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

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

Report No. 01-07
April 2001



THE AUDITOR
STATE OF HAWAII

Office of the Auditor

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

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

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

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



THE AUDITOR STATE OF HAWAII

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OVERVIEW

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

Report No. 01-07, April 2001

Summary

Section 23-12, HRS, requires the State Auditor to review all existing revolving and trust funds 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. These reviews are scheduled so that the funds administered by each state department will be reviewed once every five years. This is our second review of the revolving and trust funds of the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services.

Revolving funds are often established with an appropriation of seed money from the general fund. Revolving funds must demonstrate the capacity to be self-sustaining. Activities commonly financed through revolving funds include loan programs that are initially established by general fund seed moneys and then replenished through the repayment of loans. *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 an example of a trust fund. *Trust accounts* are typically 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.

Of the 97 funds and accounts we reviewed this year, 26 were revolving funds, 43 were trust funds, and 28 were trust accounts. We used criteria developed by the Legislature and developed by our office from a review of public finance literature. The revolving funds, trust funds, and trust accounts must continue to serve the purpose for which they were created and not require continuing general fund appropriations. In addition, revolving funds must exhibit linkage between its benefits and charges and be an appropriate financing mechanism for the program or operation. A trust fund must also provide benefits or services for its intended beneficiaries and meet the statutory definition of a trust fund. For each fund or account reviewed, we present a five-year financial summary, the purpose of the fund or account, and conclusions about its use. We do not present any conclusions about the effectiveness of the program, its management, or whether the program should be continued. We did not audit the agencies' financial data.

Responses

We transmitted a draft of this review to the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human



Services. We also transmitted a draft to the Hawaii Health Systems Corporation, since it is administratively attached to the Department of Health.

The Judiciary thanked us for soliciting its input but did not provide any comments on our draft report.

The Department of Hawaiian Home Lands generally agreed with our findings and provided clarification of two fund names used in the footnotes of our draft report.

The Department of Human Services disagreed with our conclusion that the Randolph-Sheppard Revolving Account should be classified as a trust fund. It noted that a “trust fund” has legal implications that are unwarranted under the terms of the fund. We disagree. This fund does not meet the linkage requirement of a revolving fund. The fund receives commissions on income from vending machines owned by individuals or companies that installed them (not blind vendors). Blind vendors are allowed to keep revenues they earn from their stands and do not deposit them into the fund. The fund operates more like a trust fund because the fund is designated for certain persons (blind vendors) who have a vested beneficial interest. Blind vendors receive benefits, training, business management services, and establishment of new vending facilities from this fund.

The Department of Commerce and Consumer Affairs, the Department of Health, and the Hawaii Health Systems Corporation did not submit written responses.

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Submitted by

THE AUDITOR
STATE OF HAWAII

Report No. 01-07
April 2001

Foreword

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

Section 23-12, HRS, requires that the State Auditor review all existing revolving and trust funds every five years. These reviews are scheduled so that the funds administered by each state department will be reviewed once every five years. This is our second review of the revolving and trust funds, and trust accounts of the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services.

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

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 Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services. Section 23-12, Hawaii Revised Statutes (HRS) requires that the State Auditor review all existing revolving and trust funds every five years. These reviews are scheduled so that the funds administered by each state department will be reviewed once every five years. This is our second review of the Judiciary's and departments' revolving and trust funds. Our first report issued in 1995 (Report No. 95-32), reviewed 51 revolving funds, trust funds, and trust accounts. In this report, we reviewed 97 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, 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 deposited to and expended from the general fund.

We completed our review of special and revolving funds required by Act 240 and presented the results in five separate reports issued in 1991 and 1992. We reviewed 166 special and revolving funds and recommended that 70 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, HRS, expands the concept of Act 240. Instead of special and revolving funds, Section 23-12 requires our office to review all 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 one “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 using an appropriation of seed money from the general fund. Activities commonly financed through revolving funds include loan programs that are initially established with 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. This 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 assets held for those who will benefit from the trust fund. For example, contributions and payments deposited into a pension fund are held for the fund’s beneficiaries. Tenants’ security deposits are held in trust funds for the benefit of tenants and landlords. 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 we used to review revolving funds are essentially the same as in our prior review of special and revolving funds. Specifically, they 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, which asks 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 the fund's 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 also reviewed policies, procedures, and performance standards established by each agency for its funds.

Objectives of the Review

1. Identify and review each of the revolving funds, trust funds, and trust accounts of the Judiciary and the departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services.
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 Judiciary and the departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services during the five-year period under review. We included the Hawaii Health Systems Corporation's funds and accounts because the corporation is attached to the Department of Health for administrative purposes specified in Section 26-35(6), HRS. We reviewed funds and accounts established by statute and those established by administrative authority.

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

To gain an understanding of fund operations, we obtained information from key fiscal and program personnel. We did not audit the agencies' financial data and it is provided only for informational purposes. In reviewing each fund or account, we applied the criteria as explained in this chapter. Furthermore, the FY1994-95 ending balances included in our previous report were estimates provided by the departments and the

Judiciary and may not correspond to the FY1995-96 beginning balances contained in this report. Transfers are reported as a net amount for each respective year.

Our work was performed from July 2000 to December 2000 in accordance with generally accepted government auditing standards.

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Chapter 2

The Judiciary

This chapter presents the results of our review of one revolving fund, 18 trust funds, and four trust accounts used by the Judiciary. For each fund or account, we present a five-year financial summary, the purpose of the fund or account, and conclusions about its use. We do not provide any conclusions about the effectiveness of the program, its management, or whether the program should be continued. We alphabetically present funds and accounts established by statutory authority, followed by accounts established by administrative authority. Certain funds established under administrative authority were created pursuant to specific statutes, which are indicated next to the applicable funds' name.

Funds Established Under Statutory Authority

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

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$33	\$53	\$22	\$20	\$22
Revenues	83	72	63	54	54
Interest	0	0	0	0	0
Expenditures	(63)	(103)	(65)	(52)	(48)
Transfers	0	0	0	0	0
Ending Fund Balance	\$53	\$22	\$20	\$22	\$28
Encumbrances	48	16	12	16	18

A Supreme Court Law Library Special Fund was created in 1990 to account for all fines and other revenues derived from the operations of the Supreme Court Law Library. Act 64, SLH 1993, changed this special fund to a revolving fund and the balance was transferred accordingly. Moneys are used to replace or repair lost, damaged, stolen, unreturned, or outdated library materials and to support and improve library services. The fund is operating as intended. Linkage exists between the fees and fines received for lost or damaged library materials and their replacement or repair. The fund is self-sustaining, is an appropriate financing mechanism, and meets all of the revolving fund criteria.

Funds and Accounts Established Under Administrative Authority

Administrative Director Services - Bid Deposits, Sections 103D-323 and 103D-324, HRS

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
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 in 1987 pursuant to Section 103-28, HRS, to account for moneys related to bid and performance deposits. Although this section was repealed July 1, 1994, this trust account continues to be used for the same purpose pursuant to Sections 103D-323 and 103D-324, HRS. Bidders are required by law to submit contract bid and performance deposits. This account is used as a temporary holding account for the moneys. Bid and performance deposits are returned to each payor upon satisfactory completion of the contract. This account serves the purpose for which it was created, and does not incur any expenses or receive any general fund appropriations.

Agency Fund, Section 40-81, HRS

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$22,955	\$26,755	\$26,901	\$32,124	\$32,703
Revenues	52,839	66,079	72,815	59,937	82,555
Interest	0	0	0	0	0
Expenditures	(49,039)	(65,933)	(67,592)	(59,358)	(81,903)
Transfers	0	0	0	0	0
Ending Fund Balance	\$26,755	\$26,901	\$32,124	\$32,703	\$33,355
Encumbrances	0	0	0	0	0

This trust account was established in 1980 to record the Judiciary's funds held outside the State Treasury. The account includes funds held by the Judiciary in a trustee or agency capacity. It includes moneys deposited with the courts, such as appeal deposits, bails, bonds, case deposits, court costs, court expenditure reimbursements, court fees, fines, restitutions, unclaimed estates, and naturalization fees. The Judiciary also acts as an agent and collects money for others, which is then disbursed as trust

disbursements, government realizations, reimbursements of expenditures, or agency disbursements. The account serves the purpose for which it was created and receives no general fund appropriations.

Alternative Dispute Resolution Account

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$27	\$39	\$20	\$19	\$15
Revenues	55	13	21	0	0
Interest	0	0	0	0	0
Expenditures	(43)	(32)	(22)	(4)	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$39	\$20	\$19	\$15	\$15
Encumbrances	0	0	0	0	0

This trust account was established in 1988 to account for moneys received by the Alternative Dispute Resolution Program. The Alternative Dispute Resolution Program facilitates alternatives to resolving disputes through the court system, such as mediation and arbitration. Litigants are required to pay in advance for mediation and arbitration services. The moneys collected are disbursed to the mediators and arbitrators for services rendered. This trust account continues to serve the purpose for which it was created and receives no general fund appropriations.

Board of Certified Shorthand Reporters Fund

Financial Data for Fiscal Years 1996-1997 (in thousands)

	FY1996	FY1997
Beginning Fund Balance	\$40	\$45
Revenues	11	4
Interest	0	0
Expenditures	(6)	(49)
Transfers	0	0
Ending Fund Balance	\$45	\$0
Encumbrances	0	0

This trust fund was established in 1987 under the Rules of Court governing court reporters in the state to account for annual certification fees paid by court reporters to the Certified Shorthand Reporters Program. The fees supported the program whose purpose was to supervise the examination, certification, and conduct of court reporters engaged in reporting matters before the state courts. The fund was used

for this purpose until FY1996-97, when all of the funds were withdrawn from the State Treasury. They are now controlled and administered by the Board of Certified Shorthand Reporters.

1996 Civil Service Conference

Financial Data for Fiscal Years 1996-1997 (in thousands)

	FY1996	FY1997
Beginning Fund Balance	\$0	\$5
Revenues	5	0
Interest	0	0
Expenditures	0	(5)
Transfers	0	0
Ending Fund Balance	\$5	0
Encumbrances	0	0

This trust fund was established in 1996 to account for fees paid by persons attending the 1996 Civil Service Conference. The conference was not subsidized; thus, the fees were used to pay for the conference costs. The fund served the purpose for which it was created and its intended beneficiaries. The fund received no general fund appropriations and was terminated in FY1996-97.

Detention Home Donation Fund

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$9	\$15	\$14	\$17	\$25
Revenues	8	0	5	10	4
Interest	0	0	0	0	0
Expenditures	(2)	(1)	(2)	(2)	(1)
Transfers	0	0	0	0	0
Ending Fund Balance	\$15	\$14	\$17	\$25	\$28
Encumbrances	0	0	0	0	0

This trust fund was established over 20 years ago to account for donations to the Detention Services Division of the Family Court of the First Circuit, which operates a detention facility for juveniles who await disposition of their cases. Donated moneys are used to support the detention services program and to purchase items such as cookies and candies for detained juveniles. The fund continues to serve the purpose for which it was created and its intended beneficiaries—juveniles and the detention services program. The fund receives no general fund appropriations.

Diversion of Child Abuse and Neglect Cases

Financial Data for Fiscal Years 1997-1998 (in thousands)

	FY1997	FY1998
Beginning Fund Balance	\$0	\$0
Revenues	34	29
Interest	0	0
Expenditures	(34)	(29)
Transfers	0	0
Ending Fund Balance	\$0	\$0
Encumbrances	0	0

This trust fund was established in 1997 to account for federal grant funds received from the Edna McConnell Clark Foundation. Moneys were used to test the use of family conferencing to divert child abuse and neglect cases from formal court proceedings and work toward reunification of the family. The fund was also used to train mediators to work with physically or verbally abused children and their families. The fund received no general fund appropriations and was terminated in FY1997-98.

Family Court, Second Circuit - Donations Account

Financial Data for Fiscal Year 1996 (in thousands)

	FY1996
Beginning Fund Balance	\$0
Revenues	0
Interest	0
Expenditures	0
Transfers	0
Ending Fund Balance	\$0
Encumbrances	0

This trust fund was established in 1988 to account for moneys donated to the Family Court of the Second Circuit. The fund was used to start a pilot program that provided counseling, information, and assistance to adults and children involved in divorce actions. In FY1995-96, the fund was terminated.

