
Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the University of Hawai'i

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

Report No. 14-18
December 2014



THE AUDITOR
STATE OF HAWAII

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.



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**Twenty-six percent
of UH's funds and
accounts that were
reviewed failed to
meet at least one
of the criteria.**

Response

For the full text of this and
other reports, visit our website:
<http://auditor.hawaii.gov/>

Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the University of Hawai'i

Report No. 14-18, December 2014

*Sixty-five special funds, revolving funds, trust funds, and trust
accounts were reviewed*

Seventeen funds and accounts did not meet criteria

Our review of special, revolving, and trust funds and trust accounts of the University of Hawai'i (UH) found 17 of the 65 funds and accounts (26 percent) did not meet at least one of the criteria for their respective fund or account type.

Section 23-12, HRS, requires the Auditor to review all existing special, revolving, and trust funds every five years. Reviews are scheduled so that each department's funds will be reviewed once every five years. This is our fifth review of the revolving funds, trust funds, and trust accounts of UH. It is our first review of UH special funds, since enactment of Act 130, SLH 2013, amended Section 23-12, HRS, to include reviews of all special funds statewide.

Special funds are used to account for revenues earmarked for particular purposes and from which expenditures are made for those purposes. Revolving funds, such as loan funds, are often established with an appropriation of seed money from the general fund, and must demonstrate the capacity to be self-sustaining. Trust funds, such as a pension fund, invoke the State's fiduciary responsibility to care for and use the assets held for the benefit for those with a vested interest in the assets. Trust accounts are typically separate holding or clearing accounts and are often used as accounting devices for crediting or charging state agencies or projects for payroll or other costs.

We used criteria developed by the Legislature as well as criteria developed by our office from a review of public finance and accounting literature. For each fund, we present a five-year financial summary, the purpose of the fund, and conclusions about its use. We did not audit the financial data, which is provided for informational purposes. We do not present conclusions about the effectiveness of the program or its management, or whether the program should be continued.

Reporting shortfall

We also noted inconsistent adherence to statutorily required reports for non-general funds and for administratively created funds and accounts. Accurate and complete reporting will greatly improve the Legislature's oversight and control of these funds and provide increased budgetary flexibility.

We did not review revolving fund accounts maintained by the Research Corporation of the University of Hawai'i, a state agency attached to UH for administrative purposes, because it was outside the scope of this review. We also observed UH received general fund appropriations for programs that were also supported by special and revolving funds.

Agency reponse

We transmitted a draft of this review to the UH. UH agreed with our review for the most part and will take appropriate action to ensure compliance with reporting requirements. UH did not comment about the repeal of the University of Hawai'i Housing Assistance Revolving Fund, and disagreed with our conclusions to repeal six funds; however we stand by our conclusions.

Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the University of Hawai'i

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

Submitted by

THE AUDITOR
STATE OF HAWAI'I

Report No. 14-18
December 2014

Foreword

This is a report of our review of special funds, revolving funds, trust funds, and trust accounts used by or administratively attached to the University of Hawai‘i.

Section 23-12, Hawai‘i Revised Statutes (HRS), requires the State Auditor to review all existing special, revolving, and trust funds and accounts, once every five years. This is our fifth review of the revolving funds, trust funds, and trust accounts of the University of Hawai‘i. It is our first review of its special funds, since Act 130, Session Laws of Hawai‘i 2013, amended Section 23-12, HRS, to include reviews of all special funds statewide.

We wish to express our appreciation for the cooperation and assistance extended to us by the officials and staff of the University of Hawai‘i.

Jan K. Yamane
Acting State Auditor

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Chapter 1

Introduction

This review encompasses the special funds, revolving funds, trust funds, and trust accounts of the University of Hawai‘i (UH). Section 23-12, *Review of special, revolving, and trust funds*, Hawai‘i Revised Statutes (HRS), requires the State Auditor to review all special, revolving, and trust funds administered by each state department every five years.

Our review of the university’s funds and accounts is the first since enactment of Act 130, Session Laws of Hawai‘i (SLH) 2013, which amended Section 23-12, HRS, to also require reviews of special funds at all agencies and of special, revolving, and trust funds of the departments of Defense and Transportation.

This is our fifth periodic review of UH revolving funds, trust funds, and trust accounts. Our first review, conducted in 1994 (Report No. 94-19), included 27 of UH’s revolving funds, trust funds, and trust accounts. Our second review, conducted in 2000 (Report No. 00-07), included 41 such funds and accounts; our third review, conducted in 2004 (Report No. 04-13), also included 41; and our fourth review, conducted in 2009 (Report No. 09-11), included 42. This report reviews 65 of UH’s special funds, revolving funds, trust funds, and trust accounts.

Background

Through Act 240, SLH 1990, the Legislature required the Auditor to review all special and revolving funds and to recommend whether they be continued, modified, or repealed. The Legislature was concerned with the proliferation of these types of funds because moneys deposited into and spent from such funds are not subject to the level of legislative scrutiny as those in the State’s general fund.

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

Regular reviews of revolving and trust funds were later required by Act 280, SLH 1993. Codified as Section 23-12, HRS, the act expanded the scope of Act 240, SLH 1990, by requiring the Auditor to review revolving and trust funds administered by the State once every five

years. The law was again broadened through Act 130, SLH 2013, to include a review of all special funds once every five years and to add the departments of Defense and Transportation to the list of agencies reviewed.

Section 23-12, HRS, now specifies that five-yearly reviews must include:

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. The degree to which each fund achieves its stated and claimed purposes;
3. An evaluation of the fund's performance standards as 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.

Description of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts

Special funds

Section 37-62, HRS, defines a special fund as one that is “dedicated or set aside by law for a specified object or purpose, but excluding revolving funds and trust funds.” According to the State of Hawai‘i’s *Accounting Manual*, special funds are used to account for revenues earmarked for particular purposes and from which expenditures are made for those purposes. Examples of special funds include the Captive Insurance Administrative Fund, which is funded through fees and premium taxes and supports the State’s Captive Insurance Program and the Wireless Enhanced 911 Fund. The Wireless Enhanced 911 Fund receives surcharges from wireless phone users for the upgrade of the 911 emergency system.

Revolving funds

Section 37-62, HRS, defines a revolving fund as one “from which is paid the cost of goods and services rendered or furnished to or by a state agency and which is replenished through charges made for the goods or services or through transfers from other accounts or funds.” Revolving funds are often established 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. An example of a revolving fund is the State Motor Pool Revolving Fund,

which is used to purchase and maintain 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 one 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 an example of a trust fund. Contributions and payments are to be held for the beneficiaries of the pension fund. Another example is tenants’ security deposits, which are held in trust 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. Trust accounts also serve as accounting devices to credit or charge agencies or projects for payroll or other costs.

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

Special and revolving fund criteria

In 2002, the Legislature set the requirements for establishing and continuing special and revolving funds. Sections 37-52.3 and 37-52.4, HRS, now state that special and revolving funds may only be established by statute. The criteria used to review special and revolving funds are the extent to which each fund:

- Serves a need, as demonstrated by the purpose of the program to be supported by the fund; the scope of the program, including financial information on fees to be charged, sources of projected revenue, and costs; and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
- Reflects a clear nexus between the benefits sought and charges made upon the program users or beneficiaries, or a clear link between the program and the sources of revenue—as opposed to serving primarily as a means to provide the program or users with an automatic means of support, removed from the normal budget and appropriation process;

- Provides an appropriate means of financing for the program or activity, used only when essential to the successful operation of the program or activity; and
- Demonstrates the capacity to be financially self-sustaining.

Trust fund and trust account criteria

Unlike the requirements for special and revolving funds, the law is silent on whether a trust fund or trust account can be established other than by statute. The criteria used to review trust funds and trust accounts are the extent to which each fund or account:

- Continues to serve the purpose for which it was originally created;
- Provides the benefits or services originally intended to beneficiaries;
- Requires no general fund appropriation; and
- Meets the definition of a trust fund or trust account, respectively.

The first two criteria are derived from the objectives of Section 23-12, HRS, which ask for an evaluation of the original intent of each fund and the degree to which each fund achieves its stated purpose. The third criterion assesses whether a 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 a fund is held by the State only for the benefit of those with a vested interest in the assets.

Objectives of the Review

1. Identify and review all special funds, revolving funds, trust funds, and trust accounts of the University of Hawai‘i.
2. For each special fund, revolving fund, trust fund, and trust account, determine the original intent and purpose, per statute and as understood by the agency, and determine the degree to which each fund or account achieves its stated and claimed purposes.
3. Evaluate fund performance standards established by the agencies.
4. Provide a five-year (FY2010–FY2014) unaudited financial summary for each fund or account reviewed.

Scope and Methodology

We reviewed all special funds, revolving funds, trust funds, and trust accounts directly administered by the UH during the five-year period under review (FY2010–FY2014). Funds and accounts included those established by statute as well as by administrative authority.

We researched statutes, session laws, and legislative history. We reviewed applicable administrative rules, policies and procedures, financial audit reports, agency financial reports, performance standards established by the agency, and other documents as appropriate. To identify funds subject to this review, we used a variety of sources, including prior review reports, accounting reports from the Department of Accounting and General Services, non-general fund reports filed by the agencies, budget briefing documents, and other documents. To gain an understanding of fund operations, we interviewed key fiscal and program personnel as necessary.

We obtained a summary statement for each fund that reflects total fund transactions in the preceding five fiscal years (July 1, 2010 to June 30, 2014), including fund balances at the beginning of each fiscal year, total revenues, amount of interest earned, total expenditures, transfers, and ending fund balances for each fiscal year. We requested explanations for discrepancies between ending balances for FY2009 reported in Report No. 09-11 and the opening balances reported to us for FY2010.

Procedures were performed on each fund using relevant criteria as stated above. We reviewed fund information for consistency with the intent of each fund's use and to ascertain the relationship between charges on users and expenditures. We reviewed and compared fund balances to financial activity and projected program needs and standards. We reviewed information provided by the agencies on performance standards established for the funds or accounts and performed other procedures as necessary.

Where appropriate, we relied on our prior reports, including Report Nos. 92-9, *Review of Special and Revolving Funds of the University of Hawai'i*; 94-19, *Review of Revolving and Trust Funds of the University of Hawai'i and the Departments of the Attorney General and Business, Economic Development and Tourism*; 00-07, *Review of Revolving Funds, Trust Funds, and Trust Accounts of the Department of the Attorney General, the Department of Business, Economic Development, and Tourism, and the University of Hawai'i*; 03-04, *Review of Selected University of Hawai'i Non-General Funds and Accounts*; 04-13, *Review of Revolving Funds, Trust Funds, and Trust Accounts of the Department of the Attorney General, the Department of Business, Economic Development, and Tourism, and the University of Hawai'i*; 09-11, *Review of Revolving Funds, Trust Funds, and Trust Accounts of the Departments*

of the Attorney General and Business, Economic Development and Tourism, and the University of Hawai'i; 01-12, Update of the 1992 Summary of Special and Revolving Funds; and 12-04, Study of the Transfer of Non-general Funds to the General Fund.

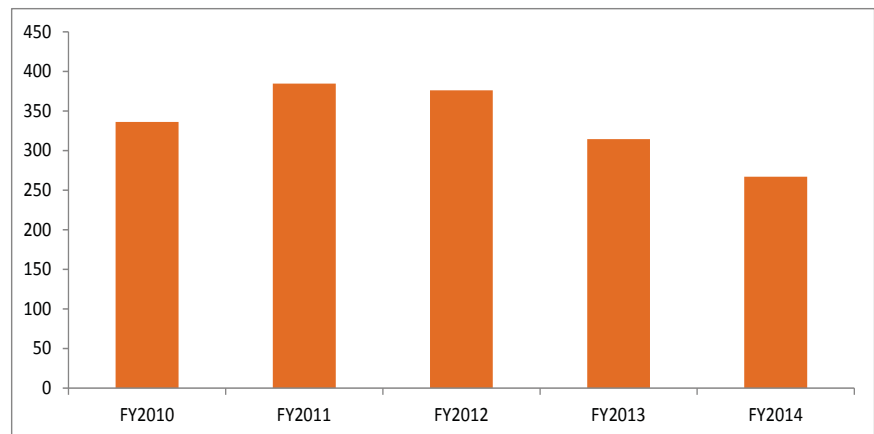
Our review was conducted from May 2014 to November 2014 and followed standard office procedures according to the Office of the Auditor's *Manual of Guides*. Recommendations were made where applicable. We did not audit UH's financial data, which are provided for informational purposes only.

Chapter 2

University of Hawai‘i

This chapter presents the results of our review of 30 special funds, 22 revolving funds, and 13 trust funds and trust accounts of the University of Hawai‘i (UH). Fund fiscal year-end balances amounted to at least \$266 million during the period reviewed. Exhibit 2.1 displays the totals for these fund balances at the end of the fiscal year.

Exhibit 2.1
Cash Balances for UH Non-General Funds, FY2010–FY2014
(in millions)



Source: Office of the Auditor

Substantial amounts are also collected, expended, and transferred by the funds and accounts annually. As shown in Exhibit 2.2, UH special, revolving, and trust funds and accounts collected more than \$641 million and spent or transferred more than \$636 million in FY2014. Exhibit 2.2 presents totals for the combined revenue and interest, expense and transfers, and ending fund balances for different fund types for FY2014.

Exhibit 2.2

UH Fund and Account Totals by Type, FY2014

Fund Type	Revenue and Interest	Expenses and Transfers	Year-End Cash Balance
Special Funds	\$470,442,000	\$461,255,000	\$196,277,000
Revolving Funds	90,990,000	86,664,000	46,155,000
Trust Funds and Trust Accounts	80,339,000	88,917,000	24,444,000
Total	\$641,771,000	\$636,836,000	\$266,876,000

Source: Office of the Auditor

For each fund or account we present a five-year financial summary, the purpose of the fund or account, and conclusions about its use and whether it meets the criteria for continuance of a special or revolving fund or the definition of a trust fund. We also include information about fund transfers, but note that UH special funds are not subject to central service assessments under Section 36-27, HRS; nor are they responsible for reimbursing administrative expenses incurred by funds' operations under Section 36-30, HRS. We do not assess the effectiveness of programs and their management. However, in our review of special and revolving funds, we do conclude on the fund's necessity based on the purpose and scope of the program it supports, and whether the program can be implemented successfully under the general fund appropriation process. Funds and accounts established by statutory and administrative authority are presented in alphabetical order. Financial data were obtained from UH, except for the Unrestricted Quasi-Endowment Income and Scholarship Revolving Fund, which were obtained from the Department of Accounting and General Services because UH did not provide the information as requested.

