
**Review of Revolving Funds,
Trust Funds, and Trust Accounts
of the Department of the
Attorney General, the
Department of Business,
Economic Development, and
Tourism, and the University of
Hawaii**

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

Report No. 00-07
February 2000

THE AUDITOR
STATE OF HAWAII

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Submitted by

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Foreword

This is a report on our review of revolving funds, trust funds, and trust accounts used by or administratively attached to the Department of the Attorney General, Department of Business, Economic Development, and Tourism, and the University of Hawaii.

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 is our third review of the revolving and trust funds, and trust accounts of these three departments.

We wish to acknowledge the cooperation extended to us by the officials and staff of the Department of the Attorney General, Department of Business, Economic Development, and Tourism, and the University of Hawaii.

Marion M. Higa
State Auditor

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Chapter 1

Introduction

This is a report on our review of revolving funds, trust funds, and trust accounts of the Department of the Attorney General, the Department of Business, Economic Development, and Tourism, and the University of Hawaii. 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 is our third review of the revolving and trust funds of these three departments. The second report conducted in 1994 (Report No. 94-19) reviewed 51 revolving funds, trust funds, and trust accounts. In this report, we reviewed 82 revolving funds, trust funds, and trust accounts.

Background

In Act 240, Session Laws of Hawaii (SLH) 1990, the Legislature required our office to conduct a review of special and revolving funds and to recommend whether they be continued, modified, or repealed.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.

We completed the review of special and revolving funds required by Act 240 and presented the results of those reviews 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.

Section 23-12 expands the concept of Act 240. Instead of *special* and revolving funds, Section 23-12 requires our office to review existing 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.

Description of Revolving Funds, Trust Funds, and Trust Accounts

Revolving Funds

Section 37-62, HRS, defines a revolving fund as a fund “from which is paid the cost of goods and services rendered or furnished to or by a state agency and which is 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 Revolving 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

Section 37-62, HRS, defines a trust fund as “a fund in which designated persons or classes of persons have a vested beneficial interest or equitable ownership, or which was created or established by a gift, grant, contribution, devise or bequest that limits the use of the fund to designated objects or purposes.”

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 for the beneficiaries of the pension fund. Tenants’ security deposits are held in trust fund accounts. Until forfeited or returned, deposits are the property of the tenants and should be accounted for accordingly.

Trust Accounts

The Department of Accounting and General Services defines a trust account as a separate holding or clearing account for state agencies. A trust account is often used as an accounting device to credit or charge agencies or projects for payroll or other costs.

Criteria for Reviewing Revolving Funds, Trust Funds, and Trust Accounts

The criteria used to review *revolving funds* is essentially the same ones used in our prior review of special and revolving funds. The criteria for reviewing 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;
- Demonstrates the capacity to be financially self-sustaining; and
- Is an appropriate financing mechanism for the program or operation.

The first and second criteria were taken from Act 240, SLH 1990. The third and fourth criteria were developed by our office from a review of public finance literature.

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;
- Requires no general fund appropriation; and
- Meets the definition of a trust fund.

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. The fourth criterion assesses whether the fund is held by the State for the benefit of those with a vested interest in the assets.

Similar criteria are 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.

We will also review performance standards established by the agency for the fund and the degree to which the fund met those standards.

Objectives of the Review

1. Identify and review each of the revolving funds, trust funds, and trust accounts of the Department of the Attorney General, Department of Business, Economic Development, and Tourism, and the University of Hawaii.
2. Provide a five-year fiscal summary for each fund or account reviewed.

Scope and Methodology

This review examines those revolving funds, trust funds, and trust accounts administered by or administratively attached to the Department of the Attorney General, Department of Business, Economic Development, and Tourism, and the University of Hawaii during the five-year period under review. We reviewed funds and accounts established by statute as well as those established by administrative authority.

We researched the legislative history and other supporting documents to determine each fund or account's intent and purpose. We also reviewed any performance standards established by the departments and the university and other documents as appropriate. However, we found that a majority of the funds and accounts did not have any performance standards.

To gain an understanding of fund operations, we interviewed key fiscal and program personnel. We did not audit the financial data provided by the agencies for the five fiscal years. This data is being provided for informational purposes only. We then applied the criteria explained in this chapter. Financial data for FY1993-94 (ending balance) included in our previous report were estimates provided by the departments and university and may not correspond to the financial data for FY1994-95 (beginning balance) contained in this report. Also, transfers are reported as a net amount for each respective year.

Our work was performed from July 1999 through November 1999 in accordance with generally accepted government auditing standards.

Chapter 2

Department of the Attorney General

This chapter presents the results of our review of four revolving funds, two trust funds, and five trust accounts of the Department of the Attorney General. 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. In alphabetical order, we present first those funds and accounts established by statutory authority followed by those accounts established under administrative authority.

Funds Established Under Statutory Authority

Child Support Enforcement Trust Fund, Section 576D-10, HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$4,124	\$4,285	\$3,729	\$3,498	\$7,150
Revenues	76,005	81,418	87,085	89,425	97,966
Interest	97	74	84	103	71
Expenditures	(75,941)	(82,048)	(87,400)	(85,876)	(102,765)
Transfers	0	0	0	0	0
Ending Fund Balance	\$4,285	\$3,729	\$3,498	\$7,150	\$2,422
Encumbrances	0	0	0	0	0

The purpose of this fund is to account for the collection and disbursement of court ordered child support payments. The source of the receipts is the non-custodial parents who pay for child support. The beneficiaries of the disbursements are the children of the custodial parents. This fund serves the purpose for which it was originally created and continues to serve the intended beneficiaries—the children of custodial parents. The fund receives no general fund appropriations.

Criminal Forfeiture Revolving Fund, Section 712A-16(4), HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$695	\$552	\$293	\$98	\$231
Revenues	555	387	654	1,099	915
Interest	0	0	0	0	0
Expenditures	(476)	(340)	(349)	(777)	(706)
Transfers*	(222)	(306)	(500)	(189)	(300)
Ending Fund Balance	\$552	\$293	\$98	\$231	\$140
Encumbrances	0	0	0	0	0

* Transfers were made to the seizing agency for property seized and the prosecuting agency that prosecuted the forfeiture.

This fund was created in 1988 to account for one-half of the proceeds of cash and property forfeited because they were used for or to facilitate certain crimes or criminal activity. The fund is used to defray the cost of training county prosecutors and police officers, marine patrol officers, deputy attorneys general and other law enforcement personnel. The fund continues to serve the purpose for which it was created. Forfeited cash and property are distributed to state and local governmental units for the education and training of law enforcement officers, including staff of the Department of the Attorney General and the county prosecuting attorneys. However, no linkage exists since receipts are derived from property forfeited and not from charges on those who benefit from the fund. Prior to July 1, 1998, the asset forfeiture program manager position was paid out of general funds and subsequently was paid from this fund. The previous sunset date of July 1, 1996, for this fund was repealed through Act 104, SLH 1996. The fund does not meet all four criteria of a revolving fund.

Criminal History Record Improvement Revolving Fund, Section 846-10.6, HRS

Financial Data for Fiscal Years 1996-1999 (in thousands)

	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$0	\$166	\$301	\$441
Revenues	195	174	440	549
Interest	0	0	0	0
Expenditures	(29)	(39)	(300)	(555)
Transfers	0	0	0	0
Ending Fund Balance	\$166	\$301	\$441	\$435
Encumbrances	0	0	306	160

This fund was established in 1995 to improve the criminal history record information system by collecting fees from criminal history record checks, fingerprint-based searches, expungement of arrest records, and certification of documents. The fund is used to defray the costs of criminal history record checks and printing. A direct link exists between the benefits sought and the charges made upon the users because those who request services are charged fees that are deposited into the fund. The fund continues to serve its original purpose and is self-sustaining. The fund meets all four criteria for a revolving fund.

Hawaii Criminal Justice Commission Trust Account, Section 28-10.6(a)(5), HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$12	\$13	\$10	\$11	\$9
Revenues	1	49	2	0	24
Interest	0	0	0	0	0
Expenditures	0	(52)	(1)	(2)	(26)
Transfers	0	0	0	0	0
Ending Fund Balance	\$13	\$10	\$11	\$9	\$7
Encumbrances	0	0	0	0	0

Established in 1985, this account continues to be used to deposit and expend financial grants and donations for crime research, training, prevention, and education. Program activities include the McGruff Child Protection and Drug Prevention Program, and the production of video documentaries relating to the criminal justice system and crime prevention. Registration fees collected from workshop and seminar participants are also deposited into the account. This trust account serves the purpose for which it was created.

Notaries Public Revolving Fund, Section 456-9.5, HRS

Financial Data for Fiscal Year 1999 (in thousands)

	FY1999
Beginning Fund Balance	\$0
Revenues	67
Interest	0
Expenditures	(31)
Transfers	0
Ending Fund Balance	\$36
Encumbrances	0

This fund was established in 1998 to account for the receipts of notaries' original and renewal commission fees, penalties and fines, and interest earned. The fund continues to serve the purpose for which it was created and is being expended for personnel, equipment, training, and other operating and administrative costs related to the notary public program. A direct link exists between the benefits sought and the charges made upon the users. Individuals who become notaries are assessed fees to support the occupation. Start-up funds of \$10,000 were provided to fund the program until it becomes financially self-sustaining. This fund meets all four criteria for a revolving fund.

State Identification Revolving Fund, Section 846-27, HRS

Financial Data for Fiscal Year 1999 (in thousands)

	FY1999
Beginning Fund Balance	\$0
Revenues	484
Interest	0
Expenditures	(183)
Transfers	0
Ending Fund Balance	\$301
Encumbrances	13

Created in 1998, this fund continues to serve its original purpose of collecting fees for processing and issuing state identification cards and to pay for program related expenses. A link exists between the benefits sought and the charges made upon the users of the program. Individuals who request state identification cards are assessed a fee to support and maintain the program. Start-up funds of \$75,000 were provided to fund the program until it was able to collect enough revenue to be financially self-sustaining. The fund meets all four criteria of a revolving fund.

Accounts Established Under Administrative Authority

Criminal Forfeiture Bond Holding Account

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$21	\$20	\$28	\$29	\$28
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	(1)	8	1	(1)	8
Ending Fund Balance	\$20	\$28	\$29	\$28	\$36
Encumbrances	0	0	0	0	0

* Transfers were made to and from persons posting bonds and the Seized Funds-Final Disposition Pending Trust Account or the Criminal Forfeiture Revolving Fund.

This trust account was created to account for bond moneys posted by persons who claim an interest in property seized for administrative forfeiture. Disbursements from the account include cost bonds returned to persons posting the bond and transfers pursuant to court orders or

stipulations. The account is being used as a holding account for cost bonds posted by litigants and serves the purpose for which it was created.

Litigation Settlement Clearance Account

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$611	\$605	\$612	\$625	\$3,155
Revenues	0	7	14	3,097	74
Interest	0	0	0	0	0
Expenditures	(6)	0	(1)	(567)	(1,735)
Transfers	0	0	0	0	0
Ending Fund Balance	\$605	\$612	\$625	\$3,155	\$1,494
Encumbrances	0	0	0	0	0

This trust account was established in 1985 to serve as a clearing account to facilitate the holding and timely disbursement of funds for settlements in litigation cases involving the State and other co-defendants. Current account activities include (1) the receipt of Aloha Stadium settlement funds and the expenditure of these funds for litigation purposes, (2) the receipt of anti-trust settlements, and (3) collections made by the department's legal division. The fund experienced a large increase in activity in FY1997-98, primarily because of the receipt of settlement funds related to the rust problems at Aloha Stadium. The trust account continues to serve the purpose for which it was created and has required no general fund appropriations.

Seized Funds-Final Disposition Pending Trust Account

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$111	\$106	\$447	\$288	\$224
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	(5)	341	(159)	(64)	(86)
Ending Fund Balance	\$106	\$447	\$288	\$224	\$138
Encumbrances	0	0	0	0	0

* Transfers were made to the Criminal Forfeiture Revolving Fund or to the claimant depending on the outcome of litigation.

This trust account was established in 1988 as a holding account for funds seized for administrative or judicial forfeiture until a final determination on a petition for forfeiture is made. If the seized funds are ordered forfeited, the funds are transferred to the Criminal Forfeiture Revolving Fund. If not forfeited, the funds are returned to the owner. The trust account is being used as a holding account and serves the purpose for which it was created.

