
Review of Special and Revolving Funds of the University of Hawaii

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

Report No. 92-9
April 1992



THE AUDITOR
STATE OF HAWAII

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.

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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.
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OVERVIEW

THE AUDITOR
STATE OF HAWAII

Review of Special and Revolving Funds of the University of Hawaii

Summary

In Act 240, SLH 1990, the Legislature directed the Auditor to evaluate most of the special and revolving funds in existence as of July 1, 1990, and to review legislation proposing new funds. Special and revolving funds are financing mechanisms created outside the general fund to support specific programs and activities. In many cases, revenues in these funds consist of general fund revenues set aside and no longer available for appropriation and legislative scrutiny. The Legislature voiced its concern about the growing numbers of these funds and their effect on the fiscal integrity of the State. Of approximately 140 existing funds specifically created by statute, 75 were created within the past eight years. This represents more than a 100 percent increase over all previous years.

Experts have questioned the benefits of special funds. As larger sums of money are set aside in this way and not lapsed to the general fund, there can be a cumulative effect on the overall financial condition of government. Special funds can give agencies control of their unappropriated cash reserves, provide a way to skirt the general fund expenditure ceiling, and, over time, erode the general fund. The experts say that special funds are likely to hamper budget administration. From a legislative perspective, they are less desirable because they are not fully governed by the appropriations process and thus lessen the Legislature's control of the budget.

This review was of 46 special and revolving funds within the University of Hawaii. Of these, 25 were established by statute and 21 were established administratively by the university. In evaluating the funds, we used two criteria provided by Act 240—whether the fund continues to serve the purpose for which it was originally created and whether it reflects a clear link between the benefit sought and charges made upon the beneficiaries of the program. To this we added a third—that the fund demonstrate the capacity to be financially self-sustaining.

Recommendations and Response

Of the 25 special funds established by statute, we recommended that 9 be repealed, 1 be discontinued, a sunset date be established for 1, and 14 be continued. Of the 21 established administratively, we recommended that 6 be discontinued, 2 be continued but be required to pay for all costs of the programs, and 13 be continued.

The university does not concur with the third criterion used in this review—that the fund demonstrate the capacity to be financially self-sustaining. It believes that the ability to be self-sufficient was not the primary consideration in establishing many of the special and revolving funds. The university therefore disagrees with our recommendations to repeal or discontinue funds that failed to meet the criterion of self-sufficiency.

We examined the statutory or administrative basis for each fund in applying the criteria. We distinguished between those funds created for a specific purpose within a larger program or incidental to that program and those funds that were integral to a program. For example, we had recommended that the Student Health Center (Services) Revolving Fund be continued even though the center receives general fund support, but we had recommended that the Laboratory Animal Service Special Fund be discontinued because of the amount of general fund support it receives.

The law establishing the Student Health Center Revolving Fund intended that the fund be used to replenish pharmaceutical and laboratory supplies and associated services on a cost recovery basis. The fund accomplishes this. General fund support for staffing and other costs of the center are not part of the purpose of the fund and were not included in the determination of self-sufficiency. On the other hand, we recommended the discontinuance of the Laboratory Animal Service Special Fund because the fees charged did not recover personnel costs necessary for the service. This fund was administratively established. It was not limited to the cost of the animals. Therefore the criterion of self-sufficiency was applied to all costs, including those for personnel.

The university concurs generally with our recommendations to continue certain funds. It concurs with our recommendation to continue the Summer Session Special Fund but does not believe that unneeded cash balances should be returned to the general fund. This fund had year-end cash balances of \$5.6 and \$6.3 million at June 30, 1990 and 1991, respectively. The university submitted a detailed expenditure plan for the use of the funds in an attachment to its response which calls for the expenditure of all but \$12,000 by 1993. The plan, along with individual comments to our draft report by university departments, is available for review at our office.

Finally, the university has concerns that some of our recommendations to repeal funds that are not self-sustaining will cause internal budgeting problems for the university. But its concerns do not challenge the rationale for limiting the use of special funds as a financing mechanism in state government.

The Department of Budget and Finance concurs with our recommendations to repeal the Algal Mass Culture Facility, Snug Harbor; Oahu, Revolving Fund; and to discontinue the Systemwide Rental of UH Property Revolving Fund and the UH-Manoa Campus Health Instructional Resource Unit Special Fund. It also concurs with our recommendation to establish a sunset date for the Systemwide Computer Services Special Fund. Where the university has indicated that our recommendations would have significant negative impacts, the department believes further review and assessment is necessary. The department contends it weighs each program's ability to generate sufficient revenues from program beneficiaries to sustain operations in its assessment of special and revolving funds.

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Submitted by

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STATE OF HAWAII

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Foreword

In Act 240, SLH 1990, the Legislature requested the Auditor to review, over a five year period, most special and revolving funds in existence as of July 1, 1990. Originally scheduled to be completed in 1995, this review is of those funds administered by the University of Hawaii system. Unlike any other agency, the university may, with the approval of the Department of Budget and Finance, administratively establish special and revolving funds. This review encompassed both those funds established by statute and those funds established administratively. The purpose of the review is to assess whether the special or revolving funds within the University of Hawaii system should be continued, modified, or repealed. As required by the act, we have included our recommended legislation at the end of the report.

We wish to acknowledge the excellent cooperation extended by the officials and staff of the University of Hawaii system. We also extend our appreciation to the staff of the Legislative Reference Bureau, which drafted the recommended legislation.

Marion M. Higa
Acting Auditor
State of Hawaii

Table of Contents

Chapter 1 Introduction

Objectives of the Review	1
Scope of the Review	1
Method of the Review	2

Chapter 2 Background on Special and Revolving Funds

Loss of Budgetary Control	3
Hawaii's Budgetary Control Act of 1957	4
Recent Proliferation of Special Funds	4

Chapter 3 Criteria for Reviewing Special and Revolving Funds

Fund Should Serve Original Purpose	7
Fund Should Have Clear Link Between Benefits and Charges	8
Fund Should Be Financially Self-Sustaining	8

Chapter 4 Statutorily Established Funds

Summary of Recommendations	9
Seed Distribution Program Revolving Fund Section 150-41, HRS	11
Research and Training Revolving Fund Section 304-8.1	11
Student Health Center Revolving Fund Section 304-8.2, HRS	12
Transcript and Diploma Revolving Funds Section 304-8.3, HRS	12
Vocational and Technical Training Projects Revolving Funds, Section 304-8.4, HRS	13
Animal Research Farm, Waialeale, Oahu Revolving Fund, Section 304.8.5, HRS	13
University of Hawaii Student Activities Revolving Funds, Section 304.8-6, HRS	14
University of Hawaii at Manoa Intercollegiate Athletics Revolving Fund, Section 304-8.7, HRS ...	14

University of Hawaii at Hilo Intercollegiate Athletics Revolving Fund, Section 304-8.7, HRS ...	15
University of Hawaii at Manoa Malpractice Special Fund, Section 304-8.8, HRS	15
Systemwide Computer Services Special Fund Section 304-8.9, HRS	16
Child Care Programs Revolving Fund Section 304-8.91, HRS	17
Discoveries and Inventions Revolving Fund Section 304-8.92, HRS	18
Library Special Fund, Section 304-8.93, HRS	18
Conference Center Revolving Fund Section 304-8.94, HRS	19
Hawaii Opportunity Program in Education Special Fund (HOPE Fund), Section 304-8.95, HRS	19
Laboratory School Cafeteria Special Fund Section 304-25, HRS	20
Center for Labor Education and Research Revolving Fund, Section 304-37, HRS	20
Algal Mass Culture Facility, Snug Harbor, Oahu, Revolving Fund, Section 304-44.5, HRS	21
State Higher Education Loan Fund Section 304-91, HRS	21
Community Colleges Special Fund Section 305-4, HRS	22
University Revenue-Undertakings Funds - UH-System Section 306-10, HRS	22
University Parking Revolving Fund Section 308-2, HRS	23

Chapter 5 Administratively Established Funds

Summary of Recommendations	25
UH-Manoa Campus Summer Session Special Fund Section 304-8, HRS	26
UH-Manoa Campus College of Continuing Education and Community Service Special Fund Section 304-8, HRS	27
UH-Manoa Campus Food Service Special Fund Section 304-8, HRS	27
UH-Manoa Campus Theater Group Special Fund Section 304-8, HRS	28
UH-Manoa Campus Center for Student Development Special Fund, Section 304-8, HRS	28
UH-Manoa Campus Agricultural Diagnostic Service Special Fund, Section 304-8, HRS	29

University of Hawaii Press Revolving Fund Section 304-8, HRS	29
UH-Manoa Campus Instructional Resource Center Special Fund, Section 304-8, HRS	30
UH-Manoa Campus Laboratory Animal Service Special Fund, Section 304-8, HRS	31
UH-Manoa Campus Health Instructional Resource Unit Special Fund, Section 304-8, HRS	31
UH-Manoa Campus Auxiliary Services Administration Special Fund, Section 304-8, HRS .	32
UH-Manoa Campus Transportation Services Special Fund, Section 304-8, HRS	32
UH-Manoa Campus Telephone/Communication System Special Fund, Section 304-8, HRS	33
UH-Manoa Campus Library Services Special Fund Section 304-8, HRS	33
Systemwide Rental of University of Hawaii Property Revolving Fund, Section 304-2, HRS	34
UH-Manoa Campus Intramural Sports Revolving Fund, No approval found	34
UH-Hilo Campus Continuing Education and Community Service Special Funds Section 304-8, HRS	35
UH-Hilo Campus Food Service Special Fund Section 304-8, HRS	35
UH-Hilo Campus Library Services Special Fund Section 304-8, HRS	36
UH-Hilo Campus Auxiliary Services Special Fund Section 304-8, HRS	36
UH-West Oahu Campus Summer Session Special Fund, Section 304-8, HRS	37
 Notes	 39
 Responses of the Affected Agencies	 41
 Proposed Legislation	 51
 List of Figures	
Figure 2.1 Special and Revolving Funds Created Since 1983	5

Chapter 1

Introduction

This is a report on our review of special and revolving funds of the University of Hawaii. The review comprises the fourth of a series directed by Act 240, Session Laws of Hawaii 1990, and scheduled over a five-year period. Our first report (No. 91-10), issued in February 1991, reviewed the special and revolving funds in the Department of Accounting and General Services, the Department of Agriculture, and the Department of Budget and Finance. We also analyzed all special and revolving funds proposed during the 1991 legislative session. Our second and third reports (No. 92-3 and No. 92-8) reviewed the special and revolving funds of the Housing Finance and Development Corporation and the Department of Business, Economic Development, and Tourism; and the Department of Commerce and Consumer Affairs, Education, Health, and Human Services, respectively. This fourth review covers a total of 46 special and revolving funds of the University of Hawaii. Of these, 25 were established by statute and 21 were established administratively by the university.

The Legislature in Act 240 expressed concern about maintaining the fiscal integrity of the State when fluctuations in the economy affect general fund revenues. Special and revolving funds receive their revenues without consideration of the State's overall financial condition. The Legislature felt it was fiscally prudent to request the State Auditor to evaluate existing special and revolving funds and to review legislation proposing new ones.

Objectives of the Review

1. To evaluate the appropriateness of existing special and revolving funds of the University of Hawaii.
2. To recommend whether the existing special and revolving funds should be continued, modified, or repealed.

Scope of the Review

Act 240 schedules the review of all special and revolving funds in existence as of 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. This review examines those funds directly administered by the University of Hawaii.

In our review, we did not consider the value of a program, the quality of its management, or whether the program deserved to be continued. Our focus was on the appropriateness of special funding *as a means of financing the particular program or activity*.

Method of the Review

In evaluating the appropriateness of the special and revolving funds, we applied the same evaluation criteria developed for our first review of special and revolving funds (Report No. 91-10) and presented in Chapter 3 of this report. We researched the legislative or other history of each fund to determine its intent and purpose. We also reviewed, as appropriate, the administrative rules, financial audit reports, agency financial reports, and other documents. To gain an understanding of fund operations and the consequences of abolishing certain funds, we interviewed key fiscal and program personnel. The financial information shown for fiscal year 1990-91 are unaudited amounts obtained from the university and include general fund support.

Our work was performed from June 1991 through November 1991 in accordance with generally accepted government auditing standards.

Chapter 2

Background on Special and Revolving Funds

Section 37-62, Hawaii Revised Statutes, defines special funds as those “dedicated or set aside by law for a specified object or purpose, but excluding revolving funds and trust funds.” It defines revolving funds as those “from which is paid the cost of goods and services rendered or furnished to or by a state agency and which [are] replenished through charges made for the goods or services or through transfers from other accounts or funds.”

Special and revolving funds are therefore financing mechanisms created outside the general fund to provide ongoing support for specific activities or programs. While most special funds are designed to be self-sustaining, some receive regular subsidies from the general fund. Revolving funds are a type of special fund that replenishes itself through charges to a specific group of users. Revolving funds are often established with an appropriation of seed money from the general fund.

