
Review of Revolving and Trust Funds of the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services

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

Report No. 95-32
December 1995



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.

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

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

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



THE AUDITOR STATE OF HAWAII

Kekuanao'a Building
465 South King Street, Room 500
Honolulu, Hawaii 96813

OVERVIEW

THE AUDITOR
STATE OF HAWAII

Review of Revolving and Trust Funds of the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services

Summary

Section 23-12, Hawaii Revised Statutes (HRS) requires the State Auditor to review all existing revolving and trust funds every five years. The reviews are scheduled so that the funds administered by each state department will be reviewed once every five years. This report is the third required under the law.

Section 37-40, HRS, exempts revolving and trust funds from the biennial appropriations process. The use of these funds, therefore, often does not receive the degree of legislative scrutiny given to general funds appropriated by the Legislature. The Legislature considered it prudent to require the Auditor to review these funds so that it could assess the continuing need for revolving and trust funds.

Revolving funds are often established with an appropriation of seed money from the general fund. They are supposed to be self-sustaining. Activities financed by revolving funds include loan programs that are initially established by general fund seed moneys and then replenished through the repayment of loans. **Trust funds** account for assets held by the State for the benefit of others. They may include donations to be used for specific beneficiaries. Many trust funds are actually trust accounts established by the comptroller because of limitations in the state's Financial Accounting and Management Information System (FAMIS). The trust accounts serve as separate holding or clearing accounts for state agencies or as an accounting device to credit or charge services, for security deposits, or other costs.

This year we reviewed 51 revolving and trust funds and trust accounts. We used criteria developed by the legislature and developed by our office from a review of public finance and accounting literature. The criteria for these funds are that they continue to serve the purpose for which they were created and do not require continuing general fund appropriations. In addition, revolving funds must show a linkage between benefits and charges made on users.

For each fund or account, we present a five-year financial summary, the purpose of the fund and conclusions about its use. We do not present any conclusions about the effectiveness of the program, its management, or whether the program should be continued. We did not evaluate the performance standards established by

agencies for the funds as requested by Section 23-12, HRS, since none of the agencies had established performance standards. We assumed the funds were meeting performance standards if they were meeting the purpose for which they had been established and our criteria.

Responses

The Judiciary responded that subsequent to June 30, 1995, it had reviewed two trust accounts identified in our report as inactive—the Family Court, Second Circuit Donations Account and the Intensive Mediation Workshop Account—and has taken the appropriate actions to dispose of the balances in the accounts.

The Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services did not submit written responses.

Marion M. Higa
State Auditor
State of Hawaii

Office of the Auditor
465 South King Street, Room 500
Honolulu, Hawaii 96813
(808) 587-0800
FAX (808) 587-0830

**Review of Revolving and Trust
Funds of the Judiciary and the
Departments of Commerce and
Consumer Affairs, Hawaiian
Home Lands, Health, and Human
Services**

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

Submitted by

THE AUDITOR
STATE OF HAWAII

Report No. 95-32
December 1995

Foreword

This is a report on our review of revolving and trust funds used by or administratively attached to the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services.

Section 23-12, Hawaii Revised Statutes, requires the State Auditor to review all existing revolving and trust funds every five years. The reviews are scheduled so that the funds administered by each state department will be reviewed once every five years. This report is the third required under the law.

We wish to acknowledge the excellent cooperation extended by the officials and staff of the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services.

Marion M. Higa
State Auditor

Table of Contents

Chapter 1 Introduction

Background	1
Description of Revolving and Trust Funds	3
Criteria for Reviewing Revolving and Trust Funds	4
Objectives of the Review	5
Scope and Methodology	5

Chapter 2 Judiciary

Funds Established Under Statutory Authority	7
Accounts Established Under Administrative Authority	8

Chapter 3 Department of Commerce and Consumer Affairs

Funds Established Under Statutory Authority	15
Accounts Established Under Administrative Authority	25

Chapter 4 Department of Hawaiian Home Lands 27

Chapter 5 Department of Health

Funds Established Under Statutory Authority	29
Accounts Established Under Administrative Authority	32

Chapter 6 Department of Human Services

Funds Established Under Statutory Authority	33
Accounts Established Under Administrative Authority	36

Notes 43

Responses of the Affected Agencies 45

Chapter 1

Introduction

This is a report on our review of revolving and trust funds of the Judiciary, and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services.

Section 37-40, Hawaii Revised Statutes (HRS), exempts revolving and trust funds from the biennial appropriations process. The use of these funds, therefore, often does not receive the degree of legislative scrutiny given to the use of general funds that are subject to appropriation by the Legislature. The Legislature considered it prudent to require the Auditor to review these funds so that it could assess the continuing need for revolving and trust funds.

Section 23-12, HRS, requires the State Auditor to review all existing revolving and trust funds every five years. The reviews are scheduled so that the funds administered by each state department will be reviewed once every five years. This report is the third required under the new law.

Background

In its simplest form, the financing of state government involves raising money through taxes, appropriating legislatively the moneys needed to run state programs, and tracking the use of the moneys. But parallel processes complicate the raising, spending, and accounting for moneys used to finance government. Among these processes is the use of special and revolving funds. The funds are called by different names and are used for many different purposes, but they all share a tendency to skirt many of the standard procedures developed to raise, spend, and account for public moneys through the State's general fund.

Review of special and revolving funds

In 1990, in Act 240, the Legislature required our office to conduct a review of special and revolving funds and to recommend whether they should be continued, modified, or repealed. The Legislature was concerned that the proliferation of these types of funds had diverted resources from the general fund and, as a result, had weakened the Legislature's control over public moneys. Moneys deposited to and spent from special and revolving funds are not subject to the same level of legislative scrutiny as those that are deposited to and expended from the general fund.

During the short legislative session, a limited number of legislative staff must review programs and decide how to allocate scarce resources. Since

staff cannot review all programs, they focus on those programs over which the Legislature has funding authority—programs funded with general fund appropriations.

In view of the proliferation in the number of special and revolving funds and their cumulative impact on the overall financial picture of the state, the Legislature requested the review in Act 240.

We have now completed the review of special and revolving funds required by Act 240. The results of those reviews were presented in five separate reports issued in 1991 and 1992. We reviewed 166 special and revolving funds and recommended that 70 of them be repealed, discontinued, or sunsetted in the future. We also found that many funds held cash balances far in excess of program needs and recommended that excess cash be transferred to the general fund.

Current review of revolving and trust funds

Section 23-12, HRS expands the concept in Act 240, 1990. Instead of *special* and revolving funds, it now requires our office to review existing revolving and *trust* funds at least once every five years.

These funds are exempt from the appropriations process and statutory controls over their use are limited to the following: (1) they cannot be expended or obligated in excess of amounts available, or (2) for any purpose contrary to the intent of the fund. Otherwise, the funds may be expended without legislative appropriation or allotment.

The Legislature has expressed concern that these funds may no longer be necessary and amended Chapter 23, HRS, to require our office to review all revolving and trust funds at least once every five years. The review is to include a five-year financial summary, an evaluation of the original intent and purpose of each fund, and the degree to which each fund achieves its stated purpose. The review must also evaluate performance standards established for each fund by each agency.

Our current review is modeled after our prior reviews of special and revolving funds. It updates the reviews of revolving funds that we had done under Act 240 and adds a five-year financial summary to each of them. We then review all trust funds established under either statutory or administrative authority.

Description of Revolving and Trust Funds

Revolving funds

Section 37-62, HRS, 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.”

Revolving funds are often established with an appropriation of seed money from the general fund. Activities financed by revolving funds include loan programs that are initially established by general fund seed moneys and then replenished through the repayment of loans. The state motor pool fund is another example of a revolving fund. The fund purchases and maintains the State’s fleet of motor vehicles and is replenished by charges to state agencies for the use of the vehicles.

Trust funds

State statute and the comptroller define trust funds differently. The statute calls a trust fund a fund and the comptroller calls it a self-balancing group of accounts, but both definitions agree that trust funds account for assets held by the State for the benefit of others. Trust funds invoke a fiduciary responsibility of state government to care for and use the assets held for the benefit of those with a vested interest in the assets. A pension fund is one example of a trust fund. Contributions and payments into the fund are to be held to benefit beneficiaries of the pension fund. Tenants’ security deposits are held in trust fund accounts. Until forfeited or returned, the deposits are the property of the tenants and should be accounted for accordingly.