Temporary Deposit-Child Support Enforcement Services Account

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$3,092	\$4,576	\$1,564	\$1,900	\$1,542
Revenues	2,338	1,815	2,001	2,150	2,172
Interest	0	0	0	0	0
Expenditures	(854)	(4,827)	(1,665)	(2,508)	(2,560)
Transfer*	0	0	0	0	19
Ending Fund Balance	\$4,576	\$1,564	\$1,900	\$1,542	\$1,173
Encumbrances	4,109	1,564	1,163	1,005	111

* Transfer in FY1998-99 was from the Department of Human Services.

This account was created in 1986 as a temporary deposit account for federal incentive revenues earned through the Child Support Enforcement Agency's role in the collection of child support. The revenues are shared with the counties for their roles in the establishment and the enforcement of child support obligations. Funds from this account have been used for the development of the federally mandated automated child support system, paternity establishment contracts with counties, payroll, and other costs. Our recent work on the Follow-up and Management Audit of the Child Support Enforcement Agency concurrent with this review discovered that excess interest earnings on the agency's bank accounts held for child support collections and disbursements were transferred into this temporary deposit account and commingled with federal incentive moneys. The trust account is not being fully utilized to serve the purpose for which it was created.

Temporary Deposits-Payroll Overpayment

Financial Data for Fiscal Years 1997-1999 (in thousands)

	FY1997	FY1998	FY1999
Beginning Fund Balance	\$0	\$3	\$2
Revenues	3	2	6
Interest	0	0	0
Expenditures	0	(3)	(3)
Transfers	0	0	0
Ending Fund Balance	\$3	\$2	\$5
Encumbrances	0	0	0

This fund was created in 1997 to account for periodic repayments when employees are overpaid. Officers of the State may seek repayment when overpayments are identified. Employees are given an opportunity to either request a hearing to determine the actual salary overpayment amount or choose a repayment plan option. The fund continues to meet its original purpose and does not require any general fund appropriations. Although labeled a trust fund, it operates more like a trust account.

Chapter 3

Department of Business, Economic Development, and Tourism

This chapter presents the results of our review of 21 revolving funds, 2 trust funds, and 7 trust accounts of the Department of Business, Economic Development, and Tourism. As of July 1, 1998, the following funds were transferred from the Department of Budget and Finance: (1) Downpayment Loan Program Revolving Fund, (2) Dwelling Unit Revolving Fund, (3) Fee Simple Residential Revolving Fund, (4) Hawaii Development Revolving Fund, (5) Homes Revolving Fund, (6) Housing Alteration Revolving Loan Fund, (7) Housing Finance Revolving Fund, (8) Rental Assistance Revolving Fund, and (9) Rental Housing Trust Fund. In addition, the following funds were transferred from the Department of Human Services: (1) Housing for Elders Revolving Fund, (2) State Low Income Housing Revolving Fund, and (3) Teacher Housing Revolving Fund. Act 350, SLH 1997, consolidated all state housing functions under the Hawaii Housing Authority, Housing Finance and Development Corporation, and Rental Housing Trust Fund into a single Housing and Community Development Corporation of Hawaii within the Department of Business, Economic Development, and Tourism.

For the funds transferred from the Department of Budget and Finance, we reflect only FY1998-99 fund information because information for FY1995-1998 is reflected in the report, *Review of Revolving Funds, Trust Funds, and Trust Accounts of the Department of Accounting and General Services, Department of Agriculture, Department of Budget and Finance, and Department of Land and Natural Resources*, Report No. 99-6. For the funds transferred from the Department of Human Services, we will reflect FY1996-98 fund information in our review of the department's funds occurring next year.

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. In alphabetical order, we present first those funds and accounts established by statutory authority followed by those accounts established under administrative authority.

Funds Established Under Statutory Authority

Downpayment Loan Program Revolving Fund, Section 201G-325, HRS

Financial Data for Fiscal Year 1999 (in thousands)

	FY1999
Beginning Fund Balance	\$0
Revenues	0
Interest	0
Expenditures	0
Transfers	0
Ending Fund Balance	0
Encumbrances	0

This fund was established in 1992 to be administered by the Housing Finance and Development Corporation. The purpose of the fund was to provide downpayments to eligible borrowers. However, the program has never been implemented and the fund has not received any general fund appropriations. Once loans are made to eligible persons, a linkage may exist between the benefits sought and the charges made upon the users. Those receiving loans will replenish the fund through payment of principal and interest on the loans. However, self-sustainability is still unknown until the program is implemented.

Dwelling Unit Revolving Fund, Section 201G-411, HRS

Financial Data for Fiscal Year 1999 (in thousands)

	FY1999
Beginning Fund Balance	\$84,571
Revenues	24,494
Interest	4,849
Expenditures	(30,440)
Transfers*	(10,357)
Ending Fund Balance	\$73,117
Encumbrances	0

* Transfers were made to the general fund.

This fund was established to pay for administrative expenses, expand community facilities constructed in conjunction with housing projects, supplement building costs, pay for federal guarantees required for operational losses, and pay for all things required by any federal agency

in the construction and receipts of federal funds for housing projects. The fund continues to serve this purpose by being used for interim construction financing of affordable housing projects. A clear link exists between the benefits sought and charges made upon users because the fund is replenished through payment of rent and the sale of dwelling units or land. The fund is self-sustaining and does not require any general fund appropriations. The fund is an appropriate financing mechanism and meets all the criteria of a revolving fund.

Fee Simple Residential Revolving Fund, Section 516-44, HRS

Financial Data for Fiscal Year 1999 (in thousands)

	FY1999
Beginning Fund Balance	\$952
Revenues	135
Interest	42
Expenditures	(151)
Transfers*	(169)
Ending Fund Balance	\$809
Encumbrances	0

* Transfers were made to finance the operating fund and reimburse administrative costs.

This fund was established to account for the revenues, receipts, and expenditures of the State’s land reform program. The program fosters the conversion of residential leasehold land to fee simple. Moneys paid for administrative and tract costs by lessees participating in the program are deposited in the fund. The fund also accounts for arbitration receipts and expenditures for the lease rent renegotiation program. This program facilitates the renegotiation of lease rents of land underlying single family dwellings and cooperative housing corporations. Receipts are for reimbursement of actual arbitration services performed by designated arbitrators. The fund continues to support the land reform program for the tracts of land pending trial or in litigation and tracts pending closing and the lease rent renegotiation program for single family residential tracts.

A clear link exists between the benefits sought and charges made upon users. Individuals seeking to convert their tracts from leasehold to fee simple benefit from the land reform program and replenish the fund through lease reimbursements and refunds. Individuals participating in the lease rent renegotiation program replenish the fund through payment of arbitration services. The fund is self-sustaining and is an appropriate financing mechanism for the programs.

Hawaii Capital Loan Revolving Fund, Section 210-3, HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$7,264	\$7,589	\$7,496	\$7,848	\$8,929
Revenues	1,909	1,770	1,398	2,147	2,527
Interest	290	279	311	317	302
Expenditures	(2,049)	(942)	(1,357)	(1,383)	(373)
Transfers*	175	(1,200)	0	0	(2,000)
Ending Fund Balance	\$7,589	\$7,496	\$7,848	\$8,929	\$9,385
Encumbrances	0	0	0	0	0

* Transfers:

FY1994-95: \$175,000 transferred from the Large Fishing Vessel Loan Fund.

FY1995-96: \$1.2 million transferred to the general fund.

FY1998-99: \$500,000 transferred from the State Disaster Loan Fund.
\$1 million transferred to the general fund.
\$1.5 million transferred to the Hawaii Strategic Development Corporation Revolving Fund.

This fund was established in 1963 to provide loans to small businesses in manufacturing, wholesaling, retailing, and service industries to diversify and stimulate the state's economy. Act 143, SLH 1996, merged the Hawaii Large Fishing Vessel Purchase, Construction, Renovation, Maintenance, and Repair Loan Revolving Fund and the Small Fishing Vessel Purchase, Construction, Renovation, Maintenance, and Repair Loan Revolving Fund into this fund. Furthermore, Act 101, SLH 1998, expanded the financing capabilities of the loan program to include loan guarantees.

The fund continues to serve its original purpose and provides direct and participation loans to small businesses that are unable to obtain financing through private or other conventional lenders. A link exists between the benefit sought and the charges made upon the users because those who receive loans must repay the principal and interest. The fund is self-sustaining because principal and interest payments will replenish the fund and enable additional loans to be made. The fund does not require any general fund appropriations and is an appropriate financing mechanism for the program.

Hawaii Community Development Revolving Fund, Section 206E-16, HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$16,782	\$18,133	\$18,717	\$19,673	\$25,972
Revenues	12,429	19,047	4,601	17,658	2,738
Interest	660	946	988	834	1,307
Expenditures	(11,738)	(19,409)	(4,376)	(12,180)	(2,384)
Transfers*	0	0	(257)	(13)	(14)
Ending Fund Balance	\$18,133	\$18,717	\$19,673	\$25,972	\$27,619
Encumbrances	2,975	990	1,495	1,125	366

* Transfers:

FY1996-97: \$257,000 transferred to the Department of Land and Natural Resources.

FY1997-98: \$13,000 transferred to the Special Escrow Account for OHA ceded land revenues.

FY1998-99: \$14,000 transferred to the Special Escrow Account for OHA ceded land revenues.

This fund was established in 1976 to support the activities of the Hawaii Community Development Authority. The fund continues to serve its original purpose. Receipts and revenues are deposited into the fund and used for the development of underutilized urban areas—affordable housing, day care facilities, parks, parking facilities, loans to relocated businesses, and infrastructure improvements. A link exists between the benefit sought and the charges made upon the users because property owners who benefit from the improvements pay a portion of infrastructure improvement costs. Individuals and businesses receiving loans under the relocation loan program must repay the loan principal and interest. Rental fees from tenants are used for community development. The fund is self-sustaining because receipts and revenues pay for the development costs. The fund has received no general fund appropriations and is an appropriate financing mechanism for the

program.

Hawaii Community-Based Economic Development Revolving Fund, Section 210D-4, HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$481	\$722	\$877	\$976	\$962
Revenues	26	45	51	36	44
Interest	5	19	27	36	14
Expenditures	(165)	(114)	(163)	(266)	(309)
Transfers*	375	205	184	180	49
Ending Fund Balance	\$722	\$877	\$976	\$962	\$760
Encumbrances	0	0	0	0	318

* Transfers were made from the general fund.

This fund was established in 1990 to provide grants and/or loans to community-based organizations to assist the establishment and development of community-based enterprises. Receipts for the fund consist almost entirely of appropriations from the general fund and the interest earned thereon. The fund continues to serve the purpose for which it was created. Through grants and loans, the fund has supported 76 community-based, non-profit organizations and cooperatives that are involved in community-driven economic development initiatives. However, no clear linkage exists as user fees are not charged and grants are not repaid under the grant program. The fund cannot sustain itself and will continue to require regular infusions from the general fund. The fund does not meet the criteria for a revolving fund.

Hawaii Development Revolving Fund, Section 201G-421, HRS

Financial Data for Fiscal Year 1999 (in thousands)

	FY1999
Beginning Fund Balance	\$363
Revenues	0
Interest	14
Expenditures	(253)
Transfers	0
Ending Fund Balance	\$124
Encumbrances	0

This fund was established to make loans or grants to cover planning, engineering, feasibility studies, and other initial costs to provide low or moderate cost housing through government assistance programs. Loan or grant agreements may be entered with other public organizations or private nonprofit organizations. In FY1998-99, the fund was used to provide interim loan financing for the King Street Apartment project. A clear link exists between the benefits sought and charges made upon users. Organizations receiving loans or grants replenish the fund through interim loan principal and interest repayments. The fund is anticipated to be self-sustaining and has not required any general fund appropriations. A revolving fund is an appropriate financing mechanism for this program.

Hawaii Innovation Development Fund, Section 211E-2, HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$531	\$337	\$378	\$249	\$256
Revenues	4	34	16	5	2
Interest	12	8	5	8	7
Expenditures	(210)	(1)	0	(6)	(2)
Transfers*	0	0	(150)	0	0
Ending Fund Balance	\$337	\$378	\$249	\$256	\$263
Encumbrances	0	0	0	0	0

* Transfers were made to the Hawaii Innovation Development Revolving Fund-Excess Cash Account and then to the general fund.

