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# **Review of Revolving Funds, Trust Funds, and Trust Accounts for the Departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources**

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A Report to the  
Governor  
and the  
Legislature of  
the State of  
Hawai'i

Report No. 09-01  
January 2009



**THE AUDITOR**  
STATE OF HAWAI'I

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## Office of the Auditor

The missions of the Office of the Auditor are assigned by the Hawai'i 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.

Hawai'i'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

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# OVERVIEW

## Review of Revolving Funds, Trust Funds, and Trust Accounts for the Departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources

Report No. 09-01, January 2009

### Summary

Section 23-12, Hawai'i Revised Statutes, 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 for each fund or account, an evaluation of the original intent and purpose of each fund or account, and a determination of the degree to which each fund or account achieves its stated and claimed purpose. The reviews are scheduled so that the funds administered by each state department will be reviewed once every five years. This is our fourth review of the revolving and trust funds, and trust accounts of the Departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources.

*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 financed by revolving funds include loan programs that are initially established by general fund seed moneys and then replenished through the repayment of loans. *Trust funds* 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 separate holding or clearing accounts 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 88 funds and accounts we reviewed this year, 20 were revolving funds, 18 were trust funds, and 50 were trust accounts. We used criteria developed by the Legislature as well as criteria developed by our office from a review of public finance and accounting literature. These funds must continue to serve the purpose for which they were created and not require continuing general fund appropriations. In addition, a revolving fund must reflect a linkage between benefits sought and charges made upon users and also be an appropriate financial mechanism for the program or operation. A trust fund must also meet the statutory definition of a trust fund. For each fund, we present a five-year financial summary, the purpose of the fund, and conclusions about its use. We do not present any conclusions about the effectiveness of the program, its management, or whether the program should be continued.



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## Responses

We transmitted a draft of this review to the Departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources. The Departments of Accounting and General Services, Agriculture, and Land and Natural Resources agreed with our review of its funds.

The Department of Budget and Finance generally concurred with our review of its funds and provided some clarifications. The department currently disagreed with our recommendation to combine the Hawai'i Employer-Union Health Benefits Trust Fund and Hawai'i EUTF Clearing Account, but added that this could be considered at a later time.

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A Report to the  
Governor  
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Hawai'i

Submitted by

**THE AUDITOR**  
STATE OF HAWAI'I

Report No. 09-01  
January 2009

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## Foreword

This is a report of our review of revolving funds, trust funds, and trust accounts used by or administratively attached to the Departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources.

Section 23-12, Hawai'i Revised Statutes, requires the State Auditor to review all existing revolving and trust funds every five years. The reviews are scheduled so that the funds administered by each state department will be reviewed once every five years. This is our fourth review of the revolving funds, trust funds, and trust accounts of the Departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources.

We wish to express our appreciation for the cooperation and assistance extended to us by the officials and staff of the Departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources.

Marion M. Higa  
State Auditor

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# Chapter 1

## Introduction

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This report reviews the revolving funds, trust funds, and trust accounts of the Departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources. Section 23-12, Hawai'i Revised Statutes (HRS), requires the State Auditor to review all revolving or trust funds administered by each state department every five years. This is our fourth review of the revolving funds, trust funds, and trust accounts of the Departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources. The first report, conducted in 1993 (Report No. 94-4), reviewed 57 revolving funds, trust funds, and trust accounts. The second report, conducted in 1998 (Report No. 99-6), reviewed 78 revolving funds, trust funds, and trust accounts. The third report, conducted in 2003 (Report No. 03-13), reviewed 74 revolving funds, trust funds, and trust accounts. In this report, we reviewed 88 revolving funds, trust funds, and trust accounts.

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## Background

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

The review of special and revolving funds required by Act 240, SLH 1990, was completed and presented in five separate reports issued in 1991 and 1992. We reviewed 166 special and revolving funds and recommended that 70 funds be repealed, discontinued, or allowed to sunset. We also found that many funds held cash balances far in excess of program needs and recommended that unneeded cash be transferred to the general fund.

In July 2001 the reports were updated through Report No. 01-12, which found that 71 special and revolving funds had been repealed or discontinued. However, a majority (106 out of 166) of the funds previously reviewed were still in existence as of July 1, 1999.

Section 23-12, HRS, expands the concept of Act 240, SLH 1990, by requiring our office to review each revolving and trust fund at least once

every five years. The section specifies that the review is to include, but not be limited to:

1. An evaluation of the original intent and purpose of each fund, both as expressed by the Legislature and as understood by the expending agency;
2. An assessment of the degree to which each fund achieves its stated and claimed purposes;
3. An evaluation of the fund's performance standards established by the agency; and
4. A summary statement reflecting total fund transactions in the preceding five fiscal years, including the fund balance at the beginning of each fiscal year, total deposits and withdrawals, amount of interest earned, total expenditures made from the fund and the ending fund balance for each fiscal year.

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## **Description of Revolving Funds, Trust Funds, and Trust Accounts**

### ***Revolving funds***

Section 37-62, HRS, defines a revolving fund as:

a fund from which is paid the cost of goods and services rendered or furnished to or by a state agency and which is replenished through charges made for the goods or services or through transfers from other accounts and funds.

Revolving funds are often established with an appropriation of seed money from the general fund. Activities commonly financed through revolving funds include loan programs, which are initially established by general fund seed moneys and are then replenished through the repayment of loans. The State Motor Pool Revolving Fund is an example. The fund purchases and maintains the State's fleet of motor vehicles and is replenished by charges to state agencies for the use of the vehicles.

**Trust funds**

Section 37-62, HRS, defines a trust fund as:

a fund in which designated persons or classes of persons have a vested beneficial interest or equitable ownership, or which was created or established by a gift, grant, contribution, devise, or bequest that limits the use of the fund to designated objects or purposes.

Trust funds invoke a fiduciary responsibility of state government to care for and use the assets held only for those designated to benefit from the funds. A pension fund is one example of a trust fund. Contributions and payments into the fund are to be held for the beneficiaries of the pension fund. Another example is tenants' security deposits, which are held in trust funds for the future 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.

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

The criteria we used to review revolving funds are similar to those used in past reviews. The criteria 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. Our office developed the third and fourth criteria 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;
- Does not require general fund appropriations;
- Meets the definition of a trust fund.

The first two criteria were derived from the initial objectives of Section 23-12, HRS, asking for (1) an evaluation of the original intent of each fund, and (2) the degree to which each fund achieves its stated purpose. The third criterion assesses whether the fund relies on general fund appropriations. If general fund appropriations are needed to finance its activities (as opposed to providing seed moneys only), classification as a trust fund may not be warranted. The fourth criterion assesses whether the fund is held by the State only 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 originally created; and
- Does not require general fund appropriations.

We also reviewed any performance standards established by each agency for its funds and accounts.

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## Objectives of the Review

1. Identify and review all revolving funds, trust funds, and trust accounts of the Departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources.
2. For each of these revolving funds, trust funds, and trust accounts, determine the original intent and purpose of the fund or account, both pursuant to statute and as understood by the agency, and determine the degree to which the fund or account achieves its stated and claimed purposes.
3. Evaluate fund performance standards established by the agencies, where applicable.

4. Provide a five-year (FY2003-04 to FY2007-08), unaudited financial summary for each fund or account reviewed.
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## Scope and Methodology

This report examines those revolving funds, trust funds, and trust accounts administered by the Departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources during the five-year period under review.

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

To gain an understanding of fund operations, we obtained information from key fiscal and program personnel. In reviewing each fund or account, we applied the criteria previously defined in this chapter.

We also noted that ending balances for FY 2002-03 shown in our Report No. 03-13 financial summaries were estimates provided by the Departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources, and therefore might not correspond to actual beginning balances for FY2003-04 presented in the financial summaries in this report. Transfers are reported as a net amount for each respective year.

Our work was performed from August 2008 to October 2008 according to generally accepted government auditing standards. We did not audit the agencies' financial data; it is provided only for informational purposes.

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# Chapter 2

## Department of Accounting and General Services

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This chapter presents the results of our review of five trust funds, six revolving funds and 20 trust accounts of the Department of Accounting and General Services. For each fund we present a five-year financial summary, the purpose of the fund, and the conclusions about its use. We do not present any conclusions about the effectiveness of the program, its management, or whether the program should be continued. We present first the funds established by statutory authority, followed by the funds and accounts established under administrative authority, in alphabetical order.

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### Funds Established Under Statutory Authority

#### Captain Cook Memorial Fund, Section 6E-33, HRS

Financial Data for Fiscal Years 2004–2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$4	\$4	\$4	\$4	\$4
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	\$4	\$4	\$4	\$4	\$4
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust fund was created in 1928 with the proceeds of the sale of 10,000 fifty-cent coins minted for the Captain Cook sesquicentennial celebration. The statutory authority for this fund was provided by Act 104, Session Laws of Hawai'i (SLH) 1976. The purpose of the fund is to obtain various documents of historical value for the State Archives. Moneys from the fund may be used for the following:

- Acquisition of original books, mementos, pamphlets, documents, or other articles of historical value relating to the life of Captain James Cook or the history, discovery, and exploration of the Hawaiian Islands; and

- Publication of books, documents, pamphlets, or other publications relating to Captain James Cook or the Hawaiian Islands.

The primary sources of revenue for this fund include proceeds from the sale of the publication “Official Publications of the Territory of Hawaii,” and cash gifts to the State Archives. Moneys are being used to purchase materials for the State Archives’ library and special collections and to preserve and facilitate to those collections. The fund meets the criteria of a trust fund, as it does not require any general fund appropriations, continues to serve the purpose for which it was originally created, and benefits the State Archives.

**Hawaii Election Campaign Fund, Section 11-217, HRS**

Financial Data for Fiscal Years 2004–2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$4,656	\$5,311	\$5,389	\$5,647	\$5,623
Revenues	1,060	689	755	548	324
Interest	120	138	198	237	259
Expenditures	(525)	(749)	(695)	(809)	(657)
Transfers	0	0	0	0	0
Ending Fund Balance	\$5,311	\$5,389	\$5,647	\$5,623	\$5,549
Encumbrances	\$0	\$36	\$5	\$3	\$8

This trust fund was established in 1979 to receive moneys collected from individual Hawai‘i taxpayers who designated \$2 of the taxpayer’s income tax liability to the fund. The 2008 Legislature increased the check-off contribution amount on the state income tax return from \$2 to \$3. Interest earned on principal is also deposited into the fund. Effective July 2008, the fund no longer receives fines for campaign finance law violations. The primary purpose of the fund is to provide partial public financing for candidates for state and county offices who qualify and apply for funding as provided in Sections 11-219 through 11-222, Hawai‘i Revised Statutes (HRS). The 2008 Legislature passed a bill creating a second public funding program that provides comprehensive (full) public funding for Hawai‘i County Council candidates for three elections to be held in 2010, 2012, and 2014. The fund meets the criteria of a trust fund, as it continues to serve the purpose for which it was created and does not require any general fund appropriations.

Pursuant to Act 117, SLH 2003, the Office of Elections, and its related funds including the Hawaii Election Campaign Fund, was transferred from the Office of the Lieutenant Governor to the Department of Accounting and General Services effective FY2004.

### **Kamehameha Day Celebration—Donation/Gift, Section 8-5, HRS**

Financial Data for Fiscal Years 2004-2008 (in thousands)

	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>
Beginning Fund Balance	\$60	\$78	\$134	\$157	\$236
Revenues	57	65	61	145	10
Interest	1	2	6	7	9
Expenditures	(40)	(11)	(44)	(73)	(106)
Transfers	0	0	0	0	0
Ending Fund Balance	\$78	\$134	\$157	\$236	\$149
Encumbrances	\$2	\$0	\$2	\$0	\$0

This trust fund was established in 1939 to support the King Kamehameha Celebration Commission. The commission consists of 13 members appointed by the governor who serve without compensation. The commission is charged with the responsibility of coordinating the King Kamehameha Celebration activities, including the King Kamehameha Celebration Floral Parade, Ho‘olaule‘a, and state lei draping ceremonies. The fund was established to account for moneys appropriated by the Legislature, donations, and moneys raised by the commission to defray administrative costs. The fund meets the definition of a trust fund, as it continues to serve the purpose for which it was originally created and does not receive any general fund appropriations for program expenses.