Foster Parenting Program - Donations

Financial Data for Fiscal Years 1998-2000 (in thousands)

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$1	\$0
Revenues	1	0	0
Interest	0	0	0
Expenditures	0	(1)	0
Transfers	0	0	0
Ending Fund Balance	\$1	\$0	\$0
Encumbrances	0	0	0

This trust fund was established in 1997 to account for the JC Penney Golden Rule Award, given for volunteers' community service, and other donations received for the training needs of Family Court foster parents. The program recruits, trains, and retains foster parents for minors under Family Court supervision who require out of home placement. The fund helps pay for the Foster Care Training Committee, which sponsors workshops for foster parents as well as other conferences and workshops. The fund continues to serve the purpose for which it was created and its intended beneficiaries—foster parents. The fund receives no general fund appropriations.

The Ho'okele Court Navigation Pilot Program

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$0
Revenues	27
Interest	0
Expenditures	(19)
Transfers	0
Ending Fund Balance	\$8
Encumbrances	3

This trust fund was established in 2000 to account for grant moneys received from the State Justice Institute for the Hawaii State Courts' Ho'okele Court Navigation Pilot Project. The project is designed to increase court access for the public through enhanced court services. The grant pays for Ho'okele project costs, such as project personnel salaries and fringe benefits, postage, printing, and photocopying. The fund also provides information, materials, court forms, directions, referrals, and other assistance to court users. The fund serves the purpose for which it was created and its intended beneficiaries—court users. The fund receives no general fund appropriations.

Improving Equality Before the Law Through Literature Based Seminars for Judges and Court Personnel

Financial Data for Fiscal Year 1997 (in thousands)

	FY1997
Beginning Fund Balance	\$0
Revenues	6
Interest	0
Expenditures	(6)
Transfers	0
Ending Fund Balance	\$0
Encumbrances	0

This trust fund was established in 1997 to account for grant moneys received from the State Justice Institute. Moneys were used to pay for travel costs related to the 1996 Fall Judicial Conference. The fund served the purpose for which it was created and its intended beneficiaries—the Judiciary and its conference attendees. The fund received no general fund appropriations and was terminated in FY1996-97.

Integrated Justice Information System

Financial Data for Fiscal Year 1999 (in thousands)

	FY1999
Beginning Fund Balance	\$0
Revenues	3
Interest	0
Expenditures	(3)
Transfers	0
Ending Fund Balance	\$0
Encumbrances	0

This trust fund was established in 1999 to account for grant moneys received from the State Justice Institute. Moneys were used for the travel and conference costs of the 1999 Symposium on Integrated Information System in Washington, D.C. The fund served the purpose for which it was created and its intended beneficiaries—the Judiciary and its conference attendees. The fund received no general fund appropriations and was terminated in FY1998-99.

Intensive Mediation Workshop

Financial Data for Fiscal Year 1996 (in thousands)

	FY1996
Beginning Fund Balance	\$4
Revenues	0
Interest	0
Expenditures	(4)
Transfers	0
Ending Fund Balance	\$0
Encumbrances	0

This trust fund was established in 1991 to account for registration fees for a workshop to train individuals in mediation methods and techniques. Each participant paid \$125 for a three-day workshop held in late October 1991. The workshop sponsored 50 elected, appointed, and career public officials and covered the costs for training materials, refreshments, facility rentals, and workshop faculty honorariums. The fund served the purpose for which it was created and its intended beneficiaries. The fund received no general fund appropriations and was terminated in FY1995-96.

Interpreter Training

Financial Data for Fiscal Year 1998 (in thousands)

	FY1998
Beginning Fund Balance	\$0
Revenues	12
Interest	0
Expenditures	(12)
Transfers	0
Ending Fund Balance	\$0
Encumbrances	0

This trust fund was established in 1998 to account for fees received from persons attending Court Interpreter Training seminars. Moneys were used to cover seminar costs. The fund served the purpose for which it was created and its intended beneficiaries—court interpreters attending the training. The fund received no general fund appropriations and was terminated in FY1997-98.

Kids First Program

Financial Data for Fiscal Years 1998-2000 (in thousands)

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$10	\$20
Revenues	10	10	0
Interest	0	0	0
Expenditures	0	0	(2)
Transfers	0	0	0
Ending Fund Balance	\$10	\$20	\$18
Encumbrances	0	0	0

This trust fund was established in 1998 to account for two grants received from the Hawaii Justice Foundation. The 1998 grant was provided to create an informational brochure for adults attending the Kids First Program and the 1999 grant was provided to create a video that would engage teens in the Kids First Program. The fund paid for the printing of the 1998 informational brochures; however, the 1999 grant was used to hold the first annual State of Hawaii Kids First workshop for administrators and presenters rather than create a teen video as intended, because the program already had a similar video entitled "Purple Family." The fund received no general fund appropriations.

Kids First Program Video

Financial Data for Fiscal Years 1999-2000 (in thousands)

	FY1999	FY2000
Beginning Fund Balance	\$0	\$35
Revenues	50	0
Interest	0	0
Expenditures	(15)	(35)
Transfers	0	0
Ending Fund Balance	\$35	\$0
Encumbrances	35	0

This trust fund was established in 1999 to account for donations from various organizations for the production of an informational video for separating parents and children who attended the mandatory Family Court Divorce Education program. The fund served the purpose for which it was created and its intended beneficiaries. The fund received no general fund appropriations and was terminated in FY1999-00.

Restitution, Family Courts

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$41	\$41	\$39	\$40	\$44
Revenues	3	0	2	4	3
Interest	0	0	0	0	0
Expenditures	(3)	(2)	(1)	0	(1)
Transfers	0	0	0	0	0
Ending Fund Balance	41	39	40	44	46
Encumbrances	0	0	0	0	0

This trust fund was established 1989 to account for donations from the Jean and William Mau foundation to the Family Courts' Juvenile Monetary Restitution Program. The program allows juvenile offenders to earn credits based on the minimum wage for each hour of community service performed. The fund pays restitution to victims of offenders in amounts equivalent to the number of credits that juveniles earn. The fund continues to serve the purpose for which it was created and its intended beneficiaries—victims due restitution from juvenile offenders. The fund receives no general fund appropriations.

Supreme Court Bar Examination Fund

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$85	\$110	\$135	\$150	\$177
Revenues	94	90	86	83	87
Interest	0	0	0	0	0
Expenditures	(69)	(65)	(71)	(56)	(91)
Transfers	0	0	0	0	0
Ending Fund Balance	\$110	\$135	\$150	\$177	\$173
Encumbrances	0	0	0	0	0

This trust fund was established over 20 years ago, under the Rules of the Supreme Court of the State of Hawaii, to account for filing fees collected from Hawaii State Bar applicants. The Board of Examiners uses the fund to administer the admission process to the Hawaii State Bar. Moneys in this account are held outside the State Treasury. The fund continues to serve the purpose for which it was created and its intended beneficiaries—Hawaii State Bar applicants. The fund receives no general fund appropriations.

Supreme Court Law Library Donation Fund

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$0	\$1	\$1	\$1
Revenues	0	1	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$1	\$1	\$1	\$1
Encumbrances	0	0	0	0	0

This trust fund was created over 20 years ago to account for donations to the Supreme Court Law Library. The fund is used to purchase library materials. Unrestricted donations are used to purchase any type of material, while restricted donations are used to acquire resources that fall within the scope of the donor's specified category, such as civil rights materials. The fund continues to serve the purpose for which it was created and its intended beneficiaries. The fund receives no general fund appropriations.

Temporary Deposits - Payroll Clearing Account

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$2	\$8	\$0	\$0
Revenues	2	7	4	0	0
Interest	0	0	0	0	0
Expenditures	0	(1)	(12)	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	2	8	0	0	0
Encumbrances	0	0	0	0	0

This trust account was established in 1996 as a temporary holding account for reimbursements received from employees who were overpaid. The moneys received are kept in this account until the full amount of the salary overpayment is recovered. A payment is then issued to the director of finance for the overpayment amount, who then issues a check and applicable payroll documents to the Department of Accounting and General Services (DAGS). Moneys are deposited into the DAGS Payroll Clearance Fund and payroll documents are processed to adjust the individual's payroll records. The account receives no general fund appropriations.

Volunteer Guardian Ad Litem Program

Financial Data for Fiscal Years 1998-2000 (in thousands)

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$10	\$15
Revenues	10	10	10
Interest	0	0	0
Expenditures	0	(5)	(4)
Transfers	0	0	0
Ending Fund Balance	\$10	\$15	\$21
Encumbrances	0	0	0

This trust fund was established in 1998 to account for grant moneys from the Hawaii Justice Foundation. The fund is used to support the Volunteer Guardians Ad Litem (VGAL) Program in its mission to recruit, screen, train, and supervise citizen volunteer advocates to represent the best interests of abused/neglected children during court proceedings. The fund serves this purpose and its intended beneficiaries by providing a rigorous certification process for volunteers who work with children based on their needs and the volunteers' skill and time availability. Volunteers also receive one-on-one supervision from social workers as well as legal assistance when necessary. The fund receives no general fund appropriations.

Volunteer Services Donation Fund

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$5	\$5	\$4	\$4	\$3
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	(1)	0	(1)	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$5	\$4	\$4	\$3	\$3
Encumbrances	0	0	0	0	0

This trust fund was established over 20 years ago to account for donations to the Volunteers in Public Service to the Courts (VIPS) program. The VIPS program recruits and places volunteers into various jobs within the Judiciary. The fund purchases items such as refreshments for volunteers' orientation and swearing-in ceremonies and reimbursements to volunteers for out-of-pocket expenses. The fund continues to serve the purpose for which it was created and its intended beneficiaries—VIPS volunteers. The fund receives no general fund appropriations.

Chapter 3

Department of Commerce and Consumer Affairs

This chapter presents the results of our review of four revolving funds, 13 trust funds, and five trust accounts used by the Department of Commerce and Consumer Affairs. For each fund or account, we present a five-year financial summary, the purpose of the fund or account, and conclusions about its use. We do not provide any conclusions about the effectiveness of the program, its management, or whether the program should be continued. We alphabetically present funds and accounts established by statutory authority, followed by accounts established by administrative authority. Certain funds established under administrative authority were created pursuant to specific statutes, which are indicated next to the applicable funds' name.

Funds Established Under Statutory Authority

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

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$468	\$585	\$740	\$858	\$1,078
Revenues	152	199	204	234	183
Interest	8	14	25	25	44
Expenditures	(43)	(58)	(111)	(39)	(74)
Transfers	0	0	0	0	0
Ending Fund Balance	\$585	\$740	\$858	\$1,078	\$1,231
Encumbrances	3	6	13	11	20

This trust fund was established in 1987. Its original purpose was to account for the receipt and expenditure of moneys to educate and train personnel of the insurance division. However, Act 205, SLH 1993, amended the statute so that the fund may also be used to pay the cost of consumer education and information. The fund receives fees assessed to licensed insurers and is used to compensate or reimburse Insurance Division staff and personnel for travel expenses, reasonable living expenses, per diem compensation, and any necessary fees or charges to attend educational and training conferences, workshops, seminars, and similar events. The fund continues to serve the purpose for which it was created and its intended beneficiaries—the Insurance Division personnel and consumers. The fund receives no general fund appropriations.

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

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$454	\$478	\$819	\$677	\$992
Revenues	266	571	91	538	43
Interest	4	8	19	19	21
Expenditures	(246)	(238)	(252)	(242)	(138)
Transfers	0	0	0	0	0
Ending Fund Balance	\$478	\$819	\$677	\$992	\$918
Encumbrances	16	6	6	22	14

This trust fund was established in 1989 to finance and promote the Real Estate Commission's education and research in condominium management and registration, and to improve the administration of condominium associations. The fund receives assessments from condominium associations and condominium developers. The fund serves the purpose for which it was created and its intended beneficiaries. Condominium associations, boards of directors, and apartment owners benefit from the fund's comprehensive education and research program. The fund receives no general fund appropriations.

Contractors Education Fund, Section 444-29, HRS

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$15	\$25	\$31	\$35	\$34
Revenues	0	0	0	0	0
Interest	19	16	12	7	0
Expenditures	(9)	(10)	(8)	(8)	(5)
Transfers	0	0	0	0	0
Ending Fund Balance	\$25	\$31	\$35	\$34	\$29
Encumbrances	0	1	0	2	4

This trust fund was established in 1973 for the Contractors License Board to finance the board's educational programs. The fund receives interest from the moneys contractors have paid into the Contractors Recovery Fund and from the Contractors Education Fund. The fund is used to educate the public about the benefits of using licensed contractors. The fund also educates licensees, board members, and staff. Effective June 13, 2000, new licensees are assessed a \$10 fee and current licensees are assessed a \$5 renewal fee. The fund continues to serve the purpose for which it was created and its intended beneficiaries—the

consuming public, licensees, board members, and staff. The fund receives no general fund appropriations.