This fund was originally established in 1981 as the Hawaii Invention Development Fund to promote inventions and other new products. The fund was renamed in 1987 and its purpose broadened to include early-stage financing for promoting new products, services, and technologies. The fund continues to serve its current purpose. A direct link also exists between the benefits sought and the charges made upon the users because those who receive loans must repay the principal and interest. The fund is self-sustaining because principal and interest payments will replenish the fund and enable it to make other loans. The fund has received no general fund appropriations and is an appropriate financing mechanism for the program.

Hawaii Interisland Airline Loan Guarantee Trust Fund, Act 332, SLH 1993

Financial Data for Fiscal Year 1995 (in thousands)

	FY1995
Beginning Fund Balance	\$2,870
Revenues	0
Interest	0
Expenditures	(2,870)
Transfers	0
Ending Fund Balance	\$0
Encumbrances	0

The fund was created by Act 332, SLH 1993, to provide loan guarantees of up to 90 percent of the principal balance of a loan not to exceed \$12.6 million. The act authorized the department to guarantee loans made by private lending institutions to Hawaii interisland air carriers. The Hawaii air carrier must deposit, in cash, an amount equal to 20 percent of the principal balance of the loan guaranteed by the trust fund. The act provided that the required collateral be deposited in the trust fund by June 30, 1993. One interisland airline deposited \$2.8 million into the fund by June 1993. This money remained in the fund so the airline could apply for a loan guarantee of up to \$12.6 million. No other airline could apply for a loan guarantee because the collateral requirements were not met by June 30, 1993. This fund served the purpose for which it was created. Money was held in trust to guarantee repayment of loans. The money in this fund was returned to the airline and the fund was closed in September 1994.

Hawaii Large Fishing Vessel Purchase, Construction, Renovation, Maintenance, and Repair Loan Revolving Fund, Section 189-23, HRS

Financial Data for Fiscal Years 1995-1997 (in thousands)

	FY1995	FY1996	FY1997
Beginning Fund Balance	\$296	\$135	\$278
Revenues	287	245	0
Interest	7	0	0
Expenditures	0	(102)	0
Transfers*	(455)	0	(278)
Ending Fund Balance	\$135	\$278	\$0
Encumbrances	0	0	0

* Transfers:

FY1994-95: \$175,000 transferred to the Hawaii Capital Loan Fund.
\$280,000 transferred to the general fund.

FY1996-97: \$150,000 transferred to the Hawaii Large Fishing Vessel Loan Revolving Fund-Excess Cash Trust Account and then to the general fund.

Balance of \$128,000 transferred to the general fund.

This fund was established in 1965 to support the development and expansion of commercial fishing in the State by providing loans for the purchase, construction, renovation, maintenance, and repair of fishing vessels of five or more net tons. The fund links the program benefits and the charges made upon the users. Those who receive loans replenish the fund through principal and interest payments. However, because the fund experienced minimal activity since 1986, with only loans for repair and maintenance being processed, the 1996 Legislature found it more efficient and economical to consolidate the small and large fishing vessel loan programs. This fund was repealed by Act 143, SLH 1996, and merged into the Hawaii Capital Loan Fund.

Hawaii Small Fishing Vessel Purchase, Construction, Renovation, Maintenance, and Repair Loan Revolving Fund, Section 189-43, HRS

Financial Data for Fiscal Years 1995-1997 (in thousands)

	FY1995	FY1996	FY1997
Beginning Fund Balance	\$214	\$36	\$65
Revenues	48	29	0
Interest	4	0	0
Expenditures	(230)	0	0
Transfers*	0	0	(65)
Ending Fund Balance	\$36	\$65	\$0
Encumbrances	0	0	0

* Transferred \$50,000 to the Hawaii Small Fishing Vessel Loan Revolving Fund-Excess Cash Trust Account and then to the general fund. The remaining \$15,000 was also transferred to the general fund.

This fund was established in 1975 to provide the owners of small commercial fishing vessels (under five net tons) with the same financial assistance provided owners of large vessels. The fund links the program benefits and the charges made upon the users. Those who receive loans replenish the fund through principal and interest payments. However, because the fund experienced minimal activity since 1986, with only loans for repair and maintenance being processed, the 1996 Legislature found it more efficient and economical to consolidate this program with the large fishing vessel loan program. This fund was also repealed by Act 143 and merged into the Hawaii Capital Loan Fund.

Hawaii Strategic Development Corporation Revolving Fund, Section 211F-5, HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$6,773	\$6,598	\$1,775	\$460	\$669
Revenues	0	0	0	0	21
Interest	245	172	75	9	21
Expenditures	(420)	(1,995)	(1,390)	(275)	(200)
Transfers*	0	(3,000)	0	475	1,500
Ending Fund Balance	\$6,598	\$1,775	\$460	\$669	\$2,011
Encumbrances	0	0	0	0	0

* Transfers:

FY1995-96: \$3 million transferred to the general fund.

FY1997-98: \$475,000 transferred from the Hawaii Strategic Development Corporation's general fund.

FY1998-99: \$1.5 million transferred from the Hawaii Capital Loan Revolving Fund.

The fund was established in 1990 to support the activities of the Hawaii Strategic Development Corporation. The corporation was created to encourage economic development, growth, and diversification through innovative financing programs accomplished in cooperation with private enterprise. The fund continues to serve its original purpose and provides venture capital, seed capital, and other forms of financing for start-up businesses. A link exists between the benefits sought and the charges made upon the users because start-up businesses receiving financing must repay the principal and interest. However, the fund has received revenues totaling only \$21,000 since its creation. Receipts for the fund consist of appropriations from the general fund and interest from appropriations. The fund received \$6 million and \$475,000 from the general fund in FY1990-91 and FY1997-98, respectively, and has maintained significant ending balances as a result of the general fund appropriations to remain self-sustaining. This fund is an appropriate financing mechanism if loan repayments and investment returns are sufficient to cover expenditures.

Homes Revolving Fund, Section 201G-401, HRS

Financial Data for Fiscal Year 1999 (in thousands)

	FY1999
Beginning Fund Balance	\$46,932
Revenues	322
Interest	1,239
Expenditures	(3,557)
Transfers*	(48,500)
Ending Fund Balance	(\$3,564)
Encumbrances	0

* Transfers were made to the general fund.

This fund was established to develop and implement affordable housing programs, including the development of infrastructure, and on and off-site improvements required for development; to provide short-term or interim construction loans; to develop and construct housing; and to advance equity capital for the rental housing system. The fund continues to serve its original purposes and has been used for planning, designing, and constructing major on and off-site improvements required for the development of three master planned communities. A clear link exists between the benefits sought and charges made upon users because those receiving loans will replenish the fund through reimbursement of prepaid fees and principal and interest payments. This fund is also self-sustaining. However, Act 141, SLH 1998, transferred \$48,500,000 to the general fund resulting in a deficit fund balance of \$3,564,000 which affects the fund's self-sustainability. The fund meets all four criteria of a revolving fund and is an appropriate financing mechanism for the program.

Housing Alteration Revolving Loan Fund, Section 201G-342, HRS

Financial Data for Fiscal Year 1999 (in thousands)

	FY1999
Beginning Fund Balance	\$251
Revenues	0
Interest	12
Expenditures	(8)
Transfers	0
Ending Fund Balance	\$255
Encumbrances	0

This fund was created to provide low interest loans to eligible persons with disabilities or to their caregivers to make design alterations, such as modifications to kitchens, baths, doorways, doors, cabinets, windows, and drawers. The maximum loan is set at \$25,000 per qualified residence. Although this program was made available in May 1992, no loans have been made. However, once loans are made to eligible persons, a clear link will exist between the benefits sought and the charges made upon users. Those receiving loans will replenish the fund through payment of principal and interest on the loans. The fund is an appropriate financing mechanism for the program.

Housing Finance Revolving Fund, Section 201G-170, HRS

Financial Data for Fiscal Year 1999 (in thousands)

	FY1999
Beginning Fund Balance	\$8,144
Revenues	1,188
Interest	557
Expenditures	(437)
Transfers*	(1,059)
Ending Fund Balance	\$8,393
Encumbrances	0

* Transfers were made to the operating fund to reimburse administrative costs.

This fund was created to pay for long-term financing, other special financing, and the administrative expenses of the Housing and Community Development Corporation of Hawaii. The fund is currently being used to finance the Mortgage Credit Certificate Program, Loan Program for Kalapana Disaster Victims, Kahana Valley Loan Program, and Low-Income Housing Tax Credit Program. A clear link exists between the benefits sought and charges made upon beneficiaries. Those who receive loans from the fund replenish it through payment of loans, interest, application fees, processing fees, and compliance fees. The fund is self-sustaining and is an appropriate financing mechanism for the program.

Housing for Elders Revolving Fund, Section 201G-153, HRS

Financial Data for Fiscal Year 1999 (in thousands)

	FY1999
Beginning Fund Balance	\$1,645
Revenues	1,772
Interest	54
Expenditures	(1,535)
Transfers*	(140)
Ending Fund Balance	\$1,796
Encumbrances	0

* Transfers were made to the general fund.

This fund was created in 1976 to support the management, operations, and maintenance of housing for the elderly. The fund was transferred from the Housing Finance and Development Corporation to the Hawaii Housing Authority in 1990. Act 350, SLH 1997, transferred the fund from the Hawaii Housing Authority in order to consolidate all state housing functions.

The fund continues to serve the purpose for which it was created. The fund supports housing projects for elderly individuals and families on Oahu. A link exists between the benefits sought and the charges made upon users because tenants are charged rental and other fees for residency in the projects. The fund is self-sustaining and is an appropriate financing mechanism.

Molokai Revolving Loan Program, Act 384, SLH 1988

Financial Data for Fiscal Years 1995-1996 (in thousands)

	FY1995	FY1996
Beginning Fund Balance	\$446	\$381
Revenues	20	0
Interest	15	0
Expenditures	(100)	0
Transfers*	0	(381)
Ending Fund Balance	\$381	\$0
Encumbrances	0	0

* Transfers were made to the general fund.

This fund was established in 1988 by Act 384 to stimulate business development and growth on the island of Molokai and to serve as a five-year pilot project for similar programs in other rural areas in Hawaii. The fund provided direct and participation loans to small businesses on the island of Molokai that were unable to obtain financing through private or other conventional lenders. The payment of principal and interest replenishes the fund and enables it to make additional loans. The fund has not received any general fund appropriations and is self-sustaining. Act 384 set the program to be repealed on June 30, 1993. However, Act 170, SLH 1993, extended the 1993 repeal date of the fund until June 30, 1995. The remaining funds were transferred to the general fund.

Petroleum Products Control Fund, Section 125C-7, HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$225	\$162	\$144	\$150	\$154
Revenues	0	0	0	0	0
Interest	5	8	7	10	7
Expenditures	(68)	(26)	(1)	(6)	(19)
Transfers	0	0	0	0	0
Ending Fund Balance	\$162	\$144	\$150	\$154	\$142
Encumbrances	39	13	12	0	19

This fund was established to receive and expend funds as necessary during an energy shortage, and for planning and preparation to respond to a shortage. The fund continues to serve this purpose and has been used for energy emergency preparedness activities and other contingency planning measures. However, no linkage exists between the benefits sought and the charges made upon users. User charges are not required to support this fund and the fund relies solely on interest income derived from the investment of unobligated funds. The fund does not meet all of the criteria of a revolving fund.

Rental Assistance Revolving Fund, Section 201G-223, HRS

Financial Data for Fiscal Year 1999 (in thousands)

	FY1999
Beginning Fund Balance	\$35,664
Revenues	2,168
Interest	2,342
Expenditures	(4,051)
Transfers*	(56)
Ending Fund Balance	\$36,067
Encumbrances	0

* Transfers were made to the Housing Finance Revolving Fund for administrative expenses.

This fund was created to make payments under rental assistance contracts or to subsidize tenants' rents in projects. In addition, up to \$25 million from the fund plus any bond proceeds may be used to provide interim construction financing to qualified sponsors or to the Housing and Community Development Corporation of Hawaii to develop affordable rental housing. A clear link exists between the benefits sought and charges made upon users. Those receiving interim construction financing will replenish the fund through repayment of loan principal and interest. The fund is self-sustaining and is an appropriate financing mechanism for this program.