Exhibit 2.3 summarizes UH funds and accounts that do not meet criteria for continuance and should be repealed or reclassified.

Exhibit 2.3 UH's Funds and Accounts Not Meeting Criteria

Fund Name	Fund Type	6/30/14 Balance (rounded)	No longer serves original purpose	No clear nexus between benefits sought and user charges or a clear link between the program and revenue sources	Program can operate under general fund appropriation process	Inappropriate financing mechanism	Not financially self- sustaining	Does not serve a need
Animal Research Farm, Waiale'e, O'ahu Special Fund	Special	(\$7,000)	✓			✓	✓	✓
Career and Technical Training Projects Revolving Fund	Revolving	\$41,000					✓	
Center for Labor Education and Research Revolving Fund	Revolving	\$3,000			✓		✓	✓
Community Colleges Special Fund*	Special	\$25,764,000				✓		
Conference Center Revolving Fund – University of Hawai'i at Hilo	Revolving	\$0	✓					✓
Discoveries and Inventions Special Fund	Special	\$755,000			✓		✓	
Hawai'i Educator Loan Special Fund*	Special	\$9,000				✓		
Hawai'i Medical Education Special Fund	Special	\$0	✓				✓	✓
Hurricane Iniki Insurance Proceeds**	Special	\$84,000	✓					✓
Professional Student Exchange Program Special Fund*	Special	\$0				✓		
Senator Hiram L. Fong Scholarship Program Endowment Trust	Trust	\$0	✓					
Senator Oren E. Long Scholarship Program Endowment Trust	Trust	\$0	✓					
University of Hawai'i Alumni Special Fund	Special	\$0	✓	✓		✓	✓	✓
University of Hawai'i at Mānoa Intercollegiate Athletics Special Fund	Special	(\$15,354,000)					✓	
University of Hawai'i Community Services Special Fund	Special	(\$5,454,000)				✓	✓	

Fund Name	Fund Type	6/30/14 Balance (rounded)	No longer serves original purpose	No clear nexus between benefits sought and user charges or a clear link between the program and revenue sources	Program can operate under general fund appropriation process	Inappropriate financing mechanism	Not financially self-sustaining	Does not serve a need
University of Hawai'i Housing Assistance Revolving Fund	Revolving	\$0	✓	✓		✓	✓	✓
Unrestricted Quasi-Endowment Income and Scholarship Revolving Fund***	Revolving	\$562,000	✓	✓	✓	✓	✓	✓

*Reclassification to a different fund type is recommended.

**Administratively created in 1993 and should be discontinued.

***Fund was repealed by Act 75, SLH 2006, but remains in use.

Source: Office of the Auditor

**Agency Fund
(trust account)**

Financial Data for Fiscal Years 2010–2014 (in thousands)

Administratively established

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	1,187	5,744	5,105	147	265
Interest	0	0	0	0	0
Expenditures	(1,187)	(5,744)	(5,105)	(147)	(265)
Transfers	0	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account continues to serve the purpose for which it was created and meets the criteria for a trust account. The account was administratively established prior to July 1985 as a temporary holding account for cash, receivables, temporary investments, and amounts due from other fund groups held by UH. The account receives cash deposits from students, faculty, staff, and other organizations for items such as equipment, musical instruments, library carrels and lockers, faculty housing, and long distance telephone service. UH acts as the custodian for these funds, repaying the deposits as they are due.

**Animal Research Farm,
Waiale'e, O'ahu
Special Fund
(special fund)**

**Section 304A-2177,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$87	\$63	\$44	\$21	\$2
Revenues	0	0	0	1	0
Interest	0	0	0	0	0
Expenditures	(24)	(19)	(23)	(20)	(9)
Transfers	0	0	0	0	0
Ending Balance	\$63	\$44	\$21	\$2	(\$7)
Encumbrances	\$0	\$2	\$0	\$3	\$2

This fund no longer serves its original purpose, does not meet the criteria for a special fund, and should be repealed because the university ceased its animal research farm operations. Created in 1974 and converted from a revolving fund to a special fund in FY2011, the fund is used to account for moneys from the sale of livestock and by-products from research and demonstration projects conducted at the Waiale'e Livestock Experiment Station. Expenditures consist of labor, materials, supplies and equipment that are necessary to maintain the facility and to ensure continued use for research and instruction purposes. The fund is not self-sustaining because it incurred expenditures throughout the review period, but only generated minimal revenues in one of those years. Also, because this fund functions more like a revolving fund, it does not meet the definition of a special fund. According to the university, the Waiale'e Livestock Experiment Station is undergoing a use assessment as part of the College of Tropical Agriculture and Human Resources' strategic planning initiative. House Bill No. 2427, House Draft 1, Senate Draft 1, Conference Draft 1 (HB No. 2427, HD 1, SD 1, CD 1), which was passed by the 2014 Legislature, proposed to repeal the fund but was vetoed by the governor.

**Career and Technical
Training Projects
Revolving Fund
(revolving fund)**

**Section 304A-2268,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$101	\$101	\$97	\$55	\$57
Revenues	3	2	2	2	3
Interest	0	0	0	0	0
Expenditures	(3)	(6)	(44)	0	(19)
Transfers	0	0	0	0	0
Ending Balance	\$101	\$97	\$55	\$57	\$41
Encumbrances	\$2	\$43	\$1	\$1	\$41

This fund continues to serve the purpose for which it was created, but does not meet all the criteria for a revolving fund and should be repealed. While the fund has not received general fund appropriations, we have concerns about the fund's capacity to be self-sustaining because expenditures have exceeded revenues in recent years and the cash balance is declining. The fund was created in 1974 to account for receipts and disbursements for services, supplies, and use of equipment provided for vocational and technical projects at the community colleges and the University of Hawai'i at Hilo (UH–Hilo). Since 2000, revenues generated from the community colleges are consolidated into the Community College Special Fund pursuant to Act 161, SLH 2000. This fund supports UH–Hilo's College of Agriculture, Forestry and Natural Resource Management's (CAFNRM) hands-on teaching program and the College of Business and Economics' student-assisted management instructional and counseling services to local small businesses. Revenues are generated from the sale of agriculture commodities produced on the farm and fees earned from counseling clients. Expenditures consist of materials and supplies for projects, replacement and repair of tools and equipment, and administrative costs. In FY2012, expenditures included the purchase of a tractor for use in the hands-on teaching program at the CAFNRM farm. HB No. 2427, HD 1, SD 1, CD 1, which was passed by the 2014 Legislature, proposed to repeal the fund but was vetoed by the governor.

**Center for Labor
Education and
Research Revolving
Fund
(revolving fund)**

**Section 304A-2267,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$20*	\$9	\$6	\$8	\$4
Revenues	12	9	10	4	6
Interest	0	0	0	0	0
Expenditures	(23)	(12)	(8)	(8)	(7)
Transfers	0	0	0	0	0
Ending Balance	\$9	\$6	\$8	\$4	\$3
Encumbrances	\$0	\$1	\$1	\$0	\$2

*FY2010 beginning balance does not agree to FY2009 ending balance in Report No. 09-11 because of a change in reporting from accrual to cash basis.

This fund continues to serve the purpose for which it was created, but does not meet all the criteria for a revolving fund and should be repealed. The fund is not self-sustaining, as expenditures have exceeded revenues for four fiscal years in our review period and the cash balance is declining. Created in 1976, the fund supports the Center for Labor Education and Research (CLEAR), established at the University of Hawai'i–West O'ahu campus under Section 304A-1601, HRS. The fund is used to account for fees charged to students and labor organizations for conducting classes. Although the fund does not receive general fund appropriations, we note that costs of operations do not include the salaries of five permanent CLEAR staff who are paid through general fund appropriations. According to the university, CLEAR can be successfully implemented under the general fund appropriation process if adequate allocations are appropriated. HB No. 2427, HD 1, SD 1, CD 1, which was passed by the 2014 Legislature, proposed to repeal the fund but was vetoed by the governor.

**Center for Nursing
Special Fund
(special fund)**

**Section 304A-2163,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$327	\$637	\$358	\$755	\$268
Revenues	795	0	857	1	948
Interest	6	3	3	1	1
Expenditures	(497)	(416)	(466)	(577)	(384)
Transfers*	6	134	3	88	35
Ending Balance	\$637	\$358	\$755	\$268	\$868
Encumbrances	\$0	\$130	\$19	\$3	\$3

*Transfers comprise Center for Nursing fees collected by the Department of Commerce and Consumer Affairs and expense reimbursements from educational and healthcare organizations deposited into the fund.

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. Created in 2003, the fund is used to account for the Center for Nursing's operations. Revenues are derived from a \$40 special fee on nurses for their license to work in Hawai'i and grants and extramural funding sources to expand capacity for special programs and projects. Expenditures consist of operational expenses for the center's programs and activities, such as supplies and contracts for services provided by special trainers.

**Child Care Programs
Special Fund
(special fund)**

**Section 304A-2173,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$27	(\$49)	(\$76)	\$10	\$160
Revenues	906	882	872	1,027	1,035
Interest	0	0	0	0	0
Expenditures	(982)	(909)	(786)	(877)	(1,092)
Transfers	0	0	0	0	0
Ending Balance	(\$49)	(\$76)	\$10	\$160	\$103
Encumbrances	\$48	\$32	\$25	\$55	\$83

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. Created in 1986, the fund is used to account for the revenues and expenditures of operating child care

programs and constructing and renovating child care centers. Moneys are derived from fees for services, application and comprehensive fees, and meal reimbursements from the U.S. Department of Agriculture. The fund is also allowed to receive proceeds from donations and loans or other instruments of indebtedness for the construction or renovation of child care centers. Expenditures consist of costs for teachers and administrative personnel, meals, educational materials, classroom furniture, office supplies and other operating costs, use of cargo van for deliveries, playground equipment upkeep, and user fees for three off-campus classrooms. Expenditures may also include the payment of principal and interest on obligations incurred for the construction or renovation of child care centers.

**Community College
and University of
Hawai'i at Hilo
Bookstore Revolving
Fund
(revolving fund)**

**Section 304A-2269,
HRS (repealed by Act
124, SLH 2011)**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011
Beginning Balance	\$0	\$0
Revenues	0	0
Interest	0	0
Expenditures	0	0
Transfers	0	0
Ending Balance	\$0	\$0
Encumbrances	\$0	\$0

This fund was repealed by Act 124, SLH 2011. Created in 1971, the fund was used to pay for goods or services rendered or furnished to the bookstores. As we reported in 2009, the fund has not been used for several years, since the university now accounts for these transactions within the University Revenue–Undertakings Fund.

**Community College
Conference Center
Revolving Fund
(revolving fund)**

**Section 304A-2273,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$1,155*	\$1,245	\$1,356	\$978	\$841
Revenues	532	509	119	160	282
Interest	10	7	5	2	1
Expenditures	(452)	(405)	(502)	(299)	(264)
Transfers	0	0	0	0	0
Ending Balance	\$1,245	\$1,356	\$978	\$841	\$860
Encumbrances	\$86	\$96	\$67	\$25	\$51

*FY2010 beginning balance does not agree to FY2009 ending balance in Report No. 09-11 because of a change in reporting from accrual to cash basis.

This fund continues to serve the purpose for which it was created and meets the criteria for a revolving fund. Created in 1994, the fund is used to account for fees, charges, and other moneys collected from participants and sponsors in conjunction with conference center activities conducted at the various community colleges. Funds are used for conference center activities, including honoraria, hotel and room rentals, food and refreshment, printing and mailing, airfare and per diem, rental of audio-visual equipment, and conference supplies and materials.

**Community Colleges
Special Fund
(special fund)**

**Section 304A-2162,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$14,224	\$16,152	\$18,444	\$27,674	\$27,759
Revenues	21,316	21,038	21,013	20,120	19,739
Interest	0	0	0	0	32
Expenditures	(19,407)	(18,775)	(19,391)	(19,616)	(21,222)
Transfers*	19	29	7,608	(419)	(544)
Ending Balance	\$16,152	\$18,444	\$27,674	\$27,759	\$25,764
Encumbrances	\$2,755	\$2,784	\$1,749	\$3,399	\$3,835

*Net transfers include transfers made from licensing royalties in FY2010 to FY2014, to and from the University Revenue–Undertakings Fund for the closure of the Maui Community College dorm in FY2010 and FY2011; to and from the University of Hawai'i Tuition and Fees Special Fund to establish a reserve for meeting accreditation requirements in FY2012, for debt service payments in FY2013 and FY2014, and for other programs in FY2014; and from the Research and Training Revolving Fund for continuing education and training in FY2014.

This fund continues to serve the purpose for which it was created, but it functions as, and meets the criteria for, a revolving fund and should be reclassified as such. Created in 1975, the fund is used to receive, disburse, and account for funds associated with conducting various community college programs and activities. These include program for continuing education, off-campus, summer and evening sessions, study abroad, exchange, and cultural enrichment, and consultative services that help make community colleges' resources available to the communities they serve. Revenues come from fees charged for such programs and activities. Expenditures consist of the costs associated with the various programs and activities and the related support services and facilities.

**Conference Center
Revolving Fund –
University of Hawai'i
at Hilo
(revolving fund)**

**Section 304A-2272,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$1	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(1)	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund does not serve its original purpose since there has been minimal activity throughout this review period. It should be repealed. In 2001 and in 2004, we reported that the fund experienced only minimal activity and did not appear to be serving the purpose for which it was originally created. In 2009, we reported that the fund had no activity during fiscal years 2005 through 2009, and thus failed to meet its statutory purpose. The fund was created in 1993 to account for fees, charges, and other moneys collected by UH–Hilo for the Conference Center Program in the College of Continuing Education and Community Service. Funds were used to conduct conferences, seminars, and courses conducted by the conference center program.

**Conference Center
Revolving Fund
(revolving fund)**

**Section 304A-2264,
HRS (repealed by Act
124, SLH 2011)**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$250*	\$183	\$179	\$0	\$0
Revenues	680	987	0	0	0
Interest	4	2	0	0	0
Expenditures	(513)	(993)	(165)	0	0
Transfers**	(238)	0	(14)	0	0
Ending Balance	\$183	\$179	\$0	\$0	\$0
Encumbrances	\$45	\$164	\$43	\$0	\$0

*FY2010 beginning balance does not agree to FY2009 ending balance in Report No. 09-11 because of a change in reporting from accrual to cash basis.