**Nonpresentment of Warrants and Checks Trust Fund,  
Section 40-68, HRS**

Financial Data for Fiscal Years 2004-2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$500	\$500	\$500	\$500	\$500
Revenues	188	136	267	344	253
Interest	0	0	0	0	0
Expenditures	(188)	(136)	(267)	(344)	(253)
Transfers	0	0	0	0	0
Ending Fund Balance	\$500	\$500	\$500	\$500	\$500
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund was created in 1994 to hold moneys from escheated state warrants and checks. State warrants and checks must be cashed within one fiscal year after the fiscal year in which the warrants and checks were issued. All unclaimed funds are transferred into this trust fund, provided that the fund balance shall not exceed \$500,000 and any excess of that amount shall be transferred to the state general fund. Disbursements from the fund are to payees of the warrants and checks presenting legitimate claims within four fiscal years immediately following the initial transfer of the respective moneys into the trust fund. The fund meets the definition of a trust fund, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

**Public Works Project Assessment Fund, Section 107-1.5, HRS**

Financial Data for Fiscal Years 2004-2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$2,300	\$2,273	\$2,425	\$1,552	\$1,509
Revenues	1,869	1,767	778	1,087	1,323
Interest	61	70	71	73	80
Expenditures	(1,957)	(1,685)	(1,075)	(1,203)	(1,278)
Transfers*	0	0	(647)	0	0
Ending Fund Balance	\$2,273	\$2,425	\$1,552	\$1,509	\$1,634
Encumbrances	\$123	\$103	\$78	\$86	\$182

\*Funds transferred to Department of Education in FY2006 in accordance with Act 51, SLH 2004.

This revolving fund was established in 1996 to defray costs involved with carrying out construction projects and managing funds representing accumulated vacation and sick leave credits and retirement benefits for non-general funded employees. The fund is used to collect and distribute costs of other current expenses associated with capital improvement, repairs, maintenance, alterations, and other construction projects, and to manage payments related to transportation costs for projects. The fund also maintains two sub-accounts for motor vehicle rental and car mileage reimbursements, and for supplies, services, and equipment for capital improvement projects. The fund links program benefits with charges made to project funds. Projects that are managed by the department replenish the fund through assessments made to the projects' funds in accordance with law. The fund meets the definition of a revolving fund, as the fund is self-sustaining, is an appropriate financing mechanism for the program, and does not require any general fund appropriations.

**Stadium Authority's Account (Not in State Treasury),  
Section 109-6, HRS**

Financial Data for Fiscal Years 2004-2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$164	\$587	\$374	\$269	\$269
Revenues	1,672	2,007	2,587	3,640	3,654
Interest	0	0	0	5	0
Expenditures	(1,249)	(2,220)	(2,692)	(3,645)	(3,726)
Transfers	0	0	0	0	0
Ending Fund Balance	\$587	\$374	\$269	\$269	\$197
Encumbrances	\$0	\$0	\$0	\$0	\$0

Established in 1978, this trust fund holds all receipts collected by the Stadium Authority from the sale of admission tickets for events held at Aloha Stadium, including any money deposited with the Stadium Authority by a licensee to assure the payment of charges for the use of the stadium. Disbursements from the account are restricted to payments to the stadium licensees in connection with the settlements of accounts, refund of deposits, and payments to the Stadium Special Fund for amounts due to the Stadium Authority. This fund meets the criteria of a trust fund, as it continues to meet its original purpose and does not require any general fund appropriations.

**State Motor Pool Revolving Fund, Section 105-11, HRS**

Financial Data for Fiscal Years 2004-2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$2,539	\$1,888	\$1,035	\$1,427	\$1,784
Revenues	2,204	2,129	2,251	2,225	2,499
Interest	48	38	44	60	92
Expenditures	(2,903)	(3,020)	(1,903)	(1,928)	(2,300)
Transfers	0	0	0	0	0
Ending Fund Balance	\$1,888	\$1,035	\$1,427	\$1,784	\$2,075
Encumbrances	\$272	\$62	\$39	\$46	\$11

This fund was established to finance expenses of the State's motor pool, which included the acquisition, operation, repair, maintenance, storage, dispatching, replacement, and disposal of state vehicles. There is linkage between the benefits sought and charges made upon users as agencies are assessed fees for motor pool rentals, which are then deposited into the fund. The fund meets the criteria of a revolving fund, as it continues to serve the purpose for which it was originally created, does not require any general fund appropriations, and is self-sustaining.

### State Parking Revolving Fund, Section 107-11, HRS

Financial Data for Fiscal Years 2004-2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$3,563	\$2,327	\$1,840	\$2,472	\$1,664
Revenues	3,624	3,815	3,689	3,632	3,842
Interest	61	65	89	123	77
Expenditures	(4,718)	(3,967)	(2,565)	(4,041)	(3,596)
Transfers*	(203)	(400)	(581)	(522)	(662)
Ending Fund Balance	\$2,327	\$1,840	\$2,472	\$1,664	\$1,325
Encumbrances	\$406	\$290	\$401	\$342	\$258

\*Funds transferred to and from various Public Works project accounts, with any savings returned to the State Parking Revolving Fund.

This fund was established for the purpose of financing the costs of paving parking areas, purchasing and installing parking meters, and operating parking facilities on state land under the jurisdiction of the comptroller. In 1993, the fund was merged with the State Parking Control Fund. Those who use parking areas either pay parking meters or monthly fees, which are then deposited into the fund. The fund meets the definition of a revolving fund, as there is a direct linkage between the benefit sought and the charges made upon users, the fund continues to serve the purpose for which it was originally created, and the fund is self-sustaining.

**State Risk Management Revolving Fund, Section 41D-4, HRS**

Financial Data for Fiscal Years 2004-2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$7,664	\$8,192	\$12,173	\$15,868	\$18,774
Revenues	11,194	38,536	15,099	17,492	20,655
Interest	298	624	684	822	1,177
Expenditures	(9,226)	(34,091)	(12,088)	(15,408)	(14,807)
Transfers*	(1,738)	(1,088)	0	0	0
Ending Fund Balance	\$8,192	\$12,173	\$15,868	\$18,774	\$25,799
Encumbrances	\$43	\$10	\$0	\$0	\$0

\*Funds transferred in FY2004 and FY2005 to Public Works Division for fire loss claims.

This fund was established in 1988 to receive appropriations from the Legislature, receipts from assessments and apportionments made to state agencies, insurance settlements, interest from investments, and restitution from claims. Moneys from the fund may be expended to purchase casualty insurance, property insurance, and excess insurance; acquire risk management, investigative, claims adjustment, actuarial, and other services; pay claims to state agencies for losses to state property caused by fire or other casualties; pay claims against the State; or pay for losses to the State incurred by the dishonesty, nonfeasance, or misfeasance of any state employee.

The fund continues to ensure that losses of the State are controlled and financed on a statewide basis. The program obtains its funding through a cost allocation system that was implemented in FY2001 and revised in FY2008, which purchases statewide insurance policies and pays for self-insured losses. The program budgets for general fund programs, with the exception of the Department of Education, the Judiciary, and the University of Hawai‘i. The FY2008 revision streamlined the cost allocation by consolidating 19 general fund agencies into one, which reduces the need to prepare budget requests for risk management cost allocation. The fund meets the definition of a revolving fund, as a direct linkage exists between the benefits sought and the charges made upon users, the fund continues to serve the purpose for which it was originally created, and the fund is self-sustaining.

### Surplus Federal Property Revolving Fund, Section 103D-1107, HRS

Financial Data for Fiscal Years 2004-2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$216	\$285	\$210	\$267	\$414
Revenues	1,063	1,253	1,005	1,174	1,578
Interest	6	6	9	14	17
Expenditures	(1,000)	(1,334)	(957)	(1,041)	(1,672)
Transfers	0	0	0	0	0
Ending Fund Balance	\$285	\$210	\$267	\$414	\$337
Encumbrances	\$0	\$2	\$7	\$1	\$1

This fund was established in 1981 to defray the costs of procuring, storing, handling, and disposing surplus property donated to the State under federal law. Pursuant to Public Law 94-519, revenues generated by the disposal of surplus property can be used only to support federal programs. The fund covers payroll expenses for both the federal and state surplus property programs; the State reimburses the fund for its share of operating costs. Those who purchase federal surplus properties are assessed a handling fee for its disposition. The fund meets the criteria of a revolving fund, as there is a clear link between the benefits sought and charges made upon users, does not require any general fund appropriations, and is self-sustaining.

**Funds and  
Accounts  
Established Under  
Administrative  
Authority**

**Beneficiary Advocacy**

Financial Data for Fiscal Years 2007-2008 (in thousands)

	FY2007	FY2008
Beginning Fund Balance	\$0	\$500
Revenues	0	0
Interest	0	0
Expenditures	0	0
Transfers*	500	0
Ending Fund Balance	\$500	\$500
Encumbrances	\$0	\$0

\*Transfer was from the Office of Hawaiian Affairs.

This trust account was created in 2006 as a holding account to receive moneys designated to develop secure, safe, and sanitary emergency and transitional shelters for homeless individuals on the leeward coast of O‘ahu. Revenues to the account came from a one-time transfer from the Office of Hawaiian Affairs. Moneys in the account shall be used by the Hawai‘i Public Housing Authority, which is administratively attached to the Department of Human Services, to provide child care and early childhood education for homeless individuals on the leeward coast of O‘ahu. The fund meets the criteria of a trust account, as it continues to serve its original purpose and does not require any general fund appropriations.

### Central Payroll Clearance

Financial Data for Fiscal Years 2004-2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$114	\$61	(\$3,559)	(\$4,240)	(\$4,382)
Revenues	2,436,012	2,549,769	2,724,598	2,920,840	3,117,238
Interest	0	0	0	0	0
Expenditures	(2,436,065)	(2,553,389)	(2,725,279)	(2,920,982)	(3,117,465)
Transfers	0	0	0	0	0
Ending Fund Balance	\$61	(\$3,559)	(\$4,240)	(\$4,382)	(\$4,609)
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account is a clearing account to ensure that the State's payroll expenditures have been properly reimbursed from funds held within and outside the state treasury. The account also receives funds for salary overpayments. Negative ending fund balances in FY2005 through FY2008 are due to the timing of reimbursements from departments making payments with funds held outside the state treasury. The account meets the criteria of a trust account, as it does not require any general fund appropriations and serves the purpose for which it was originally created.

### Donations for Voter Registration Drive

Financial Data for Fiscal Years 2004-2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
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 1984 to receive monetary donations from businesses, community organizations, and private individuals for a voter registration campaign and educational programs for the

1984 elections. In 1987, donations received were used to purchase items for a statewide voter slogan contest. The contest was held to encourage eligible citizens of Hawai'i to register to vote and to increase participation in the upcoming election(s). The contest was open to all Hawai'i residents ages five and above. Funds were used to purchase contest prizes, such as U.S. Savings Bonds and other gifts, for contest winners. The voter slogan contest was held in 1987, 1989, and 1991. Although a voter slogan contest has not been held since 1991, the account is still maintained. The account does not require any general fund appropriations; however, due to the lack of financial activity in the past five fiscal years, the account does not appear to be serving its intended purpose. We recommend the department evaluate the continued need for this account.

Pursuant to Act 117, SLH 2003, the Office of Elections, and its related funds including the Donation for Voter Registration Drive fund, was transferred in FY2004 from the Office of the Lieutenant Governor to the Department of Accounting and General Services.

**Employees Sequestered Funds**

Financial Data for Fiscal Years 2004-2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$25	\$31	\$28	\$23	\$30
Revenues	47	46	43	41	49
Interest	0	0	0	0	0
Expenditures	(41)	(49)	(48)	(34)	(45)
Transfers	0	0	0	0	0
Ending Fund Balance	\$31	\$28	\$23	\$30	\$34
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account was created to hold funds that are sequestered from the gross pay of state employees upon receipt of court-issued garnishment orders and to accumulate the garnishment amounts until disbursed to designated creditor payees. The account meets the definition of a trust account, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

**Hawaii FYI - ICSD**

Financial Data for Fiscal Years 2004-2008 (in thousands)

	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>
Beginning Fund Balance	\$15	\$15	\$14	\$10	\$2
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	(1)	(4)	(8)	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$15	\$14	\$10	\$2	\$2
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was administratively established in 1996 to account for a Ford Foundation grant made to the Information Resource Management Branch of the Information and Communication Services Division. The general purpose of the grant is to expand and improve public access to government via the Hawaii FYI Network. At least 80 percent of the grant must be used for dissemination and replication activities, including public outreach and educational events. Although the Hawaii FYI program has been terminated, the division has used the remaining moneys for related educational training purposes with the concurrence of the granting agency. The account meets the criteria of a trust account, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

**Hawaii State Employees U.S. Savings Bonds**

Financial Data for Fiscal Years 2004-2008 (in thousands)

	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>
Beginning Fund Balance	\$139	\$136	\$135	\$122	\$117
Revenues	2,486	2,273	2,051	1,847	1,692
Interest	0	0	0	0	0
Expenditures	(2,489)	(2,274)	(2,064)	(1,852)	(1,694)
Transfers	0	0	0	0	0
Ending Fund Balance	\$136	\$135	\$122	\$117	\$115
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was established to accumulate semi-monthly payroll deductions from state employees' pay for the purchase of U.S. Savings Bonds. On a monthly basis, the accumulated funds are then transmitted to the U.S. Federal Reserve Bank for those employees whose withheld balances have reached the purchase price of the designated savings bonds. The Federal Reserve Bank mails the savings bonds directly to the state employees. The account meets the criteria of a trust account, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

**OHA Ceded Land Proceeds**

Financial Data for Fiscal Years 2007-2008 (in thousands)

	FY2007	FY2008
Beginning Fund Balance	\$0	\$0
Revenues	17	24
Interest	0	0
Expenditures	(17)	(24)
Transfers	0	0
Ending Fund Balance	\$0	\$0
Encumbrances	\$0	\$0

This trust account was administratively established to account for the deposit of 20 percent of revenues collected from parking lots on ceded lands. Funds are kept in the account until they are transferred to the Office of Hawaiian Affairs. The account meets the criteria of a trust account, as it acts as a pass-through account for revenues from parking lots on ceded lands and does not require any general fund appropriations.