Trust accounts

Because of limitations in the state’s Financial Accounting and Management Information System (FAMIS), the comptroller routinely establishes trust accounts as separate holding or clearing accounts for state agencies. Often it is an accounting device to credit or charge agencies or projects for payroll or other costs. The comptroller maintains a trust fund ledger with entries for all transactions relating to each trust account. “Each account in the Trust Fund Ledger shows the receipts, payments, and other entries affecting the account.”¹ Most trust accounts that we reviewed were established administratively. Some are clearing accounts that agencies are authorized to hold outside the State Treasury.

Criteria for Reviewing Revolving and Trust Funds

We used the same criteria to review *revolving funds* as we had used in our prior review of special and revolving funds.² The criteria for revolving funds are the extent to which each fund:

- Continues to serve the purpose for which it was originally created;
- 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 that is removed from the normal budget and appropriations process; and
- Demonstrates the capacity to be financially self-sustaining.

The first and second criteria were taken from Act 240, SLH 1990. The third criterion of being financially self-sustaining was developed by our office from a review of public finance literature. A revolving fund “earns” its status to be exempt from the legislative appropriations process by demonstrating that it can meet all of its operating expenditures through its own program revenues. Infusions of general fund appropriations should not be necessary to meet its objectives.

We did not evaluate the performance standards established by agencies for the funds as requested by Section 23-12, HRS, since none of the agencies had established performance standards. For both revolving and trust funds, we assumed they were meeting performance standards if they were meeting the purpose for which they had been established and our criteria.

The criteria used to review *trust funds* are the extent to which each fund:

- Continues to serve the purpose for which it was originally created;
- Provides the benefits or services originally intended to the beneficiaries; and
- Requires no general fund appropriation.

The first two criteria were taken from the first two objectives of Section 23-12, HRS, asking for (1) an evaluation of the original intent of each fund, and (2) the degree to which each fund achieves its stated purpose. The third criterion assesses whether the fund depends upon general fund

appropriations. If general fund appropriations are needed to finance its activities (as opposed to providing seed moneys only), classification of the fund as a trust fund may not be warranted.

Similar criteria were used for the review of *trust accounts*. These are the extent to which each account:

- Continues to serve the purpose for which it was created; and
- Requires no general fund appropriation.

Objectives of the Review

1. To identify and review each of the revolving and trust funds of the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services.
2. To provide a five-year fiscal summary for each fund reviewed.

Scope and Methodology

This review examines those funds administered by or administratively attached to the Judiciary, and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services.

We researched the legislative history or other supporting documents to determine each fund's 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, we interviewed key fiscal and program personnel. The financial information shown for the five years are unaudited amounts obtained from the agencies. We then applied the criteria explained in this chapter.

Our work was performed from June 1995 through November 1995 in accordance with generally accepted government auditing standards.

Chapter 2

Judiciary

This chapter presents the results of our review of one revolving fund, one trust fund, and nine trust accounts used by the Judiciary. For each fund or account, we present a five-year financial summary, the purpose of the fund or account, and conclusions about its use. We do not present any conclusions about the effectiveness of the program, its management, or whether the program should be continued. We present alphabetically first those funds and accounts established by statutory authority followed by those accounts established under administrative authority.

Funds Established Under Statutory Authority

Administrative Director Services-Bid Deposits, Section 103-28, HRS

Financial Data for Fiscal Years 1991-1995 (In Thousands)					
	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$7	\$8	\$21	\$49	\$23
Receipts	19	21	48	23	0
Appropriations					
Interest					
Expenditures	(18)	(8)	(20)	(49)	(23)
Transfers					
Ending Balance	\$8	\$21	\$49	\$23	\$0

This trust fund was created in 1987 pursuant to Section 103-28, HRS, to account for moneys related to bid and performance deposits. Bidders are required by law to submit contract bid and performance deposits. This trust fund is used as a temporary holding account for the moneys. Bid and performance deposits are returned to each payor upon execution or satisfactory completion of the contract. The fund serves the purpose for which it was originally created. The trust fund does not incur any expenses or receive any general fund appropriations.

Supreme Court Law Library Revolving Fund, Section 601-3.5, HRS

Financial Data for Fiscal Years 1991-1995 (In Thousands)

	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance				\$0	\$15
Receipts				81	86
Appropriations					
Interest					
Expenditures				(91)	(68)
Transfers*				25	
Ending Balance				\$15	\$33

*Funds transferred from the Supreme Court Law Library Special Fund

A Supreme Court Law Library Special Fund was created in 1990 to account for all fines and other revenues derived from the operations of the Supreme Court Law Library. Act 64, SLH 1993, changed this special fund to a revolving fund and the balance was transferred accordingly. Moneys are used to replace or repair lost, damaged, stolen, unreturned, or outdated library materials and to support and improve library services. The fund is operating as intended. Fees and fines received are used to replace library materials. There is a direct link between fees and fines for lost or damaged materials and the cost of replacing or repairing them. The fund is also self-sustaining. The fund therefore meets all three criteria for revolving funds.

Accounts Established Under Administrative Authority

Alternative Dispute Resolution Account

Financial Data for Fiscal Years 1991-1995 (In Thousands)

	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$1	\$20	\$11	\$7	\$46
Receipts	70	30	13	70	66
Appropriations					
Interest					
Expenditures	(51)	(39)	(17)	(31)	(85)
Transfers					
Ending Balance	\$20	\$11	\$7	\$46	\$27

This trust account was created administratively in 1988 to account for moneys received by the Alternative Dispute Resolution Program. The Alternative Dispute Resolution Program facilitates alternative means of resolving disputes such as mediation and arbitration instead of going

through the court system. Litigants are required to advance funds with the Alternative Dispute Resolution Office to pay for mediation and arbitration services. Moneys collected are disbursed to the mediators and arbitrators for services rendered. Excess moneys are returned to the payors. This trust account is being used as a temporary holding account and serves the purpose for which it was created.

Board of Certified Shorthand Reporters Account

Financial Data for Fiscal Years 1991-1995 (In Thousands)					
	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$29	\$28	\$36	\$30	\$35
Receipts	14	15	13	10	12
Appropriations					
Interest					
Expenditures	(15)	(7)	(19)	(5)	(7)
Transfers					
Ending Balance	\$28	\$36	\$30	\$35	\$40

This trust account was created in 1987 under administrative authority to account for the annual certification fees paid by court reporters to the Certification Shorthand Reporters Program. The only source of funding for the program are the fees collected. The fees are used to supervise the examination, certification, and conduct of court reporters engaged in reporting matters before the courts of the State of Hawaii. This trust account is being used as a temporary holding account and serves the purpose for which it was created.

Detention Home Donation Account

Financial Data for Fiscal Years 1991-1995 (In Thousands)					
	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$5	\$4	\$3	\$3	\$5
Receipts	1	0	1	3	4
Appropriations					
Interest					
Expenditures	(2)	(1)	(1)	(1)	(0)
Transfers					
Ending Balance	\$4	\$3	\$3	\$5	\$9

This trust account was created over 20 years ago, under administrative authority, to account for moneys donated by attorneys to the Detention Services Division, Family Court of the First Circuit, which operates a

detention facility for juveniles while they await disposition of their cases. The donated moneys are disbursed to purchase items for the juveniles such as refreshments for holiday occasions, and candies, and to support the detention services program. This trust account is being used as a holding account and serves the purpose for which it was created.

Family Court, Second Circuit Donations Account

Financial Data for Fiscal Years 1991-1995 (In Thousands)

	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Receipts					
Appropriations					
Interest					
Expenditures					
Transfers					
Ending Balance	\$0	\$0	\$0	\$0	\$0

This trust account was created in 1988 administratively to account for moneys donated to the Family Court of the Second Circuit for the purpose of starting up a pilot program which provides counseling, information, and assistance to adults and children involved in a divorce action. This trust account is being used as a holding account. This trust account has had a balance of \$168.00 since 1991 and no money has been expended since then. Since there has been no financial activity for the past five years, the continued need for this trust account is questionable.