**Transfers were made between university departments for conference registration fees, return of surplus funds, and to cover deficits in operating accounts. The unencumbered balance was transferred to the general fund in FY2012.

Section 304A-2264, HRS, establishing the fund was repealed in 2011 through Act 124, SLH 2011, and the fund no longer serves its original purpose. Created in 1990, the fund was used to account for fees, charges, and other moneys collected in conjunction with the conference center program in UH–Mānoa’s College of Continuing Education and Community Service. The program provided the university, state agencies, nonprofit organizations, and local businesses with meeting planning assistance in conducting seminars, symposia, institutes, and conferences.

**Discoveries and
Inventions Special
Fund
(special fund)**

**Section 304A-2174,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$44	\$175*	\$578	\$100	\$1,341
Revenues	108	290	151	244	147
Interest	3	3	1	1	1
Expenditures	(820)	(690)	(630)	(605)	(55)
Transfers**	799	800	0	1,601	(679)
Ending Balance	\$134*	\$578	\$100	\$1,341	\$755
Encumbrances	\$22	\$21	\$89	\$211	\$118

*FY2010 ending balance does not agree to FY2011 beginning balance due to a financial accounting system conversion.

**Transfers in FY2010, FY2011, and FY2013 were made from the Research and Training Revolving Fund to cover personnel and general operating costs. Transfers in FY2014 were made to the Research and Training Revolving Fund to return remaining balances of operating funds previously transferred in.

This fund continues to serve the purpose for which it was created, but does not meet the criteria for a special fund and should be repealed. Created in 1988 as a revolving fund and converted to a special fund in 2011, the fund is used to support the development of technologies that have potential commercial value, to support the administration of technology transfer activities at the university, and to facilitate economic development through education and research undertaken at the university. Moneys are derived from royalties and copyright income and from interest income. Expenditures consist of salaries, office rent, legal services, and royalty payments. The university acknowledged the program could be implemented successfully with general fund appropriations because it is critical to the university and the state economy. While the fund does not require general fund appropriations, it is not self-sustaining because in FY2010, FY2011, and FY2013, expenditures exceeded revenues and it received moneys transferred from the Research and Training Revolving Fund to cover operating expenses.

**Education Laboratory
School Summer
Programs Revolving
Fund
(revolving fund)**

**Section 304A-2266,
HRS (repealed by Act
124, SLH 2011)**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$154*	\$0	\$0	\$0	\$0
Revenues	1	2	0	0	0
Interest	0	0	0	0	0
Expenditures	(155)	(2)	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$4	\$2	\$2	\$0	\$0

*FY2010 beginning balance does not agree to FY2009 ending balance in Report No. 09-11 because of a change in reporting from accrual to cash basis.

This fund was repealed in 2011 through Act 124, SLH 2011, and no longer serves the purpose for which it was created. Created in 1994, the fund was used to support the operation of a summer school program in the Curriculum Research and Development Group (CRDG) at the University Laboratory School, which became a charter school outside the university. According to UH, funding for the summer program was established by the CRDG in a Research Corporation of the University of Hawai'i (RCUH) revolving fund in March 2010. As discussed in Chapter 3, the RCUH revolving fund account was outside the scope of our review.

**Endowment Fund
(trust fund)**

**Administratively
established**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$4,772*	\$4,190	\$2,029	\$2,123	\$1,731
Revenues	1,793	(1,235)	964	691	(569)
Interest	1,284	1,231	1,303	1,327	1,548
Expenditures	(3,659)	(2,157)	(2,173)	(2,410)	(2,236)
Transfers	0	0	0	0	0
Ending Balance	\$4,190	\$2,029	\$2,123	\$1,731	\$474
Encumbrances	\$0	\$0	\$0	\$0	\$0

*FY2010 beginning balance does not agree to FY2009 ending balance in Report No. 09-11 because of a change in reporting from accrual to cash basis.

This fund continues to serve the purpose for which it was created and meets the criteria for a trust fund. Created in 1925, the fund is used to support university students through donor and Board of Regents scholarships. Donor scholarships include scholarships for the school of medicine and the College of Engineering. Board of Regents and President's scholarships are for Hawai'i's top high school graduates, and other scholarships are for athletic programs at UH–Mānoa and UH–Hilo's athletic programs. According to UH, the fund collectively manages the assets of 63 named endowment funds received prior to September 1998, after which all new gifts were directed to the University of Hawai'i Foundation.

**Energy Systems
Development
Special Fund
(special fund)**

**Section 304A-2169,
HRS, and Act 107,
SLH 2014**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$0	\$0	\$0	\$3,944	\$199
Revenues	0	0	0	0	0
Interest	0	0	14	8	1
Expenditures	0	0	(644)	(6,528)	(3)
Transfers*	0	0	4,574	2,775	201
Ending Balance	\$0	\$0	\$3,944	\$199	\$398
Encumbrances	\$0	\$0	\$129	\$0	\$0

*FY2012 to FY2014 transfers were made from petroleum barrel tax collections received from the Department of Budget and Finance.

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. The fund was established in 2007, with a sunset date of June, 30 2012, which was extended to June 30, 2013, as authorized by Act 151, SLH 2012. The fund was re-established and authorized by Act 107, SLH 2014. The fund is used to support the development of an integrated approach and portfolio management of renewable energy and energy efficiency technology projects, to reduce Hawai'i's dependence on fossil fuel and imported oil and move the State toward energy self-sufficiency. Revenues are derived from a portion of the environmental response, energy, and food security tax on each barrel of petroleum, and from investment earnings. Expenditures consist of matching funds for federal and private sources for research, development, demonstration of renewable energy sources, contracts and grants, and managing projects commissioned under the fund.

***Hawai'i Cancer
Research Special Fund
(special fund)***

***Section 304A-2168,
HRS***

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$38,254	\$46,435	\$41,012	\$38,317	\$28,865
Revenues	14,369	11,329	18,695	14,479	15,792
Interest	368	252	168	80	39
Expenditures	(6,634)	(19,481)	(13,829)	(16,285)	(16,006)
Transfers*	78	2,477	(7,729)	(7,726)	(7,908)
Ending Balance	\$46,435	\$41,012	\$38,317	\$28,865	\$20,782
Encumbrances	\$0	\$689	\$803	\$860	\$1,603

*Transfers in FY2012 to FY2014 were made to the University Revenue–Undertakings Fund for debt service payments and other expenses associated with revenue bonds. Transfer information for FY2010 and FY2011 was not provided.

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. Created in 2006, the fund is used to account for the revenues and expenditures of the cancer research center's activities, operations, and capital expenditures. Revenues come from an excise tax on cigarettes sold, used, or possessed by a wholesaler or dealer and interest income. Expenditures consist of research and operating expenses and capital expenditures, debt service, and additional security on revenue bonds issued to finance the construction of a new cancer center building.

***Hawai'i Educator Loan
Program Special Fund
(special fund)***

***Section 304A-2161,
HRS***

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$42	\$12	\$10	\$8	\$15
Revenues	19	15	7	6	8
Interest	0	0	0	0	0
Expenditures	(49)	(17)	(9)	1	(14)
Transfers	0	0	0	0	0
Ending Balance	\$12	\$10	\$8	\$15	\$9
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund continues to serve the purpose for which it was created, but functions as, and meets the criteria for, a revolving fund and should be re-classified as such. Created in 2001, the fund serves as a tool to recruit college students to become educators in Hawai'i public schools. The fund provides eligible students with loans for tuition, textbooks, and other instruction materials necessary to complete a state-approved teacher education program. Revenues come from loan principal repayments and the related interest charges. Expenditures consist of loans awarded to students who are eligible for loans under the Hawai'i Educator Loan Program.

***Hawai'i Health Corps
Revolving Fund
(revolving fund)***

Section 309H-6, HRS

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2013	FY2014
Beginning Balance	\$0	\$0
Revenues	0	0
Interest	0	0
Expenditures	0	0
Transfers	0	0
Ending Balance	\$0	\$0
Encumbrances	\$0	\$0

This fund was created in 2012 but has had no financial activity. Therefore, the fund has a limited history from which to determine whether it is serving its purpose and meeting revolving fund criteria. The fund was created to support the Hawai'i Health Corps Program under

Section 309H-2, HRS, and the Hawai'i Rural Health Care Provider Loan Repayment Program under Section 309H-3, HRS, to encourage eligible physicians, physician assistants, and nurse practitioners to serve for at least two years in designated health professional shortage areas. Money for the loan repayment program is to come from gifts, donations, and grants from public agencies and private persons. The fund can receive appropriations from the Legislature and a federal grant, which would provide a dollar-for-dollar matching of private donations to the loan repayment program. The fund is to be administered by the school of medicine and the School of Nursing and Dental Hygiene.

***Hawai'i Medical
Education Special
Fund
(special fund)***

***Section 304A-2164,
HRS***

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning 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 Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund no longer serves the purpose for which it was created and does not meet the criteria for a special fund. The fund should be repealed, given the program's unfunded status and the fund's lack of financial activity. The fund was established in 2003 to support the graduate medical education program. Funding is dependent on the Medical Education Council securing funds from public and private sources, including the federal government, to support a health care workforce and training program for the state.

**Hawaiian Language
College Revolving
Fund
(revolving fund)**

**Section 304A-2270,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$60	\$76	\$76	\$98	\$95
Revenues	16	4	39	54	68
Interest	0	0	0	0	0
Expenditures	0	(4)	(17)	(57)	(60)
Transfers	0	0	0	0	0
Ending Balance	\$76	\$76	\$98	\$95	\$103
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund continues to serve the purpose for which it was created and meets the criteria for a revolving fund. Created in 1997, the fund accounts for revenues derived from the sale of Hawaiian language materials to students, teachers, and schools. Funds are used to support UH–Hilo’s Hawaiian Language College with the development and production of Hawaiian language materials and resources for educational purposes. Expenditures consist of salaries, materials, supplies, and printing costs.

**Hurricane Iniki
Insurance Proceeds
(special fund)**

**Administratively
established**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$84	\$84	\$84	\$84	\$84
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 Balance	\$84	\$84	\$84	\$84	\$84
Encumbrances	\$40	\$40	\$40	\$40	\$40

This fund no longer serves the purpose for which it was created, since there was no activity throughout this review period, and therefore should be discontinued. The university has no immediate plans to expend the fund balance. The fund was administratively established in 1993, prior to the 2002 enactment of Section 37-52.3, HRS, which requires special

funds to be established by statute. The fund was created to collect and account for Hurricane Iniki insurance proceeds from the Federal Emergency Management Agency and the Department of Accounting and General Services Risk Management insurance settlement. Insurance proceeds were to be used to cover the costs related to damages caused by Hurricane Iniki, specifically for repairing and replacing physical assets at the community colleges and at UH–Mānoa and for major debris cleanup at the Mānoa campus.

**International Exchange
Healthcare Tourism
Revolving Fund
(revolving fund)**

**Section 304A-2265,
HRS (repealed by Act
124, SLH 2011)**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011
Beginning Balance	\$0	\$0
Revenues	0	0
Interest	0	0
Expenditures	0	0
Transfers	0	0
Ending Balance	\$0	\$0
Encumbrances	\$0	\$0

This fund was repealed by Act 124, SLH 2011. Created in 1998, the fund was intended to account for all donations, gifts, contributions, legislative appropriations, and moneys generated by the program through education, training, and research contracts and grants. The school of medicine and School of Nursing and Dental Hygiene were to conduct an international exchange program for medical and nursing students and use the fund for student aid, training projects, teaching, supplies, services, and activities related to the development and promotion of the program. According to the university, the fund was established within its accounting system; however, no revenues were ever appropriated to or expended from the fund before it was repealed.

**John A. Burns School
of Medicine Special
Fund
(special fund)**

**Section 304A-2171,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$0	\$352	\$233	\$583
Revenues	225	1	499	0
Interest	1	1	1	1
Expenditures	(120)	(121)	(150)	(245)
Transfers*	246	0	0	0
Ending Balance	\$352	\$233	\$583	\$339
Encumbrances	\$15	\$7	\$96	\$0

*FY2011 transfer was made from a UH tuition account that collected medical license renewal fees before the special fund account was implemented.

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. Created in 2009 and activated in FY2011, the fund is used to support the John A. Burns School of Medicine's physician workforce assessment and planning activities in Hawai'i. These activities include maintaining accurate physician workforce assessment information and providing or updating personal and professional information in a secure database. Moneys come from the physician workforce assessment fee included in the medical license renewal fees of physicians, surgeons, and osteopathic physicians, and from interest income. Expenditures consist of administrative staffing, contracted services, supplies, travel, and other activity related to physician workforce assessment and planning.

**Library Special Fund
(special fund)****Section 304A-2155,
HRS****Financial Data for Fiscal Years 2010–2014 (in thousands)**

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$213	\$169	\$165	\$187*	\$538*
Revenues	612	601	590	576	650
Interest	2	1	1	1	1
Expenditures	(658)	(606)	(578)	(178)	(452)
Transfers**	0	0	0	(39)	(37)
Ending Balance	\$169	\$165	\$178*	\$547*	\$700
Encumbrances	\$128	\$123	\$46	\$143	\$123

*FY2012 and FY2013 ending balances do not agree to the FY2013 and FY2014 beginning balances, respectively, due to a financial accounting system conversion.

**Transfers in FY2013 and FY2014 were made to Information Technology Services (ITS) for ITS' share of funds collected by the libraries for printing in ITS computer labs.

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. Created in 1989, the fund is used to account for fines, fees, and other revenues derived from the university libraries' operations, including services such as photocopying, document delivery, and document preservation. Separate accounts for UH–Mānoa, UH–Hilo, and UH–West O‘ahu libraries have been established within the fund. Moneys are derived from fines for lost, overdue, or damaged library materials; user fees; and other revenue from the libraries' operations. Expenditures consist of costs to replace and repair lost, damaged, stolen or outdated books, serials, and periodicals and to support and improve the services provided by the libraries.

