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# Loss of Budgetary Control: A Summary Report of the Review of Special and Revolving Funds

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A Report to the  
Governor  
and the  
Legislature of  
the State of  
Hawaii

Report No. 92-14  
October 1992



**THE AUDITOR**  
STATE OF HAWAII

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## The Office of the Auditor

The missions of the Office of the Auditor are assigned by the Hawaii State Constitution (Article VII, Section 10). The primary mission is to conduct post audits of the transactions, accounts, programs, and performance of public agencies. A supplemental mission is to conduct such other investigations and prepare such additional reports as may be directed by the Legislature.

Under its assigned missions, the office conducts the following types of examinations:

1. *Financial audits* attest to the fairness of the financial statements of agencies. They examine the adequacy of the financial records and accounting and internal controls, and they determine the legality and propriety of expenditures.
2. *Management audits*, which are also referred to as *performance audits*, examine the effectiveness of programs or the efficiency of agencies or both. These audits are also called *program audits*, when they focus on whether programs are attaining the objectives and results expected of them, and *operations audits*, when they examine how well agencies are organized and managed and how efficiently they acquire and utilize resources.
3. *Sunset evaluations* evaluate new professional and occupational licensing programs to determine whether the programs should be terminated, continued, or modified. These evaluations are conducted in accordance with criteria established by statute.
4. *Sunrise analyses* are similar to sunset evaluations, but they apply to proposed rather than existing regulatory programs. Before a new professional and occupational licensing program can be enacted, the statutes require that the measure be analyzed by the Office of the Auditor as to its probable effects.
5. *Health insurance analyses* examine bills that propose to mandate certain health insurance benefits. Such bills cannot be enacted unless they are referred to the Office of the Auditor for an assessment of the social and financial impact of the proposed measure.
6. *Analyses of proposed special funds* and existing *trust and revolving funds* determine if proposals to establish these funds and existing funds meet legislative criteria.
7. *Procurement compliance audits* and other *procurement-related monitoring* assist the Legislature in overseeing government procurement practices.
8. *Fiscal accountability reports* analyze expenditures by the state Department of Education in various areas.
9. *Special studies* respond to requests from both houses of the Legislature. The studies usually address specific problems for which the Legislature is seeking solutions.

Hawaii's laws provide the Auditor with broad powers to examine all books, records, files, papers, and documents and all financial affairs of every agency. The Auditor also has the authority to summon persons to produce records and to question persons under oath. However, the Office of the Auditor exercises no control function, and its authority is limited to reviewing, evaluating, and reporting on its findings and recommendations to the Legislature and the Governor.



## THE AUDITOR STATE OF HAWAII

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465 South King Street, Room 500  
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## Foreword

Act 240, Session Laws of Hawaii 1990, required our office to review all special and revolving funds in existence on July 1, 1990, except those in the Executive Office of the Governor and its agencies, the Office of the Lieutenant Governor, the Department of Hawaiian Home Lands, and the Office of Hawaiian Affairs. The review was scheduled to be completed in 1995, but we were able to complete it in 1992. We have issued five reports on the review:

- Report No. 91-10, *Review of Special and Revolving Funds of the Departments of Accounting and General Services, Agriculture, and Budget and Finance;*
- Report No. 92-3, *Review of Special and Revolving Funds of the Housing Finance and Development Corporation and the Department of Business, Economic Development, and Tourism;*
- Report No. 92-8, *Review of Special and Revolving Funds of the Departments of Commerce and Consumer Affairs, Education, Health, and Human Services;*
- Report No. 92-9, *Review of Special and Revolving Funds of the University of Hawaii;* and
- Report No. 92-11, *Review of Special and Revolving Funds of the Judiciary and the Departments of the Attorney General, Labor and Industrial Relations, Land and Natural Resources, Personnel Services, Taxation, Transportation, and Public Safety.*

We have reviewed 166 funds in all. We found cash balances aggregating about \$1.5 billion at the time we reviewed them. We recommended that 70 of these funds be repealed, discontinued, or sunsetted in the future. At June 30, 1991, the cash balances of these 70 funds amounted to \$146 million.

We found many funds with growing cash balances - some with balances many times the level of their annual expenditures. We also found an increasing effort by agencies to establish and use special and revolving funds. We believe that the proliferation of special and revolving funds as financing mechanisms to support state programs has had a deleterious effect on the Legislature's ability to control the state budget. This summary report addresses that issue.

Marion M. Higa  
State Auditor



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# Loss of Budgetary Control

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## Introduction

Eighteen state agencies control almost \$1.5 billion outside the state general fund. The money sits in cash balances in over 160 special and revolving funds that largely escape legislative and public scrutiny. More than half of these funds were created in the past ten years. Their growth and impact were unintended, but the results are nevertheless insidious. They distort the State's financial picture, reduce executive branch accountability, and reduce the Legislature's flexibility to allocate scarce revenue dollars to meet current needs.

The dramatic drop in state revenues draws attention to the precariousness of the economic base supporting state government operations. Questions such as "How much money does the State really have?" and "How should the limited amount of money be spent?" and "Who controls the pursestrings?" surface as the Legislature grapples with declining revenues and increasing demands for government services. The Legislature and the public focus on the general fund appropriations process in which public and private sector lobbyists compete for their share of the general fund pot. But special and revolving funds divert moneys from the general fund and operate fairly autonomously outside this process.

This report highlights the issue of state moneys held in special and revolving funds. It reports our conclusions from our previous review of 166 special and revolving funds within or attached to 18 state agencies. (Appendix 1 lists our reports issued on the review. Appendix 2 lists by report the funds reviewed, their cash balances when reviewed, and our recommendation for each fund.)

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## The Impact of Special and Revolving Funds

Special and revolving funds are created to finance specific activities or programs on a continuing basis. Most special funds are designed to be self-sustaining through revenues earmarked from specific sources. Others receive regular subsidies from the general fund. Revolving funds are special funds that replenish themselves through charges to a specific group of users. Revolving funds are often established with an appropriation of seed money from the general fund.

Our review of special and revolving funds confirms that they have distorted the State's financial picture and have eroded the Legislature's control of state finances. To regain control, the Legislature must take decisive actions. These actions include

requiring departments to lapse idle cash balances in these funds back to the general fund, repealing those that are not necessary, establishing sunset dates for current and newly established funds, and repealing the authority to create funds administratively.

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## **The State's Financial Picture Has Been Distorted**

Special and revolving funds distort the State's financial picture by making both revenues and expenditures appear to be less than they are.

State revenues appear to be less because special funds divert revenues from state tax collections right off the top. For example, section 36-32, Hawaii Revised Statutes, created the State Educational Facilities Improvement Fund, earmarking \$90 million each year for the fund from state excise tax revenues. The Department of Taxation reports that for the first two months of fiscal year 1993, tax collections accruing to the general fund increased \$81.4 million or 25.5 percent when compared with the same period last year. This comparison is not valid, however, because last year the \$90 million was allocated to the special fund and not to the general fund. If the required allocation were made to the Educational Facilities Improvement Fund this year, the general fund collections for the first two months would be \$8.6 million *less* rather than \$81.4 million *more*.<sup>1</sup>

Special and revolving funds also make it appear that the State is spending less than it is. Since earmarked moneys are not counted as revenues to the State, neither are they counted as expenditures.

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## **The Legislature's Power Has Eroded**

Two forces erode the Legislature's control over the State's budget: Diversion of money from the general fund, and limited review of programs financed by special and revolving funds.

### ***Diverted funds unavailable for other programs***

The power of the Legislature is partly a function of the amount of money under its control. Moneys earmarked or set aside by law for special funds are no longer general revenues of the State. They do not go into the general fund pot that the Legislature uses for appropriations. This means that the Legislature has a smaller pot of funds to draw on to support ongoing programs. Decisions made in the past to divert funds have reduced the Legislature's ability to meet current program needs. Moneys are diverted in two ways: (1) by earmarking and (2) by the non-lapsing practices of special and revolving funds.

## Earmarking

Earmarking is most clearly illustrated by the State Educational Facilities Improvement Fund. This fund is scheduled to receive \$90 million from excise tax collections each year for seven years. Without this earmarking, the \$90 million in excise tax collections would be deposited to the general fund. Another example of earmarking is the reimbursements for indirect overhead cost from federal contracts and grants at the University of Hawaii. These reimbursements are supposed to be for electricity, telephone, and various facilities' expenses paid for with general fund appropriations. Formerly these indirect cost reimbursements were deposited to the general fund. Now more than \$2 million of these reimbursements are deposited each year to the Research and Training Revolving Fund of the University of Hawaii instead. The university uses this money at its discretion for training and travel grants for faculty and staff and as seed money for research projects. The State general fund now absorbs all overhead costs.

In recent periods of economic expansion, increasing tax receipts have countered the impact of this diversion of funds. The Legislature was able to use additional revenues to fund new programs. In 1992, however, revenues fell below expectations and the Legislature found that for fiscal year 1992-93 "there won't even be enough money to cover spending already in the budget, let alone add to it."<sup>2</sup> At times of shrinking revenues, the Legislature finds itself facing two equally unattractive options: raising taxes and/or cutting support.

Confronted in 1992 with declining general fund revenues and an expected shortfall of \$100 million in income tax collections,<sup>3</sup> the Legislature suspended for one year the diversion of \$90 million which had been earmarked for the State Educational Facilities Improvement Fund. But to do this, the Legislature had to enact specific legislation to suspend the transfer,<sup>4</sup> demonstrating how past earmarking hampers current legislative flexibility to fund programs.

## Non-lapsing of idle cash

General fund appropriations that departments do not expend lapse back to the general fund at year-end. They are then available for the Legislature to appropriate the following year. Cash balances in special and revolving funds do not automatically lapse to the general fund at year-end. Although there is statutory authority for agencies to lapse these balances to the general fund, they have not done so. Instead, cash balances have accumulated—some to the tune of several millions of dollars. For example, the Special Land and Development Fund

within the Department of Land and Natural Resources had a beginning cash balance of \$7.8 million, receipts of \$2.2 million, and disbursements of \$1.2 million. It ended with an even larger cash balance of \$8.8 million at June 30, 1991.

It is evident that many programs with growing cash balances do not need all revenues earmarked for them. However, because these balances do not automatically lapse, the excess cash is not returned to the general fund for legislative appropriation to other programs.

### ***Limited review of programs***

The Legislature's oversight of programs financed by special and revolving funds is diminished by constraints in the legislative process and the assurance of continued funding that these programs have.

#### **Legislative constraints**

Programs financed by special and revolving funds do not receive the same level of scrutiny as general fund programs. During the short legislative session, legislative staff attempt to review programs for effectiveness and resource needs. Limited staff resources constrain the number of programs they can effectively review. As a result, they review primarily those programs over which the Legislature has discretionary funding authority—programs funded with general fund appropriations.

Legislative staff focus on issues and programs requesting new or additional general fund appropriations. Even though agencies must request legislative authorization to spend their special funds, quite often they ask only to use existing or expected earmarked revenues and not any additional general fund support. Since they are not asking for money from the general fund, legislative review has been limited.