Intensive Mediation Workshop Account

Financial Data for Fiscal Years 1991-1995 (In Thousands)

	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance		\$0	\$4	\$4	\$4
Receipts		8	0	0	0
Appropriations					
Interest					
Expenditures		(4)	0	0	0
Transfers					
Ending Balance		\$4	\$4	\$4	\$4

This trust account was established administratively in 1991 to account for registration fees and costs of a workshop conducted to train individuals as mediators/arbitrators for the Alternative Dispute Resolution program.

Each participant paid \$125 for the workshop. This trust account was used as a temporary holding account and served the purpose of accounting for the receipts and expenditures related to the workshop held in 1992. The workshop was completed, and the account has had a balance of \$3,671 since 1992. It would appear that the Judiciary could use this money for some purpose related to the Alternative Dispute Resolution Program.

Restitution, Family Courts Account

Financial Data for Fiscal Years 1991-1995 (In Thousands)					
	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$11	\$21	\$25	\$31	\$36
Receipts	12	8	10	8	8
Appropriations					
Interest					
Expenditures	(2)	(4)	(4)	(3)	(3)
Transfers					
Ending Balance	\$21	\$25	\$31	\$36	\$41

This trust account was created administratively in 1989 to account for moneys donated by businesses and attorneys to Family Courts' Juvenile Monetary Restitution Program. This program allows juvenile offenders to earn money from this trust account by performing community service. Moneys earned by juvenile offenders are paid directly to victims who are due restitution. This trust account serves the purpose for which it was created.

Supreme Court Bar Examination Account

Financial Data for Fiscal Years 1991-1995 (In Thousands)					
	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$108	\$137	\$98	\$74	\$24
Receipts	97	96	93	57	107
Appropriations					
Interest					
Expenditures	(68)	(135)	(117)	(107)	(46)
Transfers					
Ending Balance	\$137	\$98	\$74	\$24	\$85

This trust account was created over 20 years ago, under the Rules of the Supreme Court of the State of Hawaii, to account for filing fees collected from applicants to the Hawaii State Bar. The funds are used by the

Board of Examiners of the Hawaii Bar Examination program to administer the process of admission to the bar of the State of Hawaii. Moneys in this account are held in a checking account outside of the State Treasury. This trust account is being used as a holding account and serves the purpose for which it was created.

Supreme Court Law Library Donation Account

Financial Data for Fiscal Years 1991-1995 (In Thousands)

	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$1	\$1	\$1	\$0	\$0
Receipts					
Appropriations					
Interest					
Expenditures	0	0	1	0	0
Transfers					
Ending Balance	\$1	\$1	\$0	\$0	\$0

This trust account was created over 20 years ago, under administrative authority, to account for moneys donated to the Supreme Court Law Library. The donated moneys are used to purchase library materials. There has been minimal activity in this account. In 1994, the fund expended \$81.00 and now has a balance of \$331.00. This trust account is being used as a holding account and serves the purpose for which it was created.

Volunteer Services Donation Account

Financial Data for Fiscal Years 1991-1995 (In Thousands)

	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$6	\$6	\$5	\$5	\$5
Receipts	1	0	1	1	1
Appropriations					
Interest					
Expenditures	(1)	(1)	(1)	(1)	(1)
Transfers					
Ending Balance	\$6	\$5	\$5	\$5	\$5

This trust account, administratively created over 20 years ago, is used to account for moneys donated to the Volunteers in Public Service (VIPS) Program. The VIPS program recruits and places volunteers into various job activities within the Judiciary. The donated moneys are disbursed for items such as refreshments for volunteers' orientation and swearing-in

ceremonies and reimbursement to volunteers for out-of-pocket expenses. This trust account is being used as a holding account and serves the purpose for which it was created.

Chapter 3

Department of Commerce and Consumer Affairs

This chapter presents the results of our review of three revolving funds, eleven trust funds, and five trust accounts used by the Department of Commerce and Consumer Affairs. For each fund or account, we present a five-year financial summary, the purpose of the fund or account, and conclusions about its use. We do not present any conclusions about the effectiveness of the program, its management, or whether the program should be continued. We present alphabetically first those funds and accounts established by statutory authority followed by those accounts established under administrative authority.

Funds Established Under Statutory Authority

Commissioner's Education and Training Fund, Section 431:2-214, HRS

Financial Data for Fiscal Years 1991-1995 (In Thousands)					
	FY 1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$78	\$121	\$164	\$222	\$343
Receipts	71	88	102	182	194
Appropriations					
Interest	0	0	0	1	6
Expenditures	(28)	(45)	(44)	(62)	(75)
Transfers					
Ending Balance	\$121	\$164	\$222	\$343	\$468

This fund was created in 1987. Its original purpose was to account for the receipt and expenditure of moneys for educating and training personnel of the insurance division. Act 205, SLH 1993 amended the statute so that the fund may also be used to pay the cost of consumer education and information. The receipts of the fund are from fees assessed of licensed insurers. The trust fund serves the purpose for which the fund was originally created and continues to serve the intended beneficiaries—the insurance division personnel. Similarly, with the 1993 amendment, the fund may now be used to serve consumers. The fund receives no general fund appropriations.

**Condominium Management Education Fund,
Section 514A-131, HRS**

Financial Data for Fiscal Years 1991-1995 (In Thousands)					
	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$177	\$329	\$376	\$426	\$495
Receipts	223	238	247	275	268
Appropriations					
Interest	0	0	0	3	3
Expenditures	(71)	(191)	(197)	(209)	(306)
Transfers					
Ending Balance	\$329	\$376	\$426	\$495	\$460

This trust fund was created in 1989 to finance and promote the Real Estate Commission's education and research in condominium management and registration, and to improve the administration of condominium associations. Assessments are made upon condominium associations and condominium developers. The trust fund serves the purpose for which the fund was originally created and continues to serve the intended beneficiaries. Condominium associations, boards of directors, and apartment owners benefit from the comprehensive education and research program supported by the fund. The fund receives no general fund appropriations.

Contractors Education Fund, Section 444-29, HRS

Financial Data for Fiscal Years 1991-1995 (In Thousands)					
	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$32	\$36	\$33	\$18	\$18
Receipts					
Appropriations					
Interest*	17	9	10	6	7
Expenditures	(13)	(12)	(25)	(6)	(10)
Transfers					
Ending Balance	\$36	\$33	\$18	\$18	\$15

*Interest earnings are primarily from the investment of Contractor's Recovery Fund cash balances.

This fund was created in 1973 for the Contractors License Board to finance the board's educational programs. Contractors finance the fund from the interest earned on amounts they have paid into the Contractors Recovery Fund. Additionally, interest is earned on the Contractors Education Fund investments. The fund is used to educate the public about the benefits of using licensed contractors. It also supports the education

of licensees, board members and staff. The trust fund serves the purpose for which the fund was originally created and continues to serve the intended beneficiaries—the consuming public, licensees, board members, and staff. The fund receives no general fund appropriations.

Contractors Recovery Fund, Section 444-26, HRS

Financial Data for Fiscal Years 1991-1995 (In Thousands)					
	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$435	\$464	\$422	\$435	\$260
Receipts	107	88	112	85	461
Appropriations					
Interest					
Expenditures	(78)	(130)	(99)	(260)	(196)
Transfers					
Ending Balance	\$464	\$422	\$435	\$260	\$525

This fund was created in 1973 for the Contractors License Board to provide a remedy of recovery of damages for any person injured by an act, representation, transaction or conduct of a duly licensed contractor, which is a violation of the HRS, or Hawaii Administrative Rules. The amount awarded for damages sustained shall not exceed \$12,500 per contract. The Contractors License Board, as the trustee of the recovery fund, retains private legal counsel to represent the Board in any action which may result in collection from the recovery fund. Act 170, SLH 1973, established the Contractors Recovery Fund by requiring every contractor to pay a non-refundable fee into the fund. Currently, the fee is \$150.00 upon licensure. The law specifies that additional payments shall be assessed not to exceed \$250.00 when the fund balance is less than \$250,000 on December 31 of any year. The trust fund serves the purpose for which the fund was originally created and continues to serve the intended beneficiaries—the public. The fund receives no general fund appropriations.

