

STATE OF HAWAII
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawai'i 96813-2917



DEPT. COMM. NO. 78

JAN K. YAMANE
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February 20, 2015

The Honorable Donna Mercado Kim
President of the Senate
State Capitol, Room 409
Honolulu, Hawai'i 96813

Dear Madam President:

I transmit to you 29 analyses our office has completed on special and revolving funds proposed in the current legislative session. Our analyses were conducted pursuant to Section 23-11, HRS. Copies of these analyses have also been transmitted to the committees of referral.

Sincerely,

Jan K. Yamane
Acting State Auditor

Enclosures

ANALYSIS

Acquisition of Agricultural Lands
Trust Fund

H.B. No. 330

Does Not Meet Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the Acquisition of Agricultural Lands Trust Fund in H.B. No. 330 Does Not Meet Criteria

Description and Purpose

This bill establishes 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 public land banking, conservation of agricultural lands, or the promotion of farm ownership and diversified agriculture. Revenues to the fund shall come from the revenues 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 (HRS). Similar funds under similar names were proposed in H.B. No. 1873 and S.B. Nos. 2041 and 2965 during the 2014 legislative session. A similar fund under a similar name was proposed in 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. Our analysis is of the Acquisition of Agricultural Lands Trust Fund to support agricultural land activities. Three criteria are used in analyzing 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, projected revenues, 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 program users or beneficiaries, or (b) a clear link between the activities 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

The bill does not satisfy all criteria to establish a special fund. Nexus or linkage does not exist between the sources of revenue and activities. Evidence is lacking to show that the fund is needed to support such activities and cannot be successfully implemented

under the general fund appropriation process. Evidence is also lacking to demonstrate that the fund has the capacity to be financially self-sustaining.

Demonstrated need for the fund

There is insufficient information to demonstrate the fund is needed for the purpose of supporting agricultural land activities. Detailed financial information regarding projected revenues and costs has not been provided. In addition, section 163D-32, HRS, states that the acquisition of important agricultural lands may be made through general fund appropriations.

Nexus or linkage

Nexus or linkage does not exist between the general excise tax revenues and agricultural land activities.

Self-sustainability

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

Probable Effects

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

Alternate Funding

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

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ANALYSIS

Address Confidentiality Program Surcharge Fund H.B. No. 446 and S.B. No. 384 Does Not Meet Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the Address Confidentiality Program Surcharge Fund in H.B. No. 446 and S.B. No. 384 Does Not Meet Criteria

Description and Purpose

These bills establish the Address Confidentiality Program and Address Confidentiality Program Surcharge Fund to be administered by the Department of Accounting and General Services. The purpose of the program is to protect the confidentiality of the actual address of a relocated victim of domestic violence, a sexual offense, or stalking and to prevent the victim's assailants or potential assailants from finding the victim through public records. Revenues to the fund shall come from 95 percent of a \$28 surcharge paid by each person convicted of stalking, a crime in which the court found includes an act of domestic violence, or a criminal attempt, conspiracy, or solicitation to commit these crimes. Other revenue sources shall include gifts, grants, donations, and interest derived from the deposit and investment of moneys in the fund. Moneys in the fund shall be used to pay the administration costs incurred by the program, including costs to process and certify applications and to forward mail to participants.

Criteria

Our analysis is of the Address Confidentiality Program Surcharge Fund to support the program. Three criteria are used in analyzing the fund:

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

Analysis

These bills do not satisfy all criteria to establish a special fund. Although linkage exists between the sources of revenue and the program, evidence is lacking to show that the fund is needed to

support the program and cannot be successfully implemented under the general fund appropriation process. Evidence is also lacking to demonstrate that the fund has the capacity to be financially self-sustaining.

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 projected revenues and costs has not been provided. In addition, a sufficient explanation of why the program cannot be successfully implemented under the general fund appropriation process was not provided.

Nexus or linkage

Linkage exists between the surcharge, gifts, grants, donations, and interest earned with the program.

Self-sustainability

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

Probable Effects

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

Alternate Funding

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

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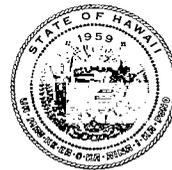
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ANALYSIS

Administrative Fund and Parimutuel Education Fund S.B. No. 1373 Does Not Meet Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the Administrative Fund and Parimutuel Education Fund in S.B. No. 1373 Does Not Meet Criteria

Description and Purpose

This bill authorizes a five-year pilot project for parimutuel wagering and horse racing and establishes the Hawai'i Horse Racing Board to be placed within the Department of Commerce and Consumer Affairs for administrative purposes. This bill also establishes the Administrative Fund and Parimutuel Education Fund to be administered by the board. The Administrative Fund would pay all necessary expenses permitted or required by the proposed five-year pilot program. The Parimutuel Education Fund shall be used to fund education in the State. Revenues to the funds shall come from the State's share of moneys received at the parimutuel horse racing facility. One-half of 1 percent would be deposited into the Administrative Fund, 4 percent would be deposited into the Parimutuel Education Fund, and 4 percent would be deposited into the state general fund. A similar fund under the same name was proposed in S.B. No. 918 during the 2013 legislative session.

Criteria

Although the Administrative Fund and the Parimutuel Education Fund are not labeled as special funds, they are strikingly similar to special funds and for that reason are reviewed here. Our analysis is of the funds to support the five-year pilot program. Three criteria are used in analyzing the funds:

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

Analysis

The bill does not satisfy all criteria to establish special funds. Linkage exists between the sources of revenue and the five-year

pilot program for the Administrative Fund but not for the Parimutuel Education Fund. Evidence is lacking to show that the funds are needed and cannot be implemented through the general fund appropriation process. Evidence is also lacking to demonstrate that the funds have the capacity to be financially self-sustaining.

Demonstrated need for the funds

There is insufficient information to demonstrate the funds are needed to support the five-year pilot program. Detailed financial information regarding 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 under the general fund appropriation process was not provided.

Nexus or linkage

Linkage exists for the Administrative Fund since a portion of the revenue received from the parimutuel horse racing facility would be used for all the expenses related to the five-year pilot program. However, linkage does not exist for the Parimutuel Education Fund because no direct charges are made of the beneficiaries of the fund.

Self-sustainability

Estimated revenues and expenditure information has not been provided to demonstrate that the funds have the capacity to be financially self-sustaining.

Probable Effects

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

Alternate Funding

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

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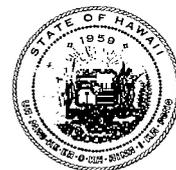
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ANALYSIS

Alternative Energy Research and Development Revolving Fund H.B. No. 1513 and S.B. No. 1370 Does Not Meet Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the Alternative Energy Research and Development Revolving Fund in H.B. No. 1513 and S.B. No. 1370

Does Not Meet Criteria

Description and Purpose

These bills establish the Alternative Energy Research and Development Revolving Fund to be administered by the Department of Business, Economic Development and Tourism. The purpose of the fund is to support a two-year Alternative Energy Research and Development Pilot Program. The purpose of the program is to promote the research and development of alternative energy in Hawai'i by providing matching grants to businesses that meet certain criteria. This bill provides that a sum of \$5 million or so much thereof be appropriated out of the general revenues of the State into the fund for fiscal years 2015-2016 and 2016-17. Moneys in the fund shall be used to provide matching grants to for-profit businesses that have at least an 80 percent ownership by Hawai'i residents, have been doing business in Hawai'i for not less than 30 years, and have been awarded a grant from the Naval Office of Research for alternative energy production.