Loss of Budgetary Control

From the perspective of those who manage special fund programs, such funds are highly desirable. They guarantee funding and have provided agencies with the flexibility to spend excess money without seeking legislative appropriations. From a legislative perspective, however, special funds are less desirable. They guarantee for a program a continuing source of revenue that is not fully controlled by the appropriations process.

Concerns about loss of budgetary control through the use of special funds are not new. A 1961 report on special funds in the 50 states noted that special fund activity had grown to such an extent that many governors and legislatures had “lost control of the planning of expenditures.”¹ Special funds led to (1) lack of an accurate accounting for state resources, (2) excess cash reserves held in special fund accounts, and (3) the practice of earmarking resources instead of budgeting for expenditures. The report called for a comprehensive statement on existing practices and criteria to help states eliminate unjustified special funds while maintaining those which are clearly legitimate. Needless special funds had undermined the authority of state legislatures, and the report recommended that such funds should be eliminated. If not eliminated, the funds should at least be included in the executive budget and appropriated by the legislature. In view of these concerns, many states in the early 1960s greatly reduced their reliance on special funding.

At the federal level, a report on revolving funds published in 1977 by the General Accounting Office noted similarly that congressional control over a program is lessened when the program is financed as a revolving fund. This is because revolving funds can expend moneys without congressional review. The report concluded that the public interest is best served when congressional control over activities is exercised through the appropriations process by regular reviews of, and direct actions on, programs and financing requirements. Departure from this standard should be permitted only when it can be shown *“that an activity cannot be successfully operated in the public interest within the appropriation process (emphasis added).”*²

Hawaii's Budgetary Control Act of 1957

Some 35 years ago, the 28th Territorial Legislature enacted a law that placed “all special funds under legislative and executive budgetary control in the same manner as the general fund.”³ Act 320, Session Laws of Hawaii 1957, provided that transfers could be made from special funds to the general fund of moneys not spent beyond fiscal year requirements. Act 320 also requested from the Territorial Bureau of the Budget a study of all special and revolving funds.

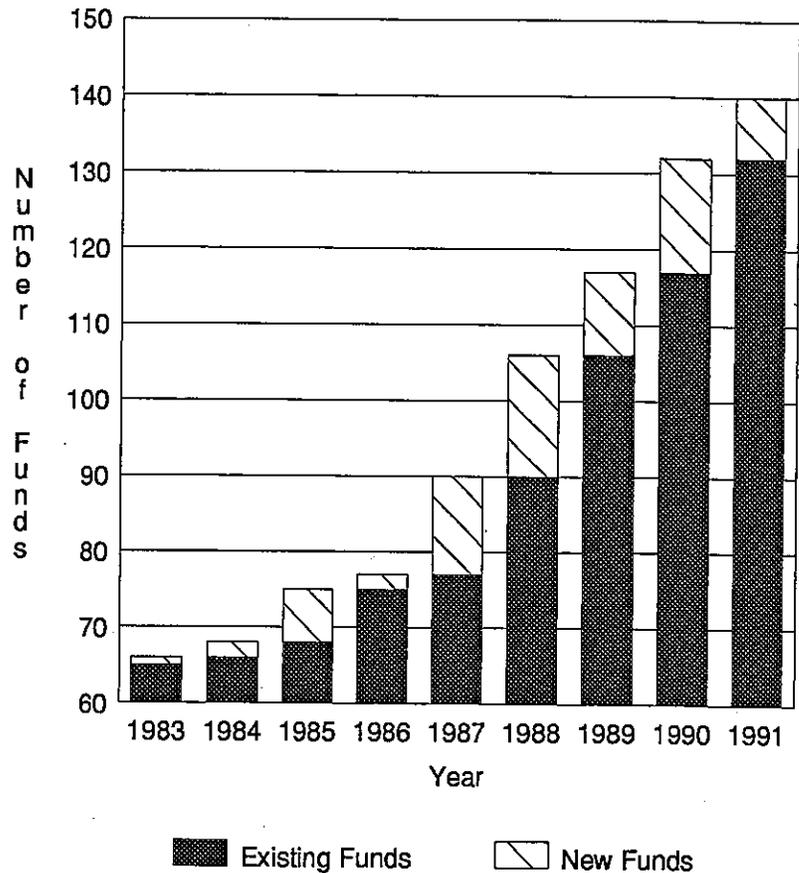
In 1959, the budget bureau contracted the Public Administration Service (PAS) to conduct the study.⁴ In addressing the use of special funds, the PAS report concluded that “the effects of special fund financing are such that the device should be avoided in all operations other than enterprises and peripheral functions.”⁵ Subsequently, the 1959 Territorial Legislature approved Act 265, which abolished many special funds and directed the affected programs to be budgeted through the general fund.

Recent Proliferation of Special Funds

The proliferation of special funds in recent years has again given rise to legislative concern. Over the last eight years 75 new special or revolving funds have been created by statute, representing a more than 100 percent increase over the previous years.⁶ See Figure 2.1.

The increasing number of special funds has a cumulative effect on the overall financial condition of the State. Special funds give agencies full control over their unappropriated cash reserves, provide a means to avoid the general fund expenditure ceiling, and over time erode the general fund.

Figure 2.1
Special and Revolving Funds Created Since 1983



Agency control of unappropriated cash reserves

Section 37-53, HRS, allows special fund programs to transfer excesses beyond fiscal year requirements to the general fund. Agencies, however, rarely use this provision. Instead they allow cash reserves to accumulate in many special funds even after the legislative spending authorization has lapsed. Previously, these cash reserves were available to the agency for spending because of a budget proviso allowing the governor to approve increases in the expenditure ceilings of special funds.⁷ This practice, however, is not authorized for the fiscal biennium 1991-93 because the budget proviso was eliminated from the General Appropriations Act of 1991 (Act 296).⁸ As a result, even though a special fund program may have cash reserves, its spending cannot exceed its fiscal year appropriation.

Avoidance of the expenditure ceiling

A primary issue debated during the 1978 Constitutional Convention was whether to limit government expenditures, and if so, whether to limit only general fund expenditures or all state expenditures. It was argued then that placing a limit solely on general fund expenditures could have the effect of “shifting expenditures to special revenue funds, creating new special revenue funds (unless there is some constitutional restriction against their creation), or forcing those programs which are not self-sustaining to increase their own program revenues.”⁹ The amendment adopted by the convention and subsequently ratified by the electorate applied the ceiling only to general fund expenditures and did not include special funds. In the past two fiscal years the general fund expenditure ceiling has been exceeded and, as predicted in 1978, the number of special funds has increased markedly.

Erosion of the general fund through earmarking

In recent years especially, some special funds have been created by earmarking general fund appropriations. Earmarking is the practice of designating certain taxes or fees to support specific activities on a continuing basis. It is based on the premise that in certain circumstances government services should be paid for by those who directly benefit from them. Revenues are earmarked from certain taxes and diverted to special funds *before* funds are appropriated for general fund programs.

Hawaii’s 1989 Tax Review Commission voiced concerns in a study on special funds and their impact upon Hawaii’s overall financial condition. The commission criticized special funds created for specific programs or activities when there is no direct link between the sources of the revenues and the program. It cited, for example, the educational facilities improvement special fund, which earmarks a total of \$630 million in general revenues over seven years.¹⁰

A recent report by the National Conference of State Legislatures, which discusses the dynamics of earmarking practices within the 50 states, noted that earmarking hinders budgetary control by legislatures because it automatically dedicates revenues to programs. When funding is automatic, programs do not undergo the same degree of legislative scrutiny exercised over general fund programs. Further, earmarking distorts the distribution of funds. It is often arbitrary, with little connection between the source of revenue and the service provided. The absence of this link can result in a special fund program having either deficits or reserves. In the event of shortfalls in general revenues, a special fund program can tie up funds that may be needed in other areas.¹¹

The primary consideration for lawmakers on the practice of earmarking is how to weigh legislative control of the budget against administrative flexibility for the program. The NCSL report concludes that “earmarking is more likely to hamper than assist state budgetary design and management.”¹²

Chapter 3

Criteria for Reviewing Special and Revolving Funds

Act 240, Session Laws of Hawaii 1990, establishes two criteria to be used in reviewing whether a particular special or revolving fund should be continued, modified, or repealed. These criteria are the extent to which the fund:

1. Continues to serve the purpose for which it was originally created; and
2. Reflects a clear link between the benefit sought and charges made upon the users or beneficiaries of the program, as opposed to serving primarily as a means to provide the program or users with an automatic means of support which is removed from the normal budget and appropriations process.

In addition to the two criteria, the act allows other criteria to be applied. From our review of the public finance literature, we believe that a third criterion should be the extent to which the fund:

3. Demonstrates the capacity to be financially self-sustaining.

Fund Should Serve Original Purpose

The first criterion is to determine the extent to which the fund continues to serve the purpose for which it was originally created. Enabling legislation usually identifies the purpose for establishing a special or revolving fund. Our review will determine whether the purpose of the fund still prevails.

Circumstances and conditions which provided the original rationale and need for the creation of a special or revolving fund may have changed. In such a case, the fund may now be serving some purpose other than that for which it was created. The Legislature may agree that the current purpose satisfies a current need. If so, it would be appropriate for the Legislature to decide whether the statutes should be amended to update the purpose of the fund or whether some other financing arrangements should be made.

Changed circumstances and conditions could also have the effect of negating the need for the fund and rendering it inactive. Such a situation would indicate strongly that the fund should be discontinued.

Fund Should Have Clear Link Between Benefits and Charges

The second criterion emphasizes that the fund should have a clear link between program benefits and program charges. The firmest example of this is when a program has the capacity to generate revenues, and the revenues, in turn, are used to support the program. This practice flows from the benefit theory of finance, which holds that those who benefit from the program should also pay for the program. Special and revolving funds that operate under this theory are more defensible than those which do not.

As stated in the law, the criterion would challenge a fund which is used—not to link user benefits and user charges—but to serve primarily as a means to provide the program and its users with an automatic means of support. An example of such a fund would be one which is financed through the earmarking of taxes that are levied not specifically on program beneficiaries but which are broadly based and fall generally on all taxpayers.

Fund Should Be Financially Self-Sustaining

Related to the second criterion is the concept that special or revolving funds should demonstrate the capacity to be financially self-sustaining. The most defensible fund is one which derives all of its revenues through fees or taxes on the users of the program and which can meet all of its expenditures through its own revenues.

In effect, a special or revolving fund earns its status by being self-sustaining. A fund which must rely on periodic infusions of general fund appropriations to make up for insufficient program revenues has less reason to be accorded special status. It could just as well be funded entirely through the general fund appropriations process.

The major precedent in Hawaii state government for applying the self-sustaining standard is in the exemption of certain general obligation bonds from the constitutional debt limit. Under the State Constitution, reimbursable general obligation bonds may be exempt from the debt limit to the extent that the particular special fund responsible for repayment is self-sustaining. If the special fund is fully self-sustaining—capable of meeting all of its operating costs as well as repaying the general fund for debt service—all of the bonds may be exempt from the debt limit. In essence, the debt limit exemption is “earned” when a fund can demonstrate its capacity to be self-sustaining.

Similarly, a fund should “earn” its status as a special or revolving fund by demonstrating that it has the capacity to meet all of its operating expenditures through its own program revenues.

Chapter 4

Statutorily Established Funds

This chapter presents our findings and recommendations on 25 special and revolving funds administered by the University of Hawaii System—University of Hawaii at Manoa (UH-Manoa), University of Hawaii at Hilo (UH-Hilo), University of Hawaii at West Oahu (UH-W. Oahu), University of Hawaii Community Colleges (UH-Community Colleges) and University of Hawaii System (UH-System). There are 7 special funds and 18 revolving funds. The University Parking Revolving Fund—UH-Manoa, and the Community College and Hilo Campus Bookstore Revolving Fund listed for review in Act 240 are part of the University Revenue-Undertakings Fund which is reviewed in this chapter.

In this chapter, the special and revolving funds reviewed have been specifically established by statute. The funds are reviewed sequentially by statute section number. For each fund, we make a recommendation on whether it should be continued, modified, or repealed; present the purpose of the fund; and give the basis for our recommendation. We evaluate neither the program nor its management, nor do we assess whether or not the program should be continued. Our focus is on the appropriateness of a special or revolving fund as the means of financing a particular program or activity.

Summary of Recommendations

Seed Distribution Program Revolving Fund. Continue.

Research and Training Revolving Fund. Repeal and budget through the general fund.

Student Health Center Revolving Fund. Continue.

Transcript and Diploma Revolving Funds. Continue.

Vocational and Technical Training Projects Revolving Funds. Continue.

Animal Research Farm, Waialeale, Oahu Revolving Fund. Continue.

University of Hawaii Student Activities Revolving Funds. Continue.

University of Hawaii at Manoa Intercollegiate Athletics Revolving Fund. Repeal and budget through the general fund.

University of Hawaii at Hilo Intercollegiate Athletics Revolving Fund. Repeal and budget through the general fund.

