June 24, 2014

The Honorable Donna Mercado Kim,
President
and Members of the Senate
Twenty-Seventh State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki,
Speaker and Members of the
House of Representatives
Twenty-Seventh State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kim, Speaker Souki, and Members of the Legislature:

This is to inform you that on June 24, 2014, the following bill was signed into law:

HB2188 HD1 SD1 CD1 RELATING TO STATE FUNDS
ACT 132 (14)

Sincerely,

NEIL ABERCROMBIE
Governor, State of Hawaii
A BILL FOR AN ACT

RELATING TO STATE FUNDS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that certain funds and programs are effectively non-functional, having fulfilled their intended purpose. The legislature further finds that any moneys still remaining in these funds or programs would serve the State more effectively if they were deposited into an active fund or to the credit of the general fund.

In 1995, the legislature created the Waialua loan and subsidy program to assist former employees and retirees displaced by the closure of Waialua Sugar Company. However, as noted in the 2012 state auditor's report entitled, "Study of the Transfer of Non-general Funds to the General Fund," the program "is no longer active and there is only one outstanding loan...[accordingly], it is no longer serving the purpose for which it was created." Similarly, in 2001, the Kikala-Keokea infrastructure development fund was created to provide low-interest home construction loans for Kikala-Keokea leaseholders who had been denied loans from traditional financial institutions. However, according to a 2012 state auditor's
report, the "fund is no longer active and there are no
outstanding loans...the project is projected to have no
revenues, no expenses, and no balance for FY2012...[accordingly]
it is no longer serving the purpose for which it was created."

The purpose of this Act is to terminate the Waialua loan
and subsidy program, the Kikala-Keokea infrastructure
development fund, and the Kikala-Keokea housing revolving fund,
and to deposit any residual amounts left in either the program
or funds into the rental assistance revolving fund or the
general fund.

SECTION 2. Section 201H-211, Hawaii Revised Statutes, is
amended to read as follows:

"[§] 201H-211[]  Expenditures of revolving funds under the
corporation exempt from appropriation and allotment. Except as
to administrative expenditures, and except as otherwise provided
by law, expenditures from the revolving funds administered by
the corporation under subparts I and J of part III, relating to
financing programs, or sections 201H-80, [201H-81] 201H-123, or
516-44 may be made by the corporation without appropriation or
allotment by the legislature; provided that no expenditure shall
be made from and no obligation shall be incurred against any
revolving fund in excess of the amount standing to the credit of
the fund or for any purpose for which the fund may not lawfully
be expended. Nothing in sections 37-31 to 37-41 shall require
the proceeds of the revolving funds identified in subparts I and
J of part III, or sections 201H-80, [201H-81,] 201H-123, or
516-44 to be reappropriated annually."

SECTION 3. Section 171-19.5, Hawaii Revised Statutes, is
repealed.

"§171-19.5—Infrastructure development fund;

establishment. (a) There is established in the state treasury
the infrastructure development fund to be administered by the
department of land and natural resources. Funds transferred or
appropriated by the legislature and moneys received or collected
by the department of land and natural resources, as authorized
by the legislature, shall be deposited into the infrastructure
development fund.

(b) The infrastructure development fund shall be used to
provide funding for infrastructure development in the Kīkālā-
Keokea area on the island of Hawaii to benefit residents of
Kalapana who have been dispossessed of their homes and lands as
a result of the continued volcanic eruptions on the island of
Hawaii, which began on January 3, 1983. Proceeds of this fund
may be used for necessary expenses in the administration of the fund.

(c) Upon fulfillment of the purposes of this section, any unexpended or unencumbered funds appropriated by the legislature or remaining in the infrastructure development fund as of the close of business on December 31, 2004, shall not lapse into that fund or to the credit of the general fund, but shall be transferred to the credit of the Kikala-Keekea housing revolving fund established in section 201H-81 as of that date, provided that any unexpended or unencumbered moneys that were provided by the office of Hawaiian affairs and deposited into the infrastructure development fund for the purpose of infrastructure development shall be refunded to the office of Hawaiian affairs upon the completion of the fund's intended purpose. No funds shall be transferred until all funding commitments entered into by the department of land and natural resources to complete the design and construction of infrastructure improvements have been executed.

SECTION 4. Section 201H-81, Hawaii Revised Statutes, is repealed.

"[§201H-81]—Kikala-Keekea housing revolving fund; established. (a) There is established in the state treasury..."
the Kikala-Keekea housing revolving fund to provide low-interest loans for home construction for Kikala-Keekea leaseholders who have been denied loans from traditional financial institutions.

The revolving fund shall be administered by the corporation.

(b) The rate of interest on loans executed pursuant to this section shall not exceed three per cent per year and interest earnings on loans made pursuant to this section may be used for administrative and other expenses necessary for administering the loan program. Guidelines shall be established by the corporation with respect to loan terms and loan qualification criteria. Moneys appropriated for the purposes of this section shall be deposited into the Kikala-Keekea housing revolving fund; provided that upon fulfillment of the purposes of this section, all unencumbered moneys shall lapse into the general fund.

(c) The corporation shall adopt rules in accordance with chapter 91 to effectuate the purposes of this section.


SECTION 7. (a) By July 1, 2014, the director of finance shall transfer any unencumbered balances remaining, as of June 30, 2014, in the infrastructure development fund established by section 171-19.5, Hawaii Revised Statutes, and the Kikala-Keokea housing revolving fund, established by section 201H-81, Hawaii Revised Statutes, to the credit of the general fund. Additionally, any future revenues scheduled to be paid into the infrastructure development fund or Kikala-Keokea housing revolving fund shall be paid to the credit of the general fund.

(b) By July 1, 2014, the director of finance shall transfer any unencumbered balances remaining, as of June 30, 2014, in the grant and loan programs established by Acts 30 and 31, Special Session Laws of Hawaii 1995, to the credit of the rental assistance revolving fund. Additionally, any future revenues scheduled to be paid into the grant and loan programs established by Acts 30 and 31, Special Session Laws of Hawaii 1995, shall be paid to the credit of the rental assistance revolving fund.

SECTION 8. This Act shall not affect rights and duties that matured, penalties that were incurred, and proceedings that were begun before its effective date.
SECTION 9. Statutory material to be repealed is bracketed and stricken.

SECTION 10. This Act shall take effect upon its approval.

APPROVED this 24 day of JUN, 2014

Neil Abercrombie
GOVERNOR OF THE STATE OF HAWAII