
Update of the 1992 Summary of Special and Revolving Funds

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

Report No. 01-12
July 2001



THE AUDITOR
STATE OF HAWAII

Office of the Auditor

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

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

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

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



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OVERVIEW

Update of the 1992 Summary of Special and Revolving Funds

Report No. 01-12, July 2001

Summary

The Office of the Auditor conducted an update of its 1992 *Loss of Budgetary Control: A Summary Report of the Review of Special and Revolving Funds* (Report No. 92-14). Report No. 92-14 provided an overview of five reports issued in 1991 and 1992 that reviewed all special and revolving funds in existence as of July 1, 1990 in the following agencies:

- Department of Accounting and General Services
- Department of Agriculture
- Department of the Attorney General
- Department of Budget and Finance
- Department of Business, Economic Development and Tourism
- Department of Commerce and Consumer Affairs
- Department of Defense
- Department of Education
- Department of Health
- Department of Human Resources Development
- Department of Human Services
- Department of Labor and Industrial Relations
- Department of Land and Natural Resources
- Department of Public Safety
- Department of Taxation
- Department of Transportation
- University of Hawaii
- Judiciary

This update examined all special and revolving funds created since July 1, 1990 that are administered by, or are administratively attached to, the same 18 agencies. The update also included a review of significant operational changes for those funds reviewed in our prior 1991 and 1992 reports.

Since July 1, 1990, 71 special and revolving funds have been repealed or discontinued. However, our update found that a majority (106 out of 166) of the special and revolving funds previously reviewed were still in existence as of July 1, 1999. Few of the 106 special and revolving funds have undergone significant changes since they were last reviewed. We found 31 special and revolving funds previously reviewed in 1991 and 1992 that were in existence as of July 1, 1999 that still did not meet all established criteria. The FY1999-2000 ending cash balance of these 31 funds totaled approximately \$77.4 million.

We also found that 132 special and revolving funds have been statutorily or administratively created since July 1, 1990 but 25 of these funds have since been repealed or discontinued. The aggregate cash balance of the special and revolving



funds created after July 1, 1990 and still in existence as of June 30, 2000 totaled approximately \$220 million. However, we found that 38 of these special and revolving funds did not meet all criteria of a special or revolving fund and held over \$19 million outside the general fund.

Despite the proliferation of special and revolving funds, there are many methods available to the Legislature to strengthen its control over non-general funds. To strengthen its oversight, the Legislature could reconsider the recommendations set forth in Report No. 92-14 or related options outlined in our Report No. 01-04, *A Review and Identification of Fiscally Related Powers Conferred Upon or Assumed by the Executive Branch*. In addition, we found several state legislatures that have implemented other methods to enhance their control over non-general funds that the Legislature could consider exploring.

Recommendations and Response

We recommended that the Legislature consider repealing or discontinuing the 69 special and revolving funds that do not meet established criteria. In addition, we recommended that consideration be given to transferring a portion of the excess cash balances of 12 special and revolving funds to the general fund. Finally, we recommended that the Legislature consider implementing the recommendations set forth in Report No. 92-14, exploring the options set forth in our Report No. 01-04, and assessing the possibility of implementing similar actions that other state legislatures have taken to strengthen non-general fund oversight.

In a collective response prepared by the Department of Budget and Finance, the executive agencies did not concur with our recommendations to repeal or discontinue certain funds or to lapse a portion of the excessive cash balances of other funds. The Judiciary, in a separate response, also noted its disagreement with our recommendation to lapse a portion of one of its special funds to the general fund. Due to the length, the individual responses of the 18 agencies have not been included as attachments to the report but are on file at our office.

Although the executive agencies did not entirely concur with our recommended amendment to the statutory definition of special and revolving funds, they did agree that the present definitions as stated in Section 37-62, HRS, may need to be revised. The executive agencies also agreed that Section 23-11, HRS, should be amended to include a requirement that proposals to establish special or revolving funds be supported by evidence of need. Finally, the agencies concurred with our recommendation that the Legislature explore methods to strengthen oversight of non-general funds to the extent that these methods do not conflict with the governor's ability to carry out constitutional and statutory responsibilities.

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A Report to the
Governor
and the
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the State of
Hawaii

Submitted by

THE AUDITOR
STATE OF HAWAII

Report No. 01-12
July 2001

Foreword

This is a report of our update of our 1992 *Loss of Budgetary Control: A Summary Report of the Review of Special and Revolving Funds* (Report No. 92-14) conducted pursuant to House Concurrent Resolution No. 89 of the Regular Session of 2000.

This update examined all special and revolving funds created since July 1, 1990 that are administered by, or are administratively attached to, the following 18 agencies:

- Department of Accounting and General Services
- Department of Agriculture
- Department of the Attorney General
- Department of Budget and Finance
- Department of Business, Economic Development and Tourism
- Department of Commerce and Consumer Affairs
- Department of Defense
- Department of Education
- Department of Health
- Department of Human Resources Development
- Department of Human Services
- Department of Labor and Industrial Relations
- Department of Land and Natural Resources
- Department of Public Safety
- Department of Taxation
- Department of Transportation
- University of Hawaii
- Judiciary

The update also included a review of significant operational changes for those funds reviewed in our prior 1991 and 1992 reports.

We wish to express our appreciation for the cooperation and assistance extended to us by the aforementioned agencies and others who provided information.

Marion M. Higa
State Auditor

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Chapter 1

Introduction

During the Regular Session of 2000, the Legislature noted that special and revolving funds escape the kind of legislative scrutiny given to the general fund—thus making them attractive to executive and judicial agencies and special interest groups. In House Concurrent Resolution No. 89, the Twentieth State Legislature requested the State Auditor to update its 1992 *Loss of Budgetary Control: A Summary Report of the Review of Special and Revolving Funds* (Report No. 92-14). The resolution also requested the following:

1. For each special and revolving fund created since July 1, 1990, an analysis of its conformance with the criteria used by the Auditor in complying with Act 240, Session Laws of Hawaii (SLH) 1990;
2. For all special and revolving funds existing as of July 1, 1999, their cash balances as of June 30, 2000;
3. A list of all special and revolving funds terminated since July 1, 1990; and
4. A discussion and analysis of alternatives available to the Legislature in strengthening its oversight over non-general fund moneys, including any successful approaches in other states.

Special and Revolving Funds Finance Specific Activities

Special Funds

In governmental accounting, a special fund is defined as “a fund that must be used in accordance with specific legal or administrative restrictions.” Section 37-62, Hawaii Revised Statutes (HRS), defines special funds as those which are “dedicated or set aside by law for a specified object or purpose, but excluding revolving funds and trust funds.”

Most special funds are designed to be self-sustaining through revenues earmarked from specific sources. The Airport Revenue Fund is an example of a special fund. Pursuant to Section 248-8, HRS, all taxes collected under the Fuel Tax Law that are related to gasoline or other aviation fuel are set aside in the Airport Revenue Fund. The fund is intended to support and pay for the State’s airport system.

Revolving Funds

Section 37-62, Hawaii Revised Statutes (HRS), defines a revolving fund as a fund

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

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

1992 Summary of Special and Revolving Funds

Act 240, SLH 1990, subjected all existing special and revolving funds to a one-time evaluation by the State Auditor over a five-year period to ensure the fiscal integrity of the State. The act noted that special and revolving funds provided guaranteed sources of revenue to particular programs without regard to the State’s overall fiscal condition.

The specific purposes of the one-time evaluation were to determine: (1) whether the funds’ continued existence was necessary and (2) whether moneys appropriated from the general fund for these programs and revenues generated by programs funded through special and revolving funds should be deposited into the general fund. The act also required the Auditor to assess whether public interest required that each fund be continued, modified, or repealed.

Six reports pointed to an erosion of legislative control

The requested evaluation of special and revolving funds was completed in 1992—three years earlier than scheduled. All special and revolving funds in existence as of July 1, 1990 were reviewed, except those in the Office of the Governor and its agencies, the Office of the Lieutenant Governor, the Department of Hawaiian Home Lands, and the Office of Hawaiian Affairs. As reflected in Exhibit 1.1, six reports were issued in 1991 and 1992.

Over 160 funds were reviewed with aggregated cash balances of about \$1.5 billion. The reviews recommended that 70 of these funds, whose cash balances totaled \$146 million, be repealed, discontinued, or sunsetted.

Exhibit 1.1
Reports Issued Pursuant to Act 240, SLH 1990

Report No.	Report Title	Issue Date
91-10	Review of Special and Revolving Funds of the Departments of Accounting and General Services, Agriculture, and Budget and Finance	February 1991
92-3	Review of Special and Revolving Funds of the Housing Finance and Development Corporation and the Department of Business, Economic Development and Tourism	January 1992
92-8	Review of Special and Revolving Funds of the Departments of Commerce and Consumer Affairs, Education, Health, and Human Services	February 1992
92-9	Review of Special and Revolving Funds of the University of Hawaii	April 1992
92-11	Review of Special and Revolving Funds of the Judiciary and the Departments of the Attorney General, Labor and Industrial Relations, Land and Natural Resources, Personnel Services, Taxation, Transportation, and Public Safety	April 1992
92-14	Loss of Budgetary Control: A Summary Report of the Review of Special and Revolving Funds	October 1992

Our Report No. 92-14 noted that the proliferation of special and revolving funds as financing mechanisms had a deleterious effect on the Legislature's ability to control the state budget. Legislative control was reduced because special and revolving funds diverted moneys from the general fund. We also found that the use of special and revolving funds distorted the State's financial picture by making revenues and expenditures appear to be less than they were. Finally, we reported that special and revolving funds escape legislative scrutiny because the Legislature primarily focuses on the general fund and limits its oversight of programs financed outside the general fund appropriations process.

To improve its control over the State's finances, we recommended that the Legislature:

1. Repeal the special and revolving funds recommended for repeal.
2. Repeal Section 304-8, HRS, which gives the University of Hawaii the authority to establish special and revolving funds administratively.

3. Set sunset dates for all existing and newly established special and revolving funds.
4. Amend Section 37-62, HRS, to define special and revolving funds as funds used only when these means of financing are essential to the successful operation of a program and when there is a clear link between the program and the sources of revenue dedicated to its support.
5. Amend Section 23-11, HRS, to include a requirement that proposals to establish new special and revolving funds be supported by evidence of need that:
 - States the purpose of the program;
 - Describes the scope of the program;
 - Presents financial information on fees to be charged, sources of projected revenue, and costs; and
 - Explains why the program cannot be implemented successfully under the general appropriation process.

In its response, the Department of Budget and Finance reported that the University of Hawaii did not object to repealing Section 304-8, HRS, provided that the funds established under that section be allowed to continue. The department noted that it also believed the present statutory definitions of special and revolving funds may need to be revised. In addition, the department concurred with our recommendation to amend Section 23-11, HRS, to include a requirement that new funds be supported by evidence of need. However, the department did not concur with our recommendation to repeal those funds recommended for repeal or to establish sunset dates for existing and newly created special and revolving funds.

***Some recommendations
were implemented***

Our 1992 review recommended a number of actions the Legislature could take to improve its control over the state budget; however, many of those actions were not implemented. Two of our five recommendations were partially implemented. Although the Legislature concurred with the overall findings of the reviews, it also recognized that circumstances necessitated the continuation of some special and revolving funds. For example, it noted that some funds were needed to meet federal obligations, while others were needed to provide the flexibility required to accommodate variable or unpredictable program demands. Therefore, Act 280, SLH 1993, repealed only 37 of the 70 special and revolving

funds recommended for repeal. Act 280 also required the director of finance to transfer \$25.8 million from eight special and revolving funds to the general fund on July 1, 1993.

Although Section 304-8, HRS, was not repealed as recommended, it was amended by Act 23, SLH 1993. This act repealed that portion of Section 304-8 that gave the university the ability to administratively establish special and revolving funds without legislative control.

Criteria for Reviewing Special and Revolving Funds

We used four established criteria to review each special and revolving fund. Act 240, SLH 1990, established two of the criteria used to determine whether a particular special or revolving fund should be continued, modified, or repealed. These are to the extent to which a fund:

1. Continues to serve the purpose for which it was originally created; and
2. Reflects a clear link between the benefits sought and charges made upon the users or beneficiaries of the program, as opposed to serving primarily as a means to provide the program or users with an automatic means of support that is removed from the normal budget and appropriations process.

As in our 1992 reviews, we also considered whether each special or revolving fund:

3. Provides an appropriate means of financing for the program or activity.

Finally, from our review of public finance literature, we applied a fourth criterion. We assessed the extent to which each fund:

4. Demonstrates the capacity to be financially self-sustaining.

Objectives of the Update

1. Identify, review, and provide a five-year unaudited fiscal summary for each special and revolving fund created since July 1, 1990 within the following 18 agencies:

Department of Accounting and General Services
Department of Agriculture
Department of Attorney General
Department of Budget and Finance
Department of Business, Economic Development and Tourism

Department of Commerce and Consumer Affairs
Department of Defense
Department of Education
Department of Health
Department of Human Resources Development
Department of Human Services
Department of Labor and Industrial Relations
Department of Land and Natural Resources
Department of Public Safety
Department of Taxation
Department of Transportation
University of Hawaii
Judiciary

2. Provide updated financial and operational information on funds created before July 1, 1990 and reviewed in our prior reports on special and revolving funds.
3. Identify all special and revolving funds terminated since July 1, 1990.
4. Assess available methods the Legislature could implement to strengthen its oversight over non-general funds.
5. Make recommendations as appropriate.

Scope and Methodology

This update examined all special and revolving funds created since July 1, 1990 that are directly administered by, or are administratively attached to, the aforementioned 18 agencies. Also included are those funds statutorily and administratively established within these agencies. As with our previous update, we did not review funds in the Office of the Governor, Office of the Lieutenant Governor, Office of Hawaiian Affairs, or the Department of Hawaiian Home Lands.

The update also included a review of significant operational changes (for example, changes in revenue sources, program operations, fund beneficiaries, etc.) for those funds reviewed in our prior reports. As necessary, we revised our recommendations to acknowledge changes made in several funds. This update did not include an assessment of the effectiveness of the programs that the funds support or the management of the funds.

The primary period under review encompassed unaudited financial information for FY1995-96 to FY1999-00 for funds created since July 1, 1990. For funds created before July 1, 1990, the primary period under review included unaudited financial information for FY1999-00. We also

identified all special and revolving funds terminated since July 1, 1990, and reviewed cash balances of all funds in existence as of July 1, 1999.

Each fund was assessed using the criteria stated above. We also researched legislative history and other supporting documents to determine each fund's original purpose. Fiscal and program staff at each agency were interviewed as necessary to obtain an understanding of the fund's current operation.

To confirm that each agency submitted complete information for all special and revolving funds, we used information obtained from the Department of Accounting and General Services' financial accounting management information system (FAMIS).

We also reviewed pertinent literature from the U.S. General Accounting Office, National Conference of State Legislatures, and from other sources to determine methodologies available to legislatures to maintain oversight of non-general funds.

Our work was performed from July 2000 through February 2001 in accordance with generally accepted government auditing standards.

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Chapter 2

Special and Revolving Funds Continue to Proliferate and Weaken Legislative Control of State Finances

In 1991 and 1992 we reviewed 166 special and revolving funds. We found that little has changed since we issued our October 1992 report, *Loss of Budgetary Control: A Summary Report of the Review of Special and Revolving Funds*. Our current report updates the 166 funds previously reviewed as well as 132 funds created since, totaling nearly 300 special and revolving funds. The aggregate cash balance of these special and revolving funds was approximately \$1.19 billion as of June 30, 2000. Of the approximately 220 special and revolving funds in existence as of July 1, 1999, we found about 70 that did not meet established criteria. The cash balance of these funds totaled approximately \$96 million as of June 30, 2000. To gain greater control over non-general funds, the Legislature can consider implementing our previous recommendations, other options recently identified by our office, and methods adopted by other state legislatures.

About 130 New Special and Revolving Funds Have Been Created Since July 1, 1990

Since July 1, 1990, 132 special and revolving funds have been created statutorily or administratively. This means that approximately 13 funds have been created each year over the past ten years. As shown in Exhibit 2.1, the Department of Health (including the administratively attached Hawaii Health Systems Corporation), Department of Agriculture, and University of Hawaii experienced the greatest increase in number of special and revolving funds. In contrast, no special or revolving funds were created in the Departments of Defense or Human Resources Development over the past decade. Appendix A provides a list of all special and revolving funds created since July 1, 1990 by agency.

Cash balances of these new funds exceeded \$200 million

As of June 30, 2000, the cash balance of all special and revolving funds created since July 1, 1990 totaled approximately \$220 million. As shown in Exhibit 2.2, cash balances of the special and revolving funds created in the Department of Health alone exceeded \$70 million on June 30, 2000—the largest balance of all agencies reviewed. The Department of Commerce and Consumer Affairs' and the University of Hawaii's newly created special and revolving funds also had large fund balances at the end of FY1999-00. The June 30, 2000 fund balance of all new special and revolving funds created in these two agencies exceeded \$40 million each.

Exhibit 2.1

Number of Special and Revolving Funds Created Since July 1, 1990

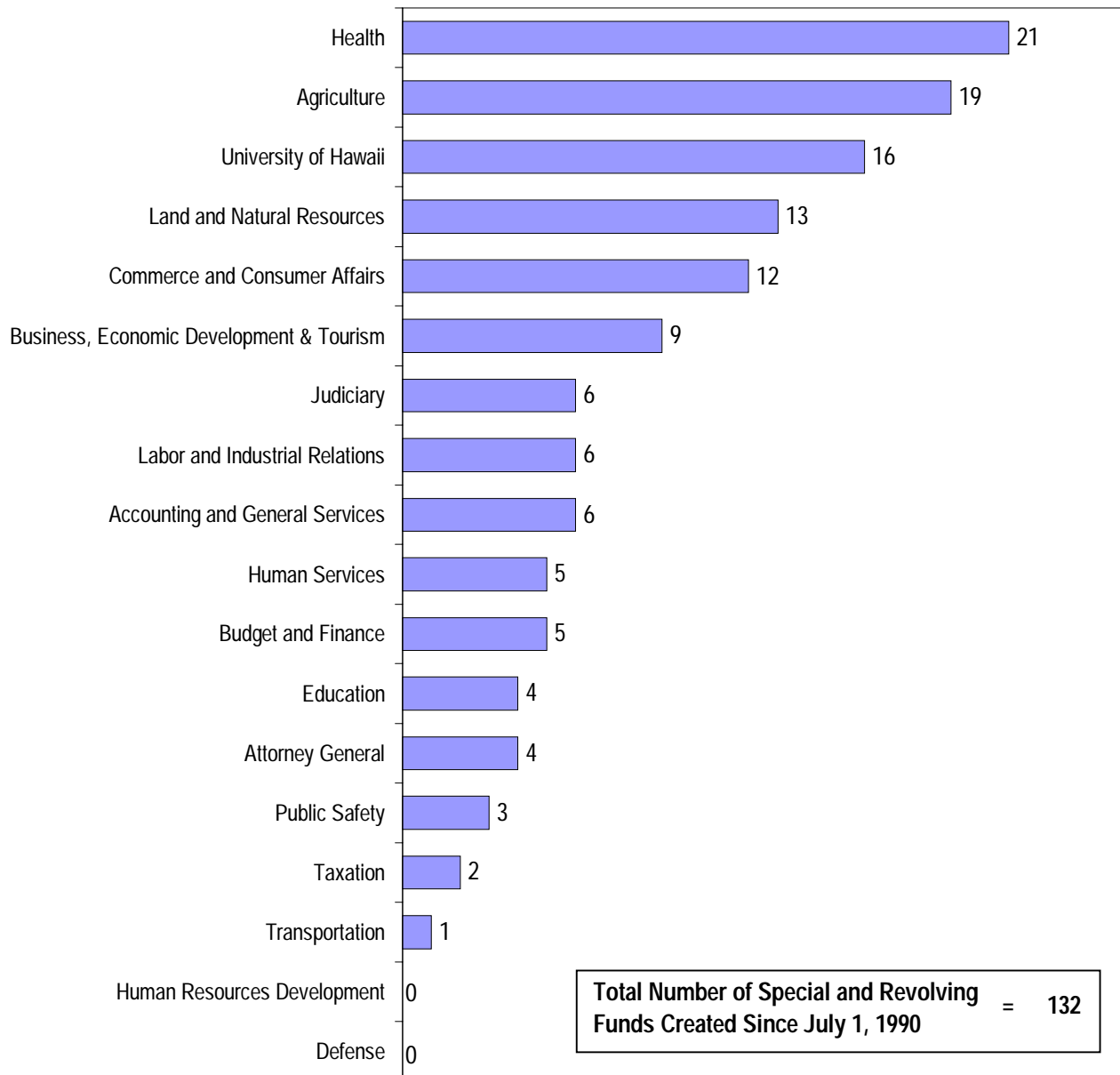
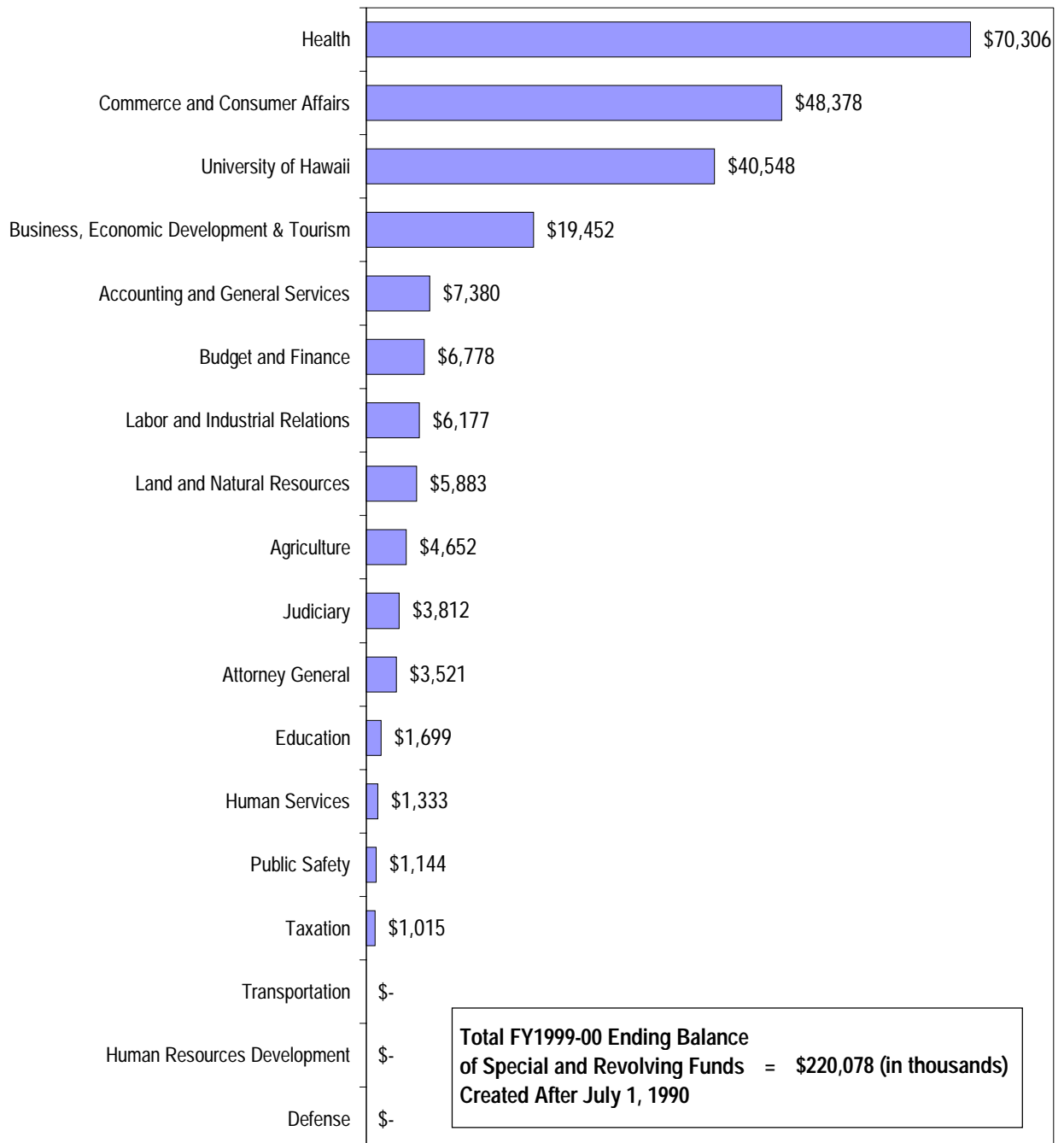


Exhibit 2.2

FY1999-00 Ending Balance of Special and Revolving Funds Created After July 1, 1990 (in thousands)



Notably, the FY1999-00 ending balance of only four special funds accounted for 60 percent (\$132.9 million) of the \$220 million statewide total. These funds and their FY1999-00 balance included the:

1. Department of Health's *Hawaii Tobacco Settlement Fund*—\$43.2 million;
2. Department of Commerce and Consumer Affairs' *Compliance Resolution Fund*—\$41.8 million;
3. University of Hawaii's *University of Hawaii Tuition and Fees Special Fund*—\$33 million; and
4. Department of Business, Economic Development and Tourism's *Tourism Special Fund*—\$14.9 million.