University of Hawaii at Manoa Malpractice Special Fund. Repeal and budget through the general fund.

Systemwide Computer Services Special Fund - UH-Systemwide Consortium. Continue but establish a sunset date for the fund.

Systemwide Computer Services Special Fund - UH-Systemwide Computing Center. Discontinue, lapse balance to the general fund, and budget through the general fund.

Child Care Programs Revolving Fund. Repeal and budget through the general fund.

Discoveries and Inventions Revolving Fund. Repeal and budget through the general fund.

Library Special Fund. Continue.

Conference Center Revolving Fund. Continue.

Hawaii Opportunity Program in Education Special Fund (HOPE Fund). Repeal and budget through the general fund.

Laboratory School Cafeteria Special Fund. Repeal and budget through the general fund.

Center for Labor Education and Research Revolving Fund. Continue.

Algal Mass Culture Facility, Snug Harbor, Oahu, Revolving Fund. Repeal.

State Higher Education Loan Fund. Continue.

Community Colleges Special Funds. Continue.

University Revenue-Undertakings Funds - UH-System. Continue.

University Parking Revolving Fund - UH-Hilo. Continue.

University Parking Revolving Fund - UH-Community Colleges. Continue.

**Seed Distribution
Program
Revolving Fund
Section 150-41, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	48,814
Receipts		46,250
Expenditures		56,343
Ending Balance	\$	38,721

Recommendation: Continue.

This fund was created in 1975 to enable the seed distribution program to meet the demand for seeds. The fund continues to serve the purpose for which it was originally created. This fund is used for the cultivation and production of vegetable and garden seeds. The seeds are developed by the College of Tropical Agriculture and Human Resources and sold to farmers, homeowners, seed companies, and state and federal agencies. A direct linkage exists between the benefits sought and the charges made because users are charged for the seeds that they purchase. The fund is also self-sustaining because prices are set to recover seed costs. It meets all three criteria and should be continued.

**Research and
Training Revolving
Fund
Section 304-8.1, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	2,632,813
Receipts		5,070,000
Expenditures		5,035,574
Ending Balance	\$	2,667,239

Recommendation: Repeal and budget through the general fund.

This fund was created in 1974 to support research and training activities that would stimulate further research. The fund continues to serve the purpose for which it was originally created. Fifty percent of the indirect overhead costs reimbursed from federal contracts and grants are deposited into this fund. The fund does not meet the second criterion of linkage—those who receive support from the fund do not pay into the fund. Monies for the fund are taken from federal reimbursements for indirect overhead costs. Indirect overhead costs are those costs incurred by the university that are not specifically attributable to a specific federal grant or research project. They include electricity, telephone, and various facilities expenses normally paid for with general fund appropriations. The fund uses about one half of its receipts for research seed money, training, and travel grants for faculty and staff, as well as for emerging programs and equipment, and for fund administration. The

fund gives the remainder of its receipts to the units generating the federal revenues. Payments from federal contracts and grants are intended to reimburse the university for indirect overhead costs and should be deposited to the general fund. We recommend that the fund be repealed and funds for the purpose of research and training be budgeted through the general fund.

**Student Health
Center Revolving
Fund
Section 304-8.2, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	14,425
Receipts		78,572
Expenditures		71,610
Ending Balance	\$	21,387

Recommendation: Continue.

This fund was created in 1974 so that the Student Health Center could replenish pharmaceuticals and laboratory supplies provided to students and other users of the health center on a cost recovery basis. The fund continues to serve the purpose for which it was originally created. Fees are collected for the costs of materials such as pharmacy items and laboratory supplies. The relationship between the benefits sought and the charges made is direct because students and others who receive services are charged fees which are then deposited into the fund. The fund is self-sustaining with respect to the costs of pharmacy and laboratory services and supplies. This fund meets all three criteria and should be continued.

**Transcript and
Diploma
Revolving Funds
Section 304-8.3, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	411,827
Receipts		214,411
Expenditures		271,362
Ending Balance	\$	354,876

Recommendation: Continue.

Created in 1974 so that the university could retain fees received for transcripts and diplomas, a fund at each of the campus units in the system continues to serve the purpose for which the funds were originally created. The funds are used for the preparation, ordering, and distribution of diplomas and covers, and for the generation and distribution of transcripts. There is a direct link between the fees

charged and the benefits derived by the recipients of the transcripts or diplomas. These funds are self-sustaining. All costs of diplomas and transcripts are paid out of the revolving funds. The funds meet all three criteria and should be continued.

**Vocational and
Technical Training
Projects
Revolving Funds
Section 304-8.4, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	957,619
Receipts		1,643,965
Expenditures		1,586,164
Ending Balance	\$	1,015,420

Recommendation: Continue.

Created in 1974 to account for receipts and disbursements for services provided as part of the vocational and technical training projects at the community colleges, a separate fund has been established for each of the community colleges and UH-Hilo (including Hawaii Community College). The funds continue to serve the purpose for which they were created. Each of the community colleges and UH-Hilo has specialized vocational and technical projects for which they collect fees. There is a direct link between the fees paid and the benefits received by the users. Expenditures for materials and supplies for the projects and replacement and repair of tools and equipment are directly related to the fees charged the students. The funds are self-sustaining—fees are structured to recover costs. The funds meet all three criteria and should be continued.

**Animal Research
Farm, Waialea,
Oahu Revolving
Fund
Section 304-8.5, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	137,103
Receipts		428,982
Expenditures		411,261
Ending Balance	\$	154,824

Recommendation: Continue.

This fund was created in 1974 to account for expenditures and revenues from the sale of animals raised on the farm. The fund continues to serve the purpose for which it was created. Fees collected when animals are sold for slaughter are used to pay for feed and other supplies for the animals quartered at the facility. There is a direct link between the

purchase of the animals and the revenues they generate. The fund is also self-sustaining. Sales from the fund cover the cost of raising the animals. The fund meets all three criteria and should be continued.

**University of
Hawaii Student
Activities
Revolving Funds
Section 304-8.6, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	1,699,466
Receipts		2,321,716
Expenditures		2,287,590
Ending Balance	\$	1,733,592

Recommendation: Continue.

Created in 1980 to account for disbursements and receipts from the compulsory student activity fees collected for student organizations and activities, a separate fund has been established for each of the campus units. The funds continue to serve the purpose for which they were originally created. At the UH-Manoa, full-time and part-time students are assessed a student activity fee each semester. Students attending the summer session pay a fee for each session. The fees are prorated to the Associated Students of the University of Hawaii or Graduate Student Organization, Board of Publications, Broadcast Communication Authority, Campus Center Board (Bond Fund), Campus Center Board, and Student Activities Program Fee Board. At UH-Hilo (which includes Hawaii Community College for this fiscal year), UH-West Oahu, and UH-Community Colleges, full-time and part-time students also are assessed student activity fees which are prorated to student organizations and activities. There is a direct link between the fees paid by students and the benefits they derive from the student organizations and activities. The funds meet all three criteria and should be continued.

**University of
Hawaii at Manoa
Intercollegiate
Athletics
Revolving Fund
Section 304-8.7, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	4,129,976
Receipts		9,248,515
Expenditures		9,579,038
Ending Balance	\$	3,799,453

Recommendation: Repeal and budget through the general fund.

This fund was created in 1985 to account for the disbursements and receipts derived from UH-Manoa student intercollegiate athletic events.

The fund continues to serve the purpose for which it was created. User fees are charged for football, men's basketball, men's baseball, women's volleyball, women's basketball, and men's volleyball. The link between the benefits sought and the charges made upon the users is direct—those who attend intercollegiate athletic events are charged fees that are deposited into the fund. However, the athletic program is not self-sustaining. For FY1990-91, the program received \$1.7 million from general fund appropriations or nearly 20 percent of the total receipts. Further, athletic *facilities* are funded through general fund appropriations. Since the fund does not meet the third criterion, we recommend that it be repealed, and the program be budgeted through the general fund.

**University of
Hawaii at Hilo
Intercollegiate
Athletics
Revolving Fund
Section 304-8.7, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	120,222
Receipts		616,529
Expenditures		573,795
Ending Balance	\$	162,956

Recommendation: Repeal and budget through the general fund.

This fund was created in 1985 to account for the receipts and disbursements for UH-Hilo student intercollegiate athletic events. The fund continues to serve the purpose for which it was created. User fees are charged for basketball, baseball, volleyball and sports camps. There are no user fees for other sports such as softball or golf. The link between the benefits sought and the charges made upon the users is direct—those who attend intercollegiate athletic events are charged fees that are deposited into the fund. However, the program is not self-sustaining. For FY1990-91, general fund appropriations provided \$404,848 or over 65 percent of the total receipts for this fund. General fund appropriations also paid for the construction of athletic facilities. We therefore recommend that this fund be repealed, and the program be budgeted entirely through the general fund.

**University of
Hawaii at Manoa
Malpractice
Special Fund
Section 304-8.8, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	1,087,785
Receipts		564,512
Expenditures		53,240
Ending Balance	\$	1,599,057

Recommendation: Repeal and budget through the general fund.

This fund was created in 1985 to cover expenses incurred in defending and/or settling claims against the university, its students, or its faculty for professional malpractice. The fund continues to serve the purpose for which it was created. The university charges individual faculty based on their full-time equivalency at the School of Medicine and pays for defense and settlements of claims against those faculty. There is a direct link between the benefits of defense and settlements of claims against faculty and the charges made of them. There is no linkage between charges of faculty and the malpractice insurance provided. The cost of malpractice insurance is paid from general fund appropriations and not from this fund. Further, some \$357,000 of the receipts of the fund were from insurance premium adjustments which properly should have been returned to the general fund. We therefore recommend that the fund be repealed and that the university budget for malpractice insurance and related expenses through the general fund.

**Systemwide
Computer
Services Special
Fund
Section 304-8.9, HRS**

Established in 1985, this fund was intended to account for certain operations of the university's systemwide computer operations. Charges were to be of users of the system and expenditures were to support the costs of providing computer services. The university has established two separate funds: one to account for the operations of a consortium of users who rely heavily on the system for computer needs; the other for those who access the system for specific applications. The two funds are reviewed separately here.

**Systemwide
Computer Services
Special Fund - UH
Systemwide
Consortium**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	152,885
Receipts		136,731
Expenditures		179,505
Ending Balance	\$	110,111

Recommendation: Continue but establish a sunset date for the fund.

This fund was created as an accounting mechanism to service multiple users through a single computer system (VAX System). The fund continues to serve the purpose for which it was created. The fund's receipts are from user fees and charges and interest from investments. There is a direct link between the benefits received by the users of the system and the user fees. Members of the consortium pay for their access and use of the computer system. The fund has been self-

sustaining—receipts cover the cost of operations. The fund meets all three criteria and can be continued. However, some of the original users have left the consortium and have acquired their own systems. This has resulted in reduced revenues. In light of the shrinking user base, a sunset date should be established for the fund.

**Systemwide
Computer Services
Special Fund - UH-
Systemwide
Computing Center**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	238,907
Receipts		208,730
Expenditures		186,615
Ending Balance	\$	261,022

Recommendation: Discontinue, lapse balance to the general fund, and budget through the general fund.

This fund was created to account for the revenues and expenditures of providing computer services for non-general fund projects and certain outside users. It continues to serve the purpose for which it was created. This fund is used for providing computer services to non-general fund projects of the university, state agencies, federal agencies, and other outside users. There is a direct link between the benefits received by the users of the center and the user fees. However, the computer center is not self-sustaining. Administrative costs of the center are supported by general fund appropriations. We recommend that the fund be discontinued, the balance be lapsed to the general fund, and the program be budgeted through the general fund.

**Child Care
Programs
Revolving Fund
Section 304-8.91,
HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	(14)
Receipts		566,976
Expenditures		474,130
Ending Balance	\$	92,832

Recommendation: Repeal and budget through the general fund.

This fund was created in 1986 to account for the revenues and expenditures of providing for the operations, construction, and renovations of child care centers established by the University of Hawaii. In 1989, the child care center began operation at UH-Manoa under a private contractor. The program is currently managed by UH-Manoa. Other child care centers in the university system are in the planning

stages. This fund continues to serve the purpose for which it was created. The link between the benefits sought and the charges made upon the users is direct—those who receive the benefits of child care pay for the service. The fund does not meet the third criterion—it is not self-sustaining. The law originally required the program to be self-supporting but the requirement was removed by Act 344, SLH 1989. Teaching and administrative personnel costs are paid from general fund appropriations. The fund will continue to require support from the general fund and is not expected to become self-sustaining. The fund therefore should be repealed and the child care program budgeted through the general fund.

**Discoveries and
Inventions
Revolving Fund
Section 304-8.92,
HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	4,718,311
Receipts		1,390,056
Expenditures		1,693,776
Ending Balance	\$	4,414,591

Recommendation: Repeal and budget through the general fund.