Criteria

Our analysis is of the Alternative Energy Research and Development Revolving Fund to support the program. Three criteria are used in analyzing the fund:

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

Analysis

These bills do not satisfy all criteria to establish 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 has the capacity to be financially self-sustaining with means to replenish the fund. The bills also do not satisfy nexus or linkage requirements and evidence is lacking to show that the fund is needed to support the program.

Demonstrated need for the fund

The criteria for demonstrating the need for this revolving fund have not been met because the program can be funded under the general fund appropriation process.

Nexus or linkage

Linkage exists between the fund and legislative appropriations used as seed moneys to establish the revolving fund.

Self-sustainability

The fund cannot be financially self-sustaining without user fees or charges.

Probable Effects

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

Alternate Funding

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

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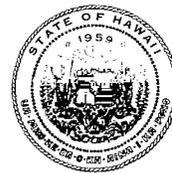
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ANALYSIS

Charter Schools Food Service
Special Fund
S.B. No. 1215
Does Not Meet Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the Charter Schools Food Service Special Fund in S.B. No. 1215 Does Not Meet Criteria

Description and Purpose

This bill establishes the Charter Schools Food Service Special Fund to be administered by the State Public Charter School Commission. The purpose of the fund is to support the food service needs of the State's public charter schools. Revenues to the fund shall come from the proceeds of issued general obligation bonds. This bill authorizes the director of finance to issue general obligation bonds totaling \$5 million for the FY2015-16. Moneys in the fund shall be used to build food service facilities in charter schools, including the design, planning, construction, repair, and maintenance of such facilities.

Criteria

Our analysis is of the Charter Schools Food Service Special Fund to support charter school food service facility projects. Three criteria are used in analyzing 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, projected revenues, 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 projects 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

The bill does not satisfy all criteria to establish a special fund. Although linkage exists between the sources of revenue and the projects, evidence is lacking to show that the fund is needed and cannot be implemented through the general fund appropriation process. Evidence is also lacking to demonstrate that the fund has the capacity to be financially self-sustaining.

Demonstrated need for the fund

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

Nexus or linkage

Linkage exists between the projects and proceeds from the general bond obligations.

Self-sustainability

The fund does not clearly establish self-sustainability, as proceeds from general bond obligations are the only revenue source used to support the projects. In addition, estimated revenue and expenditure information has not been provided to demonstrate that the fund has the capacity to be financially self-sustaining.

Probable Effects

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

Alternate Funding

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

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ANALYSIS

Civil Monetary Special Fund H.B. No. 943 and S.B. No 1112 Meets Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the Civil Monetary Special Fund H.B. No. 943 and S.B. No 1112 Meets Criteria

Description and Purpose

These bills establish the Civil Monetary Special Fund to be administered by the Department of Health. The purpose of the fund is to deposit federal civil monetary penalty moneys received from the U.S. Department of Health and Human Services' Centers for Medicare and Medicaid Services (CMS). The penalty moneys result from federal fines assessed against Medicare certified facilities or agencies during federal certification surveys conducted by the Department of Health's Office of Health Care Assurance (OHCA) on behalf of CMS. Revenues to the fund shall come from moneys collected by CMS as federally imposed civil monetary penalty funds when health care facilities or agencies do not meet Medicare certification requirements. Moneys in the fund shall be used by the department as approved by CMS for support activities that benefit Medicare beneficiaries. Not more than \$30,000 of the moneys in the fund may be used during any fiscal year for the activities carried out by the department as approved by CMS. Moneys in the Civil Monetary Special Fund shall not be subject to deposit into the general fund for any reason.

Criteria

Our analysis is of the Civil Monetary Special Fund to support the activities that benefit Medicare beneficiaries who use services at Medicare certified health care facilities or agencies. Three criteria are used in analyzing 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, projected revenues, 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 activities 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 satisfy all criteria to establish a special fund. The bills satisfy nexus or linkage requirements and there is a demonstrated need for the fund. There is also evidence to demonstrate that the fund has the capacity to be financially self-sustaining.

Demonstrated need for the fund

The fund is needed to account for moneys received from CMS to support activities that benefit Medicare beneficiaries. Sufficient explanations of why such activities cannot be successfully implemented under the general fund appropriation process were provided.

Nexus or linkage

Linkage exists between the department and federal fines assessed against Medicare certified facilities or agencies with the activities that benefit Medicare beneficiaries.

Self-sustainability

Although estimated revenue and expenditure information has not been provided, the fund will not need general fund appropriations to be financially self-sustaining. Funds consist of moneys collected and received from CMS and payments from the fund must be approved by CMS.

Probable Effects

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

Alternate Funding

There is no feasible alternative funding to this fund.

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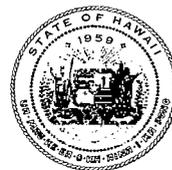
ANALYSIS

Co-Managed Marine Area Special Fund

S.B. No. 1165

Does Not Meet Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the Co-Managed Marine Area Special Fund in S.B. No. 1165 Does Not Meet Criteria

Description and Purpose

This bill establishes the Co-Managed Marine Area Special Fund to be administered by the Department of Land and Natural Resources. The purpose of the fund is to pay administrative costs of the Hawaiian Island Humpback Whale National Marine Sanctuary and Papahānaumokuākea Marine National Monument Programs, which the bill also establishes. The purpose of the programs is to coordinate and fulfill the State's role and responsibility in co-managing the sanctuary and monument with the National Oceanic and Atmospheric Administration and the U.S. Fish and Wildlife Service. Revenues to the fund shall come from administrative fees and penalties, fees for permits and licenses relating to the programs, moneys from the federal government for the management of the sanctuary and monument, and legislative appropriations, as well as grant, donations, and contributions. The bill also provides that \$135,000 and \$67,500 or so much thereof be appropriated out of the general revenues of the State into the fund for fiscal years 2015-16 and 2016-17, respectively. Moneys in the fund shall be used for the administration and management of the programs, including the hiring of necessary staff.

Criteria

Our analysis is of the Co-Managed Marine Area Special Fund to support the sanctuary and monument programs. Three criteria are used in analyzing the fund:

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

Analysis

The bill does not satisfy all criteria to establish a special fund. Although nexus or linkage exists between the sources of revenue and the programs and the funds cannot be successfully implemented under the general fund appropriation process, evidence is lacking to demonstrate that the fund has the capacity to be financially self-sustaining.

Demonstrated need for the fund

The fund is needed to support the program because it cannot be implemented successfully under the general fund appropriation process. The positions to be funded were previously federally funded, but the federal agency has notified the State that the funding will end at the end of the federal fiscal year. The general funds request was also not included in the governor's budget.

Nexus or linkage

Nexus exists between the programs and the individuals paying the permit and license fees to use the sanctuary and monument. Linkage exists between the administrative fees and penalties and moneys from the federal government with the programs. However, linkage does not exist between legislative appropriations and the programs.

Self-sustainability

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

Probable Effects

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

Alternate Funding

There is no feasible alternate funding for the programs.

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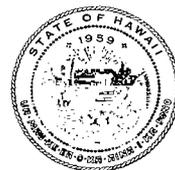
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ANALYSIS

Commissioner of Deeds Special Revolving Fund H.B. No. 960 and S.B. No. 1129 Does Not Meet Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the Commissioner of Deeds Special Revolving Fund in H.B. No. 960 and S.B. No. 1129 Does Not Meet Criteria

Description and Purpose

These bills establish the Commissioner of Deeds Special Revolving Fund to be administered by the Office of the Lieutenant Governor. The purpose of the fund is to help defray costs associated with operating and maintaining the Commissioners of Deeds program. The purpose of the program is to prevent the fraudulent use of a document after placement of the commissioner of deeds' seal. Revenues to the fund shall come from fees, administrative fines, charges, penalties and fines, interest earned on moneys in the fund, and legislative appropriations. Moneys in the fund shall be used by the Office of the Lieutenant Governor for personnel and training costs, acquisition of equipment, and program operating and administrative costs.

