in the fund would be used for inspections of fuel pumps owned or leased by each retail dealer to ensure that a current tax rate decal is displayed on every pump.

#### 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 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 would 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 has not been provided. In addition, an explanation of why the program

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cannot be successfully implemented with general fund appropriations was not provided.

### **Nexus or linkage**

Linkage exists between program and fines collected from violations made by retail dealers.

### **Self-sustainability**

The fund is intended to be self-sustaining through the collection of fines. However, estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.



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# Technology Innovation Corporation Special Fund

## S.B. No. 1249

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill establishes the Technology Innovation Corporation Special Fund and Technology Innovation Corporation, a nonprofit organization administratively attached to the Hawaii Technology Development Corporation of the Department of Business, Economic Development, and Tourism, to assist in attracting high technology development opportunities to the State. Revenues to the fund would come from legislative appropriations. This bill provides for \$200,000 of general funds to be appropriated each year into the fund for fiscal years 2018 and 2019.

#### 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 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 would be financially self-sustaining.

#### Demonstrated need for the fund

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

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### **Nexus or linkage**

Linkage does not exist between program and continued support from legislative appropriations.

### **Self-sustainability**

The fund cannot be self-sustaining without legislative appropriations.

## **Probable Effects**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# University Innovation and Commercialization Initiative Special Fund

## S.B. Nos. 137, 1022 and H.B. Nos. 166, 847, 1156

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

These bills would establish the University Innovation and Commercialization Initiative Special Fund and program 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 the products of its research and instructional activities into viable economic enterprises, and may create, finance, and participate in organizations that contribute to economic development and workforce diversification. 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 other moneys received by the program. A similar fund was proposed in S.B. No. 2943 and H.B. No. 2414 during the 2016 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

These bills do not satisfy 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 would be financially self-sustaining.

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### **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 has 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 the program and the revenues received from loan repayments, investment income, venture agreements, royalties, and premiums or fees. However, nexus or 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# University of Hawai‘i Green Special Fund

## H.B. No. 794

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish the University of Hawai‘i Green Special Fund to be administered by the University of Hawai‘i. The purpose of the fund would be to support energy efficiency, renewable energy, and sustainability projects and services, and implementation of sustainability projects for the benefit of the university. 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 received by the university; and any rebates, grants, or incentives associated with energy conservation measures. A similar fund was proposed in H.B. No. 2240 during the 2016 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 projects (including financial information on fees to be charged, sources of projected revenue, and costs), and an explanation of why the projects 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 project users or beneficiaries, or (b) a clear link between the project and sources of revenue—as opposed to providing the projects 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. 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 and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund would 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

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the fees to be charged, sources of projected revenues and costs has 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**

Nexus or linkage exists between projects and the savings realized by the university from energy conservation measures; and investment earnings, gifts, donations, or other income received by the university; and any rebates, grants, or incentives associated with energy conservation measures. However, nexus or linkage does not exist between the project 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Vocational Education Program Special Fund

## S.B. No. 1305

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish the Vocational Education Program Special Fund and Vocational Education Out-of-School Program to be administered by the Department of Education. The purpose of the program would be to provide vocational education for grades nine through twelve that is conducted during after-school hours, on weekends, and during inter-sessions. Revenues to the fund would come from legislative appropriations; gifts, donations, and grants from public agencies and private persons; and student participation fees. This bill would also provide that an unspecified amount of general funds be appropriated into the fund for fiscal years 2018 and 2019.

#### 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. 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 would be financially self-sustaining.

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### **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 or linkage exists between the program and gifts, donations, and grants, and student participation fees. However, nexus or 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.



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# **Waiākea Peninsula Redevelopment District Revolving Fund S.B. No. 1184 and H.B. No. 1310 Does Not Meet Criteria**

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## **Description and Purpose of the Proposed Fund**

These bills would establish the Waiākea Peninsula Redevelopment District Revolving Fund and planning committee to be administered by the Department of Land and Natural Resources. The purpose of the fund and committee is to foster the redevelopment of public lands within the Waiākea Peninsula area. Revenues to the fund would come from fifty percent of the income from the tenants and visitors of the district, legislative appropriations, gifts, grants, and other funds.