Contractors Recovery Fund, Section 444-26, HRS

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$525	\$521	\$434	\$309	\$175
Revenues	90	109	84	66	72
Interest	0	0	0	0	0
Expenditures	(94)	(196)	(209)	(200)	(138)
Transfers	0	0	0	0	0
Ending Fund Balance	\$521	\$434	\$309	\$175	\$109
Encumbrances	0	0	0	0	0

This trust fund was established in 1973 for the Contractors License Board to recover damages for any person injured by an act, representation, transaction or conduct of a duly licensed contractor that violates the Hawaii Revised Statutes or Hawaii Administrative Rules. The amount awarded for damages cannot exceed \$12,500 per contract. The Contractors License Board, as trustee of the recovery fund, retains private legal counsel to represent the board in any action that may result in collection from the recovery fund. Contractors pay a non-refundable fee of \$150 into the fund upon licensure. Additional payments, not to exceed \$500, are assessed when the fund balance is less than \$250,000. The trust fund continues to serve the purpose for which it was created and its intended beneficiaries—the public. The fund receives no general fund appropriations.

Financial Institution Examiners' Revolving Fund, Section 412: 2-109, HRS

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$633	\$1,146	\$1,457	\$1,816
Revenues	633	652	558	653	0
Interest	0	0	0	0	5
Expenditures	0	(139)	(247)	(294)	(18)
Transfers*	0	0	0	0	(1,803)
Ending Fund Balance	\$633	\$1,146	\$1,457	\$1,816	\$0
Encumbrances	0	10	9	23	0

* On July 1, 1999, the fund's money was transferred to and consolidated into the Compliance Resolution Fund.

This revolving fund was established in 1995 to pay for the financial institution examiners' and administrative support personnel's salaries, examination costs, travel expenses, reasonable living expenses, and fees or tuition for education and training. The fund received financial institution examiners' hourly fees and examination costs, annual branch/office fees, license renewal fees, application fees, fines, and penalties. Linkage exists since the examination fees are used to pay financial institution examiners and administrative support personnel for examination costs. The fund served the purpose for which it was created and was self-sustaining. However, on July 1, 1999, the fund was consolidated into the Compliance Resolution Fund.

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

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$26,927	\$54,131	\$90,955	\$137,458	\$168,997
Revenues	39,666	43,346	50,560	30,574	7,366
Interest	2,231	3,413	7,375	8,060	9,691
Expenditures	(14,693)	(9,935)	(11,432)	(7,095)	(3,568)
Transfers	0	0	0	0	0
Ending Fund Balance	\$54,131	90,955	137,458	168,997	182,486
Encumbrances	0	0	0	0	0

This trust fund was established in 1993 to receive moneys for the administration of the Hawaii Hurricane Relief Fund (HHRF) and is held outside the State Treasury. The fund is empowered to assess the availability of hurricane insurance from all sources and to provide hurricane insurance coverage should the private market prove unreliable. The fund receives special mortgage recording fees, assessments from insurance companies, and premiums from hurricane property insurance policies. In addition, any proceeds under reinsurance, from loans, and other moneys from the federal government shall be deposited into the fund. Should insurance claims exceed the fund, the fund is authorized to increase its assessments from insurance companies and to levy a surcharge not to exceed 7.5 percent a year on premiums charged for policies issued by all licensed property and casualty insurers. The fund continues to serve the purpose for which it was created and its intended beneficiaries—the HHRF policyholders. The fund receives no general fund appropriations.

Insurance Examiners Revolving Fund, Section 431:2-307, HRS

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$1,081	\$1,189	\$1,355	\$1,197	\$1,401
Revenues	794	974	823	1,321	0
Interest	12	16	15	3	6
Expenditures	(698)	(824)	(996)	(1,120)	(126)
Transfers*	0	0	0	0	(1,279)
Ending Fund Balance	\$1,189	\$1,355	\$1,197	\$1,401	\$2
Encumbrances	\$13	\$153	\$218	\$308	\$2

* Transfer was made to the Insurance Regulation Fund.

This revolving fund was established in 1987 to fund insurance company examination costs. The fund paid for independent contractor examiners' travel expenses, reasonable living expenses, and compensation; staff examiners and administrative personnel salaries; examination costs; and examiners' education and training, including travel expenses, reasonable living expenses, and necessary fees or tuition; and other insurance examination expenses. The fund received payments from insurance entities for the cost of independent contract examiners who perform examinations. Additionally, each authorized insurer paid \$550 annually into the fund. Linkage existed since the fees assessed against regulated insurers were used to fund the insurance regulators' examination costs. The fund served its original purpose and was self-sustaining, but was repealed on July 1, 1999.

Motor Vehicle Insurance Administration Revolving Fund, Section 431:10C-115.5, HRS

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$2,094	\$2,420	\$2,884	\$2,963	\$1,835
Revenues	2,594	2,403	2,329	639	0
Interest	24	50	92	82	4
Expenditures	(2,292)	(1,989)	(2,197)	(1,849)	(128)
Transfers*	0	0	(145)	0	(1,669)
Ending Fund Balance	\$2,420	\$2,884	\$2,963	\$1,835	\$42
Encumbrances	86	9	86	177	42

* Transfers were made to the Insurance Fraud Investigation special fund in FY1997-98 and to the Insurance Regulation Fund in FY1999-00.

This revolving fund was established in 1992 to administer the State’s no-fault automobile insurance law. The fund paid for peer reviews of treatment and rehabilitation services for injuries covered by no-fault-insurance; public education and information; the determination of medical-rehabilitative thresholds; closed claim studies, other studies, and evaluations of motor vehicle insurance; and personnel administrative costs. The fund received payments from insurers who challenged no-fault insurance claims. A challenged claim is submitted to a peer review organization for a determination. The insurer pays the peer review cost plus a \$200 fee. The insurance commissioner is also authorized to assess insurers and self-insurers authorized to transact motor vehicle insurance. Only two assessments, occurring in the first two years of the fund, were necessary. Linkage existed between the fees assessed to regulated insurers and self-insurers that were used to administer the no-fault law. The fund served its original purpose and was self-sustaining, but was repealed on July 1, 1999.

Patient Compensation Fund, Section 671-31, HRS

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$595	\$611	\$640	\$672	\$1,043
Revenues	0	0	0	342	0
Interest	16	29	32	29	48
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$611	\$640	\$672	\$1,043	\$1,091
Encumbrances	0	0	0	0	0

This trust fund was established in 1976 to provide doctors with medical malpractice insurance coverage in excess of \$100,000. The fund provided doctors with higher coverage limits when availability in the marketplace was difficult. Participating doctors paid a surcharge on the underlying premiums into the fund. The insurance commissioner was authorized to pay judgment awards or settlements from the fund that were in excess of \$100,000 for participating doctors. The fund was repealed by Act 232, SLH 1984, because claims exceeded available funds and the fund was insolvent. Currently, the known outstanding claims against the fund amount to \$4.8 million. The department’s director continues to administer the fund until a final determination is made on all claims and a pro rata distribution of all the fund’s assets is made. The fund received no general fund appropriations.

Public Broadcasting Revolving Fund, Section 314-13, HRS

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$3,356	\$4,240	\$5,217	\$4,831	\$1,674
Revenues	3,767	3,973	3,346	228	288
Interest	52	60	79	42	25
Expenditures	(2,917)	(2,960)	(3,811)	(3,427)	(1,606)
Transfers*	(18)	(96)	0	0	1
Ending Fund Balance	\$4,240	\$5,217	\$4,831	\$1,674	\$382
Encumbrances	189	757	523	505	177

* Transfers were made to and received from the Department of Accounting and General Services.

This revolving fund was established in 1972 to account for moneys received from state funds and private sources for public broadcasting services and airtime. The fund receives membership and viewer donations, corporate grants and contributions, cable franchise fees, and federal grant moneys from the Corporation of Public Broadcasting. The fund purchases goods and services required to broadcast television programs to state viewers and is used to produce programs of state, national, and international interest. Direct linkage exists because those who benefit from public television finance programs through contributions and grants. The fund continues to serve its purpose and is self-sustaining. Therefore, the fund meets the revolving fund criteria and is an appropriate financing mechanism. However, Act 63, SLH 1999, which became effective July 2, 2000, repealed Chapter 314, HRS, thereby eliminating the Hawaii Public Broadcasting Authority. Thus, the management functions and responsibilities of the authority have been transferred to the Hawaii Public Television Foundation, which is a private, not-for-profit organization under Section 501(c)(3) of the 1986 Internal Revenue Code.

Real Estate Education Fund, Section 467-11, HRS

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$775	\$472	\$531	\$214	\$561
Revenues	69	580	56	539	80
Interest	12	8	14	99	13
Expenditures	(384)	(470)	(387)	(291)	(308)
Transfers*	0	(59)	0	0	0
Ending Fund Balance	472	531	214	561	346
Encumbrances	22	26	10	26	37

* Transfer was made to a Dean Witter interest-bearing account.

This trust fund was established in 1967 to finance the Real Estate Commission's educational programs. The fund receives license fees and interest earned from the Real Estate Recovery Fund. The fund promotes the advancement of real estate education and research. The fund continues to serve the purpose for which it was created and its intended beneficiaries—the public and licensees. The fund receives no general fund appropriations.

Real Estate Recovery Fund, Section 467-16, HRS

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$932	\$1,002	\$811	\$697	\$669
Revenues	86	186	86	98	60
Interest	0	0	0	0	0
Expenditures	(157)	(86)	(200)	(72)	(57)
Transfers*	141	(291)	0	(54)	0
Ending Fund Balance	\$1,002	\$811	\$697	\$669	\$672
Encumbrances	0	0	0	5	3

* Transfers were received from and made to the department's Dean Witter interest-bearing account.

This trust fund was established in 1967 and is used by the Real Estate Commission to compensate persons aggrieved by fraud, misrepresentation, or deceit by a real estate licensee. The fund pays for claims, legal services, and audits. The maximum payment by law is \$25,000 per transaction and \$50,000 per licensee. Each new real estate licensee makes a one-time contribution of \$50 to the fund. Real estate licensees may be assessed an additional fee if the fund balance falls below \$350,000. The trust fund continues to serve the purpose for which

it was created and its intended beneficiaries—claimants who have been injured by the acts of real estate licensees. The fund receives no general fund appropriations.

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

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$128	\$53	\$54	\$54	\$63
Revenues	6	12	10	26	23
Interest	0	0	0	0	0
Expenditures	(81)	(11)	(10)	(17)	(15)
Transfers	0	0	0	0	0
Ending Fund Balance	53	54	54	63	71
Encumbrances	0	0	0	0	0

This trust fund was established in 1991 as a temporary holding account for moneys received or recovered by the Office of Consumer Protection. Defendants in civil proceedings who are required by an agreement or court order to pay a specified sum to consumers deposit their restitution into the fund. The fund then pays individual consumers who are owed restitution. This fund continues to serve the purpose for which it was created and its intended beneficiaries—consumers. The fund receives no general fund appropriations.

State Certified Motor Vehicle Arbitration Fund (Lemon Law), Section 481I-4(e), HRS

Financial Data for Fiscal Years 1997-2000 (in thousands)

	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$110	\$112	\$118
Revenues	113	18	15	14
Interest	0	0	0	0
Expenditures	(3)	(16)	(9)	(14)
Transfers	0	0	0	0
Ending Fund Balance	\$110	\$112	\$118	\$118
Encumbrances	0	1	0	0

This trust fund was established in 1996 to administer costs and fees associated with the state certified arbitration program. The fund receives an initial filing fee of \$200 from manufacturers and \$50 from consumers who initiate arbitration cases. The fund compensates independent arbitrators, reimburses verified costs, pays for the arbitration program's administrative expenses, including training expenses, and pays for costs

associated with educating consumers, manufacturers, and third parties. Every final decision in favor of a consumer issued by the independent arbitration mechanism, includes within its relief the return of the \$50 filing fee to the consumer. The fund serves the purpose for which it was created and its intended beneficiaries. The fund receives no general fund appropriations.

Travel Agency Education Fund, Chapter 468K, HRS

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$21	\$21	\$21	\$21	\$21
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$21	\$21	\$21	\$21	\$21
Encumbrances	0	0	0	0	0

Explanation of fund is combined with the Travel Agency Recovery Fund explanation below.

Travel Agency Recovery Fund, Chapter 468K, HRS

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	0	0	0	0	0

The Travel Agency Education Fund and the Travel Agency Recovery Fund were established for travel agencies. The education fund was created to inform licensees and the public about the travel agency law. The recovery fund was created to pay customers' claims against insolvent travel agencies. Act 285, SLH 1991, repealed Chapter 468K and therefore both funds; however, moneys remaining in the recovery fund were held for disbursement to claimants until the fund was exhausted. Disbursements were limited to claims arising from travel services purchased prior to October 1, 1991 where the claimant filed a lawsuit before October 1, 1993. The recovery fund had a balance of only

\$22 by the end of FY1993-94. Act 41, SLH 1994, authorized the education fund to pay for any claim or expense of the recovery fund until the fund is exhausted. There are a few outstanding claims against the funds; however, once the claims are settled or the funds are exhausted, the two funds will be closed.