### Parking Control Revolving Fund Escrow Account

Financial Data for Fiscal Years 2004-2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$37	\$37	\$37	\$37	\$37
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	\$37	\$37	\$37	\$37	\$37
Encumbrances	\$0	\$0	\$0	\$0	\$0

This revolving fund was administratively established to account for the deposit of 20 percent of revenues collected from parking lots on ceded lands. Funds are to be kept in the account until they are transferred to the Office of Hawaiian Affairs. Since this fund only serves as a pass-through account, it does not meet the definition of a revolving fund. Additionally, the fund has been replaced by the OHA Ceded Lands Proceeds trust account and no longer serves its purpose as a pass-through account for revenues collected from parking lots on ceded lands. As such, we recommend that the department close the account and properly disburse the remaining funds.

### Payroll Clearance, Public Works

Financial Data for Fiscal Years 2004-2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(7,827)	(8,147)	(5,790)	(6,014)	(6,407)
Transfers*	7,827	8,147	5,790	6,014	6,407
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

\*Funds are transferred from various capital improvement projects for payroll expenditures.

This trust account was administratively established to facilitate the timely processing of payroll for non-general funded capital improvement project (CIP) personnel. The account continues to be used as a clearing account to cover payroll costs that are reimbursed by CIP appropriations for staff costs, repairs and maintenance, repairs and alterations, and other funds. This account meets the criteria of a trust account, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

**Returned ACH Tax Refunds**

Financial Data for Fiscal Years 2004-2008 (in thousands)

	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	1,082	950	972	1,256	1,897
Interest	0	0	0	0	0
Expenditures	(1,082)	(950)	(972)	(1,256)	(1,897)
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was administratively established in 2004 as a clearing account to ensure that Automatic Clearing House (ACH) tax refunds not processed by the banks are properly disbursed to taxpayers. This account meets the criteria of a trust account, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

**State Building Code Council**

Financial Data for Fiscal Year 2008 (in thousands)

	<b>FY2008</b>
Beginning Fund Balance	\$0
Revenues	90
Interest	0
Expenditures	(11)
Transfers	0
Ending Fund Balance	\$79
Encumbrances	\$0

This trust account was created in 2008 to support the operations of the Building Code Council, which was established by Act 82, SLH 2007, to adopt a statewide building code. Moneys in the fund are used for the payment of salaries to an executive director and executive assistant; reimbursements to council members for travel, education, and training expenses; building code organizational dues; and other operating expenses. Revenues to the fund come from a designated portion of the interest earned on the Hurricane Relief Fund. This account meets the definition of a trust account, as it serves the purpose for which it was originally created and does not require any general fund appropriations.

**State Foundation on Culture and the Arts**

Financial Data for Fiscal Years 2004-2008 (in thousands)

	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>
Beginning Fund Balance	\$63	\$70	\$102	\$122	\$141
Revenues	21	46	34	73	39
Interest	0	0	0	0	0
Expenditures	(14)	(14)	(14)	(54)	(16)
Transfers	0	0	0	0	0
Ending Fund Balance	\$70	\$102	\$122	\$141	\$164
Encumbrances	\$2	\$0	\$4	\$1	\$1

This trust account was administratively established in 1984 to receive private donations in support of State Foundation on Culture and the Arts

programs and services that further public appreciation of the arts, culture, history and the humanities in Hawai'i. The account supports a variety of activities--notably, public awards ceremonies, Hawai'i State Art Museum events, and recognition of those who have played a role in furthering the arts and cultures of Hawai'i. This account meets the criteria of a trust account, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

### Swap Meet Operations

Financial Data for Fiscal Years 2004-2005 (in thousands)

	FY2004	FY2005
Beginning Fund Balance	\$66	\$67
Revenues	656	130
Interest	0	0
Expenditures	(655)	(197)
Transfers	0	0
Ending Fund Balance	\$67	\$0
Encumbrances	\$0	\$0

This trust account was administratively established in 1999 as a temporary holding account for swap meet admission fees at Aloha Stadium. Funds are held in this account until contractually mandated disbursements can be made to contractors and the Stadium Authority. Due to changes in the manner in which admission fees are collected, the fund was no longer needed and closed effective August 31, 2004.

**Temporary Deposit – Administrative Services**

Financial Data for Fiscal Years 2004-2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$7	\$10	\$9	\$9	\$10
Revenues	11	254	2	2	13
Interest	0	0	0	0	0
Expenditures	(8)	(255)	(2)	(1)	(15)
Transfers	0	0	0	0	0
Ending Fund Balance	\$10	\$9	\$9	\$10	\$8
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account was administratively established in 1996 to account for the deposits of salary overpayments collected from employees. The account continues to receive salary overpayment collections, which are subsequently deposited into the general fund. This account meets the criteria of a trust account, as it serves as a collection and pass-through account and does not require any general fund appropriations.

**Temporary Deposit – Automotive Management**

Financial Data for Fiscal Years 2004-2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$14	\$17	\$19	\$27	\$33
Revenues	8	8	16	15	17
Interest	0	0	0	0	0
Expenditures	(5)	(6)	(8)	(9)	(9)
Transfers	0	0	0	0	0
Ending Fund Balance	\$17	\$19	\$27	\$33	\$41
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was administratively established in 1996 to hold and manage gate card deposits received from parking assignees in gate controlled parking lots. This account meets the criteria of a trust account, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

### Temporary Deposit – Central Purchasing

Financial Data for Fiscal Years 2004-2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$18	\$213	\$18	\$260	\$18
Revenues	195	0	242	1,550	0
Interest	0	0	0	0	0
Expenditures	0	(195)	0	(1,792)	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$213	\$18	\$260	\$18	\$18
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was administratively established in 1955 to hold bidder deposits. Bid security protects the State against failure or refusal of the low bidder to supply the necessary performance and payment bonds as required and to proceed with performance under the contract. Approval of the chief procurement officer is needed before the bid security requirement can be imposed upon the bidder. The account is available to receive cash or checks for bidder deposits. This account meets the criteria of a trust account, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

### Temporary Deposit – ICSD

Financial Data for Fiscal Years 2004-2006 (in thousands)

	FY2004	FY2005	FY2006
Beginning Fund Balance	\$40	\$40	\$40
Revenues	0	0	0
Interest	0	0	0
Expenditures	0	0	(40)
Transfers	0	0	0
Ending Fund Balance	\$40	\$40	\$0
Encumbrances	\$0	\$0	\$0

This trust account was administratively established in 1990 to hold funds from the Information Processing Services Office for receipt

of performance bonds by various contractors and funds from the Communication Section for receipt of lease payments from the Federal Bureau of Investigation for its use of microwave tower site communications. The remaining fund balance was expended in FY2006 and no additional funds are expected to be deposited; therefore, the department closed the account in 2006.

**Temporary Deposit – Public Works**

Financial Data for Fiscal Years 2004–2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$31	\$31	\$31	\$32	\$32
Revenues	0	0	1	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$31	\$31	\$32	\$32	\$32
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was administratively established to account for temporary security deposits made by individuals borrowing plans and specifications for bidding purposes. Individuals can also make permanent deposits instead of submitting deposits for each review. The account continues to hold collections from users of plans and specifications. The account meets the criteria of a trust account, as it continues to serve the purpose for which it was created, is primarily used as a holding account, and does not require any general fund appropriations.

### Temporary Deposit – Stadium Authority

Financial Data for Fiscal Years 2004–2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$63	\$65	\$52	\$72	\$80
Revenues	288	279	354	355	405
Interest	0	0	0	0	0
Expenditures	(286)	(292)	(334)	(347)	(399)
Transfers	0	0	0	0	0
Ending Fund Balance	\$65	\$52	\$72	\$80	\$86
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was administratively established in 1994 to temporarily hold scoreboard advertising receipts until contractually mandated disbursements can be made. For fiscal years 2004 and 2005, 20 percent of advertising receipts are disbursed to the contractor, and 80 percent is disbursed to the Stadium Special Fund. For fiscal years 2006 to 2008, 19 percent of advertising receipts is disbursed to the contractor, and 81 percent is disbursed to the Stadium Special Fund. The account meets the criteria of a trust account, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

### University of Hawaii Ticket Receipts

Financial Data for Fiscal Years 2004-2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$0	\$8	\$9	\$5	\$0
Revenues	8	1	5	1	1
Interest	0	0	0	0	0
Expenditures	0	0	(9)	(6)	(1)
Transfers	0	0	0	0	0
Ending Fund Balance	\$8	\$9	\$5	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was administratively established in 2003 to temporarily hold ticket receipts for events held at the University of

Hawai'i until contractually mandated disbursements can be made to the university. Revenues in this account will fluctuate based on the sale of admission tickets. The account meets the criteria of a trust account, as it serves the purpose for which it was originally created and does not require any general fund appropriations.

### Wireless Enhanced 911 Trust Account

Financial Data for Fiscal Years 2005-2007 (in thousands)

	FY2005	FY2006	FY2007
Beginning Fund Balance	\$0	\$1,250	\$916
Revenues	1,250	0	0
Interest	0	0	0
Expenditures	0	(334)	(916)
Transfers	0	0	0
Ending Fund Balance	\$1,250	\$916	\$0
Encumbrances	\$0	\$0	\$0

This trust account was administratively established in 2005 to receive and disburse proceeds from a Public Safety Answering Points (PSAP) Readiness Fund grant. The grant was received from the PSAP Readiness Organization, a non-profit social welfare corporation dedicated to the upgrade and enhancement of PSAPs. The moneys in the account were expended by the Wireless Enhanced 911 Board for related statewide consulting services, deployment of service in Maui County, and deployment of a statewide Geographic Information System with photographic overlay. The account did not require any general fund appropriations but was funded by a one-time grant with no additional funding sources. The account was closed in 2007 when the grant moneys were exhausted.

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# Chapter 3

## Department of Agriculture

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

### Funds Established Under Statutory Authority

#### Agricultural Loan Revolving Fund, Section 155-14, HRS

Financial Data for Fiscal Years 2004–2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$5,689	\$5,180	\$7,530	\$9,147	\$10,342
Revenues	2,619	4,164	3,478	2,955	1,992
Interest	0	0	0	0	0
Expenditures	(3,828)	(1,814)	(1,861)	(1,760)	(973)
Transfers*	700	0	0	0	0
Ending Fund Balance	\$5,180	\$7,530	\$9,147	\$10,342	\$11,361
Encumbrances	\$0	\$0	\$0	\$0	\$0

\*Transfer in FY2004 was made from the Agricultural Loan Reserve Fund, as permitted by Section 155-14(b), Hawai'i Revised Statutes, to cover the deficit between loans disbursed and loan principal collected in that year.

This fund was created in 1919 to promote agricultural development and to assist in sustaining agriculture by granting loans and securing credit for qualified applicants. The program assists farmers, farm organizations, and food manufacturers that process Hawai'i-grown crops with loans, by securing credit from private lenders, insuring private lenders' loans, and providing emergency relief to farmers. Qualified farmers who obtain direct loans from the program or secure loans through the fund replenish the fund through payments of the principal portion of loans. Interest paid on loans is deposited to the Agricultural Loan Reserve Fund. There is a clear link between the benefits sought and charges made upon users. The fund does not require any general fund appropriations and is self-

sustaining. The fund is an appropriate financing mechanism for the program and meets the criteria of a revolving fund.

**Aquaculture Loan Revolving Fund, Section 219-4, HRS**

Financial Data for Fiscal Years 2004–2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$245	\$295	\$372	\$500	\$358
Revenues	50	77	128	12	81
Interest	0	0	0	0	0
Expenditures	0	0	0	(154)	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$295	\$372	\$500	\$358	\$439
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund was created in 1972 to support development of the aquaculture industry by granting loans and securing credit for qualified aquaculturists. Qualified aquaculturists who receive loans from the fund replenish the fund through payments on the principal portion of their loans. Interest is deposited to the Aquaculture Loan Reserve Fund. There is a clear link between the benefits sought and charges made upon users. The fund does not require any general fund appropriations and is an appropriate financing mechanism for the program. The fund meets the criteria of a revolving fund.

**Certification Services Revolving Fund, Section 147-101, HRS**

Financial Data for Fiscal Years 2004–2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$0	\$85	\$150	\$238	\$359
Revenues	51	221	293	315	353
Interest	2	3	5	11	17
Expenditures	(49)	(159)	(210)	(205)	(238)
Transfers*	81	0	0	0	0
Ending Fund Balance	\$85	\$150	\$238	\$359	\$491
Encumbrances	\$4	\$8	\$11	\$13	\$57

\*Transfer in FY2004 was from the Coffee Inspection Revolving Fund to consolidate that fund into the Certification Services Revolving Fund, pursuant to Act 49, Session Laws of Hawai'i 2003.