Legislative staff simply do not have time to review and make recommendations on the many programs and activities financed by special and revolving funds. As of July 1, 1990, there were 166 special and revolving funds. More are established annually. The sheer number of funds inhibits thorough review and analysis by the Legislature. We were informed that many legislators were not aware of the total number of funds in existence until our review was completed.

#### **Assurance of continued funding**

Legislative control over programs rests in its power to appropriate. The Legislature controls the size and the operations of programs by

what it appropriates for them. Once a program is funded by special or revolving funds, the Legislature often relinquishes control over its level of expenditures.

The Legislature, in the biennium budget, routinely appropriates special and revolving funds for programs. These appropriations are supposed to be a ceiling for each program's expenditures. However, with the exception of FY1991-92, the Legislature has allowed the governor to exceed these appropriation ceilings when the programs had cash balances in the funds. Because unexpended balances in special and revolving funds do not lapse, programs may expend at any level they wish. These expenditures are, therefore, not under the control of the Legislature. The growing cash balances in some funds suggest that some programs may no longer have the same level of need as in the past. Since they do not compete for general funds in the legislative arena, current program needs are largely unknown.

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## **The Legislature Can Improve Control**

The Legislature can gain greater oversight and control of the budget by taking certain actions. They include the following:

1. Repealing those funds recommended for repeal in our reports;
2. Repealing administratively established funds;
3. Changing the statutory definition of funds;
4. Requiring submission of evidence of need for new funds;
5. Establishing sunset dates for proposed and existing funds.

### ***Repeal funds recommended for repeal in our reports***

In our reports we recommended that 70 funds be repealed, discontinued, or sunsetted in the future. We continue to recommend their repeal. Some of the funds recommended for repeal finance programs that could operate just as well through biennial appropriations from the general fund. Others recommended for repeal were created and never used.

In Appendix 2 we list all the funds we reviewed and our recommendations for continuation or repeal. Examples of some that should be repealed and their approximate cash balances at the time of our review are:

- State Educational Facilities Improvement Fund—\$64 million
- Rental Assistance Revolving Fund—\$25.5 million
- Public Health Facility Fund—\$2.4 million
- UH Research and Training Revolving Fund—\$2.7 million
- UHM Intercollegiate Athletics Revolving Fund—\$3.8 million
- UHM Malpractice Special Fund—\$1.6 million
- UH Discoveries and Inventions Revolving Fund—\$4.4 million
- Special Premium Supplementation Fund—\$2.2 million
- Industrial Park Special Fund—\$3.7 million

***Repeal university's authority to establish administrative funds***

The repeal of funds administratively established by the University of Hawaii and the removal of the university's authorization to establish such funds will put the authority for establishing funds back where it belongs—with the Legislature.

Section 304-8, HRS, allows the University of Hawaii to establish special and revolving funds without legislative approval. The only control is that the university must obtain the approval of the Director of Finance. The university has used its authority to establish 21 special and revolving funds throughout its system.

Some of the activities for which the university has created special or revolving funds are also supported by general fund appropriations. For example, the University of Hawaii Press received about \$750,000 of general fund support in 1991 yet had a cash balance of \$3.4 million in its special fund at June 30, 1991. The UH-Manoa Campus Laboratory Animal Service Special Fund had a June 30, 1991 cash balance of \$345,000, yet received general fund support of approximately \$240,000 during that year. The university requests general fund support for these activities in broad budgetary classifications that do not clearly identify their use.

Giving the university authority to establish special and revolving funds has allowed programs to receive general fund support as well as to keep year-end cash balances for their discretionary use. Like other programs, the university should be required to justify why a program must have a special and revolving fund to operate.

***Clarify definitions of special and revolving funds***

Section 37-62, HRS, merely defines special funds as "funds which are dedicated or set aside by law for a specified object or purpose, but excluding revolving funds and trust funds." It defines a revolving fund a little more specifically as a "fund from which is paid the cost of goods sold and services rendered or furnished to or by a state agency

and which is replenished through charges made for the goods or services.” The definition establishes a link between the revolving fund and its source of revenue.

Definitions of special and revolving funds in the statute do not clearly identify any unique or necessary characteristics. Because the definitions are so vague, special and revolving funds can be created and can operate without considering whether the program or activity actually warrants a special or revolving fund.

The statutory definitions in Section 37-62 do not incorporate the criteria developed by the Legislature for our review of existing and proposed funds. The two criteria are (1) that the fund reflects a clear link between the benefit sought and charges made upon users, and (2) the fund continues to serve the purpose for which it was intended. The statutory definitions do not require special funds to be linked to their sources of revenues and do not require a statement of purpose or reason for the existence of the special or revolving fund. Most importantly, there is no statutory requirement that a special or revolving fund be essential to the successful operation of a program or activity. Programs and activities that can operate successfully under the general fund appropriations process should be so funded and not have special or revolving funds as their means of financing.

There is a good reason for having a link between benefits and charges in the definition. Special funds are justifiable under certain conditions: for example, for public enterprises that are fully supported by users such as the operation of Hawaii’s airports supported by the Airports Special Fund. Revenues from landing fees, aviation fuel taxes, and airport concessions are earmarked and paid directly to the fund. In turn, the fund fully supports airport operations.

Revolving funds are also justifiable when they are self-replenishing. Examples are some of the loan funds that make loans for agricultural or economic development and are fully supported by loan repayments. These programs operate successfully outside the general fund appropriations process since they are more like businesses serving and receiving support from particular users. They are fully self-sustaining.

The statutory definitions of special and revolving funds should be amended to specify that the funds:

- be created and used only when this means of financing is essential to the successful operation of a program or activity; and
- reflect a clear linkage between the program and the sources of

revenue dedicated to its support.

***Require evidence of need***

Section 23-11, HRS, requires the State Auditor to analyze all legislative bills that propose to establish special or revolving funds. But the criteria for our review are inadequate and limited. The two criteria given in the law are the extent to which the proposed fund (1) serves the purpose for which it is being created, and (2) reflects a clear linkage between the benefit sought and charges made upon the users or beneficiaries of the program. The law also says that funds are not to be used as an automatic means of support which is removed from the normal budget and appropriations process. In addition, our analysis is to assess probable effects of the proposed fund and alternate funding for the program.

There are obvious limitations to these criteria. It is difficult to determine in advance whether a fund will serve the purpose for which it is being created. The proposals for new funds also supply only limited information about their purpose, the intended beneficiaries or users, and projected program costs or projected revenues.

In the past two legislative sessions, we analyzed 128 proposed funds. Appendixes 3 and 4 list the funds proposed and reviewed in the 1991 and 1992 legislative sessions, respectively. (Of the 128 proposed funds or accounts reviewed, less than 15 were enacted into law.) Most of the funds we reviewed did not clearly establish any need for a special or revolving fund. Few of the proposed funds we reviewed could demonstrate that the program or activity for which the fund was being proposed could not operate effectively within the general fund appropriations process. We also found that some proposed funds were being labeled "trust funds" or "accounts" in the hope that they would not be subject to our review. For example, the Hawaii Children's Trust Fund sought to earmark fees to be charged for birth certificates and the Additional Tuition Accounts proposed to earmark increased tuition at the University of Hawaii.

Just as new programs should be justified, so should new funds. All proposed funds should be required to submit evidence of need so that we may analyze them more effectively and give the Legislature better information. The evidence of need should clearly identify the following:

- Purpose of the program;
- Beneficiaries, users, or target group;
- Scope of the projected program;

- Financial information on fees to be charged, sources and projected revenues, and costs of the program to determine whether the program will be self-sustaining;
- Reasons why the program cannot be operated successfully within the general fund appropriation process and why a separate special or revolving fund is essential.

### ***Establish sunset dates***

New special or revolving funds should be enacted into law with a sunset date. This has been done, for example, with the Criminal Forfeiture Fund. Prior to the sunset date, the Legislature could require a review to determine whether the fund is essential to implementing the program, whether the fees charged fully cover all costs of the program, and whether the program could be supported entirely through the general fund.

Sunset dates should also be established for existing funds. We have already recommended this for some we reviewed. This approach would institute a systematic review of the continued need for a special or revolving fund. Periodic reviews would give continuing attention to the use of these funds.

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### **Recommendation**

To improve its control over the State's finances, we recommend that the Legislature consider taking the following actions.

1. Repeal the special and revolving funds recommended for repeal in our prior reports.
2. Repeal Section 304-8, Hawaii Revised Statutes, that gives the University of Hawaii the authority to establish special and revolving funds administratively.
3. Set sunset dates for all existing and newly established special and revolving funds.
4. Amend Section 37-62, HRS, to define special and revolving funds as funds used only when these means of financing are essential to the successful operation of a program and when there is a clear link between the program and the sources of revenue dedicated to its support.
5. Amend Section 23-11, HRS, to include a requirement that

proposals to establish new special or revolving funds be supported by evidence of need that:

- states the purpose of the program;
- describes the scope of the program;
- presents financial information on fees to be charged, sources of projected revenue, and costs; and
- explains why the program cannot be implemented successfully under the general fund appropriation process.

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## Notes

1. State of Hawaii, Department of Taxation, *Revenue Trends—August 1992*, Honolulu, Hawaii.
2. “Lawmakers warn of more budget cuts,” *Honolulu Advertiser*, April 14, 1992.
3. *Ibid.*
4. Section 1, Act 209, SLH 1992.



## REPORTS ISSUED PURSUANT TO ACT 240, SLH 1990

- Report No. 91-10, *Review of Special and Revolving Funds of the Departments of Accounting and General Services, Agriculture, and Budget and Finance.*
- Report No. 92-3, *Review of Special and Revolving Funds of the Housing Finance and Development Corporation and the Department of Business, Economic Development, and Tourism.*
- Report No. 92-8, *Review of Special and Revolving Funds of the Departments of Commerce and Consumer Affairs, Education, Health, and Human Services.*
- Report No. 92-9, *Review of Special and Revolving Funds of the University of Hawaii.*
- Report No. 92-11, *Review of Special and Revolving Funds of the Judiciary and the Departments of the Attorney General, Labor and Industrial Relations, Land and Natural Resources, Personnel Services, Taxation, Transportation, and Public Safety.*



## Special and Revolving Funds Reviewed

Report No. 91-10<sup>1</sup>  
Department of Accounting and General Services

| <u>Name of Fund</u>   | <u>Cash<br/>Balance</u> | <u>Recommendation</u>  |
|---|-------------------------|--|
| Central Purchasing Revolving Fund,<br>Section 106-15, HRS         | \$ 13,322               | Repeal and budget through the general fund.  |
| King Kamehameha Celebration Fund,<br>Section 8-5, HRS             | \$ 31,080               | Repeal and budget through the general fund.  |
| Public Improvement Revolving Fund,<br>Section 107-8, HRS          | \$ 15,000               | Repeal and lapse balance to general fund.  |
| Stadium Special Fund, Section 109-3, HRS                          | \$ 4,683,226            | Continue. However, the Stadium Authority should make plans to finance capital improvement projects from this fund. |
| State Educational Facilities Improvement Fund, Section 36-32, HRS | \$ 64,196,130           | Repeal.  |
| State Motor Pool Revolving Fund,<br>Section 105-11, HRS           | \$ 316,543              | Continue.  |
| State Parking Control Fund, Section 39-62,<br>HRS                 | \$ 232,473              | Continue but modify.   |
| State Parking Revolving Fund,<br>Section 107-11, HRS              | \$ 2,960,742            | Continue but modify.   |
| State Risk Management Revolving Fund,<br>Section 41D-4, HRS       | \$ 4,793,931            | Repeal and budget through the general fund.  |
| State Surplus Property Revolving Fund,<br>Section 106-23, HRS     | \$ 30,848               | Repeal and budget through the general fund.  |
| Surplus Federal Property Revolving Fund,<br>Section 29-22, HRS    | \$ 104,498              | Continue.  |
| Works-of-Art Special Fund, Section 103-8.5,<br>HRS                | \$ 0                    | Repeal.  |