**Mauna Kea Lands
Management Special
Fund
(special fund)**

**Section 304A-2170,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$0	\$409	\$534	\$697
Revenues	0	408	421	424
Interest	0	0	0	0
Expenditures	0	(283)	(258)	(945)
Transfers*	409	0	0	0
Ending Balance	\$409	\$534	\$697	\$176
Encumbrances	\$25	\$0	\$0	\$0

*FY2011 transfer was made from the UH–Hilo Real Properties and Facilities Use Revolving Fund which held commercial tour operator fees paid by visitors until this special fund was created.

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. Created in 2009, the fund is used to account for the revenues and expenditures relating to managing the Mauna Kea lands. Revenues come from lease rents, license and permit fees, other charges for the use of the Mauna Kea lands and the related facilities and programs, and interest income. Expenditures consist of maintenance costs, administrative expenses, salaries and benefits, contractor services, and other operational costs.

**Professional Student
Exchange Program
Special Fund
(special fund)**

**Section 304A-2179,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2012	FY2013	FY2014
Beginning Balance	\$0	\$0	\$0
Revenues	0	0	0
Interest	0	0	0
Expenditures	0	0	0
Transfers	0	0	0
Ending Balance	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0

The fund was created statutorily in 2012, but there was no activity throughout the review period, as the university does not currently provide financial support for participants of the professional student

exchange program. Therefore, this fund has a limited history from which to determine whether the fund is serving the purpose for which it was created, demonstrates the capacity to be self-sustaining, and is meeting the special fund criteria. However, a revolving fund classification may be appropriate, because the fund was created to account for receipts and disbursements relating to financial support provided to participants of the professional student exchange program. Revenues are to come from repayments of principal and interest on financial support provided to program participants and interest income. Expenditures would consist of costs associated with the program's activities, including awarding financial support to students and enforcing the collection of delinquent obligations.

**Research and Training
Revolving Fund
(revolving fund)**

**Section 304A-2253,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$26,517*	\$16,290	\$20,689	\$20,922	\$22,770**
Revenues	42,039	46,448	50,719	54,432	56,184
Interest	0	0	0	0	0
Expenditures	(52,266)	(40,167)	(47,957)	(49,025)	(55,711)
Transfers***	0	(1,882)	(2,529)	(3,566)	(1,350)
Ending Balance	\$16,290	\$20,689	\$20,922	\$22,763**	\$21,893
Encumbrances	\$3,376	\$4,115	\$3,939	\$3,041	\$4,039

*FY2010 beginning balance does not agree to FY2009 ending balance in Report No. 09-11 because of a change in reporting from accrual to cash basis.

**FY2013 ending balance does not agree to FY2014 beginning balance due to a financial accounting system conversion.

***Transfer explanations were not provided.

This fund continues to serve the purpose for which it was created and meets the criteria for a revolving fund. Created in 1974, the fund supports research and training activities that may result in additional grants and contracts and further deposits into the Discoveries and Inventions Special Fund (formerly the Discoveries and Inventions Revolving Fund). The fund is also used to ensure university compliance with federal, state, and sponsor requirements for programmatic, regulatory, fiscal, and property stewardship. Federal laws and regulations and generally accepted accounting practices prohibit commingling extramural funds with state funds. Revenues come from federal and non-federal reimbursements for indirect overhead costs and are directly linked to extramural contract and grant awards. Moneys are used to

cover expenses related to cost sharing or matching requirements, travel grants, start-up requirements, emerging programs, equipment, repairs and maintenance of research buildings, and other operational expenses related to enhancing research and training.

**Seed Distribution
Program Revolving
Fund
(revolving fund)**

**Section 304A-2263,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$31*	\$42	\$32	\$2	\$13
Revenues	100	81	57	55	62
Interest	0	0	0	0	0
Expenditures	(89)	(91)	(87)	(44)	(60)
Transfers	0	0	0	0	0
Ending Balance	\$42	\$32	\$2	\$13	\$15
Encumbrances	\$2	\$5	\$1	\$0	\$0

*FY2010 beginning balance does not agree to FY2009 ending balance in Report No. 09-11 because of a change in reporting from accrual to cash basis.

This fund continues to serve the purpose for which it was created and meets the criteria for a revolving fund. Created in 1975, the fund supports the seed distribution program, which cultivates and produces vegetable and garden seeds for sale to farmers, homeowners, seed companies, researchers, and the general public. Revenues generated through the sale of seeds are used to cover the cost of labor, materials, supplies, and equipment.

**Senator Hiram L. Fong
Scholarship Program
Endowment Trust
(trust fund)**

**Section 304A-2353,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning 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 Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund does not serve the purpose for which it was created and should be repealed. Section 304A-2353, HRS, authorizes the Board of Regents to establish a trust fund to account for all transactions relating to the Senator Hiram L. Fong Scholarship Program. The program was intended to provide financial support to qualified students at any UH campus. Initially, the program was to be funded by a general fund appropriation, but without seed moneys the fund was never established. The university acknowledges this fund should be repealed if there is no intent or commitment for funding in the near future.

**Senator Oren E. Long
Scholarship Program
Endowment Trust
(trust fund)**

**Section 304A-2354,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning 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 Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund does not serve the purpose for which it was created and should be repealed. Section 304A-2354, HRS, authorizes the Board of Regents to establish a trust fund to account for all transactions relating to the Senator Oren E. Long Scholarship Program. The program was

intended to provide financial support to qualified students at any UH campus. Initially, the program was to be funded by a general fund appropriation, but without seed moneys the fund was never established. UH acknowledges this fund should be repealed if there is no intent or commitment for funding in the near future.

**State Aquarium Special Fund
(special fund)**

**Section 304A-2165,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$925	\$737	\$857	\$464	\$211
Revenues	1,707	1,833	1,916	1,931	2,389
Interest	7	4	3	1	0
Expenditures	(2,027)	(1,717)	(2,312)	(2,185)	(2,429)
Transfers*	125	0	0	0	0
Ending Balance	\$737	\$857	\$464	\$211	\$171
Encumbrances	\$172	\$219	\$65	\$154	\$44

*FY2010 transfer was made from the UH Commercial Enterprises Revolving Fund to cover a projected deficit and salaries for the Hanauma Bay Gift Shop, which the aquarium previously operated.

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. Created in 1991, the fund is used to receive all of Waikiki Aquarium's revenues and to pay its expenses. Revenues are derived from admission and other fees, charges for the use of aquarium facilities and programs, donations and grants, and educational classes. Expenditures consist of the aquarium's general operating costs, including salaries, repairs and maintenance, animal acquisition and care, and utilities. We note that expenditures have exceeded revenues since FY2012 and the cash balance is declining, which raises concerns about the fund's capacity to be self-sustaining in the future. UH attributed increasing costs and decreasing revenues to lower attendance and other factors.

**State Higher Education
Loan Fund
(revolving fund)**

**Section 304A-2160,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$1,760*	\$1,112	\$318	\$397	\$435
Revenues	377	415	541	562	632
Interest	0	0	0	0	0
Expenditures	(1,025)	(1,209)	(462)	(448)	(474)
Transfers**	0	0	0	(76)	0
Ending Balance	\$1,112	\$318	\$397	\$435	\$593
Encumbrances	\$0	\$0	\$0	\$0	\$0

*FY2010 beginning balance does not agree to FY2009 ending balance in Report No. 09-11 because of a change in reporting from accrual to cash basis.

**Transfer explanation was not provided.

This fund continues to serve the purpose for which it was created and meets the criteria for a revolving fund. Created in 1969, the fund is used to provide loans to students with financial need pursuant to rules and regulations adopted by the Board of Regents. Students who have been Hawai'i residents for at least one year and enrolled at least half-time at the university or community colleges in a program that culminates in the award of a degree are eligible to apply for program loans. Revenues come from repayments of loan principal and interest charges. Expenditures consist of loans awarded to eligible students.

**Student Health Center
Revolving Fund
(revolving fund)**

**Section 304A-2255,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$186*	\$444	\$1,092	\$1,615	\$2,812
Revenues	2,737	3,221	3,494	4,019	4,220
Interest	3	5	7	5	5
Expenditures	(2,482)	(2,578)	(2,978)	(2,827)	(3,415)
Transfers	0	0	0	0	0
Ending Balance	\$444	\$1,092	\$1,615	\$2,812	\$3,622
Encumbrances	\$148	\$52	\$50	\$37	\$87

*FY2010 beginning balance does not agree to FY2009 ending balances in Report No. 09-11 because of a change in reporting from accrual to cash basis.

This fund continues to serve the purpose for which it was created and meets the criteria for a revolving fund. However, in 2000, 2004, and 2009, we reported that the fund was not self-sustaining because it depended on general fund appropriations to partially cover its administrative costs. Although general fund appropriations were used to partially support the program's centralized administrative core personnel during the five-year period reviewed, the fund is self-sustaining because the university records these expenditures in program general fund accounts and does not commingle the general fund moneys with the fund. In addition, we found the fund's revenues exceeded expenditures, the ending fund balances have substantially increased, and that general funds were not used to support actual clinical services. Therefore, general fund appropriations are no longer needed and should not be used. Created in 1974, the fund accounts for fees charged for medical services and other related goods and services to support the operations of the student health center. Funds are used to provide primary care medicine, medical specialty care services, medications, and medical supplies to students and the campus community at minimal cost. Revenues are derived from fees for services, mandatory student health fees, and health insurance reimbursements. Expenditures consist of the cost of medical services, supplies, health education materials, medical and office equipment, repairs, and facility renovations.

**Systemwide
Information
Technology and
Services Special Fund
(special fund)**

**Section 304A-2154,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$1,323	\$1,390	\$3,876	\$3,531	\$3,313
Revenues	1,046	4,083	1,673	1,549	1,587
Interest	11	13	15	7	3
Expenditures	(990)	(1,610)	(2,033)	(1,813)	(2,675)
Transfers*	0	0	0	39	36
Ending Balance	\$1,390	\$3,876	\$3,531	\$3,313	\$2,264
Encumbrances	\$326	\$931	\$793	\$529	\$491

*Transfers in FY2013 and FY2014 were made from the Library Special Fund's share of funds collected by the libraries for printing in ITS computer labs.

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. Created in 1995, the fund is used to support the university's systemwide information technology and services, including personnel costs, equipment, and other expenses, and the planning, design, and implementation of the information technology infrastructure. Moneys are derived from charges to UH departments for software licenses purchased and made available by Information Technology Services for distribution systemwide, desktop support charges, internet support provider fees, and educational broadband service fees. Expenditures consist of site licenses, payroll, and other operating expenses.

***Transcript and Diploma
Revolving Fund
(revolving fund)***

***Section 304A-2256,
HRS***

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$559*	\$582	\$625	\$640	\$624
Revenues	462	466	458	453	447
Interest	0	0	0	0	1
Expenditures	(439)	(423)	(443)	(469)	(518)
Transfers	0	0	0	0	0
Ending Balance	\$582	\$625	\$640	\$624	\$554
Encumbrances	\$49	\$37	\$52	\$78	\$16

*FY2010 beginning balance does not agree to FY2009 ending balance in Report No. 09-11 because of a change in reporting from accrual to cash basis.

This fund continues to serve the purpose for which it was created and meets the criteria for a revolving fund. Created in 1974, the fund is used to defray the costs of producing and issuing transcripts and diplomas. Revenues are derived from fees charged for transcript requests and applications for graduation. Expenditures include salaries, materials, supplies, and printing for the preparation and distribution of diplomas, covers, and transcripts.

***'Ulu'ulu: The Henry
Ku'ualoha Giugni
Moving Image Archive
of Hawai'i Special Fund
(special fund)***

***Section 304A-2180,
HRS***

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2013	FY2014
Beginning Balance	\$0	\$0
Revenues	0	0
Interest	0	0
Expenditures	0	0
Transfers	0	0
Ending Balance	\$0	\$0
Encumbrances	\$0	\$0

This fund was created statutorily in 2012 and therefore has a limited history from which to determine if it is serving its purpose and meeting special fund criteria. The fund was created to support the activities of the moving image archive. Revenues to support the fund are being sought and will be deposited into the fund when received.

**Unexpended Plant
Fund
(trust account)**

**Administratively
established**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$1,738*	\$1,122	\$1,257	\$1,190	\$924
Revenues	576	176	308	30	6,074
Interest	12	7	5	2	1
Expenditures	(1,204)	(48)	(380)	(298)	(2,732)
Transfers	0	0	0	0	0
Ending Balance	\$1,122	\$1,257	\$1,190	\$924	\$4,267
Encumbrances	\$49	\$396	\$1,726	\$1,467	\$466

*FY2010 beginning balance does not agree to FY2009 ending balance in Report No. 09-11 because of a change in reporting from accrual to cash basis.

This account continues to serve the purpose for which it was created and meets the criteria for a trust account. Created in 1990, the account is used as a temporary holding account for funds to acquire physical properties for institutional purposes but unexpended at the date of reporting. Revenues are derived from fees assessed to foreign governments, private agencies, and users of the Institute of Astronomy facilities. The account continues to support telescope infrastructure and building and equipment development for various university and related operations, such as the Institute for Astronomy.

**University of Hawai'i –
East-West Center
Support Trust Fund
(trust fund)**

**Administratively
established**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$1,212*	\$1,057	\$1,055	\$1,021	\$1,023
Revenues	0	0	0	0	0
Interest	10	6	4	2	1
Expenditures	(165)	(8)	(38)	0	0
Transfers	0	0	0	0	0
Ending Balance	\$1,057	\$1,055	\$1,021	\$1,023	\$1,024
Encumbrances	\$0	\$0	\$0	\$0	\$0

*FY2010 beginning balance does not agree to FY2009 ending balance in Report No. 09-11 because of a change in reporting from accrual to cash basis.

This fund continues to serve the purpose for which it was created and meets the criteria for a trust fund. Created in 1980, the fund is used to promote cooperative and collaborative data collection and research projects between UH and the East-West Center. Revenues are derived from government grants and private donations to the East-West Center and used to acquire books, periodicals, materials related to East-West Center programs, security and parking assistance, and computer and health services.

**University of Hawai'i
Alumni Special Fund
(special fund)**

**Section 304A-2175,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$2	\$5	\$9	\$15	\$15
Revenues	11	11	10	0	0
Interest	0	0	0	0	0
Expenditures	(8)	(7)	(4)	0	0
Transfers*	0	0	0	0	(15)
Ending Balance	\$5	\$9	\$15	\$15	\$0
Encumbrances	\$1	\$1	\$0	\$0	\$0

*Transfer of the fund balance was made to the External Affairs & University Relations – Marketing account to consolidate similar expenses.