This fund was established in 2004 following the passage of Act 49, Session Laws of Hawai'i (SLH) 2003, which consolidated the Coffee Inspection Revolving Fund and the Marketing Order Revolving Fund into one general certification services revolving fund. In addition to supporting coffee and marketing order (i.e., papaya) inspections, the fund also supports certification and audit services for agricultural handling, processing, and manufacturing practices; assurance of food security and product traceability; and certification of seed crops for genetic purity, identity, quality, and condition. Revenues are generated through hourly charges billed to the producers and/or companies requesting certification or audit services, and funds are expended to cover personnel costs and operating expenses associated with the services. There is a clear link between the benefit sought and charges made upon users. In addition, the fund is self-sustaining and does not require any general fund appropriations. The fund therefore meets the criteria of a revolving fund.

**Coffee Inspection Revolving Fund, Section 147-7.5, HRS**

Financial Data for Fiscal Year 2004 (in thousands)

<b>FY2004</b>	
Beginning Fund Balance	\$82
Revenues	0
Interest	0
Expenditures	(1)
Transfers*	(81)
Ending Fund Balance	\$0
Encumbrances	\$0

\*Transfer was made to the Certification Services Revolving Fund to consolidate this fund and the Marketing Order Revolving Fund, pursuant to Act 49, SLH 2003.

The purpose of this fund was to provide support for inspection and certification of green coffee for grade and origin throughout the State. To make efficient use of temporary staff, Act 49, SLH 2003, consolidated this fund and the Marketing Order Revolving Fund into the Certification Services Revolving Fund. The unexpended balance of this fund was transferred to the Certification Services Revolving Fund in FY2004.

**Hawaii Agricultural Development Revolving Fund, Section 163D-17, HRS**

Financial Data for Fiscal Years 2004–2008 (in thousands)

	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>
Beginning Fund Balance	\$746	\$828	\$898	\$1,180	\$1,364
Revenues	400	442	893	1,913	1,857
Interest	20	25	28	43	69
Expenditures	(338)	(397)	(639)	(2,008)	(1,608)
Transfers*	0	0	0	236	0
Ending Fund Balance	\$828	\$898	\$1,180	\$1,364	\$1,682
Encumbrances	\$136	\$100	\$942	\$535	\$982

\*Transfer in FY2007 was made from the Maintenance/Operation–Kekaha Drain System Fund.

This fund was created in 1995 to account for revenues and expenditures related to the administration and operation of the Agribusiness Development Corporation and to carry out the purposes of Chapter 163D-17, Hawai‘i Revised Statutes (HRS). Moneys in the fund may be used to purchase qualified securities; to make grants, loans, and provide for other monetary forms of assistance; and to pay for general expenses associated with carrying out the purpose of the corporation. The fund continues to serve this purpose by developing and implementing agricultural projects for large tracts of agricultural land taken out of productive agriculture; acquiring land or infrastructure important to agriculture; assisting with the development of methods or facilities beneficial to the agriculture industry; providing support for the diversification of agriculture; and providing solutions to issues facing the agriculture industry.

Although the fund is not yet self-sustaining and has been receiving general fund appropriations since FY1995 to supplement operating expenses, the corporation is in the process of making the fund self-sufficient. In FY2005, the corporation began managing agricultural lands on Kaua‘i and collecting rental income from tenants; it is currently in the process of increasing these rental fees. In FY2006, the corporation was awarded a three-year service contract with the U.S. Navy to operate and maintain a drainage system located on the Pacific Missile Range Facility and adjacent agricultural lands; the corporation anticipates another five-year contract will be executed to continue this service. In addition, the corporation anticipates managing additional properties held by the Department of Land and Natural Resources and obtaining rental income from those properties. The fund thus demonstrates the capacity to be financially self-sustaining and meets the criteria of a revolving fund.

### **Irrigation System Revolving Fund, Section 167-22, HRS**

Financial Data for Fiscal Years 2004–2008 (in thousands)

	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>
Beginning Fund Balance	\$661	\$612	\$560	\$583	\$726
Revenues	775	893	1,182	1,429	1,214
Interest	16	17	20	27	35
Expenditures	(840)	(962)	(1,179)	(1,313)	(1,115)
Transfers	0	0	0	0	0
Ending Fund Balance	\$612	\$560	\$583	\$726	\$860
Encumbrances	\$270	\$273	\$180	\$50	\$99

This fund was created in 1953 to pay for administrative costs, engineering surveys, economic studies, plans, and maps directly attributable to water projects. The fund continues to serve this purpose by providing irrigation water for agricultural use and assuming responsibility to establish, operate, manage, and maintain each irrigation system. Water customers within the designated irrigation project boundaries benefit through the program’s maintenance of irrigation systems. In turn, the customers replenish the fund through water sales, payment of acreage assessments, and connection fees. There exists a clear link between the benefits sought and the charges made upon the beneficiaries of the fund; however, the fund is not self-sustaining and requires general fund appropriations to supplement operations. In FY2006-2008, the fund received general fund appropriations in excess of \$400,000 each year. This fund does not meet all the criteria of a revolving fund, as it does not demonstrate the capacity to be financially self-sustaining.

**Microorganism Import Certification Revolving Fund,  
Section 150A-48, HRS**

Financial Data for Fiscal Years 2004–2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
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 fund was established in 1999 to provide the department with the authority to certify certain importers of microorganisms. The department is authorized to expend moneys in this fund for the development, administration, and operation of the microorganisms import certification program. The intent of the program was to facilitate the importation of microorganisms into the State. However, statutory changes made subsequent to the creation of the fund streamlined the process for obtaining authorization to import microorganisms, making certification unnecessary. Moneys have therefore not been received, generated, or expended to facilitate the administration of the program. The fund does

not meet the criteria of a revolving fund, as it is not serving the purpose for which it was created and does not demonstrate the capacity to be financially self-sustaining.

Because this fund has been inactive since its inception and is not expected to serve its intended purpose, we recommend that the fund be repealed.

### Permit Revolving Fund, Section 150A-6.7, HRS

Financial Data for Fiscal Years 2004–2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$16	\$21	\$25	\$24	\$21
Revenues	17	16	15	12	18
Interest	0	1	1	1	1
Expenditures	(12)	(13)	(17)	(16)	(12)
Transfers	0	0	0	0	0
Ending Fund Balance	\$21	\$25	\$24	\$21	\$28
Encumbrances	\$1	\$1	\$0	\$5	\$1

This fund was established in 2001 to facilitate processing and issuing of permits for the importation of plants, animals, and microorganisms; amending lists of creatures prohibited or allowed for import; complying with site inspection requirements and monitoring activities; educating and training personnel; and carrying out any other purpose deemed necessary for the purposes of this program. The fund continues to serve the purpose for which it was created, and reflects a clear link between the benefits sought and charges made upon users. Revenues are generated through fees charged to users applying for and being issued permits. The fund does not require any general fund appropriations and meets the criteria of a revolving fund.

**Pesticide Use Revolving Fund, Section 149A-13.5, HRS**

Financial Data for Fiscal Years 2004–2008 (in thousands)

	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>
Beginning Fund Balance	\$580	\$605	\$709	\$745	\$815
Revenues	595	632	648	720	835
Interest	15	19	24	30	53
Expenditures	(585)	(547)	(636)	(680)	(691)
Transfers	0	0	0	0	0
Ending Fund Balance	\$605	\$709	\$745	\$815	\$1,012
Encumbrances	\$167	\$374	\$518	\$360	\$631

This fund was created in 1997 to support the pesticide program’s registration and licensing, certification and education, and compliance monitoring activities. The fund also supports pesticide training workshops, educational programs, and other services for pesticide users. Moneys in the fund have been used for pesticide projects, consumer education, and chemical analyses. Pesticide registrants and pesticide applicators, including farmers and pest control operators, benefit through the provision of training workshops and educational programs. In turn, they replenish the fund by paying pesticide licensing and educational fees. There is a clear link between benefits sought and charges made upon program users. In addition, the fund is self-sustaining and an appropriate financing mechanism for the program. The fund therefore meets the criteria of a revolving fund.

### Waiāhole Water System Revolving Fund, Section 163D-5.5, HRS

Financial Data for Fiscal Years 2004–2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$1,264	\$920	\$836	\$779	\$947
Revenues	895	751	812	1,008	973
Interest	24	22	34	39	49
Expenditures	(863)	(857)	(903)	(879)	(961)
Transfers*	(400)	0	0	0	0
Ending Fund Balance	\$920	\$836	\$779	\$947	\$1,008
Encumbrances	\$26	\$30	\$22	\$78	\$55

\*Pursuant to Act 178, SLH 2003, transfer in FY2004 was made to the state general fund based on the Legislature's determination that there was at least \$400,000 in excess of the requirements for this fund.

This fund was established in 1998 to account for revenues and expenditures related to operation of the Waiāhole Water System as administered by the Agribusiness Development Corporation. Water delivery charges are assessed to the users of the water system, primarily comprised of various agribusinesses in Mililani and Kunia districts of O'ahu. Moneys are expended for general operations support and for maintenance of water transmission tunnels, metal and high-density polyethylene siphons, wooden flumes, and open concrete ditches. The fund continues to serve the purpose for which it was created. There is a clear link between the benefits sought and charges made upon the users of the system. In addition, the fund is self-sustaining and does not require any general fund appropriations. The fund meets all the criteria of a revolving fund.

**Accounts  
Established Under  
Administrative  
Authority**

**Contribution of Overtime Plant Quarantine Inspection**

Financial Data for Fiscal Years 2004–2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$16	\$41	\$22	\$28	\$41
Revenues	467	467	518	529	426
Interest	0	0	0	0	0
Expenditures	(442)	(486)	(512)	(516)	(439)
Transfers	0	0	0	0	0
Ending Fund Balance	\$41	\$22	\$28	\$41	\$28
Encumbrances	\$8	\$11	\$37	\$12	\$29

This trust account was administratively established to serve as a holding account for fees paid by shipping companies for inspections conducted on an overtime basis for cargo entering the State at sites other than docks and piers. The account currently supports off-site inspection of containers as requested by shipping companies (Matson and Horizon Lines) using off-duty inspectors. The account is funded by fees charged to the shipping companies requesting the off-site inspections. This account meets the criteria of a trust account, as it requires no general fund appropriations and continues to serve the purpose for which it was originally created.

**Interim Storage of Containerized Animals**

Financial Data for Fiscal Years 2007–2008 (in thousands)

	FY2007	FY2008
Beginning Fund Balance	\$0	\$2
Revenues	2	3
Interest	0	0
Expenditures	0	0
Transfers	0	0
Ending Fund Balance	\$2	\$5
Encumbrances	\$0	\$0

This trust account was administratively established as a holding account for refundable deposits for the use of a temporary livestock holding facility located on Department of Transportation property in Sand Island. Livestock shippers were granted a one-year right-of-entry to use the property as a holding area for livestock being imported into the State. The deposits were to cover the cost of any necessary clean-up or repairs resulting from the use of the holding area. The right-of-entry expired in June 2008. No funds were utilized for clean-up or repair, and the deposits were refunded in FY2009. The account met the criteria of a trust account, as it required no general fund appropriations and served the purpose for which it was originally created.

The holding area is no longer being used and future use is not anticipated. In addition, the department does not anticipate any further activity in or use of this account. We therefore recommend that the department close the account.

**OHA Ceded Lands Proceeds**

Financial Data for Fiscal Years 2004–2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$2
Revenues	0	0	0	142	263
Interest	0	0	0	0	0
Expenditures	0	0	0	(140)	(261)
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$2	\$4
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was administratively established in 2004 to serve as a holding and clearing account for the portion of rental and other income received from agricultural tenants on ceded lands which are designated for the Office of Hawaiian Affairs. The pre-determined percentage of revenues are collected by the department and transferred to the Office of Hawaiian Affairs on a quarterly basis. This account meets the criteria of a trust account, as it requires no general fund appropriations and continues to serve the purpose for which it was originally created.

### Producers Settlement Fund

Financial Data for Fiscal Years 2004–2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	180	59	0	0	0
Interest	0	0	0	0	0
Expenditures	(180)	(59)	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 administratively established as a holding account to equalize the prices paid by milk processors and those received by milk producers. The Milk Control Program assures there is an adequate supply of milk for the State. Milk is pooled on a market-wide basis to assure that all producers are treated fairly. Quotas are also established for production so that adequate milk is available. In addition, a minimum price paid to milk producers is established to assure a fair return. The account receives payments from milk processors and does not require general fund appropriations.

Due to the closure of one of the two milk processors in the State in 2005, the account has been inactive since FY2006. However, given the volatility of the milk industry and the difficulty in predicting when another milk processor might begin operations in the State, the department believes the account is still needed and will continue to serve its purpose. This account therefore meets the criteria of a trust account, as it requires no general fund appropriations and continues to serve the purpose for which it was created.