## **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 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 and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund would 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

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the fees to be 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 program and fifty percent of the income from the district, legislative appropriations used as initial seed moneys to establish the fund, gifts, grants, and other funds. However, nexus or 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Water Security Fund

## S.B. No. 633

## Does Not Meet Criteria

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### Description and Purpose of the Proposed Fund

This bill would establish the Water Security Fund to be administered by the Commission on Water Resource Management within the Department of Land and Natural Resources. The purpose of the fund would be to provide matching grants to eligible parties for water security programs. Revenues to the fund would come from federal grant funds or appropriations, legislative appropriations, water security fees collected on water withdrawn from municipal and private water systems, interest earned, and all moneys allotted or direct to the fund from other sources.

### 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. 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 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 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

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cannot be successfully implemented with general fund appropriations was not provided.

### **Nexus or linkage**

Linkage exists between the program and federal grant funds and appropriations, general fund appropriations used as initial seed moneys, interest earned, and all moneys allocated or direct to the fund from other sources. Partial nexus exists between the water security fees collected from municipal and private water systems and the eligible parties of the program. However, nexus or linkage does not exist between the program and continued support from general fund 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**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Workforce Housing Development Trust Fund

## H.B. No. 546

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

This bill would establish the Workforce Housing Development Trust Fund to be administered by the Hawai‘i Housing Finance and Development Corporation. Revenues to the fund would come from county surcharge on transient accommodations tax revenues, moneys received from other sources, and interest earned. The trust fund would contain special accounts for each county to develop affordable housing projects in designated resort areas. The county surcharges shall be allocated as follows: 14.5 percent for Kaua‘i County, 18.6 percent for Hawai‘i County, 44.1 percent for City and County of Honolulu, and 22.8 percent for Maui County.

#### Criteria

Although the Workforce Housing Development Trust Fund is labeled as a trust fund, it is strikingly similar to a special fund and for that reason is reviewed here. 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 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 would have the capacity to be financially self-sustaining.

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### **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, a sufficient 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 county surcharge on transient accommodations tax revenues. It is also unclear whether nexus or linkage exists between the program and moneys received from other sources.

### **Self-sustainability**

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

## **Probable Effects**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.

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# Zero Emissions Vehicle Infrastructure Special Fund

## S.B. No. 1187 and H.B. No. 1259

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

These bills would establish the Zero Emissions Vehicle Infrastructure Special Fund to be administered by the Office of Energy within the Department of Business, Economic Development, and Tourism. The purpose of the fund would be to develop electric charging and renewable fuel infrastructure to enable the large-scale adoption of electric and renewable fuel-powered vehicles. Revenues to the fund would come from 30 percent of the clean transportation fee paid by distributors for each gallon of gasoline or diesel oil sold or used by distributors in the State. Moneys in the fund would be used for the development of electric charging and hydrogen fueling infrastructure throughout 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

These bills do not satisfy criteria for establishing a special fund. 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 the program and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund would 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

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the fees to be charged, sources of projected revenues and costs has 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 the clean transportation fee because the gasoline or diesel distributor paying the fee does not benefit from the development of electric charging and hydrogen fueling infrastructure.

### **Self-sustainability**

Although the fund is intended to be self-sustaining, estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.



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# Zero Emissions Vehicle Rebate Special Fund

## S.B. No. 1187 and H.B. No. 1259

### Does Not Meet Criteria

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#### Description and Purpose of the Proposed Fund

These bills would establish the Zero Emissions Vehicle Rebate Special Fund to be administered by the Office of Energy within the Department of Business, Economic Development, and Tourism. The purpose of the fund would be to incentivize the purchase of battery electric vehicles and hydrogen fuel cell electric vehicles. Revenues to the fund would come from 40 percent of the clean transportation fee paid by distributors for each gallon of gasoline or diesel oil sold or used by distributors in the State. Moneys in the fund would be used for the payment of rebates for the purchase of new zero emissions passenger and commercial vehicles within the state on a first-come, first-served basis as long as funding is available.

#### 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 criteria for establishing a special fund. 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 the program and cannot be implemented with general fund appropriations. Evidence is also lacking to demonstrate that the fund would 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

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the fees to be charged, sources of projected revenues and costs has 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 the clean transportation fee because the gasoline or diesel distributor paying the fee does not benefit from the purchase of battery electric vehicles and hydrogen fuel cell electric vehicles.

### **Self-sustainability**

Although the fund is intended to be self-sustaining, estimated revenue and expenditure information has not been provided to demonstrate the fund's capacity to be financially self-sustaining.

## **Probable Effects**

Establishing new special and revolving funds are less desirable because a new fund incurs administrative costs, and from a legislative perspective, 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.