Criteria

Our analysis is of the Commissioner of Deeds Special Revolving Fund to support the Commissioners of Deeds program. Three criteria are used in analyzing the fund:

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

Analysis

The bills do not satisfy all criteria to establish a revolving fund. The bills satisfy nexus and partial linkage requirements, and a revolving fund would be the appropriate fund type for this financing activity. However, evidence is lacking to demonstrate that the fund has 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 sources of projected revenues and costs have not been provided. However, a sufficient explanation of why the program cannot be successfully implemented under the general fund appropriation process was provided.

Nexus or linkage

Nexus exists between the benefits sought and the charges made upon users. Partial linkage exists between penalties, fines, interest earned, and administrative expenditures. Linkage also would exist between the fund and legislative appropriations used as seed moneys to establish the revolving fund.

Self-sustainability

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

Probable Effects

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

Alternate Funding

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

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ANALYSIS

Designated Redevelopment
District Revolving Funds
H.B. No. 1267
Does Not Meet Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the Designated Redevelopment District Revolving Funds in H.B. No. 1267 Does Not Meet Criteria

Description and Purpose

This bill establishes the Designated Redevelopment District Revolving Funds to be administered by the Department of Land and Natural Resources (DLNR). DLNR shall establish a separate revolving fund for each district designated by the Legislature. The program's purpose is to redevelop areas or regions of public lands classified as commercial, industrial, resort, or hotel. Revenues to each fund shall come from 50 percent of revenues, income, and receipts collected by DLNR in designated development districts; legislative appropriations; and gifts, grants, and other funds accepted by DLNR. This bill also provides that an unspecified amount be appropriated out of the general revenues of the State into the funds for fiscal years 2015-2016 and 2016-2017. Moneys in the funds shall be used for costs associated with establishing, staffing, and operating planning committees for each designated development district, including costs of preparing redevelopment plans and studies.

Criteria

Our analysis is of the Designated Redevelopment District Revolving Funds to support each designated development district program. Three criteria are used in analyzing the funds:

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

Analysis

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

In addition, the measure gives DLNR the authority to establish revolving funds administratively, which is contrary to section 37-52.4, Hawai'i Revised Statutes (HRS), which states, "Revolving funds shall only be established pursuant to an act of the Legislature." Although the Legislature would retain the authority to establish redevelopment districts by statute, the bill mandates that DLNR administratively create a separate fund for each district established by the Legislature.

Demonstrated need for the funds

There is insufficient information to demonstrate the funds are needed to support the designated development district program. Detailed financial information regarding sources of projected revenues and costs has not been provided.

Nexus or linkage

Nexus exists between lessees of public lands in designated development districts and lease payments used to improve those lands. Linkage exists between the program and the other revenues, income and receipts; gifts, grants, and other funds accepted by the department; and legislative appropriations used as seed moneys to establish the revolving funds.

Self-sustainability

The funds are intended to be self-sustaining, as the bill states that no expenditure shall be made from the funds and no obligations shall be incurred against the funds in excess of the amount standing to the credit of the funds. However, estimated revenue and expenditure information is not known at this time.

Probable Effects

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

Alternate Funding

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

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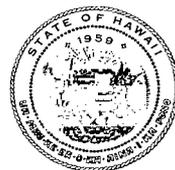
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ANALYSIS

Emergency Home Relocation
Special Fund
H.B. No. 1314
Does Not Meet Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the Emergency Home Relocation Special Fund in H.B. No. 1314 Does Not Meet Criteria

Description and Purpose

This bill establishes the Emergency Home Relocation Special Fund to be administered by the Hawai'i Housing Finance and Development Corporation. The purpose of the fund is to assist persons dispossessed of their homes as a result of a natural disaster. Natural disaster means any disaster caused by seismic or tidal wave, tsunami, hurricane, volcanic eruption, typhoon, earthquake, or flood. Revenues to the fund shall come from interest earned or accrued on moneys deposited into the fund, other moneys made available to the fund, and legislative appropriations. This bill also provides that an unspecified amount be appropriated out of the general revenues of the State into the fund for fiscal years 2015-2016 and 2016-2017. Moneys in the fund shall be used to provide infrastructure development, grants, and loans to assist persons dispossessed of their homes as a result of a natural disaster.

Criteria

Our analysis is of the Emergency Home Relocation Special Fund to support the natural disaster relief activities. Three criteria are used in analyzing 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, projected revenues, 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 activities and sources of revenue—as opposed to providing the fund with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

Analysis

The bill does not satisfy all criteria to establish a special fund. Although linkage exists between the interest earned and accrued with the activities, evidence is lacking to show that the fund is needed to support the activities and cannot be successfully implemented under the general fund appropriation process. Evidence is also lacking to

demonstrate that the fund has the capacity to be financially self-sustaining.

Demonstrated need for the fund

There is insufficient information to demonstrate the fund is needed for the purpose of the natural disaster relief activities. Detailed financial information regarding projected revenues and costs has not been provided. In addition, an explanation of why the activities cannot be successfully implemented under the general fund appropriation process was not provided.

Nexus or linkage

Linkage exists between the interest earned or accrued on moneys deposited into the fund with the natural disaster relief activities. However, linkage does not exist between legislative appropriations and the activities. It is unclear whether linkage exists between other moneys made available to the fund and the activities.

Self-sustainability

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

Probable Effects

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

Alternate Funding

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

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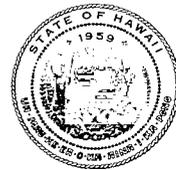
ANALYSIS

Farmers Market Matching Incentive Program Special Account

H.B. No. 1400

Does Not Meet Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the Farmers Market Matching Incentive Program Special Account in H.B. No. 1400 Does Not Meet Criteria

Description and Purpose

This bill establishes the Farmers Market Matching Incentive Program and Farmers Market Matching Incentive Program Special Account to be administered by the Department of Human Services. The purpose of the program is to provide beneficiaries of the Supplemental Nutrition Assistance Program with a dollar-for-dollar match up to \$20 when making food stamp purchases at farmers markets. Revenues to the account shall come from public or private grants, awards, gifts, and legislative appropriations. This bill also provides that an unspecified amount be appropriated out of the general revenues of the State into the account for fiscal years 2015-2016 and 2016-2017. Moneys will be used to provide matching funds to beneficiaries and to administer the program.

Criteria

Although the Farmers Market Matching Incentive Program Special Account is labeled as an account, it is strikingly similar to a special fund, and for that reason is reviewed here. Our analysis is of the Farmers Market Matching Incentive Program Special Account to support the Farmers Market Matching Incentive Program. Three criteria are used in analyzing the account:

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

Analysis

The bill does not satisfy all criteria to establish a special fund. Although linkage exists between the sources of revenues with the program, evidence is lacking to show that the account is needed to support the program and cannot be successfully implemented under

the general fund appropriation process. Evidence is also lacking to demonstrate that the account has the capacity to be financially self-sustaining.

Demonstrated need for the account

There is insufficient information to demonstrate the account is needed for the purpose of 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

Linkage exists between the public and private grants, awards, and gifts with the program. However, linkage does not exist between legislative appropriations and the program.