The Compliance Resolution Fund and Tuition and Fees Special Fund were created to give the Department of Commerce and Consumer Affairs and the University of Hawaii fiscal flexibility. With declining general fund support, the Compliance Resolution Fund was created in 1999 to support the department's goal of fiscal self-sufficiency. Although there is technically only one Compliance Resolution Fund, our review includes six newly created compliance resolution funds pursuant to the department's practice of accounting for all sources of funding separately. In 1995, the Tuition and Fees Special Fund was created as a means to increase the university's budget flexibility and fiscal autonomy.

More than one-fourth do not meet relevant criteria

Our review found that about 29 percent of the special and revolving funds created after July 1, 1990 did not meet all criteria. As shown in Appendix B, the Departments of Agriculture, Health, and Land and Natural Resources had the greatest number of newly created special and revolving funds that did not meet all criteria. Two-thirds of the newly created funds in these three departments were administratively established.

As of June 30, 2000, the 38 funds that we found did not meet all criteria of a special or revolving fund held over \$19 million outside the general fund. We recommend their repeal.

A Majority of Special and Revolving Funds Previously Reviewed Are Still in Existence

Of the 166 special and revolving funds we previously reviewed, we found that about 64 percent (106 funds) were still in existence as of July 1, 1999. We found that few of these funds have undergone significant changes since they were last reviewed. As such, many of our recommendations to repeal or continue these funds are still applicable. In addition, we also found several funds that were previously reviewed that are now classified as trust funds. Therefore, our current review did not

include the following trust funds in the Department of Commerce and Consumer Affairs: (1) Commissioner's Education and Training Fund, (2) Condominium Management Education Fund, (3) Contractors Education Fund, and (4) Real Estate Education Fund.

These funds remain relatively unchanged

Of the 106 special and revolving funds previously reviewed that were still in existence on July 1, 1999, only five had changed significantly enough to warrant a reversal of our previous recommendation. As reported by the departments and agencies under review, about 100 of these special and revolving funds have not changed since the early 1990s.

The five funds that did significantly change were the:

1. Hawaii Strategic Development Corporation Revolving Fund, Section 211F-5, HRS;
2. Housing Alteration Revolving Loan Fund, Section 201G-342, HRS;
3. Marketing Order Revolving Fund, Section 147-101, HRS;
4. Special Summer School and Intercession Fund, Section 302A-1310, HRS; and
5. Discoveries and Inventions Revolving Fund, Section 304-8.92, HRS.

Appendix C provides an update of all special and revolving funds previously reviewed and still in existence as of July 1, 1999.

During our previous review, both the Housing Alteration Revolving Loan Fund and Hawaii Strategic Development Corporation Revolving Fund were relatively new funds. At that time, we were unable to adequately assess these new funds and therefore recommended their continuation. However, our current review found that these two funds do not meet all criteria of a revolving fund. Our present review also found that the Marketing Order Revolving Fund no longer serves the purpose for which it was created and should be discontinued. In addition, the Special Summer School and Intercession Fund currently relies on general fund appropriations to fund tuition and fees of special education students, and therefore does not strictly meet the criteria of a special fund. However, consideration should be given to its continuation. Finally, although the University of Hawaii's Discoveries and Inventions Revolving Fund still relies on general fund support, the university expects this fund to become self-sustaining within the next few years.

Many still do not meet established criteria

There were 31 special and revolving funds that we reviewed in 1991 and 1992 that were in existence as of July 1, 1999 that did not meet all established criteria. About one-half (16) of these funds were accounted for within two agencies—the Department of Business, Economic Development and Tourism and the University of Hawaii. As shown in Exhibit 2.3, the FY1999-00 ending cash balance of these 31 funds totaled approximately \$77.4 million. We recommend their repeal.

Several funds have excessive cash balances

Special and revolving funds created prior to July 1, 1990 still in existence as of July 1, 1999 were reviewed and several were found to have cash balances in excess of apparent program needs. As shown in Exhibit 2.4, the balance of these 12 funds totaled approximately \$169.4 million as of June 30, 2000.

In one example, the Department of Labor and Industrial Relations' Special Fund for Disability Benefits earns more in interest income than is expended for temporary disability benefits. This fund was created over 30 years ago through a one-time assessment of employers. However, over a recent five-year fiscal period, the fund expended only 19.6 percent of what it earned in interest alone. During FY1999-00, only \$47,000 of the approximately \$7 million available in the fund was expended.

Another example of an excess fund balance is the Rental Assistance Revolving Fund in the Department of Business, Economic Development and Tourism. This fund makes payments under rental assistance contracts, subsidizes tenants' rents, and provides interim construction financing for affordable rental housing. However, only \$2.4 million of the approximately \$37.6 million available in the fund in FY1999-00 was expended during that fiscal year. Even after accounting for an average annual restriction for interim construction loans and rent subsidy guarantees of \$28 million, this fund's balance appears to exceed program needs.

Since Our Previous Review, 71 Funds Have Been Repealed or Discontinued

A total of 71 special and revolving funds created before and after our July 1, 1990 review have been repealed or discontinued. Forty-six special and revolving funds created before July 1, 1990 and previously reviewed have been repealed. We had previously recommended that only 36 be repealed. Examples of funds recommended for repeal and actually terminated include the (1) Special Fund for Out-of-State Offices, (2) Revolving Fund for Kalaupapa Store, and (3) Algal Mass Culture Facility, Snug Harbor, Oahu, Revolving Fund. Funds recommended for continuation but eventually repealed include the Veterans' Bond Fund, Molokai Revolving Loan Program, and Hawaii Agricultural Products Revolving Fund. Appendix D includes a complete list of special and revolving funds that have been repealed or terminated since July 1, 1990.

Exhibit 2.3**Fund Balances of Special and Revolving Funds Previously Reviewed That Do Not Meet All Criteria**

<u>Department/ Agency</u>	<u>No.</u>	<u>Fund Title</u>	<u>FY1999-00 Ending Balance (in thousands)</u>
University of Hawaii	1.	Research and Training Revolving Fund, Section 304-8.1, HRS	\$ 25,587
	2.	University of Hawaii at Manoa Intercollegiate Athletics Revolving Fund, Section 304-8.7, HRS	\$ 1,600
	3.	University of Hawaii at Hilo Intercollegiate Athletics Revolving Fund, Section 304-8.7, HRS	\$ 20
	4.	University of Hawaii at Manoa Malpractice Special Fund, Section 304-8.8, HRS	\$ 472
	5.	Child Care Programs Revolving Fund, Section 304-8.91, HRS	\$ 114
	6.	Hawaii Opportunity Program in Education Special Fund, Section 304-8.95, HRS	\$ -
	7.	UH-Manoa Campus Center for Student Development Special Fund, Section 304-8.956, HRS	\$ 46
	8.	UH-Manoa Campus Laboratory Animal Service Special Fund, Section 304-8.956, HRS	\$ 21
Business, Economic Development and Tourism	1.	Housing Alteration Revolving Loan Fund, Section 201G-342, HRS	\$ 258
	2.	Aloha Tower Special Fund, Section 206J-17, HRS	\$ 2,574
	3.	Hawaii Community-Based Development Revolving Fund, Section 210D-4, HRS	\$ 594
	4.	Hawaii Strategic Development Corporation Revolving Fund, Section 211F-5, HRS	\$ 3,256
	5.	High Technology Special Fund, Section 206M-15.5, HRS	\$ 1,034
	6.	Natural Energy Laboratory of Hawaii Authority Special Fund, Section 227D-5, HRS	\$ 2,330
	7.	Petroleum Products Control Revolving Fund, Section 125C-7, HRS	\$ 128
	8.	Reserved Housing Loan Program Revenue Bond Special Fund, Section 206E-109, HRS	\$ -
Education	1.	Adult Education Special Fund, Section 302A-435, HRS	\$ 577
	2.	Driver Education Special Fund, Section 431:10C-115, HRS	\$ 674
	3.	Special School Lunch Fund, Section 302A-405, HRS	\$ 3,714
	4.	Special Summer School and Intercession Fund, Section 302A-1310, HRS	\$ 1,163
	5.	Storeroom Revolving Fund, Section 302A-1304, HRS	\$ 694
Accounting and General Services	1.	State Educational Facilities Improvement Special Fund, Section 36-32, HRS	\$ 681
	2.	State Risk Management Revolving Fund, Section 41D-4, HRS	\$ 11,141
	3.	Works-of-Art Special Fund, Section 103-8.5, HRS	\$ 9,291
Agriculture	1.	Agriculture Park Special Fund, Section 166-10, HRS	\$ 486
	2.	Irrigation System Revolving Fund, Section 167-22, HRS	\$ 237
Health	1.	Environmental Response Revolving Fund, Section 128D-2, HRS	\$ 6,577
	2.	Health Systems Special Fund (HHSC), Section 323F-21, HRS	\$ 860
Attorney General	1.	Criminal Forfeiture Fund, Section 712A-16, HRS	\$ 64
Human Resources Development	1.	In-Service Training Revolving Fund, Section 81-3, HRS	\$ 49
Labor and Industrial Relations	1.	Special Premium Supplementation Fund, Section 393-41, HRS	\$ 3,208
Total:			\$ 77,450

Exhibit 2.4**Special and Revolving Funds Created Before July 1, 1990 With Excessive Cash Balances**

<u>Department/Agency</u>	<u>Fund Title</u>	<u>FY1999-00 Ending Balance (in thousands)</u>
Accounting and General Services	State Motor Pool Revolving Fund, Section 105-11, HRS	\$ 2,156
Agriculture	Agriculture Loan Reserve Fund, Section 155-14, HRS	\$ 5,002
	Agriculture Loan Revolving Fund, Section 155-14, HRS	\$ 4,977
Business, Economic Development and Tourism	Dwelling Unit Revolving Fund, Section 201G-411, HRS	\$ 81,372
	Rental Assistance Revolving Fund, Section 201G-223, HRS	\$ 39,078
	Hawaii Innovation Development Fund, Section 211E-2, HRS	\$ 286
	State Disaster Revolving Loan Fund, Section 209-34, HRS	\$ 346
Education	Libraries Special Fund, Section 312-3.6, HRS	\$ 1,115
	School Special Fees Special Fund, Section 302A-1130, HRS	\$ 577
Labor and Industrial Relations	Special Fund for Disability Benefits, Section 392-61, HRS	\$ 7,194
University of Hawaii	Research and Training Revolving Fund, Section 304-8.1, HRS	\$ 24,587
Judiciary	Driver Education and Training Fund, Section 286G-2, HRS	\$ 2,752
Total:		\$ 169,442

Of the 132 special and revolving funds that have been created since July 1, 1990, 25 have since been repealed or discontinued. About 70 percent of these repealed or discontinued funds had been administratively established. For example, funds that had been administratively established in the early 1990s to account for Hurricane Iniki insurance proceeds were subsequently discontinued in the Departments of Commerce and Consumer Affairs, Education, Human Services, Public Safety, and Taxation; and the Judiciary.

Examples of funds created statutorily after July 1, 1990 and since repealed include four Department of Business, Economic Development and Tourism special funds related to the convention center. In 1993, a special fund was created to account for revenues derived from the transient accommodations tax to operate and maintain the convention center. In 1997, this fund was repealed and two distinct funds were

established in its place—one to account for capital expenses and the other to account for operational expenses of the convention center. Two years later, these two funds were amended and the original 1993 “combined” fund was statutorily reestablished. However, on June 30, 2000 the recombined fund was again terminated when the Convention Center Authority was sunsetted.

Many Methods Are Available to Strengthen Legislative Control Over Non-General Funds

Prior reports recommend repeal and other actions

To strengthen its oversight of non-general funds, the Legislature could consider recommendations and options set forth in our previous reports as well as methods implemented or considered by other states. Our *Loss of Budgetary Control: A Summary Report of the Review of Special and Revolving Funds*, Report No. 92-14, still contains several applicable recommendations. More recently, *A Review and Identification of Fiscally Related Powers Conferred Upon or Assumed by the Executive Branch*, Report No. 01-04, outlines additional related options available to the Legislature. In addition, we found several state legislatures that have implemented other methods to enhance their control over non-general funds.

We reiterate the recommendations set forth in Report No. 92-14 outlining actions the Legislature could consider to improve its control over the State’s finances. In 1992, we recommended that 70 funds be repealed, discontinued, or sunsetted in the future. Our current review found that 31 of the 70 funds recommended for repeal over eight years ago still exist. We also found 38 other funds created since our previous review that likewise do not meet the criteria for special and revolving funds, making a total of 69 funds which should be repealed. Some of these special and revolving funds finance programs that also receive a significant amount of general funds and therefore could operate equally well through the general fund appropriations process. Other funds we identified in 1992 have never been used. Other funds were created and used for their original purposes but have since become inactive for the past several years.

Other recommendations set forth in Report No. 92-14 that could be implemented by the Legislature to improve its non-general fund oversight include: (1) amending the statutory definitions of special and revolving funds and (2) requiring that proposals establishing new special or revolving funds provide supporting evidence of need. In its response to Report No. 92-14, the Department of Budget and Finance agreed with these two recommendations. In 1993, the Legislative Reference Bureau also found that the statutory definitions of special and revolving funds were “too broad and vague” and “overly broad,” respectively. Despite the apparent support for these two recommendations, they have yet to be implemented.

In 1992, we found that the Legislature's oversight of programs financed by special and revolving funds is diminished by a number of legislative constraints. Specifically, limited staff resources and a short legislative session constrain the number of programs legislative staff can effectively review. We addressed this issue in our Report No. 01-04. This recent report provides several options the Legislature could take to enhance its ability to review non-general funds:

1. Establish on-line access for the Legislature to fiscal data of every state agency,
2. Initiate the Joint Legislative Budget Committee,
3. Fund the Office of the Legislative Analyst, and
4. Expand full-time staffing for the Legislature's House Committee on Finance and Senate Committee on Ways and Means.

Repealing special and revolving funds that do not demonstrate linkage between the benefits sought and charges made upon users of the program is also an option discussed in Report No. 01-04.

***Innovative methods
have been considered
by other state
legislatures***

Through the National Association of Legislative Fiscal Officers, we found a number of state legislatures that have implemented, or considered implementing, steps to strengthen their oversight of non-general funds. Many of the nine states that responded—Alaska, Arkansas, Connecticut, Delaware, Louisiana, Minnesota, Nebraska, Ohio, and Oregon—reported an increase in the number of non-general funds over the past several years. Several states reported on their innovative methods of maintaining/establishing oversight over these funds.

Minnesota noted its concern over the number of non-general funds created and that such funds are not examined as closely as the general fund. Therefore, in 1999, Minnesota included language in legislation requiring its legislative Commission on Planning and Fiscal Policy to establish principles relating to minimizing the number of state funds and special accounts. These principles define when it is appropriate to create special or dedicated funds or accounts. In addition, Minnesota's 1999 legislation required the commission to report on the newly established principles and results of its review of past budget actions. While the commission's work is still in progress, its report of the surprising number of funds or accounts authorized outside the general fund is making fiscal staff and committees more aware of these funds.

Although Ohio noted that no specific efforts have been made to strengthen its non-general fund oversight, it reported that it does not usually

subsidize or provide general fund start-up money to non-general funds. In those instances when the general fund did support a fund with a loan, a payback schedule was developed and fees and costs were structured so that the loan would be repaid in one or two years. In Hawaii, implementing such a schedule would have ensured that the \$120 million advanced from the general fund to capitalize the 1988 Homes Revolving Fund was paid back in 1989 or 1990 instead of FY1992-93.

Nebraska reported that its cash funds (equivalent to special revenue funds) can be administratively created for only a limited time. After two years, such funds must be either (1) statutorily created and authorized as to their continued existence or (2) eliminated and their functions discontinued. Due to the prospect of a short life span, administratively created funds are increasingly rare in Nebraska.

Recommendations

The Legislature should consider:

1. Repealing or discontinuing the 38 special and revolving funds created after July 1, 1990 that do not meet established criteria.
2. Repealing or discontinuing the 31 special and revolving funds created prior to July 1, 1990 that do not meet established criteria.
3. Transferring a portion of the excessive cash balances of 12 various special and revolving funds to the general fund.
4. Implementing the recommendations set forth in Report No. 92-14 including:
 - a. Amending Section 37-62, HRS, to clarify the definitions of special and revolving funds; and
 - b. Amending Section 23-11, HRS, to include a requirement that proposals to establish special or revolving funds be supported by evidence of need.
5. Exploring the options set forth in our Report No. 01-04 to strengthen its oversight of non-general funds.
6. Assessing the possibility of implementing similar actions that other state legislatures have taken to strengthen non-general fund oversight.

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Chapter 3

Department of Accounting and General Services

This chapter presents our findings of six special and revolving funds created after July 1, 1990 and seven special and revolving funds created prior to July 1, 1990. For each fund created after July 1, 1990, we present a five-year financial summary, the purpose of the fund, conclusions about its use, and a recommendation on whether it should be continued, modified, or repealed. For each fund created prior to July 1, 1990, we present a one-year financial summary, the purpose of the fund, conclusions about its use, and other pertinent information on how the fund has changed since it was originally reviewed in 1991. We do not present any conclusions about the effectiveness of the program, its management, or whether it should be continued. We present alphabetically first those funds established after July 1, 1990 followed by the funds established before July 1, 1990 that were reviewed in 1991.

Funds created after July 1, 1990

Hawaiian Sovereignty Elections Council Special Fund, Administratively Established

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

	FY1996	FY1997
Beginning Fund Balance	\$371	\$382
Revenues	353	1
Interest	0	0
Expenditures	(342)	(383)
Transfers	0	0
Ending Fund Balance	\$382	\$0
Encumbrances	0	0

This fund was created to account for transfers from the Office of Hawaiian Affairs as a match to state general funds for the Hawaiian Sovereignty Elections Council. The fund was used to pay for plebiscite-related functions, including voter education and registration, planning for the plebiscite, and electing delegates. This fund served the purpose for which it was created. Money was held and expended for plebiscite-related activities. However, this fund no longer exists. The fund, along with the elections council, was terminated on December 31, 1996.

Interagency Federal Revenue Maximization Revolving Fund, Section 29-24, HRS

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$318	\$6,003	\$8,534	\$4,373
Revenues	391	6,648	10,242	5,695	2,187
Interest	0	72	305	280	171
Expenditures	(73)	(1,035)	(8,016)	(10,136)	(839)
Transfers	0	0	0	0	0
Ending Fund Balance	\$318	\$6,003	\$8,534	\$4,373	\$5,892
Encumbrances	0	0	259	0	366

This fund was created through Act 11 of the 1995 legislative special session. The purpose of Act 11 was to improve government operations by creating the Interagency Federal Revenue Maximization Revolving Fund to aggressively pursue, collect, and distribute federal fund reimbursements. Proceeds collected from the federal government and third-party payers for reimbursable costs not previously claimed by the State are deposited into this fund. The fund continues to serve this purpose. Collections are transferred to the department claiming the reimbursement, to the general fund, and to the contract consultant assisting the State in pursuing additional claims. Act 160, SLH 1999, repealed the June 30, 1999 termination date for the fund. As an appropriate financing mechanism, this fund meets the criteria of a special fund and should be continued.

Parking Control Revolving Fund Escrow Account, Administratively Established

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

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$13	\$32
Revenues	0	0	0
Interest	0	0	0
Expenditures	0	0	0
Transfers*	13	19	5
Ending Fund Balance	\$13	\$32	\$37
Encumbrances	0	0	0

*Transfers-in were from the State Parking Revolving Fund.

This account was administratively established to account for the deposit of 20 percent of revenues collected from parking lots on ceded lands. Funds are to be kept in the account until they are transferred to the Office of Hawaiian Affairs. However, the account no longer serves its original purpose. Revenues from parking lots on ceded lands have been transferred directly to the Office of Hawaiian Affairs since late 1999. We recommend, and the department concurs, that the balance of this account be transferred to the Office of Hawaiian Affairs and the account be closed.

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

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$1,468	\$320	\$438	\$1,006	\$1,248
Revenues	1,234	1,941	2,348	2,279	1,896
Interest	0	0	0	0	54
Expenditures	(2,394)	(1,823)	(1,780)	(2,037)	(1,764)
Transfers*	12	0	0	0	17
Ending Fund Balance	\$320	\$438	\$1,006	\$1,248	\$1,451
Encumbrances	83	20	3	15	18

*Transfers-in are the net of fund transfers from agency operating accounts for accrued sick leave credits of project funded positions.

This fund was established in 1996 to defray costs involved with carrying out construction projects and managing funds representing accumulated vacation and sick leave credits and retirement benefits. The fund is used to collect and distribute costs of other current expenses associated with capital improvement, repairs and maintenance projects, and to manage payments of project transportation. The fund also maintains two sub-accounts for motor vehicle rental and for supplies, services, and equipment for capital improvement projects. The fund links program benefits with charges made upon users. Agencies whose projects are managed by the department replenish the fund through assessments made on their projects. This self-sustaining fund is an appropriate financing mechanism for the program and meets all four criteria of a revolving fund.

State Educational Facilities Improvement Special Fund Excess Cash, Administratively Established

Financial Data for Fiscal Year 1997 (in thousands)

FY1997	
Beginning Fund Balance	\$0
Revenues	0
Interest	0
Expenditures	0
Transfers*	2,517
	(2,517)
Ending Fund Balance	\$0
Encumbrances	0

*Transfer-in is from the State Educational Facilities Improvement Special Fund. Transfer-out is to the general fund.

This fund was administratively established to account for the transfer of funds determined as excess by the Legislature. Act 213, SLH 1996, authorized and appropriated \$2,516,700 from the State Educational Facilities Improvement Special Fund to this temporary fund. The same amount was then transferred to the general fund and the fund was closed.

State Motor Pool Revolving Fund Excess Cash, Administratively Established

Financial Data for Fiscal Year 1997 (in thousands)

FY1997	
Beginning Fund Balance	\$0
Revenues	0
Interest	0
Expenditures	0
Transfers*	225
	(225)
Ending Fund Balance	\$0
Encumbrances	0

*Transfer-in is from the State Motor Pool Revolving Fund. Transfer-out is to the general fund.

This fund was administratively established to receive funds determined as excess by the Legislature under Act 213, SLH 1996, from the State Motor Pool Revolving Fund. This fund was closed once its moneys were transferred to the general fund.

***Update of funds
created prior to July 1,
1990***

Stadium Special Fund, Section 109-3, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$5,115
Revenues	5,540
Interest	174
Expenditures	(5,273)
Transfers*	(1,048)
Ending Fund Balance	\$4,508
Encumbrances	699

*Transfer-out was to the Public Works Division.

This fund was established to hold revenues collected by the Stadium Authority and to pay for the operation, maintenance, and management of the stadium and related facilities. Capital improvement projects are also financed from this fund. In addition, the fund maintains a sub-account for discretionary uses, including the preparation of marketing brochures and other promotional activities. The fund continues to serve the purpose for which it was originally created. Linkage exists between the benefit sought and charges made upon users because those who benefit from using the stadium also pay fees for its use. This self-sustaining fund is an appropriate financing mechanism for the program.