Accounts Established Under Administrative Authority

Donation-Appreciation Account

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$3	\$3	\$3	\$3	\$2
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	(1)	(2)
Transfers	0	0	0	0	0
Ending Fund Balance	\$3	\$3	\$3	\$2	\$0
Encumbrances	0	0	0	0	0

This trust account was established in 1982 to account for donations made to Hawaii Public Television from individuals for the primary purpose of expressing appreciation to volunteers, donors, and corporate underwriters. The Hawaii Public Broadcasting Authority, used the account to purchase items and services such as gifts of flowers, leis, plaques, certificates of appreciation, coffee, and pastries. This account served the purpose for which it was created; however, Act 63, SLH 1999, which became effective July 1, 2000, repealed Chapter 314, HRS, thereby eliminating the Hawaii Public Broadcasting Authority. The authority's management functions and responsibilities have been transferred to the Hawaii Public Television Foundation, which is a private, not-for-profit organization.

Donation-Promotion Account

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$11	\$11	\$11	\$11	\$11
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	(8)
Transfers	0	0	0	0	0
Ending Fund Balance	\$11	\$11	\$11	\$11	\$3
Encumbrances	0	0	0	1	3

This trust account was established in 1982 to receive donations for Hawaii Public Television from individuals and corporations for promotional purposes. The Hawaii Public Broadcasting Authority used this fund to pay for special events, fund raising activities, and premieres. This trust account served the purpose for which it was created; however, as of July 1, 2000, the Hawaii Public Broadcasting Authority ceased to exist. The authority's management functions and responsibilities have been transferred to the Hawaii Public Television Foundation.

Escrow Depository Company Bond Deposit, Section 449-9, HRS

Financial Data for Fiscal Years 1998-2000 (in thousands)

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$100	\$104
Revenues	100	0	0
Interest	0	4	5
Expenditures	0	0	0
Transfers	0	0	0
Ending Fund Balance	\$100	\$104	\$109
Encumbrances	0	0	0

This trust fund was established in 1998 to hold moneys received or withdrawn by the Commissioner of Financial Institutions that secure the Escrow Depository Bond and Tri-Party Agreements between escrow depository companies and the commissioner. The commissioner must hold bonds and funds securing them for a minimum of six years from the cancellation, forfeiture, or revocation of an escrow depository company's license. Under the conditions of the bond, the money and any interest it earns are maintained for the parties who receive the funds at the termination of the holding period. The fund continues to serve the purpose for which it was created and its intended beneficiaries. The fund receives no general fund appropriations.

Premium Taxes Paid Pending Appeal Account

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$47,996	\$35,989	\$28,201	\$0	\$0
Revenues	13,634	11,986	3,208	0	0
Interest	0	0	0	0	0
Expenditures	(25,641)	(19,774)	(31,409)	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$35,989	\$28,201	\$0	\$0	\$0
Encumbrances	0	0	0	0	0

This trust account was established in 1983 to serve as an escrow account to deposit all premium tax payments made under protest by foreign and alien insurance companies. Since its inception, there have been two protests, which were settled in 1993 and 1997. However, some foreign companies continue to file premium tax payments under protest and therefore this trust account continues to be used as an escrow account and to serve the purpose for which it was created.

Real Estate Appraisers, Section 466K, HRS

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$4	\$14	\$5	\$9	\$4
Revenues	19	1	17	0	16
Interest	0	0	0	0	0
Expenditures	(9)	(10)	(13)	(5)	(15)
Transfers	0	0	0	0	0
Ending Fund Balance	\$14	\$5	\$9	\$4	\$5
Encumbrances	0	0	0	0	0

This trust account receives certified real estate appraisers annual registry fees, mandated by the Federal Financial Institutions Examination Council (FFIEC). States are required to collect a \$25 annual fee and transfer total fees collected to the FFIEC. Federal law also requires that a federal registry of all real estate appraisers be established. Only appraisers on the registry are authorized to perform property appraisals involving federal transactions such as the Department of Housing and Urban Development and Veterans' Administration loans. Failure of a state to collect and transfer registry fees is a violation of federal law and results in the removal of that state's licensed/certified appraisers from the federal registry. This account is used as a clearing account and serves the purpose for which it was created.

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

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$195	\$421	\$590	\$662	\$581
Revenues	543	688	570	864	635
Interest	0	0	0	0	0
Expenditures	(317)	(519)	(498)	(815)	(493)
Transfers*	0	0	0	(130)	0
Ending Fund Balance	\$421	\$590	\$662	\$581	\$723
Encumbrances	18	4	12	21	0

* Transfer was made to the Office of Hawaiian Affairs for funds received but not expended.

This trust account receives payments for consultant services. Subdividers pay for the consultant services and deposit \$3,500 into the fund. Any refunds or additional collections are made after the consultant's invoice is reviewed. The account also receives payments from time-share developers for consultant services. The account is being used as a clearing account and serves the purpose for which it was created.

Chapter 4

Department of Hawaiian Home Lands

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

Funds Established Under Statutory Authority

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

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$50,612	\$50,705	\$54,456	\$55,715	\$60,173
Revenues	45	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	0	3,882	1,197	4,458	2,725
Other Sources (Uses)	48	(131)	62	0	0
Ending Fund Balance	\$50,705	\$54,456	\$55,715	\$60,173	\$62,898
Encumbrances	731	863	731	598	482

* Transfers were received from the Hawaiian Home Receipts Fund.

Act 249, SLH 1986, amended the Hawaiian Homes Commission Act and consolidated five existing revolving loan funds into the Hawaiian Home General Loan Fund. This revolving fund makes loans to native Hawaiians for a variety of purposes. Linkage exists because native Hawaiians who receive loans must repay the principal amount. The fund receives transfers from other departmental funds and thus is able to be self-sustaining. The fund is an appropriate financing mechanism and meets the revolving fund criteria.

Hawaiian Home Lands Trust Fund, Section 213.6, Hawaiian Homes Commission Act

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$30,560	\$53,567	\$101,308	\$97,346
Revenues	0	0	1	0	0
Interest	560	1,495	2,870	4,036	2,763
Expenditures	0	(22,987)	(13,192)	(35,485)	(27,147)
Transfers*	30,000	44,499	58,062	27,487	(10,000)
Ending Fund Balance	\$30,560	\$53,567	\$101,308	\$97,346	\$62,962
Encumbrances	4,706	4,501	51,257	30,276	29,527

* The FY1995-96 to FY1998-99 transfers were received from the Department of Budget and Finance. In FY1996-97, land transfers were also received from the Housing Finance Development Corporation and the Department of Land and Natural Resources. The FY1999-00 transfer was made to the Hawaiian Home Trust Fund.

This trust fund was established in 1995 to fund capital improvements and to meet requirements of the amended Hawaiian Homes Commission Act of 1920. The fund has been used to settle all claims made on behalf of the Hawaiian Home Lands Trust against the State between August 21, 1959 and July 1, 1988. Act 14, SLH 1995, Special Session, requires that the State make twenty annual deposits of \$30 million or the discounted equivalent into the fund. The fund continues to serve the purpose for which it was originally created since funds are used to develop Hawaiian home lands, resolve trust controversies, and identify and assess the needs of beneficiaries of the Hawaiian Homes Commission Act. The fund does not receive general fund appropriations.

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

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$3,774	\$3,774	\$5,160	\$5,160	\$5,160
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	0	1,386	0	0	0
Ending Fund Balance	\$3,774	\$5,160	\$5,160	\$5,160	\$5,160
Encumbrances	17	17	17	17	0

* Transfer was received from the Hawaiian Home Receipts Fund.

This revolving fund was created in 1921 to provide loans to native Hawaiians and to satisfy obligations of canceled or surrendered loans. The fund pays the net proceeds when homestead lease are canceled or surrendered or when a lessee dies without leaving a qualified successor. New loans for the re-award of a canceled or surrendered lot are provided by the fund. The fund continues to serve its purpose by making or forgiving loans to native Hawaiians. Linkage exists since those who receive loans must repay the principal amount, which is deposited into the fund. Interest received from loans is deposited into the Hawaiian Home Operating Fund. The fund is self-sustaining, an appropriate financing mechanism, and meets the revolving fund criteria.

Hawaiian Home Operating Fund, Section 213(e), Hawaiian Homes Commission Act

Financial Data for Fiscal Years 1998-2000 (in thousands)

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$16,097	\$15,223	11,547
Revenues	662	117	387
Interest	156	143	139
Expenditures	(5,390)	(3,933)	(3,960)
Transfers*	3,698	0	3,286
Prior Period Adjustment	0	(3)	0
Ending Fund Balance	\$15,223	\$11,547	\$11,399
Encumbrances	2,921	2,366	4,302

* Transfers were received from the Hawaiian Home Receipts Fund in FY1997-98 and from the Hawaiian Home Receipts Fund and the Hawaiian Home Administration Account in FY1999-00.

The Hawaiian Home–Development Fund was established in 1941 as a special fund and the Hawaiian Home Operating Fund was established in 1948 as a revolving fund. These funds were merged into the Hawaiian Home Operating Fund in 1986. Pursuant to Act 27, SLH 1998, the Hawaiian Home Operating Fund was reclassified from a special to a trust fund. The fund is managed as two separate portions: operations and development. The operating portion is used to construct and maintain revenue-producing activities intended principally to serve the occupants of Hawaiian home lands; purchase goods and services that are resold, rented, or furnished to Hawaiian home land occupants; and pay for appraisals, studies, and consultant services. The development portion requires approval from the governor and may be used for improvements and development for present and future Hawaiian home land occupants; improvements, additions, and repairs to all assets owned or leased by the department; engineering, architectural and planning services for properties; consultant services; purchase or lease of equipment or real property; and construction to benefit the Hawaiian Homes Commission

Act beneficiaries. The fund continues to meet its original purpose and benefits its intended beneficiaries by developing Hawaiian home lands for homesteading purposes; designing and constructing off-site and on-site improvements of its subdivisions; managing homestead areas on the islands of Oahu, Hawaii, Maui, Molokai, and Kauai; and maintaining, repairing, and operating water systems, roads, and facilities. The fund receives no general fund appropriations.

Hawaiian Home Receipts Fund, Section 213(g), Hawaiian Homes Commission Act

Financial Data for Fiscal Years 1998-2000 (in thousands)

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$2,139	\$2,220	\$2,452
Revenues	0	0	0
Interest	4,907	4,691	4,838
Expenditures	0	0	0
Transfers*	(4,892)	(4,458)	(5,012)
Prior Period Adjustment	66	(1)	0
Ending Fund Balance	\$2,220	\$2,452	\$2,278
Encumbrances	0	0	0

* In FY1997-98, funds were transferred to the Hawaiian Home General Loan Fund and the Hawaiian Home Operating Fund. In FY1998-99, funds were transferred to the Hawaiian Home General Loan Fund. In FY1999-00, funds were transferred to the Hawaiian Home General Loan Fund and the Hawaiian Home Operating Fund.

This trust fund was established in 1998 and serves as a clearing account. The fund receives interest moneys from loans or investments received by the department from any fund, except for the borrowed money loans in the Hawaiian Home General Loan Fund, Hawaiian Home Loan Fund, Hawaiian Home Administration Account, Native Hawaiian Rehabilitation Fund, Hawaiian Home Lands Trust Fund, and Revenue Bond Special Fund. At the end of each quarter, the moneys, except for investments that have not matured, are transferred to the Hawaiian Home Operating Fund, Hawaiian Home Administration Account, Hawaiian Home Trust Fund, and any loan fund in accordance with rules adopted by the department. The fund continues to serve the purpose for which it was originally created and its intended beneficiaries. The fund receives no general fund appropriations. Based on the department's description of the fund, it appears that the fund operates more like a trust account than a trust fund. The department uses the account primarily as a clearing account.

Hawaiian Home Trust Fund, Section 213(h), Hawaiian Homes Commission Act

Financial Data for Fiscal Years 1998-2000 (in thousands)

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$850	\$850	\$850
Revenues	0	0	0
Interest	0	0	0
Expenditures	0	0	0
Transfers*	0	0	10,000
Ending Fund Balance	\$850	\$850	\$10,850
Encumbrances	0	0	0

* Transfer was received from the Hawaiian Home Lands Trust Fund.