Self-sustainability

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

Probable Effects

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

Alternate Funding

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

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ANALYSIS

Film, Television, Digital, and New Media Development Special Fund H.B. No. 1500 and S.B. No. 1155 Does Not Meet Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the Film, Television, Digital, and New Media Development Special Fund in H.B. No. 1500 and S.B. No. 1155 Does Not Meet Criteria

Description and Purpose

These bills establish the Film, Television, Digital, and New Media Development Special Fund to be administered by the Hawai'i Tourism Authority. The purpose of the fund is to support the efforts of the authority to assist in and provide incentives for the production of eligible Hawai'i projects in film, television, digital, and new media. Revenues to the fund shall come from legislative appropriations; the revenues from the operations of the Hawai'i film facility; proceeds derived from the loan program established by the authority; gifts, grants, and other funds accepted by the authority for the purpose of the fund; and interest earned. These bills also provide that an unspecified amount be appropriated out of the general revenues of the State into the fund for fiscal years 2015–2016 and 2016–2017. Moneys in the fund shall be used to establish low-interest loans to provide seed money for production development and to fund a grant program for qualifying Hawai'i projects. A portion of the moneys in the fund shall also be used for Hawai'i Film Office staffing and operations and Hawai'i Film Studio operation and maintenance. Similar funds under the same name were proposed in S.B. No. 957 during the 2012 legislative session and S.B. No. 3050 during the 2013 legislative session.

Criteria

Our analysis is of the Film, Television, Digital, and New Media Development Fund to support film, television, digital, and new media production activities. Three criteria are used in analyzing 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, projected revenues, 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 activities 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 all criteria to establish a special fund. Although nexus or linkage exists between the sources of revenue and activities, evidence is lacking to show that the fund is needed and cannot be implemented through the general fund appropriation process. The fund also does not have the capacity to be financially self-sustaining.

Demonstrated need for the fund

Demonstrated need for the special fund has not been met because incentives for film, television, digital, and new media production activities can be implemented under the general fund appropriation process.

Nexus or linkage

Nexus exists between the operations of the Hawai'i film facility and low-interest loans with the film, television, digital, and new media production activities. Linkage exists between the interest earned, gifts, grants, and other funds with such activities. However, linkage does not exist between legislative appropriations and activities.

Self-sustainability

The fund cannot be self-sustaining without revenues from the Hawai'i Film Studio and funds appropriated from the general revenues of the State.

Probable Effects

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

Alternate Funding

Support for the activities could also be provided through the Tourism Special Fund or direct general fund appropriations.

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ANALYSIS

Hawai'i Capital Loan Revolving Fund

H.B. No. 771 and S.B. No. 1002 Does Not Meet Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the Hawai'i Capital Loan Revolving Fund in H.B. No. 771 and S.B. No. 1002 Does Not Meet Criteria

Description and Purpose

These bills re-establish the Hawai'i Capital Loan Revolving Fund, which was previously repealed on July 1, 2004. The Department of Business, Economic Development and Tourism will administer the fund. The purpose of the Hawai'i Capital Loan Program is to provide loans to small businesses for the financing of plant construction, conversion, expansion, acquisition of land for expansion, acquisition of equipment, machinery, supplies, or materials, or for supplying working capital. The program also provides loan guarantees to qualified small businesses. Revenues to the fund shall come from repayment of loans, interest payments received, transfers of moneys from the State Disaster Revolving Loan Fund, and legislative appropriations. The bills also provides that the sum of \$2 million or so much thereof be appropriated out of the general revenues of the State into the fund for fiscal years 2015-2016 and 2016-2017. Moneys in the fund shall be used to provide direct loans to small businesses and for administering the fund.

Criteria

Our analysis is of the Hawai'i Capital Loan Revolving Fund to support the Hawai'i Capital Loan Program. Three criteria are used in analyzing the fund:

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

Analysis

These bills do not satisfy all criteria necessary to establish a revolving fund. Although the bills satisfy nexus and linkage requirements, and a revolving fund would be the appropriate type

for this financing activity, they lack evidence to demonstrate that the fund has 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 sources of projected revenues and costs has not been provided.

Nexus or linkage

Nexus exists between the benefits sought and the charges made upon users through the repayment of loans and the interest payments. Linkage exists between the fund and legislative appropriations used as seed moneys to establish the revolving fund.

Self-sustainability

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

Probable Effects

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

Alternate Funding

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

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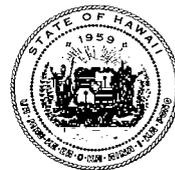
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ANALYSIS

Hawai'i Give Back for Payback Loan Forgiveness Program Revolving Fund H.B. No. 488 Does Not Meet Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the Hawai'i Give Back for Payback Loan Forgiveness Program Revolving Fund in H.B. No. 488

Does Not Meet Criteria

Description and Purpose

This bill establishes the Hawai'i Give Back for Payback Loan Forgiveness Program and the Hawai'i Give Back for Payback Loan Forgiveness Program Revolving Fund to be administered by the Department of Budget and Finance. The purpose of the program is to encourage newly graduated professionals to pursue public service in a not-for-profit organization designated as tax-exempt by the Internal Revenue Service by providing student loan repayments to such professionals. Revenues to the fund shall come from legislative appropriations; gifts, donations and grants; moneys received as reimbursements of loan repayments from program participants who do not meet the required service commitments; interest earned; and any other moneys made available to the program from other sources. The bill also provides that an unspecified amount be appropriated out of the general revenues of the State into the fund for the FY2015-16. Moneys in the fund shall be used to provide student loan repayments for participants who meet public service commitment requirements, and to cover program operational and administrative expenses.

Criteria

Our analysis is of the Hawai'i Give Back for Payback Loan Forgiveness Program Revolving Fund to support the program. Three criteria are used in analyzing the fund:

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

Analysis

The bill does not meet all criteria to establish a revolving fund. Although the bill satisfies nexus or linkage requirements, it lacks

evidence to demonstrate that the fund has the capacity to be financially self-sustaining. In addition, a special fund and not a revolving fund is the more appropriate fund type for this program.

Demonstrated need for the fund

The criteria for demonstrating the need for the fund has not been met because it can be implemented under the general fund appropriation process, provided funds are appropriated by the Legislature each fiscal year. A revolving fund is not the most appropriate fund type for the fund as the cost of services rendered are not replenished through charges made for services or through transfers from other accounts or funds.

Nexus or linkage

Nexus exists between the program participants and moneys received as reimbursements of loan payments. Linkage exists between the program and the gifts, donations, grants, and interest earned. Linkage also exists between the fund and legislative appropriations used as seed moneys to establish the revolving fund. It is unclear whether linkage exists between the program and other moneys made available from other sources.

Self-sustainability

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

Probable Effects

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

Alternate Funding

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

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ANALYSIS

Hawai'i Pacific Small Business
Consortium Special Fund
S.B. No. 1288
Does Not Meet Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the Hawai'i Pacific Small Business Consortium Special Fund in S.B. No. 1288 Does Not Meet Criteria

Description and Purpose

This bill establishes the Hawai'i Pacific Small Business Consortium within the Department of Business, Economic Development and Tourism for administrative purposes and the Hawai'i Pacific Small Business Special Fund. The purpose of the consortium is to help small businesses obtain government contracts and to develop business opportunities for small businesses by combining their resources to offer services and solutions to federal, state, and county governments and the commercial sector. Revenues to the fund shall come from fees charged to businesses it assists of not more than 1 percent of the net profits the business generates as a result of the consortium. Other revenue sources shall include legislative appropriations. This bill provides that \$10 million and \$3 million or so much thereof be appropriated out of the general revenues of the State into the fund for fiscal years 2015-16 and 2016-17, respectively. Moneys in the fund shall be used to operate the consortium, including compensation for the executive director, support innovative programs that promote small business development around the Pacific Rim, and issue grants for innovative research and other programs in small business development, entrepreneurship, international trade, or technology development.