Rental Housing Trust Fund, Section 201G-432, HRS

Financial Data for Fiscal Year 1999 (in thousands)

	FY1999
Beginning Fund Balance	\$22,335
Revenues	1,140
Interest	820
Expenditures	(8,766)
Transfers*	10,000
Ending Fund Balance	\$25,529
Encumbrances	0

* Transfers received from state bond issues.

This fund was created to provide loans or grants for the development, predevelopment, construction, acquisition, preservation, and substantial

rehabilitation of rental housing units. The fund can be used for planning, design, land acquisition, costs of options, agreements of sale, down payments, equity financing, capacity-building of non-profit housing developers, and other housing development services or activities. The fund continues to serve its original purpose and provides the benefits originally intended to beneficiaries. The fund does not require any general fund appropriations and meets the definition of a trust fund.

State Disaster Revolving Loan Fund, Section 209-34, HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$530	\$596	\$651	\$699	\$756
Revenues	47	34	36	35	33
Interest	19	22	21	28	14
Expenditures	0	(1)	(9)	(6)	0
Transfers*	0	0	0	0	(500)
Ending Fund Balance	596	\$651	\$699	\$756	\$303
Encumbrances	0	0	0	0	0

* Transfers were made to the Hawaii Capital Loan Program.

This fund was established in 1976 to provide loans to businesses, families, and individuals suffering damages in a state-declared disaster. Loans from this fund are made available to businesses, families, and individuals who are not covered by insurance or who are unable to receive sufficient assistance from the U.S. Small Business Administration or other disaster relief agencies. The fund continues to serve the purpose for which it was created. A direct link exists between the benefits sought and charges made upon users because those who receive loans are required to repay the principal and interest. The fund is self-sustaining and has required no general fund appropriations. The fund meets all four criteria for a revolving fund.

State Low Income Housing Revolving Fund, Section 201G-45, HRS

Financial Data for Fiscal Year 1999 (in thousands)

	FY1999
Beginning Fund Balance	(\$75)
Revenues	1,841
Interest	0
Expenditures	(208)
Transfers*	(1,925)
Ending Fund Balance	(\$367)
Encumbrances	0

* Transfers were made to the operating fund to cover administrative costs.

This fund was created in 1947 to support the activities of the Hawaii Housing Authority in the development and administration of public housing. Act 212, SLH 1998, changed the name of the fund from the Housing Revolving Fund to its present name. The fund continues to serve its original purpose by collecting rents and fees for the administration of the authority's rental housing projects for low-income families. A direct link exists between the benefits sought and the charges made upon the users because tenants are charged rent and other fees for residency in these projects. However, the fund is not self-sustaining. Deficit beginning and ending fund balances along with the transfer to the operating fund affects the fund's self-sustainability. The fund does not meet all four criteria of a revolving fund.

Teachers' Housing Revolving Fund, Section 201G-142, HRS

Financial Data for Fiscal Year 1999 (in thousands)

	FY1999
Beginning Fund Balance	\$785
Revenues	267
Interest	0
Expenditures	(9)
Transfers*	(120)
Ending Fund Balance	\$923
Encumbrances	0

* Transfers were made to the operating fund.

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. Act 350, SLH 1997, transferred this fund from the Hawaii Housing Authority in order to consolidate all state housing functions.

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, a direct link exists between the benefits sought and the charges made upon the users. The fund is also self-sustaining as rent payments cover all operating costs. A revolving fund is an appropriate financing mechanism for this program.

**Accounts
Established Under
Administrative
Authority**

**Hawaii Innovation Development Revolving Fund-Excess
Cash**

Financial Data for Fiscal Year 1997 (in thousands)

	FY1997
Beginning Fund Balance	\$0
Revenues	0
Interest	0
Expenditures	0
Transfers*	0
Ending Fund Balance	\$0
Encumbrances	0

* Transfer-in of \$150,000 from the Hawaii Innovation Development Revolving Fund and a subsequent transfer-out of \$150,000 was made to the general fund.

This account was temporarily established during FY1996-97 to serve as a pass-through account to transfer excess funds from the Hawaii Innovation Development Revolving Fund to the general fund pursuant to Act 213, SLH 1996. Although identified as a revolving fund by the department, this account served as a clearing account for excess funds determined by the Legislature.

Hawaii Large Fishing Vessel Loan Revolving Fund- Excess Cash

Financial Data for Fiscal Year 1997 (in thousands)

	FY1997
Beginning Fund Balance	\$0
Revenues	0
Interest	0
Expenditures	0
Transfers*	0
Ending Fund Balance	\$0
Encumbrances	0

* Transfer-in of \$150,000 from the Hawaii Large Fishing Vessel Purchase, Construction, Renovation, Maintenance, and Repair Loan Revolving Fund and a subsequent transfer-out of \$150,000 was made to the general fund.

This account was temporarily established during FY1996-97 to serve as a pass-through account to transfer excess funds from the Hawaii Large Fishing Vessel Purchase, Construction, Renovation, Maintenance, and Repair Loan Revolving Fund to the general fund pursuant to Act 213, SLH 1996. Although identified as a revolving fund by the department, this account served as a clearing account for excess funds determined by the Legislature.

Hawaii Small Fishing Vessel Loan Revolving Fund- Excess Cash

Financial Data for Fiscal Year 1997 (in thousands)

	FY1997
Beginning Fund Balance	\$0
Revenues	0
Interest	0
Expenditures	0
Transfers*	0
Ending Fund Balance	\$0
Encumbrances	0

* Transfer-in of \$50,000 from the Hawaii Small Fishing Vessel Purchase, Construction, Renovation, Maintenance, and Repair Loan Revolving Fund and a subsequent transfer-out of \$50,000 was made to the general fund.

This account was temporarily established during FY1996-97 to serve as a pass-through account to transfer excess funds from the Hawaii Small

Fishing Vessel Purchase, Construction, Renovation, Maintenance, and Repair Loan Revolving Fund to the general fund pursuant to Act 213, SLH 1996. Although identified as a revolving fund by the department, this account served as a clearing account for excess funds determined by the Legislature.

International Center for Economic Growth Asia/Pacific Discretionary Fund

Financial Data for Fiscal Years 1998-1999 (in thousands)

	FY1998	FY1999
Beginning Fund Balance	\$0	\$5
Revenues	0	0
Interest	0	0
Expenditures	(4)	(2)
Transfers*	9	0
Ending Fund Balance	\$5	\$3
Encumbrances	0	0

* Transfers were made from the Private Contributions and Grants trust account.

This trust account was established in 1998 to account for the contributions received from the International Center for Economic Growth for research and projects in the Asia/Pacific region. The fund defrays administrative expenses incurred in connection with the coordination of research and projects. This account continues to serve the purpose for which it was created and has required no general fund appropriations.

Kakaako Development District-Temporary Deposits

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$104	\$108	112	\$30	\$5
Revenues	0	0	15	0	60
Interest	4	5	3	0	0
Expenditures	0	(1)	(100)	(25)	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$108	\$112	\$30	\$5	\$65
Encumbrances	0	0	0	0	0

This trust account was created in 1993 as a temporary holding account for temporary deposits from developers in response to requests for proposals or as required by development agreements. For example, if the developer is not awarded the contract, the refundable check submitted with a proposal is returned. This account continues to serve its original purpose and has required no general fund appropriations.

Private Contributions and Grants

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$122	\$109	\$125	\$79	\$73
Revenues	5	48	74	3	3
Interest	0	0	0	0	0
Expenditures	(18)	(32)	(120)	0	(70)
Transfer*	0	0	0	(9)	0
Ending Fund Balance	\$109	\$125	\$79	\$73	\$6
Encumbrances	0	0	0	0	0

* Transfer was made to the ICEG Asia/Pacific Discretionary Trust Account.

This account was established as a holding account for the private contributions and grants received by the department for specific projects. The account receives federal funds that are used to contract with the Research Corporation of the University of Hawaii for studies on marine minerals. The account continues to serve as a holding account and does not require any general fund appropriations.

Temporary Deposits

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$290	\$315	\$279	\$215	\$247
Revenues	241	61	60	58	93
Interest	0	0	0	0	0
Expenditures	(216)	(97)	(124)	(26)	(83)
Transfers	0	0	0	0	0
Ending Fund Balance	\$315	\$279	\$215	\$247	\$257
Encumbrances	0	0	0	0	0

This account was established as a temporary holding account for temporary deposits, such as refundable rental deposits from tenants, registration fees for seminars, and private contributions for short-term projects. In addition, this account has benefited students who participate and receive awards for the Energy Poster Contest of the Department of Education. This trust account is being used as a separate holding account and serves the purpose for which it was created.

Chapter 4

University of Hawaii

This chapter presents the results of our review of 31 revolving funds, 8 trust funds, and 2 trust accounts of the University of Hawaii. 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. In alphabetical order, we present first those funds and accounts established by statutory authority followed by those accounts established under administrative authority.

Funds Established Under Statutory Authority

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

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$99	\$129	\$154	\$191	\$235
Revenues	361	358	399	418	484
Interest	1	5	6	11	16
Expenditures	(332)	(332)	(368)	(385)	(472)
Transfer*	0	(6)	0	0	0
Ending Fund Balance	\$129	\$154	\$191	\$235	\$263
Encumbrances	0	0	37	53	45

* Transfer was made to meet the State's budget reduction plan.

This fund was established in 1974 to account for expenditures and revenues from the sale of livestock raised on a research farm. The fund continues to serve its original purpose. Fees collected when livestock are sold for slaughter are used to pay for feed and other supplies for the livestock. A direct link exists between the purchase of the livestock and the revenues they generate. However, the fund is not self-sustaining. Personnel costs of \$400,000 in general funds are necessary to pay Waialeale station worker salaries. The fund does not meet all the criteria of a revolving fund.

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

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	Y1999
Beginning Fund Balance	\$15	\$18	\$35	\$59	\$61
Revenues	4	16	52	12	91
Interest	0	1	2	4	6
Expenditures	(1)	0	(30)	(14)	(57)
Transfers	0	0	0	0	0
Ending Fund Balance	\$18	\$35	\$59	\$61	\$101
Encumbrances	0	0	0	0	0

This fund was created in 1976 to account for the fees, charges, and other moneys collected for the operations of the Center for Labor Education and Research. The fund continues to serve this purpose. The fund receives contributions from labor unions for specialized education and training of workers and leaders of trade unions. Some linkage exists between the union contributions and their use for providing professional education to trade union members. The fund is also self-sustaining and is an appropriate financing mechanism for the program. The fund meets all four criteria of a revolving fund.

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

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$63	\$125	\$134	\$109	\$85
Revenues	461	445	463	419	473
Interest	1	6	6	8	10
Expenditures	(400)	(437)	(494)	(451)	(487)
Transfer*	0	(5)	0	0	0
Ending Fund Balance	\$125	\$134	\$109	\$85	\$81
Encumbrances	0	0	10	4	3

* Transfer was made to meet the State's budget reduction plan.

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. The fund continues to serve the purpose for which it was created. A direct link exists between the benefits sought and the charges made upon the users because those who receive the benefits of child care pay for the

service. However, the fund does not meet the third criterion that it be self-sustaining. The law originally required the program to be self-supporting but this requirement was removed by Act 344, SLH 1989. Teaching and administrative personnel costs are paid from general fund appropriations and account for nearly half the revenue received. The fund will continue to require support from the general fund and is not expected to become self-sustaining. The fund therefore does not meet all the criteria of a revolving fund.

Commercial Enterprises Revolving Fund, Section 304-8.41, HRS

Financial Data for Fiscal Years 1998-1999 (in thousands)

	FY1998	FY1999
Beginning Fund Balance	\$0	\$181
Revenues	179	288
Interest	5	11
Expenditures	(126)	(360)
Transfers*	123	100
Ending Fund Balance	\$181	\$220
Encumbrances	0	6

* Transfers represent start-up funds.

Act 181, SLH 1997, created this fund to account for the revenues derived from the operation of commercial enterprises under university programs. The fund continues to serve the purpose for which it was created. Moneys in the fund are expended to sponsor private, cultural, and athletic performances and the sale of goods produced by university programs, or goods bearing the university logo. The fund presently pays for administrative costs of the university's bookstore which sells goods bearing the university logo and related merchandise. A direct link exists between the benefits sought and the charges made upon the users. Those who purchase the goods and services must pay to receive them. The fund does not require any general fund appropriations and is an appropriate financing mechanism for the program.