### Security Deposits – Kekaha

Financial Data for Fiscal Years 2004–2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$0	\$22	\$28	\$46	\$46
Revenues	22	6	18	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$22	\$28	\$46	\$46	\$46
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was administratively established in 2004 to serve as a holding account for security deposits related to the lease of Kekaha agricultural lands. If the property is left in an unsatisfactory condition at the termination of the leases, the deposits will be used to restore the property to a satisfactory condition. The deposits will be refunded if they are not used at lease termination. This account meets the criteria of a trust account, as it continues to serve the purpose for which it was originally created and requires no general fund appropriations.

### Temporary Deposit, Bond for Animal

Financial Data for Fiscal Years 2004–2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$24	\$23	\$11	\$9	\$18
Revenues	11	6	4	17	7
Interest	0	0	0	0	0
Expenditures	(12)	(18)	(6)	(8)	(16)
Transfers	0	0	0	0	0
Ending Fund Balance	\$23	\$11	\$9	\$18	\$9
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was administratively established to hold cash bonds that are required for people to obtain import permits for primates and other specified animals entering Hawai'i. Animals that require bonding include those designated by administrative rules, the Board of

Agriculture, or the chairperson as posing a threat to Hawai‘i should they escape. The bonds help ensure proper care and safeguard of the animal while in Hawai‘i under the possession of the permittee. The permittee of a bonded animal must comply with the conditions of the bond as established by administrative rules. The bond money is returned to the permittee upon verification of the animal’s death, transfer or sale to a new owner who has secured a permit and bond, or shipment out of State. If the bonded animal escapes, is released, or if the permittee otherwise fails to comply with the bond conditions, the bond is forfeited and the bond money is deposited into the state general fund. The department may also seize or recapture the bonded animal, which may then be sold at a private sale, donated to a government agency, shipped out of State, or destroyed. This account meets the criteria of a trust account, as it continues to serve the purpose for which it was originally created and requires no general fund appropriations.

**Temporary Deposit, Commodities**

Financial Data for Fiscal Years 2004–2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$21	\$3	\$7	\$1	\$5
Revenues	51	51	43	45	53
Interest	0	0	0	0	0
Expenditures	(69)	(47)	(49)	(41)	(27)
Transfers	0	0	0	0	0
Ending Fund Balance	\$3	\$7	\$1	\$5	\$31
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was administratively established as a temporary clearing account for federal certification activities. Under a cooperative agreement with the Agricultural Marketing Service, U.S. Department of Agriculture, the account supports voluntary fee-for-service inspection and certification of a variety of processed foods, shell eggs, and fresh fruits and vegetables. The account is funded by fees charged to users requesting the inspection and certification services. This account meets the criteria of a trust account, as it requires no general fund appropriations and continues to serve the purpose for which it was originally created.

### Temporary Deposits

Financial Data for Fiscal Years 2004–2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$7	\$20	\$17	\$14	\$19
Revenues	13	10	5	42	24
Interest	0	0	0	0	0
Expenditures	0	(13)	(8)	(37)	(24)
Transfers	0	0	0	0	0
Ending Fund Balance	\$20	\$17	\$14	\$19	\$19
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was administratively established in 1993 to serve as a clearing account for temporarily deposited funds received by the department until proper disbursement can be made. Temporary deposits made to the account include funds from settlements, private donations, certificates of title collected from agricultural loan borrowers, and cooperators' shares of emergency flume repairs. This account meets the criteria of a trust account, as it requires no general fund appropriations and continues to serve the purpose for which it was originally created.

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# Chapter 4

## Department of Budget and Finance

This chapter presents the results of our review of nine trust funds and 13 trust accounts of the Department of Budget and Finance. For each fund or account we present a five year financial summary, the purpose of the fund or account, and the conclusions about its use. We do not present any conclusions about the effectiveness of the program, its management, or whether the program should be continued. We present first the funds established by statutory authority, followed by the funds and accounts established under administrative authority in alphabetical order.

### Funds Established Under Statutory Authority

#### College Savings Program Trust Fund, Section 256-6, HRS

Financial Data for Fiscal Years 2004-2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$11,709	\$19,788	\$27,865	\$34,533	\$42,018
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	8,079	8,077	6,668	7,485	(849)
Ending Fund Balance	\$19,788	\$27,865	\$34,533	\$42,018	\$41,169
Encumbrances	\$0	\$0	\$0	\$0	\$0

\*Transfers represent the net contributions, withdrawals, and changes in the asset valuation of the participants' investments.

The College Savings Program Trust Fund was established in 2002. It is designed to maintain participants' contributions to the College Savings Program to be used for their designated beneficiaries' college expenses. Moneys are maintained in the trust fund on behalf of the participants or account owners, and are invested in investment or savings options as directed by the participants. The Hawai'i College Savings Program, HI 529, is intended to enable families to invest tax-deferred savings for college tuition expenses. Earnings are income tax deferred, and disbursements for qualified college expenses are exempt from federal and state taxes. The fund is administered by a third party administrator,

uPromise Investments, Inc., in accordance with Chapter 256, HRS. The fund meets the criteria of a trust fund, as it requires no general fund appropriations and serves the purpose for which it was originally created.

**Compound Interest Bond Reserve Fund, Section 39-151, HRS**

Financial Data for Fiscal Years 2004-2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
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 fund was created in 1990 to pay for the principal and interest on compound interest bonds. Moneys in the fund were invested to assure the availability to the State of sufficient moneys to make payments of principal and interest on bonds. Section 39-151, HRS, allows the director of finance to transfer a portion of general excise tax revenues up to \$5 million each fiscal year. The fund does not meet its original purpose of holding moneys for debt service on compound interest bonds and of helping to level debt service requirements. Its remaining fund balance was transferred to the general fund during FY2002 and the fund is expected to remain inactive until the next compound bond maturity in 2009. The fund does not meet the criteria of a trust fund, as it does not serve the purpose for which it was originally created and is not self-sustaining. The fund appears to operate more as a trust account.

### Employees' Retirement System of the State of Hawai'i, Section 88-22, HRS

Financial Data for Fiscal Years 2004-2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$7,687,200	\$8,565,405	\$9,195,868	\$9,932,411	\$11,462,417
Revenues	1,466,177	1,261,668	1,425,206	2,262,679	5,549
Interest	92,505	94,981	124,896	143,022	147,107
Expenditures	(680,477)	(726,186)	(813,559)	(875,695)	(836,367)
Transfers	0	0	0	0	0
Ending Fund Balance	\$8,565,405	\$9,195,868	\$9,932,411	\$11,462,417	\$10,778,706
Encumbrances	\$0	\$0	\$0	\$0	\$0

The Employees' Retirement System was established in 1925 to provide retirement, disability, and survivor benefits for state employees, teachers, professors, county employees, police officers, firefighters, judges, and elected officials. The system continues to administer a retirement, disability, and survivor benefits program for members and their designated beneficiaries. In addition, the system collects retirement contributions from contributory members, provides pre-retirement counseling services, conducts disability hearings and appeals, reviews claims for benefits, and invests funds to help finance the program. The system is funded through appropriations from the State and counties representing employer contributions, employee contributions, and income from investments. The fund meets the criteria of a trust fund, as it requires no general fund appropriations and serves the purpose for which it was originally created.

**Hawai'i Employer-Union Health Benefits Trust Fund,  
Section 87A-30, HRS**

Financial Data for Fiscal Years 2004-2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$1,197	\$655	\$699	\$1,554	\$2,043
Revenues	3	2	12	1	1
Interest	16	17	32	51	104
Expenditures	(2,606)	(2,975)	(2,689)	(3,443)	(6,815)
Transfers*	2,045	3,000	3,500	3,880	13,300
Ending Fund Balance	\$655	\$699	\$1,554	\$2,043	\$8,633
Encumbrances	\$441	\$463	\$1,227	\$1,953	\$8,310

\*Transfers in FY2004 were made from the Hawai'i EUTF Clearing Account (\$2 million) and the Hawai'i Public Employees Health Fund (\$45,000). Transfers in FY2005 to FY2007 were made from the Hawai'i EUTF Clearing Account. Transfers in FY2008 were made from the Hawai'i EUTF Clearing Account (\$3.3 million) and the Hawai'i EUTF Self-Directed Investments Fund for the new benefits computer system (\$10 million).

This fund was created in 2002 to provide health and life insurance benefits for eligible active and retired state and county public employees and their dependents. The fund was supposed to assume the functions, assets, and staff of the Public Employees Health Fund on July 1, 2003. Revenues to the fund were intended to consist of contributions, interest, income, dividends, refunds, rate credits, and other returns; and expenditures were intended to consist of costs for providing beneficiaries with health and other benefit plans, and to pay administrative expenses. However, the department is currently only using the fund to account for administrative expenses authorized by the Legislature, with funding being provided through transfers from other accounts/funds. This fund does not meet the requirements of a trust fund, and the department should consider consolidating this fund with the Hawai'i EUTF Clearing Account.

**Hawai'i Public Employees Health Fund, Section 87-2, HRS**

Financial Data for Fiscal Years 2004-2005 (in thousands)

	<b>FY2004</b>	<b>FY2005</b>
Beginning Fund Balance	\$25,867	\$878
Revenues	1,484	5,523
Interest	0	0
Expenditures	(16,383)	0
Transfers*	(10,090)	(6,401)
Ending Fund Balance	\$878	\$0
Encumbrances	\$0	\$0

\*Transfers in FY2004 were made to the General Fund (\$2,863,000), Hawai'i Employer-Union Health Benefits Trust Fund (\$45,000), Hawai'i EUTF Clearing Account (\$7,174,000), and Temporary Deposits—Budget & Finance (\$8,000). Transfers in FY2005 were made to the Hawai'i EUTF Clearing Account.

This trust fund was established in 1961 to provide health and life benefits for eligible active and retired public employees and their dependents. The Hawai'i Public Employees Health Fund sunset on June 30, 2003, and was succeeded by the Hawai'i Employer-Union Health Benefits Trust Fund. Amounts owed to insurance carriers and employee organizations were paid in FY2004 and all remaining appropriations, assets, etc. were transferred to the EUTF. The fund was subsequently closed in 2005.

**Hawai‘i Tobacco Prevention and Control Trust Fund,  
Section 328L-5, HRS**

Financial Data for Calendar Years 2004-2008 (in thousands)

	<b>CY2004</b>	<b>CY2005</b>	<b>CY2006</b>	<b>CY2007</b>	<b>CY2008</b>
Beginning Fund Balance	\$39,254	\$43,829	\$47,085	\$50,144	\$55,720
Revenues	4,422	4,571	4,094	4,238	6,530
Interest	4,467	4,331	6,242	7,280	(7,008)
Expenditures	(4,314)	(5,646)	(7,277)	(5,942)	(2,107)
Transfers*	0	0	0	0	0
Ending Fund Balance	\$43,829	\$47,085	\$50,144	\$55,720	\$53,135
Encumbrances	\$0	\$0	\$0	\$0	\$0

\*Trust fund financials are tracked on a calendar year basis. The above schedule has been modified to reflect information on a calendar year basis.

The Hawai‘i Tobacco Prevention and Control Trust Fund was established in 1999 for tobacco prevention and control activities, including reducing cigarette smoking and tobacco use among youth and adults through education and enforcement activities, and controlling and preventing chronic diseases where tobacco is a risk factor. Funding sources include 12.5 percent of moneys from the Hawai‘i Tobacco Settlement Special Fund; moneys appropriated by the state, county, and federal government; private contributions; and capital gains earnings. Additionally, for FY2008 to FY2011, the trust fund shall receive 20 percent of any unused portion of Hawai‘i Tobacco Settlement Special Funds appropriated to the University of Hawai‘i for the development and annual operation of the new medical school facility.

The Hawai‘i Community Foundation was selected to invest and administer the Trust Fund, in accordance with stipulations indicated in Section 328L-5(a), HRS. Over the past five years, numerous grants were awarded for expanding effective tobacco prevention and control projects, ensuring greater access to cessation programs, funding innovation in tobacco prevention and control, youth and high-risk adult tobacco prevention and cessation services, and expanding the statewide tobacco control media campaign. The fund meets the criteria of a trust fund, as it requires no general fund appropriations and serves the purpose for which it was originally created.

### Transient Accommodations Tax Trust Fund, Section 237D-5.5, HRS

Financial Data for Fiscal Years 2004-2007 (in thousands)

	FY2004	FY2005	FY2006	FY2007
Beginning Fund Balance	\$0	\$0	\$0	\$0
Revenues	9,638	10,535	11,501	11,922
Interest	0	0	0	0
Expenditures	(4,010)	0	0	0
Transfers*	(5,628)	(10,535)	(11,501)	(11,922)
Ending Fund Balance	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0

\*Transfers during FY2004 through FY2007 were made to the General Fund.