This fund was created in 1988 to account for the receipts and disbursements of funds used to develop technologies which have potential commercial value and to support the administration of technology transfer activities at the university. In 1989, the purpose of the fund was expanded to facilitate economic development through education and research undertaken at the university. The fund continues to serve the purposes for which it was created. It supports technological development activities. There is some linkage between the benefits sought and the charges made upon the users because those who use the new technology pay royalties or fees for the technology. The program is not self-sustaining. The legislature has provided about \$4 million in general fund support. In 1991, only \$69,402 of the total receipts came from technology sales or royalties; the remainder came from a \$1 million general fund appropriation and interest earned on general fund seed money. The fund does not meet the third criterion. We recommend that the fund be repealed and the program budgeted through the general fund.

**Library Special
Fund
Section 304-8.93,
HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	54,276
Receipts		109,535
Expenditures		61,362
Ending Balance	\$	102,449

Recommendation: Continue.

This fund was created in 1989 as a means to account for fines for overdue books and periodicals and fees for lost or damaged books at the UH-Manoa libraries. The fund continues to serve the purpose for which it was created. The fees and fines are used to replace lost, stolen, damaged or outdated books and periodicals. The link between the benefits sought and the charges made upon the users is direct because those who receive the benefits of library services pay fees or fines that are deposited into the fund. The fund is self-sustaining. It meets all three criteria and should be continued.

**Conference Center
Revolving Fund
Section 304-8.94,
HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	0
Receipts		453,588
Expenditures		233,508
Ending Balance	\$	220,080

Recommendation: Continue.

This fund was created in 1990 to account for fees, charges and other moneys collected by the conference center. The fund serves the purpose for which it was created. The center provides the University of Hawaii system, state and municipal governments, and private organizations with planning, budgeting, support, and implementation of activities and services for seminars, conferences, symposia, and institutes. Fees are charged to cover direct costs and administration for each event. The link between the benefits and the charges is direct because those who receive services are charged fees. The fund is self-sustaining—fees charged more than cover conference costs. We recommend that the fund be continued.

**Hawaii
Opportunity
Program in
Education Special
Fund (HOPE Fund)
Section 304-8.95,
HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	0
Receipts		1,000,000
Expenditures		0
Ending Balance	\$	1,000,000

Recommendation: Repeal and budget through the general fund.

This fund was created in 1990 as a repository of funds to provide for scholarships in the future for needy students from ethnic groups who are underrepresented at the University of Hawaii. A group of students from 1990 third grade classes will be selected to receive scholarships from this fund. Starting in 1991, \$1 million from tuition receipts will be deposited annually in the HOPE special fund until the year 2000. In 2001, the principal and interest accumulated will be used for scholarships for these students. The fund serves the purpose for which it was created. However, it does not meet the other criteria for a special fund. There are no user fees and the fund cannot be self-sustaining as scholarships are not to be repaid. Therefore, we recommend that the fund be repealed, and the program be budgeted through the general fund.

**Laboratory School
Cafeteria Special
Fund
Sections 304-25 and
304-8, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	111,355
Receipts		140,800
Expenditures		120,834
Ending Balance	\$	131,321

Recommendation: Repeal and budget through the general fund.

The purpose of this fund was to account for the receipts and disbursements of the cafeteria program of the UH Laboratory School. The fund continues to serve the purpose for which it was created. The cafeteria program offers breakfast and lunch meals for students and faculty of the UH Laboratory School. There is a direct link between the benefits sought and the fees paid by the users. Fees are charged for meals and snacks. The program is not self-sustaining. The cafeteria is supported heavily by general fund appropriations. For FY1990-91, general fund support amounted to \$62,269, or more than 50 percent of the total expenditures. We recommend that the fund be repealed and the program budgeted through the general fund.

**Center for Labor
Education and
Research
Revolving Fund
Section 304-37, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	19,598
Receipts		3,392
Expenditures		729
Ending Balance	\$	22,261

Recommendation: Continue.

The purpose of this fund was to account for the fees, charges, and other moneys collected for the operations of the Center for Labor Education and Research. The fund, created in 1976, continues to serve this purpose. The fund receives contributions from labor unions for specialized education and training of workers and leaders of the trade unions. There is linkage because union contributions are used to provide professional education to trade union members. The fund is also self-sustaining. We therefore recommend that this fund be continued.

**Algal Mass
Culture Facility,
Snug Harbor,
Oahu, Revolving
Fund
Section 304-44.5,
HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	15
Receipts		0
Expenditures		0
Ending Balance	\$	15

Recommendation: Repeal.

This fund was created in 1987 but has not been active. The purpose was to account for the receipts derived from the commercial sale of seaweed (ogo) as a by-product of research. The amount of algae or ogo sold was not to exceed 200 hundred pounds a week. However, the demand for the seaweed diminished. Principals involved in setting up this fund agree that the fund should be repealed. We recommend the repeal of the fund since it is not serving the purpose for which it was created.

**State Higher
Education Loan
Fund
Section 304-91, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	895,097
Receipts		847,404
Expenditures		894,893
Ending Balance	\$	847,608

Recommendation: Continue.

Act 230, SLH 1969, established this low-interest, long-term deferred repayment loan program for qualified full-time students of the university. The fund continues to serve the purpose for which it was created. Loans have been made to qualified students at 3 percent simple interest. There is a link between the benefits sought and the charges made to the user because those who receive loans are required to pay the principal and interest. While increased loan demand has necessitated

additional general fund seed money, the fund is self-sustaining as loans are repaid with interest. It meets all three criteria and should be continued.

**Community
Colleges Special
Funds
Section 305-4, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	2,070,304
Receipts		5,053,688
Expenditures		4,884,796
Ending Balance	\$	2,239,197

Recommendation: Continue.

Created in 1975 to account for the receipts and disbursements of programs and services of the community colleges, the fund accounts for those services and programs in five separate funds. Programs include summer session, non-credit courses, and driver education programs; services include library and food services. The funds continue to serve the purpose for which they were created. The community colleges provide services and programs that are supported by the funds. There is a direct link between the benefits sought and the user fees because those who benefit from the programs or use the services are assessed tuition or other fees. The funds are also self-sustaining. The funds meet all three criteria and should be continued.

**University Revenue-
Undertakings
Funds - UH-System
Section 306-10, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	19,999,023
Receipts		34,553,447
Expenditures		33,786,378
Ending Balance	\$	20,766,092

Recommendation: Continue.

In 1971, these funds were established to account for all revenue-producing entities of the university for which bonds had been issued. The university has established various funds for its revenue-producing projects. They include: UH-System Bookstores; UH-Manoa Faculty Housing; UH-Manoa Parking; Student Housing (Manoa, Maui, Hilo); Onizuka Center for International Astronomy; and Mauna Kea Observatory Complex Power Lines. The funds continue to serve the purpose for which they were created. There is a direct link between the

user fees charged for each of the projects and the benefits accrued to the users. For each project, the Board of Regents has imposed rates, rents, fees, and charges for the use and enjoyment of the projects and revises them as necessary so that the funds remain self-supporting. The funds meet all three criteria and we recommend that they be continued.

**University Parking
Revolving Fund
Section 308-2, HRS**

This fund was created in 1964 to account for parking fees and fines assessed for designated parking areas. The UH-Manoa Parking Revolving Fund is part of the Revenue-Undertakings Revolving Fund under Section 306-10, HRS. The funds for UH-Hilo and the UH-Community Colleges are discussed separately below.

**University Parking
Revolving Fund - UH-
Hilo**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	81,173
Receipts		20,804
Expenditures		1,139
Ending Balance	\$	100,838

Recommendation: Continue.

The purpose of this fund was to account for parking fees and fines assessed for designated parking areas at UH-Hilo. Created in the 1960s, the fund continues to serve this purpose. Receipts are from fees collected for parking permits and fines for violations of parking and driving rules. There is a direct link between the benefits sought and the charges made upon the users because those who park or drive on campus are charged fees or fines which are then deposited into the fund. The revolving fund is self-sustaining since it covers operating costs. The fund meets all three criteria and we recommend that it be continued.

**University Parking
Revolving Fund - UH-
Community Colleges**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	161,459
Receipts		163,399
Expenditures		120,394
Ending Balance	\$	204,464

Recommendation: Continue.

The purpose of this fund was to account for parking fees and fines assessed for designated parking areas. Created in the 1960s, the fund continues to serve its original purpose. Honolulu, Kapiolani (Makiki),

and Kauai Community Colleges currently charge parking fees and fines. There is a direct link between the benefits sought and the charges made upon the users because those who use parking areas are charged fees or fines which are then deposited into the fund. The fund is also self-sustaining. It covers operating costs at Honolulu Community College and Kapiolani Community College. The fund meets all three criteria and we recommend that it be continued.

Chapter 5

Administratively Established Funds

This chapter presents our findings and recommendations on 21 special and revolving funds established administratively by the university. Section 304-8, HRS, allows the university to administratively establish special and revolving funds with the approval of the Department of Budget and Finance. Over the years, the university has established 18 special funds and 1 revolving fund under this authority. The authority to own and lease land as provided in Section 304-2 was used to establish one revolving fund. Additionally, we found one revolving fund which had been established without receiving the approval of the Department of Budget and Finance. As these funds were established administratively, they do not have a history of legislative intent. The funds are administered by the Manoa, Hilo, and West Oahu campuses of the university and are reviewed by campus.

For each fund, we make a recommendation to continue or discontinue the fund; present the purpose of the fund; and give the basis for our recommendation. We evaluate neither the program nor its management, nor do we assess whether or not the program should be continued. Our focus is on the appropriateness of a special or revolving fund as the means of financing a particular program or activity.

Summary of Recommendations

UH-Manoa Campus Summer Session Special Fund. Continue but transfer unneeded cash to the general fund.

UH-Manoa Campus College of Continuing Education and Community Service Special Funds. Continue.

UH-Manoa Campus Food Service Special Fund. Continue.

UH-Manoa Campus Theater Group Special Fund. Continue.

UH-Manoa Campus Center for Student Development Special Fund. Continue.

UH-Manoa Campus Agricultural Diagnostic Service Special Fund. Continue.

University of Hawaii Press Revolving Fund. Continue but pay all costs through the revolving fund.

UH-Manoa Campus Instructional Resources Center Special Fund.
Discontinue, lapse balance to the general fund, and budget through the general fund.

UH-Manoa Campus Laboratory Animal Service Special Fund.
Discontinue, lapse balance to the general fund, and budget through the general fund.

UH-Manoa Campus Health Instructional Resource Unit Special Fund.
Discontinue, lapse balance to the general fund, and budget through the general fund.

UH-Manoa Campus Auxiliary Services Administration Special Fund.
Continue.

UH-Manoa Campus Transportation Services Special Fund. Continue.

UH-Manoa Campus Telephone/Communication System Special Fund.
Continue but budget all costs through the special fund.

UH-Manoa Campus Library Services Special Fund. Continue.

Systemwide Rental of UH Property Revolving Fund. Discontinue.

UH-Manoa Campus Intramural Sports Revolving Fund. Discontinue,
lapse balance to the general fund, and budget through the general fund.

UH-Hilo Campus Continuing Education and Community Service
Special Fund. Continue.

UH-Hilo Campus Food Service Special Fund. Continue.

UH-Hilo Campus Library Services Special Fund. Continue.

UH-Hilo Campus Auxiliary Services Special Fund. Continue.

UH-West Oahu Campus Summer Session Special Fund. Continue.

**UH-Manoa
Campus Summer
Session Special
Fund
Section 304-8, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	5,620,001
Receipts		4,784,915
Expenditures		4,606,060
Ending Balance	\$	6,344,857

Recommendation: Continue but transfer unneeded cash to the general fund.

The purpose of this fund was to account for the receipts and disbursements of the summer session program at UH-Manoa. The fund continues to serve the purpose for which it was originally created. There is a direct link between the benefits sought and the user fees or tuition paid by the participants in the program. The fund is more than self-sustaining—revenues continue to exceed expenses. The fund meets all three criteria and should be continued. However, in light of its sizable cash balance, unneeded cash should be transferred to the general fund.

**UH-Manoa
Campus College
of Continuing
Education and
Community
Service Special
Funds
Section 304-8, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	1,252,669
Receipts		4,434,900
Expenditures		4,657,910
Ending Balance	\$	1,029,659

Recommendation: Continue.

The purpose of the funds was to account for the receipts and disbursements of the courses and programs offered by the College of Continuing Education and Community Service. The College of Continuing Education and Community Service has separate funds for each of its programs and the financial data is a consolidation of these funds. The funds continue to serve the purpose for which they were created. They support programs such as preparation for degree programs, career development programs, performing arts events, and the small business management program. There is a direct link between the benefits sought and the charges made upon the users because those who participate in the programs pay tuition and other fees that are deposited into the fund. The funds are self-sustaining—the tuition and fees pay for the instructional costs of the programs. The funds meet all three criteria and should be continued.

**UH-Manoa
Campus Food
Service Special
Fund
Section 304-8, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	1,278,130
Receipts		319,292
Expenditures		777,659
Ending Balance	\$	857,891

Recommendation: Continue.