Criteria

Our analysis is of the Hawai'i Pacific Small Business Consortium Special Fund to support the consortium. Three criteria are used in analyzing the fund:

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

Analysis

The bill does not satisfy all criteria to establish a special fund. Although nexus exists between the fees to be charged and the program, evidence is lacking to show that the fund is needed to support the program and cannot be successfully implemented under the general fund appropriation process. Evidence is also lacking to demonstrate that the fund has the capacity to be financially self-sustaining.

Demonstrated need for the fund

There is insufficient information to demonstrate the fund is needed for the purpose of the Hawai'i Pacific Small Business Consortium. Detailed financial information regarding 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 under the general fund appropriation process was not provided.

Nexus or linkage

Nexus exists between the fees charged to businesses it assists and the program. However, linkage does not exist between legislative appropriations and the program.

Self-sustainability

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

Probable Effects

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

Alternate Funding

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

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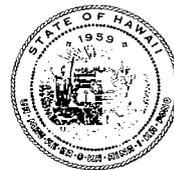
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ANALYSIS

Homeownership Revolving Fund
S.B. No. 1202
Does Not Meet Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the Homeownership Revolving Fund in S.B. No. 1202 Does Not Meet Criteria

Description and Purpose

This bill establishes the Homeownership Revolving Fund to be administered by the Hawai'i Housing Finance and Development Corporation, a corporation administratively attached to the Department of Business, Economic Development and Tourism. The purpose of the fund is to assist certain families or individuals seeking homeownership. Revenues to the fund shall come from interest payments to the fund made by the families or individuals and legislative appropriations. Moneys in the fund shall be used to pay the debt service for dwellings or dwelling units purchased by eligible families or individuals for the first 60 months. The beneficiaries will be eligible families or individuals whose income does not exceed 80 percent of the area median income, as determined by the U.S. Department of Housing and Urban Development. A similar fund under the same name was proposed in S.B. No. 2543 during the 2014 legislative session.

Criteria

Our analysis is of the Homeownership Revolving Fund to support the homeownership activities. Three criteria are used in analyzing 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, projected revenues, 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 activities and sources of revenue—as opposed to providing the fund with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

Analysis

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

Demonstrated need for the fund

There is insufficient information to demonstrate the fund is needed for the purpose of assisting families or individuals seeking homeownership. Detailed financial information regarding projected revenues and costs has not been provided.

Nexus or linkage

Nexus exists between the interest payments made of users or beneficiaries to the homeownership activities. Linkage also would exist between the fund and legislative appropriations used as seed moneys to establish the revolving fund.

Self-sustainability

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

Probable Effects

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

Alternate Funding

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

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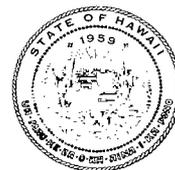
ANALYSIS

Hospital Special Fund and Facility
Administration Fund

H.B. No. 1254

Does Not Meet Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the Hospital Special Fund and Facility Administration Fund in H.B. No. 1254 Does Not Meet Criteria

Description and Purpose

This bill establishes the Division of Community Hospitals within the Department of Health. The purpose of the division is to plan, construct, improve, manage, control, and operate State public health facilities transferred to the division from the Hawai'i Health Systems Corporation.

This bill also establishes the Hospital Special Fund for each of the public health facilities within the proposed division. The purpose of the Hospital Special Fund is to finance the respective facilities' lawful operating expenditures. Revenues to the Hospital Special Fund shall come from moneys collected, acquired, or made available for the use of the respective facility which include rates, rents, fees, and charges for use of the facilities as well as sale of stocks, bonds, or other assets in possession of the division. At the beginning of each quarterly allotment period, the director of health shall transfer 2 percent of the moneys in each Hospital Special Fund into the Facility Administration Fund. At the end of each quarterly allotment period, all moneys remaining in each of the Hospital Special Fund not required for the operating expenditures of the hospital, are transferred into the Facility Administration Fund. This bill also establishes the Facility Administration Fund to be administered by the department. The purpose of the Facility Administration Fund is to defray general administrative costs of the division and provide supplemental funds to public health facilities with insufficient moneys. Revenues to the Facility Administration Fund would come from transfers as stated above. At the end of each fiscal year, funds exceeding 10 percent of all the facilities' expenditures shall be transferred by the director to the general fund.

Criteria

Our analysis is of the Hospital Special Fund and the Facility Administration Fund to support the Division of Community Hospital activities. Three criteria are used in analyzing the funds:

1. The need for the funds, as demonstrated by the purpose and scope of the activities (including financial information on fees to be charged, projected revenues, 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 activities 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 funds demonstrate the capacity to be financially self-sustaining.

Analysis

The bill does not satisfy all criteria to establish special funds. Although nexus or linkage exists, evidence is lacking to show that the funds are needed and cannot be implemented through the general appropriation process. Evidence is also lacking to demonstrate that the funds have the capacity to be financially self-sustaining.

Demonstrated need for the funds

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

Nexus or linkage

Nexus exists between the rents, fees, and charges made by the facilities in the Hospital Special Fund with the projects. Linkage exists between the sale of stocks, bonds, and other assets in the Hospital Special Funds with the projects. Linkage also exists between the moneys transferred from the Hospital Special Fund to the Facility Administration Fund with the projects.

Self-sustainability

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

Probable Effects

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

and revolving funds divert moneys from the general fund and distort the State's financial picture by making revenues and expenditures appear to be less than they are.

Alternate Funding

Support for these activities could be provided through direct general fund appropriations or through the Hawai'i Health Systems Corporation Special Funds.

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ANALYSIS

Interim Assistance
Reimbursement Special Fund
H.B. No. 1432
Does Not Meet Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the Interim Assistance Reimbursement Special Fund in H.B. No. 1432 Does Not Meet Criteria

Description and Purpose

This bill establishes the Interim Assistance Reimbursement Special Fund to be administered by the Department of Human Services. The purpose of the fund is to retain interim assistance reimbursements from the federal Social Security Administration to supplement state-funded assistance programs during the year to either maintain payments or avert reductions for eligible individuals. Revenues to the fund shall come from moneys received from the federal government pursuant to section 346-57, HRS; interest earned on moneys in the fund; other revenues designated for the fund; and legislative appropriations. This bill also provides that an unspecified amount be appropriated out of the general revenues of the State into the fund for the FY2015-16. Moneys in the fund shall be used for state-funded financial assistance payments and for programs that support and assist recipients to qualify for supplemental security income. Moneys in the fund shall also be used for general assistance to households without minor dependents. Similar funds under the same name were proposed in H.B. No. 2291 and S.B. No. 2841 during the 2014 legislative session and H.B. No. 870 and S.B. No. 1101 during the 2013 legislative session.

Criteria

Our analysis is of the Interim Assistance Reimbursement Special Fund to support the department's financial assistance programs. Three criteria are used in analyzing the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the programs (including financial information on fees to be charged, projected revenues, and costs) and an explanation of why the programs 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 programs and sources of revenue—as opposed to providing the fund with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

Analysis

The bill does not satisfy all criteria to establish a special fund. Although linkage exists between the deposits from federal Social Security Administration reimbursements with the programs, evidence

is lacking to show that the fund is needed to support the programs and cannot be successfully implemented under the general fund appropriation process. Evidence is also lacking to demonstrate that the fund has the capacity to be financially self-sustaining.

Demonstrated need for the fund

There is insufficient information to demonstrate the fund is needed for the purpose of the federal financial assistance programs. Detailed financial information regarding projected revenues and costs has not been provided. In addition, an explanation of why the programs cannot be successfully implemented under the general fund appropriation process was not provided.

Nexus or linkage

Linkage exists between the deposits from federal Social Security Administration reimbursements and interest earned. It is unclear, however, whether linkage exists between the programs and other revenue sources designated for the fund. Linkage does not exist between legislative appropriations and the programs.