This fund was established in 2002 to serve as a holding account for transient accommodations tax (TAT) revenues to supplement shortfalls in the Tourism Special Fund, which is administered by the Hawai'i Tourism Authority. If the Tourism Special Fund does not receive \$63.3 million in TAT revenues during a fiscal year, the director of finance deposits moneys from the trust fund to the Tourism Special Fund to provide a minimum of \$63.3 million in TAT revenues for that fiscal year. Any deposit from the trust fund to the Tourism Special Fund is limited to the moneys available in the trust fund. The balance remaining in the trust fund at the end of each fiscal year is credited to the general fund. The Transient Accommodations Tax Trust Fund was repealed effective July 1, 2007, by Act 235, Session Laws of Hawai'i 2005.

**Unclaimed Property Trust Fund, Section 523A-23.5, HRS**

Financial Data for Fiscal Years 2004-2008 (in thousands)

	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>
Beginning Fund Balance	\$1,000	\$1,300	\$1,300	\$1,300	\$1,300
Revenues	14,910	10,531	14,997	17,524	15,327
Interest	0	0	0	0	0
Expenditures	(2,860)	(3,728)	(5,534)	(4,652)	(6,408)
Transfers*	(11,750)	(6,803)	(9,463)	(12,872)	(8,919)
Ending Fund Balance	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300
Encumbrances	\$0	\$0	\$0	\$0	\$0

\*Transfers of funds in excess of \$1.3 million were made to the general fund at the end of each fiscal year as required by statute.

This fund was established in 2000 to collect remittances of unclaimed property and is the source from which claims for return of abandoned property are paid. The State serves as the custodian of all unclaimed property, reports abandoned property to the general public, and retains custody of all property until the rightful owner files a claim. At the end of each fiscal year, any amount in excess of \$1.3 million is transferred to the general fund. The fund meets the criteria of a trust fund, as it requires no general fund appropriations and serves the purpose for which it was originally created.

## Funds and Accounts Established Under Administrative Authority

### Collective Bargaining Cost Items

Financial Data for Fiscal Years 2004-2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
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

These trust accounts were administratively established to serve as clearing accounts for the various collective bargaining units' authorizations. Moneys are transferred from the Department of Budget and Finance's account to the respective departments' trust fund account. Net transfers from collective bargaining accounts between FY2004-FY2008 zero out. These accounts meet the criteria of trust accounts, as they require no general fund appropriations and serve the purpose for which they were originally created.

### Hawai'i Children's Trust Fund

Financial Data for Fiscal Years 2007-2008 (in thousands)

	FY2007	FY2008
Beginning Fund Balance	\$0	\$0
Revenues	296	208
Interest	0	0
Expenditures	(296)	(208)
Transfers	0	0
Ending Fund Balance	\$0	\$0
Encumbrances	\$0	\$0

This trust account was administratively established in 2007 as a holding account for amounts collected from tax refunds designated

for the “Hawai‘i Children’s Trust Fund” administered by the Hawai‘i Community Foundation. Pursuant to Section 235-102.5(d), Hawai‘i Revised Statutes, any individual whose state income tax refund for any taxable year is \$5 or more may designate \$5 of the refund to be donated to various funds. One-third of each \$5 donation is deposited into the trust account then disbursed to the trust fund managed by HCF. The account meets the criteria of a trust account, as it requires no general fund appropriations and serves the purpose for which it was originally created.

### Hawai‘i EUTF Clearing Account

Financial Data for Fiscal Years 2004-2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$0	\$42,756	\$76,234	\$80,849	\$38,438
Revenues	514,099	618,091	581,316	533,586	552,223
Interest	343	1,259	1,766	3,247	4,201
Expenditures	(476,860)	(589,273)	(574,967)	(520,364)	(589,424)
Transfers*	5,174	3,401	(3,500)	(58,880)	26,700
Ending Fund Balance	\$42,756	\$76,234	\$80,849	\$38,438	\$32,138
Encumbrances	\$0	\$0	\$0	\$0	\$0

\*Transfers in FY2004 were made to the Hawai‘i Employer-Union Health Benefits Trust Fund (\$2,000,000) and from the Hawai‘i Public Employees Health Fund (\$7,174,000). Transfers in FY2005 were made to the Hawai‘i Employer-Union Health Benefits Trust Fund (\$3,000,000) and from the Hawai‘i Public Employees Health Fund (\$6,401,000). Transfers in FY2006 were made to the Hawai‘i Employer-Union Health Benefits Trust Fund (\$3,500,000). Transfers in FY2007 were made to the Hawai‘i Employer-Union Health Benefits Trust Fund (\$3,880,000) and the Hawai‘i EUTF Self-Directed Investments Fund (\$55,000,000). Transfers in FY2008 were made to the Hawai‘i Employer-Union Health Benefits Trust Fund (\$13,300,000) and from the Hawai‘i EUTF Self-Directed Investments Fund (\$40,000,000).

This trust account was administratively created in 2004 to provide health and life insurance benefits for eligible active and retired state and county public employees and their dependents. The fund assumed the functions, assets, and staff of the Public Employees Health Fund (Health Fund) on July 1, 2003. Revenues to the fund consist of contributions, interest, income, dividends, refunds, rate credits, and other returns. It also provides health and other benefit plans for approximately 167,800 people through contracted insurance carriers and self-funded plans. Administrative costs related to the EUTF are currently being accounted for in the Hawai‘i Employer-Union Health Benefits Trust Fund. The account meets the criteria of a trust account, as it requires no general fund appropriations and serves the purpose for which it was originally

created; however, it acts more like a trust fund, and the department should consider consolidating this account with the Hawai'i Employer-Union Health Benefits Trust Fund.

### Hawai'i EUTF Self-Directed Investments

Financial Data for Fiscal Years 2007-2008 (in thousands)

	FY2007	FY2008
Beginning Fund Balance	\$0	\$55,000
Revenues	0	34,271
Interest	0	0
Expenditures	0	0
Transfers*	55,000	(40,000)
Ending Fund Balance	\$55,000	\$49,271
Encumbrances	\$0	\$0

\*Transfer in FY2007 was made from the Hawai'i EUTF Clearing Account. Transfers in FY2008 were made from/to the Hawai'i EUTF Clearing Account (net \$30 million) and to the Hawai'i Employer-Union Trust Fund for the new benefits computer system (\$10 million).

This trust account was administratively created in 2007 to allow the EUTF to invest its own funds through the State of Hawai'i's Financial Administration Division to maximize its savings. The account meets the criteria of a trust account, as it requires no general fund appropriations and serves the purpose for which it was originally created.

### Hilo Shippers' Wharf Trust Fund

Financial Data for Fiscal Year 2004 (in thousands)

<b>FY2004</b>	
Beginning Fund Balance	\$1,564
Revenues	30
Interest	0
Expenditures	0
Transfers*	(1,594)
Ending Fund Balance	\$0
Encumbrances	\$0

\*Transfer made to the County of Hawai'i as ordered by the Third Circuit Court of Hawai'i.

This trust fund was created in 1953, under the Office of the Governor, and transferred to the Department of Budget and Finance in April 2001. This fund promotes public health and safety on the island of Hawai'i and is used specifically for safeguarding public health and improving public sanitation; preventing the spread of and removing possible causes of epidemics and diseases, such as bubonic plague, cholera, diphtheria, smallpox, and other communicable diseases which endanger the public; relieving distress associated with public disaster or destruction caused by lava flows, tidal waves, and earthquakes; and promoting public safety.

Moneys are derived from dividend and interest income from trust assets. This fund met the criteria of a trust fund, as it continued to serve its original purpose and did not require any general fund appropriations. However, the Third Circuit Court of Hawai'i ordered that the legal title and all property held in trust by the Governor of the State of Hawai'i, as Trustee of the Shippers' Wharf Committee Trust, be vested effective October 3, 2003 to the County of Hawai'i. All assets of the fund were transferred to the County of Hawai'i in FY2004 and the fund subsequently closed.

**Interest Earned—Bond Investment Pool**

Financial Data for Fiscal Years 2004-2008 (in thousands)

	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>
Beginning Fund Balance	\$1,369	\$578	\$1,859	\$2,454	\$6,199
Revenues	2,570	3,994	11,487	18,427	10,963
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	(3,361)	(2,713)	(10,892)	(14,682)	(16,354)
Ending Fund Balance	\$578	\$1,859	\$2,454	\$6,199	\$808
Encumbrances	\$0	\$0	\$0	\$0	\$0

\*Transfers were made to the general fund and to participating revenue bond agencies' various special funds.

This trust account was administratively established in 2001 to hold moneys earned from the State Treasury Centralized Bond Pool investments, until the allocation can be calculated and the moneys are distributed into the general fund and to revenue bond agencies' various special funds. The state treasury manages a centralized Bond Investment Pool, in which general obligation and revenue bond funds are invested. Interest earnings from the investments are distributed each month to the participating funds and/or accounts. The account meets the criteria of a trust account, as it requires no general fund appropriations and serves the purpose for which it was originally created.

**Interest Earned—Investment Pool**

Financial Data for Fiscal Years 2004-2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$679	(\$96)	\$390	\$61	\$1,236
Revenues	61,107	75,298	112,700	152,433	167,453
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	(61,882)	(74,812)	(113,029)	(151,258)	(169,007)
Ending Fund Balance	(\$96)	\$390	\$61	\$1,236	(\$318)
Encumbrances	\$0	\$0	\$0	\$0	\$0

\*Transfers were made to the general fund and to participating state agencies' various special and trust funds.

This trust account was administratively established in 2000 to hold moneys earned from the State Treasury Centralized Pool investments until the allocation can be calculated and the moneys distributed into the general fund and to various participating departments' special and trust funds. Interest earnings are distributed each month to funds and/or accounts participating in the investment pool. The account meets the criteria of a trust account, as it requires no general fund appropriations and serves the purpose for which it was originally created.

**Special Purpose Revenue Bond—Security Deposit**

Financial Data for Fiscal Years 2004-2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$2	\$2	\$5	\$0	\$0
Revenues	2	5	0	0	2
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	(2)	(2)	(5)	0	0
Ending Fund Balance	\$2	\$5	\$0	\$0	\$2
Encumbrances	\$0	\$0	\$0	\$0	\$0

\*Transfers were made to the general fund.

This trust account was administratively established in 1989 to collect non-refundable security deposits to reimburse the State of Hawai'i for costs and out-of-pocket expenses incurred relating to the issuance of special purpose revenue bonds on behalf of project parties. Fees are paid by the project parties related to the issuance of special purpose revenue bonds, the proceeds of which are used for health care facilities; manufacturing, processing and industrial enterprises; utilities providing gas and electrical energy; early childhood education and care facilities; nonsectarian and sectarian elementary schools, secondary schools, colleges and universities; low- and moderate-income housing; and agricultural enterprises serving important agricultural lands. The account meets the criteria of a trust account, as it requires no general fund appropriations and serves the purpose for which it was originally created.

### Taxes Payable to Counties—Fuel Tax

Financial Data for Fiscal Years 2006-2008 (in thousands)

	FY2006	FY2007	FY2008
Beginning Fund Balance	\$0	\$0	\$0
Revenues	57,305	78,270	74,240
Interest	0	0	0
Expenditures	(57,305)	(78,270)	(74,240)
Transfers	0	0	0
Ending Fund Balance	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0

This trust account was administratively established in 2006 as a clearing account for liquid fuel tax funds collected pursuant to Section 243-6, Hawai'i Revised Statutes. Moneys to the account come from the liquid fuel taxes collected by the Department of Taxation on behalf of the various counties. The director of finance then electronically disburses the moneys to the respective counties on a monthly basis. The account meets the criteria of a trust account, as it requires no general fund appropriations and serves the purpose for which it was originally created.

**Taxes Payable to Counties—General Excise Tax Surcharge**

Financial Data for Fiscal Years 2007-2008 (in thousands)

	FY2007	FY2008
Beginning Fund Balance	\$0	\$0
Revenues	53,805	187,904
Interest	0	0
Expenditures	(48,424)	(169,114)
Transfers*	(5,381)	(18,790)
Ending Fund Balance	\$0	\$0
Encumbrances	\$0	\$0

\*Transfers for FY2007 and FY2008 were made to the General Fund.

This trust account was administratively established in 2007 as a holding account for the general excise tax surcharge for mass transit funds collected pursuant to Section 248-2.6, Hawai‘i Revised Statutes. The director of finance deducts 10 percent of the gross proceeds to reimburse the State for the costs of assessment, collection, and disposition of the county surcharge on state tax incurred by the State. The amounts retained are general fund realizations of the State. Any remaining balance is paid on a quarterly basis to the City and County of Honolulu. The account meets the criteria of a trust account, as it requires no general fund appropriations and serves the purpose for which it was originally created.

**Taxes Payable to Counties/HTA–TAT**

Financial Data for Fiscal Years 2006-2008 (in thousands)

	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>
Beginning Fund Balance	\$0	\$0	\$0
Revenues	53,805	187,904	53,805
Interest	0	0	0
Expenditures	(48,424)	(169,114)	(48,424)
Transfers*	(5,381)	(18,790)	(5,381)
Ending Fund Balance	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0

\*Transfer represents tax collections for the period June 2005 through September 2005 received from the Department of Taxation, who previously administered the account.