**State Educational Facilities Improvement Special Fund,
Section 36-32, HRS**

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$48,834
Revenues	84,000
Interest	356
Expenditures	0
Transfers*	(132,509)
Ending Fund Balance	\$681
Encumbrances	0

*Transfer-out was to individual project accounts.

This fund was established for the purpose of financing capital improvement projects for public schools and other facilities under the jurisdiction of the Department of Education. Revenues to this fund are derived from earmarking \$90 million each year of the State's general

obligation bond proceeds. According to the department, the fund's source of revenues shifted from general excise tax revenues to general obligation bond proceeds in 1995 or 1996. Because bond debt is levied on the general public rather than the specific beneficiaries of the program, the fund does not reflect direct linkage between benefits sought and charges levied. This fund does not meet all four criteria of a special fund.

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

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$1,697
Revenues	1,481
Interest	86
Expenditures	(1,112)
Transfers*	4
Ending Fund Balance	\$2,156
Encumbrances	54

*Transfer-in was from the Parking Control account.

This fund was established to finance expenses of the State's motor pool, which include the operation, maintenance, repair, and acquisition of state vehicles. The fund continues to serve the purpose for which it was originally created. There is linkage between the benefit sought and charges made upon users because agencies are assessed fees for motor pool rentals, which are then deposited into the fund. This self-sustaining fund has maintained sufficient ending balances so that a portion could be lapsed to the general fund. It meets all four criteria of a revolving fund.

State Parking Revolving Fund, Section 107-11, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$2,319
Revenues	3,597
Interest	105
Expenditures	(2,466)
Transfers*	(44)
Ending Fund Balance	\$3,511
Encumbrances	143

*Transfer-out was to the escrow account for ceded land revenue payments and to public works for special maintenance projects.

This fund was established for the purpose of financing the cost of paving parking areas, purchasing and installing parking meters, and operating parking facilities on state land. In 1993, the fund was merged with the State Parking Control Fund. Linkage exists between the benefit sought and the charges made upon users. Those who use parking areas either pay parking meters or monthly fees, which are then deposited into the fund. The fund is also self-sustaining and an appropriate financing mechanism for the program.

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

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$10,170
Revenues	4,420
Interest	392
Expenditures	(3,841)
Transfers	0
Ending Fund Balance	\$11,141
Encumbrances	8,623

This fund was established in 1988 in order to receive appropriations from the Legislature, receipts from assessments and apportionments made to state agencies, insurance settlements, interest from investments, and restitution from claims. Moneys from the fund may be expended to:

1. Purchase casualty insurance, property insurance, and excess insurance; to acquire risk management, investigative, claims adjustment, actuarial, and other services;
2. Pay claims to state agencies for losses to state property caused by fire or other casualties; to pay claims against the State; and
3. Pay for losses to the State incurred by the dishonesty, nonfeasance, or misfeasance of any state employee.

The fund continues to ensure that losses of the State are controlled and financed on a statewide basis.

In 1994 and 1999, we found that this fund did not operate as a revolving fund, but rather as a “rainy day,” fund that set aside general fund appropriations to pay for future losses. We found then that the fund did not meet all criteria for a revolving fund but served a useful purpose as a

reserve fund. In this review, we found that the fund continues to rely on general fund appropriations to purchase statewide insurance policies and to pay for self-insured losses.

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

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$248
Revenues	295
Interest	10
Expenditures	(262)
Transfers	0
Ending Fund Balance	\$291
Encumbrances	0

This fund was established to defray the costs of procuring, storing, handling, and disposing surplus property donated to the State under federal law. Pursuant to Public Law 94-519, revenues generated by the disposal of federal surplus property can be used only to support the federal program. The fund covers payroll expenses for both the federal and state surplus property programs; the State reimburses the fund for its share of operating costs. This fund continues to serve the purpose for which it was created. Linkage exists between the benefit sought and charges made upon users because those who purchase federal surplus property are assessed a handling fee for its disposition. The fund is self-sustaining and therefore meets all the criteria of a revolving fund.

Works-of-Art Special Fund, Section 103-8.5, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$8,500
Revenues	2,735
Interest	424
Expenditures	(1,912)
Transfers*	(456)
Ending Fund Balance	\$9,291
Encumbrances	1,508

*Transfers included \$150,000 to the alternate site study for the state art gallery, \$75,000 for the Works of Art master plan, and \$231,400 for the design of the state art gallery.

This fund was created for the purpose of holding earmarked revenues from capital improvement projects (CIP) to acquire, commission, display, maintain, store, and transport works of art for state buildings. One percent of all CIP appropriations is earmarked for this purpose. The fund was created when the law providing for the earmarking of one percent of capital improvement project funding was expanded from new construction projects to include renovations and improvements. Our 1999 report on the State Foundation on Culture and the Arts identified a need to clarify the fund's purpose since it may not be completely clear to the foundation or the public.

We found no link between the benefit sought and charges made upon users. This program benefits the community-at-large, not a specific group of users. Further, the fund is not self-sustaining and commits state revenues as an automatic means of support. This fund does not meet all four criteria of a special fund.

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Chapter 4

Department of Agriculture

This chapter presents our findings of 19 special and revolving funds created after July 1, 1990 and 7 special and revolving funds created prior to July 1, 1990. For each fund created after July 1, 1990, we present a five-year financial summary, the purpose of the fund, conclusions about its use, and a recommendation on whether it should be continued, modified, or repealed. For each fund created prior to July 1, 1990, we present a one-year financial summary, the purpose of the fund, conclusions about its use, and other pertinent information on how the fund has changed since it was originally reviewed in 1991. We do not present any conclusions about the effectiveness of the program, its management, or whether it should be continued. We present alphabetically first those funds established after July 1, 1990 followed by the funds established before July 1, 1990 that were reviewed in 1991.

Funds created after July 1, 1990

Access Road Relocation, Molokai Designs Revolving Fund, Administratively Established

Financial Data for Fiscal Year 1996 (in thousands)

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

This fund was administratively established to account for an appropriation made for the design phase of a capital improvement project pursuant to Act 296, SLH 1991. In FY1992-93, \$50,000 was transferred from the Irrigation System Revolving Fund to this fund to implement the capital improvement project. In FY1993-94 the entire balance was transferred back to the Irrigation System Revolving Fund. No expenditures were recorded. This fund did not meet the criteria of a revolving fund.

Access Road Relocation, Molokai Plans Revolving Fund, Administratively Established

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

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

This fund was administratively established by the Department of Accounting and General Services for an Irrigation System Revolving Fund appropriation made for the planning phase of a capital improvement project pursuant to Act 296, SLH 1991. In FY1992-93, \$30,000 was transferred from the Irrigation System Revolving Fund to this fund to implement a capital improvement project. In FY1993-94, \$18,000 was transferred back to the Irrigation System Revolving Fund. A total of \$12,000 was expended for a consultant to draw up plans for the project. The department reported that due to potential litigation, the balance owed to the consultant was carried over for four years. The consultant was eventually paid in July 1999. This fund does not meet the criteria of a revolving fund and should be terminated.

Agribusiness Development Corporation Projects Emergency Appropriations Revolving Fund, Administratively Established

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

	FY1999	FY2000
Beginning Fund Balance		
Revenues	— No Financial Activity —	
Interest		
Expenditures		
Transfers		
Ending Fund Balance		
Encumbrances		

This emergency appropriation account was administratively established to record an emergency appropriation made to the Agribusiness Development Corporation pursuant to Act 33, SLH 1999. The

appropriation was requested to increase the Hawaii Agriculture Development Revolving Fund ceiling to reimburse the papaya industry for securing patent licenses and allow the corporation to carry out ongoing projects. However, the emergency appropriation was not needed because the expenditures could be accommodated within the existing revolving fund appropriation. This fund has never been used and should be terminated.

Agriculture Loan Revolving Fund Excess Cash, Administratively Established

Financial Data for Fiscal Year 1997 (in thousands)

	FY1997
Beginning Fund Balance	\$0
Revenues	0
Interest	0
Expenditures	(3,700)
Transfers*	3,700
Ending Fund Balance	\$0
Encumbrances	0

*Transfer-in was from the Agricultural Loan Revolving Fund.

We reviewed this fund in our 1999 review of revolving funds, trust funds, and trust accounts (Report No. 99-6). It was administratively established in FY1996-97 to serve as a pass-through account to transfer excess funds from the Agricultural Loan Revolving Fund to the general fund pursuant to Act 213, SLH 1996. Although identified as a revolving fund by the department, this fund served as a clearing account for excess funds identified by the Legislature. The department reports the fund was terminated June 30, 1997.

Agricultural Park Special Fund Escrow Account, Administratively Established

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

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$40	\$87
Revenues	40	47	0
Interest	0	0	0
Expenditures	0	0	0
Transfers*	0	0	(1)
Ending Fund Balance	\$40	\$87	\$86
Encumbrances	0	0	0

*Transfer-out to the Agricultural Park Special Fund to correct estimate of ceded land revenues.

This fund was administratively established in 1997. Its purpose was to account for the deposit of 20 percent of FY1997-98 and FY1998-99 receipts from sales, leases, permits, or activities upon public trust lands under the Agricultural Park Program. The source of revenue to the fund is lease rent from agricultural parks. The beneficiaries of the fund, native Hawaiians and Hawaiians, are currently involved in litigation through the Office of Hawaiian Affairs (OHA) regarding how revenues from public land rentals should be calculated. According to the department and Section 10-13.5, HRS, 20 percent of the rental fees for ceded lands should be given to OHA. The question is whether the revenues should be based on enhanced, or unenhanced, value of the land. Except for a transfer to the Agricultural Park Special Fund to correct the overestimate of FY1998-99 ceded land revenues, the fund has been inactive since FY1998-99 pending the outcome of litigation related to the calculation of lease rents.

Aquaculture Loan Revolving Fund Excess Cash, Administratively Established

Financial Data for Fiscal Year 1997 (in thousands)

	FY1997
Beginning Fund Balance	\$0
Revenues	0
Interest	0
Expenditures	(400)
Transfers*	400
Ending Fund Balance	\$0
Encumbrances	0

*Transfer-in was from the Aquaculture Loan Revolving Fund.

We reviewed this fund in our 1999 review of revolving funds, trust funds, and trust accounts (Report No. 99-6). It was administratively established in FY1996-97 to serve as a pass-through account for the transfer of excess funds from the Aquaculture Loan Revolving Fund to the general fund pursuant to Act 213, SLH 1996. Although identified as a revolving fund by the department, this fund served as a clearing account for excess funds identified by the Legislature. The department reports the fund was terminated June 30, 1997.

Animal Quarantine Special Fund, Section 142-28.5, HRS

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

	FY1999	FY2000
Beginning Fund Balance	\$0	\$400
Revenues	2,062	3,068
Interest	0	19
Expenditures	(2,382)	(2,740)
Transfers*	720	0
Ending Fund Balance	\$400	\$747
Encumbrances	119	69

*Transfer-in was from the general fund.

This fund was statutorily established in 1998 to cover all costs of operating a rabies prevention program including animal care services, operation and maintenance of the quarantine station, and promotional expenses. Moneys received by the Board of Agriculture as fees for the quarantine of cats, dogs, and other carnivores are deposited in the special fund. It continues to serve the purpose for which it was created. There is

a clear link between the beneficiaries of this fund and the charges made upon them. Pet owners who pay the fees benefit by the entry of their pets into the State and from the care and services provided by the program. Although the fund required general fund appropriations as start-up funds, it is now self-sustaining and should be continued.

Coffee Inspection Revolving Fund, Section 147-7.5, HRS

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$4	\$13	\$36	\$38
Revenues	9	22	58	46	40
Interest	0	0	0	0	2
Expenditures	(5)	(13)	(35)	(44)	(27)
Transfers	0	0	0	0	0
Ending Fund Balance	\$4	\$13	\$36	\$38	\$53
Encumbrances	0	0	0	1	0

The Coffee Inspection Revolving Fund was created during the 1995 Special Session and reviewed in our 1999 review of revolving and trust funds (Report No. 99-6). The department reports no significant changes to the fund since it was last reviewed. The fund continues to serve its original purpose of providing inspection services to ascertain and certify the grade, classification, quality, or condition of fresh or processed coffee during the coffee season for a fee. There is a direct link between the benefit sought and charges made upon users as green coffee producers are assessed fees to receive inspection services. The fund is used to hire temporary, part-time non-civil service personnel to conduct the inspections. When these personnel are not available, the fund is used to train new personnel or utilize existing full-time agricultural commodities marketing specialist inspectors. Although a general fund appropriation was required during FY1997-98, the advance has been repaid and the revolving fund demonstrates the capacity to be self-sustaining. This fund meets the criteria of a revolving fund and should be continued.

Farm Loans for Economically Depressed Areas, Administratively Established

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

	FY1999	FY2000
Beginning Fund Balance	\$0	\$341
Revenues	0	0
Interest	0	0
Expenditures	(1,659)	(341)
Transfers*	2,000	0
Ending Fund Balance	\$341	\$0
Encumbrances	341	0

*Transfer-in was from the Agriculture Loan Revolving Fund.

This fund was administratively established pursuant to Act 118, SLH 1998, to earmark funds appropriated for the purpose of stimulating agricultural development in economically depressed areas of the State. In FY1998-99, \$2 million was transferred from the Agricultural Loan Revolving Fund for 18 loans to qualified farmers in economically depressed areas who required operating capital to expand their operations. There is a clear link between the benefit sought and charges made upon those farmers who received loans. The farmers' repayments of principal are returned to the Agricultural Loan Revolving Fund and interest payments are returned to the Agriculture Loan Reserve Fund. It is unclear, however, why a separate financing mechanism was necessary. The original purpose of the Agricultural Loan Revolving Fund—to promote agricultural development by granting loans, securing credit for qualified farmers, and providing management advice—encompasses the purpose of this fund. The fund was terminated June 30, 2000.

Farm Loans for Economically Depressed Areas, Administratively Established

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$0
Revenues	0
Interest	0
Expenditures	(613)
Transfers*	2,500
Ending Fund Balance	\$1,887
Encumbrances	0

*Transfer-in was from the Agriculture Loan Revolving Fund.

This fund was established administratively pursuant to Act 157, SLH 1999, to earmark funds appropriated for the purpose of stimulating agricultural development in economically depressed areas in the State. Funds were transferred from the Agricultural Loan Revolving Fund to carry out the intent of Act 157, SLH 1999. The program provides loans to qualified farmers to expand their agricultural operations on islands where the rate of unemployment is greater than 7 percent. In FY1999-00, seven loans were approved totaling \$1,258,000. There is a clear link between the benefits sought and charges made upon those farmers who receive loans. Farmers' repayments of principal replenish the Agricultural Loan Revolving Fund and payments of interest are deposited in the Agricultural Loan Reserve Fund. However, it is unclear why a separate fund is necessary since the purpose of the Agricultural Loan Revolving Fund is to promote agricultural development by granting loans and securing credit for qualified farmers. The department terminated a similar fund by the same name on June 30, 2000, and we recommend that this fund be discontinued as well.

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

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$203	\$284	\$192	\$165	\$83
Revenues	214	12	158	190	240
Interest	0	0	0	0	5
Expenditures	(133)	(104)	(185)	(272)	(218)
Transfers	0	0	0	0	0
Ending Fund Balance	\$284	\$192	\$165	\$83	\$110
Encumbrances	1	2	8	15	7

This fund was recently reviewed in our 1999 review of revolving funds, trust funds, and trust accounts (Report No. 99-6). The fund accounts for revenues and expenditures related to the administration and operation of the Agribusiness Development Corporation and is used to carry out the purposes of Section 163D-17, HRS. This revolving fund may be used to prepare plans for and implement the corporation's agricultural projects, provide other forms of monetary assistance, and pay general expenses of the corporation. The fund still serves the purpose for which it was originally created. For instance, it has supported activities related to the assessment and recommendation of solutions regarding land tenure and financing to assist diversified agricultural development and planning for an agricultural subdivision in Hamakua on the island of Hawaii. However, there is no clear link between the charges made upon users and benefits sought. The groups involved in agricultural enterprises are not

charged for the services they receive through this fund. In addition, the fund is not self-sustaining. General fund appropriations have supported the fund since FY1994-95. This fund does not meet the criteria of a revolving fund and should be discontinued.

Hurricane Iniki Insurance Proceeds Special Fund, Administratively Established

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance					
Revenues	— No Financial Activity —				
Interest					
Expenditures					
Transfers					
Ending Fund Balance					
Encumbrances					

This fund was administratively established to account for insurance proceeds from the Risk Management Revolving Fund and therefore prevent commingling with its normal operating expenditures. Fund moneys were used to pay for the repair and maintenance of Department of Agriculture equipment damaged during Hurricane Iniki. The fund was only active from FY1992-93 to FY1993-94 but has not yet been officially terminated.

Implementation of Biological and Hydrologic Monitoring Program, Administratively Established

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$200	\$153	\$100	\$50	\$20
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(47)	(53)	(50)	(30)	(20)
Transfers	0	0	0	0	0
Ending Fund Balance	\$153	\$100	\$50	\$20	\$0
Encumbrances	153	100	50	20	0

We reviewed this fund in our 1999 review of revolving funds, trust funds, and trust accounts (Report No. 99-6). Act 159, SLH 1994, appropriated \$200,000 out of the Irrigation System Revolving Fund for the purpose of

implementing a biological and hydrologic monitoring program for the Molokai irrigation system. The fund did not require general fund appropriations and received a one-time cash infusion from the Irrigation System Revolving Fund. The department reports the fund was terminated June 30, 2000.

Irrigation System Revolving Fund Emergency Appropriation Account, Administratively Established

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

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

This emergency appropriation account was administratively established to record emergency appropriations made to the Agricultural Resource Management (ARM) program pursuant to Act 177, SLH 1999. The emergency appropriation was requested to address necessary cleanup and repair work at the Waimanalo Irrigation System due to heavy rains and flooding and to cover additional operations and maintenance expenses at the Kekaha Agricultural Park Irrigation System. However, the emergency appropriation was not needed because the expenditures could be accommodated within the Irrigation System Revolving Fund's existing ceiling. This fund is inactive and should be terminated.

Irrigation Water Development Special Fund, Section 167-22.5 HRS

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

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

Created in 1995, this fund was established to develop and improve agricultural irrigation systems throughout the State. Even though there was an existing Irrigation System Revolving Fund, the attorney general stated that whenever revenue bonds are issued pursuant to Chapter 39, HRS, the revenues and user taxes that secure the revenue bonds are to be deposited into a *special* fund. According to the department, although their special fund was established, it has never been utilized. The revenue bonds originally planned for deposit were instead given to the Agribusiness Development Corporation to fund the Waiahole Ditch project. The fund has never served the purposes for which it was created. We recommend its termination.

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

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

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

The Microorganism Import Certification Revolving Fund was created in 1999 to certify certain importers of microorganisms. Under this program an importer may request to be certified rather than obtain a permit to import microorganisms into the State. The fund's purpose is to expend moneys for the development, administration, and operation of this program. The department is to set fees for certification, inspection for certified importers or applicants for certification, and for educational workshops. Fund revenue includes legislative appropriations, certification and inspection fees, all fines collected, interest, grants and gifts, and any other moneys made available. However, according to the department the fund has not been active. No revenues have been collected or expenditures made. The fund was established to be self-sustaining, but the department indicated that administrative rules must be established and moneys deposited into this fund before the department can certify importers of microorganisms. The fund meets the criteria for a revolving fund; however, as it is inactive, it should be discontinued.

Milk Control Special Fund, Section 157-29, HRS

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

	FY1999	FY2000
Beginning Fund Balance	\$0	\$128
Revenues	264	229
Interest	0	7
Expenditures	(179)	(172)
Transfers*	43	0
Ending Fund Balance	\$128	\$192
Encumbrances	3	4

*Transfer-in was from the general fund.

This fund was statutorily established under the Milk Control Act in 1998 and has been used to operate the Milk Control Program. The program must closely monitor the milk industry to assure the adequate production of reasonably priced fresh milk. It also protects milk producers against unfair and abusive trade practices by processors, making sure producers are paid the minimum price for milk delivered to processors in a timely manner. Clear linkage exists between benefits and charges. The fund is sustained through licensing fee assessments based on monthly milk production collected from milk producers and processors, who benefit from program activities. The fund demonstrates the capacity to be financially self-sustaining and continues to serve the purpose for which it was created. It should be continued.

Pesticides Use Revolving Fund, Section 149A-13.5, HRS

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

	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$174	\$262	\$228
Revenues	250	181	84	236
Interest	0	0	0	10
Expenditures	(76)	(93)	(118)	(229)
Transfers	0	0	0	0
Ending Fund Balance	\$174	\$262	\$228	\$245
Encumbrances	107	98	224	169

This fund was previously reviewed in our 1999 report on revolving funds, trust funds, and trust accounts (Report No. 99-6). Created in 1996, it supports the pesticide program's registration and licensing, certification and education, and compliance monitoring activities. It may also be used

to establish pesticide training workshops, education programs, and other services for pesticide users. The agricultural industry is the primary beneficiary of these projects. There is a clear link between benefits sought and fees charged. Pesticide applicators, pest control operators and household pesticide users benefit from the fund's educational programs. In turn, they replenish the fund by paying pesticide licensing and training fees. The department reports no change in the fund's descriptive information. The fund is self-sustaining and should be continued.

Waiahole Water System Revolving Fund, Section 163D-5.5, HRS

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

	FY1999	FY2000
Beginning Fund Balance	0	\$544
Revenues	0	1,192
Interest	0	41
Expenditures	(6)	(445)
Transfers*	550	0
Ending Fund Balance	\$544	\$1,332
Encumbrances	0	71

*Transfer-in was from the general fund.

This revolving fund was established by Section 163D-15.5, HRS, in 1998 to account for revenues and expenditures related to the operation of the Waiahole Water System. The fund supports the continued maintenance and general operations of the Waiahole ditch, as administered by the Agribusiness Development Corporation. There is a clear link between charges assessed and fund beneficiaries because the recurring water delivery charges are primarily assessed to agricultural users of the system, who benefit from the continued availability of affordable water. Although the fund was essentially idle until water system operations began in early FY1999-00, the department reports that it is currently self-sustaining. The fund is an appropriate financing mechanism for the system's operations. It should be continued.

***Update of funds
created prior to July 1,
1990***

Agricultural Loan Reserve Fund, Section 155-14, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$4,057
Revenues	1,357
Interest	383
Expenditures	(795)
Transfers	0
Ending Fund Balance	\$5,002
Encumbrances	221

This special fund was previously covered in our 1991 *Review of Special and Revolving Funds of the Departments of Accounting and General Services, Agriculture, and Budget and Finance* (Report No. 91-10). Established by Section 155-14, HRS, the original purpose of this fund was to collect all interest paid on the principal of loans made from the Agricultural Loan Revolving Fund and to service three other loan funds—the Agriculture Loan Revolving Fund, the Agriculture Products Revolving Fund, and the Aquaculture Loan Revolving Fund. The department reports that it no longer services the Agriculture Products Revolving Fund because it was repealed. The fund transferred excess funds of over \$1.6 million in FY1992-93 and \$1.5 million in FY1994-95 to the Agriculture Loan Revolving Fund. The ending fund balance of approximately \$5 million in FY1999-00 suggests the possibility of the department utilizing its discretionary prerogative to transfer surplus moneys to the Agricultural Loan Revolving Fund, or alternatively, lapse a portion to the general fund.

Agricultural Loan Revolving Fund, Section 155-14, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$6,509
Revenues	3,061
Interest	
Expenditures	(2,093)
Transfers*	(2,500)
Ending Fund Balance	\$4,977
Encumbrances	3

*Transfer-out was to the Farm Loans to Economically Depressed Areas Account.

The department reports that this fund was created in 1919 to promote agricultural development by granting loans, securing credit for qualified farmers, and providing management advice. The fund continues to serve its purpose. During FY1999-00, 19 loans were approved totaling \$2,275,000. Linkage exists between benefits sought and charges made upon users. Farmers who receive loans make payments on principal; these payments are adequate to replenish the fund and to enable new loans to be made. Thus, the fund is self-sustaining. As required by law, payments on interest are credited to the Agricultural Loan Reserve Fund, which in turn supports operations of the Agricultural Loan Revolving Fund. Given the large ending fund balance, we suggest a portion be returned to the general fund.