Community College Conference Center Revolving Fund, Section 305-5, HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$89	\$89	\$89	\$289	\$304
Revenues	0	0	485	408	434
Interest	0	0	8	0	19
Expenditures	0	0	(295)	(386)	(398)
Transfers*	0	0	2	(7)	32
Ending Fund Balance	\$89	\$89	\$289	\$304	\$391
Encumbrances	0	0	39	101	134

* Transfers-in were surplus funds from programs to the conference center account.
Explanation for the transfer-out during FY1997-98 was not provided by the agency.

This fund was created in 1994 to account for the fees, charges, and other moneys collected by the conference centers at the various community colleges. The fund serves the purpose for which it was created. The center provides the community colleges, 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 defray direct and administrative costs for each event. A direct link exists between the benefits sought and charges made upon the users because those who receive services are charged fees. The fund is self-sustaining and is an appropriate financing mechanism. The fund meets all four criteria of a revolving fund.

Conference Center Revolving Fund, Section 304-8.94, HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$190	\$232	\$350	\$36	\$128
Revenues	689	451	569	1,234	950
Interest	3	22	24	0	17
Expenditures	(586)	(402)	(607)	(1,138)	(919)
Transfers*	(64)	47	(300)	(4)	5
Ending Fund Balance	\$232	\$350	\$36	\$128	\$181
Encumbrances	0	0	6	2	36

* Transfers-in were for administrative fees recorded in special fund accounts; transfers-out were the administrative fees earned by the Outreach College for conducting the conferences. Transfer-out in FY1996-97 represents a one-time closing of the conference center account which transferred funds to the Outreach College.

This fund was created in 1990 to account for the 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, 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 defray direct and administrative costs for each event. A direct link exists between the benefits sought and charges made upon the users because those who receive services are charged fees. The fund is self-sustaining and is an appropriate financing mechanism. The fund meets all four criteria of a revolving fund.

Conference Center Revolving Fund - UH-Hilo, Section 304-8.945, HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$0	\$0	\$0	\$4	\$4
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	(4)
Transfer*	0	0	4	0	0
Ending Fund Balance	\$0	\$0	\$4	\$4	\$0
Encumbrances	0	0	0	0	0

* Transfer was for start-up funds from College of Continuing Education and Community Service-Hilo.

This fund was created in 1993 to account for the fees, charges, and other moneys collected by the conference center. The fund serves the purpose for which it was created. The center promotes educational, scientific, and artistic pursuits through the planning and implementation of seminars, conferences, workshops, and courses. Fees are charged to defray costs for each conference. A direct link exists between the benefits sought and charges made upon the users because those who receive services are charged fees. The fund meets the criteria of a revolving fund.

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

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$3,317	\$2,472	\$2,248	\$2,383	\$3,370
Revenues	804	703	629	2,475	651
Interest	75	106	114	138	162
Expenditures	(1,724)	(890)	(608)	(2,344)	(1,304)
Transfers*	0	(143)	0	718	0
Ending Fund Balance	\$2,472	\$2,248	\$2,383	\$3,370	\$2,879
Encumbrances	0	0	1	29	0

* Transfers were to and from federal accounts.

This fund was established in 1988 to account for the receipts and disbursements of funds used to develop technologies that have potential commercial value and to support the administration of technology transfer activities at the university. The purpose of the fund was expanded in 1989 to encompass facilitating economic development through education and research undertaken at the university. Since 1999, the fund has also been used to support the University Connections program which helps connect entrepreneurs with the resources needed to commercialize knowledge from the university. The fund continues to serve the purposes for which it was created. Some linkage exists 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 fund is self-sustaining and does not require general fund appropriations. The fund is an appropriate financing mechanism and meets the criteria of a revolving fund.

International Exchange Health Care Tourism Revolving Fund, Section 304-68.5, HRS

Financial Data for Fiscal Year 1999 (in thousands)

FY1999

Beginning Fund Balance PROGRAM NOT IMPLEMENTED

Revenues
Interest
Expenditures
Transfers

Ending Fund Balance

Encumbrances

Act 303, SLH 1998, authorized the establishment of this fund to account for the revenues derived from donations, gifts, contributions, legislative appropriations, and moneys generated through an international exchange of healthcare tourism program. Moneys in the fund must be used for the international exchange program for medical and nursing students within the university's School of Medicine and School of Nursing to focus on Hawaii's role in international medical and nursing education, training, research, information sharing, and to promote health-related tourism. The fund does not serve the purpose for which it was created. The program has not been implemented and there is no future plan to implement the program. The fund has not received any general fund appropriations, donations, gifts, contributions, or moneys generated through healthcare tourism.

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

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$1,354	\$574	\$2,376	\$10,103	\$21,651
Revenues	4,674	6,544	12,709	16,296	17,250
Interest	0	8	75	107	138
Expenditures	(5,454)	(4,750)	(5,057)	(4,855)	(8,030)
Transfers	0	0	0	0	0
Ending Fund Balance	\$574	\$2,376	\$10,103	\$21,651	\$31,009
Encumbrances	0	0	482	1,166	1,264

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 created. Eighty-four percent of the indirect overhead costs reimbursed from extramural 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. Revenues to the fund are from reimbursements for indirect overhead costs or those costs incurred by the university that are specifically attributable to a specific grant or research project. Indirect overhead costs include electricity, telephone, and various facility expenses that are being paid for with general funds. The fund uses one-third of its receipts for research or training seed money, travel grants for faculty and staff, cost sharing and start-up requirements, and emerging programs and equipment. Two-thirds of the annual receipts are allocated to the units which generated the overhead income. Payment from contracts and grants are intended to reimburse the university for indirect overhead costs that are normally paid for from general funds. The fund does not meet all the criteria for a revolving fund.

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

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$40	\$47	\$62	\$83	\$108
Revenues	57	59	67	62	59
Interest	0	2	3	5	7
Expenditures	(50)	(44)	(49)	(42)	(68)
Transfer*	0	(2)	0	0	0
Ending Fund Balance	\$47	\$62	\$83	\$108	\$106
Encumbrances	0	0	0	0	33

* Transfer was made to meet the State's budget reduction plan.

This fund was created in 1975 to enable the seed distribution program of the College of Tropical Agriculture and Human Resources to meet the demand for seeds. The fund continues to serve the purpose for which it was created. The fund is used for the cultivation and production of vegetable and garden seeds. The fund is also used for research and development directly related to such cultivation and production. 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. However, the fund is not self-sustaining. Personnel costs in the amount of \$50,000 in general funds are necessary to pay the coordinator's salary. The fund is an appropriate financing mechanism if seed prices are set to cover administrative and seed costs.

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

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$6,658	\$6,935	\$6,750	\$6,701	\$6,977
Revenues	121	120	169	130	131
Interest	24	49	33	41	37
Expenditures	(124)	(505)	(349)	71	(380)
Transfers*	256	151	98	34	0
Ending Fund Balance	\$6,935	\$6,750	\$6,701	\$6,977	\$6,765
Encumbrances	0	0	0	0	0

* Transfers were made from the general fund.

This fund was established in 1969 to provide low-interest, long-term deferred repayment loans to qualified students of the University of Hawaii or the community colleges. The fund continues to serve this purpose by providing loans at 5 percent simple interest to qualified students enrolled at least half-time in a degree program. A link exists between the benefit sought and the charges made upon users because those who receive loans are required to pay the principal and interest. The fund is self-sustaining as loans are repaid with interest and the need for general fund appropriations has decreased each fiscal year. The fund is an appropriate financing mechanism for the program and meets all four criteria of a revolving fund.

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

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$7	\$5	\$181	\$203	\$80
Revenues	104	263	916	975	1,023
Interest	0	1	21	15	9
Expenditures	(106)	(86)	(915)	(1,113)	(1,127)
Transfer*	0	(2)	0	0	0
Ending Fund Balance	\$5	\$181	\$203	\$80	(\$15)
Encumbrances	0	0	21	26	26

* Transfer was made to meet the State's budget reduction plan.

The fund was established in 1974 to account for the receipt of fees charged for medical services and other related goods. The fund continues to serve the purpose for which it was originally created. Moneys in the fund are used to provide primary medical care to students, faculty and staff, and preventive clinical and educational services. A direct link exists between the benefits sought and the charges made upon users because students and others who receive services are charged fees which are then deposited into the fund. However, the fund is not self-sustaining and receives general fund appropriations to cover administrative cost requirements. The fund also had a negative ending fund balance for FY1998-99 totaling \$15,000. The fund does not meet all the criteria of a revolving fund.

Transcript and Diploma Revolving Fund, Section 304-8.3, HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$344	\$341	\$381	\$507	\$562
Revenues	237	361	388	385	383
Interest	11	13	9	15	20
Expenditures	(251)	(269)	(271)	(345)	(324)
Transfer*	0	(65)	0	0	0
Ending Fund Balance	\$341	\$381	\$507	\$562	\$641
Encumbrances	0	0	17	1	4

* Transfer was made to meet the State's budget reduction plan.

This fund was established in 1974 to defray the cost of transcripts and diplomas. The fund continues to serve this purpose and pays for the cost of printing diplomas and hardcover cases and for generating and distributing transcripts. A direct link exists between the benefits sought and the charges made upon the users because recipients of diplomas and transcripts are charged fees to cover the costs of production and distribution. The fund receives no general fund appropriations and is an appropriate financing mechanism for the program. The fund meets all four criteria of a revolving fund.

University of Hawaii Alumni Revolving Fund, Section 304-8.97, HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$5	\$9	\$20	\$19	\$19
Revenues	15	10	10	10	19
Interest	0	1	1	1	2
Expenditures	(11)	0	(12)	(11)	(6)
Transfers	0	0	0	0	0
Ending Fund Balance	\$9	\$20	\$19	\$19	\$34
Encumbrances	0	0	1	0	0

This fund was established to account for the proceeds from alumni activities and donations from alumni. The fund continues to serve the purpose for which it was created. In addition to alumni donations and activities fees, the fund accounts for income generated from the sale of advertising space in *Malamalama*, the alumni magazine. A direct link exists between the benefits sought and the charges made upon users

because the revenue received from alumni are used to conduct activities and programs for them. However, the fund is not self-sustaining since approximately \$1 million in general funds are necessary to pay alumni office worker salaries and printing costs. The fund does not meet all four criteria of a revolving fund.

University of Hawaii at Hilo Hawaiian Language College Revolving Fund, Section 304-69, HRS

Financial Data for Fiscal Years 1998-1999 (in thousands)

	FY1998	FY1999
Beginning Fund Balance	\$0	\$0
Revenues	0	0
Interest	0	0
Expenditures	0	0
Transfers	0	0
Ending Fund Balance	\$0	\$0
Encumbrances	0	0

This fund was established in 1997 for the Hawaiian Language College of the University of Hawaii at Hilo. The purpose of the fund is to account for revenues derived from the sale of Hawaiian language materials. The fund has yet to serve this purpose as no activities have been supported by the fund at this time. Some linkage will exist between the benefits sought and the charges made upon users as those who purchase Hawaiian language materials must pay a fee that will be deposited into the fund. The fund has not received any revenues including general fund appropriations. The fund could be self-sustaining once the college begins selling the Hawaiian language material.

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

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$170	\$110	\$33	\$36	\$24
Revenues	228	204	176	173	181
Interest	2	4	2	2	2
Expenditures	(265)	(273)	(176)	(218)	(185)
Transfers*	(25)	(12)	1	31	(1)
Ending Fund Balance	\$110	\$33	\$36	\$24	\$21
Encumbrances	0	0	3	5	1

* Transfers-out were to the Endowment Fund; whereas transfers-in were from gifts and grants.

This fund was established in 1985 to account for the receipts and disbursements of University of Hawaii at Hilo student intercollegiate athletics events. The fund continues to serve this purpose. A direct link also exists between the benefit sought and the charges made upon users. Those who attend intercollegiate athletic events are charged fees that are deposited into the fund. During our prior review, we found that the athletic program was not self-sustaining. The athletic program continues to receive general fund appropriations and is still not self-sustaining. For FY1998-99, the program received \$166,000 from general funds. The fund does not meet all the criteria for a revolving fund.