Self-sustainability

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

Probable Effects

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

Alternate Funding

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

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ANALYSIS

Makua Valley Rehabilitation Trust
Fund
H.B. No. 1430
Does Not Meet Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the Makua Valley Rehabilitation Trust Fund in H.B. No. 1430 Does Not Meet Criteria

Description and Purpose

This bill establishes the Makua Valley Reserve Commission to be placed within the Department of Land and Natural Resources for administrative purposes. The purpose of the commission is to oversee the general administration of the Makua Valley Reserve. This bill also establishes the Makua Valley Rehabilitation Trust Fund to be administered by the department with the prior approval of the commission. The purpose of the fund is to provide for the rehabilitation, preservation and protection of the valley reserve, and education. Revenues to the fund shall come from all moneys received from the federal government for the rehabilitation and environmental restoration of the valley reserve; legislative appropriations; grants, donations, and proceeds from contributions; and the interest or profit on investments earned from moneys in the fund. Moneys in the fund shall be used to hire employees, specialists, and consultants necessary to complete projects related to the purpose of the fund. The fund shall be repealed on July 1, 2045, and all unexpended or unencumbered balances to be transferred to the State general fund, and balances of federal moneys to be dispersed in accordance with applicable federal law.

Criteria

Although the Makua Valley Rehabilitation Trust Fund is labeled as a trust fund, it is strikingly similar to a special fund and for that reason is reviewed here. Our analysis is of the trust fund to support the valley reserve projects. Three criteria are used in analyzing 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, projected revenues, 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 projects 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

The bill does not satisfy all criteria to establish a special fund. Although linkage exists between the grants, donations, proceeds

from contributions, and interest earned with the valley reserve projects, evidence is lacking to show that the fund is needed and cannot be implemented through the general fund appropriation process. Evidence is also lacking to demonstrate that the fund has the capacity to be financially self-sustaining.

Demonstrated need for the fund

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

Nexus or linkage

Linkage exists between the federal moneys, grants, donations, proceeds from contributions, and interest earned with the valley reserve projects. However, linkage does not exist between the state moneys and legislative appropriations with such projects.

Self-sustainability

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

Probable Effects

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

Alternate Funding

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

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ANALYSIS

Medical Marijuana Registry and Regulation Special Fund H.B. No. 321 and S.B. Nos. 1029 and 1302 Does Not Meet Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the Medical Marijuana Registry and Regulation Special Fund in H.B. No. 321 and S.B. Nos. 1029 and 1302 Does Not Meet Criteria

Description and Purpose

These bills amend the Medical Marijuana Registry Special Fund to be the Medical Marijuana Registry and Regulation Special Fund. The bills also establish two sub-accounts within the fund entitled the Medical Marijuana Dispensary Program and Medical Marijuana Registry Program to be administered by the Department of Health. The purpose of the fund is to support the Medical Marijuana Dispensary and Registry Program, which the bills also establish. The purpose of the program is to create a regulated statewide dispensary system for medical marijuana for qualified patients. Revenues to the sub-accounts shall come from license fees from marijuana producers and dispensaries. Moneys in the sub-accounts shall be used to establish and regulate medical marijuana dispensaries in the State; to offset the cost of processing registration certificates for patients and caregivers; to fund positions authorized by the Legislature; to establish and manage a database; and for any other expenditure, as authorized by the Legislature, to implement the program.

Criteria

Our analysis is of the Medical Marijuana Registry and Regulation Special Fund and the related sub-accounts. Three criteria are used in analyzing the sub-accounts:

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

Analysis

These bills do not satisfy all criteria to establish a special fund sub-accounts. Although nexus exists between the sources of revenue and

the program, evidence is lacking to show that the sub-accounts are needed and cannot be implemented through the general appropriation process. Evidence is also lacking to demonstrate that the sub-accounts have the capacity to be financially self-sustaining.

Demonstrated need for the fund

There is insufficient information to demonstrate the sub-accounts are needed to support the program. Detailed financial information regarding 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 under the general fund appropriation process was not provided.

Nexus or linkage

Nexus exists between the license fees and program.

Self-sustainability

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

Probable Effects

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

Alternate Funding

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

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ANALYSIS

Nursing Scholars Program Special Fund

H.B. No. 599

Does Not Meet Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the Nursing Scholars Program Special Fund in H.B. No. 599

Does Not Meet Criteria

Description and Purpose

This bill establishes the Nursing Scholars Program Special Fund to be administered by the University of Hawai'i. The purpose of the fund is to support the Nursing Scholars Program and to provide scholarship grants and tuition waivers for eligible students who are residents of the State. Eligible students are defined as individuals who (1) graduated from a recognized nursing program with a bachelors of science in nursing; (2) maintain domicile in Hawai'i during the term of the scholarship grant or tuition waiver; (3) comply with any conditions placed on the scholarship grant or tuition waiver by the University of Hawai'i; (4) maintain a grade point average of 3.0 or higher; and (5) enter into a written agreement with the University of Hawai'i. Revenues to the fund shall come from gifts, grants, and donations made to the program and legislative appropriations. This bill also provides that an unspecified amount be appropriated out of the general revenues of the State into the fund for fiscal years 2015-2016 and 2016-2017. Moneys will be used to finance scholarship grants and tuition waivers under the program and may only be used for the cost of tuition, books, laboratory fees, and any other required educational fees and expenses.

Criteria

Our analysis is of the Nursing Scholars Program Special Fund to support the Nursing Scholars Program. Three criteria are used in analyzing the fund:

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

Analysis

The bill does not satisfy all criteria to establish a special fund. Although linkage exists between the sources of revenues and the program, evidence is lacking to show that the fund is needed to

support the program and cannot be successfully implemented under the general fund appropriation process. Evidence is also lacking to demonstrate that the fund has the capacity to be financially self-sustaining.

Demonstrated need for the fund

There is insufficient information to demonstrate the fund is needed for the purpose of 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

Linkage exists between the gifts, grants, and donations with the program. However, linkage does not exist between legislative appropriations and the program.

Self-sustainability

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

Probable Effects

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

Alternate Funding

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

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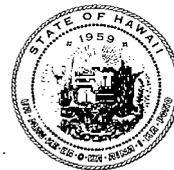
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ANALYSIS

Obesity and Chronic Disease Prevention Special Fund H.B. No. 1439 and S.B. No. 1256 Does Not Meet Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the Obesity and Chronic Disease Prevention Special Fund in H.B. No. 1439 and S.B. No. 1256

Does Not Meet Criteria

Description and Purpose

These bills establish the Sugar-Sweetened Beverage Fee program and the Obesity and Chronic Disease Prevention Special Fund to be administered by the Department of Health. The purpose of the program is to discourage excessive consumption of sugar-sweetened beverages and prevent obesity. Revenues to the fund shall come from sugar-sweetened beverage fees imposed on every distributor selling sugar-sweetened beverages in the State, interest payments, and penalty payments. Beverage fees charged to the distributor shall be passed on to the retailer, who then passes the fee to the consumer as a component of the final retail purchase price. Moneys in the fund shall be used to implement the program and to cover the cost of administrative, audit, independent evaluation, and compliance activities. Moneys in the fund shall also be used to coordinate and support various obesity prevention programs. A similar Obesity Prevention Special Fund was proposed in H.B. No. 854 and S.B. No. 1085 during the 2013 legislative session.

Criteria

Our analysis is of the Obesity and Chronic Disease Prevention Special Fund to support the program. Three criteria are used in analyzing the fund:

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

Analysis

These bills do not satisfy all criteria to establish a special fund. Although the bills satisfy nexus or linkage requirements between the fees to be charged and sources of revenue with the program, the bills

lack evidence to show that the fund is needed to support the program and cannot be successfully implemented through the general fund appropriation process. Evidence is also lacking to demonstrate that the fund has 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 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 under the general fund appropriation process was not provided.