Agricultural Park Special Fund, Section 166-10, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$454
Revenues	312
Interest	15
Expenditures	(296)
Transfers*	1
Ending Fund Balance	\$486
Encumbrances	13

*Transfer-in was from the Agricultural Park Special Fund Escrow Account to correct ceded land revenues estimation.

We reviewed this fund in our Report No. 91-10. The original purpose of this fund was to support agricultural parks. The department reported no change in the fund's descriptive information. The fund continues to serve the purpose for which it was created. A clear link exists between the benefit sought and user charges, as reflected by the fact that those who farm the agricultural parks also pay lease rents for their use. The department indicated the fund is now self-sustaining and that sufficient revenues are generated from lease rents to cover operating expenses. The fund no longer requires general fund infusions as previously reported, and therefore meets our criteria for an appropriate financing mechanism for its operations.

Aquaculture Loan Reserve Fund, Section 219-4, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$78
Revenues	16
Interest	17
Expenditures	0
Transfers	0
Ending Fund Balance	\$111
Encumbrances	0

We reviewed this fund in our Report No. 91-10. The fund's original purpose was to receive moneys collected as interest and fees from loans made from the Aquaculture Loan Revolving Fund and to use such moneys for the aquaculture loan program's operations. The department reported no change in the descriptive information for the fund. The fund continues to serve the purpose for which it was created. It reflects a clear link between benefits sought and user charges because those who receive loans pay interest and fees for the program's operations. The fund continues to meet the criteria for an appropriate financing mechanism for the program.

Aquaculture Loan Revolving Fund, Section 219-4, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$552
Revenues	20
Interest	0
Expenditures	(185)
Transfers	0
Ending Fund Balance	\$387
Encumbrances	0

This fund was previously reviewed in our Report No. 91-10. The fund continues to meet its original purpose of supporting the development of the aquaculture industry by granting loans, securing credit for qualified applicants, and providing related financial management services. During FY1999-00, four loans were approved totaling \$185,000. There is a direct link between the benefit sought and charges made upon the users because those who receive loans must repay the principal and interest. The fund is an appropriate financing mechanism for the program.

Irrigation System Revolving Fund, Section 167-22, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$198
Revenues	631
Interest	2
Expenditures	(594)
Transfers	0
Ending Fund Balance	\$237
Encumbrances	17

We reviewed this fund in both our Report No. 91-10 and our 1999 review of revolving funds, trust funds, and trust accounts (Report No. 99-6). The department reports no change to the fund. The Irrigation System Revolving Fund was created in 1953 to pay for administrative costs, engineering surveys, economic studies, plans, and maps directly attributable to water projects. The fund continues to serve this purpose and is being used to service irrigation water for agricultural use and to establish, operate, manage, and maintain irrigation systems. Water customers within the designated irrigation project boundaries benefit through the program's maintenance of irrigation systems. In turn, customers replenish the fund through water sales, payment of acreage assessments, and connection fees. A revolving fund is an appropriate financing mechanism for the irrigation systems program; however, this fund has not demonstrated the capacity to be self-sustaining. The department acknowledges that the fund requires general fund appropriations to supplement operations. Incremental rates based on a 1997 rate study were to begin July 1999 and continue for a seven-year period, but drought problems in FY1998-99 and FY1999-00 have delayed the rate schedule. It is unclear when or if the fund will become self-sufficient.

Marketing Order Revolving Fund, Section 147-101, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	
Revenues	— No Financial Activity —
Interest	
Expenditures	
Transfers	
Ending Fund Balance	
Encumbrances	

We reviewed this fund in our 1999 review of revolving funds, trust funds, and trust accounts (Report No. 99-6). The fund was established in 1972 to provide inspection services for federal marketing order programs. Fund moneys were to be expended for materials, salaries, equipment, training, and other costs related to providing inspection services. However, inspection services were discontinued several years ago because papaya was the only commodity left under marketing order. The department reports that mandatory inspection for grade and size requirements is scheduled to be reinstated. Financially self-sustaining, the fund is supported and replenished by hourly charges billed to producers or handlers covered by federal marketing orders. This revolving fund is an appropriate financing mechanism for the program, but does not currently serve the broader purpose for which it was originally created. We therefore recommend the fund be discontinued.

Chapter 5

Department of the Attorney General

This chapter presents the results of our review of four special and revolving funds created after July 1, 1990 and one revolving fund created prior to July 1, 1990. For each fund created after July 1, 1990, we present a five-year financial summary, the purpose of the fund, conclusions about its use, and a recommendation on whether it should be continued, modified, or repealed. For each fund created prior to July 1, 1990, we present a one year financial summary, the purpose of the fund, conclusions about its use, and other pertinent information on how the fund has changed since it was originally reviewed. We do not present any conclusions about the effectiveness of the program, its management, or whether it should be continued. We present alphabetically first those funds established after July 1, 1990 followed by the fund established before July 1, 1990 that was reviewed in 1992.

Funds created after July 1, 1990

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

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$166	\$301	\$441	\$435
Revenues	195	174	440	549	638
Interest	0	0	0	0	11
Expenditures	(29)	(39)	(300)	(555)	(403)
Transfers	0	0	0	0	0
Ending Fund Balance	\$166	\$301	\$441	\$435	\$681
Encumbrances	0	0	306	160	1

The Criminal History Record Improvement Revolving Fund was created during the 1995 special legislative session and reviewed in our *Review of Revolving Funds, Trust Funds, and Trust Accounts of the Department of the Attorney General, the Department of Business, Economic Development and Tourism, and the University of Hawaii* (Report No. 00-07). The fund was established by Act 7, Special Session of 1995, to improve the criminal history record information system by collecting fees from criminal history record checks, fingerprint-based searches, expungement of arrest records, and certification of documents. The department reports no change to the fund since our last review. The fund continues to serve the purpose for which it was created. A direct link exists between the benefits sought and charges made upon users because those who request services are charged fees which are deposited into the

fund. Beneficiaries of this fund are agencies that access and use criminal history information for such diverse purposes as background checks on child care providers, schoolteachers, and private guards and detectives. This fund is self-sustaining and has not required any general fund appropriations to support its program activities. It meets all the criteria for a revolving fund.

Medicaid Investigations Recovery Fund, Section 28-91.5, HRS

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$423	\$527	\$282	\$713	\$1,122
Revenues	360	21	698	654	786
Interest	0	0	0	0	0
Expenditures	(256)	(266)	(267)	(245)	(278)
Transfers	0	0	0	0	0
Ending Fund Balance	\$527	\$282	\$713	\$1,122	\$1,630
Encumbrances	7	0	8	12	1

This fund was established by Act 15 of the 1995 Special Session to account for moneys recovered as a result of Medicaid fraud settlements. The fund is to be used to support a portion of operating expenses of the Medicaid Fraud Unit. The fund allows the Medicaid Investigations Division to carry on its investigations and prosecutions. The division receives 75 percent of its operating funds from a federal grant and the other 25 percent from matching special funds. Prior to 1995, the matching funds were provided through general fund appropriations. The fund's sole revenue source consists of civil settlements with Medicaid providers. The fund has been self-sustaining for the last few years; however, because of the speculative nature of the Medicaid recoveries it is unknowable from year to year whether or not the fund will have enough money to provide state matching funds. Linkage does not exist between benefits and charges because there are no user fees or charges. The fund does not meet all the criteria for a special fund and should be discontinued.

Notaries Public Revolving Fund, Section 456-9.5, HRS

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

	FY1999	FY2000
Beginning Fund Balance	\$0	\$36
Revenues	67	62
Interest	0	0
Expenditures	(31)	(75)
Transfers	0	0
Ending Fund Balance	\$36	\$23
Encumbrances	0	0

This fund was established by Act 290, SLH 1998, to account for fees collected for the issuance, renewal, and reinstatement of commissions; examination fees; and penalty fees for non-compliance of notarial duties. The fund continues to serve the purpose for which it was created, namely for personnel costs, acquisition of equipment, operating and administrative costs, travel, and training to administer the notary public program. There is a direct link between benefits sought and charges made upon users. Individuals who become notaries are assessed fees to support the occupation. The department reports that the fund is currently self-sustaining. An appropriate funding mechanism for the program, this revolving fund should be continued.

State Identification Revolving Fund, Section 846-27, HRS

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

	FY1999	FY2000
Beginning Fund Balance	\$0	\$301
Revenues	484	1,315
Interest	0	18
Expenditures	(183)	(447)
Transfers	0	0
Ending Fund Balance	\$301	\$1,187
Encumbrances	13	0

This fund was established by Act 141, SLH 1998, to support the operation and maintenance of the State ID program. It continues to serve its original purpose of collecting fees for processing and issuing state identification cards. A link exists between the benefits sought and the charges made on program users. Individuals who request state identification cards are assessed a fee to support and maintain the program. According to the department, more card renewals in 1999

brought increased revenue to the two-year old fund, which is now self-sustaining. This fund meets all four criteria of a revolving fund.

***Update of the fund
created prior to July 1,
1990***

Criminal Forfeiture Fund, Section 712A-16, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$141
Revenues	819
Interest	4
Expenditures	(900)
Transfers	0
Ending Fund Balance	\$64
Encumbrances	0

We previously reviewed this fund in four reports: Report Nos. 92-11, 94-19, 95-22, and 00-07. Created in 1988, the fund is used to pay for:

- Expenses necessary to seize, maintain, or sell forfeited property and to reimburse federal, state and county agencies for expenditures made to perform these functions,
- Awards for information leading to civil or criminal proceedings,
- Supplemental funds to state and county agencies for law enforcement purposes, and
- Expenses arising in connection with programs for training and educating law enforcement officers.

In each previous report we found that the fund continued to serve the purpose for which it was created. It accounts for one-half of the proceeds of cash and property forfeited due to criminally related activity. The fund is financially self-sustaining since it does not require appropriations from the general fund. However, there is no clear and direct linkage between the benefit sought and charges made upon the users or beneficiaries of the program. The fund derives its revenues from forfeited property, not from charges on law enforcement officers who benefit from the funds. As mentioned in our 1995 sunset report, the Criminal Forfeiture Fund escapes the usual process of legislative appropriations. Thus, moneys are spent at the sole discretion of the attorney general without an appropriation. The sunset date of July 1, 1996 for this fund was repealed through Act 104, SLH 1996. As we have previously reported, this fund does not meet the four established criteria for a revolving fund.

Chapter 6

Department of Budget and Finance

This chapter presents the results of our review of five special and revolving funds created after July 1, 1990 and one special fund created prior to July 1, 1990. For each fund created after July 1, 1990, we present a five-year financial summary, the purpose of the fund, conclusions about its use, and a recommendation on whether it should be continued, modified, or repealed. For the fund created prior to July 1, 1990, we present a one-year financial summary, the purpose of the fund, conclusions about its use, and other pertinent information on how the fund changed since it was originally reviewed in 1992. We do not present any conclusions about the effectiveness of the program, its management, or whether it should be continued. We present alphabetically first those funds established after July 1, 1990 followed by the fund established before July 1, 1990 that was reviewed in 1992.

Funds created after July 1, 1990

Compensation Hawaiian Home Lands Trust Fund, Administratively Established

Financial Data for Fiscal Year 1996 (in thousands)

	FY 1996
Beginning Fund Balance	\$0
Revenues	0
Interest	0
Expenditures	(30,000)
Transfers*	30,000
Ending Fund Balance	\$0
Encumbrances	0

*Transfer-in was from the Homes Revolving Fund.

This fund was established in FY1995-96 to account for moneys appropriated to settle breaches of the Hawaiian Home Lands trust between August 21, 1959 and July 1, 1988. The settlement of \$600 million is to be paid via \$30 million installments over 20 years. Act 14 of the 1995 Special Session appropriated \$30 million out of the Homes Revolving Fund to this fund to cover the FY1995-96 payment. However, FY1995-96 was the only year this fund was utilized. Since then, general obligation bonds have been sold for deposit into the Hawaiian Home Lands Trust Fund under the Department of Hawaiian Home Lands, and this account has been closed. We included this fund in our review because it is identified as a revolving fund by the Department of Budget and Finance and the Department of Accounting and General Services.

Emergency and Budget Reserve Fund, Section 328L-3, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$0
Revenues	5,778
Interest	0
Expenditures	0
Transfers	0
Ending Fund Balance	\$5,778
Encumbrances	0

Created in 1999, this fund was established as a temporary supplemental source of funding for the State during times of emergency, economic downturn, or unforeseen reduction in revenues. Under Section 328L-3, HRS, the Legislature may appropriate funds to: 1) maintain levels of programs determined to be essential to the public's health, safety, and welfare; 2) provide for counter-cyclical economic and employment programs in periods of economic downturn; 3) restore facilities destroyed or damaged, or services disrupted by disaster, in any county; and 4) meet other emergencies when declared by the governor or determined to be urgent by the Legislature.

No linkage exists between the benefits sought and charges made upon users. User charges are not required to support this fund, and the fund relies solely on 40 percent of the moneys received from the 1998 tobacco settlement between the five largest U.S. tobacco manufacturers and the attorney generals of 46 states as well as appropriations by the Legislature. The fund does not meet the criteria of a special fund and should be repealed.

Public Utilities Commission Special Fund, Section 269-33, HRS

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Revenues	8,694	9,161	9,810	9,885	9,581
Interest	0	0	0	0	0
Expenditures	(4,855)	(5,076)	(5,077)	(5,240)	(5,016)
Transfers*	(3,839)	(4,085)	(4,733)	(4,645)	(4,565)
Ending Fund Balance	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Encumbrances	11	39	16	0	53

*Transfers were made to the general fund.

This fund was established in 1994 to be used by the Public Utilities Commission and the Division of Consumer Advocacy for all expenses incurred in the administration of Chapters 269, 271, 271G, and 486J, HRS, which relate to Hawaii's Public Utilities Commission, Motor Carrier, Water Carrier, and Petroleum laws. The fund supports the establishment of rules and regulations pertaining to service standards, the rendering of decisions and orders on rates, fares, and charges, and audits and investigations of complaints filed against regulated companies. The fund also requires that all money in excess of \$1 million remaining in the fund on June 30 of each year shall lapse to the general fund. Linkage exists between benefits sought and charges made upon users because the fees assessed to the public and to motor and water carriers are used to fund the administration of the public utilities, motor and water carrier laws. The fund continues to serve its original purpose, is self-sustaining, and is an appropriate financing mechanism for the program. The fund meets the criteria of a special fund and should be continued.

Universal Service Fund, Section 269-42, HRS

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

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

This fund was established in 1995 for the purpose of implementing the policies and goals of universal service. Universal service includes offering and providing basic exchange service to all customers at affordable, just, and reasonable rates. The fund may be used to defray the cost of administering the fund and to subsidize telecommunications carriers providing basic service to low income customers and customers in high cost areas. It may also be used to subsidize telecommunication carriers that provide basic and advanced telecommunications service to public institutions. There is no linkage between benefits sought and charges made upon users because no fees are assessed. Instead the fund depends on contributions by telecommunication carriers. However, the fund has not recorded any revenue since its creation because the Public Utilities Commission has yet to secure a third-party administrator to manage the program. Once fees are assessed, this fund might be self-

sustaining. This fund does not meet all four criteria of a special fund but should be continued in order to assess its success once a third-party administrator is chosen.

Workers' Compensation Benefits Facilitator Unit, Administratively Established

Financial Data for Fiscal Year 1997 (in thousands)

	FY1997
Beginning Fund Balance	\$0
Revenues	0
Interest	0
Expenditures	0
Transfers*	150
	(150)
Ending Fund Balance	\$0
Encumbrances	0

*Transfer-in was from the Special Compensation Fund. Transfer-out was to the general fund.

This fund was established in 1996 to cover start-up costs of the workers' compensation benefits facilitator unit in the Department of Labor and Industrial Relations. The unit is a central clearinghouse for inquiries about the workers' compensation program. Act 260, SLH 1996, appropriated \$150,000 out of the Special Compensation Fund to establish the unit. Originally, the Department of Budget and Finance was designated as the expending agency by mistake. However, the error was corrected the following year, the fund was closed, and appropriated moneys lapsed to the general fund. The Disability Compensation Division of the labor department now funds the facilitator unit.

Update of the fund created prior to July 1, 1990

Collective Bargaining Cost Items, Administratively Established

Financial Data for Fiscal Year 2000 (in thousands)

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

These accounts were created beginning in the 1970s to fund the distribution of pay increases in various specific appropriation acts. Once the Legislature approves a pay increase, the Department of Accounting and General Services prepares an allotment warrant and establishes an account within the Department of Budget and Finance for the appropriation amount. Budget and Finance, which is the designated expending agency for pay increases, then prepares allotment advices to transfer the appropriations from its account to other state agencies' accounts. The collective bargaining accounts are merely holding accounts for authorization transfers; they have no revenue or expenses. Although these accounts are labeled as special funds, they operate more like pass-through accounts for other special fund moneys designated for specific purposes.

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Chapter 7

Department of Business, Economic Development and Tourism

This chapter presents the results of our review of 9 special and revolving funds created after July 1, 1990 and 25 special and revolving funds created prior to July 1, 1990. For each fund created after July 1, 1990, we present a five-year financial summary, the purpose of the fund, conclusions about its use, and a recommendation on whether it should be continued, modified, or repealed. For each fund created prior to July 1, 1990, we present a one-year financial summary, the purpose of the fund, conclusions about its use, and other pertinent information on how the fund has changed since it was originally reviewed in 1991. We do not present any conclusions about the effectiveness of the program, its management, or whether it should be continued. We present alphabetically first those funds established after July 1, 1990 followed by the funds established before July 1, 1990 that were reviewed in 1991.

Funds created after July 1, 1990

Clean Hawaii Fund, Section 201-106, HRS

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$60	\$23	\$200	\$216
Revenues	75	0	225	100	26
Interest	0	0	5	14	8
Expenditures	(15)	(37)	(53)	(98)	(28)
Transfers	0	0	0	0	0
Ending Fund Balance	\$60	\$23	\$200	\$216	\$222
Encumbrances	60	23	120	52	174

This fund was created in 1995 to receive moneys and fees to fund the activities of the Clean Hawaii Center. Currently, fund moneys are to be used to market and promote the development of local processing and manufacturing industries for collected recycled materials. The fund continues to serve this purpose. The fund has been used to support remanufactured product development and demonstrates the capacity to be self-sustaining. However, no linkage exists between the benefits sought and charges made upon users. The fund does not require fees or charges to be assessed and relies mainly on general funds and moneys from the Environmental Management Fund in the Department of Health. This fund is not an appropriate financing mechanism and should be repealed.

Convention Center Capital and Operations Special Fund, Section 206X-10.5, HRS

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

	FY1996	FY1997	FY1998
Beginning Fund Balance	\$7,236	\$18,707	\$23,199
Revenues	19,940	22,036	0
Interest	0	0	0
Expenditures	(8,469)	(17,544)	0
Transfers*	0	0	(22,748)
Ending Fund Balance	\$18,707	\$23,199	\$451
Encumbrances	1,010	451	451

*Transfer-out included \$14,354,000 to the Convention Center Operations Special Fund and \$8,394,000 to the Convention Center Capital Special Fund.

This fund was created in 1993 to collect revenues derived from a portion of the transient accommodations tax, operations of the convention center, and operation of parking and garage facilities and other concessions at the convention center. Fund moneys were to be used for planning, designing, operating, and maintaining the convention center. The fund no longer serves this purpose. Act 124, SLH 1997, separated the fund into two distinct funds—one for capital expenses, called the Convention Center Capital Special Fund, and the other for operational expenses, called the Convention Center Operations Special Fund. The purpose of separating this fund was to ensure that sufficient moneys were available to pay the operating costs of the center.

Convention Center Capital Special Fund, Section 206X-10.5, HRS

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

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$6,797	\$7,445
Revenues	21,449	24,047	0
Interest	0	0	0
Expenditures	(23,046)	(23,399)	0
Transfers*	8,394	0	(7,445)
Ending Fund Balance	\$6,797	\$7,445	\$0
Encumbrances	0	0	0

*Transfer-in was from the Convention Center Capital and Operations Special Fund. Transfer-out was to the recombined Convention Center Capital and Operations Special Fund.

This fund was created in 1997 to collect revenues derived from a portion of the transient accommodations tax and proceeds from bonds issued by the Convention Center Authority. Fund moneys were to be used for the planning, design, and construction of the convention center. Moneys were to also be used for payment of debt service on revenue bonds issued by the authority. The fund does not continue to serve this purpose. Act 98, SLH 1999, recombined this fund with the Convention Center Operations Special Fund.

Convention Center Operations Special Fund, Section 206X-10.6, HRS

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

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$11,635	\$7,329
Revenues	1,430	4,529	0
Interest	0	0	0
Expenditures	(4,149)	(8,835)	0
Transfers*	14,354	0	(7,329)
Ending Fund Balance	\$11,635	\$7,329	\$0
Encumbrances	1,197	2,671	0

*Transfer-in was from the Convention Center Capital and Operations Special Fund. Transfer-out was to the recombined Convention Center Capital and Operations Special Fund.

This fund was created in 1997 to collect revenues derived from operating or using the convention center, parking and garage facilities, and other concessions at the convention center. Moneys in the fund are to be used to operate, maintain, and improve the convention center. However, the fund no longer serves this purpose. Act 98, SLH 1999, recombined this fund with the Convention Center Capital Special Fund.

Convention Center Capital and Operations Special Fund, Section 206X-10.5, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$0
Revenues	33,747
Interest	0
Expenditures	(37,967)
Transfers*	8,358
Ending Fund Balance	\$4,138
Encumbrances	125

*Net transfer included: (1) \$14.8 million transfer-in from the Convention Center Operations Special Fund and Convention Center Capital Special Fund and (2) \$6.4 million transfer-out to the general fund.

Act 98, SLH 1999, recombined the Convention Center Capital Special Fund with the Convention Center Operations Special Fund to create this fund. The fund's purpose was to collect revenues derived from a portion of the transient accommodations tax, operations of the convention center, and operation of parking and garage facilities and other concessions at the convention center. Moneys in the fund were to be used for planning, design, operating and maintaining the convention center. However, the fund does not continue to serve this purpose. When the Convention Center Authority was sunset on June 30, 2000, this fund was abolished. Its balance will be lapsed to the general fund in FY2000-01.

Down Payment Loan Program Revolving Fund, Section 201G-325, HRS

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance					
Revenues	— No Financial Activity —				
Interest					
Expenditures					
Transfers					
Ending Fund Balance					
Encumbrances					

This fund was originally established in 1992 to be administered by the Housing Finance and Development Corporation. Its purpose was to provide downpayments to eligible borrowers. However, the fund has not

served its original purpose as the program has never been implemented. If loans were made to eligible persons, a linkage might exist between the benefits sought and the charges made upon users. Those receiving loans would replenish the fund through payment of principal and interest on the loans. However, self-sustainability is unknown and because eight years have passed since the program was implemented without its becoming operational, we recommend the fund be repealed.

Hawaii Film Facility Special Fund, Section 201-15, HRS

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$36	\$24	\$44	\$92	\$92
Revenues	98	115	125	98	149
Interest	0	0	0	0	0
Expenditures	(110)	(95)	(77)	(98)	(144)
Transfers	0	0	0	0	0
Ending Fund Balance	\$24	\$44	\$92	\$92	\$97
Encumbrances	4	31	25	21	31

This fund was created in 1991 to receive moneys and fees from tenants and other users of the department's film facility. Moneys in the fund are for the operation, maintenance, and management of the film facility. The fund continues to serve this purpose. The film facility is marketed and rented to mainland, local, and foreign production companies and is currently rented to Baywatch Hawaii and Square USA. Linkage exists between the benefits sought and charges made upon users because those who use the film facility are charged fees for its use. However, the film facility also receives general funds to pay for its costs and to preserve a special fund carryover balance. We recommend that all film facility costs be paid by the special fund. The fund, which is an appropriate financing mechanism for the program, demonstrates the capacity to be self-sustaining and should be continued.