Pursuant to Act 27, SLH 1998, this fund was reclassified from a special to a trust fund. Except for gifts, bequests, and designated contributions, moneys deposited into the fund are available for transfers into any other fund or account authorized by the Hawaiian Homes Commission Act or for any public purpose to further the act that benefits native Hawaiians. Public purposes include using the fund as a reserve for loans insured or guaranteed by the Federal Housing Administration, Veterans' Administration, or any other federal agency authorized to insure or guarantee loans. The fund continues to serve the purpose for which it was created and its intended beneficiaries since the fund is primarily used as a reserve for loans insured by the Federal Housing Administration. The fund receives no general fund appropriations.

Native Hawaiian Rehabilitation Fund, Section 213(i), Hawaiian Homes Commission Act

Financial Data for Fiscal Years 1998-2000 (in thousands)

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$12,854	\$12,877	\$13,356
Revenues	205	593	262
Interest	646	603	511
Expenditures	(828)	(717)	(927)
Transfers	0	0	0
Ending Fund Balance	\$12,877	\$13,356	\$13,202
Encumbrances	909	939	794

This fund was established by the 1978 Constitutional Convention to finance activities intended exclusively to benefit native Hawaiians. Pursuant to Act 27, SLH 1998, this fund was reclassified from a special

fund to a trust fund. The fund continues to serve the purpose for which it was created since it is used for, but not limited to, educational, economic, political, social, and cultural processes by which the general welfare and conditions of native Hawaiians are improved and perpetuated. The fund has been used for interim home construction, financing community based projects, and an education scholarship within the native Hawaiian community. The fund provides the benefits and services originally intended for its beneficiaries, native Hawaiians. The fund receives no general fund appropriations.

Chapter 5

Department of Health

This chapter presents the results of our review of ten revolving funds, three trust funds, and five trust accounts used by the Department of Health. This includes the Hawaii Health Systems Corporation’s funds and accounts since the corporation is administratively attached to the Department of Health for purposes specified in Section 26-35(6), HRS. 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 provide any conclusions about the effectiveness of the program, its management, or whether the program should be continued. We alphabetically present funds established by statutory authority, followed by accounts established by administrative authority. Certain funds established under administrative authority were created pursuant to specific statutes, which are indicated next to the applicable funds’ name.

Funds Established Under Statutory Authority

Department of Health’s Funds

Drinking Water Treatment Revolving Loan Fund, Section 340E-35, HRS

Financial Data for Fiscal Years 1998-2000 (in thousands)

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$3,203	\$4,761
Revenues	54	291	4,640
Interest	96	183	155
Expenditures	(62)	(341)	(7,992)
Transfers	3,115	1,425	1,527
Ending Fund Balance	\$3,203	\$4,761	\$3,091
Encumbrances	23	683	697

This fund was established in 1997 as a result of amendments to the federal Safe Drinking Water Act. The fund is intended to help finance public water systems’ infrastructure costs necessary to achieve or maintain compliance with the act’s requirements and its public health objectives. The fund receives annual capitalization grants, principal and interest from loan repayments, investment earnings, and state matching

funds. To receive the federal funds, the state must provide an annual “match” equal to at least 20 percent of the capitalization amount.

The fund is divided into a loan program and a set-aside portion. The loan program receives approximately 69 percent of the annual federal grant and 100 percent of the annual state matching funds. Loans and other types of assistance are provided for drinking water infrastructure projects. Up to 31 percent of the annual federal grant can be applied to set-aside accounts, which are used for state and local programs, projects, and activities that do not receive loan assistance. These set-aside accounts help existing drinking water programs and support new programs such as capacity development and operator certification. Although no loans were executed in FY1998-99 and only one loan was executed as of June 2000, the fund continues to serve the purpose for which it was originally created. Linkage exists between the loans provided and the loan repayments received. The fund required general obligation bond fund appropriations in FY1997-98, FY1998-99, and FY1999-00. These appropriations were used as state matching funds to the federal grants. The fund is still in its infancy; however, with full staffing the program should be able to issue more loans and enable the fund to become self-sustaining. This fund does not meet all of the revolving fund criteria but is an appropriate financing mechanism.

Early Intervention Trust Fund, Section 321-356, HRS

Financial Data for Fiscal Years 1998-2000 (in thousands)

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$0	\$0
Revenues	0	0	0
Interest	0	0	0
Expenditures	0	0	0
Transfers	0	0	0
Ending Fund Balance	\$0	\$0	\$0
Encumbrances	0	0	0

This trust fund was established in 1997 to receive government grants and private contributions including, but not limited to, gifts or donations from corporations, other businesses, foundations, individuals, and other interested parties and income earned by the fund. The fund is intended to expand and enhance early intervention services for infants and toddlers with special needs through a cooperative funding mechanism between the public and private sectors. The fund can procure services for community-based, family-centered, and early intervention services. The fund’s purpose meets the definition of a trust fund, but it has not been used since it was established.

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

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$3,636	\$5,121	\$5,878	\$6,182	\$7,552
Revenues	1,810	2,247	1,658	2,741	2,540
Interest	161	251	221	276	238
Expenditures	(486)	(1,741)	(1,575)	(1,755)	(3,533)
Transfers*	0	0	0	108	(220)
Ending Fund Balance	\$5,121	\$5,878	\$6,182	\$7,552	\$6,577
Encumbrances	107	117	390	1,525	1,019

* In FY1998-99, transfers were received from the Local Emergency Response Planning Committee Account and the Voluntary Response Action Account. In FY1999-00, a transfer was made to the Soil Testing-Village Park and West Loch fund.

This revolving fund was established in 1988 with an initial general fund appropriation of \$150,000 and an additional \$50,000 in 1992. The original purpose of the fund was to deposit assessments, court settlements, and awards resulting from unlawful release of hazardous substances. The department was to use the fund to respond quickly to emergencies created when hazardous substances were released into the environment. In 1991, the fund's original purpose was broadened to include clean-up of existing, non-emergency, and hazardous substance releases. In addition, its revenue sources were expanded to include penalties for violating rules on vehicular smoke emission, open burning, water pollution, noise control, solid waste emission, hazardous waste disposal, underground storage tanks, and used oil disposal.

Act 300, SLH 1993, established an environmental response tax of five cents on each barrel or fractional part of a barrel of petroleum product sold to any retail dealer or end user, other than a refiner. This tax is deposited into the fund until the fund balance reaches a ceiling of \$7 million. Act 141, SLH 1998, increased this ceiling from \$7 million to \$20 million. When the ceiling is reached, the tax is to be discontinued and not reinstated until the fund balance falls to less than \$3 million. Revenues generated by the environmental response tax are to be used for oil spills: planning, prevention, preparedness, education, research, training, removal, remediation, and for direct support of the county's used oil recycling programs. Tax revenues may also be used to support the underground storage tank program and funding for the acquisition by the State of a soil remediation site and facility. In 1994, the law was amended to require that an unspecified portion of the environmental response tax be used to address concerns relating to drinking water. The fund continues to serve the purpose for which it was intended since it is

used to clean up hazardous substance releases. Linkage exists to the extent that awards, assessments, or penalties imposed on those actually responsible for the releases are used to clean them up. However, there is no linkage between the environmental response tax, penalties, and fines that are assessed for violating any number of other environmental pollution rules. The fund is self-sustaining. Although this fund does not meet all of the revolving fund criteria, it is an appropriate financing mechanism.

Leaking Underground Storage Tank Fund, Section 342L-51, HRS

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	0	0	0	0	0

This revolving fund was established in 1989 to respond to petroleum releases from underground storage tanks or tank systems. Revenues are from legislative appropriations, federal grants, departmental compliance proceedings, court-ordered awards or judgments, court-approved or out-of-court settlements, and other sources. The department did not establish rules for this fund until late FY1999-00. Prior to establishing rules, all activities were coordinated with the U.S. Environmental Protection Agency, Region IX, with the federal agency taking the lead role for petroleum release responses. Linkage could exist if revenues from departmental compliance and court proceedings are used to respond to petroleum releases from underground storage tanks or tank systems. To the extent that legislative appropriations are received, the fund would not be self-sustaining. In addition, the fund has not been used for the purpose for which it was created.

Local Emergency Response Planning Committees Account, Section 128E-8, HRS

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

	FY1998	FY1999
Beginning Fund Balance	\$0	\$105
Revenues	329	18
Interest	0	0
Expenditures	(224)	(49)
Transfers	0	(74)
Ending Fund Balance	\$105	\$0
Encumbrances	52	0

This revolving fund was established in 1997 to administer and oversee Chapter 128E, HRS, Hawaii Emergency Planning and Community Right-To-Know Act. Revenue was received from fees charged to facilities that store, use, or manufacture hazardous substances and who are required to file annual chemical inventory forms. The fund was used to develop emergency response plans to respond to hazardous material incidents and to disseminate hazardous material information to the public. Some linkage existed between fees collected from the filing of chemical listings and this public information purpose. In addition, the fund was self-sustaining, was an appropriate financing mechanism, and met the revolving fund criteria. However, since FY1999-00, this fund has been included as a sub-account of the Environmental Response Revolving Fund.

Voluntary Response Action Account, Section 128D-36, HRS

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

	FY1998	FY1999
Beginning Fund Balance	\$0	\$16
Revenues	16	18
Interest	0	0
Expenditures	0	0
Transfers*	0	(34)
Ending Fund Balance	\$16	\$0
Encumbrances	\$0	\$0

* Transfer was made to the Environmental Response Revolving Fund.

This revolving fund was established in 1997 to administer and oversee the Voluntary Response Program. The program was created to facilitate voluntary and timely responses to hazardous substance releases and

threats of releases and to provide relief to eligible persons. However, the fund was never used and as of FY 1999-00, has been treated as a sub-account of the Environmental Response Revolving Fund.

Water Pollution Control Revolving Fund, Section 342D-83, HRS

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$20,583	\$21,600	\$30,075	\$35,006	\$44,137
Revenues	14,037	24,218	15,783	20,536	19,371
Interest	909	1,097	1,680	1,589	1,919
Expenditures	(16,376)	(16,840)	(15,927)	(15,766)	(12,165)
Transfers*	2,447	0	3,395	2,772	2,323
Ending Fund Balance	\$21,600	\$30,075	\$35,006	\$44,137	\$55,585
Encumbrances	31,577	16,580	15,212	27,149	1,875

* Transfers received are state matching funds equivalent to 20 percent of the federal contribution.

This revolving fund was established in 1989 to comply with federal requirements and to provide loans to government agencies for the planning, design, and construction of public wastewater treatment facilities. In 1991, the law was amended to allow the fund to also provide grants. Under Public Law 100-4, federal capitalization grants may be deposited into the fund. The fund continues to serve its purpose. Linkage exists between the loans issued and the loan repayments received by the fund. The fund is self-sustaining to the extent that loan repayments, grants, and other revenue received sustain the fund. The fund is an appropriate financing mechanism and meets the revolving fund criteria.

Funds and Accounts Established Under Administrative Authority

Department of Health's Funds and Accounts

Donations, Gifts, and Grants Accounts

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$1,140	\$841	\$841	\$1,440	\$1,459
Revenues	1,185	821	1,389	1,415	992
Interest	4	4	3	4	3
Expenditures	(1,488)	(825)	(793)	(1,400)	(891)
Transfers	0	0	0	0	0
Ending Fund Balance	\$841	\$841	\$1,440	\$1,459	\$1,563
Encumbrances	174	191	557	247	209

The department established four trust accounts as holding accounts for donations, gifts, and grants. The financial data above is a summary of these accounts. Donations and gifts are from private foundations and individuals. Grants are from private foundations, counties, and other state agencies. The beneficiaries of the expenditures are patients and clients of the Department of Health. These trust accounts are being used as holding accounts and serve the purpose for which they were created.

Interagency Federal Revenue Maximization Revolving Fund

Financial Data for Fiscal Years 1999-2000 (in thousands)

	FY1999	FY2000
Beginning Fund Balance	\$0	\$14
Revenues	432	86
Interest	0	0
Expenditures	(418)	(88)
Transfers	0	0
Ending Fund Balance	(\$14)	(\$12)
Encumbrances	7	1

This revolving fund was established pursuant to Act 11, SLH 1995, Special Session, to receive federal reimbursements from the Department of Accounting and General Services' (DAGS) Interagency Federal Revenue Maximization Revolving Fund. The DAGS fund receives proceeds collected from the federal government and third-party payors for costs not previously claimed by the State, with the exception of proceeds collected by the Hawaii Health Systems Corporation for services reimbursed by federal funds. Funds are transferred to the Department of Health for expenses incurred related to federal fund reimbursement claims. The department may use the funds received to

hire temporary staff, whose work is related to the recovery of federal reimbursements. The fund continues to serve the purpose for which it was created. Linkage exists with the federal reimbursements received. The fund has the capacity to be self-sustaining, is an appropriate financing mechanism, and meets the revolving fund criteria.