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

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$3,096	\$2,508	\$2,668	\$2,162	\$2,293
Revenues	8,784	9,851	10,669	12,561	11,231
Interest	89	163	503	749	995
Expenditures	(9,453)	(9,542)	(11,689)	(13,179)	(13,642)
Transfers*	(8)	(312)	11	0	40
Ending Fund Balance	\$2,508	\$2,668	\$2,162	\$2,293	\$917
Encumbrances	0	0	249	583	504

* Transfers:

FY1994-95: \$8,000 transferred to the Scholarship Program.

FY1995-96: \$312,000 transferred to meet the state's budget reduction plan.

FY1996-97: \$11,000 transferred as a reimbursement from the Student Activities Program Fee Board to offset student assistance costs of the weight room.

FY1998-99: \$5,000 transferred as reimbursement from the Student Activities Program Fee Board to offset student assistance costs of the weight room.

\$35,000 transferred from Auxiliary Services for distribution of reserves for equipment held by Mariott.

This fund was established in 1985 to account for the receipts and disbursements of University of Hawaii at Manoa student intercollegiate athletic programs. The fund continues to serve this purpose. A direct link exists between the benefit sought and the charges made upon users because those who attend intercollegiate athletic events such as basketball, baseball, and volleyball games are charged fees that are deposited into the fund. During our prior review, we found that the athletic program was not self-sustaining. The athletic program continues to receive general fund appropriations and is not self-sustaining. In

FY1998-99, the program received \$1.4 million in general fund appropriations. The fund does not meet all the criteria for a revolving fund.

University of Hawaii at Manoa Laboratory School Summer Programs Revolving Fund, Section 304-27, HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	(\$218)	(\$55)	(\$26)	(\$6)	(\$18)
Revenues	196	225	244	244	227
Interest	2	3	6	7	5
Expenditures	(35)	(242)	(230)	(263)	(215)
Transfer*	0	43	0	0	0
Ending Fund Balance	(\$55)	(\$26)	(\$6)	(\$18)	(\$1)
Encumbrances	7	6	1	2	3

* Transfer was made to meet the State's budget reduction plan.

This fund was established in 1994 to finance the operational cost of summer programs conducted at the University of Hawaii-Manoa Laboratory School. The fund continues to serve this purpose and pays for the operational costs of three integrated summer programs that include summer science enrichment, computers, and after-school school activities for students entering grades three through eight. A clear link exists between the benefits sought and the charges made upon the users because the users of the summer school programs pay a fee to participate in the programs. Negative ending fund balances are reported in each fiscal year of the program's existence. The fund is not self-sustaining and has received no general fund appropriations. The fund does not meet the criteria of a revolving fund.

University of Hawaii Facilities Use Revolving Fund, Section 304-8.957, HRS

Financial Data for Fiscal Year 1999 (in thousands)

	FY1999
Beginning Fund Balance	\$0
Revenues	36
Interest	1
Expenditures	0
Transfers	0
Ending Fund Balance	\$37
Encumbrances	0

Act 115, SLH 1998, established this fund to account for revenues collected by the university for the use of university facilities. The fund continues to serve the purpose for which it was created. Moneys in the fund are expended for operating university facilities, including maintenance, administrative expenses, salaries, wages, employee benefits, contractor services, and supplies. A direct link exists between the benefits sought and the charges made to the users. Those who use the university facilities must pay a fee to cover the maintenance cost of the facilities. The fund does not require any general fund appropriations and is an appropriate financing mechanism for the program.

University of Hawaii Graduate Application Revolving Fund, Section 304-8.98, HRS

Financial Data for Fiscal Years 1997-1999 (in thousands)

	FY1997	FY1998	FY1999
Beginning Fund Balance	\$0	\$113	\$203
Revenues	111	116	123
Interest	2	8	10
Expenditures	0	(34)	(145)
Transfers	0	0	0
Ending Fund Balance	\$113	\$203	\$191
Encumbrances	0	8	0

This fund was established in 1995 to account for the receipts and expenditures of processing graduate applications. The fund continues to receive graduate application fees and is being used for preparing forms, postage, providing applications on a web page, processing applications, administering the application process, and informing students of the results. A direct link exists between the benefits sought and the charges made upon the users because those who submit graduate applications are charged a fee to process the application. The fund is self-sustaining and does not require general fund appropriations. The fund is an appropriate financing mechanism for the program and meets the criteria of a revolving fund.

University of Hawaii-Hilo Theatre Revolving Fund, Section 304-8.946, HRS

Financial Data for Fiscal Years 1998-1999 (in thousands)

	FY1998	FY1999
Beginning Fund Balance	\$0	\$10
Revenues	11	9
Interest	0	1
Expenditures	(1)	(9)
Transfers	0	0
Ending Fund Balance	\$10	\$11
Encumbrances	0	0

This fund was established in 1997 to account for the collection of admissions, advertising sales, corporate sponsorships, marketing, merchandising, donations, fund-raising, fees and charges of the University of Hawaii at Hilo theatre program. The fund continues to serve the purpose for which it was originally created. User fees charged for admission to various theatre events are deposited into the fund and used to finance activities related to producing and presenting performing arts events. Such user fees pay for artist fees, production costs, honoraria, food and refreshments. A direct link exists between the benefits sought and the charges made to the users because those who attend theatre events are charged fees for admission. The fund has received no general fund appropriations and is an appropriate financing mechanism for the program.

University of Hawaii Housing Assistance Revolving Fund, Section 304-8.96, HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$3,896	\$5,079	\$3,443	\$1,944	\$2,142
Revenues	1,509	1,935	1,403	1,267	1,429
Interest	101	187	96	91	85
Expenditures	(281)	(393)	(3,235)	(272)	(538)
Transfers*	(146)	(3,365)	237	(888)	(737)
Ending Fund Balance	\$5,079	\$3,443	\$1,944	\$2,142	\$2,381
Encumbrances	0	0	73	57	471

* Transfer-in is from the Housing Assistance Program; transfers-out are to the plant fund for renewal and replacement and debt service reserves.

This fund was established in 1991 to implement the University of Hawaii housing assistance master plan and account for all transactions of the university's Housing Assistance Program. The fund continues to serve these purposes and provide loans to faculty not to exceed \$60,000 for mortgage down payment assistance and/or mortgage payment assistance. Some linkage exists between the benefits sought and the charges made upon users because those who receive mortgage loans are required to repay the loans plus interest. The fund is self-sustaining and has not required any general fund appropriations. The repayment of loan principal and interest is sufficient to cover the costs of the program. The fund is an appropriate financing mechanism and meets the criteria of a revolving fund.

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

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$2,328	\$2,806	\$3,110	\$2,715	\$2,874
Revenues	4,753	4,162	3,673	3,472	3,545
Interest	73	204	114	128	142
Expenditures	(4,344)	(4,000)	(4,125)	(4,211)	(3,902)
Transfers*	(4)	(62)	(57)	770	18
Ending Fund Balance	\$2,806	\$3,110	\$2,715	\$2,874	\$2,677
Encumbrances	0	0	195	375	229

* Transfer of \$7,000 in FY1995-96 was made to meet the State's budget reduction plan. Explanation for additional transfers was not provided by the agency.

This fund was established in 1980 to account for the receipts from compulsory student activity fees collected for student organizations and activities for each of the campus units. The fund continues to serve the purposes for which it was originally created. Students are assessed activity fees for each semester of enrollment. There is a direct link between the benefit sought and the charges made on the users because students who pay activity fees benefit from the student organizations and activities. The fund is also self-sustaining and is an appropriate financing mechanism for the program.

University of Hawaii Workers' Compensation and Unemployment Insurance Compensation Revolving Fund, Section 304-8.86, HRS

Financial Data for Fiscal Years 1998-1999 (in thousands)

	FY1998	FY1999
Beginning Fund Balance	\$0	\$178
Revenues	217	119
Interest	8	13
Expenditures	(47)	(141)
Transfers	0	0
Ending Fund Balance	\$178	\$169
Encumbrances	0	0

Act 115, SLH 1998, established this fund to account for the revenues derived from assessments for workers' compensation costs and unemployment insurance compensation costs against the revolving fund payroll of University of Hawaii employees. The fund continues to serve the purpose for which it was created. The fund collects all workers' compensation and unemployment insurance compensation assessments made on the revolving fund payroll by the university. Moneys in the fund are used for administrative costs and payments to individuals who were injured while working and qualify for payments in the event of employment termination. An indirect link exists between the benefits sought and the charges made to the users. Workers' compensation and unemployment insurance compensation assessments are deposited into the revolving fund with payroll accounts and are in turn paid to injured and terminated workers. The fund does not require any general fund appropriations and is an appropriate financing mechanism for the program. The fund meets all four criteria of a revolving fund.

University Parking Revolving Fund, Section 308-2, HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$328	\$775	\$1,850	\$1,627	\$2,195
Revenues	3,801	4,229	4,289	4,608	4,289
Interest	113	221	237	264	291
Expenditures	(2,994)	(3,315)	(3,048)	(3,193)	(3,025)
Transfers*	(473)	(60)	(1,701)	(1,111)	(2,030)
Ending Fund Balance	\$775	\$1,850	\$1,627	\$2,195	\$1,720
Encumbrances	0	0	994	1,555	836

* Transfers were for renewal and replacement and debt service plant funds.

This fund was established in 1964 to account for the parking fees and fines assessed for designated parking areas at University of Hawaii-Manoa. The fund continues to be used to collect parking fees and fines for operations, maintenance, repairs, and replacement of parking facilities. A link exists between the benefits sought and the charges made upon users because those who use the parking areas are charged fees or fines which are then deposited into the fund. The fund is also self-sustaining and has received no general fund appropriations. The fund is an appropriate financing mechanism and meets all four criteria of a revolving fund.

University Parking Revolving Fund - UH-Community Colleges, Section 308-2, HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$177	\$172	\$185	\$189	\$130
Revenues	109	103	105	95	85
Interest	5	9	9	7	5
Expenditures	(119)	(99)	(110)	(161)	(124)
Transfers	0	0	0	0	0
Ending Fund Balance	\$172	\$185	\$189	\$130	\$96

This fund was created in the 1960s to account for the parking fees and fines assessed for designated parking areas at University of Hawaii-Community Colleges. The fund continues to be used to collect parking fees and fines for operations, maintenance, repairs, and replacement of parking facilities. A link exists between the benefits sought and the charges made upon users because those who use the parking areas are charged fees or fines which are then deposited into the fund. The fund is also self-sustaining and has received no general fund appropriations. The fund is an appropriate financing mechanism and meets all four criteria of a revolving fund.

University Parking Revolving Fund - UH-Hilo, Section 308-2, HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$240	\$331	\$385	\$176	\$129
Revenues	164	164	2	136	136
Interest	5	12	10	8	6
Expenditures	(78)	(122)	(121)	(191)	(216)
Transfer*	0	0	(100)	0	0
Ending Fund Balance	\$331	\$385	\$176	\$129	\$55
Encumbrances	0	0	60	57	51

* Transfer was made to meet the State's budget reduction plan.

This fund was created in the 1960s to account for the parking fees and fines assessed for designated parking areas at University of Hawaii-Hilo and Hawaii Community College. The fund continues to be used to collect parking fees and fines for the operations and maintenance of parking facilities. A link exists between the benefits sought and the charges made upon users because those who use the parking areas are charged fees or fines which are then deposited into the fund. The fund is also self-sustaining and has received no general fund appropriations. The fund is an appropriate financing mechanism and meets all four criteria of a revolving fund.

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

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$13,436	\$14,731	\$13,839	\$14,914	\$18,946
Revenues	16,846	14,252	34,609	35,140	36,510
Interest	832	1,133	1,203	1,564	1,925
Expenditures	(15,302)	(18,766)	(29,519)	(27,234)	(32,811)
Transfers*	(1,081)	2,489	(5,218)	(5,438)	(6,743)
Ending Fund Balance	\$14,731	\$13,839	\$14,914	\$18,946	\$17,827
Encumbrances	0	0	1,414	1,218	1,058

* Transfers were to and from the renewal and replacement fund and the retirement of indebtedness fund.