Report No. 91-10<sup>1</sup>  
Department of Agriculture

| <u>Name of Fund</u>                                     | <u>Cash<br/>Balance</u> | <u>Recommendation</u>                       |
|---|-------------------------|---|
| Agriculture Loan Reserve Fund,<br>Section 155-14, HRS   | \$ 1,628,734            | Continue.                                   |
| Agriculture Loan Revolving Fund,<br>Section 155-14, HRS | \$ 8,276,961            | Continue.                                   |
| Agricultural Park Special Fund,<br>Section 166-10, HRS  | \$ 141,977              | Repeal and budget through the general fund. |

|  |    |         |  |
|--|----|---------|--|
| Animal Industry Revolving Fund,<br>Section 142-24, HRS             | \$ | 0       | Repeal.  |
| Aquaculture Loan Reserve Fund,<br>Section 219-4, HRS               | \$ | 14,370  | Continue.                                      |
| Aquaculture Loan Revolving Fund,<br>Section 219-4, HRS             | \$ | 328,099 | Continue.                                      |
| Hawaii Agricultural Products Revolving Fund,<br>Section 153-3, HRS | \$ | 253,252 | Continue.                                      |
| Irrigation System Revolving Fund,<br>Section 167-22, HRS           | \$ | 594,515 | Repeal and budget through the general<br>fund. |
| Marketing Order Revolving Fund,<br>Section 163-31, HRS             | \$ | 247,350 | Continue.                                      |

**Report No. 91-10<sup>1</sup>**  
**Department of Budget and Finance**

| <u>Name of Fund</u>   | <u>Cash<br/>Balance</u> | <u>Recommendation</u>   |
|---|-------------------------|---|
| County Special Fund for Certification and<br>Payment of County Contributions to the Pension<br>and Retirement System, Section 88-126, HRS | \$ 0                    | Repeal through appropriate legislation<br>proposed by the department. |
| Hawaii Information Network Fund Special<br>Fund, Section 206P-7, HRS  | \$ 0                    | Repeal.   |
| State Telecommunications Site and Equipment<br>Maintenance Revolving Fund, Section 106-16,<br>HRS   | \$ 0                    | Repeal and budget through the general<br>fund.                        |
| Veterans' Bond Fund, Section 364-9, HRS   | \$ 132,617              | Continue.   |

**Report No. 92-3<sup>2</sup>**  
**Housing Finance and Development Corporation**

| <u>Name of Fund</u>  | <u>Cash<br/>Balance</u> | <u>Recommendation</u>   |
|--|-------------------------|---|
| Dwelling Unit Revolving Fund,<br>Section 201E-204, HRS                                 | \$ 17,480,416           | Continue.   |
| Fee Simple Residential Revolving Fund,<br>Section 516-44, HRS                          | \$ 1,115,598            | Continue.   |
| Fee Title Acquisition Loan Program Revenue<br>Bond Special Funds, Section 516-111, HRS | \$ 0                    | Repeal.   |
| Hawaii Development Revolving Fund,<br>Section 201E-217, HRS                            | \$ 535,678              | Continue but consider transferring<br>unneded cash to the general fund.           |
| Homes Revolving Fund, Section 201E-207,<br>HRS   | \$ 130,101,026          | Continue but consider returning the<br>\$120 million advance to the general fund. |
| Housing Alteration Revolving Loan Fund,<br>Section 201E-191, HRS                       | \$ 205,961              | Continue.   |

|   |               |  |
|---|---------------|--|
| Housing Finance Revolving Fund,<br>Section 201E-57, HRS                 | \$ 1,973,274  | Continue.                                      |
| Housing Loan Program Revenue Bond Special<br>Fund, Section 201E-73, HRS |               |  |
| <i>Housing Loan Program Revenue Bond<br/>Special Fund</i>               | \$ 7,439,333  | Continue.                                      |
| <i>Multi-Family Revenue Bond Fund</i>                                   | \$ 92         | Continue.                                      |
| Housing Project Bond Special Fund,<br>Section 201E-57, HRS              | \$ 224,496    | Continue.                                      |
| Rental Assistance Revolving Fund,<br>Section 201E-132, HRS              | \$ 25,598,516 | Repeal and budget through the general<br>fund. |
| Rental Housing Revolving Fund,<br>Section 201E-208, HRS                 | \$ 0          | Repeal.  |
| State Mortgage Guarantee Fund,<br>Section 201E-60, HRS                  | \$ 0          | Repeal.  |

**Report No. 92-3<sup>2</sup>**  
**Department of Business, Economic Development, and Tourism**

| <u>Name of Fund</u>   | <u>Cash<br/>Balance</u> | <u>Recommendation</u>  |
|---|-------------------------|--|
| Aloha Tower Special Fund, Section 206J-17,<br>HRS   | \$ 144,290              | Repeal and budget through the general<br>fund.                           |
| Commercial Loan Guarantee Reserve Fund,<br>Section 211-4, HRS   | \$ 0                    | Repeal.  |
| Development Funds for Each Issue of Bonds<br>Issued by a High Technology Development<br>Corporation, Section 206M-17, HRS                 | \$ 0                    | Repeal.  |
| Financial Services Assistance Revolving Fund,<br>Section 201C-3, HRS  | \$ 1,100,000            | Repeal and budget through the general<br>fund.                           |
| Foreign Trade Zones Special Fund,<br>Section 212-9, HRS   | \$ 3,242,921            | Continue but consider transferring<br>unneeded cash to the general fund. |
| Hawaii Capital Loan Revolving Fund,<br>Section 210-3, HRS   | \$ 4,136,748            | Continue.  |
| Hawaii Community Development Revolving<br>Fund, Section 206E-6, HRS   | \$ 13,009,693           | Continue.  |
| Hawaii Community-Based Development<br>Revolving Fund, Section 210D-4, HRS   | \$ 585,355              | Repeal and budget through the general<br>fund.                           |
| Hawaii Innovation Development Fund,<br>Section 211E-2, HRS  | \$ 656,827              | Continue.  |
| Hawaii Large Fishing Vessel Purchase,<br>Construction, Renovation, Maintenance, and<br>Repair Loan Revolving Fund, Section 189-23,<br>HRS | \$ 3,831,362            | Continue but consider transferring<br>unneeded cash to the general fund. |

|  |              |  |
|--|--------------|--|
| Hawaii Small Fishing Vessel Purchase, Construction, Renovation, Maintenance, and Repair Loan Program Revolving Fund, Section 189-43, HRS | \$ 1,204,589 | Continue but consider transferring unneeded cash to the general fund and modifying to establish a sunset date. |
| Hawaii Strategic Development Corporation Revolving Fund, Section 211F-5, HRS   | \$ 6,196,067 | Continue.  |
| High Technology Research and Development Revolving Fund, Section 206M-15, HRS  | \$ 0         | Repeal and budget through the general fund.  |
| High Technology Special Fund, Section 206M-15.5, HRS   | \$ 136,539   | Repeal and budget through the general fund.  |
| Molokai Revolving Loan Program, Act 384, Session Laws of Hawaii 1988   | \$ 412,382   | Continue.  |
| Natural Energy Laboratory of Hawaii Authority Special Fund, Section 227D-5, HRS  | \$ 318,031   | Repeal and budget through the general fund.  |
| Petroleum Products Control Revolving Fund, Section 125C-7, HRS   | \$ 0         | Repeal and budget through the general fund.  |
| Public Facility Revenue Bond Special Fund, Section 206E-157, HRS   | \$ 2,250,312 | Continue.  |
| Reserved Housing Loan Program Revenue Bond Special Fund, Section 206E-109, HRS   | \$ 0         | Repeal.  |
| Special Fund for Out-of-State Offices, Section 201-85, HRS   | \$ 234,193   | Repeal and budget through the general fund.  |
| State Disaster Revolving Loan Fund, Section 209-34, HRS  | \$ 717,942   | Continue but consider transferring unneeded cash to the general fund.  |
| Waikiki Convention Center Development Revolving Fund, Section 206X-10, HRS   | \$ 119,269   | Repeal and budget through the general fund.  |

**Report No. 92-8<sup>2</sup>  
Department of Commerce and Consumer Affairs**

| <u>Name of Fund</u>  | <u>Cash Balance</u> | <u>Recommendation</u>                              |
|--|---------------------|--|
| Cable Television Fund, Section 440G-15, HRS                        | \$ 1,529,355        | Continue but consider reducing fees.               |
| Commissioner's Education and Training Fund, Section 431:2-214, HRS | \$ 121,761          | Continue.  |
| Compliance Resolution Special Fund, Section 26-9, HRS              | \$ 3,745,512        | Continue, but consider changing the fee structure. |
| Condominium Management Education Fund, Section 514A-131, HRS       | \$ 331,521          | Continue.  |
| Contractors Education Fund, Section 444-29, HRS                    | \$ 35,673           | Continue.  |
| Insurance Examiner's Revolving Fund, Section 431:2-307, HRS        | \$ 233,170          | Repeal and budget through the general fund.        |

|  |    |           |   |
|--|----|-----------|---|
| Public Broadcasting Revolving Fund,<br>Section 314-13, HRS   | \$ | 3,111,514 | Continue.   |
| Real Estate Education Fund, Section 467-11,<br>HRS   | \$ | 827,742   | Continue.   |
| Special Fund for Deposit of Special Handling<br>Fees for Certification of Documents,<br>Section 415-138, HRS | \$ | 1,036,165 | Continue, but consider changing fee<br>structure. |

**Report No. 92-8<sup>2</sup>  
Department of Education**

| <u>Name of Fund</u>   |    | <u>Cash<br/>Balance</u> | <u>Recommendation</u>   |
|---|----|-------------------------|---|
| Adult Education Special Fund, Section 301-4,<br>HRS             | \$ | 181,638                 | Lapse balance to the general fund and<br>budget through the general fund. |
| Driver Education Special Fund,<br>Section 431:10C-115, HRS      | \$ | 1,174,139               | Lapse balance to the general fund and<br>budget through the general fund. |
| Lahainaluna Boarding School Special Fund,<br>Section 300-4, HRS | \$ | 71,672                  | Continue.   |
| Libraries Special Fund, Section 312-3.6, HRS                    | \$ | 780,413                 | Continue but increase allocations to<br>libraries.                        |
| School Priority Fund, Section 296D-1, HRS                       | \$ | 0                       | Repeal.   |
| School Special Fees Special Fund,<br>Section 298-5, HRS         | \$ | 523,309                 | Continue but consider transferring<br>unneeded cash to the general fund.  |
| Special School Lunch Fund, Section 296-44,<br>HRS               | \$ | 728,263                 | Repeal and budget through the general<br>fund.                            |
| Special Summer School Fund, Section 298-3.5,<br>HRS             | \$ | 1,795,226               | Continue.   |
| Storeroom Revolving Fund, Section 296-36.5,<br>HRS              | \$ | 525,988                 | Repeal and budget through the general<br>fund.                            |
| Use of School Facilities Special Fund,<br>Section 298-23, HRS   | \$ | 604,724                 | Continue.   |