Patient Trust Accounts

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$1,440	\$1,085	\$915	\$543	\$301
Revenues	6,073	5,503	4,822	1,711	666
Interest	0	0	0	0	0
Expenditures	(6,428)	(5,673)	(5,194)	(1,953)	(751)
Transfers	0	0	0	0	0
Ending Fund Balance	\$1,085	\$915	\$543	\$301	\$216
Encumbrances	0	0	0	0	0

The department established seven trust accounts for patients' savings and checking accounts and to receive donations for patients. The financial data is a summary of these accounts. These funds are held outside the State Treasury. The funds serve the purpose for which they were created and require no general funds.

Salary/Fringe Benefits for Toxicologists, Section 128D-2.5, HRS

Financial Data for Fiscal Years 1998-2000 (in thousands)

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$0	\$0
Revenues	0	0	0
Interest	0	0	0
Expenditures	0	0	0
Transfers	0	0	0
Ending Fund Balance	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0

This revolving fund was established in 1997 to fund salary and fringe benefits for toxicologists hired to assess human risks under Chapter 128D, HRS, Environmental Response Law. Revenue would be received from the Environmental Response Revolving Fund. Act 146, SLH 1997, authorized the department to expend \$78,000; however, this fund has never been utilized.

Soil Testing - Village Park and West Loch

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$0
Revenues	0
Interest	0
Expenditures	(220)
Transfers*	220
Ending Fund Balance	\$0
Encumbrances	0

* Transfer was received from the Environmental Response Revolving Fund.

This revolving fund was established pursuant to Act 192, SLH 1999, to conduct soil testing at Village Park and West Loch Fairways as part of an epidemiological investigation to determine whether or not that soil caused physical and learning disabilities to the children living there. Funds were received from the Environmental Response Revolving Fund to conduct soil-sample surveys as part of the epidemiological investigation. The Environmental Response Revolving Fund revenue sources include assessments, court settlements, and awards resulting from unlawful release of hazardous substances. The fund also receives penalty fines from violations of vehicular smoke emission, open burning, water pollution, noise control, solid waste emission, hazardous waste disposal, underground storage tanks, and used oil disposal. Linkage exists to the extent that penalties received from the Village Park and West Loch Fairways are used to conduct the epidemiological investigation. The fund is self-sustaining, is an appropriate financing mechanism, and meets all of the revolving fund criteria.

Temporary Deposits

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$29	\$33	\$51	\$69	\$94
Revenues	21	43	65	81	78
Interest	0	0	0	0	0
Expenditures	(17)	(25)	(47)	(56)	(65)
Transfers	0	0	0	0	0
Ending Fund Balance	\$33	\$51	\$69	\$94	\$107
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was established as a temporary holding account for the collection of partial payments made by employees who were overpaid.

Once employees fully reimburse their salary overpayments, a warrant is issued to the director of finance, and funds are deposited into the Department of Accounting and General Services' central payroll. The fund receives no general fund appropriations.

Hawaii Health Systems Corporation's Funds and Accounts

Collections Revolving Funds, Section 323F-7(a)(22), HRS

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$63	\$145	\$70	\$35	\$35
Revenues	394	238	113	36	33
Interest	0	0	0	0	0
Expenditures	(312)	(313)	(97)	(36)	(48)
Transfers*	0	0	(51)	0	0
Ending Fund Balance	\$145	\$70	\$35	\$35	\$20
Encumbrances	0	0	0	0	0

* Transfer was made from the Hilo Medical Center Collections Revolving Fund because the fund was closed and patient refunds are now made from the accounts payable system.

Collections revolving funds for Maui Memorial Hospital, Kona Hospital, and Hilo Medical Center were originally established in 1994 but were repealed in 1996. These funds were administratively re-established pursuant to section 323F-7(a)(22) and are held outside the State Treasury. The financial data above is a summary of these accounts. The Hilo and Kona funds were re-established to expedite the collection of patient bills less than \$1,000 and to provide refunds for patient bill overpayments of less than \$1,000. Maui's revolving fund is rarely used for this purpose, but is used as a temporary holding account for security deposits and for salary overpayments. Maui also has a trust fund, which was established as a temporary holding account for security deposits. However, Maui places its security deposits in the revolving fund because staff believe it is faster to reimburse security deposit refunds from a revolving fund than a trust fund. Linkage exists for the Hilo and Kona funds to the extent that patients whose bill payments are deposited into the fund are reimbursed for overpayments from the fund. In addition, the funds are self-sustaining. However, the funds' financing mechanism does not seem appropriate since the funds function more as trust accounts rather than revolving funds. The funds serve as temporary holding accounts for patient bill payments/refunds under \$1,000, security deposits, and salary overpayments.

Community Hospitals Trust Funds, 323F-7(a)(22) and (23)

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$1,186	\$800	\$806	\$731	\$293
Revenues	1,720	2,253	2,246	2,274	2,235
Interest	3	2	7	5	5
Expenditures	(2,109)	(2,249)	(2,328)	(2,271)	(2,303)
Transfers*	0	0	0	(446)	0
Ending Fund Balance	800	806	731	293	230
Encumbrances	65	63	69	84	50

* Transfer was made to the Leahi Operating Account Special Fund.

The corporation has established 15 trust funds and accounts to account for donations, gifts, temporary deposits, and patients' personal funds received by State Community Hospitals. The financial data above is a summary of these funds and accounts. The hospitals manage and safeguard patients' moneys, which include pension, retirement, social security, and miscellaneous income. One of the trust funds serves as a temporary holding account for security deposits received from tenants renting units at Maui Community Hospital nurses' cottages. The trust funds and accounts serve the purpose for which they were created and for their intended beneficiaries—community hospital patients and the cottage tenants. The trust funds and accounts require no general fund support. Since FY1998-99 these funds have been held outside the State Treasury.

Donations, Gifts, and Grants Accounts

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$290	\$288	\$280	\$345	\$504
Revenues	53	29	94	461	100
Interest	0	0	0	0	0
Expenditures	(55)	(37)	(29)	(302)	(290)
Transfers	0	0	0	0	0
Ending Fund Balance	\$288	\$280	\$345	\$504	\$314
Encumbrances	0	0	0	0	0

The corporation has established 18 accounts and funds that receive donations, gifts, and grants that are restricted by the grantor or donor or designated for specific purposes. The financial data above is a summary of these accounts and funds. Two of the funds are held outside the State

Treasury. Donations and gifts are received from private foundations and individuals; grants are received from private foundations. Two funds also receive various fees, which are used for the beneficiaries. These trust funds continue to serve the purpose for which they were created and for their intended beneficiaries—the community hospitals’ patients, clients, and staff, as well as the hospitals and their communities. The funds receive no general fund appropriations.

Salary Overpayment Trust Accounts, Section 323F(a)(22) and 78-12, HRS

Financial Data for Fiscal Years 1997-2000 (in thousands)

	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$1	\$9	\$14
Revenues	1	9	10	16
Interest	0	0	0	0
Expenditures	0	(1)	(5)	(2)
Transfers	0	0	0	0
Ending Fund Balance	\$1	\$9	\$14	\$28
Encumbrances	0	0	0	0

The corporation established three salary overpayment trust accounts for Hale Ho’ala Hamakua, Kauai Veterans Memorial, and Leahi community hospitals. The financial data above is a summary of these accounts. These accounts receive salary overpayment recoveries. The accounts are temporary holding accounts for recoveries until the debt is satisfied, and funds are subsequently transferred to the program’s special funds with an adjustment to the Department of Accounting and General Services’ payroll system. The accounts serve the purpose for which they were created and require no general fund appropriations.

Weinberg Grant Fund

Financial Data for Fiscal Years 1998-2000 (in thousands)

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$1,200	\$1,573
Revenues	1,200	1,560	120
Interest	0	37	85
Expenditures	0	(1,224)	(130)
Transfers	0	0	0
Ending Fund Balance	\$1,200	\$1,573	\$1,648
Encumbrances	0	0	0

This trust fund was established outside the State Treasury in 1998 to receive contributions from the Harry and Jeanette Weinberg Foundation

for telemedicine and telehealth infrastructure equipment and related expenses. The fund continues to serve the purpose for which it was originally created since it provided for a regional Hawaii Health Systems Corporation Telehealth and Telemedicine Facility, a high-speed telecommunications system. The system will allow the corporation to: 1) improve rural health quality, access, and response; 2) reduce unnecessary patient transfers and evacuations; 3) provide distance learning opportunities for rural health providers, students, patients, and local communities; 4) reduce professional isolation while improving recruitment/retention of health care providers and sustaining the operations of rural health facilities; and 5) reduce the overall cost of healthcare on the neighbor islands by treating more patients within their respective communities. The fund requires no general fund appropriations.

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Chapter 6

Department of Human Services

This chapter presents the results of our review of nine revolving funds, four trust funds, and 14 trust accounts used by the Department of Human Services. For each fund or account, we present a five-year financial summary, the purpose of the fund or account, and conclusions about its use. We do not provide any conclusions about the effectiveness of the program, its management, or whether the program should be continued. We alphabetically present funds established by statutory authority, followed by accounts established by administrative authority. Certain funds established under administrative authority were created pursuant to specific statutes, which are indicated next to the applicable funds' name.

Funds and Accounts Established Under Statutory Authority

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

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$25	\$48	\$103	\$75	\$107
Revenues	799	780	742	745	679
Interest	0	0	0	0	0
Expenditures	(776)	(725)	(770)	(713)	(730)
Transfers*	0	0	0	0	0
Ending Fund Balance	\$48	\$103	\$75	\$107	\$56
Encumbrances	127	149	113	130	164

This revolving fund was established in 1941 to deposit sales receipts from products made by blind persons in their homes or in workshops and to pay for the materials and labor. The fund continues to serve the purpose for which it was created. Direct linkage exists since the blind persons' product sales pay for product material and labor. The fund is self-sustaining. Thus, the fund is an appropriate financing mechanism and meets the revolving fund criteria.

Hawaii Youth Correctional Facility Trust Fund, Section 352-18, HRS

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$7	\$3	\$2	\$2	\$1
Revenues	12	13	4	2	5
Interest	0	0	0	0	0
Expenditures	(16)	(14)	(4)	(3)	(5)
Transfers	0	0	0	0	0
Ending Fund Balance	\$3	\$2	\$2	\$1	\$1
Encumbrances	0	0	0	0	0

This trust fund was established to account for moneys of correctional facility youths until they are discharged. The wards deposit money received from parents, relatives, or others into the fund; in addition, money earned through the Behavior Modification Program and from working in the community is also deposited in this fund. Individual ledger accounts are maintained for each ward. All requests to withdraw funds are signed by the individual ward and approved by the cottage administrator. Monthly statements are issued to wards showing all deposits and withdrawals. The fund serves the purpose for which it was created and its intended beneficiaries—the facility’s wards. The fund receives no general fund appropriations.

Health Care Revolving Fund, Section 346E-15, HRS

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	10,104	11,515	4,190	300	25
Interest	0	0	0	0	0
Expenditures	(10,003)	(10,649)	(4,021)	(141)	0
Transfers*	(101)	(866)	(169)	(159)	(25)
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	0	0	0	0	0

* Ending fund balances are transferred to the general fund each year.

This revolving fund was established in 1993 to receive all health care provider taxes. The tax was imposed on nursing homes and acute hospital facilities statewide to raise matching funds for the Medicaid program. The fund continues to serve the purpose for which it was created. Linkage exists since the health care provider taxes received from licensed nursing homes and acute hospital facilities are used as

matching funds for the Medicaid program. In addition, facilities that serve a high percentage of Medicaid recipients benefit from the tax revenue as they receive an increased daily Medicaid per diem rate. The fund is self-sustaining, is an appropriate financing mechanism, and meets the revolving fund criteria.

Housing for Elders Revolving Fund, Section 359-53, HRS

Financial Data for Fiscal Years 1996-1998 (in thousands)

	FY1996	FY1997	FY1998
Beginning Fund Balance	\$970	\$1,183	\$1,456
Revenues	1,562	1,634	1,627
Interest	31	37	24
Expenditures	(1,264)	(1,199)	(1,309)
Transfers*	(116)	(199)	(155)
Ending Fund Balance	\$1,183	\$1,456	\$1,643
Encumbrances	0	0	0

* Transfers were to the current year appropriation and to reimburse administrative costs.

This revolving fund was established 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 and became active on July 1, 1991. Act 350, SLH 1997, later transferred this fund from the Hawaii Housing Authority under the Department of Human Services to the Housing and Community Development Corporation of Hawaii under the Department of Business, Economic Development and Tourism, in order to consolidate all state housing functions. The fund served its intended purpose and continues to support housing projects for elderly individuals and families on Oahu. Linkage existed since tenants pay rental and other fees into the fund for residency at these projects. The fund was also self-sustaining, an appropriate financing mechanism, and met the revolving fund criteria.