Nexus or linkage

Nexus exists between the benefits sought and the charges made upon users or consumers who ultimately pay the sugar-sweetened beverage fee passed on by the distributors and retailers. Linkage exists between the program and the interest and penalty payments.

Self-sustainability

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

Probable Effects

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

Alternate Funding

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

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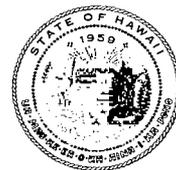
ANALYSIS

Pacific International Space Center
for Exploration Systems Special
Fund

S.B. No. 1158

Does Not Meet Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the Pacific International Space Center for Exploration Systems Special Fund in S.B. No. 1158 Does Not Meet Criteria

Description and Purpose

This bill establishes the Pacific International Space Center for Exploration Systems Special Fund to be administered by the executive director of the Pacific International Space Center for Exploration Systems. The Pacific International Space Center for Exploration Systems is administratively attached to the Office of Aerospace Development in the Department of Business, Economic Development and Tourism. The purpose of the fund is to assist in the operation, maintenance, and management of the systems' projects, facilities, services, and publications. Revenues to the fund shall come from revenues, moneys, and fees from services, rentals, publications, royalties, and patents. Other revenue sources include grants received by the systems, proceeds from revenue bonds issued by the director of finance, and legislative appropriations. Moneys in the fund shall be also be used for the design and construction of new facilities and the renovation of or addition to existing facilities.

Criteria

Our analysis is of the Pacific International Space Center for Exploration Systems Special Fund to support the systems. Three criteria are used in analyzing the fund:

1. The need for the fund, as demonstrated by the purpose and scope of the systems (including financial information on fees to be charged, projected revenues, and costs) and an explanation of why the systems 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 systems users or beneficiaries, or (b) a clear link between the systems and sources of revenue—as opposed to providing the fund with an automatic means of support that is removed from the normal budget appropriation process; and
3. Whether the fund demonstrates the capacity to be financially self-sustaining.

Analysis

The bill does not satisfy all criteria to establish a special fund. Although partial nexus and linkage exists between the fees to be charged and sources of revenues with the systems, evidence is lacking to show that the fund is needed to support the systems

and cannot be successfully implemented under the general fund appropriation process. Evidence is also lacking to demonstrate that the fund has the capacity to be financially self-sustaining.

Demonstrated need for the fund

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

Nexus or linkage

Partial nexus exists between the revenues, moneys, and fees from services, rentals, publications, royalties, and patents with the systems. Linkage exists between the proceeds from revenue bonds, gifts, donations, and grants received by the systems. However, linkage does not exist between legislative appropriations and the systems.

Self-sustainability

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

Probable Effects

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

Alternate Funding

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

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ANALYSIS

Professional and Doctoral Degree
Loan Forgiveness Program
Special Fund
H.B. No. 690
Does Not Meet Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the Professional and Doctoral Degree Loan Forgiveness Program Special Fund in H.B. No. 690 Does Not Meet Criteria

Description and Purpose

This bill establishes the Professional and Doctoral Degree Loan Forgiveness Program to be administered by the University of Hawai'i. This bill also establishes the Professional and Doctoral Degree Loan Forgiveness Program Special Fund to provide financial support to the program. The purpose of the program is to encourage professional and doctoral degree graduates to enter public service employment. Revenues to the fund shall come from gifts, grants, and donations received in conjunction with the administration of the program and legislative appropriations. This bill also provides that an unspecified amount be appropriated out of the general revenues of the State into the fund for fiscal years 2015-2016 and 2016-2017. Moneys will be used for the administration of the program by providing loan forgiveness for qualified individuals. The primary beneficiaries are individuals who (1) earn a professional or doctoral degree from an accredited University of Hawai'i program; (2) are liable for the outstanding balance on a qualified student loan; and (3) are employed as a full-time public service employee within the State.

Criteria

Our analysis is of the Professional and Doctoral Degree Loan Forgiveness Program Special Fund to support the Professional and Doctoral Degree Loan Forgiveness Program. Three criteria are used in analyzing the fund:

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

Analysis

The bill does not satisfy all criteria to establish a special fund. Although linkage exists between the sources of revenues with the

program, evidence is lacking to show that the fund is needed to support the program and cannot be successfully implemented under the general fund appropriation process. Evidence is also lacking to demonstrate that the fund has the capacity to be financially self-sustaining.

Demonstrated need for the fund

There is insufficient information to demonstrate the fund is needed for the purpose of the Professional and Doctoral Degree Loan Forgiveness 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

Linkage exists between the gifts, grants, and donations received with the program. However, linkage does not exist between legislative appropriations and the program.

Self-sustainability

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

Probable Effects

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

Alternate Funding

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

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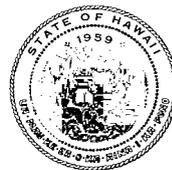
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ANALYSIS

Public Service Legal Loan Repayment Assistance Fund H.B. No. 549 and S.B. No. 635 Does Not Meet Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the Public Service Legal Loan Repayment Assistance Fund in H.B. No. 549 and S.B. No. 635

Does Not Meet Criteria

Description and Purpose

These bills establish the Public Service Legal Loan Repayment Assistance Program and Public Service Legal Loan Repayment Assistance Fund to be administered by the Hawai'i Justice Foundation and the William S. Richardson School of Law at the University of Hawai'i. The purpose of the program is to provide loan assistance to licensed lawyers who practice in public service positions and provide legal assistance to indigent persons. Revenues to the fund shall come from loan repayments, legislative appropriations, private contributions, and investment income. These bills also provide that an unspecified amount be appropriated out of the general revenues of the State into the fund for fiscal years 2015-2016 and 2016-2017. Moneys in the fund shall be used for program loan assistance disbursements and administration. The maximum amount of assistance provided to each participant, shall be no greater than \$10,000 per year, and the cumulative total assistance shall be no greater than \$50,000.

Criteria

Although the Public Service Legal Loan Repayment Assistance Fund is not labeled as a revolving fund, it is strikingly similar to a revolving fund and for that reason is reviewed here. Our analysis is of the fund to support the program. Three criteria are used in analyzing the fund:

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

Analysis

These bills do not satisfy all criteria to establish 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 and cannot be implemented through the general fund appropriation process. Evidence is also lacking to demonstrate that the fund has 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 sources of 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 principal and interest loan repayments made by the participants with the benefits provided by the program. Linkage exists between private contributions and investment earnings with the program. However, linkage does not exist between legislative appropriations and the program.

Self-sustainability

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

Probable Effects

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

Alternate Funding

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

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ANALYSIS

Transit-Oriented Development Revolving Loan Fund H.B. No. 1490 Does Not Meet Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the Transit-Oriented Development Revolving Loan Fund in H.B. No. 1490 Does Not Meet Criteria

Description and Purpose

This bill establishes the Transit-Oriented Development Revolving Loan Fund to be administered by the director of finance. The purpose of the fund is to provide no-interest loans to public-private partnerships for development of housing and infrastructure projects related to transit-oriented development. Revenues to the fund shall come from legislative appropriations, private contributions, loan payments, other returns, and moneys from the federal government and other sources. Moneys in the fund shall be used for no-interest loans to public-private partnerships and to guarantee private loans up to \$8.5 million for transit-oriented housing development. Permitted uses of the funds may include planning, design, land acquisition, costs of options, agreements of sale, or other related services or activities that may be provided in rules adopted by the Department of Budget and Finance.