The purpose of this fund was to account for receipts derived from the food service program of UH-Manoa. The fund continues to serve the purpose for which it was created. The food service concessionaire pays a fee for the food service and vending machine concessions on campus. There is a linkage between the fee received from the food service concessionaire and benefits provided as the money is used to pay the utilities, overhead costs, and maintenance of the food service facilities provided to the concessionaire. The fund is also self-sustaining. The fund meets all three criteria and should be continued.

**UH-Manoa
Campus Theater
Group Special
Fund
Section 304-8, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	212,078
Receipts		185,800
Expenditures		144,154
Ending Balance	\$	253,723

Recommendation: Continue.

The purpose of this fund was to account for the receipts from theater and dance performances, music and band performances, and student fees. This program provides experience and exposure for students in theater, dance, and music. The fund continues to serve the purpose for which it was created. The fund is used for operations of the facilities, some repair and maintenance, and student helpers. There is a direct link between the benefits and the charges made upon the users—those who attend the performances pay fees. The fund is also self-sustaining. It meets all the criteria and should be continued.

**UH-Manoa
Campus Center
for Student
Development
Special Fund
Section 304-8, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	27,706
Receipts		45,164
Expenditures		44,340
Ending Balance	\$	28,530

Recommendation: Discontinue, lapse balance to the general fund, and budget through the general fund.

The purpose of this fund was to account for the receipts and disbursements relating to tests administered for vocational and general counseling. The fund continues to serve the purpose for which it was created. Students pay testing fees that are deposited into the fund. There is a direct link between the fees paid and vocational and general counseling benefits to the participants. However, the testing program is not self-sustaining. General fund support pays for more than 60 percent of the cost of counseling and testing students. The cash balance should be lapsed to the general fund, and the expenses of the program budgeted through the general fund.

**UH-Manoa
Campus
Agricultural
Diagnostic
Service Special
Fund
Section 304-8, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	70,876
Receipts		69,631
Expenditures		72,992
Ending Balance	\$	67,515

Recommendation: Continue.

The purpose of this fund was to cover the cost of materials, supplies, student helpers, and other operating expenses necessary to provide agricultural diagnostic services to the public. The fund continues to serve the purpose for which it was created. The program provides analytical and diagnostic services relating to soil, water, plant tissues, diseases, insect and pests, feed, and forage to clientele who include farmers, homeowners, and federal and state agencies. There is a direct link between the fees charged and the benefits of the testing and analytical services. The fund is self-sustaining. Fees charged have covered the costs of services provided. The fund meets all three criteria and should be continued.

**University of
Hawaii Press
Revolving Fund
Section 304-8, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	2,785,392
Revenues		4,519,673
Expenditures		3,951,931
Ending Balance	\$	3,353,134

Recommendation: Continue but pay all costs through the revolving fund.

The purpose of this fund is to account for the receipts and disbursements of the various services of the University of Hawaii Press. The press publishes scholarly books on Hawaii, Asia, and the Pacific, and provides typesetting and other printing related services. The fund continues to serve the purpose for which it was created. Revenues of the fund are from the sale of publications and from production services (i.e., equipment typesetting). There is direct linkage—those who want publications and services pay for them. General fund appropriations pay for the costs of about one-third of the university press employees, and warehouse and basic supplies. The fund received over \$750,000 in general fund appropriations for FY1990-91. Since the fund has a substantial cash balance and demonstrates the capacity to be self-sustaining, all operating expenses of the UH Press should be paid by the revolving fund.

**UH-Manoa
Campus
Instructional
Resource Center
Special Fund
Section 304-8, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	12,615
Receipts		39,420
Expenditures		25,676
Ending Balance	\$	26,259

Recommendation: Discontinue, lapse balance to the general fund, and budget through the general fund.

The purpose of this fund was to account for the receipts and disbursements of fees collected from non-instructional and non-general fund users of the Instructional Resource Center. The fund continues to serve the purpose for which it was created. The resource center provides audio-visual and video instructional aids, computer graphics, repair services, and report services. The fund receives fees charged to non-instructional units such as Student Affairs, Management Systems Office, University Affairs, and the Board of Regents. There is a direct link between the fees charged for services and the benefits to the users. Service fees are charged of activities that are not supported by the general fund and for events not sponsored by the university. However, the fund is not self-supporting—over 80 percent of the work performed by the center is for general fund activities for which no fees are charged. The general fund pays the salaries of permanent personnel, equipment, and supplies. Only the cost of student help is paid by the special fund. Since the fund does not meet the third criterion, we recommend that use of the fund be discontinued, the cash balance be lapsed to the general fund, and the operation of the center be budgeted through the general fund.

**UH-Manoa
Campus
Laboratory Animal
Service Special
Fund
Section 304-8, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	280,512
Receipts		630,249
Expenditures		565,818
Ending Balance	\$	344,943

Recommendation: Discontinue, lapse balance to the general fund, and budget through the general fund.

The purpose of this fund was to account for the receipts and disbursements relating to the care of laboratory animals. The fund continues to serve the purpose for which it was created. This program provides for animal housing and husbandry for biomedical research. Researchers who house their animals in laboratory animal service operated facilities pay a per diem for each animal. There is a direct link between the per diem paid and benefits of having animal cages cleaned and animals housed and fed in close proximity to the research sites. The fund is not self-sustaining. The program receives approximately 40 percent of its receipts from the general fund to pay primarily for personnel. We recommend that use of the fund be discontinued, the cash balance be lapsed to the general fund, and the program be budgeted through the general fund.

**UH-Manoa
Campus Health
Instructional
Resource Unit
Special Fund
Section 304-8, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	8,866
Receipts		39,966
Expenditures		40,760
Ending Balance	\$	8,072

Recommendation: Discontinue, lapse balance to the general fund, and budget through the general fund.

The purpose of this fund was to account for the receipts and disbursements for audio-visual instructional aids and reports for the School of Medicine and the School of Public Health. The fund continues to serve the purpose for which it was created. It receives the fees for supplies and time spent on production of audio-visual aids for non-instructional purposes. There is a link only between the fees and benefits to the users for services for non-instructional purposes. No fees are charged for the production of instructional materials. The fund is not

self sustaining. Most personnel of the resource unit including the director are paid through the general fund. One staff member and student help are paid through the special fund. We recommend that the fund be discontinued, the balance be lapsed to the general fund, and the activities be budgeted through the general fund.

**UH-Manoa
Campus Auxiliary
Services
Administration
Special Fund
Section 304-8, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	57,542
Receipts		114,819
Expenditures		92,851
Ending Balance	\$	79,510

Recommendation: Continue.

The purpose of this fund was to account for the receipts and disbursements from the assessment of special and revolving accounts programs under the management of the Auxiliary Services at UH-Manoa. The fund continues to serve the purpose for which it was created. Parking, food service, and transportation services are provided administrative support through the fund. There is a link between the fees charged to these accounts and benefits to the users for the services provided by the auxiliary services staff. Each special and revolving fund program serviced by the Auxiliary Services Division is assessed a fee based on the percentage of their prior year's revenues. The fund is also self-sustaining. Since this fund meets the three criteria, we recommend that it be continued.

**UH-Manoa
Campus
Transportation
Services Special
Fund
Section 304-8, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	795,198
Receipts		819,717
Expenditures		835,714
Ending Balance	\$	779,202

Recommendation: Continue.

The purpose of this fund was to account for receipts and disbursements of fees charged for the use and servicing of university vehicles. The fund continues to serve the purpose for which it was created. The program was established to meet the transportation needs of the UH-Manoa campus by providing a fleet of vehicles for faculty and staff. It

also services the community colleges and UH-W. Oahu. There is a direct link between the fees paid for the use and maintenance of the vehicles and benefits to the users. Each department pays a user fee for the use and maintenance of the automobiles. The fund is also self-sustaining. It pays for personnel, operations, and overhead costs for transportation services. The fund meets all three criteria and should be continued.

**UH-Manoa
Campus
Telephone/
Communication
System Special
Fund
Section 304-8, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	88,609
Receipts		909,679
Expenditures		467,082
Ending Balance	\$	531,206

Recommendation: Continue but budget all costs through the special fund.

This fund was created in 1988 to account for and control receipts and disbursements of the new telephone system. The fund continues to serve the purpose for which it was created. Fees for the use and maintenance of the telecommunication system are charged to each of the units on the UH-Manoa campus. There is a link between the fees charged for use of the telephone/communications system and the benefits of availability to the users. The fund is not yet self-sustaining. Personnel costs are paid from general fund appropriations. However, the fund demonstrates the capability of becoming self-sustaining. We therefore recommend that the fund be continued and all costs be budgeted through the special fund.

**UH-Manoa
Campus Library
Services Special
Fund
Section 304-8, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	13,395
Receipts		356,558
Expenditures		245,236
Ending Balance	\$	124,717

Recommendation: Continue.

The purpose of this fund was to account for the revenues and expenditures of photocopying, film/video rentals, computer searches via telecommunication networks, and microfilm services. The fund continues to serve the purpose for which it was created. The library

provides these services to users who pay for them. The link between the benefits sought and the charges made upon the users is direct—those who receive the benefits of the library services pay fees and other charges. The fund is self-sustaining—fees more than cover the cost of services provided by the library. The fund meets all three criteria and should be continued.

**Systemwide
Rental of
University of
Hawaii Property
Revolving Fund
Section 304-2, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	3,040
Receipts		14,839
Expenditures		17,849
Ending Balance	\$	30

Recommendation: Discontinue.

The purpose of this fund was to account for rental revenues of properties not currently needed for university use. Under Section 304-2(2), the Board of Regents is allowed to acquire property and to sell, lease, or otherwise dispose of property to carry out the purposes of the university. The fund serves the purpose for which it was created. Properties not needed for university operations are rented and the rent receipts are placed in the fund. There is no link between the benefits sought and the charges made upon the users because rental payments are not used for the property. Expenditures are not for property costs, but are deposited into the university endowment funds. This fund should be discontinued and the rental receipts be placed in the general fund.

**UH-Manoa
Campus
Intramural Sports
Revolving Fund
No approval found**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	46,316
Receipts		312,953
Expenditures		310,242
Ending Balance	\$	49,026

Recommendation: Discontinue, lapse balance to the general fund, and budget through the general fund.

Established by the Board of Regents in 1969, this fund currently is under the Office of Student Affairs. The university has not received approval for this fund from the Department of Budget and Finance. The purpose of this fund was to account for UH-Manoa student activity fees that are

granted to the intramural sports program during the Fall, Spring, and Summer Sessions. The fund continues to serve the purpose for which it was created. The program asks for student activity fees from the Student Activity Fee Board. This board usually provides \$15,000 for the fall and spring semesters combined and \$8,000 to \$12,000 for the summer sessions. The student activity fee grants are used to pay for student helpers (about 100) who are hired annually as supervisors, referees, lifeguards, scorekeepers, etc. There is some linkage between the student activities fees received and the benefit of supporting intramural activities for students. The fund is not self-sustaining. General fund revenue supports almost 90 percent of this program. Since the fund does not meet the third criterion we recommend that it be discontinued and the balance lapsed to the general fund.

**UH-Hilo Campus
Continuing
Education and
Community
Service Special
Funds
Section 304-8, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	462,532
Receipts		1,213,495
Expenditures		1,091,899
Ending Balance	\$	584,128

Recommendation: Continue.

The purpose of these funds was to account for the financial transactions of the Continuing Education and Community Services, and the Performing Arts programs of UH-Hilo. Three special funds have been established for: (1) credit and non-credit programs of continuing education, community service, and program administration, (2) summer session, and (3) theater and dance performances. The funds continue to serve the purpose for which they were created. There is a direct link between the benefits derived from the courses or performances and the fees paid by those who attend classes or the theater. The funds support the actual cost of operating classes or activities. The funds meet all the criteria and should be continued.

**UH-Hilo Campus
Food Service
Special Fund
Section 304-8, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	125,146
Receipts		56,591
Expenditures		20,229
Ending Balance	\$	161,507

Recommendation: Continue.

The purpose of this fund was to account for funds realized from the food service concessionaire at UH-Hilo. The fund continues to serve the purpose for which it was created. The concessionaire pays a fee for the food service and vending machine concessions on campus. The fund pays for utilities, overhead costs, and facilities repair and maintenance. There is a link between the concession fee paid and the benefits received from using the campus facilities. The fund is also self-sustaining. It meets all the criteria and should be continued.

**UH-Hilo Campus
Library Services
Special Fund
Section 304-8, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	38,573
Receipts		41,343
Expenditures		27,795
Ending Balance	\$	52,121

Recommendation: Continue.

The purpose of this program was to account for the receipts and disbursements of xerographic and microformat copying in the library. The fund continues to serve the purpose for which it was created. Receipts from copying services are used to pay for copy costs. The link between the benefits sought and the charges made upon the users is direct—those who receive the benefits of the library services pay fees and other charges. The fund is self-sustaining and meets all the criteria. We therefore recommend that the fund be continued.