Housing Revolving Fund, Section 359-13, HRS

Financial Data for Fiscal Years 1996-1998 (in thousands)

	FY1996	FY1997	FY1998
Beginning Fund Balance	\$1,585	\$1,047	\$2,033
Revenues	4,254	5,776	4,957
Interest	0	0	0
Expenditures	(4,642)	(4,705)	(4,714)
Transfers*	(150)	(85)	(160)
Ending Fund Balance	\$1,047	\$2,033	\$2,116
Encumbrances	0	0	0

* Transfer was made to the Administration of Teacher Housing Fund.

This fund was established in 1947 to support the activities of the Hawaii Housing Authority in the development and administration of public housing. Act 212, SLH 1998, repealed Section 359-13, HRS and transferred this fund to the Housing and Community Development Corporation of Hawaii under the Department of Business, Economic Development and Tourism. The fund served the purpose for which it was created since it was used to collect rents and fees for the administration of the authority's rental housing projects for low-income families. Linkage existed because tenants paid rental and other fees into the fund for residency in these projects. The program had difficulty being self-sufficient and required other funding sources to maintain operations.

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

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$339	\$294	\$442	\$394	\$435
Revenues	102	295	142	299	253
Interest	10	5	3	8	19
Expenditures	(157)	(152)	(193)	(266)	(294)
Transfers	0	0	0	0	0
Ending Fund Balance	\$294	\$442	\$394	\$435	\$413
Encumbrances	9	18	12	5	20

This revolving fund was established in 1991 to provide blind persons with remunerative employment to foster their independence and make them self-supporting. The fund provides approximately 36 licensed blind vending facility operators with benefits, periodic training, business

management services, and the establishment of new vending facilities. The fund receives commissions on income from vending machines owned by individuals or companies that installed them (not the blind vendors). Vending machine owners pay a percentage of their machines' income to property owners (who in this case are the federal, state, and county governments) to compensate them for space used for the vending machines. Linkage does not exist since the blind vendors keep revenues they earn from their stands and do not deposit them into the fund. The fund is self-sustaining; however, the fund does not meet all of the revolving fund criteria and appears to operate more like a trust fund.

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

Financial Data for Fiscal Years 1996-1998 (in thousands)

	FY1996	FY1997	FY1998
Beginning Fund Balance	\$471	\$565	\$704
Revenues	245	222	223
Interest	14	19	23
Expenditures	0	0	(1)
Transfers*	(165)	(102)	(164)
Ending Fund Balance	\$565	\$704	\$785
Encumbrances	0	0	0

* Transfers were made to the Administration of Teacher Housing Fund.

This revolving fund was created in 1969 to support the development and administration of housing for teachers of the Department of Education. Act 350, SLH 1997, repealed Section 359A-2, HRS and transferred this fund to the Housing and Community Development Corporation of Hawaii under the Department of Business, Economic Development and Tourism. Teacher housing was to be provided only in areas without adequate housing at a reasonable cost. The fund served the purpose for which it was created since it was used for the operation and maintenance of teacher housing on the neighbor islands. Linkage existed since teachers were charged rent for housing that the fund provided. The fund was also self-sustaining because rental payments covered all operating costs. The fund was an appropriate financing mechanism and met the revolving fund criteria.

Youth Correctional Facilities' Benefit Fund, Section 352-21, HRS

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$1	\$1	\$1	\$1	\$1
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$1	\$1	\$1	\$1	\$1
Encumbrances	0	0	0	0	0

This trust fund was established in 1980 for the welfare and recreation of youths committed to correctional facilities. The fund receives money from facility program activities, except those amounts credited to the committed persons' accounts pursuant to section 352-18, HRS. The fund is used for the welfare and recreation of committed persons. The fund continues to serve its purpose since it accounts for donations and confiscated moneys used to benefit all wards incarcerated at the Hawaii Youth Correctional Facility. The fund is also used for special/unusual needs of wards that will benefit all. The fund receives no general fund appropriations.

Funds and Accounts Established Under Administrative Authority

Donations for Sight Conservation

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$10	\$10	\$11	\$13	\$13
Revenues	5	3	6	3	2
Interest	0	0	0	0	0
Expenditures	(5)	(2)	(4)	(3)	(3)
Transfers	0	0	0	0	0
Ending Fund Balance	\$10	\$11	\$13	\$13	\$12
Encumbrances	0	0	0	0	1

This trust account was established to account for donations which provide services to blind and visually impaired individuals that are not otherwise possible through public funds. The donations are used to assist blind and visually impaired individuals who may be on a marginal income. Services include the purchase of eye examinations, eyeglasses, or low vision aids for those who do not qualify for other programs (such

as Medicaid and Medicare). Donations come from the Lions Club, civic organizations, individuals, private foundations, and bequests. The account serves the purpose for which it was created and its intended beneficiaries by keeping donations separate and by using moneys only for blind and visually impaired individuals. The fund requires no general fund appropriations.

Donations for Social Services

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$0	\$125	\$121	\$120
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	(1)	0
Transfers*	0	125	(4)	0	0
Ending Fund Balance	\$0	\$125	\$121	\$120	\$120
Encumbrances	0	0	0	0	0

* Transfers were made to and from the Special Deposits Trust Account.

This trust account was established as a holding account for donations from various sources. The fund continues to serve its purpose since donations are used to meet the acute emergency needs of clients who need immediate cash to purchase food and other goods or services. In selected cases, the fund is used for training and related expenses. The fund receives donations and transfers from the Special Deposits trust account.

Electronic Benefit Transfer Account

Financial Data for Fiscal Years 1998-2000 (in thousands)

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$201	\$1,664
Revenues	8,553	178,413	173,781
Interest	0	0	0
Expenditures	(8,352)	(176,950)	(173,917)
Transfers	0	0	0
Ending Fund Balance	\$201	\$1,664	\$1,528
Encumbrances	0	0	0

This trust account was established in 1998 to accommodate Electronic Benefit Transfer (EBT) transactions. Funds are transferred into this account when financial benefits are authorized to the department's clients and are then transferred daily to the Department of Human

Services' contractor who issues the actual benefits to clients when they access their accounts electronically. The account is being used as a clearing account and serves the purpose for which it was created.

Equipment Rental Revolving Fund

Financial Data for Fiscal Years 1996-1998 (in thousands)

	FY1996	FY1997	FY1998
Beginning Fund Balance	\$311	\$343	\$443
Revenues	128	126	30
Interest	14	13	16
Expenditures	(110)	(39)	(51)
Transfers	0	0	0
Ending Fund Balance	\$343	\$443	\$438
Encumbrances	0	0	0

This revolving fund was established prior to 1976 within the Hawaii Housing Authority, which was under the Department of Human Services. The fund was created and used to purchase equipment for administrative and area offices. As of July 1, 1998, the Housing and Community Development Corporation of Hawaii under the Department of Business, Economic Development and Tourism assumed all housing functions of the Hawaii Housing Authority, which was under the Department of Human Services and thus received this fund. Linkage existed prior to the transfer since offices paid rental fees into the fund that were used to replace retired equipment. The fund was self-sustaining, was an appropriate financing mechanism, and met the revolving fund criteria.

Federal Maximization Revolving Fund

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$0	\$0	\$850	\$108
Revenues	0	0	850	425	425
Interest	0	0	0	0	0
Expenditures	0	0	0	(1,167)	(198)
Transfers	0	0	0	0	0
Ending Fund Balance	0	0	\$850	\$108	\$335
Encumbrances	0	0	424	93	320

This revolving fund was established in 1996 to receive federal reimbursements from the Department of Accounting and General Services' (DAGS) Interagency Federal Revenue Maximization

Revolving Fund. The DAGS fund receives proceeds collected from the federal government and third-party payors for costs not previously claimed by the State, with the exception of proceeds collected by the Hawaii Health Systems Corporation for services reimbursed by federal funds. Funds are transferred to the department for expenses incurred related to federal fund reimbursement claims. The department uses the fund to pay for services that are necessary to improve the capture of client and case data to increase federal reimbursement. The fund continues to serve the purpose for which it was created. Linkage exists with the federal reimbursements received. The fund is self-sustaining, is an appropriate financing mechanism, and meets the revolving fund criteria.

Foster Grandparent Program Account

Financial Data for Fiscal Years 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$0
Revenues	0
Interest	0
Expenditures	0
Transfers	0
Ending Fund Balance	\$0
Encumbrances	0

This trust account was established in May 2000 to account for a grant received from the Hawaii Justice Foundation. The grant will be used to increase the number of foster grandparents and to defray related expenses. The account had no revenues or expenditures during FY1999-00; the first transaction was recorded in FY2000-01. The account received no general fund appropriations.

Geist Foundation Grant

Financial Data for Fiscal Years 1997-2000 (in thousands)

	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$64	\$40	\$15
Revenues	81	0	0	21
Interest	0	0	0	0
Expenditures	(17)	(24)	(25)	(9)
Transfers	0	0	0	0
Ending Fund Balance	\$64	\$40	\$15	\$27
Encumbrances	3	4	0	0

This trust account was established in 1997 to implement a comprehensive training program, Foster/PRIDE/Adopt/PRIDE, for applicants who want to be foster or adoptive parents. The fund serves the purpose for which it was created since this grant enables the department to involve and compensate currently licensed foster parents to co-train foster and adoptive parent applicants with the agency staff. The program is intended to increase the recruitment and retention of foster and adoptive parents.

Homeless Trust Fund (Weinberg Trust Fund) Account

Financial Data for Fiscal Years 1996-1998 (in thousands)

	FY1996	FY1997	FY1998
Beginning Fund Balance	\$900	\$425	\$421
Revenues	0	0	0
Interest	0	0	0
Expenditures	(475)	(4)	(2)
Transfers	0	0	0
Ending Fund Balance	\$425	\$421	\$419
Encumbrances	0	0	0

This trust fund was established in 1992 to receive donations from the Harry and Jeanette Weinberg Foundation for the development of housing for homeless families. The fund served its purpose and its intended beneficiaries since funds were used to develop homeless shelters such as the Haleiwa, Waianae, and Waimanalo homeless villages. The fund did not receive general fund appropriations. As of July 1, 1998, the Housing and Community Development Corporation of Hawaii under the Department of Business, Economic Development and Tourism assumed the housing functions of the Hawaii Housing Authority, which was under the Department of Human Services, and thus received this fund.

McInerny Foundation

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	0	0	0	0	0

This trust account was created as a holding account for donations to the food stamp program. The account continues to serve the purpose for which it was created since the Food Stamp Administrator disburses funds to food stamp clients in need of emergency monetary assistance.

Payroll Clearance - HHA

Financial Data for Fiscal Years 1996-1998 (in thousands)

	FY1996	FY1997	FY1998
Beginning Fund Balance	\$0	\$0	\$0
Revenues	0	0	0
Interest	0	0	0
Expenditures	0	0	0
Transfers	0	0	0
Ending Fund Balance	\$0	\$0	\$0
Encumbrances	0	0	0

This trust account was administratively established to serve as a clearing account to facilitate payroll payments for corporation staff. The fund served this purpose since it paid payroll charges for all of the funds. The account was subsequently reimbursed by individual funds for their share of payroll expenses. The fund did not receive general fund appropriations. As of July 1, 1998, the Housing and Community Development Corporation of Hawaii under the Department of Business, Economic Development and Tourism assumed the housing functions of the Hawaii Housing Authority, which was under the Department of Human Services and thus received this fund.

Recruitment of Foster Parents (Respite Companion Services Program Account), Section 346-14 and 346-56, HRS

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$3	\$5	\$5	\$8	\$3
Revenues	2	0	3	0	5
Interest	0	0	0	0	0
Expenditures	0	0	0	(5)	(4)
Transfers	0	0	0	0	0
Ending Fund Balance	\$5	\$5	\$8	\$3	\$4
Encumbrances	0	0	0	0	0

This trust account was established in 1987 to pay part-time respite companions their accumulated vacation credits (not to exceed 76 hours at \$5.75/hour) in the event federal funding for the respite companion

program is discontinued. Respite companions are low-income elderly who are able to work 19 hours per week assisting frail, homebound elderly persons on Oahu. The Respite Companion Service Program is financed by federal funds from the U.S. Department of Labor. The trust account is being used as a holding account and serves the purpose for which it was created.