Kalaeloa Community Development Revolving Fund, Section 206G-8, HRS

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

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$0	\$0
Revenues	0	0	337
Interest	0	0	0
Expenditures	0	0	(204)
Transfers	0	0	0
Ending Fund Balance	\$0	\$0	\$133
Encumbrances	0	0	66

This fund was created in 1997 to establish the Barbers Point Naval Air Station Redevelopment Commission for the purpose of negotiating with and receiving and redeveloping lands and property from the Department of Defense. The commission is also empowered to redevelop the lands in accordance with the commission's reuse plan. There is linkage between the benefits sought and the charges made upon users. Those who receive water, wastewater, and security services are billed for those services. The fund was recently created and therefore has only recently begun to serve its original purpose and demonstrate its capacity to be self-sustaining. As such, this fund is an appropriate financing mechanism for the program and should be continued.

Tourism Special Fund, Section 201B-11, HRS

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

	FY1999	FY2000
Beginning Fund Balance	\$0	\$5,216
Revenues	28,559	63,905
Interest	0	248
Expenditures	(22,843)	(53,551)
Transfers*	(500)	(956)
Ending Fund Balance	\$5,216	\$14,862
Encumbrances	343	6,429

*Transfer-out was to the Hawaii Tourism Authority sub-account for tourism research.

This fund was created in 1998 to account for a portion of transient accommodations tax revenues, legislative appropriations, and gifts, grants, and other funds accepted by the tourism authority. Moneys in the fund are administered by the Hawaii Tourism Authority and are used to

develop, market, and research the tourism industry in a coordinated manner consistent with the needs of the State. The authority also utilizes a sub-account for its tourism research responsibility. There is linkage between the benefits sought and the charges made upon users. Operators of transient accommodations and occupants of resort timeshares are assessed taxes that are used to fund the costs of conducting tourism research. The fund continues to serve its original purpose and demonstrates the capacity to be self-sustaining. This fund is an appropriate financing mechanism for the program, meets all four criteria of a special fund, and should be continued.

***Update of funds created
prior to July 1, 1990***

Aloha Tower Fund, Section 206J-17, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$2,283
Revenues	1,337
Interest	106
Expenditures	(1,152)
Transfers	0
Ending Fund Balance	\$2,574
Encumbrances	20

This fund was established in 1981 to support the development of the Aloha Tower complex by the Aloha Tower Development Corporation. The corporation was to be the prime developer of the complex, whose responsibilities include selling revenue bonds and contracting for construction and rehabilitation. In 1990 the corporation entered into an agreement with an independent developer to develop the complex and assume responsibility for project financing and construction contracting. Because of this transfer of the corporation's responsibilities, our previous report noted that the fund would no longer function as originally intended. We also found that the fund was not self-sustaining and recommended that it be repealed and the corporation's operations budgeted through the general fund.

The corporation recently reported, however, that the fund receives no general fund appropriations and relies entirely on the lease rent it receives from marketplace tenants. The fund is now to be used to develop, redevelop, or improve the Honolulu waterfront between Pier 4 and the Honolulu International Airport. The fund also pays loss revenue reimbursement to the Department of Transportation. Loss revenue reimbursement, which was negotiated in 1995 as \$1.45 million for the 1992 baseline year, increases with the consumer price index. When the agreement with the independent developer expired in 1999, the

corporation assumed responsibility for paying this reimbursement. However, because of the fund's limited balance and revenue stream, it may be unable to pay the reimbursement obligation for several years. Therefore, the fund does not demonstrate the capacity to be self-sustaining and should be terminated.

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

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$73,117
Revenues	26,728
Interest	3,800
Expenditures	(18,880)
Transfers*	(3,393)
Ending Fund Balance	\$81,372
Encumbrances	279

*Transfer-out was to the disbursing account and operating fund.

This fund was created to pay for the fund's administrative expenses, expand community facilities constructed in conjunction with housing projects, supplement building costs, pay for federal guarantees required for operational losses, and pay for all things required by any federal agency. The fund continues to serve the purpose for which it was created by being used for interim construction of affordable housing projects. There is a link between the benefits sought and charges made upon users because the fund is replenished through payment of rent and the sale of dwelling units or land. This self-sustaining fund has not required any general fund appropriations and has maintained significant ending balances so that a portion could be lapsed to the general fund.

Equipment Rental Revolving Fund, Administratively Established

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$427
Revenues	630
Interest	23
Expenditures	(88)
Transfers	0
Ending Fund Balance	\$992
Encumbrances	0

Although this fund was established prior to 1976 within the Hawaii Housing Authority under the Department of Human Services, it was not reviewed in our prior report. The fund was created and used to purchase equipment for the authority's administrative and area offices. As of July 1, 1998, the Housing and Community Development Corporation of Hawaii under the Department of Business, Economic Development and Tourism assumed the housing functions of the Hawaii Housing Authority. Linkage exists since the offices pay rental fees into the fund, which are used to replace equipment after it is retired. The fund is also self-sustaining. An appropriate financing mechanism, the fund meets the criteria of a revolving fund, and should be continued.

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

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$809
Revenues	92
Interest	33
Expenditures	(180)
Transfers*	(101)
Ending Fund Balance	\$653
Encumbrances	0

*Transfer-out was to the operating fund and disbursing account.

This fund was created to account for revenues, receipts, and expenditures of the State's land reform program. The program fosters the conversion of residential leasehold land to fee simple. Moneys paid for administrative and tract costs by lessees participating in the program are deposited in the fund. The fund accounts for arbitration receipts and expenditures of the lease rent renegotiation program for single-family dwellings and cooperative housing corporations. Receipts reimburse actual arbitration services performed by designated arbitrators. Our 1992 review of this fund found that it met all criteria and recommended the fund's continuation.

Foreign Trade Zones Special Fund, Section 212-9, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$1,796
Revenues	1,367
Interest	107
Expenditures	(1,268)
Transfers*	(37)
Ending Fund Balance	\$1,965
Encumbrances	124

*Transfer-out was for ceded land payment.

This fund was created in 1971 to support a public corporation designed to establish and operate foreign trade zones in Hawaii. The fund continues to serve its original purpose. The fund collects fees from those who use foreign trade zones and pays all operational costs. There is a direct link between benefits sought and charges made upon users because those who receive the benefits of foreign trade zones pay fees for their use. The fund is also self-sustaining and meets all the criteria of a special fund.

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

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$9,386
Revenues	1,636
Interest	388
Expenditures	(1,375)
Transfers	0
Ending Fund Balance	\$10,035
Encumbrances	20

This fund was established in 1963 to help diversify the state's economy by making loans available to small businesses. The fund continues to serve its original purpose. There is a link between benefits sought and user charges because those who receive loans must repay both principal and interest, thereby generating the fund's revenues. The fund is self-sustaining and is an appropriate financing mechanism for the program. The fund has also maintained an increasing ending fund balance; therefore, a portion could be lapsed to the general fund. Based on past activity, approximately half the balance, or \$5 million, can be lapsed. This fund meets all the criteria of a revolving fund.

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

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$27,619
Revenues	2,503
Interest	1,289
Expenditures	720
Transfers*	(2)
Ending Fund Balance	\$30,689
Encumbrances	1,093

*Transfer-out was to the escrow account for ceded land payment.

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

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

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$760
Revenues	16
Interest	26
Expenditures	(223)
Transfers*	15
Ending Fund Balance	\$594
Encumbrances	208

*Transfer-in was from the general fund.

This fund was established in 1990 for the purpose of supporting a Hawaii community-based development loan and grant program to assist traditional and small community-based enterprises. The fund serves the purpose for which it was created because its grants and loans have supported organizations that are involved in community-driven economic development initiatives. However, there are no user fees under the grant program and therefore no direct link exists between benefits sought and user charges. Evidencing its inability to remain self-sustaining, the fund has required regular infusions from the general fund. As reported in our 1992 review, this fund should be repealed and the program budgeted through the general fund.

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

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$124
Revenues	0
Interest	5
Expenditures	(2)
Transfers*	(2)
Ending Fund Balance	\$125
Encumbrances	0

*Transfer-out was to the dispersing account for annual audit cost.

This fund was created to make loans or grants to cover planning, engineering, feasibility studies, and other initial costs to provide low or moderate cost housing through government assistance programs. Loan or grant agreements may be entered into with other public organizations or private nonprofit organizations. In 1992, we reported a reduced demand for loans. However in FY1998-99, the fund was used to provide interim loan financing for a King Street apartment project. There is a link between the benefits sought and the charges made upon users because organizations receiving loans or grants replenish the fund through interim loan principal and interest payments. The fund is anticipated to be self-sustaining and has not required any general fund appropriations.

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

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$263
Revenues	13
Interest	10
Expenditures	0
Transfers	0
Ending Fund Balance	\$286
Encumbrances	0

This fund was originally established in 1981 as the Hawaii Invention Development Fund to promote inventions and other new products. The fund was renamed in 1987 and its purpose broadened to include early-stage financing for promotion of new products, services and technologies. The fund continues to serve its current purpose. There is linkage between the benefits sought and user charges because those who receive loans must repay principal and interest. It is also self-sustaining because principal and interest payments replenish the fund, which enables it to make other loans. However, the fund has experienced very little activity since FY1995-96 and has accumulated a cash balance in excess of its needs. We therefore recommend that a portion of the fund be lapsed to the general fund. An appropriate financing mechanism for the program, it meets all the criteria of a revolving fund.

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

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$2,011
Revenues	2,006
Interest	100
Expenditures	(1,499)
Transfers*	638
Ending Fund Balance	\$3,256
Encumbrances	1

*Transfer-in was from the general fund.

This fund was established in 1990 to support the Hawaii Strategic Development Corporation which was created to encourage Hawaii's

economic development through innovative financing programs carried out in cooperation with private enterprise. Revenues to the fund consist of general fund appropriations, loan repayments, and interest earned. There is linkage between the benefits sought and charges made upon users. Those who receive loans are required to repay the principal and interest. Although this fund continues to serve its original purpose, it has not shown the capacity to be self-sustaining. In our most recent review of this fund, Report No. 00-07, we found that the fund had received revenues totaling only \$21,000 from its inception through FY1998-99. To sustain itself, the fund received general fund infusions in FY1990-91, FY1997-98, and FY1999-00 totaling approximately \$7.1 million. The fund also received \$1.5 million in FY1998-99 from the Hawaii Capital Loan Revolving Fund. This fund does not meet the criteria of a revolving fund and should be terminated.

High Technology Special Fund, Section 206M-15.5, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$901
Revenues	1,493
Interest	35
Expenditures	1,395
Transfers	0
Ending Fund Balance	\$1,034
Encumbrances	206

This fund was created in 1989 to finance the High Technology Development Corporation's industrial parks, projects, facilities, technical and marketing services, operational and management programs. The fund also includes a reserve for building and equipment repairs or replacement required for maintaining the operation and safety of the facilities. The corporation now operates the Manoa Innovation Center, Maui Research and Technology Center, and Makai Research Pier. Lease rents and other fees collected from users of the facilities help pay for the expenses of maintaining them. In 1992, the corporation expected operating expenses to continue exceeding revenues. In fact, one of the three facilities, the Maui Research and Technology Center, has required general fund support. The center received \$560,000 to cover staff salaries and fringe benefit costs in FY1999-00. According to an agency official, the fund generated less than \$500,000 in FY1999-00, thereby necessitating general fund support. Therefore, we recommend that the fund be repealed and the program budgeted through the general fund.

Homes Revolving Fund, Section 201G-401, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$3,550
Revenues	295
Interest	175
Expenditures	(549)
Transfers	0
Ending Fund Balance	\$3,471
Encumbrances	0

This fund was created to develop and implement affordable housing programs, including the development of infrastructure, and on- and off-site improvements required for development; to provide short-term or interim construction loans; to develop and construct housing; and to advance equity capital for the rental housing system. Our 1992 review recommended that the \$120 million advanced from the general fund to capitalize this fund be returned. In FY1992-93, the advance was repaid from general obligation bond proceeds. The fund continues to serve its original purpose and has been used for planning, designing, and constructing major on- and off-site improvements required for the development of three master-planned communities. A clear link exists between the benefits sought and charges made upon users because those receiving loans replenish the fund through reimbursement of prepaid fees as well as principal and interest payments. The fund is also self-sustaining. Notably, approximately \$118.5 million (excluding the \$120 million repayment) has been transferred from this fund to the general fund since its inception in 1988.

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

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$255
Revenues	0
Interest	11
Expenditures	(5)
Transfers*	(3)
Ending Fund Balance	\$258
Encumbrances	0

*Transfer-out was for administrative reimbursement costs.

This fund was created to provide low interest loans to eligible persons with disabilities or to their caregivers to make design alterations such as modifications to kitchens, baths, doorways, doors, cabinets, windows, and drawers. The maximum loan is set at \$25,000 per qualified residence. Although this program was made available in May 1992, no loans have been made. However, if loans were provided to eligible persons, a clear link would exist between the benefits sought and the charges made upon users. Those receiving loans would replenish the fund through payment of principal and interest on their loans. However, because it has been eight years since the program was implemented without becoming operational, we recommend that the fund be repealed.

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

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$8,393
Revenues	2,821
Interest	449
Expenditures	(64)
Transfers*	(1,621)
Ending Fund Balance	\$9,978
Encumbrances	0

*Transfer-out was made to the operating fund and disbursing account.

This fund was created to pay for long-term financing, other special financing, and administrative expenses of the Housing and Community Development Corporation of Hawaii. The fund is currently being used to finance the Mortgage Credit Certificate Program, Loan Program for Kalapana Disaster Victims, Kahana Valley Loan Program, and Low-Income Housing Tax Credit Program. A clear link exists between the benefits sought and charges made upon beneficiaries. Those who receive loans from the fund replenish it through payment of loans, interest, application fees, processing fees, and compliance fees. The fund is also self-sustaining. Our 1992 review recommended that this fund be continued.

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

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$1,796
Revenues	430
Interest	68
Expenditures	(1,646)
Transfers*	350
Ending Fund Balance	\$998
Encumbrances	0

*Transfer-in was from the previous year fund balance.

This revolving fund was established in 1976 to support the management, operation, and maintenance of housing for the elderly. The fund was transferred from the Housing Finance and Development Corporation to the Hawaii Housing Authority in 1990 and became active on July 1, 1991. Act 350, SLH 1997, transferred this fund from the Hawaii Housing Authority under the Department of Human Services to the Housing and Community Development Corporation of Hawaii under the Department of Business, Economic Development and Tourism when it consolidated all state housing functions. The fund serves its intended purpose since it supports housing projects for elderly individuals and families on Oahu. Linkage exists because tenants pay rental and other fees into the fund for residency at these projects. The fund is also self-sustaining. In 1992, we found that this fund met all the criteria of a revolving fund and should be continued.

Natural Energy Laboratory of Hawaii Authority Special Fund, Section 227D-5, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$2,153
Revenues	1,049
Interest	88
Expenditures	(960)
Transfers	0
Ending Fund Balance	\$2,330
Encumbrances	584

This fund was created in 1990 for the purpose of maintaining the authority's two facilities, the Hawaii Ocean Science Technology Park and the Natural Energy Laboratory of Hawaii. All revenues of the

facilities are deposited in the fund and operating expenses are paid from the fund. There is a link between the benefits sought and user charges because those who use the authority's facilities pay fees, rental charges, and other expenses. However, the fund has not been able to sustain itself. In FY1999-00, the authority received \$966,525 in general fund appropriations to support the facilities. Our 1992 report recommended that the fund be repealed and program expenses budgeted through the general fund.

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

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$142
Revenues	0
Interest	6
Expenditures	(20)
Transfers	0
Ending Fund Balance	\$128
Encumbrances	4

This fund was established to receive and expend funds as necessary during an energy shortage, and to plan and prepare a response to shortages. The fund continues to serve this purpose and has been used for energy emergency preparedness activities and other contingency planning measures. However, no linkage exists between the benefits sought and user charges as no charges are assessed. The fund relies solely on interest income derived from the investment of unobligated funds. As recommended in our 1992 report, the fund should be repealed and the program budgeted through the general fund.

Public Facility Revenue Bond Special Fund, Section 206E-157, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$1,427
Revenues	1,211
Interest	97
Expenditures	(1,251)
Transfers	0
Ending Fund Balance	\$1,484
Encumbrances	0

This fund was created in 1985 to provide revenue bond financing for public facilities and district improvements such as parks, streets, and sewers. The law requires that property owners in a district who benefit from these improvements be assessed a portion of the costs. The fund serves the purpose for which it was created. The Hawaii Community Development Authority uses the fund for infrastructure improvement projects in Kakaako such as streets and sewers. Property owners who have directly benefited from improvements are assessed their portion of the costs. There is a direct link between benefits sought and charges made upon users because those who benefit from the improvements are assessed fees. Further, this fund is self-sustaining because property owners' payments for improvements enable the fund to pay the debt service on improvements. The fund meets all the criteria of a special fund.

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

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$36,067
Revenues	1,609
Interest	3,828
Expenditures	(2,426)
Transfers	0
Ending Fund Balance	\$39,078
Encumbrances	0

This fund was created to make payments under rental assistance contracts or to subsidize tenants' rents in projects. In addition, up to \$25 million from the fund plus any bond proceeds may be used to provide interim construction financing to qualified sponsors or to the Housing and Community Development Corporation of Hawaii to develop affordable rental housing. A clear link exists between the benefits sought and charges made upon users of interim construction financing. Those receiving such financing replenish the fund through repayment of loan principal and interest. However, there is no linkage between benefits sought and user charges for rental assistance payments. Our 1992 report recommended that the rental assistance program be budgeted through the general fund. Also, a portion of this fund's large cash balance could be transferred to the general fund.

Reserved Housing Loan Program Revenue Bond Special Fund, Section 206E-109, HRS

Financial Data for Fiscal Year 2000 (in thousands)

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

This fund was created in 1982 but has never been activated. The original purpose was to provide mortgage loans to low- or moderate-income borrowers so that they may purchase housing reserved for low- or moderate-income residents. A separate special fund was to be established for each reserved housing loan program that was financed from the proceeds of revenue bonds. The Hawaii Community Development Authority does not plan to use this fund. Instead, the authority has been using revenue bond funds for reserved housing construction through the Housing and Community Development Corporation of Hawaii. This fund has never served the purpose for which it was created and should be repealed.

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

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$304
Revenues	29
Interest	13
Expenditures	0
Transfers	0
Ending Fund Balance	\$346
Encumbrances	0

The purpose of this fund, created in 1976, was to provide loans to individuals and small businesses suffering loss or damage as a result of a state-declared disaster. Total loans outstanding as of June 30, 2000 amounted to \$80,000. Although there were no expenditures during FY1999-00, the fund continues to serve the purpose for which it was created. There is a direct link between benefits sought and user charges because those who receive loans are required to pay the principal with interest. The fund is self-sustaining and meets all the criteria of a

revolving fund. However, due to the minimal activity and number of loans outstanding, consideration should be given to transferring unneeded cash to the general fund or to eliminating this fund.

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

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	1,266
Revenues	5,860
Interest	54
Expenditures	(3,340)
Transfers*	(2,384)
Ending Fund Balance	\$1,456
Encumbrances	275

*Transfer-out was to the operating fund, disbursing account, and the Housing for Elders Revolving Fund.

This fund was created to support activities of the Hawaii Housing Authority in developing and administering public housing. The fund continues to serve its original purpose by collecting rents and fees for the administration of the authority's rental housing projects for low-income families. A direct link exists between benefits sought and charges made upon users because tenants are charged rent and other fees for residing in these projects. However, the fund may not be self-sustaining. A previous review of the fund identified deficit beginning and ending fund balances in FY1998-99. In 1992, we recommended that the fund be continued.

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

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$923
Revenues	238
Interest	40
Expenditures	(20)
Transfers*	(327)
Ending Fund Balance	\$854
Encumbrances	485

*Transfer-out was made to the operating fund and disbursing account.

This revolving fund was created in 1969 to support the development and administration of housing for teachers of the Department of Education. Teacher housing was to be provided only in areas lacking adequate housing at a reasonable cost. The fund continues to meet its purpose since it is used for the operation and maintenance of teacher housing on neighbor islands. Linkage exists since teachers are charged rent for their housing. The fund is also self-sustaining because rental payments cover all operating costs. Our 1992 review of this fund recommended its continuation.

Vehicle Rental Revolving Fund, Administratively Established

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$277	\$317	\$361	\$348	\$34
Revenues	47	44	14	0	392
Interest	14	14	13	13	18
Expenditures	(21)	(13)	(40)	(327)	(6)
Transfers	0	0	0	0	0
Ending Fund Balance	\$317	\$361	\$348	\$34	\$438
Encumbrances	0	0	0	0	0

This fund was established prior to 1976 within the Hawaii Housing Authority which was then under the Department of Human Services. However, the fund was not included in our previous review. The fund was created and used to purchase vehicles for the authority's administrative and area offices. As of July 1, 1998, the Housing and Community Development Corporation of Hawaii, under the Department of Business, Economic Development and Tourism assumed the housing functions of the Hawaii Housing Authority. Linkage exists since the authority's offices pay vehicle rental fees into the fund, which are used to replace vehicles after they are retired. The fund is also self-sustaining. The fund is an appropriate financing mechanism and meets the criteria of a revolving fund.

Chapter 8

Department of Commerce and Consumer Affairs

This chapter presents the results of our review of 12 special and revolving funds created after July 1, 1990 and 6 special and revolving funds created prior to July 1, 1990. For each fund created after July 1, 1990, we present a five-year financial summary, the purpose of the fund, conclusions about its use, and a recommendation on whether it should be continued, modified, or repealed. For each fund created prior to July 1, 1990, we present a one-year financial summary, the purpose of the fund, conclusions about its use, and other pertinent information on how the fund has changed since it was originally reviewed in 1991. We do not present any conclusions about the effectiveness of the program, its management, or whether it should be continued. We present alphabetically first those funds established after July 1, 1990 followed by the funds established before July 1, 1990 that were reviewed in 1991.

Funds created after July 1, 1990

Captive Insurance Administrative Fund, Section 431:19-101.8, HRS

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

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$250	\$520
Revenues	250	312	421
Interest	0	0	12
Expenditures	0	(42)	(37)
Transfers*	0	0	(471)
Ending Fund Balance	\$250	\$520	\$445
Encumbrances	0	0	0

*Transfers-out were to the Insurance Regulation Fund and general fund.

This fund was created in 1997 to account for all premium taxes collected from licensed captive insurance companies, application fees, annual license fees, and examination fees. Captive insurance companies insure risks that are not normally covered by traditional insurance companies. The fund is continuing to serve this purpose and revenues are used to support the Captive Insurance Branch's personnel and operating expenses. The branch supports the regulation, monitoring, and examination of captive insurance companies. Forty percent of the fund's balance in the prior fiscal year or \$250,000, whichever is greater, is deposited into the Insurance Regulation Fund to pay for its expenditures. With the passage of Act 131, SLH 2000, an additional 10 percent of the

fund's revenues will be deposited into the Insurance Regulation Fund to pay for activities promoting Hawaii as a captive insurance domicile. There is a direct link between the benefit sought and the charges made upon users. Fees and taxes paid by captive insurance companies are used to support the regulation, monitoring, and examination of these companies. This fund is an appropriate financing mechanism for the program and should be continued.

Compliance Resolution Fund – Business Registration, Section 26-9, HRS

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$2,123	\$3,565	\$8,009	\$11,915	\$16,919
Revenues	3,071	7,164	6,888	7,072	9,604
Interest	0	0	0	0	682
Expenditures	(1,629)	(2,720)	(2,982)	(2,068)	(3,033)
Transfers	0	0	0	0	0
Ending Fund Balance	\$3,565	\$8,009	\$11,915	\$16,919	\$24,172
Encumbrances	7	486	153	220	1,010

This fund was created in 1995 to account for corporate document filing fees, licensure fees of broker/dealers and their agents as well as investment advisors and their representatives, and to pay for personnel required to administer the programs. The fund continues to serve this purpose. The Business Registration Division utilizes the fund to maintain the public registry of businesses, process documents, respond to public requests for information, provide public access, maintain business records, conduct compliance reviews, oversee licensure of securities sales persons and brokerage firms, and conduct regulatory enforcement. There is also a clear link between the benefits sought and charges made upon program beneficiaries. Fees collected from corporate filers and licensure applicants are used to administer the Business Registration Division that oversees the business registry and regulatory programs. The fund is self-sustaining and the program has not required any general fund appropriations. This fund is an appropriate financing mechanism and should be continued. However, in light of its growing fund balance over the past several years, we recommend that the department amend its fee schedule to reduce the fund balance.