**Report No. 92-8<sup>2</sup>  
Department of Health**

| <u>Name of Fund</u>   |    | <u>Cash<br/>Balance</u> | <u>Recommendation</u>                          |
|---|----|-------------------------|--|
| Environmental Response Revolving Fund,<br>Section 128D, HRS | \$ | 65,254                  | Repeal and budget through the general<br>fund. |
| Epidemic Control Fund, Section 325-6, HRS                   | \$ | 0                       | Repeal.  |
| Facility Administration Fund, Section 323-73,<br>HRS        | \$ | 461,022                 | Repeal and budget through the general<br>fund. |

|  |               |  |
|--|---------------|--|
| Hawaii Registered Nurse Student Loan Fund,<br>Section 321-25, HRS                          | \$ 229,856    | Continue.                                      |
| Public Health Facility Special Funds,<br>Section 323-73, HRS                               | \$ 2,357,957  | Repeal and budget through the general<br>fund. |
| Revolving Fund for Group Homes for<br>Recovering Substance Abusers, Section 334-14,<br>HRS | \$ 0          | Repeal.  |
| Revolving Fund for Home Health Services,<br>Section 321-93, HRS                            | \$ 35,980     | Repeal and budget through the general<br>fund. |
| Revolving Fund for Kalaupapa Store,<br>Section 326-27, HRS                                 | \$ 85,455     | Repeal and budget through the general<br>fund. |
| Special Funds Established for Title XIX Funds<br>Collected under, Section 333F-17.5, HRS   |               |  |
| <i>Special Fund for the Community Services<br/>for the Developmentally Disabled</i>        | \$ 0          | Repeal and budget through the general<br>fund. |
| <i>Special Fund for Waimano Training<br/>School and Hospital</i>                           | \$ 278,051    | Repeal and budget through the general<br>fund. |
| Water Pollution Control Revolving Fund,<br>Section 342D-54, HRS                            | \$ 53,167,727 | Continue.                                      |

**Report No. 92-8<sup>2</sup>  
Department of Human Services**

| <u>Name of Fund</u>   | <u>Cash<br/>Balance</u> | <u>Recommendation</u> |
|---|-------------------------|-----------------------|
| Blind Shop Revolving and Handicraft Fund,<br>Section 347-12, HRS                                    | \$ 38,628               | Continue.             |
| Housing for Elders Revolving Fund,<br>Section 359-53, HRS   | \$ 0                    | Continue.             |
| Housing Revolving Fund, Section 359-13, HRS   | \$ 1,634,227            | Continue.             |
| Revolving Fund for Workshop or Home Labor<br>Purposes for Welfare Recipients, Section 346-9,<br>HRS | \$ 0                    | Repeal.               |
| Teachers' Housing Revolving Fund,<br>Section 359-2, HRS   | \$ 201,480              | Continue.             |

**Report No. 92-9<sup>2</sup>  
University of Hawaii**

| <u>Name of Fund</u>  | <u>Cash<br/>Balance</u> | <u>Recommendation</u>                          |
|--|-------------------------|--|
| Seed Distribution Program Revolving Fund,<br>Section 150-41, HRS | \$ 38,721               | Continue.                                      |
| Research and Training Revolving Fund,<br>Section 304-8.1, HRS    | \$ 2,667,239            | Repeal and budget through the general<br>fund. |

|  |    |           |  |
|--|----|-----------|--|
| Student Health Center Revolving Fund,<br>Section 304-8.2, HRS                                      | \$ | 21,387    | Continue.  |
| Transcript and Diploma Revolving Funds,<br>Section 304-8.3, HRS                                    | \$ | 354,876   | Continue.  |
| Vocational and Technical Training Projects<br>Revolving Funds, Section 304-8.4, HRS                | \$ | 1,015,420 | Continue.  |
| Animal Research Farm, Waialeale, Oahu<br>Revolving Fund, Section 304-8.5, HRS                      | \$ | 154,824   | Continue.  |
| University of Hawaii Student Activities<br>Revolving Funds, Section 304-8.6, HRS                   | \$ | 1,733,592 | Continue.  |
| University of Hawaii at Manoa Intercollegiate<br>Athletics Revolving Fund, Section 304-8.7,<br>HRS | \$ | 3,799,453 | Repeal and budget through the general<br>fund.   |
| University of Hawaii at Hilo Intercollegiate<br>Athletics Revolving Fund, Section 304-8.7,<br>HRS  | \$ | 162,956   | Repeal and budget through the general<br>fund.   |
| University of Hawaii at Manoa Malpractice<br>Special Fund, Section 304-8.8, HRS                    | \$ | 1,599,057 | Repeal and budget through the general<br>fund.   |
| Systemwide Computer Services Special Fund,<br>Section 304-8.9, HRS                                 |    |           |  |
| <i>Systemwide Computer Services Special<br/>Fund - UH Systemwide Consortium</i>                    | \$ | 110,111   | Continue but establish a sunset date for<br>the fund.                                      |
| <i>Systemwide Computer Services Special<br/>Fund - UH - Systemwide Computing<br/>Center</i>        | \$ | 261,022   | Discontinue, lapse balance to the<br>general fund, and budget through the<br>general fund. |
| Child Care Programs Revolving Fund,<br>Section 304-8.91, HRS                                       | \$ | 92,832    | Repeal and budget through the general<br>fund.   |
| Discoveries and Inventions Revolving Fund,<br>Section 304-8.92, HRS                                | \$ | 4,414,591 | Repeal and budget through the general<br>fund.   |
| Library Special Fund, Section 304-8.93, HRS  | \$ | 102,449   | Continue.  |
| Conference Center Revolving Fund,<br>Section 304-8.94, HRS   | \$ | 220,080   | Continue.  |
| Hawaii Opportunity Program in Education<br>Special Fund (HOPE Fund), Section 304-8.95,<br>HRS      | \$ | 1,000,000 | Repeal and budget through the general<br>fund.   |
| Laboratory School Cafeteria Special Fund,<br>Sections 304-25 and 304-8, HRS                        | \$ | 131,321   | Repeal and budget through the general<br>fund.   |
| Center for Labor Education and Research<br>Revolving Fund, Section 304-37, HRS                     | \$ | 22,261    | Continue.  |
| Algal Mass Culture Facility, Snug Harbor,<br>Oahu, Revolving Fund, Section 304-44.5, HRS           | \$ | 15        | Repeal.  |
| State Higher Education Loan Fund,<br>Section 304-91, HRS   | \$ | 847,608   | Continue.  |

|   |    |            |  |
|---|----|------------|--|
| Community Colleges Special Funds,<br>Section 305-4, HRS   | \$ | 2,239,197  | Continue.  |
| University Revenue-Undertakings Funds -<br>UH-System, Section 306-10, HRS                                     | \$ | 20,766,092 | Continue.  |
| University Parking Revolving Fund,<br>Section 308-2, HRS  |    |            |  |
| <i>University Parking Revolving Fund -<br/>UH-Hilo</i>  | \$ | 100,838    | Continue.  |
| <i>University Parking Revolving Fund -<br/>UH-Community Colleges</i>  | \$ | 204,464    | Continue.  |
| UH-Manoa Campus Summer Session Special<br>Fund, Section 304-8, HRS  | \$ | 6,344,857  | Continue but transfer unneeded cash to<br>the general fund.                                |
| UH-Manoa Campus College of Continuing<br>Education and Community Service Special<br>Funds, Section 304-8, HRS | \$ | 1,029,659  | Continue.  |
| UH-Manoa Campus Food Service Special<br>Fund, Section 304-8, HRS  | \$ | 857,891    | Continue.  |
| UH-Manoa Campus Theater Group Special<br>Fund, Section 304-8, HRS   | \$ | 253,723    | Continue.  |
| UH-Manoa Campus Center for Student<br>Development Special Fund, Section 304-8,<br>HRS                         | \$ | 28,530     | Discontinue, lapse balance to the<br>general fund, and budget through the<br>general fund. |
| UH-Manoa Campus Agricultural Diagnostic<br>Service Special Fund, Section 304-8, HRS                           | \$ | 67,515     | Continue.  |
| University of Hawaii Press Revolving Fund,<br>Section 304-8, HRS  | \$ | 3,353,134  | Continue but pay all costs through the<br>revolving fund.                                  |
| UH-Manoa Campus Instructional Resource<br>Center Special Fund, Section 304-8, HRS                             | \$ | 26,259     | Discontinue, lapse balance to the<br>general fund, and budget through the<br>general fund. |
| UH-Manoa Campus Laboratory Animal<br>Service Special Fund, Section 304-8, HRS                                 | \$ | 344,943    | Discontinue, lapse balance to the<br>general fund, and budget through the<br>general fund. |
| UH-Manoa Campus Health Instructional<br>Resource Unit Special Fund, Section 304-8,<br>HRS                     | \$ | 8,072      | Discontinue, lapse balance to the<br>general fund, and budget through the<br>general fund. |
| UH-Manoa Campus Auxiliary Services<br>Administration Special Fund, Section 304-8,<br>HRS                      | \$ | 79,510     | Continue.  |
| UH-Manoa Campus Transportation Services<br>Special Fund, Section 304-8, HRS                                   | \$ | 779,202    | Continue.  |
| UH-Manoa Campus Telephone/Communication<br>System Special Fund, Section 304-8, HRS                            | \$ | 531,206    | Continue but budget all costs through<br>the special fund.                                 |
| UH-Manoa Campus Library Services Special<br>Fund, Section 304-8, HRS  | \$ | 124,717    | Continue.  |

|   |    |         |  |
|---|----|---------|--|
| Systemwide Rental of University of Hawaii<br>Property Revolving Fund, Section 304-2, HRS          | \$ | 30      | Discontinue.   |
| UH-Manoa Campus Intramural Sports<br>Revolving Fund, No approval found                            | \$ | 49,026  | Discontinue, lapse balance to the<br>general fund, and budget through the<br>general fund. |
| UH-Hilo Campus Continuing Education and<br>Community Service Special Funds,<br>Section 304-8, HRS | \$ | 584,128 | Continue.  |
| UH-Hilo Campus Food Service Special Fund,<br>Section 304-8, HRS                                   | \$ | 161,507 | Continue.  |
| UH-Hilo Campus Library Services Special<br>Fund, Section 304-8, HRS                               | \$ | 52,121  | Continue.  |
| UH-Hilo Campus Auxiliary Services Special<br>Fund, Section 304-8, HRS                             | \$ | 16,690  | Continue.  |
| UH-West Oahu Campus Summer Session<br>Special Fund, Section 304-8, HRS                            | \$ | 63,304  | Continue.  |