This fund was established to account for all revenue-producing entities of the University of Hawaii for which bonds had been issued. The fund continues to serve this purpose and accounts for various revenue-producing projects including the University Bookstores, Waahila Faculty Housing, Manoa Campus Center, and the Mauna Kea Observatory Complex Power Line. A direct link exists between the benefits sought and the charges made upon the users because those who rent or use each facility are charged rents and fees which are then deposited into the fund. The fund is also self-sustaining and is an appropriate financing mechanism for the program. The fund meets all four criteria of a revolving fund.

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

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$1,073	\$1,086	\$1,116	\$1,075	\$930
Revenues	2,448	2,569	2,423	2,552	2,692
Interest	18	44	47	45	44
Expenditures	(2,438)	(2,541)	(2,496)	(2,742)	(2,900)
Transfers*	(15)	(42)	(15)	0	0
Ending Fund Balance	\$1,086	\$1,116	\$1,075	\$930	\$766
Encumbrances	0	0	229	191	251

* Transfers:

FY1994-95: \$15,000 transferred to meet the State's budget reduction plan.

FY1995-96: \$42,000 transferred to meet the State's budget reduction plan.

FY1996-97: \$15,000 transferred from the Fry Cook Account and from the Mechanical Trades Account to close the Employment Training Center Program.

These funds were established in 1974 to account for the fee collections for services, supplies, and use of equipment for vocational and technical training projects of the community colleges and the University of Hawaii at Hilo. The fund continues to serve this purpose and supports educational and training activities. Some linkage exists between the benefits sought and the charges made upon the users because fees charged to students and the public are used for the cost of materials and supplies. The fund is self-sustaining and has received no general fund appropriations. The funds meet all four criteria of a revolving fund.

Accounts Established Under Administrative Authority

Agency Fund, Section 304-8, HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	539	379	175	243	454
Interest	0	0	0	0	0
Expenditures	(539)	(379)	(175)	(243)	(454)
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	0	0	0	0	0

This trust account was established as a temporary holding account for cash, receivables, temporary investments, and amounts due from other fund groups held by the University of Hawaii serving as a custodian or fiscal agent for individual students, faculty, staff members, and organizations. The account continues to serve this purpose and includes deposits for equipment, musical instruments, library carrels and lockers, faculty housing and long distance telephone service. This account does not require general fund appropriations and neither earns revenue nor incurs expenditures. It receives assets in the form of cash deposits from students, faculty, staff, and organizations.

Endowment Fund, Section 304-7, HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$36,799	\$33,775	\$36,335	\$37,747	\$49,996
Revenues	1,876	2,655	1,510	12,700	6,190
Interest	143	120	145	149	157
Expenditures	0	0	0	0	0
Transfers*	(5,043)	(215)	(243)	(600)	(1,175)
Ending Fund Balance	\$33,775	\$36,335	\$37,747	\$49,996	\$55,168
Encumbrances	0	0	0	0	0

* Transfers were the net of endowment fund distributions and return to the fund of unspent moneys.

This trust fund was created in 1925 to supplement the funding sources of the University of Hawaii by providing funds to support students of the

various university departments through donor and Board of Regents specified scholarships. Donor specified scholarships include scholarships for the School of Medicine and the College of Engineering. Board of Regents designated scholarships include the Presidents' and the Boards' scholarships for Hawaii's top high school graduates, as well as scholarships for the Manoa and Hilo athletic programs. Those scholarships continue to be provided to beneficiaries. The fund derives its revenue from gifts and grants made by private donors or government agencies and has not required any general fund appropriations.

Unexpended Plant Fund, Section 304-8, HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	(\$162)	\$168	(\$19)	\$165	\$369
Revenues	359	289	2,823	487	376
Interest	0	0	184	102	178
Expenditures	(29)	(476)	(2,823)	(437)	(325)
Transfers*	0	0	0	52	(2)
Ending Fund Balance	\$168	(\$19)	\$165	\$369	\$596
Encumbrances	0	0	175	294	278

* Transfers-in and transfers-out were from and for the Series H Bond System Current Debt Service.

This trust account was established in 1990 as a temporary holding account for funds used for the acquisition of physical properties for institutional purposes but unexpended at the date of reporting. Revenues to the fund are from fees assessed upon foreign governments, private agencies, participants, and users of Institute for Astronomy facilities primarily at Mauna Kea on the Island of Hawaii. The account supports telescope and infrastructure development for the Institute for Astronomy and for other programs, the replacement of buildings and equipment destroyed by fire. This account has required no general fund appropriations and meets all criteria of a trust account.

University of Hawaii - East-West Center Support Trust Fund, Section 304-2, HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$643	\$734	\$435	\$472	\$513
Revenues	496	140	0	(9)	0
Interest	16	42	37	51	66
Expenditures	(421)	(481)	(77)	(42)	(49)
Transfers*	0	0	77	41	49
Ending Fund Balance	\$734	\$435	\$472	\$513	\$579
Encumbrances	0	0	41	40	40

* Transfers were from the East-West Center for services provided by the university including security, environmental health and library services.

This fund was created in 1980 to promote cooperative and collaborative data collection and research projects between the University of Hawaii and the East-West Center. The East-West Center derives its revenues from the federal government and private donations. The fund continues to serve the purpose for which it was created. The East-West Center contracts with the university for the usage of facilities, libraries, faculty, research, security, computer, and health services. The beneficiaries are primarily the East-West Center grantees or students. The fund receives no general fund appropriations.

University of Hawaii Financial Aid Scholarships Trust Funds, Section 304-7, HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$717	\$696	\$684	\$642	\$774
Revenues	31	54	19	320	436
Interest	185	233	219	138	56
Expenditures	(203)	(216)	(280)	(319)	(339)
Transfers*	(34)	(83)	0	(7)	6
Ending Fund Balance	\$696	\$684	\$642	\$774	\$933
Encumbrances	0	0	1	0	0

* Transfers were for the return of unused income distributions to the Endowment Fund. Explanation for the transfer-in during FY1998-99 was not provided by the agency.

These funds were established in 1925 to award financial aid scholarships to students based on scholastic achievement and financial need. Trust funds have been established at each campus of the University of Hawaii. Scholarship recipients are not expected to repay the awards. The trust funds continue to serve their original purpose by providing scholarships to students for academic achievement and financial need. The funds do not receive any general fund appropriations and derives its revenue from gifts, donations, and funds transferred from endowment funds.

University of Hawaii Gifts and Donations Trust Funds, Section 304-7, HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$777	\$555	\$1,034	\$1,202	\$1,480
Revenues	60	616	970	874	294
Interest	135	181	3	7	11
Expenditures	(433)	(358)	(710)	(796)	(473)
Transfers*	16	40	(95)	193	455
Ending Fund Balance	\$555	\$1,034	\$1,202	\$1,480	\$1,767
Encumbrances	0	0	137	62	76

* Transfers-in were from the quasi-Endowment Fund; transfer-out was for indirect cost recoveries to the Private Funded Contracts and Grants Trust Funds.

This fund was created to account for the revenues and expenses of gifts and donations received from sources other than the Legislature or any federal appropriation. Gifts and donations are received directly from private individuals and organizations or indirectly from the University of Hawaii Foundation and Board of Regents managed endowment funds. These funds serve the purposes for which they were created and continue to serve the intended beneficiaries—the students and faculty who benefit from gifts and donations. The funds do not receive any general fund appropriations.

University of Hawaii Intercollegiate Athletics Scholarships Manoa, Section 304-7, HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	(\$4)	\$0	\$2	(\$5)	(\$1)
Revenues	626	600	606	597	562
Interest	0	0	0	8	15
Expenditures	(630)	(598)	(613)	(601)	(587)
Transfer*	8	0	0	0	0
Ending Fund Balance	\$0	\$2	(\$5)	(\$1)	(\$11)
Encumbrances	0	0	0	4	5

* Transfer was from the Athletic Program to support scholarships.

This fund was created in 1985 to account for the financial transactions of the Intercollegiate Athletic Department's Scholarship Fund. This fund is used for scholarship and medical expenses for eligible male and female student athletes. Types of scholarship expenditures include tuition and fees, books, course-related supplies, housing, meal plans and missed-meal allowances, and tutorial services. Types of medical expenses include medical premiums, doctor fees, clinic and hospital costs, dental costs, and rehabilitation. The fund derives its revenue from Ahahui Koa Anuenue, Rainbow Fever, the University of Hawaii Foundation, and donations from various individuals and organizations. During FY1998-99, the fund received \$234,043 in general funds. The fund continues to serve the original purpose and the intended beneficiaries—male and female student athletes. However, the fund does not meet all the criteria of a trust fund.

University of Hawaii Okinawa Program Trust Fund, Section 304-2, HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$248	\$205	\$125	\$130	\$141
Revenues	328	336	538	77	0
Interest	2	17	10	9	8
Expenditures	(344)	(388)	(543)	(75)	(5)
Transfers*	(29)	(45)	0	0	0
Ending Fund Balance	\$205	\$125	\$130	\$141	\$144
Encumbrances	0	0	83	0	0

* Transfers were for the return of unspent moneys to the granting agency.

This fund was created in 1968 to account for the revenues and expenditures to administer a western-style postgraduate medical education program at the Okinawa Prefectural Chubu Hospital in Okinawa, Japan. The fund derives its revenue from the Okinawa Prefecture Government. Expenditures from this fund are for medical residents being trained in the program and the Okinawa Prefectural community. The fund serves the purpose for which it was originally created and continues to serve the intended beneficiaries—the residents who undergo training and the Okinawa Prefecture community. The fund receives no general fund appropriations.

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

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$5,833	\$5,525	\$5,153	\$5,083	\$4,419
Revenues	3,784	3,626	4,067	3,913	4,028
Interest	127	149	9	75	140
Expenditures	(3,923)	(3,484)	(4,146)	(4,652)	(4,251)
Transfers*	(296)	(663)	0	0	0
Ending Fund Balance	\$5,525	\$5,153	\$5,083	\$4,419	\$4,336
Encumbrances	0	0	417	415	344

* Transfer-in FY1994-95 was to University of Hawaii at Hilo for work done on the Atlas of Hawaii book; transfer-in FY1995-96 was made to meet the State's budget reduction plan.

This fund was established to account for the receipts and disbursements of the various services of the University of Hawaii Press. The fund continues to serve the purpose for which it was created. The press publishes books on Hawaii, Asia, and the Pacific, and provides printing services. Revenues to the fund are derived from the sale of publications and production services such as printing. A direct link exists between the benefits sought and the charges made upon the users because those who want publications and services must pay for them. General fund appropriations pay for certain university press employees and supplies. The University of Hawaii Press received \$487,313 in general fund appropriations in FY1998-99. In our previous report we concluded that although the fund received general funds for salaries and supplies, we determined the fund to be self-sustaining given its substantial cash balance and its demonstrated capacity for self-sustainability. Based on its significant cash balance, the fund continues to be self-sustaining.

University of Hawaii Private Funded Contracts and Grants Trust Funds, Section 304-2, HRS

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$27	\$1,330	\$541	\$937	\$2,221
Revenues	31,631	28,695	578	1,436	21,995
Interest	(17)	52	21	142	263
Expenditures	(29,570)	(29,047)	(19,308)	(22,679)	(23,849)
Transfers*	(741)	(489)	19,105	22,385	962
Ending Fund Balance	\$1,330	\$541	\$937	\$2,221	\$1,592
Encumbrances	0	0	445	978	535

* Transfers-in were from private and state contracts and grants. Explanations for the transfers-out were not provided by the agency.

This fund was created in 1919 to account for the revenues and expenditures for sponsored research or training contracts and grants from other than the federal government. Trust funds have been established at each of the campus units. Revenues are derived from state agencies, private individuals, organizations, and foundations. The moneys in the funds are used for specific research-related services by the university faculty and students. The funds serve their original purposes and continue to serve their intended beneficiaries—the individuals and organizations who contract for specific research-related services. The funds receive no general fund appropriations.

**University of Hawaii Short-Term Loans Trust Fund,
Section 304-7, HRS**

Financial Data for Fiscal Years 1995-1999 (in thousands)

	FY1995	FY1996	FY1997	FY1998	FY1999
Beginning Fund Balance	\$168	\$187	\$211	\$228	\$232
Revenues	0	0	10	0	0
Interest	21	26	6	7	9
Expenditures	(2)	(2)	1	(3)	(1)
Transfer*	0	0	0	0	5
Ending Fund Balance	\$187	\$211	\$228	\$232	\$245
Encumbrances	0	0	0	0	0

* Transfer was the receipt of a gift for the program.