**UH-Hilo Campus
Auxiliary Services
Special Fund
Section 304-8, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	1,876
Receipts		14,920
Expenditures		106
Ending Balance	\$	16,690

Recommendation: Continue.

The purpose of this fund was to account for the receipts and disbursements for the use of facilities and equipment of the University of Hawaii at Hilo. The fund continues to serve the purpose for which it was created. The fund receives fees collected for the use of UH-Hilo

facilities, equipment, and vehicles by non-university or university affiliated users. The link between the benefits sought and the charges made upon the users is direct—those who receive the benefits of the services pay fees and other charges. The fund covers the total cost which includes cleaning, maintaining, repairing and servicing of equipment, vehicles, and facilities. The fund meets all three criteria and should be continued.

**UH-West Oahu
Campus Summer
Session Special
Fund
Section 304-8, HRS**

FINANCIAL DATA FOR FY1990-91

Beginning Balance	\$	48,373
Receipts		44,395
Expenditures		24,464
Ending Balance	\$	68,304

Recommendation: Continue.

The purpose of this fund was to account for the receipts and disbursements of the summer session program at UH-West Oahu. The fund continues to serve the purpose for which it was created. The fund receives fees that are charged for summer session courses offered by the college and pays for the instructional costs. There is a direct link between the instruction received and the tuition paid by the students. The fund is also self-sustaining. It meets all the criteria and we recommend that it be continued.

Notes

Chapter 2

1. Hugh J. Reber, *State Special Funds: A Background Study of Criteria*, Griffenhagen-Kroeger, Inc., San Francisco, California, 1961, p. i.
2. General Accounting Office of the United States, *Revolving Funds: Full Disclosure Needed for Better Congressional Control*, a report to the House Committee on the Budget, Washington, D.C. GA1.13:PAD-77-25, p. 86.
3. Act 320, SLH 1957.
4. The Public Administration Service, *Special Funds and Budget Administration in the Territory of Hawaii: A Survey Report*, Chicago, 1959.
5. *Ibid.*, p. 18.
6. Based upon data collected from Ho'ike searches. This number does not include 19 funds established by the University under Section 304-8, HRS.
7. Section 263, Act 316, SLH 1989.
8. Memorandum to All Department Heads from Governor John Waihee, Subject: Fiscal Year 1992 Budget Execution Policies and Instructions, August 29, 1991.
9. Hawaii, Legislative Auditor, *Hawaii Constitutional Convention Studies, 1978, Article VI: Taxation and Finance*, Honolulu, Hawaii, 1978, pp. 20-21.
10. Marcia Y. Sakai, "Special Funds," *Tax Review Commission Working Papers and Consultant Studies*, Honolulu, Hawaii, v. 2, December 1989, pp. 31-40.
11. The National Conference of State Legislatures, *Earmarking State Taxes*, Second Edition, Denver, Colorado, 1990, pp. 13-16.
12. *Ibid.*, p. 21.

Responses of the Affected Agencies

Comments on Agency Responses

We transmitted a draft of this review to the Board of Regents and the University of Hawaii on February 6, 1992. Act 240 also requires that we submit a draft to the Department of Budget and Finance for its review. A copy of the transmittal letter to the university is included as Attachment 1. Similar letters were sent to the Board of Regents and the Department of Budget and Finance. Responses of the university and the department are included as Attachments 2 and 3, respectively. The Board of Regents did not respond.

The university attached to its response a compilation of detailed comments prepared by its departments in response to the recommendations in our report. Those attachments are not included in this report but are available for review at our office.

The university does not concur with the third criterion used in our review of special and revolving funds—that the fund demonstrate the capacity to be financially self-sustaining. It believes that the ability to be self-sufficient was not the primary consideration in establishing many of the funds. It says that general funds are often needed to provide a minimum level of service. The university therefore disagrees with our recommendations to repeal or discontinue several funds that fail to meet the criterion of self-sufficiency.

In applying the criterion, we distinguished between special funds that (1) were established for a limited program or service within a larger program, and (2) special funds that support the operation of an entire program. When the statutory or administrative basis for establishing a fund did not clearly limit its purpose or when no distinction was made between the purpose of the special fund and its program, we included any general fund support for the program in evaluating self-sufficiency.

For example, we recommended continuance of the Student Health Center Revolving Fund but the discontinuance of the Laboratory Animal Service Special Fund. We recommended that the Student Health Center Revolving Fund be continued because the intent of the law establishing this fund was that the fund be used to replenish pharmaceutical and laboratory supplies and the services associated with these functions on a cost recovery basis. The fund accomplishes this. General fund support for staffing and other costs of the center are not part of the purpose of the fund and therefore were not included in the determination of self-sufficiency. We recommended the discontinuance of the Laboratory Animal Service Special Fund because the fees charged did not recover

personnel costs necessary for the service. This fund was administratively established and its purpose was not limited to the cost of the animals. Therefore the criterion of self-sufficiency was applied to the costs of the entire program, including those for personnel.

The university concurs with our recommendation to continue the Summer Session Special Fund but does not believe that unneeded cash balances should be returned to the general fund. This fund had year-end cash balances of \$5.6 and \$6.3 million at June 30, 1990 and 1991, respectively. The university submitted a detailed expenditure plan for the use of the funds; the plan is included in the university's compilation of departmental comments on file in our office. The plan calls for the expenditure of all but \$12,000 by 1993.

The university also had concerns about our recommendations relating to the UH Press Revolving Fund, the UH Manoa Telephone/ Communications System Special Fund, the UH Manoa Malpractice Special Fund, the HOPE Special Fund, the Research and Training Revolving Fund, and the UH Manoa Agricultural Diagnostic Service Special Fund. In some cases, it says that our recommendations will cause internal budgeting problems for the university. The university's objections, however, do not challenge the basic arguments for discontinuing special funds that do not meet the criteria. The university made some suggestions on the Research and Training Revolving Fund that we have incorporated into this report. With respect to the diagnostic service fund, we changed our recommendation to continue the fund because, in reviewing the data, we found that it was paying the costs for which it was established.

The Department of Budget and Finance concurs with our recommendations to repeal the Algal Mass Culture Facility; Snug Harbor, Oahu, Revolving Fund; and to discontinue the Systemwide Rental of UH Property Revolving Fund and the UH-Manoa Campus Health Instructional Resource Unit Special Fund. It also concurs with our recommendation to establish a sunset date for the Systemwide Computer Services Special Fund. Where the university has indicated that our recommendations would have significant negative impacts, the department believes further review and assessment is necessary. The department's policy on special and revolving funds is based on each program's ability to generate sufficient revenues from program beneficiaries to sustain operations.

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



ATTACHMENT 1

(808) 548-2450
FAX: (808) 548-2693

New numbers as of 12-01-91
(808) 587-0800
FAX: (808) 587-0830

February 6, 1992

C O P Y

The Honorable Albert J. Simone
President
University of Hawaii
2444 Dole Street
Honolulu, Hawaii 96822

Dear President Simone:

Enclosed are three copies, numbered 6 through 8, of our draft report, *Review of Special and Revolving Funds of the University of Hawaii*. We ask that you telephone us by Monday, February 10, 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 Monday, March 9, 1992.

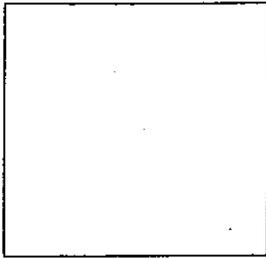
The Chairperson of the Board of Regents, the Director of Finance, the Governor, and presiding officers of the two houses of the Legislature have also been provided copies of this draft report.

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
Acting Auditor

Enclosures



ATTACHMENT 2

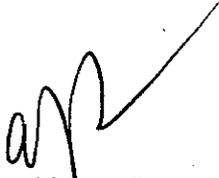
UNIVERSITY OF HAWAII • HONOLULU, HAWAII 96822

PRESIDENT

March 9, 1992

MEMORANDUM

TO: Ms. Marion Higa
Acting Auditor

FROM: Albert J. Simone 
President, University of Hawaii and
Chancellor, University of Hawaii at Manoa

RECEIVED
 MAR 10 3 45 PM '92
 OFC. OF THE AUDITOR
 STATE OF HAWAII

**SUBJECT: COMMENTS ON THE RECOMMENDATIONS IN THE DRAFT REPORT,
 "REVIEW OF SPECIAL AND REVOLVING FUNDS OF THE UNIVERSITY OF
 HAWAII"**

Thank you for providing the University with an opportunity to respond to the recommendations contained in the draft report, *"Review of Special and Revolving Funds of the University of Hawaii"*.

In general, the University has no concerns with regard to the purpose and objectives of the review. We understand the need to consider the fiscal integrity of the State as it relates to special and revolving funds. We also concur with the first two criteria used to evaluate each fund: the determination of whether the fund continues to serve its original purpose and has a clear link between the benefit sought and charges made upon the beneficiaries of the program. These criteria are specified in Act 240, SLH 1990, Relating to Special and Revolving Funds.

However, we do not concur with the third criterion used -- that the fund demonstrates the capacity to be financially self-sustaining. This criterion is not specified in Act 240 nor does it recognize the long legislative history regarding multiple means of financing of programs. It is the unilateral application of this criterion which resulted in the recommendation to repeal the enabling legislation for those funds established by law or to discontinue the administratively established funds.

We believe that the ability to be self-sufficient was not the primary consideration for the establishment of many of the special or revolving funds for which repeal or discontinuance is being recommended. There are programs funded by general and special or revolving funds which are considered to be a necessary and integral part of the total services provided by the University. However, in order to achieve self-

sufficiency, the level at which the charges for services would have to be set would be prohibitive to the users. There are also programs for which the general and special/revolving fund financing is necessary to provide flexibility in instances where the workload fluctuates to such an extent that it is not possible to accurately project budgetary requirements in the biennium budget cycle. In these instances, the general funds provide a minimum level of services (i.e., indirect overhead expenses, core staff, etc.) which would be required irrespective of the actual workload.

Several of the funds targeted for repeal or discontinuance are affected by both of the situations noted above. They include the Manoa and UH Hilo Intercollegiate Athletics, Manoa Child Care, Agricultural Diagnostic Service, Discoveries and Inventions, Lab School Cafeteria, Manoa Campus Instructional Resources Center, Laboratory Animal Services, Systemwide Computer Services -- UH Systemwide Computer Center, Manoa Campus Intramural Sports and Manoa Center for Student Development special and revolving funds. While the recommendation to convert the program would address the problem of rates to be charged, it would negatively impact the ability of the programs to continue to provide services at levels required by the demand for services. The University does not concur with the recommendation to repeal or discontinue the special/revolving funds for these programs and budget through the general funds.

A general concern is noted with regard to the apparent inconsistent application of the self-sufficiency criterion. As an example, for the Student Health Services Revolving Fund, the report recommends continuance because the cost of pharmacy and lab services and supplies are recovered by fees charged. It does not take into consideration that the nursing staff and other expenses are funded by general funds. Yet in the case of the Laboratory Animal Services Special Fund, discontinuance is recommended because the program receives approximately 40% of its receipts from the general funds to pay primarily for staff. If the criterion were applied to other funds in the same manner as the Student Health Services Fund, then many other programs would be self-sufficient because the fees do cover the costs of the specific services provided when isolated from the entire budget of the program.

The University concurs with the recommendations to repeal or discontinue the Algal Mass Culture Facility, Snug Harbor Oahu Revolving Fund and the Systemwide Rental of UH Property Revolving Fund. Snug Harbor Fund is not active.

The University concurs with the recommendations to discontinue the UH Manoa Health Instructional Resource Unit Special Fund and with the establishment of a sunset date for the Systemwide Computer Services Special Fund -- Systemwide consortium provided that funding is budgeted through the general fund. Funding for

Ms. Marion Higa
March 9, 1992
Page 3

these programs can be budgeted through the general fund with no negative programmatic impact.

The University concurs with the recommendation to continue the Summer Session Special Fund but does not concur that the balances be lapsed into the general fund. The Summer Session Program is entirely self-sufficient. It is responsible for not only the on-going operating expenditures but also for repairs and maintenance, equipment replacement, renovation to its facilities, collective bargaining adjustments and any unforeseen contingencies or emergencies which may arise. There is no mechanism for meeting these expenditures with general funds in case of a revenue shortfall. For this reason, it is necessary that a sufficient reserve be maintained. The program has prepared a detailed expenditure plan for the use of the funds which is attached for your consideration.

There are specific concerns with regard to the UH Press Revolving Fund, UH Manoa Telephone/Communications System Special Fund, Research and Training Revolving Fund, and the UH Manoa Malpractice Special Fund. The recommendation for the UH Press Revolving Fund is to continue but pay all costs through the revolving fund. This would have significant impact on the services provided and the way in which the program operates.