**Report No. 92-11<sup>2</sup>**  
**Department of Labor and Industrial Relations**

| <u>Name of Fund</u>   |    | <u>Cash<br/>Balance</u> | <u>Recommendation</u>                                       |
|---|----|-------------------------|---|
| Special Compensation Fund, Section 386-151,<br>HRS                          | \$ | 6,152,909               | Continue.   |
| Special Fund for Disability Benefits,<br>Section 392-61, HRS                | \$ | 4,981,140               | Continue but transfer unneeded cash to<br>the general fund. |
| Special Premium Supplementation Fund,<br>Section 393-41, HRS                | \$ | 2,211,225               | Repeal and budget through the general<br>fund.              |
| Special Unemployment Insurance<br>Administration Fund, Section 383-127, HRS | \$ | 884,421                 | Continue.   |
| Unemployment Compensation Fund,<br>Section 383-121, HRS                     | \$ | 424,795,631             | Continue.   |

**Report No. 92-11<sup>2</sup>**  
**Department of Land and Natural Resources**

| <u>Name of Fund</u>   |    | <u>Cash<br/>Balance</u> | <u>Recommendation</u>                          |
|---|----|-------------------------|--|
| Development Revolving Fund, Section 306-41,<br>HRS                | \$ | 0                       | Repeal.  |
| Industrial Park Special Fund, Section 171-138,<br>HRS             | \$ | 3,658,649               | Repeal and budget through the general<br>fund. |
| Land and Water Development Revolving Fund,<br>Section 174-22, HRS | \$ | 0                       | Repeal.  |

|   |    |           |  |
|---|----|-----------|--|
| Special Fund for Strip Mining Bond or Deposit Moneys Forfeited, Section 181-10, HRS | \$ | 0         | Repeal.  |
| Special Funds for Soil and Water Conservation Districts, Section 180-17, HRS        | \$ | 0         | Repeal.  |
| Special Land and Development Fund, Section 171-19, HRS                              | \$ | 8,774,440 | Continue but transfer unneeded cash to the general fund. |
| Wildlife Revolving Fund, Section 183D-10.5, HRS                                     | \$ | 196,622   | Continue.  |

**Report No. 92-11<sup>2</sup>**  
**Department of Transportation**

| <u>Name of Fund</u>   |    | <u>Cash Balance</u> | <u>Recommendation</u> |
|---|----|---------------------|-----------------------|
| Airport Revenue Fund, Section 248-8, HRS  | \$ | 224,332,810         | Continue.             |
| Boating Special Fund, Section 248-8, HRS  | \$ | 5,144,000           | Continue.             |
| Harbor Special Funds, Section 266-19, HRS   | \$ | 27,514,000          | Continue.             |
| Highway Advance Acquisition Revolving Fund, Section 264-15, HRS   | \$ | 0                   | Repeal.               |
| Special Fund for Deposit of Gross Revenues Derived from the Operation of the Ferry System, Section 268-6, HRS | \$ | 0                   | Repeal.               |
| State Highway Fund, Section 248-8, HRS  | \$ | 275,477,235         | Continue.             |

**Report No. 92-11<sup>2</sup>**  
**Department of the Attorney General**

| <u>Name of Fund</u>                            |    | <u>Cash Balance</u> | <u>Recommendation</u>  |
|--|----|---------------------|--|
| Criminal Forfeiture Fund, Section 712A-16, HRS | \$ | 408,283             | Continue but allow to sunset and transfer balance to the general fund. |

**Report No. 92-11<sup>2</sup>**  
**Department of Personnel Services**

| <u>Name of Fund</u>   |    | <u>Cash Balance</u> | <u>Recommendation</u>                       |
|---|----|---------------------|---|
| Revolving Fund for In-Service Training Programs and Activities, Section 81-3, HRS | \$ | 40,940              | Repeal but budget through the general fund. |

**Report No. 92-11<sup>2</sup>**  
**Department of Public Safety**

| <u>Name of Fund</u>   | <u>Cash<br/>Balance</u> | <u>Recommendation</u>   |
|---|-------------------------|---|
| Revolving Funds for Correctional Facility Stores, Section 353-31, HRS | \$ 159,763              | Continue.   |
| Correctional Industries Revolving Fund, Section 354D-10, HRS          | \$ 346,156              | Continue. However, the corrections division should make the fund self-sustaining. |

**Report No. 92-11<sup>2</sup>**  
**Department of Taxation**

| <u>Name of Fund</u>                           | <u>Cash<br/>Balance</u> | <u>Recommendation</u> |
|---|-------------------------|-----------------------|
| Tax Reserve Special Fund, Section 231-23, HRS | \$ 25,000               | Continue.             |

**Report No. 92-11<sup>2</sup>**  
**The Judiciary**

| <u>Name of Fund</u>  | <u>Cash<br/>Balance</u> | <u>Recommendation</u>                                    |
|--|-------------------------|--|
| Driver Education and Training Fund, Section 286G-2, HRS      | \$ 1,594,636            | Continue but transfer unneeded cash to the general fund. |
| Supreme Court Law Library Special Fund, Section 601-3.5, HRS | \$ 6,826                | Continue.  |

1. Cash balance at June 30, 1990.
2. Cash balance at June 30, 1991.



## FUNDS PROPOSED AND REVIEWED IN 1991

| Special/Revolving Funds  | H.B. | S.B. | Enacted |
|--|------|------|---------|
| <b>A</b>   |      |      |         |
| 'Aina Hoomalu Special Fund   | 0950 | 1377 | Act 312 |
|  | 1061 | 1466 |         |
| Abandoned or Derelict Vehicle Revolving Fund   | 1709 |      |         |
| Agricultural Development Revolving Fund  |      | 0157 |         |
| Air Ambulance Special Fund   | 0349 |      |         |
| Assistance to Indigent Persons, Special Fund for   |      | 1068 |         |
| <b>C</b>   |      |      |         |
| Community-Based, Subsistence Economy, and Cottage Industry<br>Development Revolving Loan Fund* | 1223 | 0213 |         |
| Consumer Protection Activities, Special Fund for   | 1120 |      |         |
| Creation of Non-Tourism Related Jobs, Special Fund for the                                     | 0450 |      |         |
| <b>D</b>   |      |      |         |
| Disaster Relief Special Fund   | 1792 |      |         |
| Diversified Agriculture Revolving Loan Program Fund  | 1223 | 0213 |         |
| Drug Demand Reduction Fund   |      | 1841 |         |
| Drug Demand Reduction Fund   |      | 2080 |         |
| Drug Testing Program Fund  | 0135 |      |         |
| <b>E</b>   |      |      |         |
| Early Childhood Educators Compensation Fund  | 1960 | 1492 |         |
| Elderly Home Care Services Special Fund  | 1513 | 1796 |         |
| Emergency Marketing Fund, Special  | 1453 |      |         |
| Emergency Travel Expense Fund  |      | 0120 |         |
| Employment and Training Special Fund   | 1540 | 1709 | Act 68  |
| Environmental Protection and Education Special Fund  | 2086 | 2125 |         |
| <b>F</b>   |      |      |         |
| Faculty Housing Assistance Revolving Fund  |      | 1867 |         |
| Faculty Housing Revolving Fund   |      | 1051 |         |
| Fee Simple Condominium and Cooperative Revolving Fund  | 1496 | 0948 |         |
|  | 2185 |      |         |
| Fee Simple Multi-Family Revolving Fund   | 1058 | 1255 |         |
| Fee Title Acquisition Loan Program Revenue Bond Special Fund**                                 | 1058 | 1255 |         |
| Forest Stewardship Fund  | 0968 | 1170 | Act 327 |
| <b>G</b>   |      |      |         |
| Geothermal Development Special Fund  | 1209 | 1492 |         |
| Governor's Land Acquisition Special Fund   | 1240 |      |         |
| Ground Lease Rent Renegotiation Subsidy Revolving Fund   | 1729 | 1881 |         |
| <b>H</b>   |      |      |         |
| Hawaii County Hospital Special Fund  | 0119 |      |         |
| Hawaii Drivers Insurance Fund  | 1994 |      |         |
| Hawaii Film Facility Special Fund  | 0897 | 1388 | Act 156 |
| Hawaii Long Term Care Revolving Fund   | 0913 | 1340 |         |
| Hawaii No-Fault Insurance Fund   | 2218 | 2076 |         |
| Hawaii Residential Geologic Hazard Recovery Fund   |      | 1576 |         |

| <b>Special/Revolving Funds</b>  | <b>H.B.</b> | <b>S.B.</b> | <b>Enacted</b> |
|---|-------------|-------------|----------------|
| Higher Education Incentive Program Special Fund                       |             | 2195        |                |
| Home Loan Repair Revolving Fund                                       |             | 2079        |                |
| Homeless Shelter Fund   | 1631        |             |                |
| Horse Racing Board Administrative Fund                                | 2225        | 2084        |                |
| <b>I</b>  |             |             |                |
| Incentive Grant Fund  |             | 1673        |                |
| Industrial Park Infrastructure Revenue Bond Special Funds             |             | 1444        |                |
| <b>L</b>  |             |             |                |
| Leased Fee Purchase Revolving Fund                                    |             | 0483        |                |
| Leasehold Rent Supplement Fund  | 1733        | 1872        |                |
| <b>M</b>  |             |             |                |
| Manufactured Homeowners' Recovery Fund                                | 2069        | 2105        |                |
| Martin Luther King, Jr. Celebration Fund                              | 0916        | 1330        | Act 329        |
|   | 2033        | 1748        |                |
| Mental Health and Substance Abuse Programs, Special Funds for         | 0953        | 1407        | Act 243        |
| Mutual Housing Association Special Fund                               | 1617        |             |                |
| <b>O</b>  |             |             |                |
| Ocean Energy Research and Development Fund                            | 0507        |             |                |
| Ocean Sports Special Fund   |             | 1504        |                |
| <b>P</b>  |             |             |                |
| Patients' Compensation Fund   |             | 0723        |                |
| Public School Facilities Repair and Maintenance Revolving Fund        |             | 2960        |                |
| <b>R</b>  |             |             |                |
| Reasonable Accommodation Fund   |             | 1977        |                |
| Recycling Fund  |             | 0053        |                |
| Recycling Proposal Fund   | 0269        |             |                |
| Refrigerant Recovery and Recycling Loan Fund                          |             | 0275        |                |
|   |             | 0340        |                |
| Renewable Energy Research Special Fund                                |             | 0099        |                |
| <b>S</b>  |             |             |                |
| School Maintenance Fund   | 0091        |             |                |
| School Repair and Maintenance Fund                                    | 1568        |             |                |
| Sexual Awareness Education, Special Fund for                          | 1959        |             |                |
| Smoking Health Fund   | 0066        | 0029        |                |
| Solid Waste Abatement Fund  |             | 0053        |                |
| Solid Waste Revolving Fund  | 0452        |             |                |
| Solid Waste Revolving Fund  | 0453        |             |                |
| Space Development Authority of Hawaii Special Fund                    | 0900        | 1391        |                |
| State Children's Foundation Account                                   | 2219        |             |                |
| State Liquid and Solid Waste Treatment and Management Special Fund    | 0738        |             |                |
| State Lottery Fund  | 0285        | 0314        |                |
|   | 0691        | 0711        |                |
| State Recycling Fund  | 1583        |             |                |
| State Reward Fund   |             | 1793        |                |
| State Wastewater and Solid Waste Recovery and Management Special Fund | 0653        |             |                |