This fund was created to provide students with emergency funds to meet expenses incident to their schooling. Revenues to the fund are derived from private gifts and donations. No interest is charged on short term loans as the loans are supposed to be repaid as soon as possible. Thirty-day loans of up to a maximum of \$500 are provided to students to meet emergency needs. The fund serves the purpose for which it was originally created and continues to serve the intended beneficiaries—the students. The fund receives no general fund appropriations.

Responses of the Affected Agencies

Comments on Agency Responses

On February 9, 2000, we transmitted a draft of this review to the Department of the Attorney General, Department of Business, Economic Development, and Tourism, and the University of Hawaii. A copy of the transmittal letter to the Department of the Attorney General is included as Attachment 1. Similar letters were sent to the Department of Business, Economic Development, and Tourism, and the University of Hawaii. A copy of the responses of the Department of the Attorney General, Department of Business, Economic Development, and Tourism, and the University of Hawaii are included as Attachments 2, 3, and 4, respectively.

The Department of the Attorney General disagrees with our conclusion that the Criminal Forfeiture Revolving Fund does not meet all four criteria of a revolving fund. The department stated the program is funded by criminal forfeitures, which really are charges assessed on the criminals, who are “users” of the criminal justice system according to the department. However, in maintaining that the criminal justice system and law enforcement benefit from this fund, the department disregards the linkage requirement—that those who pay into a revolving fund should benefit from that fund.

The department also pointed out that it is allowed to use interest earnings from the Temporary Deposit-Child Support Enforcement Services Account to fund projects such as the implementation of its automated child support system (KEIKI). It reports that because a trust account is also used as an accounting conduit to credit the agency for projects such as the KEIKI system, the account is being used in accordance with policy. We disagree. The practice of depositing excess interest earnings into the trust account and expending the commingled funds does not conform to the original purpose of the account. That purpose provides for interest earnings to be used for costs related to maintenance and operation of the account, with the balance to be transferred to the general fund.

The Department of Business, Economic Development, and Tourism noted that use of the Petroleum Products Control Fund represents the direct costs of the State in preparing for and implementing measures (programs) essential to the health, welfare, and safety of the public in response to an energy emergency. It reports that in an energy emergency, it would assess fees and charges to users benefiting from specific energy emergency response and recovery measures. We believe that these assessments may not be sufficient to meet the self-

sustainability and linkage criteria of a revolving fund since the fees and charges are based on uncertain energy emergency events.

The University of Hawaii responded that it considered our review an opportunity for improving the administration of funds and accounts and of its finances in general.

Updated financial information provided by the Department of the Attorney General was incorporated into the report. Points of clarification provided by the Department of Business, Economic Development, and Tourism were also incorporated into the report.

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



ATTACHMENT 1

MARION M. HIGA
State Auditor

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

February 9, 2000

COPY

The Honorable Earl Anzai
Attorney General
Department of the Attorney General
Hale Auhau
425 Queen Street
Honolulu, Hawaii 96813

Dear Mr. Anzai:

Enclosed for your information are three copies, numbered 6 to 8 of our draft report, *Review of Revolving Funds, Trust Funds, and Trust Accounts of the Department of the Attorney General, the Department of Business, Economic Development, and Tourism, and the University of Hawaii*. We ask that you telephone us by Friday, February 11, 2000, 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 Wednesday, February 16, 2000.

The Department of Business, Economic Development, and Tourism, University of Hawaii, Governor, and presiding officers of the two houses of the Legislature have also been provided copies of this draft report.

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

Sincerely,

Marion M. Higa
State Auditor

Enclosures

BENJAMIN J. CAYETANO
GOVERNOR



EARL I. ANZAI
ATTORNEY GENERAL

THOMAS R. KELLER
FIRST DEPUTY ATTORNEY GENERAL

STATE OF HAWAII
DEPARTMENT OF THE ATTORNEY GENERAL
425 QUEEN STREET
HONOLULU, HAWAII 96813
(808) 586-1500

February 16, 2000

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



Dear Ms. Higa:

We have reviewed the draft report prepared by your office regarding the revolving funds and trust funds administered by our Department. We submit the following comments regarding the Criminal Forfeiture Revolving Fund, the Criminal History Record Improvement Revolving Fund, and the Temporary Deposit - Child Support Enforcement Services Account.

Criminal Forfeiture Revolving Fund

The report on the Criminal Forfeiture Revolving Fund concludes with the statement, "The fund does not meet all four criteria of a revolving fund." It appears that you believe that the fund does not meet your linkage criteria. However, we believe that the fund meets this linkage criteria.

The original intent of the Hawaii Omnibus Criminal Forfeiture Act (Chapter 712A, Haw. Rev. Stat.) was to unify the procedures for criminal and civil forfeiture under a single chapter, to deter crime and make it unprofitable for the criminal by taking away the means for committing the crime and the profits of the crime, and to let law enforcement use forfeiture proceeds to supplement its efforts to fight crime.

The original intent and purpose of the Criminal Forfeiture Revolving Fund created by Chapter 712A was to account for a charge of 50% against statewide forfeitures and to use the proceeds for the following:

1. Pay any operating expenses of the forfeiture program;
2. Pay awards for information or assistance leading to civil or criminal proceedings;
3. Pay supplemental sums to state and county agencies for law enforcement purposes; and

Ms. Marian Higa
February 16, 2000
Page 2

4. Pay expenses for training and education of law enforcement officers.

There is a clear link here between the benefit sought and the charges assessed. The program was intended to improve the criminal justice system by fighting crime and enhancing law enforcement's ability to investigate crime. The program is funded by criminal forfeitures, which really are charges assessed on the criminals, who are "users" of the criminal justice system. This revolving fund meets the linkage criteria.

Temporary Deposit - Child Support Enforcement Services Account

The draft audit report states that "the trust account is not being fully utilized to serve the purpose for which it was created." The draft report alleges a commingling of monies when interest earnings from our trust fund accounts were transferred to the CSES account. The Child Support Enforcement Agency's maintains that we are allowed to use the interest earnings as part of our funding for projects such as the implementation of our automated child support system (KEIKI). And, because a trust account is also used as an accounting conduit to credit the agency for projects such as the KEIKI, we find that this account is being used in accordance with policy.

Criminal History Record Improvement Revolving Fund

The financial data provided to you for Fiscal Year 1999 was not correct. The corrected figures (in thousands) are as follows:

Expenditures for FY 1999: (555) and not (307)

Ending Fund Balance for FY 1999: 435 and not 683

Encumbrances for FY 1999: 160 and not 100

We appreciate the opportunity to comment on your report and hope that you will consider the points we have raised.

Very truly yours,



Earl I. Anzai
Attorney General

EIA/CCN



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

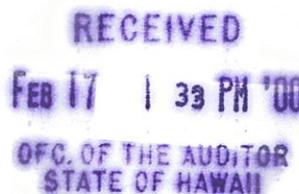
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BENJAMIN J. CAYETANO
GOVERNOR
SEIJI F. NAYA
DIRECTOR
PHILIP J. BOSSERT
DEPUTY DIRECTOR
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DIRECTOR, OFFICE OF PLANNING

Telephone: (808) 586-2355
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February 16, 2000

Ms. Marion M. Higa
State Auditor
Office of the Auditor
465 South King Street, Room 500
Honolulu, HI 96813



Dear Ms. Higa:

Thank you for your letter dated February 9, 2000 requesting comments on the draft report, "Review of Revolving funds, Trust Funds, and Trust Accounts of the Department of the Attorney General, the Department of Business, Economic Development, and Tourism, and the University of Hawaii." We have reviewed Chapter 3 of the draft report which covers funds within the Department of Business, Economic Development, and Tourism and offer comments on the following revolving and trust accounts. (The statements in bold are taken from the report.)

1. Hawaii Strategic Development Corporation Revolving Fund, Section 211F-5, HRS

Statement: "This fund is an appropriate financing mechanism if loan repayments are sufficient to cover expenditures."

This statement should be corrected to indicate that *investment returns*, not loan repayments, are the primary mechanism for replenishing this fund.

2. Petroleum Products Control Revolving Fund, Section 125C-7, HRS

Statement: The original purpose of the fund was to receive and expend funds as necessary during an energy shortage. However, this fund has never been used to carry out its original purpose.

The report does not accurately state the Petroleum Products Control Fund's (PPCF) purpose as cited in the Hawaii Revised Statutes. The purposes of the fund, as clarified by Act 182, SLH 1992, states that, "The governor's authorized representative (DBEDT Director) may expend funds from the PPCF during ordinary petroleum market conditions for planning and preparation to respond to a shortage [Chapter 125C-7(d)]." The Act also expanded the scope of responsibilities to not only energy emergencies affecting petroleum products, but also energy emergencies affecting electric and gas utilities and other energy suppliers. DBEDT has, as the report states, used the fund for energy emergency preparedness planning activities and other contingency planning measures. These activities are in accordance with the intent of the Legislature's mandate as

provided by the Act's language specified above and the Act's specific appropriation of \$250,000 to the fund. Thus, the fund is currently being used to carry out its purpose. Furthermore, the Legislature recognized the underlying and fundamental need for the fund, which is to enable energy emergency response along with prudent contingency planning and preparatory activities for hazard mitigation.

Statement: No linkage exists between the benefits sought and the charges made upon users. User charges are not required to support this fund and the fund relies solely on interest income derived from the investment of unobligated funds. The fund does not meet all of the criteria of a revolving fund.

The primary purpose of the PPCF is intended for the benefit of the general public. The use of this fund represents the direct costs of the State in preparing for and implementing measures (programs) essential to the health, welfare, and safety of the public in response to an energy emergency. In an energy emergency, the DBEDT may assess fees and charges to users benefiting from specific energy emergency response and recovery measures. These fees and charges apply to those who receive special services for which they are required to repay the State for applicable administrative, processing, and material costs. An example is the program to exempt commercial vehicles from possible retail fuel sales restrictions, where emergency allocations of fuel are distributed by DBEDT. Fees charged in those circumstances are deposited into the fund.

The general fund appropriation currently deposited to this fund provides a reserve for preparing for and managing an energy emergency. Without this reserve, the Department has no resources to contend with energy emergencies.

If you require additional information, please call Roy H. Tsumoto, Administrative Services Officer, at 586-2432. Thank you for the opportunity to provide these comments.

Sincerely,



Seiji F. Naya



UNIVERSITY OF HAWAII

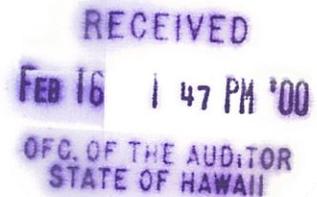
PRESIDENT, UNIVERSITY OF HAWAII AND
CHANCELLOR, UNIVERSITY OF HAWAII AT MĀNOA

February 16, 2000

MEMORANDUM

TO: Marion Higa
State Auditor

FROM: Kenneth P. Mortimer *Kenneth P. Mortimer*
President, University of Hawai'i and
Chancellor, University of Hawai'i at Mānoa



SUBJECT: RESPONSE TO THE REVIEW OF REVOLVING FUNDS, TRUST FUNDS AND TRUST ACCOUNTS OF THE UNIVERSITY OF HAWAII

Thank you for sharing the draft report of the review of the University's revolving and trust funds and trust accounts. The University considers this as an opportunity for improving the administration of these funds and accounts and of its finances in general.

The review found that a number of the University's revolving funds and one trust account did not meet all of the applied criteria, in particular, the criterion of self-sustainability. In one instance, the review indicated that the criterion of linkage between those who pay into the fund and those who receive support was not met. The operations and finances of programs supported by these and all other University funds are under regular review and evaluation by the administrators of these programs and, from time to time, external or internal auditors. Appropriate changes are made as a result of these reviews. For example, a modification of the fee structure for the student health center revolving fund, for the purpose of facilitating transition of the program from partially State-funded to fully self-funded, was recently authorized. Changes to other funds will be made as necessary.

Thank you for this opportunity to respond.

c: Senior Vice President/Executive Vice Chancellor Dean Smith
Senior Vice President/Chancellor Rose Tseng
Senior Vice President Eugene Imai
Vice President Doris Ching
Executive Director Joanne Clark
Athletics Director Hugh Yoshida