This trust account was established as a holding/clearing account for transient accommodations tax funds owed to the counties and the Hawai'i Tourism Authority. Transient accommodations tax collections are allocated as follows: 17.3 percent to the Convention Center Enterprise Special Fund; 34.2 percent to the Tourism Special Fund; 3.7 percent to the General Fund; and 44.8 percent to the counties. The 44.8 percent county allocation is then distributed as follows: 14.5 percent to Kaua'i County; 18.6 percent to Hawai'i County; 44.1 percent to City and County of Honolulu; and 22.8 percent to Maui County. Distributions are made on a semi-annual basis to the counties and on a monthly basis to the authority. The account meets the criteria of a trust account, as it requires no general fund appropriations and serves the purpose for which it was originally created.

### Taxes Payable to Other State Agencies

Financial Data for Fiscal Years 2007-2008 (in thousands)

	FY2007	FY2008
Beginning Fund Balance	\$0	\$0
Revenues	0	2
Interest	0	0
Expenditures	0	0
Transfers*	0	0
Ending Fund Balance	\$0	\$2
Encumbrances	\$0	\$0

\*Note that annual transfers net to zero. For FY2007 and FY2008, \$1,984,170 and \$15,359,013, respectively, was transferred into the trust account and transferred out to the Hawai'i Cancer Research Special Fund.

This trust account was administratively established in 2007 as a holding account for the Cigarette Tax increase pursuant to Act 316, Session Laws of Hawai'i 2006. Taxes are collected then distributed to the "Hawai'i Cancer Research Special Fund" administered by the University of Hawai'i. Funds are paid out electronically on a monthly basis to the University of Hawai'i. The account meets the criteria of a trust account, as it requires no general fund appropriations and serves the purpose for which it was originally created.

**Temporary Deposits—Budget and Finance**

Financial Data for Fiscal Years 2004-2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$639	\$666	\$2	\$1,324	\$5,617
Revenues	3	0	1,709	5,531	6,160
Interest	16	18	5	0	0
Expenditures	0	0	(392)	(1,238)	(1,458)
Transfers*	8	(682)	0	0	(10,315)
Ending Fund Balance	\$666	\$2	\$1,324	\$5,617	\$4
Encumbrances	\$0	\$0	\$0	\$0	\$0

\*FY2004 transfer represents a return of employer contributions from the Hawai'i Public Employees Health Fund related to the UPW retroactive settlement – interest allocation for the period April 1 to June 15, 2003. FY2005 transfer represents the employer's contributions to the Health Fund in FY2001 through FY2003 in anticipation of collective bargaining agreements for a proposed deferred compensation plan for BU01 and BU10 (UPW) members. FY2008 transfer represents the employer's share of Medicare Part D employer subsidy payment for the calendar year 2006.

This account was administratively established to hold temporary deposits related to vendor bids, performance bonds, salary overpayments of the various divisions, and miscellaneous deposits of a temporary nature. The account meets the criteria of a trust account, as it requires no general fund appropriations and serves the purpose for which it was originally created.

### Temporary Deposits—Finance Division

Financial Data for Fiscal Years 2004-2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	136	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	(136)	0	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

\*Revenue for FY2004 was posted in error. Subsequent transfer was made to properly credit the revenues to the Interest Earned – Investment Pool account.

This trust account was administratively established as a holding account for moneys received by the Financial Administration Division as trustee or agent relative to program transactions. The account continues to serve the purpose for which it was created. The account meets the criteria of a trust account, as it requires no general fund appropriations and serves the purpose for which it was originally created. However, we recommend that the department evaluate the necessity of the fund due to the lack of activity since FY2004.

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# Chapter 5

## Department of Land and Natural Resources

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

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### Funds Established Under Statutory Authority

#### Public Land Trust Funds, Ceded Land Proceeds—O‘ahu, Maui, Hawai‘i, Kaua‘i, Section 171-18, HRS

Financial Data for Fiscal Years 2004–2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$0	\$1	\$0	\$0	\$0
Revenues	2,295	2,798	3,252	2,438	2,634
Interest	0	0	0	0	0
Expenditures	(2,294)	(2,799)	(3,252)	(2,438)	(2,634)
Transfers	0	0	0	0	0
Ending Fund Balance	\$1	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

The financial data presented above combines four trust funds--one for each of the major Hawaiian Islands. These funds were established in 1962 to account for proceeds and income from the sale, lease, or other disposition of ceded lands. Revenues are held in public trust for the support of public schools and other public educational institutions; betterment of the conditions of native Hawaiians; development of farm and home ownership; public improvements; and provision of lands for public use. Act 273, Session Laws of Hawai‘i (SLH) 1980, requires that 20 percent of the income from public land trusts be paid to the Office of Hawaiian Affairs. The funds are used as temporary holding accounts to transfer revenues to the Office of Hawaiian Affairs for the betterment of native Hawaiians. These funds meet the definition of a trust fund, as they

do not require any general fund appropriations and continue to serve the purpose for which they were originally created.

**Endangered Species Trust Fund, Section 195D-31, HRS**

Financial Data for Fiscal Years 2005–2008 (in thousands)

	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$0	\$89	\$126	\$402
Revenues	89	123	315	274
Interest	0	3	9	20
Expenditures	0	(89)	(66)	(43)
Transfers*	0	0	18	(18)
Ending Fund Balance	\$89	\$126	\$402	\$635
Encumbrances	\$0	\$0	\$6	\$170

\*Transfer for FY2007 was due to a clerical error that was subsequently corrected in FY2008.

This fund was created in 2005 to provide for the protection and management of native and endangered species. Program activities include surveys and monitoring, assessment and mitigation of threats and limiting factors, habitat management and restoration, and captive propagation and reintroduction for Hawaiian flora and fauna. Primary sources of revenue include: moneys accrued from the sale of retail items; private contributions for the management and recovery of Hawai'i's unique plants and animals; fees and assessments for commercial use of public land and waters designated for the fund; penalties, fines, or auctions resulting from enforcement violations; legislative appropriations; and moneys deposited to implement the obligations of a habitat conservation plan or as security for habitat conservation plan funding. The fund meets the criteria of a trust fund, as it does not require any general fund appropriations and serves the purpose for which it was originally created.

**Kaho‘olawe Rehabilitation Trust Fund, Section 6K-9.5, HRS**

Financial Data for Fiscal Years 2004–2008 (in thousands)

	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>
Beginning Fund Balance	\$33,629	\$33,401	\$30,582	\$27,776	\$23,494
Revenues	2,120	56	248	88	1,234
Interest	826	855	936	1,135	1,068
Expenditures	(3,174)	(3,730)	(3,990)	(5,505)	(5,578)
Transfers	0	0	0	0	0
Ending Fund Balance	\$33,401	\$30,582	\$27,776	\$23,494	\$20,218
Encumbrances	\$3,043	\$1,939	\$1,276	\$2,568	\$2,385

Created in 1994, this fund holds all moneys received from the federal government for the rehabilitation and environmental restoration of the island of Kaho‘olawe, appropriations made by the Legislature to the trust fund, and the interest or return on investments earned from moneys in the fund. The fund may be used to hire employees, specialists, and consultants to complete the rehabilitation and restoration of Kaho‘olawe. However, activities cannot be fully underway until the U.S. Navy completes bomb removal. Planned activities include preservation, protection, rehabilitation, and re-vegetation of the island. The fund continues to receive federal funds specifically for the rehabilitation and environmental restoration of the island of Kaho‘olawe. This fund meets the definition of a trust fund and does not require any general fund appropriations.

**Wildlife Revolving Fund, Section 183D-10.5, HRS**

Financial Data for Fiscal Years 2004–2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$212	\$453	\$413	\$330	\$116
Revenues	425	311	381	380	266
Interest	9	14	13	11	4
Expenditures	(193)	(365)	(477)	(605)	(432)
Transfers*	0	0	0	0	56
Ending Fund Balance	\$453	\$413	\$330	\$116	\$10
Encumbrances	\$58	\$113	\$106	\$106	\$5

\*Transfer for FY2008 was from the Forest Stewardship Fund and the Conservation & Resources Enforcement Federal Fund, which funds the Hunter Education Program.

This fund was established by Act 67, SLH 1988, to account for fees collected for hunting licenses, training programs, and use of public target ranges; moneys collected under the provision of any law relating to importation, taking, catching, or killing of game, wildlife, and products; moneys collected as fines or bail forfeitures concerning wildlife conservation; and moneys collected from the sale of any article or artwork, in addition to a hunting license, which a person is required to purchase from the department in order to hunt. Expenditures are limited to programs and activities for wildlife projects; wildlife conservation; acquisition of the use, development, or maintenance of trails and access ways; and research programs and activities concerning wildlife conservation and management.

There continues to be a link between benefits sought and user charges. Hunters, hikers, and wildlife watchers, who are the primary beneficiaries of the program, replenish the fund through fees for hunting licenses, hunter education activities, and game bird farmer licenses. The fund meets the criteria for a revolving fund, as the fund is self-sustaining and is an appropriate financing mechanism for the program.

**Funds and  
Accounts  
Established Under  
Administrative  
Authority**

**Accrued Vacation and Sick Leave Fund**

Financial Data for Fiscal Years 2004–2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$499	\$530	\$534	\$543	\$570
Revenues	18	48	2	3	2
Interest	13	15	20	24	27
Expenditures	0	(59)	(13)	0	(52)
Transfers	0	0	0	0	0
Ending Fund Balance	\$530	\$534	\$543	\$570	\$547
Encumbrances	\$0	\$0	\$0	\$0	\$0

This revolving fund was originally created to account for the accrued vacation and sick leave of project-funded employees of the department's Land Division, Engineering Division, and State Parks Division. Prior to July 1, 1995, this account paid for accrued vacation and sick leave for project-funded employees that were charged to the related capital improvement projects (CIP) of the various funds. Effective July 1, 1995, the Legislature appropriated \$1.5 million in bond funds to fund the CIP staff payroll. The balance remaining in this account represents the CIP staff employees' vacation and sick leave carryover from June 30, 1994. Revenues to the fund consist of interest earned on the fund's balance and vacation/sick leave pay-offs for employees transferred to the department from other state or county agencies. The fund is self-sustaining and does not require any general fund appropriations. However, the fund does not meet the criteria of a revolving fund, as there are no charges made upon the beneficiaries of the fund. This fund appears to operate more as a trust fund and the department should consider reclassification as such.

### Assistance in Managing Land Fund

Financial Data for Fiscal Years 2007–2008 (in thousands)

	FY2007	FY2008
Beginning Fund Balance	\$0	\$121
Revenues	158	228
Interest	0	8
Expenditures	(37)	(234)
Transfers	0	0
Ending Fund Balance	\$121	\$123
Encumbrances	\$110	\$59

This trust fund was administratively established in 2007 to assist the Office of Hawaiian Affairs in the management of the recently acquired 25,856 acre Wao Kele O Puna Forest Reserve on the island of Hawai‘i. The department entered into an agreement with the Office of Hawaiian Affairs to provide initial management responsibility of the forest reserve until the office acquires sufficient capacity, experience, and expertise in land management. For each year during which the department continues to manage the property, the office will pay the department up to \$228,000, and the department will contribute up to \$100,000, annually. Moneys in the account shall be expended on the management and preservation of the forest reserve. This fund meets the definition of a trust fund, as it does not require any general fund appropriations and serves the purpose for which it was originally created.

### Boating Ceded Land Proceeds

Financial Data for Fiscal Years 2006–2008 (in thousands)

	FY2006	FY2007	FY2008
Beginning Fund Balance	\$0	\$6	\$3
Revenues	6	1,339	1,257
Interest	0	0	0
Expenditures	0	(1,342)	(1,257)
Transfers	0	0	0
Ending Fund Balance	\$6	\$3	\$3
Encumbrances	\$0	\$0	\$0

This trust account was administratively established in 2006 to temporarily hold 20 percent of revenues derived from the Division of Boating and Ocean Recreation's ceded lands, which are subsequently transferred to the Office of Hawaiian Affairs. The account meets the definition of a trust account, as it continues to serve its original purpose as a holding account and does not require any general fund appropriations.

### Boating Security Deposits

Financial Data for Fiscal Years 2004–2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$725	\$762	\$785	\$767	\$928
Revenues	114	83	62	214	88
Interest	0	0	0	0	0
Expenditures	(77)	(60)	(80)	(53)	(64)
Transfers	0	0	0	0	0
Ending Fund Balance	\$762	\$785	\$767	\$928	\$952
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was administratively established to account for security deposits from boating tenants of small boat harbors. The account was transferred from the Department of Transportation in July 1992. Security deposits are equivalent to three months of rent. When rental agreements are terminated, deposits are returned to tenants. The account meets the definition of a trust account, as it continues to serve its original purpose and requires no general fund appropriations.

