

TAX FOUNDATION OF HAWAII

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SUBJECT: MISCELLANEOUS, Repeal Non-General Funds

BILL NUMBER: HB 1973, SD-1

INTRODUCED BY: Senate Committee on Transportation

EXECUTIVE SUMMARY: Abolishes, repeals, or reclassifies various non-general funds of the department of transportation.

SYNOPSIS: As it relates to the airports division:

- Reclassifies various administratively created funds as trust accounts.

As it relates to the harbors division:

- Reclassifies various administratively created funds as trust accounts.
- Abolishes the administratively created risk management fire and casualty losses - harbors trust fund.

As it relates to the highways division:

- Repeals the transportation improvement special fund (HRS section 264-19).
- Reclassifies various administratively created funds as trust accounts.
- Abolishes the administratively created highway senior debt service reserve account revolving fund.

Makes technical and conforming amendments.

EFFECTIVE DATE: July 1, 2020.

STAFF COMMENTS: The 1989 Tax Review Commission noted that use of special fund financing is a “departure from Hawaii’s sound fiscal policies and should be avoided.” It also noted that special funds are appropriate where the revenues to the funds maintain some direct connection between a public service and the beneficiary of that service. The Commission found that special funds which merely set aside general funds cannot be justified as such actions restrict budget flexibility, create inefficiencies, and lessen accountability. It recommended that such programs can be given priority under the normal budget process without having to resort to this type of financing.

Because of the spotlight of monies in special funds, HRS section 23-12 requires the State Auditor to review all existing special, revolving, and trust funds beginning in 2014 and at five-year intervals. This bill was the result of Auditor’s Report No. 19-05.

Digested 3/14/2020