Hurricane Reserve Trust Fund, Section 431P-16, HRS

Financial Data for Fiscal Years 1991-1995 (In Thousands)					
	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance				\$0	\$26,050
Receipts				26,842	89,620
Appropriations					
Interest				50	398
Expenditures				(842)	(80,415)
Transfers					
Ending Balance				\$26,050	\$35,653

This trust fund was created in 1993 to receive moneys to be used by the Hawaii Hurricane Relief Fund (HHRF). An appointed board of directors is the policy making body for the HHRF. The HHRF is empowered to assess the availability of hurricane insurance from all sources and to provide hurricane insurance coverage should the private market prove unreliable. The sources of revenues that are deposited in the trust fund include special mortgage recording fees, assessments from insurance companies, and premiums from policies of hurricane property insurance. Should insurance claims exceed the moneys in the trust fund, the HHRF is authorized to increase the assessments from insurance companies and to levy a surcharge not to exceed seven and one-half per cent a year on premiums charged for policies issued by all licensed property and casualty insurers. The fund serves the purpose for which it was originally created and continues to serve the intended beneficiaries—the HHRF policyholders. The fund receives no general fund appropriations.

Insurance Examiner’s Revolving Fund, Section 431:2-307, HRS

Financial Data for Fiscal Years 1991-1995 (In Thousands)

	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$184	\$231	\$194	\$167	\$722
Receipts	77	281	363	1,241	1,175
Appropriations					
Interest	7	13	8	2	2
Expenditures	(37)	(331)	(398)	(688)	(818)
Transfers					
Ending Balance	\$231	\$194	\$167	\$722	\$1,081

This fund was created in 1985 to fund the cost of examinations of insurance companies. Act 207, SLH 1989, amended the statute so that the fund may also be used for education and training of insurance division staff examiners and administrative support personnel. Revenues of the fund consist of payments for examination costs from insurance entities for expenses when independent contract examiners perform work. Additionally, each authorized insurer plays \$550.00 annually into the fund. There is linkage between the benefits sought and the charges made upon the users because the fees assessed against regulated insurers are used to fund examination and related costs of the insurance regulators. The fund continues to serve its original purpose. It is also self-sustaining. The fund meets all three criteria for revolving funds.

**No-Fault Administration Revolving Fund,
Section 431:10C-115.5, HRS**

Financial Data for Fiscal Years 1991-1995 (In Thousands)					
	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance			\$0	\$661	\$941
Receipts			811	1,042	2,657
Appropriations					6
Interest					
Expenditures			(150)	(762)	(1,571)
Transfers					
Ending Balance			\$661	\$941	\$2,033

This revolving fund was created in 1992 to fund the costs of administering the State's no-fault automobile insurance law. Disbursements from the fund include the costs of peer review of treatment and rehabilitation services for injuries covered by no-fault insurance, costs related to public education and information, costs related to closed claims studies and other studies and evaluations relating to motor vehicle insurance, and the cost of five no-fault insurance compliance and investigation staff members. Revenues of the fund consist of payments from every insurer when it challenges a no-fault insurance claim. The challenged claim is submitted to a peer review organization for a determination. The insurer pays a fee of \$200.00, plus the cost of the peer review. Additionally, each insurer authorized to transact motor vehicle insurance and each self-insurer pays an annual amount into the fund determined by the commissioner. There is linkage between the benefits sought and charges made upon the users because the fees assessed regulated insurers and those self insured under the no-fault law are used to fund the costs of administering the no-fault law. The fund continues to serve its original purpose and is self-sustaining. The fund therefore meets all three criteria for revolving funds.

Patient Compensation Fund, Section 671-31, HRS

Financial Data for Fiscal Years 1991-1995 (In Thousands)					
	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$541	\$534	\$547	\$567	\$570
Receipts					
Appropriations					
Interest	7	15	20	3	25
Expenditures	(14)	(2)	0	0	0
Transfers					
Ending Balance	\$534	\$547	\$567	\$570	\$595

This trust fund was created in 1976 to provide doctors with medical malpractice insurance for coverage in excess of \$100,000. It afforded doctors higher limits for medical malpractice insurance coverage when availability in the market place was very difficult to obtain. The participating doctors paid into the fund a surcharge on the underlying premiums. The insurance commissioner was authorized to pay from the fund when the judgment award or settlement was in excess of \$100,000 for participating doctors. The fund was repealed by Act 232, SLH 1984 because the claims exceeded the available funds and the fund was insolvent. The director of DCCA is to continue administering the fund until the moneys in the fund are exhausted. Presently, the outstanding known claims against the fund are \$4.8 million. The fund balance at the end of FY1995 was \$595,000. When a final determination is made on all claims, a pro rata distribution of all assets in the fund will be made. The fund received no general fund appropriations.

Public Broadcasting Revolving Fund, Section 314-13, HRS

Financial Data for Fiscal Years 1991-1995 (In Thousands)

	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$2,739	\$2,893	\$3,384	\$2,837	\$2,664
Receipts	2,286	2,998	2,328	2,863	3,269
Appropriations					
Interest	47	49	32	22	73
Expenditures	(2,179)	(2,556)	(2,907)	(2,958)	(2,661)
Transfers*				(100)	
Ending Balance	\$2,893	\$3,384	\$2,837	\$2,664	\$3,345

*Transfer to Department of Accounting and General Services to pay for painting the Hilo Translator Station Tower

This fund was created in 1972 when the Hawaii Public Broadcasting Authority was established. Its original purpose was to account for the receiving and expending of funds derived from private sources for services and airtime and for state funds specifically appropriated for deposit into the fund. During the past five fiscal years, no general funds have been appropriated to this fund. However, the authority receives general funds for certain operational costs for its day-to-day operations. The revolving fund continues to serve its original purpose. Receipts include membership and viewer donations, corporate grants and contributions, cable franchise fees, and federal grant money from the Corporation of Public Broadcasting. Expenditures of the revolving fund include the purchase of goods and services required to broadcast television programs to the viewers of the State of Hawaii. The fund is also used to locally produce programs of state, national and international interests. The relationship

between the benefits sought and donations made is direct because those who benefit from public television finance the programs through contributions and grants. The fund is self-sustaining. It therefore meets all three criteria for revolving funds.

Real Estate Appraisers, Section 466K, HRS

Financial Data for Fiscal Years 1991-1995 (In Thousands)					
	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$0	\$1	\$17	\$13	\$12
Receipts	1	16	4	22	4
Appropriations					
Interest					
Expenditures	0	0	(8)	(23)	(12)
Transfers					
Ending Balance	\$1	\$17	\$13	\$12	\$4

This trust account was created to be used as a clearing account for a \$25.00 annual registry fee for certified real estate appraisers mandated by the Federal Financial Institutions Examination Council (FFIEC). Each state is required to collect the \$25.00 annual fee and then transfer the total collected fees to the FFIEC. Federal law also requires the establishment of a federal registry of all real estate appraisers. Only appraisers on the registry are authorized to perform appraisal for properties involving federal transactions such as HUD and VA loans. Failure of a state to collect and transfer the registry fee is a violation of the federal law, and results in the removal of that state's licensed/certified appraisers from the registry. This trust account is being used as a clearing account and serves the purpose for which it was created.

Real Estate Education Fund, Section 467-11, HRS

Financial Data for Fiscal Years 1991-1995 (In Thousands)					
	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$1,117	\$1,298	\$867	\$1,067	\$570
Receipts	963	110	812	82	695
Appropriations					
Interest	71	45	59	38	39
Expenditures	(853)	(592)	(671)	(617)	(543)
Transfers					
Proceeds from disposal of equipment			6		
Ending Balance	\$1,298	\$867	\$1,067	\$570	\$761

Created in 1967, this fund was established to finance educational programs of the Real Estate Commission. Receipts of the fund consist of license fees charged each licensee and all interest earned on the Real Estate Recovery Fund. Additionally, interest is earned on the Real Estate Educational Fund investments. The fund is used to promote the advancement of education and research in the field of real estate for the benefit of the public and licensees, and for the improvement and more efficient administration of the real estate industry. The trust fund serves the purpose for which the fund was originally created and continues to serve the intended beneficiaries—the public and licensees. The fund receives no general fund appropriations.