| <b>Special/Revolving Funds</b>                                   | <b>H.B.</b> | <b>S.B.</b> | <b>Enacted</b> |
|--|-------------|-------------|----------------|
| <b>T</b>   |             |             |                |
| Teacher Certification Special Fund                               | 1745        | 0543        |                |
|  | 1746        |             |                |
| Television Production Revolving Fund                             |             | 0091        |                |
| <b>U</b>   |             |             |                |
| Underground Storage Tank Financial Responsibility Guarantee Fund | 0335        | 1718        |                |
| University of Hawaii Alumni Revolving Fund                       | 0981        | 1313        | Act 162        |
| University of Hawaii Faculty Housing Assistance Revolving Fund   | 2184        |             |                |
| Used Oil Collection and Disposal Revolving Fund                  | 1620        |             |                |
| Used Oil Recycling Fund  | 2142        | 0245        |                |
| <b>W</b>   |             |             |                |
| Waikiki Aquarium Special Fund                                    | 0919        | 1333        | Act 199        |
| Waikiki District Fund  | 1679        | 1098        |                |
| West Hawaii Development Revolving Fund                           | 1829        | 0770        |                |

\*See Fee Simple Multi-Family Revolving Fund

\*\*See Diversified Agriculture Revolving Loan Program Fund



## FUNDS PROPOSED AND REVIEWED IN 1992

| Special/Revolving Funds  | H.B. | S.B. | Enacted |
|--|------|------|---------|
| <b>A</b>   |      |      |         |
| Additional Tuition Accounts  |      | 2337 |         |
| Agroforestry Fund  |      | 3390 |         |
| <b>B</b>   |      |      |         |
| Bail Fund  | 2581 |      |         |
| <b>C</b>   |      |      |         |
| Challenge Grant Fund   | 3564 |      |         |
| Charity Health Care Fund   | 2407 |      |         |
| Child Protective Services Fund   | 2542 |      |         |
| Clean Air Special Fund   | 3086 | 2719 |         |
| Clean Water Enforcement Fund and the Wastewater Treatment<br>Operators' Training Account |      | 3052 |         |
| Clean Water Special Fund   | 3838 |      |         |
| Commissioner's Education and Development Fund  |      | 3277 |         |
| Community Managed Environmental Study, Restoration, or Protection Fund                   |      | 2654 |         |
| <b>D</b>   |      |      |         |
| Domestic Violence Program Special Fund   | 3217 |      |         |
| Down Payment Loan Revolving Fund   | 2927 |      |         |
| Drug Abuse Treatment Program Special Fund  | 2862 |      |         |
| Drug Abuse Treatment and Education Fund  |      | 2480 |         |
| Drug and Alcohol Abuse Fund  | 2864 |      |         |
| <b>E</b>   |      |      |         |
| Emergency Marketing Revolving Fund   | 3958 |      |         |
| <b>F</b>   |      |      |         |
| Fee Simple Condominium and Cooperative and Planned Unit<br>Development Revolving Fund    | 3240 |      |         |
| <b>G</b>   |      |      |         |
| Geothermal Mitigation Fund   |      | 2302 |         |
| Glass Incentive Special Fund   | 2519 |      |         |
| <b>H</b>   |      |      |         |
| Hawaii Children's Trust Fund   | 3449 |      |         |
| Hawaii Long-Term Care Revolving Fund   | 3862 |      |         |
| Hawaii Rental Housing Trust Fund   | 2502 |      |         |
|  | 3840 | 2568 |         |
| Housing Development Grant-in-Aid Fund  | 3565 |      |         |
| <b>I</b>   |      |      |         |
| Infrastructure Development Fund  | 3567 |      |         |
| International Education Special Fund   | 3202 |      |         |
|  | 3910 |      |         |

| <b>Special/Revolving Funds</b>  | <b>H.B.</b> | <b>S.B.</b> | <b>Enacted</b> |
|---|-------------|-------------|----------------|
| <b>L</b>  |             |             |                |
| Low-Income Borrower Housing Loan Revolving Fund   | 2599        | 2582        |                |
| <b>M</b>  |             |             |                |
| Multi-Family Rental Housing and the Single-Family Housing<br>Mortgage Insurance Revolving Funds | 2400        | 2580        | Act 304        |
| Multi-Unit and Apartment Dwelling Construction Loan Fund  | 2598        | 2581        |                |
| Mutual Housing Association Assistance Special Fund  | 2504        |             |                |
| Mutual Housing Association Assistance Special Fund  | 3839        |             |                |
| <b>O</b>  |             |             |                |
| Ocean Resources Special Fund  | 3442        |             |                |
| <b>P</b>  |             |             |                |
| PACE Risk Reserve Special Fund  | 2917        |             |                |
| Pest Control Education Fund   | 2989        | 3276        |                |
| Public Safety Repair and Maintenance Special Fund   | 3902        |             |                |
| Public School Facilities Repair and Maintenance Revolving Fund                                  |             | 2960        |                |
| <b>Q</b>  |             |             |                |
| Queen Liliuokalani Fund   |             | 2407        |                |
| <b>R</b>  |             |             |                |
| Recycling Vendors' Subsidy Special Fund   |             | 3332        |                |
| Rental Housing Trust Fund   | 3106        | 2868        | Act 368        |
| <b>S</b>  |             |             |                |
| School Repair and Maintenance Special Fund  |             | 3026        |                |
| Security Deposit Revolving Fund   | 2946        |             |                |
| Single-Family Fee Interest Purchase Loan Program Revolving Fund                                 | 3437        |             |                |
| State Adult Residential Care Home Respite Care Special Fund                                     | 2382        |             |                |
| State Motor Vehicle Insurance Fund  | 2358        |             |                |
| State Solid Waste Management Fund   | 3229        | 2507        |                |
| <b>T</b>  |             |             |                |
| Teacher Certification Special Fund  | 3828        | 3028        |                |
| <b>U</b>  |             |             |                |
| University of Hawaii Facilities Special Fund  | 3196        | 2938        |                |
| Used Motor Vehicle Oil Recycling Fund   | 2518        |             |                |
| Used Tire Collection and Disposal Revolving Fund  | 2326        |             |                |
| <b>W</b>  |             |             |                |
| West Hawaii Convention Center Development Revolving Fund  |             | 3443        |                |

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## Response of the Affected Agency

### Comments on Agency Response

We transmitted a draft of this report to the Department of Budget and Finance on October 2, 1992. A copy of the transmittal letter to the department is included as Attachment 1. The department's response is included as Attachment 2. The department circulated the draft report to agencies whose special and revolving funds we had reviewed and the department's response reflects the responses it received from those agencies.

The department concurs with our recommendations: (1) to repeal the authority of the University of Hawaii to administratively establish special and revolving funds; and (2) that proposals to establish new special or revolving funds should be required to provide supporting evidence of need. The department agrees that the definitions of special and revolving funds should be amended but believes that our proposed definitions do not clarify the difference between special and revolving funds. A revolving fund is a type of special fund and our report does not address the distinction between them. Our definitions would clarify the need for these as financing mechanisms only.

The department does not concur with our recommendation to repeal all 70 funds we had previously recommended be repealed. Included in its response is a list of the funds we recommended be repealed and each affected agency's position. It also does not concur with our recommendation that sunset dates be established for all existing and proposed special and revolving funds. It supports a systematic review of the continued need for such funds and stresses that it is now conducting such a review. We stand by our recommendation to repeal those funds we previously recommended be repealed. We also believe that establishing sunset dates for special and revolving funds allows the Legislature to conduct its own analysis and evaluation on whether the funds should be continued.

**ATTACHMENT 1**

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



MARION M. HIGA  
State Auditor  
(808) 587-0800  
FAX: (808) 587-0830

C O P Y

October 2, 1992

The Honorable Yukio Takemoto, Director  
Department of Budget and Finance  
No. 2 Capitol District, Room 305  
250 S. Hotel Street  
Honolulu, HI 96813

Dear Mr. Takemoto:

Enclosed are three copies, numbered 6 through 8, of our draft report, *Summary Report of the Review of Special and Revolving Funds*. We ask that you telephone us by October 7, 1992, on whether you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit them no later than October 16, 1992.

The Governor and presiding officers of the two houses of the Legislature have also been provided copies of this draft report.

Since this report is not in final form and changes may be made to it, access to the report should be restricted to those assisting you in preparing your response. Public release of the report will be made solely by our office and only after the report is published in its final form.

Sincerely,

Marion M. Higa  
State Auditor

Enclosures

JOHN WAIHEE  
GOVERNOR



YUKIO TAKEMOTO  
DIRECTOR

EUGENE S. IMAI  
DEPUTY DIRECTOR

THOMAS I. YAMASHIRO  
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM  
HAWAII INC  
HAWAII PUBLIC EMPLOYEES HEALTH FUND  
HOUSING FINANCE AND DEVELOPMENT  
CORPORATION  
OFFICE OF THE PUBLIC DEFENDER  
PUBLIC UTILITIES COMMISSION

STATE OF HAWAII  
DEPARTMENT OF BUDGET AND FINANCE  
STATE CAPITOL  
P.O. BOX 150  
HONOLULU, HAWAII 96810-0150

BUDGET, PROGRAM PLANNING AND  
MANAGEMENT DIVISION  
FINANCIAL PLANNING AND POLICY  
DEVELOPMENT DIVISION  
INFORMATION AND COMMUNICATION  
SERVICES DIVISION  
TREASURY OPERATIONS DIVISION

Ref: 1688/DBFFIN

October 23, 1992

Ms. Marion Higa  
State Auditor  
Office of the Auditor  
465 S. King Street, Rm. 500  
Honolulu, Hawaii 96813

RECEIVED

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OFFICE OF THE AUDITOR  
STATE OF HAWAII

Dear Ms. Higa:

We have reviewed the draft report prepared by your office entitled, Summary Report of the Review of Special and Revolving Funds, and by prior agreement, have submitted the draft report to the Departments of Accounting and General Services (DAGS), Agriculture (DOA), Business, Economic Development and Tourism (DBEDT), Commerce and Consumer Affairs (DCCA), Education (DOE), Health (DOH), Human Services (DHS), Labor and Industrial Relations (DLIR), Land and Natural Resources (DLNR), Transportation (DOT), Attorney General (AG), Personnel Services (DPS), Public Safety (PSD) and Taxation (DOTax) as well as the University of Hawaii (UH) and the Housing Finance and Development Corporation (HFDC) for their review and response. The following comments reflect the collective responses of the affected departments/agencies and respond to each of the recommendations proposed by the Auditor.