This fund no longer serves the purpose for which it was created and should be repealed. The fund, created in 1991 as a revolving fund and converted to a special fund in FY2011, is used to account for revenues and expenditures associated with supporting and printing the alumni magazine, *Malamalama*. However, the fund's original responsibilities were transferred to the University of Hawai'i Foundation in 2003, and in 2009 printing stopped when the magazine became available online. The fund has no cash balance and is inactive. In our 2009 and 2004 reviews, we found the fund no longer served its original purpose and recommended it be repealed.

**University of Hawai'i
at Hilo Intercollegiate
Athletics Special Fund
(special fund)**

**Section 304A-2176,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$162*	\$163	\$215	\$128	\$37
Revenues	180	226	220	191	219
Interest	2	1	1	0	0
Expenditures	(181)	(175)	(308)	(282)	(218)
Transfers	0	0	0	0	0
Ending Balance	\$163	\$215	\$128	\$37	\$38
Encumbrances	\$14	\$34	\$11	\$5	\$5

*FY2010 beginning balance does not agree to FY2009 ending balance in Report No. 09-11 because of a change in reporting from accrual to cash basis.

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. Created in 1985 and converted from a revolving fund to a special fund in FY2011, the fund is used to account for revenues and expenditures associated with the UH–Hilo intercollegiate athletics program. Revenues are derived from game and season ticket sales, concessions, promotional sponsors, camp tuition, and radio broadcasting rights. These revenue sources provide ongoing support for the UH–Hilo athletic programs and for salaries, materials, supplies, travel, and athletic equipment.

**University of Hawai'i at
Mānoa Intercollegiate
Athletics Special Fund
(special fund)**

**Section 304A-2176,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	(\$5,286)*	(\$9,110)	(\$9,791)	(\$8,851)**	(\$12,483)
Revenues	16,406	19,343	19,394	16,825	17,860
Interest	(73)	(69)	(47)	(22)	407
Expenditures	(21,212)	(20,188)	(18,675)	(20,853)	(22,415)
Transfers***	1,055	233	278	418	1,277
Ending Balance	(\$9,110)	(\$9,791)	(\$8,841)**	(\$12,483)	(\$15,354)
Encumbrances	\$851	\$751	\$358	\$568	\$586

*FY2010 beginning balance does not agree to FY2009 ending balance in Report No. 09-11 because of a change in reporting from accrual to cash basis.

**FY2012 ending balance does not agree to FY2013 beginning balance due to a financial accounting system conversion.

***Transfers were made by the university to the Mānoa Athletics Department collected from licensing fees earned from trademark sales and for scholarship tuition reimbursement paid by the Athletics Department.

This fund is not self-sustaining as it has reported deficit ending balances since FY2002. Therefore, the fund does not meet the criteria for a special fund and should be repealed. Created in 1985 and converted from a revolving fund to a special fund in 2011, the fund is used to account for revenues and expenditures associated with UH–Mānoa intercollegiate athletic programs. Revenues are derived from ticket sales for athletic events, concession sales, television and radio broadcasting rights, and corporate sponsorships. These revenues provide ongoing support for UH–Mānoa's athletic programs and pay for salaries, travel, scholarships, athletic equipment, and supplies for operations.

**University of Hawai'i
at Mānoa Malpractice
Special Fund
(special fund)**

**Section 304A-2152,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$766	\$871	\$864	\$1,059	\$1,133
Revenues	190	81	232	221	259
Interest	7	5	4	2	1
Expenditures	(92)	(93)	(41)	(149)	(96)
Transfers	0	0	0	0	0
Ending Balance	\$871	\$864	\$1,059	\$1,133	\$1,297
Encumbrances	\$6	\$15	\$17	\$0	\$0

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. Created in 1985, the fund is used to fund a reserve to cover expenses related to malpractice claims filed against the John A. Burns School of Medicine faculty physicians. Moneys come from charging faculty physicians' funding agencies their fair share of reserve contributions and the interest earned on these contributions that are collected. Expenditures consist of judgments, settlements, attorney fees, and other costs related to the defense against malpractice claims filed against faculty physicians and entities.

**University of Hawai'i
Auxiliary Enterprises
Special Fund
(special fund)**

**Section 304A-2157,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$2,787	\$2,949	\$2,522	\$6,690*	\$7,135
Revenues	2,921	3,002	3,559	3,743	3,480
Interest	24	15	43	13	9
Expenditures	(2,744)	(3,443)	(3,379)	(3,311)	(3,506)
Transfers**	(39)	(1)	3,856	0	1
Ending Balance	\$2,949	\$2,522	\$6,601*	\$7,135	\$7,119
Encumbrances	\$600	\$543	\$598	\$353	\$657

*FY2012 ending balance does not agree to FY2013 beginning balance due to a financial accounting system conversion.

**Transfers received in FY2012 were from the Housing Assistance Revolving Fund, which was repealed in 2011; and for various program costs.

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. Created in 1998, the fund is used to provide services to students, faculty, staff, and others that are ancillary to, but facilitate the university's instruction, research, and public service missions. This includes operations of the Hyperbaric Treatment Center, fleet services, housing assistance programs, and other auxiliary services administration. Moneys are collected from various fees for hyperbaric services, motor pool rental, mailroom service, and rental fees assessed to housing tenants. Expenditures consist of salaries, supplies, materials, repair and maintenance of fleet and housing facilities, equipment, and other operational costs for the programs.

**University of Hawai'i
Capital Improvements
Program Project
Assessment Special
Fund
(special fund)**

**Section 304A-2172,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$0	\$0	\$54	\$258*	\$240
Revenues	0	59	211	0	0
Interest	0	0	0	0	0
Expenditures	0	(5)	(26)	(18)	(34)
Transfers	0	0	0	0	0
Ending Balance	\$0	\$54	\$239*	\$240	\$206
Encumbrances	\$0	\$0	\$0	\$0	\$0

*FY2012 ending balance does not agree to FY2013 beginning balance due to a financial accounting system conversion.

This fund continues to serve the purpose for which it was created and meets criteria for a special fund. Created in 2010, the fund is used to defray costs involved in carrying out capital improvement program projects; assessing, collecting, and distributing moneys for current and other expenses; and managing project payments. Funds are collected through assessments on capital improvement program projects, repair and maintenance projects, and major renovation projects that are managed by the university. Expenditures consist of personnel costs, travel, project-related materials and supplies, and other expenses incurred in carrying out these projects.

**University of
Hawai'i Commercial
Enterprises Revolving
Fund
(revolving fund)**

**Section 304A-2251,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$5,085*	\$4,371**	\$3,807	\$4,709**	\$5,232
Revenues	6,435	7,180	9,032	9,223	7,492
Interest	0	0	0	0	8
Expenditures	(6,415)	(7,500)	(7,836)	(8,250)	(7,599)
Transfers***	(616)	(244)	(295)	(450)	(435)
Ending Balance	\$4,489**	\$3,807	\$4,708**	\$5,232	\$4,698
Encumbrances	\$1,059	\$936	\$740	\$987	\$1,544

*FY2010 beginning balance does not agree to FY2009 ending balance in Report No. 09-11 because of a change in reporting from accrual to cash basis and the addition of the University of Hawai'i Press Revolving Fund, which was reported separately in FY2009.

**FY2010 and FY2012 ending balances do not agree to FY2011 and FY2013 beginning balances respectively, due to a financial accounting system conversion.

***Transfers were made to the Conference Center program, formerly in the Conference Center Revolving Fund until 2011, and between university departments for conference registration fees, to return surplus funds, and to cover deficits in operating accounts for the Conference Center. Systemwide transfers included the distribution of collegiate licensing royalties to all campuses and the community colleges.

This fund continues to serve the purpose for which it was created and meets the criteria for a revolving fund. Created in 1997, the fund is used to account for revenues and expenditures of commercial enterprises operated by university programs. Section 304A-113, HRS, allows the university to engage in commercial enterprises that are related and incidental to its primary purposes, including sponsorship of private, cultural, and athletic performances, and sale of goods produced by university programs or goods bearing the university's logo. Several fund accounts support a variety of commercial enterprises at all campuses except UH–West O'ahu, including operations of the University of Hawai'i Press, the Rainbowtique retail outlets, conferences coordinated through the Conference Center, Hanauma Bay gift shop, educational testing activities at the Social Science Training and Research Lab, consultant services provided by the College of Business and Economics in Hilo, licensing program for commercial use of the university's name and trademarks, purchasing card program, and IT workshops and trainings. Also, effective FY2014, the Stan Sheriff Center (formerly reported under the University Revenue–Undertakings Fund–Bookstore account) is reported in this fund. Revenues are derived from fees and charges for consultant services, sales of emblematic merchandise, conference registration fees, licensing royalties, publication sales, and other fees from the University of Hawai'i Press. Expenditures consist

of salaries, materials, supplies, and other costs associated with the enterprise. Although the University of Hawai'i Press program reports receiving general fund appropriations that are used to support nine core staff positions, the fund is self-sustaining due to its substantial cash balance.

**University of Hawai'i
Community Services
Special Fund
(special fund)**

**Section 304A-2156,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	(\$3,272)	(\$4,517)	\$290	(\$1,282)*	(\$3,193)
Revenues	3,689	3,445	4,150	4,174	4,143
Interest	(36)	(13)	2	(1)	(1)
Expenditures	(4,651)	(5,590)	(5,953)	(6,134)	(6,727)
Transfers**	(247)	6,965	217	50	324
Ending Balance	(\$4,517)	\$290	(\$1,294)*	(\$3,193)	(\$5,454)
Encumbrances	\$434	\$416	\$314	\$178	\$685

*FY2012 ending balance does not agree to FY2013 beginning balance due to a financial accounting system conversion.

**In FY2011 transfers were made from the Summer/College of Continuing Education and Community Services to cover the deficit in the fund; other transfers were made for administrative charges from the Tuition and Fees Special Fund at UH-Hilo and from programs' profit sharing at UH-Mānoa.

This fund continues to serve the purpose for which it was created, but does not meet all the criteria for a special fund and should be repealed. The fund is not self-sustaining, as expenditures exceeded income throughout most of the review period and the fund received significant transfers to cover its deficit. The fund functions more like a revolving fund by collecting tuition, fees, and ticket sales to pay for its programs and performances. Created in 1998, the fund is used to provide non-credit educational programs in areas such as professional development and training, personal growth, and cultural enrichment. Revenues come from service fees, tuition, ticket sales, and transfers from the College of Continuing Education and Community Services to cover the fund's deficit. Expenditures consist of salaries, administrative services, materials, travel and supplies.

**University of Hawai'i
Financial Aid
Scholarships Trust
Fund
(trust fund)**

**Administratively
established**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	(\$517)*	\$950	\$1,406	\$1,602	\$1,539
Revenues	3,135	3,900	3,481	3,424	612
Interest	(10)	4	6	1	0
Expenditures	(1,658)	(3,448)	(3,291)	(3,488)	(631)
Transfers	0	0	0	0	0
Ending Balance	\$950	\$1,406	\$1,602	\$1,539	\$1,520
Encumbrances	\$8	\$1	\$2	\$2	\$8

*FY2010 beginning balance does not agree to FY2009 ending balance in Report No. 09-11 because of a change in reporting from accrual to cash basis.

This fund continues to serve the purpose for which it was created and meets the criteria for a trust fund. Created in 1925, the fund is used to award financial aid scholarships to students based on scholastic achievement and financial need. Trust funds have been established at each campus and include the Geology Undergraduate Study (Hilo), the Ralph M. Miwa Scholarship Fund (West O'ahu), the Ruth E. Black Scholarship Fund (all campuses), and the Wilhelmina Tenney Fund (Mānoa). Revenues are derived from gifts, donations, and funds transferred from endowment funds.

**University of Hawai'i
Gifts and Donations
Trust Fund
(trust fund)**

**Administratively
established**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$1,476*	\$1,769	\$2,136	\$2,439	\$2,837
Revenues	2	6	0	0	0
Interest	517	495	542	590	558
Expenditures	(226)	(134)	(239)	(192)	(1,305)
Transfers	0	0	0	0	0
Ending Balance	\$1,769	\$2,136	\$2,439	\$2,837	\$2,090
Encumbrances	\$8	\$0	\$0	\$0	\$1

*FY2010 beginning balance does not agree to FY2009 ending balance in Report No. 09-11 because of a change in reporting from accrual to cash basis.

This fund continues to serve the purpose for which it was created and meets the criteria for a trust fund. Created in 1925, the fund is used to account for gifts and donations received directly from private individuals and organizations or indirectly from the endowment funds managed by the University of Hawai'i Foundation and Board of Regents. Gifts are in the form of cash, securities, real estate, or personal property. Programs supported by the fund include the Student Employee of the Year Program and various cooperative education projects, Papaya Research and Development, Nematode Control in Pineapple, and the Academy of International Business.

**University of Hawai'i
Graduate Application
Revolving Fund
(revolving fund)**

**Section 304A-2260,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$182*	\$226	\$281	\$280	\$450
Revenues	491	533	454	712	748
Interest	2	1	1	1	1
Expenditures	(449)	(479)	(456)	(543)	(733)
Transfers	0	0	0	0	0
Ending Balance	\$226	\$281	\$280	\$450	\$466
Encumbrances	\$10	\$5	\$4	\$3	\$5

*FY2010 beginning balance does not agree to FY2009 ending balance in Report No. 09-11 because of a change in reporting from accrual to cash basis.

This fund continues to serve the purpose for which it was created and meets the criteria for a revolving fund. Created in 1995, the fund is used to support graduate and professional programs at UH–Manoa and account for the receipts and expenditures of processing graduate applications. Moneys come from graduate application fees. Expenditures cover the cost of preparing, distributing, and processing graduate applications and other program costs including payroll, supplies, postage, and bank service fees for credit card processing.

**University of Hawai'i
Housing Assistance
Revolving Fund
(revolving fund)**

**Section 304A-2258,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$6,202*	\$5,357	\$3,826	\$0	(\$1)
Revenues	1,089	651	0	0	0
Interest	40	28	0	0	0
Expenditures	(374)	(210)	0	(1)	1
Transfers**	(1,600)	(2,000)	(3,826)	0	0
Ending Balance	\$5,357	\$3,826	\$0	(\$1)	\$0
Encumbrances	\$27	\$9	\$0	\$0	\$0

*FY2010 beginning balance does not agree to FY2009 ending balance in Report No. 09-11 because of a change in reporting from accrual to cash basis. Also, the FY2009 ending balance of \$4,486,000 for the Faculty Housing Operations program was not reported by the university in Report No. 09-11 but is included in this FY2010 beginning balance.