A similar recommendation was made for the Telephone/Communications System Special Fund. This would have an impact on the way in which funds are budgeted for telephone/telecommunications services. The portion now funded by general funds in the Auxiliary Services program would be converted to special funds, increasing the charges to the user programs. Their budgets would have to be adjusted to reflect this increase. If this recommendation is implemented, adjustments to the budgets for the user programs must also be made.

There is an apparent misinterpretation of the purpose of the Research and Training Revolving Fund. The report indicates that the purpose of the fund is to be a repository for federal funds set aside to pay for indirect overhead costs. The recommendation is repeal because it does not meet the criterion of linkage, that it does not pay for indirect overhead costs. The fund, in fact, was not established to pay for indirect overhead costs but rather to be a repository for funds reimbursed to the State for indirect overhead costs. These funds may be used for research and training purposes which may result in additional grants and for facilitating research and training activities. Appropriations for the fund is based upon a statutorily established formula. Conversion to general funds will have a negative impact on the budgeting and expenditure of these funds.

Ms. Marion Higa
March 9, 1992
Page 4

The UH Medical Malpractice Insurance Special Fund which is recommended for repeal will face problems relating to the projection of actual program costs. The special fund is a holding account for potential malpractice settlements against its students and faculty. It would be very difficult for the program to project the number of potential malpractice suits, more so the potential judgment awards. In addition, the recommendation that the balances be lapsed into the general fund is inappropriate as part of that balance is payments from the school faculty which in essence is private funds.

The University concurs that the HOPE Special Fund does not meet the criteria of having a clear link to the fees charged and the benefits to the beneficiaries. This fund is a scholarship endowment fund which is currently managed by the Department of Budget and Finance. Rather than repeal, the University requests that time be afforded the fund to establish an expenditure track record. The fund is not scheduled to award scholarships until the year 2000.

The University is in concurrence with the recommendations made for those funds identified for continuance. Detailed comments prepared by the affected programs for which repeal, discontinuance or modification to the existing statutes or policies were recommended are attached for your consideration.

Again, thank you for providing us with the opportunity to respond to the recommendations contained in the draft report. If I can be of any further assistance or if additional information or clarification is required, please do not hesitate to contact me.

Attachments

cc: University Executive Council

ATTACHMENT 3

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: 1335.1/DBFFIN

March 16, 1992

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

RECEIVED

MAR 17 3 01 PM '92

OFF. OF THE AUDITOR
STATE OF HAWAII

Dear Ms. Higa:

The Department of Budget and Finance (B&F) has reviewed the draft report, "Review of Special and Revolving Funds of the University of Hawaii", and also, the University of Hawaii's response to the report.

B&F concurs with the following recommendations for the following funds:

- Repeal the Algal Mass Culture Facility, Snug Harbor, Oahu, Revolving Fund.
- Discontinue the Systemwide Rental of UH Property Revolving Fund and UH-Manoa Campus Health Instructional Resource Unit Special Fund.
- Continue, but establish a sunset date for the Systemwide Computer Services Special Fund - UH Systemwide Computing Center.

We also concur with the University's request for an extension of time to establish an expenditure track record for the Hawaii Opportunity Program in Education Special Fund (HOPE fund) since this fund was recently established in 1990.

The policy of the Department of Budget and Finance involving special and revolving funds is based on each program's uniqueness and ability to generate sufficient revenues from its

Ms. Marion Higa
March 16, 1992
Page 2

beneficiaries to sustain the operations of the program. As such, where the University has indicated significant and/or negative impacts of the recommendations, further review and assessment of the funds would be required.

We appreciate the opportunity to comment on the report.

Sincerely,


YUKIO TAKEMOTO
Director of Finance

YT/SM:syy

A BILL FOR AN ACT

RELATING TO SPECIAL AND REVOLVING FUNDS.

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

1 SECTION 1. Act 240, Session Laws of Hawaii 1990, directed
2 the legislative auditor to perform a comprehensive evaluation of
3 the State's special and revolving funds administered under
4 various agencies of the State to determine whether these funds
5 should be continued, modified, or repealed. Act 240 expressed
6 concern over the State's ability to maintain the integrity of the
7 state budgetary process during times of uncertainty or when
8 fluctuations in the economy affect general fund reserves.

9 Special and revolving funds receive and expend revenues
10 directly without regard to the State's overall fiscal condition;
11 thereby eliminating the normal role of the legislature in the
12 process of budgetary review. Act 240 declared that it was
13 fiscally prudent to examine the feasibility of maintaining,
14 modifying, or repealing these funds in light of the difficulties
15 the State may face during uncertain times in the future.

16 The purpose of this Act is to carry out the findings and
17 recommendations of the legislative auditor with respect to the
18 special and revolving funds administered by the University of

1 Hawaii.

2 SECTION 2. Section 304-8.1, Hawaii Revised Statutes, is
3 amended to read as follows:

4 "§304-8.1 Research and training [revolving fund. (a)

5 There is established a University of Hawaii research and training
6 revolving fund into which shall be deposited fifty per cent of
7 the total amount of indirect overhead funds generated by the
8 university for research and training purposes in the prior fiscal
9 year. Unless otherwise provided by law, all other receipts shall
10 immediately be deposited to the credit of the general fund of the
11 State. The board of regents of the University of Hawaii is
12 authorized to expend funds deposited in the research and training
13 revolving fund for research and training purposes which may
14 result in additional research and training grants and contracts,
15 and for purposes of facilitating research and training at the
16 university.

17 (b) The University of Hawaii shall prepare and submit an
18 annual report on the status of the research and training
19 revolving fund to the legislature twenty days before the
20 convening of each regular session. The annual report shall
21 include a breakdown of travel expenses.

22 (c) On July 1, 1984, in addition to the amount specified in

1 subsection (a), and notwithstanding sections 304-10, 304-8.92,
2 and 304-8.96 to the contrary, the amount of \$2,500,000 derived
3 from indirect overhead sources on account of all university held
4 federal and other research and training contracts and grants
5 shall be deposited into a separate account of the research and
6 training revolving fund. The board of regents may expend these
7 funds for the purpose of providing advance funding to meet
8 reimbursable costs incurred in connection with federally financed
9 research and training projects. Any reimbursement received as a
10 result of providing advance funding shall be deposited into the
11 research and training revolving fund to be used for the purpose
12 of meeting reimbursable costs incurred in connection with
13 federally financed projects; provided that the sum of the amounts
14 held in the research and training revolving fund for the purpose
15 of this subsection and the amounts advanced pursuant to this
16 subsection shall not exceed in the aggregate \$2,500,000 at any
17 time.] receipts for indirect overhead costs. (a) All receipts,
18 grants, and other moneys received for the payment of indirect
19 overhead costs shall be deposited to the credit of the state
20 general fund.

21 (b) The board of regents shall include in its budgetary
22 request for each upcoming fiscal period, the amounts necessary

1 for the purposes of research and training which may result in
2 additional grants and contracts for these activities at the
3 university.

4 (c) The University of Hawaii shall prepare and submit an
5 annual report to the legislature on the status of the research
6 and training at the university twenty days before the convening
7 of each regular session."

8 SECTION 3. Section 304-8.7, Hawaii Revised Statutes, is
9 amended to read as follows:

10 "[[]§304-8.7[] University of Hawaii at Manoa
11 intercollegiate athletics revolving fund and University of Hawaii
12 at Hilo intercollegiate athletics revolving fund.

13 Notwithstanding any other law to the contrary, there are
14 established revolving funds for the intercollegiate athletic
15 programs of the University of Hawaii at Manoa and the University
16 of Hawaii at Hilo, which shall be used to receive, deposit,
17 disburse, and account for funds from the activities of the
18 intercollegiate athletic programs. The university may establish
19 appropriate charges for activities related to its athletic
20 programs and the use of its athletic facilities, the proceeds
21 from which shall be deposited into these revolving funds.

22 The university shall maintain the financial integrity and

1 viability of these revolving funds, including the maintenance of
2 an adequate reserve to cope with the various factors that impact
3 the revenue structure of an intercollegiate athletic program.]
4 Intercollegiate athletic programs of the University of Hawaii at
5 Manoa and the University of Hawaii at Hilo; establishment of
6 charges; disposition of receipts. (a) The university may
7 establish appropriate charges for activities related to its
8 athletic programs and the use of its athletic facilities. All
9 proceeds received out of the fees and charges established under
10 this section shall be deposited to the credit of the state
11 general fund.

12 (b) All moneys to carry out the intercollegiate programs of
13 the University of Hawaii shall be allocated by the legislature
14 through appropriations made out of the state general fund.

15 (c) The university shall include in its budgetary request
16 for each upcoming fiscal period, the amounts necessary to carry
17 out the purposes of this section."

18 SECTION 4. Section 304-8.8, Hawaii Revised Statutes, is
19 amended to read as follows:

20 "[[]§304-8.8[[]] University of Hawaii at Manoa malpractice
21 [special fund. There is established a special fund to be known
22 as the University of Hawaii at Manoa malpractice special fund,

1 which shall be used for costs arising from the defense and
2 settlement of claims against the university, its students, or its
3 faculty for professional malpractice in programs which provide
4 professional services, including but not limited to clinical
5 medicine, nursing, and law; provided that this fund shall not be
6 used to fund settlements funded through professional liability
7 insurance or through special appropriations of the legislature.

8 The university may establish appropriate charges and fees to
9 individuals who are provided professional liability coverage
10 under this section, the proceeds of which shall be deposited in
11 accounts and credited to the University of Hawaii at Manoa
12 malpractice special fund.] defense and settlement costs; source
13 of funds; establishment and disposition of fees. (a) All moneys
14 necessary to cover the costs arising out of the defense and
15 settlement of claims against the university, its students, or its
16 faculty for professional malpractice in programs which provide
17 professional services, including but not limited to clinical
18 medicine, nursing, and law, shall be allocated by the legislature
19 through appropriations made out of the state general fund.

20 (b) The university shall include in its budgetary request
21 for each upcoming fiscal period, the amounts necessary to carry
22 out the purposes of this section.

1 (c) The university may establish appropriate charges and
2 fees to individuals who are provided professional liability
3 coverage under this section, the proceeds of which shall be
4 deposited to the credit of the state general fund."

5 SECTION 5. Section 304-8.9, Hawaii Revised Statutes, is
6 amended to read as follows:

7 "~~[[§304-8.9]]~~ Systemwide computer services special
8 fund[.] for the University of Hawaii systemwide consortium. (a)
9 There is established a special fund [for systemwide computer
10 services, which shall be used] to receive, deposit, disburse, and
11 account for revenues and expenditures of the university's
12 [computer operations.] single computer system (VAX system).
13 Revenues collected from [users] members of the University of
14 Hawaii systemwide consortium shall be deposited in this fund and
15 expenditures made shall be in support of computer services,
16 including personnel, current expense, and equipment costs.

17 (b) All moneys, user fees, and other revenues collected by
18 the university for providing computer services to users who are
19 not members of the consortium under subsection (a) shall be
20 deposited to the credit of the state general fund.

21 (c) All moneys for the operation of the University of
22 Hawaii systemwide computing center to provide computer services

1 for nonconsortium projects of the university, the State, the
2 federal government, and other outside users shall be allocated by
3 the legislature through appropriations out of the state general
4 fund.

5 (d) The university shall include in its budgetary request
6 for each upcoming fiscal period, the amounts necessary to carry
7 out the purposes of subsection (b).

8 (e) Subsection (a) shall be repealed on _____."

9 SECTION 6. Section 304-8.91, Hawaii Revised Statutes, is
10 amended to read as follows:

11 "§304-8.91 Child care programs [revolving fund. There is
12 established a child care programs revolving fund for the
13 operation of child care programs and the construction and
14 renovation of child care centers established by the University of
15 Hawaii. Fees charged for child care at child care programs,
16 proceeds from donations to the university for child care
17 programs, and proceeds from loans or other instruments of
18 indebtedness for the construction or renovation of child care
19 centers, shall be deposited into the revolving fund.
20 Expenditures from the revolving fund shall be made for the
21 operation of child care programs and payment of principal and
22 interest on obligations incurred for the construction or

1 renovation of child care centers.] and centers; source of
2 operating funds; establishment and disposition of fees. (a) All
3 moneys necessary for the operation of child care programs and the
4 construction and renovation of child care centers under the
5 University of Hawaii shall be allocated by the legislature
6 through appropriations out of the state general fund.

7 (b) The university shall include in its budgetary request
8 for each upcoming fiscal period, the amounts necessary to carry
9 out the purposes of this section.

10 (c) The university may accept donations and establish
11 appropriate charges and fees for child care at the university's
12 child care centers, the proceeds of which shall be deposited to
13 the credit of the state general fund.

14 (d) All proceeds from loans or other instruments of
15 indebtedness for the construction or renovation of child care
16 centers shall be administered in accordance with section 39-62."