Compliance Resolution Fund – Division of Consumer Advocacy Fund, Section 26-9, HRS

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$927	\$1,213	\$1,093	\$753	\$1,177
Revenues	0	0	0	11	0
Interest	0	0	0	0	0
Expenditures	(1,857)	(2,292)	(2,473)	(1,795)	(2,199)
Transfers*	2,143	2,172	2,133	2,208	2,208
Ending Fund Balance	\$1,213	\$1,093	\$753	\$1,177	\$1,186
Encumbrances	562	521	619	593	937

*Transfers-in were from the Public Utilities Commission Special Fund.

This fund was created in 1994 to assist the Division of Consumer Advocacy in representing, protecting, and advancing the interests of all consumers in proceedings before the Public Utilities Commission (PUC). The fund continues to serve this purpose through its support of the division and the consumer advocate. The division analyzes financial information of public utilities and transportation companies, determines the reasonableness of proposed future regulated rates and tariffs, and determines the reasonable costs of producing and delivering regulated services. The fund's primary revenue is from quarterly allocations not to exceed 30 percent of the net proceeds in the Public Utilities Commission Special Fund. However, there is only a partial link between the benefit sought—ensuring that applications filed with the PUC are in the public interest and costs to the consumer are reasonable—and charges made upon beneficiaries. Beneficiaries, who include utilities and transportation services consumers, are not directly charged for the services provided by the division. Instead, beneficiaries may pay a portion of the fee deposited in the Public Utilities Commission Special Fund via surcharges imposed by utilities or motor carriers. The fund is an appropriate financing mechanism, and its program activities have not required any general fund support. This fund meets the criteria of a special fund and should be continued.

Compliance Resolution Fund – Financial Institution Examiners, Section 412:2-109, HRS

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$633	\$1,146	\$1,457	\$1,816
Revenues	633	652	558	653	3,138
Interest	0	0	0	0	70
Expenditures	0	(139)	(247)	(294)	(315)
Transfers	0	0	0	0	0
Ending Fund Balance	\$633	\$1,146	\$1,457	\$1,816	\$4,709
Encumbrances	0	10	9	23	36

The Financial Institution Examiners' Revolving Fund was created in 1995 to support the Division of Financial Institutions. On July 1, 1999, the revolving fund was dissolved when it was consolidated into the Compliance Resolution Fund. The financial data above reflects the combination of these two funds. The fund may be used to pay for personnel and other expenses and costs related to the administration of financial institutions. The fund continues to serve this purpose by supporting the Division of Financial Institutions. The division charters, licenses, approves, examines, supervises, and administers applicable statutes and rules of state-chartered financial institutions. There is also a clear link between the benefits sought and the charges made upon program users. Taxes paid by and fees collected from financial institutions for examinations, license applications and renewals are used to support their regulation and supervision. Although the division was partially supported with general funds up to July 1, 1999, the division became self-sufficient with the Compliance Resolution Fund consolidation. The Compliance Resolution Fund currently supports the entire operations of the division. This fund is an appropriate financing mechanism for the Division of Financial Institutions and should be continued.

Compliance Resolution Fund – Office of Consumer Protection, Section 26-9, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$0
Revenues	952
Interest	28
Expenditures	(906)
Transfers*	500
Ending Fund Balance	\$574
Encumbrances	33

*Transfer-in from the Compliance Resolution Fund.

This fund was created in 1999 to support the Office of Consumer Protection's objectives. The fund continues to serve this purpose. The Office of Consumer Protection enforces the State's consumer protection laws and has jurisdiction over a number of regulated and unregulated industries and activities. Some of the laws enforced by the office include those pertaining to price gauging, motor vehicle rentals, deceptive trade practices, door-to-door sales, health clubs, and landlords and tenants. There is a clear link between the benefits sought and charges made upon program users. Fines, penalties, reimbursements for attorneys' fees, and fees for educational publication copies are used to support the enforcement of consumer protection laws. Although a portion of the program was supported by the general fund prior to 1999, the department reports that all program expenditures are currently made from this special fund. This fund is an appropriate financing mechanism and should be continued.

Compliance Resolution Fund – Professional & Vocational Licensing, Section 26-9, HRS

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$1,913	\$3,884	\$3,777	\$4,371	\$5,121
Revenues	4,921	3,089	3,841	3,617	4,102
Interest	0	0	0	0	181
Expenditures	(2,950)	(3,196)	(3,247)	(2,867)	(3,205)
Transfers	0	0	0	0	0
Ending Fund Balance	\$3,884	\$3,777	\$4,371	\$5,121	\$6,199
Encumbrances	91	20	69	280	51

This fund was created in 1995 to support the operations of the Department of Commerce and Consumer Affairs and activities related to compliance resolution. The fund continues to serve this purpose by supporting activities of the department's Professional and Vocational Licensing Division. There is a clear link between the benefits sought and charges made upon program beneficiaries. Applicants and licensees of more than 45 regulatory programs pay various fees to support the division's licensing and regulatory activities. The fund has been self-sustaining and its program has not required any general fund appropriations. Statute requires the periodic adjustment of fees to ensure that proceeds collected do not exceed annual operating costs. However, the department reports that it has allowed the ending fund balance to grow to ensure that the program can maintain self-sufficiency for at least a two-year period and to pay for a planned conversion of its existing licensing data system. This fund is an appropriate financing mechanism for the program and should be continued.

Compliance Resolution Fund – Regulated Industries Complaints Office, Section 26-9, HRS

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$3,110	\$3,628	\$3,526	\$4,244
Revenues	4,780	3,803	3,617	4,228	4,079
Interest	0	0	0	0	145
Expenditures	(3,096)	(3,271)	(3,719)	(3,510)	(3,498)
Transfers*	1,426	(14)	0	0	0
Ending Fund Balance	\$3,110	\$3,628	\$3,526	\$4,244	\$4,970
Encumbrances	41	21	128	196	56

*Transfers were from the Compliance Resolution Fund.

This special fund was created in 1996 to provide fiscal support to the Regulated Industries Complaints Office. The fund continues to serve this purpose and supports the office's investigation and enforcement activities pertaining to professional licensing laws. There is a clear link between the benefits sought and the charges made upon program beneficiaries. Licensees pay fees and fines that are used to ensure enforcement of associated licensing laws. The department reports that the office has not received any general funds since FY1997-98 and has maintained self-sufficiency. This fund is an appropriate financing mechanism for the program and should be continued.

Hurricane Iniki Insurance Proceeds, Administratively Established

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

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

This account was created in 1993 to collect insurance proceeds as a result of Hurricane Iniki. The department used the account to replace a computer lost during the hurricane. The account was closed in FY1997-98.

Insurance Fraud Investigation Unit, Administratively Established

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

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$20	\$17
Revenues	0	0	0
Interest	0	0	0
Expenditures	(125)	(3)	0
Transfers*	145	0	(17)
Ending Fund Balance	\$20	\$17	\$0
Encumbrances	14	0	0

*FY1998 transfer-in was from the Motor Vehicle Insurance Administration Revolving Fund. FY2000 transfer-out reflects the dissolution of this fund.

This account was administratively established with the passage of Act 251, SLH 1997. The act created an insurance fraud investigation unit under the insurance division. The purpose of the unit is to conduct a statewide program to investigate and prosecute insurance fraud cases and violations of applicable state laws. Funding for the unit originally came from the Motor Vehicle Insurance Administration Revolving Fund. In 1999, the Motor Vehicle Insurance Administration Revolving Fund was repealed and its unencumbered balance transferred to the Insurance Revolving Fund. The department reports that this account was also repealed. However, the statutory section establishing the insurance fraud

investigations unit still cites the Motor Vehicle Insurance Administration Revolving Fund as the unit's funding source. We recommend that Section 431:10C-307.8, HRS, which establishes the insurance fraud investigations unit be amended to reflect the unit's actual funding source.

Insurance Regulation Fund, Section 431:2-215, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$0
Revenues	6,635
Interest	172
Expenditures	(4,027)
Transfers*	3,275
Ending Fund Balance	\$6,055
Encumbrances	670

*Transfer-in was from the following: (1) Motor Vehicle Insurance Administration Revolving Fund, (2) Workers' Compensation Insurance Administration Special Fund, (3) Captive Insurance Administrative Fund, (4) Insurance Fraud Investigation Unit, and (5) Insurance Examiners' Revolving Fund.

This special fund was created to account for assessments, fees, fines, penalties, and reimbursements collected by the insurance division under Title 24 (Insurance), HRS. The Commissioner's Education and Training Fund, Drivers Education Fund Underwriters Fee, and the Captive Insurance Administrative Fund are exempted from making deposits to the Insurance Regulation Fund. The fund is to be used to defray administrative costs associated with the programs and offices of the insurance division. The fund continues to serve this purpose and pays for most programs and activities of the division. There is a clear link between the benefits sought and the charges made upon program users. Pursuant to statute, the insurance commissioner determines the amount that each regulated line or type of insurance or entity is assessed. This amount must bear a reasonable relationship to the cost of regulating the line or type of insurance including administrative costs of the division. This new fund is self-sustaining and has not required any general fund appropriations over its initial year of existence. This fund, which is an appropriate financing mechanism and meets all the criteria of a special fund, should be continued.

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

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

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

*FY1998 transfer-out was to the Insurance Fraud Investigation Unit. FY2000 transfer-out was to the Insurance Regulation Fund.

This fund was created to finance the administration of the State's no-fault automobile insurance law. The fund primarily paid for a cost containment program that allowed insurers to challenge a medical provider's treatment plan for an accident claimant by submitting the challenge to the Insurance Division. The fund also covered public education and information studies relating to motor vehicle insurance, no-fault hearing officers, and other related costs. Fund revenues consisted of fees paid by insurers to cover the costs of review of the peer review organization and a division fee. This fund was repealed in 1999 and the unencumbered balance transferred to the Insurance Regulation Fund.

Workers' Compensation Insurance Administration Special Fund, Act 234, SLH 1995

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$143	\$78	\$133	\$100
Revenues	249	57	74	4	0
Interest	0	0	0	0	2
Expenditures	(106)	(122)	(19)	(37)	(16)
Transfers*	0	0	0	0	(60)
Ending Fund Balance	\$143	\$78	\$133	\$100	\$26
Encumbrances	14	0	15	50	26

*Transfer-out was to the Insurance Regulation Fund.

This special fund was created in 1995 to pay for costs incurred from administering workers' compensation insurance. These costs included

those related to public education and information, studies and evaluations, and administrative contracts. The sources of revenue included annual assessments and a one-time assessment made by the insurance commissioner on each insurer authorized to transact workers' compensation insurance in Hawaii and on each self-insurer. The fund was originally scheduled to sunset on July 1, 2001. However, in 1999 the fund was abolished and its balance was transferred to the Insurance Regulation Fund.

***Update of funds
created prior to July 1,
1990***

Business Registration – Expedited Review, Section 26-9, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$578
Revenues	463
Interest	22
Expenditures	(319)
Transfers	0
Ending Fund Balance	\$744
Encumbrances	4

This fund was formerly called the Special Fund for Deposit of Special Handling Fees for Certification of Documents. It was a special fund created in 1983 to account for fees from filing corporate documents and to pay for personnel required to process these documents. Special handling fees were charged to those who wanted to expedite their processing of documents. Our 1992 review recommended that the fund be continued but noted consideration should be given to changing the fee structure in light of the relatively large cash balance. In 1999, all fees collected for filing corporate documents began to be deposited into the Compliance Resolution Fund.

Compliance Resolution Fund, Section 26-9, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$3,240
Revenues	63
Interest	46
Expenditures	(2,325)
Transfers*	(500)
Ending Fund Balance	\$524
Encumbrance	90

*Transfer-out was to the Compliance Resolution Fund – Office of Consumer Protection.

Our 1992 review of this fund found that its original purpose was to establish a funding mechanism to supplement general fund appropriations and to increase the number of personnel in the Regulated Industries Complaints Office. We recommended its continuation, but also noted that consideration should be given to changing the fee structure to more properly reflect costs incurred. Since our original review, the department has moved towards fiscal self-sufficiency through the consolidation of a number of funds. Despite this consolidation, the department has continued to account for funding sources separately in order to track each division's revenues against its expenses. The Compliance Resolution Fund may now be used to fund the operations of the department and for other compliance resolution activities.

Compliance Resolution Fund – Cable Television, Section 26-9, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$1,991
Revenues	1,120
Interest	52
Expenditures	(834)
Transfers	0
Ending Fund Balance	\$2,329
Encumbrance	46

Since this fund was last reviewed in 1992, the department reports no significant changes to it. The fund was created to account for the deposit and expenditure of annual fees collected from cable television operators.

Fees were to be used to offset the costs of regulating cable television systems. Our previous review noted a growing cash balance and recommended that the department consider reducing fees to levels more reflective of actual costs incurred. Currently, fees are deposited into the department's Compliance Resolution Fund. The fund is intended to finance the department's operations and activities related to compliance resolution. However, the department reports that the cash balance in this fund has been used to expand the function of the Institutional Network (INET). The INET is a telecommunications infrastructure implemented via the cable television operators' systems intended to support broadband communication between various government entities. Although INET may support operations of the Department of Commerce and Consumer Affairs, the fund was not intended for this larger purpose. Furthermore, there is no linkage between the benefits of the INET system and the annual fees paid by cable television operators. This fund does not meet the criteria of a special fund. We recommend that the INET system be budgeted through the general fund.

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

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$1,401
Revenues	0
Interest	6
Expenditures	(126)
Transfers*	(1,279)
Ending Fund Balance	\$2
Encumbrance	2

*Transfer-out was to the Insurance Regulation Fund.

This fund was created in 1985 to cover the cost of examination for insurers, mutual benefit societies, health maintenance organizations, and other insurance entities. Revenues consisted of examination fees used to pay for the independent contract examiners who performed the examinations. In addition, each licensed insurer paid an annual fee into the fund. Our 1992 review found the fund did not serve its original purpose and recommended that it be repealed. The fund was subsequently repealed in 1999 with the consolidation of several funds into the Insurance Revolving Fund.

Public Broadcasting Revolving Fund, Section 314-13, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$1,674
Revenues	288
Interest	25
Expenditures	(1,606)
Transfers*	(1)
Ending Fund Balance	\$382
Encumbrance	177

*Transfer-out was to the Department of Accounting and General Services.

This fund was created in 1972 with the establishment of the Hawaii Public Broadcasting Authority. Its original purpose was to account for funds derived from private sources for services and airtime and for state funds appropriated for the fund. Our 1992 review reported that receipts included viewer contributions, corporate grants and contributions, and federal grant money from the Corporation for Public Broadcasting. Expenditures were limited to program acquisition, promotion and production, and fundraising. Although the broadcasting authority received general funds for its day-to-day operations, we recommended that the fund be continued. However, Act 63, SLH 1999, repealed the fund. The act transferred the licenses, assets, responsibilities and functions of the authority to the Hawaii Public Television Foundation, a private not-for-profit organization. The transfer became effective on July 1, 2000.

**Special Drivers Education Fund Account,
Section 431:10C-115, HRS**

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$471
Revenues	1,283
Interest	18
Expenditures	(1,550)
Transfers	0
Ending Fund Balance	\$222
Encumbrance	0

This fund was created to account for a \$2 drivers' education fund underwriters fee paid annually by each insurer and self-insurer on each

insured motor vehicle. Fifty percent of the fund is used to operate the department's drivers' education program. A licensee who violates traffic laws within a specified frequency may be ordered by a district judge to attend a course in driving retraining. The remaining 50 percent of fees is used to operate the Department of Education's drivers' education and traffic safety education programs.

Chapter 9

Department of Education

This chapter presents the results of our review of four special and revolving funds created after July 1, 1990 and ten special and revolving funds created prior to July 1, 1990. For each fund created after July 1, 1990, we present a five-year financial summary, the purpose of the fund, conclusions about its use, and a recommendation on whether it should be continued, modified, or repealed. For each fund created prior to July 1, 1990, we present a one-year financial summary, the purpose of the fund, conclusions about its use, and other pertinent information on how the fund has changed since it was originally reviewed in 1991. We do not present any conclusions about the effectiveness of the program, its management, or whether it should be continued. We present alphabetically first those funds established after July 1, 1990 followed by the funds established before July 1, 1990 that were reviewed in 1991.

Funds created after July 1, 1990

Federal Revenue Maximization, Administratively Established

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

	FY1999	FY2000
Beginning Fund Balance	\$0	\$10
Revenues	10	0
Interest	0	0
Expenditures	0	0
Transfers	0	0
Ending Fund Balance	\$10	\$10
Encumbrances	0	0

Pursuant to Act 11 of the 1995 Special Session, a statewide fund was established in the state treasury to aggressively pursue, collect, and distribute additional federal fund reimbursements. Proceeds collected from the federal government not previously claimed by the State for federally funded programs are deposited into the fund. The comptroller transfers money out of the Interagency Federal Revenue Maximization Revolving Fund to the Department of Education for expenses related to federal fund reimbursement claims. Funds transferred by the comptroller to the Department of Education are deposited into this account to pay for temporary staff needed to help maximize federal dollar reimbursements. This account continues to serve the purpose for which it was created. However, there is no linkage between the benefit sought and charges made upon users. The fund does not meet the criteria of a revolving fund and should be discontinued.

Hurricane Iniki Proceeds Revolving Fund, Administratively Established

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

	FY1996	FY1997	FY1998
Beginning Fund Balance	\$242	\$16	\$5
Revenues	0	0	0
Interest	0	0	0
Expenditures	(226)	(11)	(5)
Transfers	0	0	0
Ending Fund Balance	\$16	\$5	\$0
Encumbrances	0	0	0

We reported on this fund in our 1996 review of revolving and trust funds, Report No. 96-21. This fund was created in 1993 to receive insurance proceeds from the Department of Accounting and General Services' risk management insurance settlement. The proceeds were used for temporary replacements for structures destroyed during Hurricane Iniki. The Department of Education leased modular classrooms, mobile classrooms, modular library units, kitchen trailers, dining units, and other school equipment with moneys from this revolving fund to allow schools to continue operating on a normal basis while repairs were being made. In 1996 we reported this fund did not meet the criteria for a revolving fund. According to the department this fund was closed out after 1998.

Hawaii Teacher Standards Board Revolving Fund, Section 302A-806, HRS

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

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	319	\$700
Revenues	431	591	595
Interest	0	0	0
Expenditures	(112)	(210)	(175)
Transfers	0	0	0
Ending Fund Balance	\$319	\$700	\$1,120
Encumbrances	50	50	72

This fund was created to support the Hawaii Teacher Standards Board. The board establishes standards governing teacher licensing and credentialing within the department, conducts a cyclical review of those standards, and suggests revisions for their improvement. The fund finances operational and personnel costs and any reimbursements for

members' travel expenses incurred while on official board business. The fund continues to serve the purpose for which it was created. The primary source of revenue to the fund is the \$2 licensing fee deducted from teachers' salaries. There is a clear link between the benefit sought and the charges made upon its users because the teachers receive training and current informational communications related to improvements in professional standards for licensing and credentialing. This fund is self-sustaining; however, it acts more like a special than a revolving fund and should be so classified.

Library Fee for Enhanced Services Special Fund, Section 312-22, HRS

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$555	\$201	\$251	\$739	\$701
Revenues	451	479	563	473	552
Interest	0	0	0	0	23
Expenditures	(405)	(329)	(75)	(511)	(707)
Transfers*	(400)	(100)	0	0	0
Ending Fund Balance	\$201	\$251	\$739	\$701	\$569
Encumbrances	0	0	0	23	180

*Transfers-out were to the general fund.

This fund was established in 1993 to collect fees for enhanced library services from library users. The enhanced services include videocassette tape rentals, meeting room rentals, replacement library cards, and others. All money collected under this program are allocated to each library to operate its own enhanced services program and purchase library materials. Revenues are derived from fees collected from library patrons for these services. There is a direct link between benefits sought and charges made upon the users because library patrons now have available to them enhanced services and more library materials. However, fund moneys have not been used as they were intended. We found in our *Financial Audit of the Public Library System*, Report No. 98-8, that during FY1995-97 moneys from this fund were improperly used to pay a contractor, Baker & Taylor, for the purchase of books for the library system. These funds should have been made available to operate the various enhanced services programs and to generate additional revenues as intended by the Legislature under Section 312-22, HRS. Moreover, the state librarian transferred \$500,000 from this special fund to the State's general fund without meeting the statutory requirement for these transfers. There was no indication that the amounts transferred into the general fund were based on excess cash in the special fund or that there was any formal

authorization by the governor for the transfers. According to the Hawaii State Public Library System, the fund has demonstrated the capacity to be financially self-sustaining and has not received any general fund allocations. An appropriate financing mechanism for the program, it should be continued.

***Update of funds
created prior to July 1,
1990***

Adult Education Special Fund, Section 302A-435, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$525
Revenues	689
Interest	0
Expenditures	(637)
Transfers	0
Ending Fund Balance	\$577
Encumbrances	21

We reviewed this fund in our 1992 review of special and revolving funds, Report No. 92-8. The department reports no change since that report. Although never formally created by statute, this fund was established in 1945 to collect tuition for general and special interest classes and fees for the General Education Development (GED) test in the Adult Education Program. No fees are charged for other types of classes offered under the Adult Education Program. Section 302A-435, HRS, authorizes the Department of Education to collect fees from students regularly enrolled in the adult and community education program. The fund continues to serve the purpose for which it was established. It collects fees charged for special interest classes in the adult education program. There is a direct link between the benefits sought and charges made upon users because those who are enrolled in general interest classes or who take the General Education Development test are assessed fees which are deposited into the special fund. The fund, however, is not self-sustaining. The adult education program annually receives approximately \$5 million in general fund appropriations to cover personnel costs for 51 staff positions and classroom costs, such as part time teachers' pay. We therefore reiterate our recommendation that this fund's balance be lapsed to the general fund and the adult education program be budgeted entirely through the general fund.

Adult Education Revolving Fund, Section 302A-435, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$267
Revenues	264
Interest	0
Expenditures	(184)
Transfers	0
Ending Fund Balance	\$347
Encumbrances	34

We reviewed this fund in our 1996 review of revolving and trust funds, Report No. 96-21. The department reports no change to the fund. This revolving fund was created in 1970 to receive fees assessed for adult education courses. Moneys collected are used to purchase supplies and books for the Adult and Community Education Program. The fund operates as intended and is an appropriate funding mechanism for the program. Benefits received are directly related to user fees collected because adult students who are assessed fees benefit from the purchase of supplies and books. The fund, however, is not self-sustaining. General funds supplement the student fees collected to cover personnel and operating costs. The adult education program is also partially financed by the Adult Education Special Fund. The balance of the fund should be lapsed to the general fund and the adult education program budgeted entirely through the general fund.

Driver Education Special Fund, Section 431:10C-115, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$484
Revenues	980
Interest	0
Expenditures	(790)
Transfers	0
Ending Fund Balance	\$674
Encumbrances	130

We reviewed this fund in our 1992 review of special and revolving funds, Report No. 92-8. The department reports that the fund's general purpose remains the same—to provide high school students with driver education. The program's scope was expanded by the Legislature in 1996 to include

traffic safety education for all students. Although never created by statute, this fund was established in 1987 by the department to receive fees collected by the insurance commissioner from motor vehicle insurers under Section 431:10C-115, HRS. These fees are used to support the driver education program of the Department of Education. The fund operates for the purposes for which it was established. It accounts for fees received from the insurance commissioner and uses them to support the driver education program. There is no linkage within the fund between benefits sought and fees charged to users. Students who benefit from the driver education program pay a \$10 fee, which is deposited into the general fund and not to this special fund. Our 1992 report found that the fund did not meet all criteria for a special fund. We recommended that the balance be lapsed to the general fund and the driver education program budgeted through the general fund.