**Transfers were made to the repair and maintenance reserve account for planned projects and to the administrative overhead account. The remaining fund balance was transferred to the University of Hawai'i Auxiliary Enterprises Special Fund established pursuant to Section 304A-2157, HRS.

Section 304A-2258, HRS, which established the fund, was repealed in 2011 through Act 124, SLH 2011, and the fund no longer serves the purpose for which it was created. Created in 1991, the fund was established to implement the University of Hawai'i Faculty Assistance Master Plan and to account for all transactions of the University of Hawai'i Housing Assistance Program. The fund was used to help newly and recently appointed eligible personnel obtain suitable housing as part of the university's competitive strategy in personnel recruitment. Revenues were generated from rental of housing units, parking, operation of the onsite laundry facility, and interest from housing loans issued to faculty members. Expenditures consisted of repairs, replacements, maintenance, property management fees, and administrative costs.

**University of Hawai'i
Intercollegiate Athletics
Scholarships Trust
Fund
(trust fund)**

**Administratively
established**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$(1,435)*	\$2	\$902	\$123	\$121
Revenues	2,699	3,058	2,117	3,004	186
Interest	(17)	(3)	0	(2)	(2)
Expenditures	(1,245)	(2,155)	(2,896)	(3,004)	(130)
Transfers	0	0	0	0	0
Ending Balance	\$2	\$902	\$123	\$121	\$175
Encumbrances	\$0	\$0	\$2	\$9	\$31

*FY2010 beginning balance does not agree to FY2009 ending balance in Report No. 09-11 because of a change in reporting from accrual to cash basis.

This fund continues to serve the purpose for which it was created and meets the criteria for a trust fund. Created in 1985, the fund is used to account for private gifts and donations for university athletics scholarships and to provide financial support for the university's program objectives. The fund supports up to 240 academic scholarships awarded to student athletes annually.

**University of Hawai'i
Okinawa Program Trust
Fund
(trust fund)**

**Administratively
established**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$3	\$3	\$3	\$3	\$2
Revenues	0	0	0	0	(2)
Interest	0	0	0	0	0
Expenditures	0	0	0	(1)	0
Transfers	0	0	0	0	0
Ending Balance	\$3	\$3	\$3	\$2	\$0
Encumbrances	\$0	\$0	\$0	\$1	\$0

This fund served the purpose for which it was created and met the criteria for a trust fund until it was closed in FY2014. The fund was created in 1968 to account for the revenues and expenditures to administer a Western-style postgraduate medical educational program at the Okinawa Prefectural Chubu Hospital in Okinawa, Japan. Revenues for the

program were derived from the Okinawa Prefecture. The university's school of medicine expended the moneys for postgraduate medical training to residents at the hospital. The program ended on June 30, 2013.

**University of Hawai'i
Private Funded
Contracts and Grants
Trust Fund
(trust fund)**

**Administratively
established**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$16,163*	\$17,984	\$20,647	\$23,887	\$21,222
Revenues	74,933	65,324	64,700	67,399	66,473
Interest	105	63	22	128	21
Expenditures	(73,217)	(62,724)	(61,482)	(70,192)	(76,963)
Transfers	0	0	0	0	0
Ending Balance	\$17,984	\$20,647	\$23,887	\$21,222	\$10,753
Encumbrances	\$6,087	\$3,148	\$12,092	\$7,755	\$6,091

*FY2010 beginning balance does not agree to FY2009 ending balance in Report No. 09-11 because of a change in reporting from accrual to cash basis.

This fund continues to serve the purpose for which it was created and meets the criteria for a trust fund. Created in 1919, the fund is used to account for revenues and expenditures for sponsored research and non-research contracts and grants from entities other than the federal government. Revenues are derived from state agencies, private individuals, organizations, and foundations. Funds are used for specific research and training services by faculty and staff in accordance with award terms and conditions.

**University of Hawai'i
Real Property
and Facilities Use
Revolving Fund
(revolving fund)**

**Section 304A-2274,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$1,029*	\$1,156	\$998	\$1,151	\$1,318
Revenues	526	826	352	480	612
Interest	9	7	4	3	2
Expenditures	(443)	(615)	(203)	(354)	(488)
Transfers**	35	(376)	0	38	0
Ending Balance	\$1,156	\$998	\$1,151	\$1,318	\$1,444
Encumbrances	\$30	\$10	\$1	\$92	\$11

*FY2010 beginning balance does not agree to FY2009 ending balance in Report No. 09-11 because of a change in reporting from accrual to cash basis.

**FY2010 transfer represents an adjustment for the Small Business Incubator facility; FY2011 cash balance was transferred to the newly established Mauna Kea Lands Management Special Fund; other systemwide transfers are assessments from each campus for ongoing fees and costs.

This fund continues to serve the purpose for which it was created and meets the criteria for a revolving fund. Created in 1998, the fund is used to account for revenues collected from the use of university property and facilities to pay for their administrative, maintenance, and operational costs. The fund supports the Urban Garden Center and facilities at the College of Tropical Agriculture and Human Resources at UH–Mānoa, maintenance of the school of medicine facilities, the Small Business Incubator at UH–Hilo, and facilities at UH–West O‘ahu. Revenues are derived from rental fees and charges for the use of university facilities, land, buildings, grounds, furnishings, and equipment. Expenditures consist of materials, supplies, labor, operation and administrative expenses, contractor services for property maintenance and repair, facilities, and equipment.

**University of Hawai'i
Risk Management
Special Fund
(special fund)**

**Section 304A-2151,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$3,511	\$3,193	\$2,777	\$3,387	\$3,478
Revenues	0	37	0	0	991
Interest	0	0	0	(1)	(1)
Expenditures	(2,274)	(2,414)	(1,346)	(1,860)	(1,203)
Transfers*	1,956	1,961	1,956	1,952	1,947
Ending Balance	\$3,193	\$2,777	\$3,387	\$3,478	\$5,212
Encumbrances	\$528	\$864	\$1,010	\$782	\$1,050

*Transfers were made from various campuses into the central account for the Risk Management Special Fund.

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. Created in 2003, the fund is used to support the operations of the Risk Management Program. Moneys are derived from assessments to the various campuses within the university system, and expenditures consist of costs and expenses associated with the administration and operation of the Risk Management Program, including insurance premiums, retention payments, claims administration and operation, settlements, payment of judgments, other obligations, and legal fees and costs.

**University of Hawai'i
Scholarship and
Assistance Special
Fund
(special fund)**

**Section 304A-2159,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$1,510	\$3,416	\$4,305	\$2,860*	\$2,025*
Revenues	0	0	28	11	10
Interest	0	0	0	0	0
Expenditures	(6,206)	(29,209)	(36,184)	(38,395)	(41,019)
Transfers**	8,112	30,098	34,732	37,519	41,223
Ending Balance	\$3,416	\$4,305	\$2,881*	\$1,995*	\$2,239
Encumbrances	\$0	\$0	\$0	\$0	\$0

*FY2012 and FY2013 ending balances do not agree to the FY2013 and FY2014 beginning balances, respectively, due to a financial accounting system conversion.

**Transfers were from the University of Hawai'i Tuition and Fees Special Fund to offset scholarship expenses.

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. Created in 2004, the fund is used to provide financial assistance to qualified students enrolled at any UH campus. It also supports the university's B-Plus Scholarship Program for Hawai'i public high school graduates, who have a minimum cumulative grade point average of 3.0 or higher and meet other program criteria. Revenues consist of state, federal, private funds, and transfers from the University of Hawai'i Tuition and Fees Special Fund. Expenditures include tuition and financial assistance to qualified students, scholarships, scholarships awards under the B-Plus Scholarship program, and administrative expenses.

**University of Hawai'i
Short-Term Loans
Trust Fund
(trust fund)**

**Administratively
established**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$292*	\$293	\$296	\$296	\$316
Revenues	(1)	1	(1)	19	1
Interest	2	2	1	1	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$293	\$296	\$296	\$316	\$317
Encumbrances	\$0	\$0	\$0	\$0	\$0

*FY2010 beginning balance does not agree to FY2009 ending balance in Report No. 09-11 because of a change in reporting from accrual to cash basis.

This fund continues to serve the purpose for which it was created and meets the criteria for a trust fund. The fund was created prior to 1996 to provide students with emergency loans to meet expenses incidental to their schooling. Revenues are derived from private gifts and donations. Loans are restricted to educational costs not exceeding \$100; however, exceptions may be approved by the director of financial aid. Loans are not subject to a finance or service charge but must be paid within 60 days.

**University of Hawai'i
Student Activities
Revolving Fund
(revolving fund)**

**Section 304A-2257,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$5,764*	\$7,820**	\$10,080	\$9,744	\$10,619
Revenues	5,743	14,384	16,288	17,711	19,128
Interest	160	318	204	338	200
Expenditures	(4,286)	(12,442)	(16,828)	(16,219)	(18,751)
Transfers***	0	0	0	(955)	(36)
Ending Balance	\$7,381**	\$10,080	\$9,744	\$10,619	\$11,160
Encumbrances	\$342	\$2,560	\$1,053	\$1,220	\$920

*FY2010 beginning balance does not agree to FY2009 ending balance in Report No. 09-11 because of a change in reporting from accrual to cash basis.

**FY2010 ending balance does not agree to FY2011 beginning balance due to a financial accounting system conversion.

*** FY2013 transfer distributed 50 percent of net revenue earned from the Student Affairs Dining Program to Student Housing. Transfers in FY2014 were for expenses, for Leadership Development Programs, and to correct an erroneous transaction.

This fund continues to serve the purpose for which it was created and meets the criteria for a revolving fund. Created in 1980, the fund consists of separate internal accounts for the UH–Mānoa, UH–Hilo, UH–West O‘ahu, and the community colleges. At UH–Mānoa, the fund is used to support several chartered student organizations including the Associated Students of the University of Hawai‘i, the Board of Publications, the Broadcast Communication Authority, the Campus Center Board, the Graduate Student Organization, and the Student Activity and Program Fee Board. For UH–Hilo and UH–West O‘ahu, the purpose of the program is to provide a comprehensive student life on campus for social events, educational programs, music concerts, leadership education, recreational programs, student media, student transportation, student technology, and student health. Revenues are derived from mandatory student fees assessed on enrolled students and interest income earned on fund balances. Expenditures consist of administrative expenses, salaries, travel, stipends, and equipment to conduct program activities and operations.

**University of Hawai'i
Tuition and Fees
Special Fund
(special fund)**

**Section 304A-2153,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$105,294	\$148,064	\$181,499	\$151,626*	\$107,206*
Revenues	242,047	276,346	294,155	306,351	319,720
Interest	1,292	1,094	892	510	215
Expenditures	(172,232)	(204,037)	(259,741)	(306,249)	(296,901)
Transfers**	(28,337)	(39,968)	(65,566)	(44,569)	(46,759)
Ending Balance	\$148,064	\$181,499	\$151,239*	\$107,669*	\$83,481
Encumbrances	\$27,150	\$28,413	\$47,832	\$24,562	\$23,135

*FY2012 and FY2013 ending balances do not agree to the FY2013 and FY2014 beginning balances, respectively, due to a financial accounting system conversion.

**Transfers were made to the Student Scholarship and Assistance Fund, the University Revenue–Undertakings Fund, the Community Service Special Fund, and UH system for tuition scholarships and revenue bond debt service, College of Continuing Education and Community Service administrative costs, BANNER Student Information System support, and risk management.

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. The fund was established to supplement existing operating general fund appropriations for the university's programs and operations; therefore, it is unclear whether the fund has the capacity to fully be self-sustaining. However, we found the fund is an appropriate financing mechanism for UH programs and operations and should be continued. Created in 1995, the fund is used to separately account for revenues and expenditures from tuition for regular and summer sessions, continuing education credit courses, tuition-related courses and fees, and any other charges to students. Expenditures consist of costs to maintain and improve programs and operations. Under Section 304A-2153(b), HRS, the Board of Regents may authorize expenditures of up to \$3 million annually to promote alumni relations and generate private donations for deposit into the University of Hawai'i Foundation for university purposes.

**University of
Hawai'i Workers'
Compensation and
Unemployment
Insurance
Compensation Trust
Fund
(trust fund)**

**Section 304A-2352,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$5,172*	\$4,954	\$5,208	\$4,858	\$3,307
Revenues	4,390	4,682	4,270	3,736	5,167
Interest	43	26	22	9	5
Expenditures	(4,651)	(4,454)	(4,642)	(5,296)	(4,655)
Transfers	0	0	0	0	0
Ending Balance	\$4,954	\$5,208	\$4,858	\$3,307	\$3,824
Encumbrances	\$1,969	\$1,049	\$1,850	\$1,175	\$895

*FY2010 beginning balance does not agree to FY2009 ending balance in Report No. 09-11 because of a change in reporting from accrual to cash basis.

This fund continues to serve the purpose for which it was created and meets the criteria for a trust fund. The fund was redesignated from a revolving fund to a trust fund in 2002 by Act 178, SLH 2002, to pay employees' claims for workers' compensation and unemployment insurance benefits. Revenues are generated from fringe benefits rates that are charged against all university payroll funds. The rates for workers' compensation and unemployment insurance are adjusted annually to reflect future anticipated expenditures.

**University of Hawai'i–
Hilo Theatre Special
Fund
(special fund)**

**Sections 304A-2178
and 204A-2271, HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$86	\$104	\$152	\$129	\$120
Revenues	130	151	121	92	145
Interest	1	1	1	0	0
Expenditures	(113)	(104)	(145)	(101)	(167)
Transfers	0	0	0	0	0
Ending Balance	\$104	\$152	\$129	\$120	\$98
Encumbrances	\$11	\$49	\$5	\$19	\$7

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. Created in 1997 as a revolving fund and converted to a special fund in 2011, the fund is used to

support the production and presentation of performing arts events at the Performing Arts Center for UH–Hilo’s theatre program. Revenues come from admission charges to events, advertising sales, sponsorships, merchandising, and fundraising. Expenditures consist of costs associated with the theatre program, including salaries, materials, supplies, travel, non-personal services, advertising, printing, food and refreshments, artists’ fees, production costs, personnel, honoraria, per diem, hotel and room rentals, and lei.