Real Estate Recovery Fund, Section 467-16, HRS

Financial Data for Fiscal Years 1991-1995 (In Thousands)

	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$1,000	\$1,075	\$1,104	\$910	\$919
Receipts	135	98	73	60	59
Appropriations					
Interest					
Expenditures	(60)	(69)	(267)	(51)	(46)
Transfers					
Recoveries					
Ending Balance	\$1,075	\$1,104	\$910	\$919	\$932

This fund was created in 1967 for the Real Estate Commission to compensate persons aggrieved by the fraud, misrepresentation, or deceit of a real estate licensee. The maximum payment from the fund, set by statute, is \$25,000 per transaction and \$50,000 per licensee. Expenditures from the fund have paid for claims, legal services and audits. Each new real estate licensee makes a one-time contribution of \$50.00 to the fund. If the fund balance falls below \$350,000, every real estate licensee may be assessed an additional payment. The trust fund serves the purpose for which the fund was originally created and continues to serve the intended beneficiaries—claimants who have been injured by the acts of real estate licensees. The fund receives no general fund appropriations.

Restitution Fund, Section 487-14(c), HRS

Financial Data for Fiscal Years 1991-1995 (In Thousands)					
	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance		\$0	\$5	\$5	\$88
Receipts		14	11	497	46
Appropriations					
Interest					
Expenditures		(9)	(11)	(414)	(6)
Transfers					
Ending Balance		\$5	\$5	\$88	\$128

This trust fund was created in 1991 as a temporary holding account for moneys received or recovered by the Office of Consumer Protection (OCP). Receipts of the fund are from defendants in civil proceedings who, by agreement or court order are required to pay a specified sum as restitution to consumers. The restitution fund is an account into which a restitution is deposited and from which checks are made payable to the individual consumers. This trust fund serves the purpose for which it was originally created and continues to serve the intended beneficiaries—consumers. The fund receives no general fund appropriations.

Travel Agency Education Fund, Chapter 468K, HRS

Financial Data for Fiscal Years 1991-1995 (In Thousands)					
	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$48	\$49	\$44	\$27	\$21
Receipts	0	6	0	0	0
Appropriations					
Interest	7	1	0	0	0
Expenditures	(6)	(12)	(17)	(6)	0
Transfers					
Ending Balance	\$49	\$44	\$27	\$21	\$21

Travel Agency Recovery Fund, Chapter 468K, HRS

Financial Data for Fiscal Years 1991-1995 (In Thousands)					
	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$65	\$49	\$26	\$0	\$0
Receipts	18	5	0	0	0
Appropriations					
Interest					
Expenditures	(34)	(28)	(26)	0	0
Transfers					
Ending Balance	\$49	\$26	\$0	\$0	\$0

The Department of Commerce and Consumer Affairs maintained two trust funds for travel agencies: an education fund and a recovery fund. The education fund was to be used to inform licensees and public about the travel agency law. The recovery fund was to be used to pay customers' claims against insolvent travel agencies. Act 285, SLH 1991 repealed Chapter 468K and, although both funds were sunsetted, moneys remaining in the recovery fund were to be held for disbursement to claimants until the fund was exhausted. The disbursements were limited to claims arising from travel services purchased prior to October 1, 1991 where the claimant filed a lawsuit before October 1, 1993. By the end of FY1993, the recovery fund had a balance of only \$22.00. Act 41, SLH 1994 provided the authorization to use funds from the education fund to pay for any claim or expense of the recovery fund until the fund is exhausted. There are three outstanding claims against the funds. The two funds will be closed when these claims are settled or the funds are exhausted.

**Trust Clearing Account (Subdivision/Time Share),
Sections 484-10(i) and 514E-10.5, HRS**

Financial Data for Fiscal Years 1991-1995 (In Thousands)

	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$82	\$100	\$128	\$101	\$111
Receipts	214	394	276	274	345
Appropriations					
Interest					
Expenditures	(196)	(366)	(303)	(264)	(261)
Transfers					
Ending Balance	\$100	\$128	\$101	\$111	\$195

This trust account was created as a clearing account. The account is a repository for moneys collected from subdividers to pay the cost of a consultant's review of subdivision applications for preliminary or final order of registration. The total cost of consultant services are borne by the subdivider. Subdividers pay \$650.00 which is deposited into this fund. Upon receipt of an invoice after review, appropriate refunds or additional collections are made. This account is also a repository for moneys deposited by time share developers to pay for all services rendered by a state consultant to review a time share development plan. The plan must be in compliance with the time share law and rules prior to acceptance for registration. This trust account is being used as a clearing account and serves the purpose for which it was created.

Accounts Established Under Administrative Authority

Donation-Appreciation Account

Financial Data for Fiscal Years 1991-1995 (In Thousands)					
	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$ 1	\$ 1	\$ 3	\$ 3	\$ 4
Receipts	0	2	0	1	0
Appropriations					
Interest					
Expenditures					
Transfers					
Ending Balance	\$ 1	\$ 3	\$ 3	\$ 4	\$ 4

This trust account was created administratively in 1982 to account for moneys donated to Hawaii Public Television from individuals for the primary purpose of expressing appreciation to volunteers, donors and corporate underwriters. Contributors must designate their contributions to this fund. The fund is used by the Hawaii Public Broadcasting Authority with the approval of the Director of the Department of Commerce and Consumer Affairs. The fund is used to purchase items and services such as gifts of flowers, leis, plaques, certificates of appreciation, and coffee and pastries. This trust account serves the purpose for which it was created.

Donation-Promotion Account

Financial Data for Fiscal Years 1991-1995 (In Thousands)					
	FY1991	FY1992	FY1993	Y 1994	FY1995
Beginning Balance	\$ 8	\$ 7	\$ 9	\$ 12	\$ 11
Receipts	0	8	3	0	0
Appropriations					
Interest					
Expenditures	(1)	(6)	0	(1)	0
Transfers					
Ending Balance	\$ 7	\$ 9	\$ 12	\$ 11	\$ 11

This trust account was created administratively in 1982 to receive funds donated to Hawaii Public Television from individuals and corporations for promotional purposes. These revenues must be designated for this fund by contributors. The fund is used by the Hawaii Public Broadcasting Authority with the approval of the Director of the Department of Commerce and Consumer Affairs. Promotional purposes would include special events, fund raising activities, and premieres. This trust account serves the purpose for which it was created.

Premium Taxes Paid Pending Appeal Account

Financial Data for Fiscal Years 1991-1995 (In Thousands)

	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$85,924	\$106,692	\$124,403	\$139,311	\$32,737
Receipts	20,768	17,711	14,908	16,596	15,269
Appropriations					
Interest					
Expenditures	0	0	0	(123,170)	(10)
Transfers					
Ending Balance	\$106,692	\$124,403	\$139,311	\$32,737	\$47,996

This trust account was created administratively in 1983 to be used as an escrow account to deposit all premium tax payments made under protest by foreign and alien insurance companies. The tax payments are protested because of favorable tax treatments afforded domestic insurers. The State settled one of the tax treatment issues in 1993, and the related deposits were distributed to the protesting insurers and the general fund. Some foreign insurance companies continue to file their premium tax payments under protest. This trust account is being used as an escrow account and serves the purpose for which it was created.

Chapter 4

Department of Hawaiian Home Lands

This chapter presents the results of our review of two revolving funds used by the Department of Hawaiian Home Lands. For each fund, we present a five-year financial summary, the purpose of the fund, and conclusions about its use. We do not present any conclusions about the effectiveness of the program, its management, or whether the program should be continued. We present alphabetically the two revolving funds established by statutory authority.

Hawaiian Home General Loan Fund Section 213(c), Hawaiian Homes Commission Act

Financial Data for Fiscal Years 1991-1995 (In Thousands)					
	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$11,288	\$14,050	\$12,964	\$14,314	\$14,538
Receipts	1,865	1,841	1,962	3,261	2,449
Appropriations					
Interest					
Expenditures	(3,127)	(2,927)	(2,462)	(3,037)	(5,377)
Transfers*	4,024		1,850		
Ending Balance	\$14,050	\$12,964	\$14,314	\$14,538	\$11,610

*Transfers are from the Hawaiian Home Receipts Fund for additional loan capitalization.