### Ceded Land Proceeds, General Fund Portion

Financial Data for Fiscal Years 2006–2008 (in thousands)

	FY2006	FY2007	FY2008
Beginning Fund Balance	\$0	\$5,064	\$3,898
Revenues	5,064	5,594	5,563
Interest	0	0	0
Expenditures	0	(6,760)	(3,361)
Transfers	0	0	0
Ending Fund Balance	\$5,064	\$3,898	\$6,100
Encumbrances	\$0	\$0	\$0

This trust account was administratively established to temporarily hold 80 percent of revenues derived from the use of ceded lands, which are subsequently transferred by the end of each fiscal year to the state general fund. The account meets the criteria of a trust account, as it continues to serve its original purpose and does not require any general fund appropriations.

### Donations, Gifts and Grants

Financial Data for Fiscal Years 2004–2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$4	\$54	\$10	\$13	\$26
Revenues	57	13	13	13	28
Interest	0	0	0	0	0
Expenditures	(7)	(57)	(10)	0	(26)
Transfers	0	0	0	0	0
Ending Fund Balance	\$54	\$10	\$13	\$26	\$28
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was administratively established to account for donations received from various subsidiaries of sugar plantations. Donations were to be used for the operation and maintenance of sugarcane irrigation stations. Currently, no donations, gifts, or grants are being made to this account.

As previously reported, since 1999 the account has been used as a clearing account for private parties to obtain and pay for stream gauging services rendered by the U.S. Geological Survey. Since the Geological Survey cannot enter agreements or contracts with private parties, the survey bills the State, and the State in turn bills private parties. This account is no longer being used for donations, gifts, and grants. Instead, it is being used as a clearing account to pay for services rendered by the U.S. Geological Survey. This account does not require general fund appropriations and operates similar to a trust account; however, the account does not continue to serve the purpose for which it was originally created.

### Firefighting for Wildland Fires

Financial Data for Fiscal Years 2006–2008 (in thousands)

	FY2006	FY2007	FY2008
Beginning Fund Balance	\$0	\$66	\$0
Revenues	0	0	0
Interest	0	0	0
Expenditures	(84)	(66)	0
Transfers*	150	0	0
Ending Fund Balance	\$66	\$0	\$0
Encumbrances	\$0	\$0	\$0

\*Transfer for FY2006 was from the Department of Health's Environmental Response Revolving Fund.

This revolving fund was established in 2006 to assist in the prevention, control, and extinguishment of wildfires within sanctuaries and preserves. An unusual number of fires occurred in August 2005 that warranted rapid responses from the department's Division of Forestry & Wildlife to suppress wildfires on O'ahu and Hawai'i, exhausting its Fire Contingency Fund. Consequently, a request was made to transfer \$150,000 from the Department of Health's Environmental Response Revolving Fund to the Firefighting for Wildland Fires Fund to enable the department to continue protecting the fragile ecosystem threatened by wildfires. The fund is not self-sufficient, as it does not have an ongoing revenue source. This fund does not meet the criteria of a revolving fund and appears to operate more as a trust account.

### Office of Hawaiian Affairs Kikala-Keokea Trust Fund

Financial Data for Fiscal Years 2004–2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$1,396	\$1,398	\$1,270	\$572	\$225
Revenues	0	0	0	0	0
Interest	35	35	35	17	5
Expenditures	(33)	(163)	(733)	(364)	(215)
Transfers	0	0	0	0	0
Ending Fund Balance	\$1,398	\$1,270	\$572	\$225	\$15
Encumbrances	\$1,282	\$1,154	\$421	\$56	\$10

This trust account is tied to the Infrastructure Development Fund, established by Act 144, SLH 2001, for infrastructure development in the Kīkala-Kēōkea area on the island of Hawai‘i. The account acts as a holding account for the matching Office of Hawaiian Affairs moneys designated for infrastructure development. Moneys will be used to benefit residents of Kalapana who have been dispossessed of their homes and lands as a result of the continued volcanic eruptions that began on January 3, 1983. The projected completion date for infrastructure improvement is sometime in fiscal year 2009. This account does not require general fund appropriations and meets the criteria of a trust account.

### Preservation of Endangered Plants

Financial Data for Fiscal Years 2004–2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$3	\$3	\$3	\$3	\$3
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	\$3	\$3	\$3	\$3	\$3
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was administratively established in 1989 to account for donations made by the Hawaii Credit Union League specifically for the preservation of endangered plants. Expenditures from the account have included fencing off areas for endangered plants. This account meets the criteria of a trust account, as it does not require any general fund appropriations and continues to serve the purpose for which it was created. However, due to a lack of recent financial activity, the department should evaluate the necessity of continuing this account.

### Salvinia Molesta Removal

Financial Data for Fiscal Years 2004–2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$117	\$77	\$79	\$81	\$85
Revenues	0	0	0	0	0
Interest	2	2	2	4	4
Expenditures	(42)	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$77	\$79	\$81	\$85	\$89
Encumbrances	\$0	\$0	\$0	\$0	\$0

This revolving fund was administratively established in 2003 to eradicate the infestation of the invasive *Salvinia Molesta* plant at Lake Wilson. The plant covered approximately 260 acres, depleted oxygen in the lake, and threatened to kill 500 tons of fish. Substantial removal of the plant was accomplished by April 2003. The fund does not meet the criteria of a revolving fund and appears to operate more as a trust account. We recommend that the department evaluate the necessity of this fund due to the lack of expenditure activity since FY2004.

### Temporary Deposits

Financial Data for Fiscal Years 2004–2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$1,023	\$1,233	\$1,500	\$1,475	\$1,547
Revenues	574	536	354	317	180
Interest	0	0	0	0	0
Expenditures	(364)	(269)	(379)	(245)	(136)
Transfers	0	0	0	0	0
Ending Fund Balance	\$1,233	\$1,500	\$1,475	\$1,547	\$1,591
Encumbrances	\$45	\$22	\$28	\$7	\$27

This trust account was administratively established to temporarily hold security deposits for leases, permits, and licenses. It is also used to account for the payment of appraisal fees. This account meets the criteria of a trust account, as it requires no general fund appropriations and serves the purpose for which it was originally created.

### Temporary Deposits—Undistributed Proceeds

Financial Data for Fiscal Years 2004–2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	435	415	738	777	1,487
Interest	0	0	0	0	0
Expenditures	(435)	(415)	(738)	(777)	(1,487)
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 in 1992 to deposit revenues generated by the rental of property or from water licenses managed by the department for other state agencies. Moneys in the account are transferred to the Departments of Hawaiian Home Lands, Agriculture, and Transportation, and the Hawaii Community Development Authority. This account meets the criteria of a trust account, as it requires no general fund appropriations and serves the purpose for which it was originally created.

### Temporary Deposits—Water Development

Financial Data for Fiscal Years 2004–2008 (in thousands)

	FY2004	FY2005	FY2006	FY2007	FY2008
Beginning Fund Balance	\$1,083	\$522	\$1,594	\$1,583	\$3,734
Revenues	213	1,296	320	2,703	1,187
Interest	0	0	0	0	111
Expenditures	(774)	(224)	(331)	(552)	(2,020)
Transfers	0	0	0	0	0
Ending Fund Balance	\$522	\$1,594	\$1,583	\$3,734	\$3,012
Encumbrances	\$27	\$155	\$883	\$1,486	\$747

This trust account was administratively established to account for security deposits collected from individuals who review water development specifications and plans. The account is also used to hold miscellaneous receipts and pay miscellaneous expenditures from various liaison and temporary projects. This account meets the criteria of a trust account, as it is being used as a holding account and does not require any general fund appropriations.

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## Responses of the Affected Agencies

### Comments on Agency Responses

On December 24, 2008, we transmitted a draft of this review to the Departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources. A copy of the transmittal letter to the Department of Accounting and General Services is included as Attachment 1. Similar transmittal letters were sent to the Departments of Agriculture, Budget and Finance, and Land and Natural Resources. A copy of the response of the Department of Budget and Finance is included as Attachment 2. The Departments of Agriculture and Land and Natural Resources were in general agreement in their exit conferences and did not submit responses. The Department of Accounting and General Services also concurred in its exit conference and submitted a response, Attachment 3, to confirm its position.

The Department of Budget and Finance generally concurs with most of our review of its funds. We noted that the Compound Interest Bond Reserve Fund is not currently serving the purpose for which it was created and appears to operate more as a trust account rather than a trust fund, as it is currently classified. However, the department noted that the maintenance of this fund provides its Financial Administration Division with flexibility should the need for compound interest bonds arise in the future. We also found that the Hawai'i Employer-Union Health Benefits Trust Fund does not meet its stated purpose as it only tracks administrative expenses, and the department should consider consolidating it with the Hawai'i EUTF Clearing Account. The department clarified that the trust fund and clearing account currently constitute and operate as a single fund in meeting the related statutory purpose; however, the separate accounts are maintained to enable the department to track and control administrative expenses. The Hawai'i Employer-Union Health Benefits Trust Fund is currently working toward establishing the trust fund outside the state treasury as statutorily provided, at which time the trust fund and clearing account could be consolidated.

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



MARION M. HIGA  
State Auditor

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

December 24, 2008

*COPY*

The Honorable Russ K. Saito  
State Comptroller  
Department of Accounting and General Services  
Kalanimoku Building  
1151 Punchbowl Street  
Honolulu, Hawaii'i 96813

Dear Mr. Saito:

Enclosed for your information are three copies, numbered 6 to 8, of our confidential draft report, *Review of Revolving Funds, Trust Funds, and Trust Accounts for the Departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources*. We ask that you telephone us by Friday, December 26, 2008, on whether or not you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit them no later than Wednesday, December 31, 2008.

The Departments of Agriculture, Budget and Finance, and Land and Natural Resources; Governor; and presiding officers of the two houses of the Legislature have also been provided copies of this confidential draft report.

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

Sincerely,

Marion M. Higa  
State Auditor

Enclosures

LINDA LINGLE  
GOVERNOR



GEORGINA K. KAWAMURA  
DIRECTOR

ROBERT N.E. PIPER  
DEPUTY DIRECTOR

**STATE OF HAWAII**  
**DEPARTMENT OF BUDGET AND FINANCE**

P.O. BOX 150  
HONOLULU, HAWAII 96810-0150

EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
OFFICE OF THE PUBLIC DEFENDER  
PUBLIC UTILITIES COMMISSION

ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND  
MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION

December 30, 2008

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

RECEIVED

2008 DEC 31 AM 11:05

OFFICE OF THE AUDITOR  
STATE OF HAWAII

Dear Ms. Higa:

Thank you for the opportunity to review the draft report, *Review of Revolving Funds, Trust Funds, and Trust Accounts of the Departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources*, in your letter dated December 24, 2008. We have reviewed the report and provide the following comments:

Compound Interest Bond Reserve Fund, Section 39-151, HRS

While current economic conditions may not be conducive to this type of financing at this time, abolishment would likely require statutory repeal. Maintaining the fund provides the Financial Administration Division with flexibility should the need arise in the future.

Hawaii Employer-Union Health Benefits Trust Fund, Section 87A-30, HRS:  
Hawaii EUTF Clearing Account

In consonance, both funds currently constitute and operate as the Hawaii Employer-Union Health Benefits Trust Fund and meet the stated intent and purposes set forth in Sections 87A-30 and 87A-31, HRS. Section 87A-31, HRS, further requires the governor and the legislature to approve EUTF administrative expenses necessary to effectuate the purposes of the Trust Fund. Inclusion of the EUTF's administrative expenses in the appropriation act has served as the mechanism and process for securing these statutorily required approvals. Maintenance of the separate trust fund and trust account is done for accounting purposes and enables the EUTF to utilize and benefit from controls inherent in the State's accounting system so that administrative expenditures are in compliance with Section 87A-31, HRS. Section 87A-30, HRS, establishes the Trust Fund outside the state treasury and the EUTF is working towards establishing it as such. At such time, the Trust Fund and the Trust Account could be combined as recommended.

Temporary Deposits – Finance Division

An evaluation will be made to determine the necessity of the fund. If it is determined that the account is not necessary, appropriate action will be taken to close the account.

Thank you for the opportunity to comment on the draft report. If you or your staff have any questions, please contact Ms. LeNora Wee, Administrative Services Officer, at 586-1601.

Sincerely,

A handwritten signature in black ink, appearing to read "Georgina K. Kawamura". The signature is fluid and cursive, with a large initial "G".

GEORGINA K. KAWAMURA  
Director of Finance

LINDA LINGLE  
GOVERNOR



Russ K. Saito  
Comptroller

Barbara A. Annis  
Deputy Comptroller

STATE OF HAWAII  
DEPARTMENT OF ACCOUNTING  
AND GENERAL SERVICES  
P.O. BOX 119  
HONOLULU, HAWAII 96810-0119

RECEIVED

2008 DEC 31 AM 10:36

OFF. OF THE COMPTROLLER  
STATE OF HAWAII

December 29, 2008

TO: The Honorable Marion M. Higa  
State Auditor

FROM: Russ K. Saito  
State Comptroller

SUBJECT: Draft Report on Revolving and Trust Funds

We appreciate the opportunity to review and comment on the draft audit report on revolving and trust fund accounts enclosed with your memo dated December 24, 2008. After reviewing the report, we concur with the findings in the report and will not be providing any comment.