Special Deposits

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$186	\$186	\$60	\$82	\$71
Revenues	29	20	27	35	74
Interest	0	0	0	0	0
Expenditures	(29)	(21)	(9)	(46)	(29)
Transfers*	0	(125)	4	0	0
Ending Fund Balance	\$186	\$60	\$82	\$71	\$116
Encumbrances	0	0	0	0	0

* Transfers were made to and received from the Donations for Social Services account.

This trust account was established as a temporary holding account for supplemental or excess moneys received from the federal government under the foster board program or moneys from a foster child's guardian. The State receives federal funds for each child in the foster board program. Periodically, additional federal funds are received and deposited into this account. The funds are held in trust for the foster child on an as-needed basis. This trust account is being used as a holding account and serves the purpose for which it was created.

Temporary Deposits

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$387	\$360	\$5	\$5	\$3
Revenues	6	3	0	0	0
Interest	0	0	0	0	0
Expenditures	(33)	(352)	0	(2)	(2)
Transfers*	0	(6)	0	0	0
Ending Fund Balance	\$360	\$5	\$5	\$3	\$1
Encumbrances	0	0	0	0	0

* Transfer was made to the Temporary Deposits – Payroll Overpayment account.

This trust account was established as a temporary holding account for checks or money orders received from welfare clients with insufficient documentation to explain the purpose of the payment. Moneys remain in this account until the department can resolve the purpose of the payment. This trust account is being used as a holding account and serves the purpose for which it was created.

Temporary Deposits - Payroll Overpayment

Financial Data for Fiscal Years 1997-2000 (in thousands)

	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$11	\$23	\$26
Revenues	5	26	19	17
Interest	0	0	0	0
Expenditures	0	0	0	0
Transfers*	6	(14)	(16)	(15)
Ending Fund Balance	\$11	\$23	\$26	\$28
Encumbrances	0	0	0	0

* Transfer was received from the Temporary Deposits account in FY1996-97. Transfers were made to the General Fund in FY1997-98, FY1998-99, and FY1999-00.

This trust account serves as a temporary holding account to receive staff overpayment reimbursements. Reimbursements are accumulated in the account until the overpayment has been satisfied. When all overpayment funds have been received from an employee, funds are reimbursed to the account from which the employee received the overpayment. The account serves the purpose for which it was created.

Temporary Deposits - Payroll Overpayment-HHA

Financial Data for Fiscal Years 1996-1998 (in thousands)

	FY1996	FY1997	FY1998
Beginning Fund Balance	\$0	\$0	\$0
Revenues	0	0	0
Interest	0	0	0
Expenditures	0	0	0
Transfers	0	0	0
Ending Fund Balance	\$0	\$0	\$0
Encumbrances	0	0	0

This trust account served as a temporary holding account for salary overpayment reimbursements. Reimbursements were accumulated in the account until the overpayment was satisfied. When all overpayment funds had been received from an employee, funds were reimbursed to

the account from which the employee received the overpayment. The account served the purpose for which it was created. As of July 1, 1998, the Housing and Community Development Corporation of Hawaii under the Department of Business, Economic Development and Tourism assumed the housing functions of the Hawaii Housing Authority, which was under the Department of Human Services, and thus should have received this fund.

Temporary Deposits - SSI Benefit Payment Account

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$139	\$511	\$225	\$76	\$14
Revenues	684	180	26	0	0
Interest	0	0	0	0	0
Expenditures	(312)	(466)	(175)	(62)	(14)
Transfers	0	0	0	0	0
Ending Fund Balance	\$511	\$225	\$76	\$14	\$0
Encumbrances	0	0	0	0	0

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

Temporary Trust Fund Account-Medical

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$1,378	\$2,386	\$596	\$753	\$756
Revenues	1,339	23	168	3	30
Interest	0	0	0	0	0
Expenditures	(331)	(1,813)	(11)	0	(578)
Transfers	0	0	0	0	0
Ending Fund Balance	\$2,386	\$596	\$753	\$756	\$208
Encumbrances	0	0	0	0	0

This trust account was established as a temporary holding account for checks or money orders received for medical assistance programs. Deposits are made into this account when payments are received without

sufficient documentation as to their purposes or when third party liability recoveries have not been settled by the Attorney General's office. Moneys remain in this account until the department can determine their proper disposition. This account is used as a holding account and serves the purpose of which it was created. No general fund appropriations have been required.

Vehicle Rental Revolving Fund

Financial Data for Fiscal Years 1996-1998 (in thousands)

	FY1996	FY1997	FY1998
Beginning Fund Balance	\$277	\$317	\$361
Revenues	47	44	14
Interest	14	13	13
Expenditures	(21)	(13)	(40)
Transfers	0	0	0
Ending Fund Balance	\$317	\$361	\$348
Encumbrances	0	0	0

This revolving fund was established prior to 1976 within the Hawaii Housing Authority, which was under the Department of Human Services. The fund was created to purchase vehicles for administrative and area offices. As of July 1, 1998, the Housing and Community Development Corporation of Hawaii under the Department of Business, Economic Development and Tourism assumed all housing functions of the Hawaii Housing Authority, which was under the Department of Human Services, and thus received this fund. Linkage existed since vehicle rental fees paid into the fund were used to replace retired vehicles. The fund was self-sustaining, was an appropriate financing mechanism, and met the revolving fund criteria.

VR - Court Appointed Master Account

Financial Data for Fiscal Year 1996 (in thousands)

	FY1996
Beginning Fund Balance	\$115
Revenues	0
Interest	0
Expenditures	(115)
Transfers	0
Ending Fund Balance	\$0
Encumbrances	0

This trust fund was established in 1993 and is held outside the State Treasury. Revenues were received from the U.S. Department of

Education Basic Support Grant and the Randolph-Sheppard Revolving Fund. The fund was used to pay for expenses arising from a settlement agreement with blind vendors working concessions at the Honolulu International Airport. The grant was closed in FY1995-96. The fund served the purpose for which it was created and its intended beneficiaries—blind vendors working the concessions at the Honolulu International Airport. The fund received no general fund appropriations.

Responses of the Affected Agencies

Comments on Agency Responses

On March 14, 2001, we transmitted a draft of this review to the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services. We also transmitted a draft to the Hawaii Health Systems Corporation since it is administratively attached to the Department of Health. A copy of the transmittal letter to the Judiciary is included as Attachment 1. Similar letters were sent to the Department of Commerce and Consumer Affairs, Department of Hawaiian Home Lands, Department of Health, Department of Human Services, and the Hawaii Health Systems Corporation. A copy of the responses of the Judiciary, Department of Hawaiian Home Lands, and Department of Human Services are included as Attachments 2, 3, and 4 respectively. The Department of Commerce and Consumer Affairs, the Department of Health, and the Hawaii Health Systems Corporation did not submit written responses.

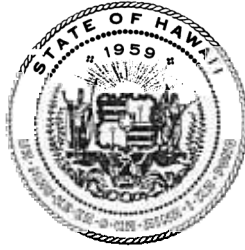
The Judiciary thanked us for soliciting its input and noted that it would not be commenting on our recommendations.

The Department of Hawaiian Home Lands generally agreed with our findings and provided clarification of two fund names used in the footnotes of our draft report.

The Department of Human Services responded that the Randolph-Sheppard Revolving Account, currently classified as a revolving fund, should not be classified as a trust fund. It noted that a “trust fund” has legal implications that are unwarranted under the terms of the fund. We disagree. The fund receives commissions on income from vending machines owned by individuals or companies that installed them (not blind vendors). Linkage does not exist since the blind vendors keep revenues they earn from their stands and do not deposit them into the fund. The fund operates more like a trust fund because the fund is designated for certain persons (blind vendors) who have a vested beneficial interest. Blind vendors receive benefits, training, business management services, and establishment of new vending facilities from this fund.

Finally, we made some minor changes to the draft report for the purposes of accuracy and clarity.

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



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

March 14, 2001

COPY

The Honorable Ronald T.Y. Moon
Chief Justice of the Supreme Court
The Judiciary
Aliiolani Hale
417 South King Street
Honolulu, Hawaii 96813

Dear Chief Justice Moon:

Enclosed for your information are three copies, numbered 6 to 8 of our draft report, *Review of Revolving and Trust Funds of the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services*. We ask that you telephone us by Friday, March 16, 2001, 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 Friday, March 23, 2001.

The Hawaii Health Systems Corporation, Department of Commerce and Consumer Affairs, Department of Hawaiian Home Lands, Department of Health, Department of Human Services, Governor, and presiding officers of the two houses of the Legislature have also been provided copies of this draft report.

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

Sincerely,

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

Marion M. Higa
State Auditor

Enclosures



Office of the Administrative Director of the Courts — THE JUDICIARY • STATE OF HAWAII
417 SOUTH KING STREET • ALI'ĪOLANI HALE • HONOLULU, HAWAII 96813-2902 • TELEPHONE (808) 539-4900 • FAX 539-4855

Michael F. Broderick
ADMINISTRATIVE DIRECTOR
Clyde W. Namu'o
DEPUTY ADMINISTRATIVE DIRECTOR

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MAR 16 2 53 PM '01
OFFICE OF THE AUDITOR
STATE OF HAWAII

March 16, 2001

Ms. Marion Higa
State Auditor
465 S. King Street, Room 500
Honolulu, Hawai'i 96813

Dear Ms. Higa:

Chief Justice Moon forwarded your March 14, 2001 letter regarding your draft report, *Review of Revolving and Trust Funds of the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services*. The Judiciary will not be commenting on your recommendations. Thank you for soliciting the Judiciary's input.

Sincerely,

Michael F. Broderick

c: Chief Justice Ronald T. Y. Moon

BENJAMIN J. CAYETANO
GOVERNOR



RAYNARD C. SOON
CHAIRMAN
HAWAIIAN HOMES COMMISSION

JOBIE M. K. M. YAMAGUCHI
DEPUTY TO THE CHAIRMAN

STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS
P.O. BOX 1879
HONOLULU, HAWAII 96805

March 23, 2001

RECEIVED

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OFFICE OF THE AUDITOR
STATE OF HAWAII

The Honorable Marion M. Higa
State Auditor
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917

Dear Ms Higa:

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

Thank you for the opportunity to comment on the State Auditor's draft report, *Review of Revolving and Trust Funds of the Judiciary and the Department of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services*. We are in general agreement with the findings of the review. However, there appears to be some confusion in the names of the funds that were identified in the review from the legal names of the funds as enumerated under Section 213 of the Hawaiian Homes Commission Act, 1920, as amended (HHCA).

We would like to offer the following comments regarding the Auditor's findings

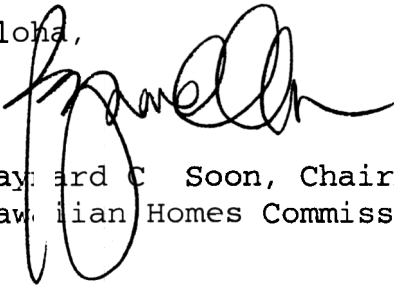
1. In the footnote identifying transfers on page 33, the "Hawaiian Loan Receipts Fund" should be deleted since such fund is non-existent pursuant to the HHCA.
2. In the footnote identifying transfers on page 34, the "Hawaiian Loan Receipts Fund" should be renamed the "Hawaiian Home Receipts Fund", the legal name of the fund pursuant to Section 213(g) of the HHCA.
3. In the footnote identifying transfers on page 35, the "Hawaiian Loan Receipts Fund" should be renamed the

The Honorable Marion M. Higa
March 23, 2001
Page 2

"Hawaiian Home Receipts Fund" and the "Planning, Development/Management Hawaiian Homestead Land Fund" should be renamed the "Hawaiian Home Administration Account", the legal names of the funds pursuant to Sections 213(g) and (f) of the HHCA.

We appreciate the opportunity to comment on the draft report and are pleased with the diligent review performed on the department's revolving and trust funds.

Aloha,

A handwritten signature in black ink, appearing to read 'Raymond C. Soon', written over a large, stylized circular mark.

Raymond C. Soon, Chairman
Hawaiian Homes Commission



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

March 23, 2001

The Honorable Marion M. Higa
State Auditor
Office of the Auditor
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917

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OFFICE OF THE AUDITOR
STATE OF HAWAII

Dear Ms. Higa:

Thank you for allowing the Department of Human Services to review and respond to your draft report, *Review of Revolving and Trust Funds of the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services*.

We wish to comment on the Randolph-Sheppard Revolving Account, Section 347-12.5, HRS. The fund is self-sustaining, and all deposits into and expenditures from the fund are made in accordance with the terms of the statute establishing the fund. Because the deposits and expenditures are not limited to state agencies, the fund does not fall strictly within the description of revolving fund as defined in this report. The reference to "trust fund" has legal implications that are unwarranted under the terms of the fund.

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

Sincerely,


for Susan M. Chandler
Director