**University of Hawai'i–
West O'ahu Special
Fund
(special fund)**

**Section 304A-2166,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$422	\$51	\$99	\$3,487	\$1,139
Revenues	51	48	5,167	22	(789)
Interest	1	0	14	3	2
Expenditures	0	0	(1,793)	(2,373)	1,583
Transfers*	(423)	0	0	0	(1,813)
Ending Balance	\$51	\$99	\$3,487	\$1,139	\$122
Encumbrances	\$0	\$0	\$2,409	\$33	\$32

*FY2010 and FY2014 transfers were made to the University Revenue–Undertakings Fund for revenue bond debt service payments.

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. Created in 1996, the fund is used to support the planning, land acquisition, design, improvement, and construction of infrastructure and other public or common facilities necessary for UH–West O‘ahu. Revenues are derived from net proceeds from the sale of land and development rights for public lands, all net rents from leases, and from licenses and permits. Expenditures consist of costs related to planning, land acquisition, design, construction, and equipment necessary for the development of the permanent campus of UH–West O‘ahu and related infrastructure and other public or common facilities.

**University Parking
Revolving Fund—UH
Hilo
(revolving fund)**

**Section 304A-2275,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$62*	\$138	\$162	\$148	\$154
Revenues	278	283	236	247	242
Interest	1	1	1	0	0
Expenditures	(203)	(260)	(251)	(241)	(254)
Transfers	0	0	0	0	0
Ending Balance	\$138	\$162	\$148	\$154	\$142
Encumbrances	\$8	\$25	\$26	\$21	\$25

*FY2010 beginning balance does not agree to FY2009 ending balance in Report No. 09-11 because of a change in reporting from accrual to cash basis.

This fund continues to serve the purpose for which it was created and meets the criteria for a revolving fund. Created in 1964, the fund is used to account for parking fees and fines assessed for designated parking areas at UH–Hilo. Revenues are derived from charges for parking permits and daily passes and fines for citations that are used to support parking office operational costs and parking lot repair and maintenance costs. Expenditures consist of salaries, supplies, materials, printing, non-personal services, and Office of Hawaiian Affairs ceded land payments.

**University Revenue—
Undertakings Fund
(special fund)**

**Section 304A-2167.5,
HRS**

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$43,068	\$50,605	\$52,340*	\$61,927*	\$62,402*
Revenues	75,302	73,809	74,932	76,187	80,864
Interest	421	307	288	139	107
Expenditures	(55,427)	(60,678)	(72,696)	(76,066)	(68,117)
Transfers**	(12,759)	(11,035)	6,967	789	(10,387)
Ending Balance	\$50,605	\$53,008*	\$61,831*	\$62,976*	\$64,869
Encumbrances	\$8,489	\$7,906	\$17,426	\$11,757	\$10,888

*FY2011, FY2012 and FY2013 ending balances do not agree to the FY2012, FY2013 and FY2014 beginning balances, respectively, due to a financial accounting system conversion.

**Transfers were made from the University of Hawai'i Tuition and Fees Special Fund and land acquisition accounts to pay for revenue bond debt service payments. Further detailed transfer information was not provided.

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. The fund was originally established in 1971 as a revolving fund but repealed and established as a special fund authorized by Act 161, SLH 2007. It is used to account for moneys received from and disbursed for all revenue-producing university projects or systems under Chapter 304A, Part VI, Subpart D, HRS, relating to UH facilities and project financing, including revenue bonds. Moneys are derived from rates, rents, fees, and charges imposed and collected by the Board of Regents for the use or enjoyment of, and services provided by, project facilities or systems, including interest income, revenue bond proceeds, and transfers of tobacco settlement moneys received by the Department of Health. The fund is used to support the construction, operation, repair and maintenance of university projects or systems; pay revenue bonds and interest; reimburse the university for expenses incurred in issuing revenue bonds; reimburse the general fund for all general obligation bond requirements issued for a university project or system; and provide a reserve for betterments, improvements, renewals, and replacement of university projects or systems.

Unrestricted Quasi-Endowment Income and Scholarship Revolving Fund (revolving fund)

Section 304-8, HRS (repealed by Act 75, SLH 2006)

Financial Data for Fiscal Years 2010–2014 (in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$1,679	\$3,233	\$3,688	\$1,091	\$1,805
Revenues	2,141	1,101	1,091	1,101	645
Interest	0	0	0	0	0
Expenditures	(592)	(652)	(3,695)	(392)	(1,010)
Transfers	5	6	7	5	(878)
Ending Balance	\$3,233	\$3,688	\$1,091	\$1,805	\$562
Encumbrances	\$0	\$0	\$0	\$0	\$0

Note: UH did not provide any financial data for this fund.

Source: Department of Accounting and General Services

This fund does not meet the criteria for a revolving fund because it was not established by an act of the Legislature as required by Section 37-52.4, HRS. The fund should be terminated and moneys properly disbursed by the Board of Regents according to its policies. As we reported in 2009, the university has improperly maintained this fund since its repeal pursuant to Act 75, SLH 2006. The university continues to use this fund and cites Section 304A-2003, HRS, as the legal authority

for its existence. However, this statute only describes how the university is to handle appropriations, deposits, and accounts in general terms and does not specifically establish any revolving funds.

Currently, the university reports the fund is composed of a statewide account along with accounts for UH–Mānoa, UH–Hilo, and the community colleges. The fund is used to account for revenues and expenditures of the intercollegiate athletics scholarships program at UH–Hilo, interest income on lease revenue generated from the use of community college property, UH Mānoa athletic department's allocation of the Stadium Endowment Fund, and to produce bound copies of the oral histories of former university presidents. Expenditures are for scholarships and service awards, and the Athletic Department's salaries, travel, medical expenses, recruiting, equipment, payments to officials, dues to the Big West and Mountain West conferences, guarantees to visiting teams, credit card fees, and other operating expenses. The fund's primary source of revenue is the interest earned from the UH–Mānoa Stadium Stock Fund. For the community colleges, the primary source of revenue is from lease rents for the use of community college property. The Board of Regents sets policies and guidelines for the use of the UH–Mānoa Stadium Stock Fund for scholarships, student support services, student financial aid, and service awards.

Chapter 3

Observations on UH Reporting and Accounting for Funds

During our review of the special, revolving, and trust funds, and trust accounts of the University of Hawai'i (UH), we noted inconsistent adherence to statutory reporting of financial transactions and balances.

As we reported in our *Study of the Transfer of Non-general Funds to the General Fund*, Report No. 12-04, special and revolving and other types of non-general funds collectively represent about half of the State's operating budget—moneys that are not subject to the same level of legislative scrutiny as are general fund moneys. Accurate and complete reporting of all funds as required by law would greatly improve the Legislature's oversight and control of these funds and provide increased budgetary flexibility. This chapter presents our observations of UH's accounting and reporting practices.

UH Did Not Report All Funds As Required by Law

Section 37-47, Hawai'i Revised Statutes (HRS), requires departments to submit to the Legislature an annual report of each non-general fund account. These reports, often referred to as non-general fund reports, must include:

1. The name of the fund and a cite to the law authorizing the fund;
2. The intended purpose of the fund;
3. Current program activities that the fund supports;
4. The balance of the fund at the beginning of the current fiscal year;
5. The total amount of expenditures and other outlays from the fund account for the previous fiscal year;
6. The total amount of revenue deposited to the account for the previous fiscal year;
7. A detailed list of all transfers from the fund;
8. The amount of moneys encumbered in the account as of the beginning of the fiscal year;

9. The amount of funds in the account that are required for bond conveyance or other related bond obligations;
10. The amount of moneys in the account derived from bond proceeds; and
11. The amount of moneys in the fund held in certificates of deposit, escrow accounts, or other investments.

We noted a number of funds for which UH did not submit required reports. Fifteen of the 65 funds (23 percent) and trust accounts we reviewed were not reported to the Legislature in non-general fund report filings. These funds and accounts had at the end of FY2014 a balance of \$25 million as shown in Exhibit 3.1.

**Exhibit 3.1
UH's Funds and Trust Accounts Not Reported to the Legislature**

Fund Name (fund type)	Fund Type	FY2014 Ending Balance
Agency Fund	Trust Account	\$0
Endowment Fund	Trust	\$474,000
Hawai'i Health Corps Revolving Fund	Revolving	\$0
Hurricane Iniki Insurance Proceeds	Special	\$84,000
Professional Student Exchange Program Special Fund	Special	\$0
Unexpended Plant Fund	Trust Account	\$4,267,000
University of Hawai'i – East-West Center Support Trust Fund	Trust	\$1,024,000
University of Hawai'i Financial Aid Scholarships Trust Fund	Trust	\$1,520,000
University of Hawai'i Gifts and Donations Trust Fund	Trust	\$2,090,000
University of Hawai'i Intercollegiate Athletics Scholarships Trust Fund	Trust	\$175,000
University of Hawai'i Okinawa Program Trust Fund	Trust	\$0
University of Hawai'i Private Funded Contracts and Grants Trust Fund	Trust	\$10,753,000
University of Hawai'i Short-Term Loans Trust Fund	Trust	\$317,000
University of Hawai'i Workers' Compensation and Unemployment Insurance Compensation Trust Fund	Trust	\$3,824,000
Unrestricted Quasi-Endowment Income and Scholarship Revolving Fund	Revolving	\$562,000
TOTAL		\$25,090,000

Source: Office of the Auditor

Fund reports are one of the primary means through which legislative money committees track non-general funds. The reports are used to monitor fund balances and identify excess moneys for possible transfer to the general fund. According to the Senate Ways and Means Committee, there is no master list of non-general funds; the Legislature must compile this information from each of the separate fund reports. While we have no evidence to suggest omission of non-general fund reports by UH was intentional, we must reiterate the importance of this reporting function.

Under Section 304A-2007, HRS, UH is required to file an annual report itemizing income and expenditures for each of its special and revolving funds. We found UH prepared these reports for each year of the review period.

UH Is Not Reporting Administratively Created Funds

Section 37-52.5, HRS, requires, except for the Judiciary, any department that administratively establishes a new fund or account to submit a report to the Legislature. The report, which must be filed within 30 working days of the fund's creation, must include a justification for the fund or account and identify its sources of revenue. The law also requires each department, at least 20 days prior to the convening of each regular legislative session, to submit reports listing all administratively established funds or accounts along with a statement of the revenues, expenditures, encumbrances, and ending balances for each fund or account.

Shortly after passage of Section 37-52.5, HRS, the state comptroller issued Memorandum No. 2002-35 in October 2002 alerting agency heads as well as departmental administrative and fiscal officers of this reporting requirement. The memorandum noted that departments and agencies are responsible for meeting the requirements as of July 1, 2002. However, UH told us it has not filed these reports. These informational gaps hinder the Legislature's ability to monitor non-general funds.

RCUH Revolving Fund Accounts Require Further Analysis

The Research Corporation of the University of Hawai'i (RCUH), a state agency established by the Legislature in 1965, is attached to UH for administrative purposes. It supports UH research and training programs pursuant to Section 304A-3001, HRS. According to an agreement between UH and RCUH, UH may request RCUH to establish and maintain with its special fund "revolving fund accounts" to support a specialized service activity, recharge center, or other sales or service activity that is self-sustaining and income-generating.

RCUH reports it maintains approximately 500 revolving fund accounts to hold moneys for UH projects, but that oversight remains with UH. These accounts were not included in the scope of this review or prior fund reviews. We found, however, an instance where UH established an RCUH revolving fund account for a UH revolving fund that was used to support the operations of a summer school program at the University Laboratory School. In March 2010, a UH research unit established a RCUH Revolving Fund Project, which took over funding a program that had been supported by the Education Laboratory School Summer Programs Revolving Fund. As we reported in Chapter 2, the revolving fund was subsequently repealed by Act 124, SLH 2011.

Whether this account or any other revolving fund accounts function as special, revolving, or trust funds as defined under Section 37-62, HRS, would require further analysis and review. Performing a more extensive analysis is beyond the scope of this review.

UH Receives General Fund Appropriations for Programs Also Supported by Special and Revolving Funds

In our review, we observed that the University of Hawai‘i’s Student Health Center receives general fund appropriations to partially pay for administrative core personnel at a time when the revolving fund established to pay for the center’s operations was reporting surplus balances. Over the past five fiscal years, the Student Health Center Revolving Fund reported fiscal year ending balances ranging from \$444,000 in FY2010 to as high as \$3.6 million in FY2014. During that time period, the center received general fund appropriations ranging from approximately \$320,000 in FY2010 to as much as \$530,000 in FY2013.

It appears the revolving fund could have paid for core administrative personnel and that general fund appropriations used were not necessary. For example, in FY2013 the fund’s ending balance was \$2.8 million and the university reported that the center received \$530,677 in general fund appropriations for its administrative personnel.

We found ten other UH funds that meet criteria and support programs or activities that also receive general fund appropriations. When asked about this practice, UH said it records general fund appropriations and related expenditures in program/department general fund accounts, does not commingle the general fund moneys with fund moneys, and reports to the State separately from its special or revolving funds. Although these funds meet the general definition of self-sustainability, we cannot make conclusions regarding the need for general fund appropriations. To do so requires further inquiry into the individual funds’ programs and activities, which was beyond the scope of our review. Exhibit 3.2 lists the UH funds in question.