Lahainaluna Boarding School Special Fund, Section 302A-420, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$23
Revenues	9
Interest	0
Expenditures	(8)
Transfers	0
Ending Fund Balance	\$24
Encumbrances	0

We reviewed this fund in our 1992 review of special and revolving funds, Report No. 92-8. The department reports no change to this fund. The fund was established in 1921 to hold revenues collected by the Lahainaluna boarding school and to finance its vocational program. Students of the Lahainaluna Boarding Program work on farm projects and in other vocational and technical areas. The fund continues to serve the purpose for which it was created. It is used to collect receipts from the sale of agricultural products and to pay for the cost of student helpers. There is a direct link between the benefits sought and charges made upon its users. Students who work on school farm projects are paid from the sale of their products. The fund is also self-sustaining. Our 1992 report found that the fund met all criteria for a special fund and recommended its continuation.

Libraries Special Fund, Section 312-3.6, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$670
Revenues	933
Interest	16
Expenditures	(504)
Transfers	0
Ending Fund Balance	\$1,116
Encumbrances	29

We reviewed this fund in our 1992 review of special and revolving funds, Report No. 92-8, and in our 1998 *Financial Audit of the Public Library System*, Report No. 98-8. In 1989, the Legislature established the fund and authorized that fines assessed under Section 312-3.5, HRS, for lost and late returned books be deposited into the fund and the money be allocated to individual libraries to purchase new books and other library materials. In our 1998 report, we found that during FY1995-97, the fund had instead been improperly used to pay a contractor, Baker & Taylor, for the purchase of books for the library system. Linkage does exist between the benefits sought and charges made upon users. Individuals who borrow library books are charged fines for overdue library items and the cost of lost or damaged items. According to the Hawaii State Public Library System, the program elects to keep a fund balance because the amount of revenue collected from year to year varies. For FY1999-00 the fund had a \$2.05 million appropriation ceiling but only expended \$503,704 of the amount available. We believe the fund should maximize its resources and spend down its large ending cash balance.

School Special Fees Special Fund, Section 302A-1130, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$520
Revenues	213
Interest	0
Expenditures	(156)
Transfers	0
Ending Fund Balance	\$577
Encumbrances	47

We reviewed this fund in our 1992 review of special and revolving funds, Report No. 92-8. Created in 1982, this fund continues to collect fees for lost and/or damaged textbooks, school library books, equipment, and other instructional materials. There is a direct link between the benefits sought and the charges made upon users. Pupils who negligently break, damage, lose or destroy school books, equipment, or supplies pay replacement costs for school property. The fund is more than self-sustaining, posting a year end cash balance of more than twice the year's receipts. The fact that the receipts exceed the amount expended may indicate that not all lost or damaged items are being replaced or fixed. Our 1992 review recommended that the fund be continued but consideration given to transferring unneeded cash to the general fund.

Special School Lunch Fund, Section 302A-405, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$2,726
Revenues	16,205
Interest	0
Expenditures	(15,217)
Transfers	0
Ending Fund Balance	\$3,714
Encumbrances	2

We reviewed the Special School Lunch Fund in our 1992 review of special and revolving funds, Report No. 92-8. The department reports no change to the fund. Created in 1960, this fund supports the expense of operating public school cafeterias. It continues to serve its original purpose by supporting the school food services program that provides breakfast and lunch to public school students. Students pay regular or reduced prices for these meals and receipts from such sales are deposited into this fund. Therefore, the benefits sought are linked to charges made upon users. The fund, however, does not meet the third criterion of being self-sustaining. General fund appropriations and federal reimbursements also support the school food services program. According to the department, end-of-year balances are used to carry the program over the summer months when there is a minimum of income from federal reimbursements because not all schools are serving meals. Heavily supported by general fund appropriations, the program received approximately \$18 million during FY1999-00. In 1992, we recommended repealing the School Lunch Fund and budgeting these services entirely through the general fund.

Special Summer School and Intercession Fund, Section 302A-1310, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$1,042
Revenues	2,914
Interest	0
Expenditures	(2,793)
Transfers	0
Ending Fund Balance	\$1,163
Encumbrances	30

The Special Summer School Fund was originally established in 1971 to finance operation of the public summer schools. We reviewed the fund in our 1992 review of special and revolving funds, Report No. 92-8. Amended in 1996 and renamed the Special Summer School and Intercession Fund, it currently serves intercession programs for year-round school in addition to summer school programs. The department reports no change to the fund. There is a direct link between benefits sought and charges made upon users because students who attend summer school or intercession programs are charged tuition. However, special education students are not charged tuition or fees because the *Felix* decree stipulates that special education students receive free tuition. Consequently, the special education summer program is not entirely self-sustaining because it receives general fund moneys.

Storeroom Revolving Fund, Section 302A-1304, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$597
Revenues	1,849
Interest	
Expenditures	(1,651)
Transfers*	(101)
Ending Fund Balance	\$694
Encumbrances	294

*Transfer-out was to the general fund.

We reviewed this fund in our 1992 review of special and revolving funds,

Report No. 92-8, and in our 1996 review of revolving and trust funds, Report No. 96-21. The department reports no change to the fund. Created in 1990, the fund's original purpose was to purchase educational, office, and custodial supplies used by schools and the equipment and services needed to operate the department's storeroom. The fund continues to serve the purpose for which it was created. There is a direct link between the benefits sought and the charges made upon users because public schools use the items purchased from the storeroom. However, the storeroom is not self-sustaining. General fund appropriations pay for personnel and all operating costs of the storeroom. This revolving fund is an appropriate financing mechanism for the storeroom, but is not self-sustaining; therefore, it does not meet the criteria of a revolving fund. We reiterate our recommendation that the fund be repealed and the purchase of storeroom supplies be budgeted through the general fund.

Use of School Facilities Special Fund, Section 302A-1148, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$1,480
Revenues	884
Interest	0
Expenditures	(663)
Transfers	0
Ending Fund Balance	\$1,701
Encumbrances	123

We reviewed this fund in our 1992 review of special and revolving funds, Report No. 92-8. The department reports no change. The original purpose of this fund, created in 1982, was to collect fees and charges from those who use school buildings, facilities, grounds, and equipment for recreational and community purposes. The fund continues to serve this purpose. Fees and charges for the use of facilities are placed in the fund and expenditures are limited to payment of custodial services, replacement of custodial and janitorial supplies, and the repair, maintenance, and replacement of equipment used. The link between benefits sought and charges made upon users is direct. Those who use school facilities are assessed fees and charges, which are deposited in the fund. Under a pilot program created by Act 256, SLH 2000, schools may set their own rental fee schedules and are not subject to the department's fee schedule or rental fees assessed on other groups. A school may reduce rental fees in view of any improvements made by a renter. This pilot project is scheduled to end in 2002. The fund covers all costs relating to the use of school facilities by the public and is therefore self-sustaining.

Chapter 10

Department of Health

This chapter presents the results of our review of 17 special and revolving funds created after July 1, 1990 and 4 special and revolving funds created prior to July 1, 1990. We also present the results of our review of four special and revolving funds of the administratively attached Hawaii Health Systems Corporation. For each fund created after July 1, 1990, we present a five-year financial summary, the purpose of the fund, conclusions about its use, and a recommendation on whether it should be continued, modified, or repealed. For each fund created prior to July 1, 1990, we present a one-year financial summary, the purpose of the fund, conclusions about its use, and other pertinent information on how the fund has changed since it was originally reviewed in 1991. We do not present any conclusions about the effectiveness of the program, its management, or whether it should be continued. We present alphabetically first those funds established after July 1, 1990 followed by the funds established before July 1, 1990 that were reviewed in 1991.

Funds created after July 1, 1990

Asbestos and Lead Abatement Special Fund, Section 342P-8, HRS

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

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

This fund was created in 1998 to collect all moneys from fees for permits, licenses, inspections, certificates, notifications, variances, investigations, and reviews. The purpose of the fund is to partially fund the operating costs of the asbestos and lead abatement program's mandated activities and functions; fund statewide education, demonstration, and outreach programs; provide accreditation of training programs; provide training opportunities to ensure the maintenance of professional competence among staff and administrators; and plan for future growth and expansion to meet emerging needs. However, the fund is not being used for these purposes. According to the department, the fund has not yet been established and no collections have been made. Although public hearings

have been held to establish rules regarding asbestos, they have not yet been finalized. However, once the rules are in place, this fund would reflect linkage between the benefits sought and charges made upon users. This fund is an appropriate financing mechanism for the program and could be self-sustaining.

Clean Air Special Fund, Section 342B-32, HRS

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$5,255	\$7,182	\$9,061	\$10,157	\$8,667
Revenues	3,137	3,912	2,934	413	2,498
Interest	184	273	339	298	342
Expenditures	(1,394)	(2,306)	(2,177)	(2,201)	(2,137)
Transfers	0	0	0	0	0
Ending Fund Balance	\$7,182	\$9,061	\$10,157	\$8,667	\$9,370
Encumbrances	570	463	368	432	270

This fund was created in 1992 in response to the federal Clean Air Act that required all states to establish a fee program to support the costs of mandated air operating permitting, monitoring, and enforcement programs. The fund collects air permit application fees, annual emission fees, and agricultural burning permit application fees. Pursuant to state statute and federal regulation, fees collected are limited to paying for developing, supporting, and administering the permit program. The fund continues to serve its original purpose by supporting activities of the covered and noncovered source air programs, toxic air and small business assistance programs, dust investigations, and agricultural burning permit programs. There is also a clear link between benefits sought and charges made upon users. Those who pay the various fees benefit from receiving permits, program support, and regulatory oversight. Although ambient air quality monitoring network and stations are primarily supported with general and federal funds, the permitting program supported by the fund is self-sustaining. Between 1997 and 1999, annual fees were waived in order to reduce the special fund balance. This fund is an appropriate financing mechanism for the program and should be continued. However, because of high ending fund balances, we recommend that the department consider waiving fees for a determinant period in order to reduce the special fund balance.

Domestic Violence Prevention Special Fund, Section 321-1.3, HRS

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

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$157	\$305
Revenues	157	300	137
Interest	0	0	8
Expenditures	(0)	(152)	(124)
Transfers	0	0	0
Ending Fund Balance	\$157	\$305	\$326
Encumbrances	15	50	87

The Domestic Violence Prevention Special Fund was established to support or provide domestic violence intervention or prevention services. The fund continues to serve the purpose for which it was originally created. The department has designated the fund for primary prevention efforts, including the Violence Prevention Curriculum Initiative. This initiative of the Hawaii Commission on the Status of Women works to integrate violence prevention skills, knowledge, and understanding into school programs. The fund is self-sustaining and derives its revenues primarily from fees collected on certified copies of birth, marriage, and death certificates. One dollar of revenue for each certified copy issued by the department is deposited into the fund. However, the link between benefits sought and charges made upon users is tenuous. Those who attend or otherwise benefit from domestic violence prevention programs may or may not include those who pay for certified copies of birth, marriage, or death certificates. The fund, though not an entirely appropriate financing mechanism for the program, should be continued.

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

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

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$3,203	\$4,761
Revenues	54	291	4640
Interest	96	183	155
Expenditures	(62)	(341)	(7,992)
Transfers*	3,115	1,425	1,527
Ending Fund Balance	\$3,203	\$4,761	\$3,091
Encumbrances	23	683	697

*Transfer-in of general funds was for a state matching requirement.

This fund was created in response to 1996 amendments to the federal Safe Drinking Water Act that provides loans and other types of assistance to eligible public water systems. The fund receives annual federal grants from the Environmental Protection Agency and the State must provide a 20 percent match. The program has two portions: a loan program and a set-aside portion. The loan program is used to assist public water systems finance their costs of required infrastructure to achieve or maintain compliance with the Safe Drinking Water Act and meet the State's public health objectives. The loan program receives approximately 69 percent of the federal funds as well as the entire state matching portion. The set aside accounts receive the remaining 31 percent of the annual federal grant and no state funds. The set-aside accounts are used for loan administration, managing the public water system supervision program, providing technical assistance to small water systems, and providing assistance or support for local and other state programs.

The fund continues to serve the purpose for which it was originally created. However, the department reports that although the fund is still in its infancy it has the capacity to make additional loans. This will generate more loan payments thereby enabling the fund's self-sufficiency. There is a clear link between charges made upon users of the program and the benefits sought. Public water system owners receive and repay low interest loans that are used to build, fix, and address infrastructure needs. The fund is an appropriate financing mechanism for the program and should be continued.

Drug Demand Reduction Assessments Special Fund, Act 205, SLH 1995

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$2	\$8	\$25	\$63
Revenues	2	6	17	38	61
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$2	\$8	\$25	\$63	\$124
Encumbrances	0	0	0	0	0

Act 205, SLH 1995, created the fund to be administered by the Department of Health and to be used to supplement drug treatment and other drug demand reduction programs. Revenues come from monetary assessments of persons convicted of or charged with a felony or a misdemeanor offense who have been granted a deferred acceptance of guilty or a no contest plea. They may be ordered to pay a monetary

assessment of \$3,000 for a class A felony; \$2,000 for class B felony; \$1,000 for a class C felony or \$500 for a misdemeanor. According to the department, the fund did not have enough revenues to adequately supplement drug treatment reduction programs. The program only began receiving sufficient funds in FY1999-00. It has since provided supplemental funds to Maui's Aloha House Residential Drug Addiction facility and the Salvation Army. Linkage exists between the benefits sought and the charges made upon users to the extent that monetary assessments are made on persons convicted for drug related charges. The sunset date for this special fund was June 30, 1996; however, Act 7, SLH 1996, extended the sunset date to June 30, 1998 and Act 152, SLH 1998, further extended it to June 30, 2001. The fund has demonstrated the capacity to be self-sustaining and is an appropriate financing mechanism for the operations. We recommend that the fund be continued.

Early Intervention Special Fund, Section 321-355, HRS

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

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$1,048	\$2,210
Revenues	1,170	2,061	1,832
Interest	0	0	61
Expenditures	(122)	(899)	(1,804)
Transfers	0	0	0
Ending Fund Balance	\$1,048	\$2,210	\$2,299
Encumbrances	4	998	895

Established in 1997, this fund's purpose is to enhance early intervention services to infants and toddlers with special needs by providing a cooperative funding mechanism between public and private sectors to work together to make and secure appropriations and donations to the fund. The special fund is part of a "reinvestment strategy" to receive federal reimbursement for state funded services. Federal reimbursements from Title XIX (QUEST and Medicaid fee-for-service) and Title IV-E (intradepartmental care coordination training) are deposited into this fund. Reimbursements are added to the State's base funds available to purchase additional services and to receive additional federal reimbursement. The fund continues to serve the purpose for which it was originally created. Additional community-based, family-centered, early intervention services support the families of infants and toddlers from birth to age three who are developmentally delayed, biologically, or environmentally at risk. During FY1999-00, over 3,000 infants and toddlers received early intervention services. There is a clear link between services for eligible children and the federal reimbursements for early intervention programs and QUEST plans. The fund has been in existence for only three years,

and the department expects to eventually maximize its available revenue. In accordance with Section 321-355, HRS, no general funds have been deposited into this fund. The fund is an appropriate financing mechanism for the operations and should be continued.

Environmental Health Education Fund, Section 321-27, HRS

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$16	\$45	\$259	\$693	\$546
Revenues	30	373	676	509	564
Interest	0	0	0	0	18
Expenditures	(1)	(159)	(242)	(312)	(350)
Transfers*	0	0	0	(344)	(199)
Ending Fund Balance	\$45	\$259	\$693	\$546	\$579
Encumbrances	10	12	49	47	103

*Transfers-out were to the general fund.

This fund was established in 1994 to collect fees for permits, licenses, inspections, certificates, variances, investigations, and reviews. Moneys in the fund are for enhancing the capacity of environmental health programs to improve public outreach, educating the public, regulating industries, planning for future growth and expansion, and providing training opportunities. The fund continues to serve the purpose for which it was originally created. The fund accounts for fees derived from the following:

- License renewal of embalmers and undertakers, registered sanitarians, tattoo artists, lab directors, and lab technicians;
- Initial license and registration of embalmers and undertakers;
- Permit renewals for tattoo shops;
- Examinations of registered sanitarians and tattoo artists; and
- Food establishment permits.

The fund supports staff training for food establishment inspections, laboratory investigations of foodborne illnesses, and milk protection. Fund expenditures include personnel costs for two registered sanitarians who provide public outreach and education for food establishments. Linkage exists to the extent that fees collected are used to educate the aforementioned entities on compliance with applicable standards and

regulations through outreach and public information activities. The fund has been self-sustaining and has not received any general fund appropriations since its inception in 1994. Pursuant to Section 321-27, HRS, any amount in the fund in excess of \$300,000 at the end of any fiscal year is deposited into the general fund. As reflected in the financial data table, over \$500,000 has been transferred to the general fund over the past two fiscal years. This fund is an appropriate financing mechanism for the program and should be continued.

Environmental Management Special Fund, Section 342G-63, HRS

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$1,551	\$2,990	\$2,041	\$1,344	\$860
Revenues	2,970	2,819	2,741	2,706	3,013
Interest	0	0	0	0	45
Expenditures	(1,531)	(3,768)	(3,438)	(3,190)	(2,785)
Transfers	0	0	0	0	0
Ending Fund Balance	\$2,990	\$2,041	\$1,344	\$860	\$1,133
Encumbrances	1,101	499	339	547	606

This fund was established pursuant to Act 312, SLH 1993, to collect moneys from a solid waste management surcharge on all solid waste disposed at landfills or incinerators within the State. The fund may be used to support operating costs of the solid waste program and to provide statewide education and annual training for municipal solid waste operators. It continues to serve the purpose for which it was created and currently supports solid waste facilities' permitting and monitoring, and enforcement of solid waste regulations. The fund also provides moneys for recycling activities such as school and tree recycling. Act 201, SLH 1994, established an advanced disposal fee for every imported glass container. Revenue from this fee, deposited into a special account within the Environmental Management Special Fund, supports county glass recovery programs. There is linkage between the benefits sought and charges made upon the users of this fund to the extent that fees for solid waste disposal support statewide education and activities related to solid waste diversion and waste reduction. The fund is self-sustaining and has not received any general fund appropriations since inception. We consider it an appropriate funding mechanism and recommend continuation.

Hawaii Tobacco Settlement Special Fund, Section 328L-2, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$0
Revenues	48,593
Interest	504
Expenditures	(39)
Transfers*	(5,851)
Ending Fund Balance	\$43,207
Encumbrances	7,665

*Transfers-out are to the Emergency and Budget Reserve Fund and the children's health insurance program (S-CHIP).

The Hawaii Tobacco Settlement Fund was created by Act 304, SLH 1999, with moneys received from a multi-billion dollar class action lawsuit against the five largest U.S. tobacco manufacturers and filed by the attorneys general of 46 states. Settlement was reached in November 1998. The department projects that the State will receive an estimated \$1.3 billion over 25 years. The fund's purpose is to serve as a financing mechanism to maximize financial resources for tobacco prevention and control, health promotion and disease prevention programs, and children's health programs. It also serves as a long-term source of stable funding for prevention-oriented public health efforts. Pursuant to Chapter 328L, HRS, the fund allocates 40 percent of the settlement to the Emergency and Budget Reserve Fund for a rainy day reserve; 35 percent to the department for health-related programs, including up to 10 percent for the children's health insurance program (S-CHIP); and 25 percent to a Tobacco Prevention and Control Trust Fund for youth and adult education, prevention, and cessation programs, and for prevention of chronic diseases related to tobacco use. Linkage exists to the extent that moneys from the class action settlement are paid to the State to reduce tobacco consumption and to control and prevent chronic diseases when tobacco is a risk factor. The Hawaii Tobacco Settlement Special Fund has not received any general fund appropriations. It is dependent on payment to the State per the settlement agreement. An appropriate funding mechanism, this special fund warrants continuation.

Hurricane Iniki Insurance Proceeds, Administratively Established

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$353	\$353	\$358	\$4	\$4
Revenues	0	0	0	0	0
Interest	0	5	4	0	0
Expenditures	0	0	0	0	0
Transfers*	0	0	(358)	0	0
Ending Fund Balance	\$353	\$358	\$4	\$4	\$4
Encumbrances	0	0	0	0	0

*Transfer-out was to the Department of Accounting and General Services' State Risk Management Revolving Fund.

This account was administratively established in 1992 to receive the Department of Health's distribution of the insurance settlement to replace and repair building contents and motor vehicles that sustained damages from Hurricane Iniki. Pursuant to the comptroller's request, the unencumbered balance of this account was transferred back to the State Risk Management Revolving Fund in FY1997-98. However, the account maintained an approximate \$4,000 balance in interest earnings until that too was transferred back to the State Risk Management Revolving Fund in January 2001. The account no longer meets the purpose for which it was created and should be discontinued.

Interagency Federal Revenue Maximization Revolving Funds, Administratively Established

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

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

The Interagency Federal Revenue Maximization Revolving Fund was created in 1995 and is administered by the Department of Accounting and General Services. The purpose of this fund is to aggressively pursue, collect, and distribute additional federal fund disbursements. Money

collected each year from the federal government for reimbursable costs not previously claimed by the State for reimbursement is deposited into the fund. The Department of Health's appropriated share is transferred into these accounts. One account was established for each fiscal year. These accounts were to be used for expenses, including the creation and hiring of temporary staff related to the recovery of federal reimbursements under Section 29-24, HRS. The accounts continue to serve the purpose for which they were created. However, the link between reimbursements and charges made upon beneficiaries is unclear. The accounts do not meet our criteria and should be discontinued.

Mental Health and Substance Abuse Special Fund, Section 334-15, HRS

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$2,637	\$3,589	\$4,358	\$4,093	\$3,911
Revenues	3,043	2,627	765	1,504	9,622
Interest	0	0	0	0	151
Expenditures	(2,091)	(1,858)	(1,030)	(1,686)	(6,188)
Transfers	0	0	0	0	0
Ending Fund Balance	\$3,589	\$4,358	\$4,093	\$3,911	\$7,496
Encumbrances	103	366	300	954	477

Act 243, SLH 1991, established this fund to account for revenues collected from certification programs and treatment services rendered by mental health and substance abuse programs operated by the State. The fund is intended to pay for the operating expenses of these programs. Pursuant to Section 334-15, HRS, three separate accounts have been established within this fund: (1) Child and Adolescent Mental Health, (2) Behavioral Health Administration, and (3) Adult Mental Health. The fund continues to serve the purpose for which it was created. It supports access to mental health services and also procures outpatient community-based treatment and residential and acute services from private providers and Community Mental Health Centers. There is a clear link between benefits sought and charges made upon users. Revenue comes from reimbursements from QUEST, Medicaid, Medicare, consumers, and health insurance companies. Revenues increased in FY1999-00 due to the implementation of the QUEST carveout program and administrative claim reimbursements from Medicaid. These reimbursements benefit seriously mentally ill adults and youth with disabilities in public education. However, the fund is not self-sustaining. These programs also receive general funds to support their operations. This fund does not meet the criteria of a special fund and should be discontinued. The program should be funded through the general fund.

Newborn Metabolic Screening Special Fund, Section 321-291, HRS

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$0	\$57	\$260	\$319
Revenues	0	67	566	510	437
Interest	0	0	0	0	10
Expenditures	0	(10)	(363)	(451)	(478)
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$57	\$260	\$319	\$288
Encumbrances	0	1	65	84	94

This fund was created in 1996 to be a depository for all moneys collected for newborn screening services. Each newborn infant is screened for specific diseases to prevent mortality and morbidity in this population. The fund is intended to pay for laboratory testing, follow-up testing, educational materials, continuing education, quality assurance, and equipment for newborn metabolic screening services. The fund continues to serve the purpose for which it was originally created. The fund pays for educational books and videos and supports continuing education via contracts with a pediatric metabolic geneticist and endocrinologist. The fund also supports quality assurance efforts on the neighbor islands, nutrition services, research, and personnel costs. There is a clear link between the benefits sought and charges made upon users. Families of newborns benefit from this fund and pay for the specimen collection kits used by birthing facilities, midwives, and laboratories. This self-sustaining fund has not required any general fund appropriations in the past five years. It is an appropriate funding mechanism for the program and should be continued.