Recommendation 1: The Auditor recommends that the Legislature consider repealing the special and revolving funds recommended for repeal in the Auditor's prior reports.

We do not concur. In prior reports, the Auditor recommended that 70 funds be repealed, discontinued, or sunsetted in the future. Although the respective departments/agencies agreed with the repeal of some funds, they generally could not support the Auditor's recommendation for the repeal of most of the funds cited. In general, where the Auditor recommended repeal, they did not feel that the Auditor adequately assessed the consequences of abolishing such funds. Justification for continuation of specific funds was submitted in their respective responses to the Auditor as well as in testimonies presented during subsequent legislative hearings.

Ms. Marion Higa  
October 23, 1992  
Page 1

We have reviewed the recommendation for each fund and reaffirm our previous positions. In Appendix 1, we list the funds that are being recommended again to be repealed, discontinued, or sunsetted, and the respective department/agency's current position. Where appropriate, updated information is included. As the Legislature, after review of the Auditor's prior recommendations, chose to continue these funds, we fail to understand the reason behind another call for repeal, discontinuance, or sunsetting at this time. We note that all 70 funds continue to exist, including those funds where the department/agency had agreed with the repeal recommendation.

Recommendation 2: The Auditor recommends the repeal of Section 304-8, HRS, which gives the University of Hawaii the authority to establish special and revolving funds administratively.

Although the UH would like the flexibility to administratively establish special and revolving funds, it does not object to the repeal of Section 304-8, HRS, provided that those funds previously established under this section be allowed to continue. We note that with the exception of the UH Manoa Campus Telephone/Communication System Special Fund established in 1988, all special and revolving fund established for the University since 1985 have been authorized by specific statutes.

Recommendation 3: The Auditor recommends that sunset dates be established for all existing and newly established special and revolving funds.

We do not concur. While we support the recommendation for a systematic review of the continued need for a special or revolving fund, we believe that current processes and procedures adequately provide the means to accomplish the intended purpose.

The Auditor has reviewed all existing funds and is statutorily required to analyze all legislative bills that propose to establish special or revolving funds. This review, the statutory requirement for prior review of proposed special and revolving funds, and the inclusion of data relating to special and revolving funds in the Executive Budget provide the proper mechanism for the appropriate review and budgetary control by both the Executive and Legislative branches.

Ms. Marion Higa  
October 23, 1992  
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In addition, as part of the established process, B&F is currently conducting its own study of special and revolving funds to determine whether excess monies are being maintained in those funds. Section 37-53, HRS, already authorizes the transfer of such monies to the General Fund.

The funding structure of a program does not change radically from year to year. For example, in DOE, except for one new revolving fund created three years ago, the other special funds have existed for some time, most for over 50 years and, after comprehensive review, have been determined to be required. A sunset provision appears to be advisable only in those cases where it has been determined that the special fund is needed for a temporary, short-term basis.

Recommendation 4: The Auditor recommends that Section 37-62, HRS, be amended to define special and revolving funds as funds used only when these means of financing are essential to the successful operation of a program and where there is a clear link between the program and the sources of revenue dedicated to its support.

While we believe that the present definitions of special and revolving funds as stated in Section 37-62, HRS, may need to be revised, we do not believe that the amendment proposed by the Auditor adequately clarifies the differences between a special fund and a revolving fund.

Recommendation 5: The Auditor recommends that Section 23-11, HRS, be amended to include a requirement that proposals to establish new special or revolving funds be supported by evidence of need that:

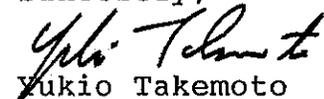
- states the purpose of the program;
- describes the scope of the program;
- presents financial information on fees to be charged, sources of projected revenue, and costs; and
- explains why the program cannot be implemented successfully under the General Fund appropriation process.

We concur.

Ms. Marion Higa  
October 23, 1992  
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Thank you for giving all of us the opportunity to review and comment on your report.

Sincerely,

  
Yukio Takemoto  
Director of Finance

SPECIAL AND REVOLVING FUNDS  
RECOMMENDED FOR REPEAL BY AUDITOR

| Report No. 91-10 | Department of Accounting and General Services | <u>Name of Fund</u>  | <u>Auditor's Recommendation</u>                             | <u>Department/Agency's Response</u>   |
|------------------|---|--|---|---|
|                  |   | Central Purchasing Fund,<br>Section 106-15, HRS  | Repeal and budget through the<br>General Fund.              | <u>Concur.</u>  |
|                  |   | King Kamehameha Celebration Fund,<br>Section 8-5, HRS  | Repeal and budget through the<br>General Fund.              | <u>Oppose.</u> Planned activities for 1993 including a brochure, observance of the 100th anniversary of the overthrow of the Hawaiian kingdom, and the 1993 King Kamehameha celebration would be negatively impacted by the repeal of this fund.  |
|                  |   | Public Improvement Revolving Fund,<br>Section 107-8, HRS   | Repeal and lapse balance to<br>General Fund.                | <u>Concur.</u>  |
|                  |   | State Educational Facilities Improvement<br>Fund, Section 36-32, HRS   | Repeal.   | <u>Oppose.</u>  |
|                  |   | State Risk Management Revolving Fund,<br>Section 41D-4, HRS  | Repeal and budget through the<br>General Fund.              | <u>Oppose.</u> The catastrophic impact of Hurricane Iniki reinforced the need for this fund. Had this fund been repealed, there would have been no monies set aside for emergency repairs, damage controls and other recovery measures. Moreover, to address concerns previously raised by the Auditor, the program has developed a cost allocation system to hold departments responsible for their losses and to make the fund self-sustaining. |
|                  |   | State Surplus Revolving Fund,<br>Section 106-23, HRS<br>Surplus Federal Property Revolving Fund,<br>Section 29-22, HRS | Repeal and budget through the<br>General Fund.<br>Continue. | <u>Concurs,</u> if both the State Surplus Property Revolving Fund and the Surplus Federal Property Revolving Fund are funded through the General Fund. Then both funds may be dissolved. To repeal the State Surplus Property Revolving Fund and continue the Surplus Federal Property Fund would place the two programs in direct competition with each other.   |
|                  |   | Works-of-Art Special Fund,<br>Section 103-8.5, HRS   | Repeal.   | <u>Oppose.</u>  |

**Report No. 91-10**  
**Department of Agriculture**

| <u>Name of Fund</u>                                      | <u>Auditor's Recommendation</u>                | <u>Department/Agency's Response</u> |
|--|--|-------------------------------------|
| Agricultural Park Special Fund,<br>Section 166-10, HRS   | Repeal and budget through the<br>General Fund. | <u>Oppose.</u>                      |
| Animal Industry Revolving Fund,<br>Section 142-24, HRS   | Repeal.  | <u>Oppose.</u>                      |
| Irrigation System Revolving Fund,<br>Section 167-22, HRS | Repeal and budget through the<br>General Fund. | <u>Oppose.</u>                      |

**Report No. 91-10**  
**Department of Budget and Finance**

| <u>Name of Fund</u>  | <u>Auditor's Recommendation</u>                                   | <u>Department/Agency's Response</u>  |
|--|---|--|
| County Special Fund for Certification and<br>Payment of County Contributions to the<br>Pension and Retirement System,<br>Section 88-126, HRS | Repeal through appropriate<br>legislation proposed by department. | <u>Oppose.</u>   |
| Hawaii Information Network Fund Special<br>Fund, Section 206P-7, HRS   | Repeal.   | <u>Oppose.</u> At the time of the prior review, the fund had never been<br>used. However, administrative rules and the billing system are<br>now in place, and revenues are being deposited in the fund. The<br>fund is intended to be self-sustaining through the revenues<br>collected from network and gateway usage. |
| State Telecommunications Site and<br>Equipment Maintenance Revolving Fund,<br>Section 106-16, HRS  | Repeal and budget through the<br>General Fund.                    | <u>Concur.</u>   |

**Report No. 92-3  
Housing Finance and Development Corporation**

| <u>Name of Fund</u>  | <u>Auditor's Recommendation</u>             | <u>Department/Agency's Response</u>   |
|--|---|---|
| Fee Title Acquisition Loan Program Revenue Bond Special Funds, Section 516-11, HRS | Repeal.                                     | <u>Concur.</u>  |
| Rental Assistance Revolving Fund, Section 201E-132, HRS                            | Repeal and budget through the General Fund. | <u>Oppose.</u> Act 307, SLH 1992 restructured this fund to finance the development of affordable rental housing by private profit and nonprofit entities in addition to the HFDC and addresses the concerns relating to fund operations previously raised by the Auditor. |
| Rental Housing Revolving Fund, Section 201E-208, HRS                               | Repeal.                                     | No comment.   |
| State Mortgage Guarantee Fund, Section 201E-160, HRS                               | Repeal.                                     | <u>Oppose.</u> Act 306, SLH 1992 has made changes to this fund to make it more workable.  |

**Report No. 92-3  
Department of Business, Economic Development, and Tourism**

| <u>Name of Fund</u>   | <u>Auditor's Recommendation</u>             | <u>Department/Agency's Response</u>                          |
|---|---|--|
| Aloha Tower Special Fund, Section 206J-17   | Repeal and budget through the General Fund. | <u>Oppose</u> on the basis of inaccuracies previously cited. |
| Commercial Loan Guarantee Reserve Fund, Section 211-4, HRS  | Repeal.                                     | <u>Concur.</u>   |
| Development Funds for Each Issue of Bonds Issued by a High Technology Development Corporation, Section 206M-17, HRS | Repeal.                                     | <u>Oppose.</u>   |
| Financial Services Assistance Revolving Fund, Section 201C-3, HRS   | Repeal and budget through the General Fund. | <u>Oppose.</u>   |
| Hawaii Community-Based Development Revolving Fund, Section 210D-4, HRS  | Repeal and budget through the General Fund. | <u>Oppose.</u>   |

| <u>Name of Fund</u>   | <u>Auditor's Recommendation</u>             | <u>Department/Agency's Response</u>   |
|---|---|---|
| Hawaii Technology Research and Development Revolving Fund, Section 206M-15, HRS | Repeal and budget through the General Fund. | <u>Oppose.</u>  |
| High Technology Special Fund, Section 206M-15.5, HRS                            | Repeal and budget through the General Fund. | <u>Oppose.</u>  |
| Natural Energy Laboratory of Hawaii Authority Special Fund, Section 227D-5, HRS | Repeal and budget through the General Fund. | <u>Oppose.</u>  |
| Petroleum Products Control Revolving Fund, Section 125C-7, HRS                  | Repeal and budget through the General Fund. | <u>Oppose.</u>  |
| Reserved Housing Loan Program Revenue Bond Special Fund, Section 206E-109, HRS  | Repeal.                                     | <u>Oppose.</u>  |
| Special Fund for Out-of-State Offices, Section 201-85, HRS                      | Repeal and budget through the General Fund. | <u>Concur.</u>  |
| Waikiki Convention Center Development Revolving Fund, Section 206X-10, HRS      | Repeal and budget through the General Fund. | <u>Oppose.</u>  |
| <b>Report No. 92-8<br/>Department of Commerce and Consumer Affairs</b>          |   |   |
| <u>Name of Fund</u>   | <u>Auditor's Recommendation</u>             | <u>Department/Agency's Response</u>   |
| Insurance Examiner's Revolving Fund, Section 431:2-307, HRS                     | Repeal and budget through the General Fund. | Oppose. Fund is presently being used as designed. Moreover, monies and positions provided by the 1992 Legislature for accreditation purposes of program have been restricted. Flexibility of the fund to expand the cadre of contract examiners allows the program to meet national staffing standards, as necessary. |