17 SECTION 7. Section 304-8.92, Hawaii Revised Statutes, is
18 amended to read as follows:

19 "§304-8.92 Discoveries and inventions [revolving fund. (a)
20 There is established a discoveries and inventions revolving fund
21 into which shall be deposited four per cent of the total indirect
22 overhead funds generated by the university for research and

1 training purposes in the prior fiscal year. The deposit of
2 overhead funds shall be terminated at the end of the 1995-1996
3 fiscal year. Appropriations by the state legislature subject to
4 the approval of the governor, proceeds from the commercial
5 exploitation of inventions and intellectual property developed at
6 the university, gifts, donations, fees collected, and grants from
7 public agencies and private persons may also be deposited into
8 the fund for the purposes of supporting innovation and research
9 commercialization and the patenting, copyrighting, licensing, and
10 marketing of discoveries, inventions, and technologies developed
11 at the university. The fund shall be used to develop
12 technologies which have potential commercial value, support the
13 administration of technology transfer activities, and facilitate
14 economic development through education and research undertaken at
15 the university.

16 (b) The University of Hawaii shall provide an annual report
17 to the governor and the legislature describing all transactions
18 and activities involved in the administration of the discoveries
19 and inventions revolving fund.]; support and promotion; source of
20 funds; disposition of receipts. (a) All moneys necessary for
21 the support of innovation, research, commercialization, and the
22 patenting, copyrighting, licensing, and marketing of discoveries,

1 inventions, and technologies developed at the university shall be
2 allocated by the legislature through appropriations out of the
3 state general fund. Moneys appropriated to the university under
4 this section shall be used to develop technologies which have
5 potential commercial value, support the administration of
6 technology transfer activities, and facilitate economic
7 development through education and research undertaken at the
8 university.

9 (b) The university shall include in its budgetary request
10 for each upcoming fiscal period, the amounts necessary to carry
11 out the purposes of this section.

12 (c) All proceeds from the commercial exploitation of
13 inventions and intellectual property developed at the university,
14 gifts, donations, fees collected, and grants from public agencies
15 and private persons under this section shall be deposited to the
16 credit of the state general fund."

17 SECTION 8. Section 304-8.95, Hawaii Revised Statutes, is
18 amended to read as follows:

19 "[[§304-8.95]] Hawaii opportunity program in education.

20 (a) There is created [in the treasury of the State,] the Hawaii
21 opportunity program in education (HOPE) [special fund.

22 Expenditures from the HOPE special fund shall be limited to:

1 (1) Providing funds] to award scholarships for the
2 University of Hawaii to financially needy students with
3 priority given to students from ethnic groups which are
4 underrepresented in the student population of the
5 University of Hawaii[; and

6 (2) Pay all costs incident to the prudent investment of the
7 principal and income deposited in the special fund.

8 Appropriations or authorizations from the HOPE special fund shall
9 be expended by the University of Hawaii]. All moneys necessary
10 to carry out the Hawaii opportunity program in education shall be
11 allocated by the legislature out of appropriations from the
12 general fund.

13 (b) [The special fund shall be administered by the director
14 of finance who shall also be responsible for investing the
15 principal and income deposited therein in accordance with the
16 provisions of chapters 36 and 38 or, at the director's
17 discretion, in the same manner as the trustees of the employees
18 retirement system of the State are permitted to invest the funds
19 in their custody and control under sections 88-119, 88-119.5,
20 88-121, and 88-121.5. The director may pay a reasonable amount
21 to any person for servicing and handling mortgages which the
22 director may purchase or for supplying investment advisory or

1 consultative services, and to meet other costs incident to the
2 prudent investment of the special fund.

3 (c)] Scholarship awards for the University of Hawaii,
4 funded by [sums from the HOPE special fund,] legislative
5 appropriations under subsection (a) shall be made beginning in
6 the fiscal year 2001, in accordance with rules adopted by the
7 board of regents pursuant to chapter 91. The rules shall include
8 criteria for determining underrepresentation of particular groups
9 in the student population of the university and financial need.
10 [Scholarship awards shall be made from appropriations or
11 authorizations from the HOPE special fund, and only earnings from
12 the investment of principal and income on deposit in the special
13 fund received after June 30, 2000, shall be available for such
14 appropriations or authorizations. The total sum appropriated or
15 authorized for scholarship awards in any fiscal year shall not
16 exceed ten per cent of the amount deposited in the special fund
17 on June 30, 2000, and in no event shall the total sum
18 appropriated or authorized out of the special fund for
19 scholarship awards in any fiscal year cause the amount deposited
20 in the HOPE special fund to be less than the amount on deposit in
21 the special fund on June 30, 2000.]

22 (c) The university shall include in its budgetary request

1 for each upcoming fiscal period, the amounts necessary to carry
2 out the purposes of this section."

3 SECTION 9. Section 304-8, Hawaii Revised Statutes, is
4 amended to read as follows:

5 "§304-8 Appropriations; accounts; reports. Moneys
6 appropriated by the legislature for the university shall be
7 payable by the director of finance, upon vouchers approved by the
8 board of regents or by any officer elected or appointed by the
9 board under section 304-4 and authorized by the board to approve
10 such vouchers on behalf of the board. All moneys received by or
11 on behalf of the board of the university shall be deposited with
12 the director of finance, except that any moneys received from the
13 federal government or from private contributions shall be
14 deposited and accounted for in accordance with conditions
15 established by the agencies or persons from whom the moneys are
16 received and except that with the concurrence of the director of
17 finance, moneys received from the federal government for
18 research, training, and other related purposes of a transitory
19 nature and moneys in trust or revolving funds administered by the
20 university may be deposited in depositories other than the state
21 treasury. Income from fees for tuition and similar charges
22 against students and income derived from sale of goods or

1 services shall be deposited to the credit of the general fund of
2 the State; provided that income from university projects as
3 defined and described in sections 306-1 to 306-12, may be
4 credited to special or other funds; [provided further that in
5 each fiscal year from 1990-1991 through 1999-2000, at least the
6 first \$1,000,000 of tuition collected by the university shall be
7 deposited in the state treasury to the credit of the Hawaii
8 opportunity program [in] education special fund;] and provided
9 further that upon the recommendation of the director of finance,
10 the comptroller may establish such other separate accounts or
11 special funds for other designated revenues as may be deemed in
12 the best interests of the university and the State. The
13 university shall also actively seek private participation in the
14 Hawaii opportunity program in education program.

15 The university shall annually provide the legislature at
16 least twenty days prior to the convening of the regular session
17 with an itemized account of the income to and the expenditure
18 from each university special and revolving fund during the
19 previous fiscal year."

20 SECTION 10. Section 304-25, Hawaii Revised Statutes, is
21 amended to read as follows:

22 "§304-25 Compensation of laboratory school cafeteria

1 personnel. The compensation of all cafeteria workers and the
2 cafeteria manager at the university laboratory school cafeteria,
3 or any successor organization or unit, shall be paid out of the
4 general fund of the State. [In each fiscal quarter, the
5 laboratory school principal or other authorized official of the
6 university shall transfer from the laboratory school cafeteria
7 special fund to the general fund of the State an amount equal to
8 the proportionate share of the salaries of the laboratory school
9 cafeteria workers comparable to the proportion borne by the
10 department of education school cafeteria special fund for the
11 salaries of cafeteria workers in the department of education.]
12 The university shall include in its budgetary request for each
13 upcoming fiscal period, the amounts necessary to carry out the
14 purposes of this section."

15 SECTION 11. Section 36-27, Hawaii Revised Statutes, is
16 amended to read as follows:

17 "§36-27 Transfers from special funds for central service
18 expenses. Except as hereinafter provided, and notwithstanding
19 any provisions of any other law to the contrary, there shall be
20 deducted from time to time by the director of finance, for the
21 purpose of defraying the prorated estimate of central service
22 expenses of government in relation to all special funds, except

1 the special summer school fund under section 298-3.5; the school
2 cafeteria special funds of the community colleges, and the
3 department of education[, and the university laboratory school];
4 the special funds of the student housing, summer session,
5 division of continuing education and community service, campus
6 center, and bookstores of the University of Hawaii; and the state
7 educational facilities improvement special fund, five per cent of
8 all receipts of each such special fund, which deduction shall be
9 transferred to the general fund of the State and become general
10 realizations of the State. All officers of the State and other
11 persons having power to allocate or disburse any special funds
12 shall cooperate with the director in effecting these transfers."

13 SECTION 12. Section 36-30, Hawaii Revised Statutes, is
14 amended to read as follows:

15 "§36-30 Special fund reimbursements for departmental
16 administrative expenses. Each special fund, except the
17 transportation use special fund established by section 261D-1;
18 the special summer school fund under section 298-3.5; the school
19 cafeteria special funds of the community colleges, and the
20 department of education[, and the university laboratory school];
21 the special funds of the student housing, summer session,
22 division of continuing education and community service, campus

1 center, and bookstores of the University of Hawaii; and the state
2 educational facilities improvement special fund, shall be
3 responsible for its pro rata share of the administrative expenses
4 incurred by the department responsible for the operations
5 supported by the special fund concerned. Administrative expenses
6 shall include, but shall not be limited to, salaries, maintenance
7 of buildings and grounds, utilities, and general office expenses.
8 The pro rata share of each special fund shall be that proportion
9 of the administrative expenses of the department, including those
10 paid from all special funds administered by the department, which
11 the expenditures of the special fund bear to the total
12 expenditures of the department; provided that in determining the
13 amount to be charged to each special fund for its pro rata share,
14 credit shall be given for any administrative expenses paid from
15 the special fund concerned and such other adjustments shall be
16 made as may be necessary to achieve an equitable apportionment.
17 The director of finance may determine the amount to be charged to
18 each special fund and may cause the amounts to be transferred to
19 the general funds as reimbursements."

20 SECTION 13. Section 304-44.5, Hawaii Revised Statutes, is
21 amended to read as follows:

22 "[]§304-44.5[] Algal mass culture facility, Snug Harbor,

1 Oahu; [revolving fund. There is established a revolving fund
2 for] operating funds; disposition of receipts. (a) All moneys
3 received from the sale of algae produced as a byproduct of
4 research at the algal mass culture facility, Snug Harbor, Oahu,
5 operated by the Hawaii institute of geophysics, University of
6 Hawaii, [into which] shall be deposited [the receipts from the
7 fees realized from the sale of algae produced as a byproduct of
8 research.] to the credit of the state general fund. The amount
9 of algae sold shall not exceed two hundred pounds a week. [Funds
10 deposited into this account shall be expended for aquaculture
11 research and services and supplies related thereto.]

12 (b) All moneys to perform aquaculture research and services
13 and all moneys for the purchase of supplies shall be allocated by
14 the legislature through appropriations out of the state general
15 fund.

16 (c) The university shall include in its budgetary request
17 for each upcoming fiscal period, the amounts necessary to carry
18 out the purposes of this section."

19 SECTION 14. The University of Hawaii is hereby directed to
20 discontinue the operation of the following administratively
21 created special and revolving funds:

22 (1) The University of Hawaii Manoa campus center for student

- 1 development special fund;
- 2 (2) The University of Hawaii Manoa campus instructional
- 3 resources center special fund;
- 4 (3) The University of Hawaii Manoa campus laboratory animal
- 5 service special fund;
- 6 (4) The University of Hawaii Manoa campus health
- 7 instructional resource unit special fund;
- 8 (5) The systemwide rental of University of Hawaii property
- 9 revolving fund; and
- 10 (6) The University of Hawaii Manoa campus intramural sports
- 11 revolving fund.

12 All unencumbered and unexpended balances remaining in each
13 fund scheduled for repeal in this section shall be transferred to
14 the credit of the state general fund prior to June 30, 1993. The
15 university shall include in its budgetary request for each
16 upcoming fiscal period, the amounts necessary to carry out the
17 functions and activities formerly financed by the special and
18 revolving funds discontinued under this section.

19 SECTION 15. All unexpended and unencumbered moneys
20 remaining in the University of Hawaii Manoa campus summer session

1 special fund at the close of each fiscal year which are deemed,
2 by the director of finance, to be in excess of the moneys
3 necessary to carry out the purposes of the special fund for the
4 next following fiscal year shall lapse to the credit of the state
5 general fund.

6 SECTION 16. All moneys for the operation, administration,
7 and payment of personnel costs for the University of Hawaii Press
8 and the University of Hawaii Manoa campus telephone communication
9 system shall be paid exclusively out of the revenues generated by
10 the University of Hawaii Press revolving fund and the University
11 of Hawaii Manoa campus telephone communication system special
12 fund, respectively.

13 SECTION 17. If any provision of this Act, or the
14 application thereof to any person or circumstance is held
15 invalid, the invalidity does not affect other provisions or
16 applications of the Act which can be given effect without the
17 invalid provision or application, and to this end the provisions
18 of this Act are severable.

19 SECTION 18. Statutory material to be repealed is bracketed.
20 New statutory material is underscored.

21 SECTION 19. This Act shall take effect on July 1, 1993;
22 provided that the board of regents shall transfer to the credit

1 of the state general fund, all unencumbered and unexpended
2 balances remaining in any special or revolving fund scheduled for
3 repeal under this Act prior to June 30, 1993.

4

5

INTRODUCED BY: _____