Exhibit 3.2

UH Funds Supporting Programs That Also Received General Fund Money, FY2010–FY2014

Fund	Program General Fund Appropriation Use	General Fund Appropriations
Child Care Programs Special Fund	Partial support of director and teaching staff to make program more affordable	FY2010 – \$390,954 FY2011 – \$425,366 FY2012 – \$419,044 FY2013 – \$428,491 FY2014 – \$355,498
Hawai'i Cancer Research Special Fund	Personnel costs and other operating costs for the Cancer Research Center of Hawai'i	FY2010 – \$2,515,000 FY2011 – \$2,426,000 FY2012 – \$2,426,000 FY2013 – \$2,226,000 FY2014 – \$2,148,000
Library Special Fund	UH–Hilo received money for payroll costs	FY2010 – \$1,015,652 FY2011 – \$1,017,145 FY2012 – \$1,127,369 FY2013 – \$1,096,396 FY2014 – \$1,024,914
Mauna Kea Lands Management Special Fund	Payroll costs	2010 – \$156,339 2011 – \$140,174 2012 – \$194,174 2013 – \$137,315 2014 – \$248,048
State Aquarium Special Fund	Salaries	FY2011 – \$597,000 FY2012 – \$602,000 FY2013 – \$602,000 FY2014 – \$597,000
University of Hawai'i at Hilo Intercollegiate Athletics Special Fund	UH–Hilo payroll costs	2010 – \$858,121 2011 – \$704,742 2012 – \$753,122 2013 – \$745,932 2014 – \$796,364
University of Hawai'i Auxillary Enterprises Special Fund	UH–Hilo payroll costs	2010 – \$131,919 2011 – \$128,719 2012 – \$107,148 2013 – \$107,149 2014 – \$116,866
University of Hawai'i Capital Improvements Program Project Assessment Special Fund	UH–Hilo payroll costs	2010 – \$541,906 2011 – \$469,640 2012 – \$446,329 2013 – \$449,873 2014 – \$423,571
University of Hawai'i–Hilo Theatre Special Fund	Payroll costs	2010 – \$155,063 2011 – \$146,968 2012 – \$145,422 2013 – \$137,483 2014 – \$127,507

Fund	Program General Fund Appropriation Use	General Fund Appropriations
Student Health Center Revolving Fund	Support of centralized administrative core personnel	FY 2010 – \$320,875 FY 2011 – \$343,445 FY 2012 – \$352,040 FY 2013 – \$530,677 FY 2014 – \$380,230
University of Hawai'i Commercial Enterprises Revolving Fund	Partial payroll for UH Press	FY 2010 – \$513,387 FY 2011 – \$513,387 FY 2012 – \$519,572 FY 2013 – \$517,247 FY 2014 – \$517,247

Source: Office of the Auditor

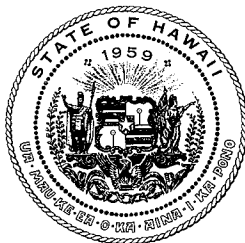
Response of the Affected Agency

Comments on Agency Response

On December 15, 2014, we transmitted a draft of this review to the University of Hawai‘i (UH). A copy of the transmittal letter is included as Attachment 1. UH’s response is included as Attachment 2.

UH agreed with 11 of our conclusions to repeal six funds, reclassify three funds, and discontinue the use of two funds—Hurricane Iniki Insurance Proceeds special fund and the Unrestricted Quasi-Endowment Income and Scholarship Revolving Fund. UH agreed with our observations and will take appropriate action regarding reporting requirements. UH explained why a program supported by the Student Health Center Revolving Fund should continue to receive general fund appropriations. UH disagreed with our conclusions regarding the repeal of six funds and did not comment about the repeal of the University of Hawai‘i Housing Assistance Revolving Fund. After reviewing UH’s response, we maintain our analyses are appropriate and stand by our conclusions.

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



JAN K. YAMANE
Acting State Auditor

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

December 15, 2014

COPY

The Honorable David Lassner
President
University of Hawai'i
Bachman Hall
2444 Dole Street
Honolulu, Hawai'i 96822

Dear Mr. Lassner:

Enclosed for your information are three copies, numbered 6 to 8, of our confidential draft report, *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the University of Hawai'i*. We ask that you telephone us by Wednesday, December 17, 2014, on whether or not you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit your hard copy response to our office no later than 4:30 p.m., Monday, December 22, 2014.

The 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,

A handwritten signature in cursive script that reads "Jan K. Yamane".

Jan K. Yamane
Acting State Auditor

Enclosures



UNIVERSITY
of HAWAII®
SYSTEM

December 22, 2014

Ms. Jan K. Yamane
Acting State Auditor
Office of the Auditor
465 S. King Street, Room 500
Honolulu, Hawai'i 96813-2917

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OFC. OF THE AUDITOR
STATE OF HAWAII

Dear Ms. Yamane:

Thank you for providing us the opportunity to respond to your draft report entitled: *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the University of Hawai'i*. We also wish to extend our appreciation for the time your staff took with our University Budget and Finance team in your exit conference, so that we can understand and address your specific concerns, as appropriate. We have reviewed the draft and respectfully offer the following comments:

With regard to the following funds, which the draft report recommends being reclassified to a different fund type, the University will assent to the determination of the legislature as to their appropriate classification:

- Community Colleges Special Fund
- Hawai'i Educator Loan Special Fund
- Professional Student Exchange Program Special Fund

Also, regarding the following funds, which the draft report recommends be repealed, the University is prepared to comply with the will of the legislature as to their continuation:

- Animal Research Farm Waiale'e, O'ahu Special Fund
- Career and Technical Training Projects Revolving Fund
- Center for Labor Education and Research Revolving Fund
- Senator Hiram L. Fong Scholarship Program Endowment Trust
- Senator Oren E. Long Scholarship Program Endowment Trust
- University of Hawai'i Alumni Special Fund

With regard to the following funds, specific comments are provided below:

Conference Center Revolving Fund – University of Hawai'i Hilo

University of Hawai'i Hilo is planning to utilize this fund to support the delivery of conference services in the immediate future and believes this fund is needed and should be continued.

Discoveries and Inventions Special Fund

By its enabling statute (Section 304A-2174, HRS), a portion of the University's indirect overhead funds shall be deposited into this fund. The Research and Training Revolving Fund (Section 304A-2253, HRS) has complementary wording providing for indirect overhead funds to be deposited from the Research and Training Fund to the Discoveries and Inventions Special Fund (DISF). In addition, appropriations by the legislature subject to the approval of the governor, proceeds from the commercial exploitation of inventions and intellectual property developed at the university, gifts, donations, fees collected, and grants from public agencies and private persons may also be deposited into the special fund. Accordingly, this fund is self-sustaining from the fund sources allowed and provided for by its enabling legislation.

Furthermore, this fund serves an important need. The purpose of establishing the fund was to support innovation and research commercialization at the University of Hawai'i. This is a major component of the University's strategic priorities in the Hawai'i Innovation Initiative. In partnership with the local business community, UH has recently taken on a greater role to help diversify the state's economy by building a thriving innovation, research, and education and training enterprise. The Office of Technology Transfer and Economic Development will be an integral part of this commitment. The DISF will provide the opportunity for funding innovation and research commercialization and to secure patents, copyrights, licensing and marketing of discoveries, inventions, and technologies developed at the University. To help spearhead this effort, local venture capitalist and entrepreneur William K. Richardson was hired in December 2014 as OTTED director. His office will work closely with UH's recently launched XLR8UH proof-of-concept center to help faculty and student researchers to fully exploit their UH-owned technologies commercially.

Hawai'i Medical Education Special Fund

The continuation of the Hawaii Medical Education Special Fund is needed to provide for Graduate Medical Education (GME) expenditure activity apart from Medical School Operations. The Medical School is currently seeking financial support from the legislature for Graduate Medical Education (GME) of approximately \$5 million which will allow this program to continue operating. Provided that GME funding is approved, this Special Fund account will become active and will allow us to monitor and report GME activity.

Hurricane Iniki Insurance Proceeds

As recommended, this fund will be discontinued.

University of Hawai'i at Manoa Intercollegiate Athletics Special Fund

The financial sustainability of the University of Hawaii at Manoa's Intercollegiate Athletics program is of vital concern. Only a handful of athletic programs throughout the

country are financially sustained solely by their generated revenues. Nevertheless, intercollegiate athletics is an essential part of the fabric of the University and the State.

Not only does it play an important role in the sense of community and pride of students and the residents of the state, but it also benefits the economy of the state, generating additional revenues for businesses, tourism, the stadium and resulting tax revenues.

Accordingly, intercollegiate athletics serves a critical purpose and this special fund is essential for operating the program.

We believe the long term sustainability of the intercollegiate athletics program at the University of Hawaii at Manoa will require a collaborative effort of the entire community of the State of Hawaii. We welcome and invite the legislature's participation, insight and assistance in addressing the financial sustainability of this program and this fund rather than repealing the fund.

University of Hawai'i Community Services Special Fund

As indicated in the draft report, this fund does continue to serve the purpose for which it was created. This is a critical purpose – providing public service programs including noncredit educational programs in professional development and training, personal growth, and cultural enrichment; and cooperative extension and consultative services. Examples of such programs are the CTAHR Agricultural Diagnostic Service Center which provides essential plant and soil testing services, diagnostics, and recommendations to agricultural producers and home gardeners throughout the State of Hawaii, and the Hawaii English Language Program (HELP) which provides full-time intensive English language training for international students to gain English language proficiency at a level qualified to be admitted in the University of Hawaii.

All of these programs are self-sustaining. As noted in the draft report, the fund has reported negative ending balances in the past several years. However, these negative balances are the result of Outreach College at Manoa not allocating expenses relating to credit programs in a timely manner.

Within Outreach College there are five administrative and support units: the Dean's office, the business office, student services, computer services, and marketing. These units serve both the credit and noncredit, revenue generating units. Historically, personnel and operating expenses for the administrative and support units have been charged initially to the Community Services Special Fund (304A-2156) accounts and, at the end of the fiscal year, the portion of those expenses related to credit programs were transferred to the Tuition and Fees Special Fund accounts in order to allocate to the credit programs their share of expenses. Unfortunately, since 2012 the annual transfers were not executed, resulting in the deficits. However, funds do exist in Outreach College's Tuition and Fees Special Fund to cover the deficit.

Accordingly, the non-credit operations within Outreach College are self-sufficient after taking into account the proper allocation of expenses to for-credit programs. To better account for the noncredit operations, two steps have been taken. First, because the vast majority of the work of the administrative and support units supports credit programs, starting in FY2015, the expenses for those units are being charged to credit programs accounts. Second, appropriate adjustments will be made to eliminate the deficit, which will be done in FY16. Accordingly, from FY15 on, the expenditures in the Academic Support account will accurately reflect the non-credit operations and, by the end of FY16, the deficit will be eliminated.

Unrestricted Quasi-Endowment Income and Scholarship Revolving Fund

As recommended in the draft report, this fund will be terminated and moneys properly disbursed.

With regard to the funds noted in Chapter 3, Exhibit 3.1 of the draft report, the majority of those funds either: 1) will be eliminated as recommended, 2) have been included in our recently filed report to State Budget and Finance in accordance with Section 37-47, HRS, 3) or have been included in our annual report to the legislature on non-general funds. Nevertheless, the University will include any remaining funds listed in the exhibit in future reports to the legislature.

With respect to the finding that the University should report to the legislature the creation of a new administratively established fund or account within 30 working days, we acknowledge the finding and will take appropriate action in the future to comply with Section 37-52.5, HRS.

The draft report comments that UH receives general fund appropriations for programs also supported by special and revolving funds. Since the report specifically addresses circumstances relating to the Student Health Center Revolving Fund, we offer the following comments with regard to that fund:

General fund appropriations have in the past, and continue to, fund the Center's core administrative personnel who are in permanent general funded positions. These positions and funds were provided by the legislature to fund certain core operating expenses. To impose this cost to our students at this time would mean having to raise our mandatory student health fee again. Students are already faced with increasing tuition and other fee increases. This would cause additional financial hardship for many of our students and could detrimentally impact our student enrollment numbers.

The revolving fund is a means of providing additional funding to operate the Student Health Center which is not available through general funds. The University Health Services Manoa has purposefully built up its cash reserve balance over the past few

years by a combination of fiscal responsibility, mandatory student health fee collections, and as a result of the State's mandatory salary reductions to all employees paid from appropriated institutional funds imposed during FYs 2010-12. This cash reserve is being utilized to renovate the aging Student Health Center building, expand clinical medical services, and enhance campus-wide health promotion activities. Specific considerations are:

- **Student Health Center Building Renovation** - The 53-year old University Health Services Building is badly in need of renovation and updating to keep pace with evolving advancements in modern medicine. UHSM is currently in the process of Phase I building renovations. Components include a remodeling of the front public restrooms to provide disabled access, reconfiguration of the business office area used to expand clinical revenue collection through third party insurance billings, redesign of the reception area to enhance patient privacy and confidentiality so as to better comply with HIPAA Federal legislation, expansion of electrical capacity, and fire alarm modernization. Future projects in the planned 4-Phase total building renovation include the addition of clinical examination rooms by physically connecting the building Mauka and Makai clinic wings along the rear of the building, update of existing clinical examination rooms and provider offices, addition of a special isolation room for use during pandemic infectious disease outbreaks (e.g., avian flu, SARS, Ebola virus, etc.), construction of patient restrooms in the clinic area (none currently exist), and erection of offices to accommodate UHSM Health Promotion Section personnel currently housed in the QLC Student Services Building. We intend to gradually accumulate the reserve fund needed to accomplish these improvements over 8-10 years, so as to reduce the direct cost impact of these improvements upon any single group of UHM students.
- **Benefits of Building Renovations and Service Expansion** - These renovations will permit UHSM to expand clinical and health promotion services through enhanced patient quality of care, shortened wait times, additional specialty medical care offered, and additional service provisions in such areas as radiology and physical therapy.
- **Effects of Personnel Pay Cuts, Pay Restorations, and Pay Increases** - Employee pay cuts imposed from FY 2010 through FY2012 resulted in substantial personnel cost reduction for UHSM since the majority of personnel are paid from this Revolving Fund. The restoration of pay in FY 2013 and subsequent collective bargaining negotiated pay increases is producing similarly impactful cost increases for UHSM. The majority of previous permanent General-funded positions have been transferred to the Revolving Fund including that of the Director's salary + fringe costs. This is a tenured, General Fund faculty position.

- Increasing Fringe Costs - UHSM is directly responsible for fringe costs for our Revolving Fund positions. The increasing employee fringe costs (currently 46% of salary) are anticipated to have a continuing escalating cost effect resulting from our high percentage of positions that are funded out of the Revolving Fund.
- Direct Student Costs - UHSM has been able to maintain steady to declining levels of student patient out-of-pocket costs for medical services provided over the past several years as a result of the reserve funds. Certain medical services, e.g., influenza vaccinations, are currently provided for students at costs subsidized even below our direct costs.
- Mandatory Student Health Fee - The Board of Regents (BOR) approved an increase in the Mandatory Student Health Fee for UHM students in 2013. The revenues collected are being shared with Counseling and Student Development Center which provides personal counseling and mental health services.

We provide these comments regarding the Student Health Center as an example since the report discusses specifics regarding this fund. Similar information with respect to the other funds noted on Exhibit 3.2 of the draft report can be provided if needed.

Again, we appreciate the opportunity to review and comment on your draft report.

Very truly yours,



David Lassner
President