Criteria

Our analysis is of the Transit-Oriented Development Revolving Loan Fund to support housing and infrastructure projects. Three criteria are used in analyzing 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, projected revenues, 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 projects 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 all criteria necessary to establish a revolving fund. Although the bill satisfies nexus or linkage requirements, and a revolving fund would be the appropriate type for this financing activity, evidence is lacking to demonstrate that the fund has the capacity to be financially self-sustaining.

Demonstrated need for the fund

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

Nexus or linkage

Nexus exists between loan moneys used to develop housing and infrastructure and loan repayments from borrowers. Linkage exists between the projects and legislative appropriations used as seed moneys for the revolving fund, as well as private contributions, other returns, and moneys from the federal government and other sources directed to the projects.

Self-sustainability

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

Probable Effects

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

Alternate Funding

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

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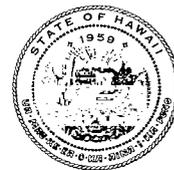
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ANALYSIS

Transportation Management Area Metropolitan Planning Organization Revolving Funds and Oahu Metropolitan Planning Organization Special Fund H.B. No. 1262 and S.B. No. 1180 Does Not Meet Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the Transportation Management Area Metropolitan Planning Organization Revolving Funds and Oahu Metropolitan Planning Organization Special Fund in H.B. No. 1262 and S.B. No. 1180 Does Not Meet Criteria

Description and Purpose

These bills establish the Transportation Management Area Metropolitan Planning Organization Revolving Funds and O'ahu Metropolitan Planning Organization Special Fund to be administered by the Hawai'i director of transportation and O'ahu Metropolitan Planning Organization, respectively. Revenues to the funds shall come from membership dues from state, local, and regional governments and authorities that make up Metropolitan Planning Organization (MPO), and possible federal matching funds. Other revenue sources for the O'ahu Metropolitan Planning Organization Special Fund shall come from legislative appropriations; gifts, grants, and other moneys made available to the fund; and seed funding of \$500,000. Moneys in the fund shall be used according to interagency agreements among MPO member jurisdictions or unified planning programs.

Criteria

Although H.B. No. 1262 labels the funds as *revolving funds*, they are strikingly similar to a special fund and for that reason will be analyzed as such. Our analysis is of the O'ahu Metropolitan Planning Organization Special Fund and Transportation Management Area Metropolitan Planning Organization Revolving Funds to support MPO programs in the State. Three criteria are used in analyzing the funds:

1. The need for the funds, as demonstrated by the purpose and scope of the programs (including financial information on fees to be charged, projected revenues, and costs) and an explanation of why the programs 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 funds demonstrate the capacity to be financially self-sustaining.

Analysis

These bills do not satisfy all criteria to establish special funds. Although the bills satisfy nexus or linkage requirements and

there is a demonstrated need for the funds, evidence is lacking to demonstrate that the funds have the capacity to be financially self-sustaining.

Demonstrated need for the funds

The funds are needed to support the MPO programs because they cannot be implemented successfully under the general fund appropriation process. Revenues to the fund shall come from state and local governments and authorities in the form of membership dues and potentially the federal government in the form of matching funds. Special funds are necessary to account for these revenues from various government sources.

Nexus or linkage

Nexus exists between the benefits sought and the charges made upon users, as member jurisdictions and authorities shall finance the fund with membership dues, allowing the jurisdictions to develop planning programs in accordance with federal law. Linkage exists between the gifts and grants, federal matching funds, and seed funding with the MPO programs. However, linkage does not exist between legislative appropriations and the MPO programs. It is unclear whether linkage exists between the MPO programs and the other moneys made available to the fund.

Self-sustainability

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

Probable Effects

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

Alternate Funding

No other alternate funding sources have been identified.

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ANALYSIS

University of Hawai'i Net-Zero
Special Fund
H.B. No. 1509
Does Not Meet Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the University of Hawai'i Net-Zero Special Fund in H.B. No. 1509 Does Not Meet Criteria

Description and Purpose

This bill establishes the University of Hawai'i Net-Zero Special Fund to be administered by the University of Hawai'i. The purpose of the bill is to establish a long-term goal for reducing energy consumption and energy bills to zero and use the energy savings to retrofit the infrastructure of the University of Hawai'i system and provide student scholarships. Revenues to the fund shall come from legislative appropriations, moneys from the University of Hawai'i representing the current value of the energy saved by each capital improvement project funded through the fund, and moneys from other sources. This bill also provides that \$45.5 million be appropriated each year out of the general revenues of the State into the fund for fiscal years 2015-2016 and 2016-2017. Moneys in the fund shall be used for capital improvement projects that advance a collective goal of becoming net-zero with respect to energy use. Fifty percent of the moneys deposited into the fund for each capital improvement project funded shall also be used annually to provide scholarships to students with the greatest demonstrated financial need, and the remaining 50 percent of all moneys deposited into the fund shall be used for new projects that meet the aforementioned goal.

Criteria

Our analysis is of the University of Hawai'i Net-Zero Special Fund to support the university's energy reduction activities. Three criteria are used in analyzing 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, projected revenues, 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 activities 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

The bill does not satisfy all criteria to establish a special fund. Although the bill satisfies linkage requirements between revenues

received from the university on the current value of energy saved and the university's energy reduction activities, evidence is lacking show that the fund is needed to support such activities and cannot be successfully implemented under the general fund appropriation process. Evidence is also lacking to demonstrate that the fund has the capacity to be financially self-sustaining.

Demonstrated need for the fund

There is insufficient information to demonstrate that the fund is needed to support the university's energy reduction activities. Detailed financial information regarding sources of projected revenues and costs has not been provided. In addition, an explanation of why the activities cannot be successfully implemented under the general fund appropriation process was not provided.

Nexus or linkage

Linkage exists between the moneys from the university on the current value of energy saved on capital improvement projects with the university's energy reduction activities. Linkage does not exist between legislative appropriations with such activities. It is unclear whether linkage exists between the moneys from other sources with such activities.

Self-sustainability

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

Probable Effects

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

Alternate Funding

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

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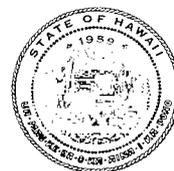
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ANALYSIS

Workers' Compensation
Temporary Vacancy Special Fund
H.B. No. 1268
Does Not Meet Criteria

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.



THE AUDITOR
STATE OF HAWAII

Analysis of the Workers' Compensation Temporary Vacancy Special Fund in H.B. No. 1268 Does Not Meet Criteria

Description and Purpose

This bill establishes the Workers' Compensation Temporary Vacancy Special Fund to be administered by the Department of Labor and Industrial Relations. The purpose of the fund is to support the wages of a temporary employee who is filling a State employee's position when the State employee is unable to return to work within one year or longer due to an injury suffered during employment and is receiving workers' compensation benefits. Revenues to the fund shall come from State employee wages and legislative appropriations to pay for the wages of temporary employees.

Criteria

Our analysis is of the Workers' Compensation Temporary Vacancy Special Fund to support State temporary vacancy activities. Three criteria are used in analyzing 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, projected revenues, 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 program users or beneficiaries, or (b) a clear link between the activities 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

The bill does not meet all criteria to create a special fund. Although linkage exists between the sources of revenue and State temporary vacancy activities, evidence is lacking to show that the fund is needed and has the capacity to be financially self-sustaining.

Demonstrated need for the fund

There is insufficient information to demonstrate the fund is needed to support State temporary vacancy activities. Detailed financial information regarding sources of projected revenues and costs has

not been provided. In addition, the activities could be implemented under the general fund appropriation process.

Nexus or linkage

Linkage exists between the State employee wages deposited into the fund and the work performed by the temporary employee. However, linkage does not exist between legislative appropriations and State temporary vacancy activities.

Self-sustainability

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

Probable Effects

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

Alternate Funding

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

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