Act 249, SLH, 1986, amended the Hawaiian Homes Commission Act and consolidated five existing revolving loan funds into the Hawaiian Home General Loan Fund. This revolving fund makes loans to native Hawaiians for purposes such as the following: repair, maintenance, purchase or erection of dwellings on any tract and any permanent improvements; purchase of livestock and farm equipment; assistance in developing land; farm loans not to exceed \$50,000; and commercial loans. This fund continues to serve its original purpose by making loans to native Hawaiians. There is a link between the benefits sought and the charges made upon the users because those who receive loans must repay the principal amount. The major source of receipts for this fund is the principal repayment of loans. The fund is self-sustaining. The fund meets all three criteria for revolving funds.

Hawaiian Home Loan Fund Section 213(b), Hawaiian Homes Commission Act

Financial Data for Fiscal Years 1991-1995 (In Thousands)

	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$557	\$832	\$1,028	\$1,211	\$1,287
Receipts	303	207	186	198	163
Appropriations					
Interest Expenditures	(28)	(11)	(3)	(122)	(247)
Transfers					
Ending Balance	\$832	\$1,028	\$1,211	\$1,287	\$1,203

The Hawaiian Home Loan Fund was established in 1921 to provide loans to native Hawaiian lessees to purchase surrendered and canceled lease properties. Loans are made at a statutory interest rate of 2.5 percent a year. The initial source of funding was \$5 million received from the 30 percent receipts from sugar-cane leases and water licenses. This fund continues to serve its original purpose by making loans to native Hawaiians. Receipts of the fund are from loan principal repayments from approximately 108 loans. There is linkage between the benefits sought and the charges made upon the users because those who receive loans must repay the principal amount which is deposited in this revolving fund. The fund is self-sufficient. It therefore meets all three criteria for revolving funds.

Chapter 5

Department of Health

This chapter presents the results of our review of three revolving funds, one trust fund, and one trust account used by the Department of Health. For each fund or account, we present a five-year financial summary, the purpose of the fund or account, and conclusions about its use. We do not present any conclusions about the effectiveness of the program, its management, or whether the program should be continued. We present alphabetically first those funds established by statutory authority followed by those accounts established under administrative authority.

Funds Established Under Statutory Authority

Collections Revolving Funds, Section 323-74, HRS

Financial Data for Fiscal Years 1991 - 1995 (in Thousands)

	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance					\$0
Receipts					69,178
Appropriations					0
Interest					0
Expenditures					(57,088)
Transfers					0
Ending Balance					\$12,090

Three collections revolving funds were created in 1994, one fund each for Maui Memorial Hospital, Kona Hospital, and Hilo Medical Center. These funds were established to expedite the collection of patient bills of less than \$1,000 and refunding of credit balances of less than \$1,000. Deposits to these funds include payments from patients and health insurance providers. These funds serve the purpose for which they were created. There is linkage since the funds are being used as temporary holding accounts to receive patients' funds and to disburse these funds on the patients' behalf to satisfy hospital charges or refund overpayments. These funds are self-sustaining and therefore meet all three criteria for revolving funds.

Environmental Response Revolving Fund, Section 128D-2, HRS

Financial Data for Fiscal Years 1991 - 1995 (In Thousands)

	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$157	\$65	\$133	\$222	\$1,636
Receipts	4	147	125	1,560	2,293
Appropriations	0	50	0	0	0
Interest	8	4	3	9	102
Expenditures	(104)	(133)	(39)	(155)	(394)
Transfers	0	0	0	0	0
Ending Balance	\$65	\$133	\$222	\$1,636	\$3,637

This fund was created in 1988 and capitalized with general fund appropriations of \$150,000 in 1988 and \$50,000 in 1992. The original purpose was to create a fund in which to deposit assessments, court settlements, and awards resulting from unlawful release of hazardous substances. Moneys in the fund were to be used by the department to respond quickly to emergencies created when hazardous substances were released into the environment. In 1991, the original purpose was broadened by statute to allow the department to use the fund to clean up existing, non-emergency, hazardous substance releases. The sources of funds was expanded to include penalties for violating rules on vehicular smoke emission, open burning, water pollution, noise control, solid waste emission, hazardous waste disposal, underground storage tanks, and used oil disposal.

Act 300, SLH 1993, established an environmental response tax of 5 cents on each barrel or fractional part of a barrel of petroleum product sold to any retail dealer or end user, other than a refiner. This tax is deposited into the environmental response revolving fund until the fund balance exceeds \$7 million. At that time, the tax is to be discontinued until the fund balance falls to less than \$3 million, when the tax is to be reinstated. The revenues generated by the environmental response tax are to be used for oil spill planning, prevention, preparedness, education, research, training, removal, land remediation and for direct support for county used oil recycling programs. The tax revenues may also be used to support the underground storage tank program and funding for the acquisition by the State of a soil remediation site and facility. In 1994, the law was amended to require that a unspecified portion of the environmental response tax be used to address concerns relating to drinking water.

The fund continues to serve the purpose for which it was intended—it is used to clean up hazardous substances releases. Only awards, assessments, or penalties imposed on those actually responsible for the releases are linked to the cost of cleaning up those releases. The

environmental response tax and the other penalties and fines that are assessed for violating any number of other environmental pollution rules often have no linkage to the other authorized uses of the fund. Therefore the fund does not meet the criterion of linkage. The fund is self-sustaining.

Water Pollution Control Revolving Fund, Section 342D-54, HRS

Financial Data for Fiscal Years 1991 - 1995 (In Thousands)

	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$52,661	\$53,167	\$54,777	\$51,847	\$46,199
Receipts	0	14,640	522	14,438	23,404
Appropriations	0	13,000	0	3,900	0
Interest	4,173	2,308	1,787	2,050	3,916
Expenditures	(3,667)	(28,338)	(5,239)	(26,036)	(52,936)
Transfers	0	0	0	0	0
Ending Balance	\$53,167	\$54,777	\$51,847	\$46,199	\$20,583

This fund was created in 1988 to comply with federal requirements and to provide loans to government agencies for the planning, design, and construction of public wastewater treatment facilities. In 1991, the state law was amended to allow the fund to be used for providing grants in addition to loans. The fund continues to serve its original and current purpose. Public Law 100-4 provides for federal grants to capitalize a state revolving fund. This fund is required because pursuant to the federal law, the State is required to establish and maintain a revolving fund in order to qualify for federal capitalization grants.

Community Hospitals Trust Funds, Sections 323-69 and 323-72, HRS

Financial Data for Fiscal Years 1991 - 1995 (In Thousands)

	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$529	\$556	\$517	\$511	\$503
Receipts	1,500	1,372	1,611	1,670	2,041
Appropriations					
Interest					
Expenditures	(1,473)	(1,411)	(1,617)	(1,678)	(2,000)
Transfers					
Ending Balance	\$556	\$517	\$511	\$503	\$544

The financial data presents the total for numerous trust funds and accounts used by the State Community Hospitals. These trust funds were authorized in 1989 to account for donations, gifts, grants, temporary deposits, and patients' personal cash. The hospitals may receive and manage money or property received from sources other than the Legislature or any federal appropriation to improve facilities or equipment, or aid patients or employees. Also trust funds have been established to receive patients' funds and to disburse these funds on the patients' behalf. The beneficiaries of the expenditures are the public health facilities and its employees and patients. These trust funds serve the purpose for which they were created and require no general fund support.

**Accounts
Established Under
Administrative
Authority**

Donations, Gifts, and Grants Accounts

	Financial Data for Fiscal Years 1991 - 1995 (In Thousands)				
	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$894	\$788	\$1,094	\$1,595	\$1,788
Receipts	2,325	2,913	3,589	3,142	2,775
Appropriations	0	0	0	0	0
Interest	15	12	4	3	3
Expenditures	(2,446)	(2,619)	(3,092)	(2,952)	(3,426)
Transfers					
Ending Balance	\$788	\$1,094	\$1,595	\$1,788	\$1,140

The financial data presents the total for several trust accounts created to be holding accounts for donations, gifts, and grants. Donations and gifts are from private foundations and individuals. Grants are from private foundations, the counties, and other state agencies. The beneficiaries of the expenditures are patients and clients of the Department of Health. These trust accounts are being used as holding accounts and serve the purpose for which they were created.