**Report No. 92-8  
Department of Education**

| <u>Name of Fund</u>                                       | <u>Auditor's Recommendation</u>  | <u>Department/Agency's Response</u> |
|---|--|-------------------------------------|
| Adult Education Special Fund,<br>Section 301-4, HRS       | Lapse balance to the General Fund<br>and budget through the<br>General Fund. | <u>Oppose.</u>                      |
| Driver Education Special Fund<br>Section 431:10C-115, HRS | Lapse balance to the General Fund<br>and budget through the<br>General Fund. | <u>Concur.</u>                      |
| School Priority Fund,<br>Section 296D-1                   | Repeal.  | <u>Concur.</u>                      |
| Special School Lunch Fund,<br>Section 296-44, HRS         | Repeal and budget through the<br>General Fund.                               | <u>Oppose.</u>                      |
| Storeroom Revolving Fund,<br>Section 296-36.5, HRS        | Repeal and budget through the<br>General Fund.                               | <u>Oppose.</u>                      |

**Report No. 92-8  
Department of Health**

| <u>Name of Fund</u>  | <u>Auditor's Recommendation</u>                | <u>Department/Agency's Response</u> |
|--|--|-------------------------------------|
| Environmental Response Revolving Fund,<br>Section 128D, HRS                                | Repeal and budget through the<br>General Fund. | <u>Oppose.</u>                      |
| Epidemic Control Fund, Section 325-6, HRS  | Repeal.  | <u>Concur.</u>                      |
| Facility Administration Fund,<br>Section 323-73, HRS                                       | Repeal and budget through the<br>General Fund. | <u>Oppose.</u>                      |
| Public Health Facility Special Funds,<br>Section 323-73, HRS                               | Repeal and budget through the<br>General Fund. | <u>Oppose.</u>                      |
| Revolving Fund for Group Homes for<br>Recovering Substance Abusers,<br>Section 334-14, HRS | Repeal.  | <u>Concur.</u>                      |

| <u>Name of Fund</u>   | <u>Auditor's Recommendation</u>                | <u>Department/Agency's Response</u>   |
|---|--|---|
| Revolving Fund for Home Health Services,<br>Section 326-93, HRS                                     | Repeal and budget through the<br>General Fund. | <u>Concur.</u>  |
| Revolving Fund for Kalaupapa Store,<br>Section 326-27, HRS  | Repeal and budget through the<br>General Fund. | <u>Conditional concurrence.</u>   |
| Special Funds Established for Title XIX Funds<br>Collected under Section 333F-17.5, HRS             |  |   |
| Special Fund for the Community Services<br>for the Developmentally Disabled                         | Repeal and budget through the<br>General Fund. | <u>Concur</u> but some concerns over the inadequacy of General Fund<br>dollars and underutilization of Federal dollars for this population.   |
| Special Fund for Waimano Training<br>School and Hospital  | Repeal and budget through the<br>General Fund. | <u>Concur</u> but some concerns over the inadequacy of General Fund<br>dollars and underutilization of Federal dollars for this population.   |
| <b>Report No. 92-8</b><br><b>Department of Human Services</b>                                       |  |   |
| <u>Name of Fund</u>   | <u>Auditor's Recommendation</u>                | <u>Department/Agency's Response</u>   |
| Revolving Fund for Workshop or Home Labor<br>Purposes for Welfare Recipients,<br>Section 346-9, HRS | Repeal.  | <u>Concur.</u>  |
| <b>Report No. 92-9</b><br><b>University of Hawaii</b>   |  |   |
| Research and Training Revolving Fund,<br>Section 304-8.1, HRS                                       | Repeal and budget through the<br>General Fund. | <u>Oppose.</u> Concern is expressed over conversion of the means of<br><u>financing</u> from revolving to general and the subsequent loss of<br>the non-lapsing provision which currently facilitates the smooth<br>transition of ongoing research projects from one fiscal year to<br>another. |
| University of Hawaii at Manoa Intercollegiate<br>Athletics Revolving Fund,<br>Section 304-8.7, HRS  | Repeal and budget through the<br>General Fund. | <u>Oppose.</u> Intercollegiate Athletic program will face additional<br>costs of \$300,000 this year because of a reduction in home games<br>and will be especially impacted if the fund is repealed and General<br>Fund monies must be found to absorb these additional costs.                 |

| <u>Name of Fund</u>   | <u>Auditor's Recommendation</u>  | <u>Department/Agency's Response</u>  |
|---|--|--|
| University of Hawaii at Hilo Intercollegiate Athletics Revolving Fund, Section 304-8.7, HRS | Repeal and budget through the General Fund.  | <u>Oppose.</u> Intercollegiate Athletic program has variable and unpredictable costs that require carry-over reserves to cover these contingencies. General Fund allocations do not allow for the carry-over of funds for such purposes nor does it allow for the budgeting of such situations. Combination of fund sources (General and Revolving) is the most efficient and effective method of funding this type of program.  |
| University of Hawaii at Manoa Malpractice Special Fund, Section 304-8.8, HRS                | Repeal and budget through the General Fund.  | <u>Oppose.</u>   |
| Systemwide Computer Services Special Fund, Section 304-8.9, HRS                             |  |  |
| Systemwide Computer Services Special Fund-UH-Systemwide Computing Center                    | Discontinue, lapse balance to the General Fund, and budget through the General Fund. | <u>Oppose.</u>   |
| Child Care Programs Revolving Fund Section 304-8.91, HRS                                    | Repeal and budget through the General Fund   | <u>Oppose.</u>   |
| Discoveries and Inventions Revolving Fund Section 304-8.92, HRS                             | Repeal and budget through the General Fund.  | <u>Oppose.</u> The fund gives the University the flexibility to support technology and economic development in the State by providing the capacity to manage new, innovative programs and fund multi-year projects. With the General Fund, the fund must be expended by the end of the fiscal year and re-appropriated. Further, not all OTTRED programs are designed to be self-sustaining. As such, Act 352, SLH 1989 allows for infusions to the fund through appropriations from the State Legislature, subject to approval from the Governor. |
| Hawaii Opportunity Program in Education Special Fund (HOPE Fund), Section 304-8.95, HRS     | Repeal and budget through the General Fund.  | <u>Oppose.</u>   |
| Laboratory School Cafeteria Special Fund, Sections 304-25 and 304-8, HRS                    | Repeal and budget through the General Fund.  | <u>Oppose.</u>   |
| Algal Mass Culture Facility, Snug Harbor, Oahu, Revolving Fund, section 304-44.5, HRS       | Repeal.  | <u>Concur.</u>   |
| UH-Manoa Campus Center for Student Development Special Fund, Section 304-8, HRS             | Discontinue, lapse balance to the General Fund, and budget through the General Fund. | <u>Oppose.</u>   |

| <u>Name of Fund</u>   | <u>Auditor's Recommendation</u>  | <u>Department/Agency's Response</u>  |
|---|--|--|
| UH—Manoa Campus Instructional Resource Center Special Fund, Section 304—8, HRS        | Discontinue, lapse balance to the General Fund, and budget through the General Fund. | <u>Oppose.</u>   |
| UH—Manoa Campus Laboratory Animal Service Special Fund, Section 304—8, HRS            | Discontinue, lapse balance to the General Fund, and budget through the General Fund. | <u>Oppose.</u>   |
| UH—Manoa Campus Health Instructional Resource Unit Special Fund, Section 304—8, HRS   | Discontinue, lapse balance to the General Fund, and budget through the General Fund. | <u>Oppose.</u>   |
| Systemwide Rental of University of Hawaii Property Revolving Fund, Section 304—2, HRS | Discontinue.   | <u>Concur.</u>   |
| UH—Manoa Campus Intramural Sports Revolving Fund, No approval found                   | Discontinue, lapse balance to the General Fund, and budget through the General Fund. | <u>Oppose.</u> However, fund should be incorporated as part of UH Student Activities Revolving Funds authorized by Section 304—8.6, HRS.   |
| <b>Report No. 92—11</b><br><b>Department of Labor and Industrial Relations</b>        |  |  |
| <u>Name of Fund</u>   | <u>Auditor's Recommendation</u>  | <u>Department/Agency's Response</u>  |
| Special Premium Supplementation Fund, Section 393—41, HRS                             | Repeal and budget through the General Fund.  | <u>Oppose.</u> Auditor's recommendation may be in conflict with the national Employee Retirement Income Security Act exemption which precludes any substantive changes to the State's Prepaid Health Care law. |
| <b>Report No. 92—11</b><br><b>Department of Land and Natural Resources</b>            |  |  |
| <u>Name of Fund</u>   | <u>Auditor's Recommendation</u>  | <u>Department/Agency's Response</u>  |
| Development Revolving Fund, Section 306—41, HRS                                       | Repeal.  | <u>Concur.</u>   |
| Industrial Park Special Fund, Section 171—138, HRS                                    | Repeal and budget through the General Fund.  | <u>Oppose.</u>   |

| <u>Name of Fund</u>   | <u>Auditor's Recommendation</u>             | <u>Department/Agency's Response</u>   |
|---|---|---|
| Land and Water Development Revolving Fund, Section 174-22, HRS  | Repeal.                                     | <u>Concur.</u>  |
| Special Fund for Strip Mining Bond or Deposit Moneys Forfeited, Section 181-10, HRS                           | Repeal.                                     | <u>Concur.</u>  |
| Special Funds for Soil and Water Conservation Districts, Section 180-17, HRS                                  | Repeal.                                     | <u>Concur.</u>  |
| <b>Report No. 92-11</b><br><b>Department of Transportation</b>  |   |   |
| <u>Name of Fund</u>   | <u>Auditor's Recommendation</u>             | <u>Department/Agency's Response</u>   |
| Highway Advance Acquisition Revolving Fund, Section 264-15, HRS   | Repeal.                                     | Oppose. Fund allows the department to acquire land while a project is still in the planning or designing phase. Federal funds, in addition to the State match is deposited in the fund. It is a Federal requirement that a State revolving fund be enacted for the the deposition of advance acquisition funds. |
| Special Fund for Deposit of Gross Revenues Derived from the Operation of the Ferry System, Section 268-6, HRS | Repeal.                                     | <u>Concur.</u>  |
| <b>Report No. 92-11</b><br><b>Department of Personnel Services</b>  |   |   |
| <u>Name of Fund</u>   | <u>Auditor's Recommendation</u>             | <u>Department/Agency's Response</u>   |
| Revolving Fund for In-Service Training Programs and Activities, Section 81-3, HRS                             | Repeal but budget through the General Fund. | Oppose. Fund provides for some measure of stability in employee development and training particularly at present when the Training and Safety Division has been faced with major budgetary cuts.  |