Chapter 6

Department of Human Services

This chapter presents the results of our review of five revolving funds and nine trust accounts used by the Department of Human Services. For each fund or account, we present a five-year financial summary, the purpose of the fund or account, and conclusions about its use. We do not present any conclusions about the effectiveness of the program, its management, or whether the program should be continued. We present alphabetically first those funds established by statutory authority followed by those accounts established under administrative authority.

Funds Established Under Statutory Authority

Blind Shop Revolving and Handicraft Fund, Section 347-12, HRS

Financial Data for Fiscal Years 1991-1995 (In Thousands)

	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$92	\$39	\$35	\$15	\$74
Receipts	755	812	753	791	737
Appropriations	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(808)	(816)	(773)	(732)	(786)
Transfers	0	0	0	0	0
Ending Balance	\$39	\$35	\$15	\$74	\$25

This fund was created in 1941 to deposit receipts from the sale of products made by the blind in their homes or in workshops and to pay for the materials and labor. The fund continues to serve the purpose for which it was created. There is a direct link between the benefits sought and the charges made upon the users because those persons creating the products support the costs of the activity through the sale of their products. The fund is self-sustaining. Labor and material costs are paid out of the sales receipts. The fund therefore meets all three criteria for revolving funds.

Housing for Elders Revolving Fund, Section 359-53, HRS**Financial Data for Fiscal Years 1991-1995 (In Thousands)**

	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance		\$0	\$461	\$579	\$670
Receipts		736	921	1,057	1,316
Appropriations					
Interest		7	11	12	28
Expenditures		(607)	(814)	(978)	(1,044)
Transfers*		325			
Ending Balance		\$461	\$579	\$670	\$970

*Transfer in from Housing Revolving Fund

This fund was created in 1976. The fund was transferred from the Housing Finance and Development Corporation to the Hawaii Housing Authority in 1990 and became active on July 1, 1991. The fund was created to support the management, operations, and maintenance of housing for the elderly. The fund is serving its intended purpose. The fund supports housing projects for elderly individuals and families on Oahu. Because tenants are charged rental and other fees for residency in the projects, there is a link between the benefits sought and the charges made to users. The fund is also self-sustaining. The fund therefore meets all three criteria for revolving funds.

Housing Revolving Fund, Section 359-13, HRS**Financial Data for Fiscal Years 1991-1995 (In Thousands)**

	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$960	\$2,745	\$845	\$1,532	\$2,091
Receipts	5,247	2,953	4,386	5,365	3,913
Appropriations					
Interest	0	9	4	1	0
Expenditures	(3,462)	(4,537)	(3,703)	(4,807)	(4,419)
Transfers*		(325)			
Ending Balance	\$2,745	\$845	\$1,532	\$2,091	\$1,585

*Transfer to Housing for Elders Revolving Fund

This fund was created in 1947 to support the activities of the Hawaii Housing Authority in the development and administration of public housing. The fund continues to serve the purpose for which it was created. It is being used to collect rents and fees for the administration of the authority's rental housing projects for low income families. There is a direct link between the benefits sought and the charges made upon the

users because tenants are charged rent and other fees for residency in these projects. The program is essentially self-sustaining. Although some general fund appropriations have been made to fund major repairs, ongoing operating expenses are paid from rental revenues. The fund therefore meets all three criteria for revolving funds.

Randolph-Sheppard Revolving Account, Section 347-12.5, HRS

Financial Data for Fiscal Years 1991-1995 (In Thousands)

	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance		\$0	\$83	\$245	\$260
Receipts		408	530	633	213
Appropriations		0	0	0	0
Interest		14	9	4	10
Expenditures		(536)	(616)	(622)	(144)
Transfers*		197	239	0	0
Ending Balance		\$83	\$245	\$260	\$339

*This account was activated as a revolving fund in 1992. The Department had previously deposited moneys in a Vending Machine Income Account. This account was closed and the remaining balances were transferred to this revolving fund in fiscal years 1992 and 1993.

This fund was established in 1991 to provide blind persons with remunerative employment to foster independence and make themselves self-supporting. Some 32 licensed blind vending facility operators benefit from the revolving fund by way of benefits and periodic training. Revenues are derived primarily from commissions on vending machine income generated by vending machines on federal, state, and county properties. The fund continues to serve the purpose for which it was created. There is a link between the benefits sought and the charges made upon the users because the blind vendors support the costs of the activity through the sale of their merchandise. The fund is self-sustaining. The fund meets all three criteria for revolving funds.

Teachers' Housing Revolving Fund, Section 359-2, HRS

Financial Data for Fiscal Years 1991-1995 (In Thousands)

	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$280	\$401	\$149	\$175	\$327
Receipts	408	253	248	295	294
Appropriations					
Interest	7	5	0	2	11
Expenditures	(294)	(407)	(222)	(145)	(134)
Transfers*	0	(103)	0	0	0
Ending Balance	\$401	\$149	\$175	\$327	\$498

*Transfer to Housing Finance Development Corporation to construct housing for teachers.

This fund was created in 1969 to support the development and administration of housing for teachers of the Department of Education. Teacher housing was to be provided only in areas that did not have adequate housing at reasonable cost. The fund continues to serve the purpose for which it was created. It is used for the operation and maintenance of teacher housing on the neighbor islands. Since teachers are charged rent for their housing, there is a direct link between the benefits sought and the charges made upon the users. The fund is self-sustaining. Rent payments cover all operating costs. Thus, the fund meets all three criteria for revolving funds.

Accounts Established Under Administrative Authority

Donations Account

Financial Data for Fiscal Years 1991-1995 (In Thousands)

	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$4	\$4	\$5	\$4	\$8
Receipts	4	4	4	7	5
Appropriations	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(4)	(3)	(5)	(3)	(3)
Transfers	0	0	0	0	0
Ending Balance	\$4	\$5	\$4	\$8	\$10

This trust account was created to account for donations to provide services to blind and visually impaired individuals, not otherwise possible through public funds. The donations are used to assist blind and visually impaired individuals who are non-needy but may be on a marginal income. Services include the purchase of eye examinations and eye

glasses or low vision aids for those who do not qualify for other programs (such as Medicaid and Medicare). Donations come from the Lions Club, civic organizations, individuals, private foundations, and bequests. Donations must be kept separate because the donors specify that the money be used for the blind and visually impaired individuals. This trust account serves the purpose for which it was created and requires no general fund support.

DHS Homeless Trust Fund (Weinberg Trust Fund) Account

Financial Data for Fiscal Years 1991-1995 (In Thousands)					
	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance		\$0	\$1,500	\$1,336	\$1,586
Receipts		1,500		250	8
Appropriations					
Interest					
Expenditures			(164)		(694)
Transfers					
Ending Balance		\$1,500	\$1,336	\$1,586	\$900

This trust account was established administratively in 1992 to accept funds donated by the Harry and Jeanette Weinberg Foundation to develop housing for homeless families. The beneficiaries of the expenditures are homeless families. This trust account is being used as a holding account for moneys held in trust and serves the purpose for which it was created.

Helen Keller National Center Grant Account

Financial Data for Fiscal Years 1991-1995 (In Thousands)					
	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$0	\$17	\$18	\$0	\$2
Receipts	55	27	0	11	0
Appropriations	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(38)	(26)	(18)	(9)	(2)
Transfers	0	0	0	0	0
Ending Balance	\$17	\$18	\$0	\$2	\$0

This account was established to account for a grant given to the Vocational Rehabilitation & Services for the Blind Division (VRSBD) to begin services to individuals who are deaf-blind. The grant funded a staff position to begin identifying the population and needs. Services were then planned to meet the needs. The Helen Keller National Center for Deaf-

Blind Youth and Adults provided the grant moneys. The grant was 100 percent the first year with a decreasing ratio the next four years. The grant was closed in fiscal year 1995. The fund served the purpose for which it was created and served the intended beneficiaries—deaf-blind individuals statewide.

Project Malama Donation Account

Financial Data for Fiscal Years 1991-1995 (In Thousands)

	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$1	\$2	\$2	\$2	\$1
Receipts	1	0	0	0	1
Appropriations					
Interest					
Expenditures		0	0	(1)	
Transfers					
Ending Balance	\$2	\$2	\$2	\$1	\$2

This trust account was administratively created as a holding account for donations received primarily from clients, families, or supporters of Project Malama. The fund is used to meet acute, emergency needs of clients who need immediate cash to purchase life-sustaining food or life-sustaining medicines. In selected cases, the fund is used for staff members in need of registration fees for educational conferences. This trust account is being used as a holding account and serves the purpose for which it was created.

Respite Companion Services Program Account

Financial Data for Fiscal Years 1991-1995 (In Thousands)

	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$1	\$1	\$1	\$1	\$3
Receipts	0	0	0	2	0
Appropriations					
Interest					
Expenditures					
Transfers					
Ending Balance	\$1	\$1	\$1	\$3	\$3

This trust account was administratively created in 1987 to pay part-time respite companions their accumulated vacation credits (not to exceed 76 hours @\$5.75/hour) in the event federal funding for the program is discontinued. Respite companions are low-income, well elderly, who are

able to work 19 hours per week assisting frail homebound elderly on Oahu. The Respite Companion Service Program is funded by federal funds received from the U.S. Department of Labor. This trust account is being used as a holding account and serves the purpose for which it was created.

Special Deposits Account

Financial Data for Fiscal Years 1991-1995 (In Thousands)					
	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$182	\$180	\$173	\$184	\$185
Receipts	32	30	42	52	31
Appropriations	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(34)	(37)	(31)	(51)	(33)
Transfers	0	0	0	0	0
Ending Balance	\$180	\$173	\$184	\$185	\$183

This trust account was created administratively as a temporary holding account for supplemental or excess moneys received from the federal government under the foster board program or moneys from a foster child's guardian. The State receives a set amount of federal funds for each child in the foster board program. Periodically additional moneys are received from the federal government and deposited into this account. The funds deposited into this account are held in trust for the foster child on an as needed basis. This trust account is being used as a holding account and serves the purpose for which it was created. However, the extremely large account balance relative to its annual receipts and expenditures indicates the balance may no longer be appropriate. It should be reviewed for propriety.

Temporary Deposits Account

Financial Data for Fiscal Years 1991-1995 (In Thousands)					
	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance	\$500	\$520	\$619	\$616	\$487
Receipts	124	178	36	3	3
Appropriations	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(104)	(78)	(39)	(132)	(101)
Transfers	0	0	0	0	0
Ending Balance	\$519	\$619	\$616	\$487	\$390

This trust account was created administratively as a temporary holding account for checks or money orders received from welfare clients without sufficient documentation explaining what the payment is for. The moneys remain in this account until the department can determine proper disposition of the moneys. This trust account is being used as a holding account and serves the purpose for which it was created.

Temporary Deposits—SSI Payments Account

Financial Data for Fiscal Years 1991-1995 (In Thousands)

	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance					\$0
Receipts					\$1,168
Appropriations					0
Interest					0
Expenditures					(806)
Transfers					0
Ending Balance					\$362

This trust account was created in 1995 under administrative authority as a temporary holding account for Supplemental Security Income (SSI) checks from the federal government. If welfare clients qualify for SSI payments, the State advances funds to the welfare clients until the SSI payments begin. When the first SSI payment is received from the federal government, it is deposited into this account until it can be determined how much must be repaid to the State. The trust account is being used as a holding account and serves the purpose for which it was created.

VR - Court Appointed Master Account

Financial Data for Fiscal Years 1991-1995 (In Thousands)

	FY1991	FY1992	FY1993	FY1994	FY1995
Beginning Balance			\$0	\$12	\$137
Receipts			378	487	316
Appropriations			0	0	0
Interest			0	0	0
Expenditures			(366)	(362)	(338)
Transfers			0	0	0
Ending Balance			\$12	\$137	\$115

This account was established in 1993 to account for the funds that are kept outside of the State Treasury. Revenues are from the U.S. Department of Education Basic Support Grant and the Randolph-

Sheppard Revolving fund. The purpose of the fund was to pay for expenses arising out of the Settlement Agreement regarding which blind vendors will work the concessions at the Honolulu International Airport. This trust fund serves the purpose for which it was originally created and continues to serve the intended beneficiaries—blind vendors who will be working the concessions at the Honolulu International Airport. The fund receives no general fund appropriations.

Notes

Chapter 1

1. Hawaii, Department of Accounting and General Services, *Accounting Manual*, Page 903.13, July 1, 1969.

2. Hawaii, The Auditor,

Review of Special and Revolving Funds of the Departments of Accounting and General Services, Agriculture, and Budget and Finance, Report No. 91-10, Honolulu, February 1991.

Review of Special and Revolving Funds of the Housing Finance and Development Corporation and the Department of Business, Economic Development, and Tourism, Report No. 92-3, Honolulu, January 1992.

Review of Special and Revolving Funds of the Departments of Commerce and Consumer Affairs, Education, Health, and Human Services, Report No. 92-4, Honolulu, February 1992.

Review of Special and Revolving Funds of the University of Hawaii, Report No. 92-9, Honolulu, April 1992.

Review of Special and Revolving Funds of the Judiciary and the Departments of the Attorney General, Labor and Industrial Relation, Land and Natural Resources, Personnel Services, Taxation, Transportation, and Public Safety, Report No. 92-11, Honolulu, April 1992.

Responses of the Affected Agencies

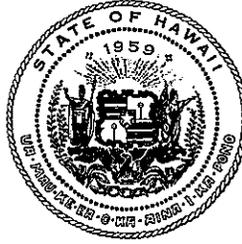
Comments on Agency Responses

We transmitted a draft of this review to the Judiciary, the Department of Commerce and Consumer Affairs, the Department of Hawaiian Home Lands, the Department of Health, and the Department of Human Services on December 6, 1995. A copy of the transmittal letter to the Judiciary is included as Attachment 1. Similar letters were sent to the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services. The response of the Judiciary is included as Attachment 2. The Department of Commerce and Consumer Affairs, the Department of Hawaiian Home Lands, the Department of Health, and the Department of Human Services did not submit written responses.

The Judiciary responded that subsequent to June 30, 1995, it had reviewed two trust accounts identified in our report as inactive—the Family Court, Second Circuit Donations Account and the Intensive Mediation Workshop—and has taken the appropriate actions to dispose of the balances in the accounts.

ATTACHMENT 1

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



MARION M. HIGA
State Auditor

(808) 587-0800
FAX: (808) 587-0830

December 6, 1995

COPY

The Honorable Ronald T.Y. Moon
Chief Justice of the Supreme Court
Ali'iolani Hale
417 S. King Street
Honolulu, Hawaii 96813

Dear Chief Justice Moon:

Enclosed for your information are three copies, numbered 6 to 8 of our draft report, *Review of Revolving and Trust Funds of the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services*. We ask that you telephone us by Friday, December 8, 1995, on whether or not 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, December 18, 1995.

The Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services, 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,

A handwritten signature in cursive script, appearing to read "Marion M. Higa".

Marion M. Higa
State Auditor

Enclosures



SUPREME COURT OF HAWAII
ALIOLANI HALE
P. O. BOX 2560
HONOLULU, HAWAII 96804

CHAMBERS OF
RONALD T. Y. MOON
CHIEF JUSTICE

December 18, 1995

RECEIVED

DEC 18 10 16 AM '95

OFFICE OF THE AUDITOR
STATE OF HAWAII

Ms. Marion M. Higa
State Auditor
Office of the Auditor
465 South King Street, Room 500
Honolulu, Hawai'i 96813-2917

Dear Ms. Higa:

Thank you for allowing the Judiciary to review and respond to the draft report, *Review of Revolving and Trust Funds of the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaii Home Lands, Health, and Human Services*. We appreciate the recommendations and suggestions which you have made in your report.

Subsequent to June 30, 1995, and prior to receiving your draft report, the Judiciary reviewed the two trust accounts: (1) the Family Court, Second Circuit Donations Account; and (2) the Intensive Mediation Workshop Account, identified in your report as being inactive, and has taken the appropriate actions to dispose of the balances in the accounts.

Again, thank you for the opportunity to review and comment on your report.

Yours very truly,

Ronald T. Y. Moon
Chief Justice, State of Hawai'i