Noise, Radiation and Indoor Air Quality Special Fund, Section 342P-7, HRS

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

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$0	\$75
Revenues	0	75	110
Interest	0	0	2
Expenditures	0	0	(49)
Transfers	0	0	0
Ending Fund Balance	\$0	\$75	\$138
Encumbrances	0	0	11

This special fund was created in 1998 to collect fees from noise permits and variances, and from licenses and certificates for radiation therapists, radiographers, and nuclear medicine technologists. The fund may be used to support the operation of mandated program activities and functions, fund statewide education and outreach programs, and provide training opportunities for staff. This relatively new fund has had minimal activity over the past two years. However, the department plans to use the fund as intended by publishing an informational pamphlet and purchasing noise and radiation monitoring equipment and asbestos safety equipment. There is a clear link between benefits sought and charges made upon users. The fund allows the Noise, Radiation and Indoor Air Quality Branch to better serve entities that support the fund. The fund has been self-sustaining and has not received any general fund appropriations since its inception. It is an appropriate financing mechanism for the program and should be continued.

Salary/Fringe Benefits for Toxicologist, Administratively Established

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

	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance				
Revenues				
Interest				
Expenditures				
Transfers				
Ending Fund Balance				
Encumbrances				

Act 146, SLH 1997, authorized the department to establish and fund exempt toxicologist positions through the Environmental Response Revolving Fund. These positions were for assessing health impacts of air releases on human populations. However, the account has never been utilized. This account does not serve the purpose for which it was created. We recommend that it be repealed.

Vital Statistics Improvement Special Fund, Section 338-14.6, HRS

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

	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$0	\$152	\$241
Revenues	0	157	221	198
Interest	0	0	0	11
Expenditures	0	(5)	(132)	(255)
Transfers	0	0	0	0
Ending Fund Balance	\$0	\$152	\$241	\$195
Encumbrances	0	124	241	204

This fund was created in 1997 to modernize and automate the state's vital statistics system. The fund continues to serve this purpose through the development, operation, and upgrade of a computerized vital records database system. The system includes registration, preparation, transcription, collection, compilation, and preservation of data pertaining to births, adoptions, legitimacy, deaths, fetal deaths, morbidity, marital status, and other data incidental to the vital statistics. There is a clear link between the benefit sought and the charges made upon users. A portion of fees collected for certified copies of birth, death, marriage, or divorce certificates is used to improve the system that provides the copies. The fund has been financially self-sustaining since its inception. As it is an appropriate financing mechanism for the program, we recommend its continuation.

Wastewater Treatment Certification Board Special Fund, Section 340B-3.5, HRS

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

	FY1999	FY2000
Beginning Fund Balance	\$0	\$0
Revenues	0	13
Interest	0	0
Expenditures	0	0
Transfers	0	0
Ending Fund Balance	\$0	\$13
Encumbrances	0	0

Act 238, SLH 1999, authorized the establishment of this fund to finance the operations of the Wastewater Treatment Certification Board. The board's powers and duties are to carry out the provisions and purposes of

Chapter 340B, HRS. Powers and duties of the board may include overseeing the development and implementation of a continuous training program; revoking, suspending, or refusing to renew any certificate of any individual following a hearing; conducting examinations; and issuing or renewing certificates. Revenues are generated from registration fees for examinations, renewal fees, reciprocity fees, and temporary certificate fees. The certification exams entitle qualified individuals to operate wastewater treatment plants. There is a direct link between the benefits sought and charges made upon users of the program. Fees for certificates and exams for operators of wastewater treatment plants support activities of the Certification Board. Although revenue collection began in FY1999-00, the special fund ceiling of \$12,688 was only appropriated beginning in FY2000-01. Not yet self-sustaining, the fund is nonetheless an appropriate mechanism for the program. We recommend its continuation.

***Update of funds
created prior to July 1,
1990***

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

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$7,552
Revenues	2,540
Interest	238
Expenditures	(3,533)
Transfers*	(220)
Ending Fund Balance	\$6,577
Encumbrances	1,019

*Transfer-out was to conduct soil testing for Village Park and West Loch Fairways.

The Environmental Response Revolving Fund was created in 1988 and is currently comprised of several sub-accounts. These sub-accounts include the Local Emergency Response Planning Committee, Voluntary Response Action, and Soil Testing – Village Park and West Loch accounts. The original purpose of the fund was to deposit assessments, court settlements, and awards resulting from unlawful release of hazardous substances. An environmental response tax of 5 cents on each barrel or fraction of a barrel of petroleum product sold to any retail dealer or end user other than a refiner is deposited into this fund. The source of revenues has been expanded to include penalties for violations of vehicular smoke emission, open burning, water pollution, noise control, solid waste emission, hazardous waste disposal, underground storage tanks, and used oil disposal. When the fund balance reaches \$20 million, the tax will be discontinued. If the fund balance falls to less than \$3 million, the tax will be reinstated.

The fund is used to respond quickly to emergencies resulting from the release of hazardous substances in the environment and to clean up existing, non-emergency, hazardous substance releases. Revenues generated by the environmental response tax are to be used for oil spill prevention, preparedness, education, research, training, removal, land remediation, and used oil recycling programs. Funds may also be used to support the underground storage tank program and a state soil remediation site and facility. In 1994, the law was amended to require an unspecified portion of the environmental response tax be used to address concerns relating to drinking water.

The Environmental Response Revolving Fund continues to serve the purpose for which it was intended. However, only awards, assessments, or penalties imposed on those actually responsible for releases are linked to the cost of cleaning up those releases. The environmental response tax and other penalties and fines assessed for violating any number of other environmental pollution rules often have no linkage to other authorized uses of those funds. Although it is self-sustaining, the fund does not meet the criterion of linkage. Our 1992 review of this fund recommended that it be repealed and the program budgeted through the general fund.

Hawaii Registered Nurse Student Loan Fund, Section 321-25, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$45
Revenues	7
Interest	0
Expenditures	0
Transfers	0
Ending Fund Balance	\$52
Encumbrances	0

This fund was created in 1990 to support a registered nurse student financial support program by providing loans to qualified students pursuing nursing careers. Pursuant to Act 288, SLH 1990, the fund was repealed on July 1, 2000 and the ending fund balance transferred to the general fund.

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

Financial Data for Fiscal Year 2000 (in thousands)

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

This fund was created in 1989 to account for moneys appropriated through federal grants or by the Legislature and for moneys paid from departmental compliance proceedings, court-ordered awards and judgments, and out-of-court settlements. The fund may be used only to respond to petroleum releases from underground storage tanks or other tank systems. However, until recently this fund did not serve the purpose for which it was created. Before the department established rules in late FY1999-00, the U.S. Environmental Protection Agency took the lead in clean-up response and cost recovery activities. The fund began collecting revenue from court-ordered awards and judgments beginning in July 2000 and is intended to be self-sustaining. Although the fund has yet to be self-sustaining, it is an appropriate financing mechanism for the program. We recommend its continuation as long as the fund can demonstrate self-sustainability.

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

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$44,137
Revenues	19,371
Interest	1,919
Expenditures	(12,165)
Transfers*	2,323
Ending Fund Balance	\$55,585
Encumbrance	1,875

*Transfer-in reflects 20 percent state matching funds.

This fund was created in 1989 to comply with federal requirements and to provide loans for the planning, design, and construction of public wastewater treatment facilities. In 1991, state law was amended to permit grants as well as loans to be made from the fund. The fund continues to serve these purposes. Pursuant to federal law, the State is required to establish and maintain a revolving fund in order to qualify for federal capitalization grants. Our previous review recommended that the fund be continued as a requirement for receiving federal funds.

Special and revolving funds of the Hawaii Health Systems Corporation

In 1996, the Division of Community Hospitals, which administered 13 community hospitals across the state, was abolished. The Hawaii Health Systems Corporation was created in its place to enable the community hospitals to compete and remain viable through a flexible and autonomous governance structure. The corporation was thus established with significantly greater operational autonomy than that of the prior community hospital system. The corporation maintains four special and revolving funds, including two held outside the state treasury.

Collections Revolving Fund, Not in State Treasury

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$63	\$145	\$70	\$35	\$35
Revenues	394	238	113	36	33
Interest	0	0	0	0	0
Expenditures	(312)	(313)	(97)	(36)	(48)
Transfers*	0	0	(51)	0	0
Ending Fund Balance	\$145	\$70	\$35	\$35	\$20
Encumbrances	175	106	108	7	7

*Transfer-out reflects closure of the Hilo Medical Center's fund.

Pursuant to Section 323-74, HRS, three collections revolving funds were created in 1994 for Maui Memorial Hospital, Kona Hospital, and Hilo Medical Center. The funds were established to expedite collection of patient bills of less than \$1,000 and refunds of credit balances under \$1,000. However, Section 323-74 was repealed in 1996 when all of the functions and duties of the Division of Community Hospitals were transferred to the Hawaii Health Systems Corporation. These funds were then administratively reestablished under Section 323F-7, HRS. Currently, Maui Memorial Hospital's fund is not being used as originally intended. The fund is instead being used to account for security deposits received from cottage rental tenants. Furthermore, the two other funds

primarily act as temporary holding accounts for patient bill payments and refunds. Revolving funds are inappropriate financing mechanisms for these activities. The fund should be reclassified as trust accounts.

Health Systems Special Fund, Section 323F-21, HRS

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$36,860	\$17,803	\$3,042	\$3,654	\$890
Revenues	192,290	172,401	5,455	2,634	2,560
Interest	0	0	0	0	0
Expenditures	(211,250)	(214,183)	(175,966)	(139,154)	(157,134)
Transfers*	(97)	27,021	171,123	133,756	154,544
Ending Fund Balance	\$17,803	\$3,042	\$3,654	\$890	\$860
Encumbrances	5,258	5,579	1,830	9,585	1,290

*Transfers-in were to fund individual facilities' operational requirements.

In 1971, 13 special funds were created pursuant to Section 323-73, HRS, for each of the state-operated hospitals within the Division of Community Hospitals. The original purpose of these funds was to account for receipts and expenses at each facility. Our 1992 review of these special funds, collectively known as the Public Health Facility Special Funds, found that they did not meet all criteria and recommended they be repealed and budgeted through the general fund. In 1996, these funds were repealed and all functions and duties of the division were transferred to the Hawaii Health Systems Corporation. The funds were reestablished under Section 323F-21, HRS, as the Health Systems Special Fund.

The purpose of this fund is to account for all fees, proceeds, and reimbursements owed to or received by the corporation and its facilities. Pursuant to Section 323F-21, HRS, the corporation established 13 accounts within the special fund. However, the fund no longer serves the purpose for which it was created. Currently, all hospital receipts are deposited into a corporate account held outside the state treasury. Money is transferred from the corporate account to the Health Systems Special Fund to process and fund payroll at individual facilities. Although the corporation plans to process its own payroll in the future, this has been postponed indefinitely. The need for this fund will be eliminated when the corporation is able to process its own payroll.

Hospital Operations Funds, Not in State Treasury

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$320	\$2,165	\$2,063	\$1,587
Revenues	2500	9740	87	94	270
Interest	22	83	78	60	40
Expenditures	(152)	(4,150)	(2,662)	(3,796)	(8,630)
Transfers **	(2,050)	(3,834)	2,390	3,166	7,844
Ending Fund Balance	\$320	\$2,159	\$2,058	\$1,587	\$1,111
Encumbrances	1,839	2,185	193	2,453	886

*The above financial data does not include information for Kauai Veterans Memorial Hospital. We were also unable to verify the ending fund balances for FY1997 and FY1998.

**Transfers to and from the corporate account.

In 1995, Act 211 created an operations fund for each of the 13 public health facilities. The act established the funds at commercial banks selected by the facilities to expedite payment of vendor bills less than \$10,000. The hospitals continue to use these funds to support their activities and operations. There is also a direct link between the benefits sought and charges made upon users. These funds primarily receive transfers from a corporate account also established outside the state treasury that holds deposits for all hospitals. Hospital deposits, which include receipts from third party payors and patients, are used to support the hospitals. However, the accounts may not be self-sustaining because the corporate account also receives general fund support. These funds, which are appropriate financing mechanisms for the corporation, should be continued to provide the corporation with the opportunity to achieve self-sufficiency.

Hurricane Iniki Storm Damages, Administratively Established

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$29	\$40	\$40	\$40	\$40
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(54)	(2)	0	0	0
Transfers*	65	2	0	0	0
Ending Fund Balance	\$40	\$40	\$40	\$40	\$40
Encumbrances	3	0	0	0	0

*Transfers-in were from the Health Systems Special Fund.

This account was created during FY1992-93 to account for all Hurricane Iniki recovery costs for the Division of Community Hospitals. However, the account no longer serves the purpose for which it was created. The account has not been active since FY1996-97 and the Hawaii Health Systems Corporation reports that it should have been eliminated when activity ceased. This account is no longer active and should be discontinued.

Chapter 11

Department of Human Resources Development

This chapter presents the results of our review of one revolving fund created before July 1, 1990. The Department of Human Resources Development did not have any special or revolving funds created after July 1, 1990. We present a five-year financial summary of the revolving fund, its purpose, conclusions about its use, and a recommendation on whether it should be continued, modified, or repealed. We do not present any conclusions about the program's effectiveness, its management, or whether it should be continued.

Update of the fund created prior to July 1, 1990

In-Service Training Revolving Fund, Section 81-3, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$38
Revenues	22
Interest	0
Expenditures	(11)
Transfers	0
Ending Fund Balance	\$49
Encumbrances	9

This fund was created in 1978 to support the department's development programs for government employees. The fund continues to serve the purpose for which it was originally created. Moneys from the fund pay for expenses related to developing and conducting employee training programs. There is a direct link between benefits sought and charges made upon users because state agencies that benefit from participation in training programs pay registration fees for the programs from their general fund appropriations. Fees cover program expenses such as instructor and trainee materials, books, audio-visual equipment and aids, consultant fees, and conference facilities. However, the fund is not financially self-sustaining. The training program receives general fund support for administrative costs such as staff salaries. This fund does not meet all the criteria of a revolving fund and should be terminated.

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Chapter 12

Department of Human Services

This chapter presents our review of five special and revolving funds created after July 1, 1990 and one revolving fund created prior to July 1, 1990. For each fund created after July 1, 1990, we present a five-year financial summary, the purpose of the fund, conclusions about its use, and a recommendation on whether it should be continued, modified, or repealed. For the fund created prior to July 1, 1990, we present a one-year financial summary, the purpose of the fund, conclusions about its use, and other pertinent information on how the fund has changed since it was originally reviewed in 1991. We do not present any conclusions about the effectiveness of the program, its management, or whether it should be continued. We present alphabetically first those funds established after July 1, 1990 followed by the fund established before July 1, 1990 that was reviewed in 1991.

Funds created after July 1, 1990

Federal Maximization Revolving Fund, Administratively Established

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

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

Act 11 of the 1995 Special Session created an Interagency Federal Revenue Maximization Revolving Fund within the state treasury. All proceeds collected from the federal government for costs not previously claimed by the State for reimbursement, including those within the Department of Human Services, are deposited into this interagency revolving fund. Transfers from the fund are then made to departments claiming reimbursement for expenses incurred. This Federal Maximization Revolving Fund account was established to record transfers from the interagency revolving fund to the Department of Human Services. The fund continues to meet its original purpose and is used to pay for services that enhance tracking of client and case data. However, the link between benefits sought and charges made upon the beneficiaries is unclear. The Department of Human Services benefits from the fund;

however, it does not replenish the fund. The federal government, via the state comptroller, replenishes the fund. The fund does not meet all criteria of a revolving fund and should be discontinued.

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

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

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

*Transfers-out were to the general fund.

Created in 1993, this fund collected a 6 percent tax levied on all nursing facility income as a means of raising matching funds for the Medicaid program. The fund supported the Medicaid program, which provides medical services to low-income persons, and did not require any general fund appropriations. There was also a clear link between the benefit sought and the charges made upon program beneficiaries. Facilities that paid the tax serve a high percentage of Medicaid recipients and benefited from the fund because they received an increase on their daily Medicaid per diem rate as a result. However, as of June 30, 1997, the tax was repealed and the fund no longer meets the purpose for which it was created. The fund does not meet all criteria of a special fund and should be repealed.

Hurricane Iniki Insurance Proceeds, Administratively Established

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$114	\$110	\$105	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(4)	(5)	(105)	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$110	\$105	\$0	\$0	\$0
Encumbrances	0	0	0	0	0

This account was established in 1993 to record transactions related to Hurricane Iniki. Insurance proceeds received as a result of the hurricane were used to assist affected Department of Human Services clients. The account was closed in 1998.

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

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

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

This revolving fund account was created in 1991 to:

- Provide blind vendors with health insurance, a retirement or pension plan, and sick and vacation leave;
- Maintain and replace equipment used in the blind vending program;
- Purchase new equipment to be used in the blind vending program; and
- Provide management services for the blind vending program.

Income from any vending machine on federal, state, and county property that is in direct competition with a blind vendor is deposited into this account and then disbursed to the blind vendor. In our 1995 review, we found that this fund met all criteria of a revolving fund. At the time of our previous review, the fund also received revenues from operating surplus and income derived from vending facilities operated by blind vendors. Currently, blind vendors retain revenues from the operation of their vending stands. Vending machine commissions are now the primary source of revenue for this revolving account. Since these vending machines are not owned or operated by blind vendors, there is no direct link between the fund's source of revenues and its beneficiaries. This fund does not meet all criteria of a revolving fund and should be discontinued.

Spouse and Child Abuse Special Account, Section 346-7.5, HRS

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$83	\$98	\$104	\$239	\$433
Revenues	90	91	238	331	308
Interest	0	0	0	0	0
Expenditures	(75)	(85)	(103)	(137)	(156)
Transfers	0	0	0	0	0
Ending Fund Balance	\$98	\$104	\$239	\$433	\$585
Encumbrances	0	0	0	8	117

This special fund was created in 1994 for programs, grants, or purchases of service that support or provide spouse or child abuse intervention or prevention. The fund continues to meet this purpose. Services supported by the fund have included an after hours “standby/on-call” program to handle reports of child abuse and neglect on Molokai and Lanai. The fund has also been used to partially support a nurse coordinator position for the Department of Health’s Child Death Review Teams that ensure all deaths of children from birth to age eighteen are evaluated. There is a clear link between the benefits sought and charges made upon users of the program. A portion of the fees collected for certified copies of birth, marriage, divorce, and death certificates as well as marriage licenses are deposited into the fund. In other jurisdictions, a link has been identified between people who request vital statistics information and spouse and/or child abuse. No general fund appropriations have been made to this fund and it continues to demonstrate the capacity to be financially self-sustaining. This fund is an appropriate financing mechanism and should be continued.

Update of the fund created prior to July 1, 1990

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

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$107
Revenues	679
Interest	0
Expenditures	(730)
Transfers	0
Ending Fund Balance	\$56
Encumbrance	164

The original purpose of this fund was to deposit receipts from the sale of products made by blind persons in their homes or in workshops and to pay for their materials and labor. Our previous 1992 review of this fund recommended that it be continued. The fund continues to meet the criteria of a revolving fund and remains an appropriate financing mechanism for the program. It should be continued.

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Chapter 13

Department of Labor and Industrial Relations

This chapter presents the results of our review of six special and revolving funds created after July 1, 1990 and five special funds created prior to July 1, 1990. For each fund created after July 1, 1990, we present a five-year financial summary, the purpose of the fund, conclusions about its use, and a recommendation on whether it should be continued, modified, or repealed. For each fund created prior to July 1, 1990, we present a one-year financial summary, the purpose of the fund, conclusions about its use, and other pertinent information on how the fund has changed since it was originally reviewed in 1991. We do not present any conclusions about the effectiveness of the program, its management, or whether it should be continued. We present alphabetically first those funds established after July 1, 1990 followed by the funds established before July 1, 1990 that were reviewed in 1991.

Funds created after July 1, 1990

Boiler and Elevator Safety Revolving Fund, Section 397-5.5, HRS

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

	FY1999	FY2000
Beginning Fund Balance	\$0	\$544
Revenues	694	973
Interest	9	26
Expenditures	(159)	(773)
Transfers	0	0
Ending Fund Balance	\$544	\$770
Encumbrances	0	0

This fund was established in 1998 by Act 142 to fund the boiler and elevator inspection bureau. The fund may be used for materials, salaries, equipment, and training to provide inspection services. The fund continues to serve the purpose for which it was created. Revenues are derived from fees charged to inspect boilers, pressure systems, elevators, kindred equipment, and amusement rides, and from short term investments. Linkage exists between the benefit sought and charges made upon users of the program because owners, users, contractors, and vendors pay fees for the inspection and issuance of permits to operate their boilers, pressure systems, elevators, and amusement rides. The fund is self-sustaining and meets the criteria for a revolving fund. However, it is scheduled to sunset on July 31, 2003.

Employment and Training Special Fund, Section 383-128, HRS

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$5,280	\$7,166	\$8,925	\$2,099	\$2,236
Revenues	3,667	3,708	1,065	493	4,538
Interest	333	331	589	373	361
Expenditures	(2,114)	(2,280)	(8,480)	(729)	(2,240)
Transfers	0	0	0	0	0
Ending Fund Balance	\$7,166	\$8,925	\$2,099	\$2,236	\$4,895
Encumbrances	1,762	2,281	8,601	6,719	4,208

This fund was established by statute in 1991 to assist employers and workers by providing them with programs that improve the long-term employability of Hawaii's people. Moneys in the fund may be used for the operation of state employment services for which no federal funds have been allocated, business-specific training programs, industry or employer-specific training programs, retraining, and job-specific training programs. It continues to serve the purpose for which it was created. Revenues for the fund are derived from a .05 percent employer assessment on employees' wages that are taxable for unemployment insurance. However, as noted in our *Audit of the Employment and Training Fund*, Report No. 01-08, only partial linkage exists between the benefit sought and charges made upon users of the program. Employers, who provide the fund's sole source of revenues, indirectly benefit by having better skilled employees on the job as a result of the program. However, specific classes of people, including certain unemployed persons, may access the fund even though they do not contribute to it. Assessments for this self-sustaining fund will cease on December 31, 2003, with collections phased out over a two-year period. The fund, which does not meet all criteria of a special fund, should be repealed and the program budgeted through the general fund.

Hoisting Machine Operators' Certification Revolving Fund, Section 396-20, HRS

Financial Data for Fiscal Year 1999 (in thousands)

	FY1999
Beginning Fund Balance	\$0
Revenues	0
Interest	0
Expenditures	(38)
Transfers*	38
Ending Fund Balance	\$0
Encumbrances	0

*Net transfer includes a \$50,000 transfer-in from the general fund for start-up monies and a \$12,500 transfer-out back to the general fund.

This fund was established in 1998 to support activities for the certification of hoisting machine operators. Activities include personnel and operating expenses for an advisory board to develop certification standards that meet nationwide standards; preparation and dissemination of information on hoisting machine operators' certification and training; and annual reports on the fund's accomplishments. The sum of \$50,000 in start-up moneys was appropriated out of the general fund for FY1998-99 to be reimbursed July 1, 2000. Supported by the Occupational Safety and Health Training and Assistance Special Fund since FY1999-00, the fund does not have its own source of revenue because a schedule of certification fees and penalties is still pending approval by the hoisting machine advisory board. Not yet self-sustaining, this fund does not meet our criteria for a revolving fund. We recommend it be repealed.

Hurricane Iniki Insurance Proceeds Revolving Fund, Administratively Established

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance					
Revenues	— No Financial Activity —				
Interest					
Expenditures					
Transfers					
Ending Fund Balance					
Encumbrances					

We reviewed this fund in our 1997 *Review of Revolving and Trust Funds of the Department of Human Resources Development, Department of Labor and Industrial Relations, Department of Public Safety, and the Department of Taxation*, Report No. 97-20. The fund was created in 1992 with moneys received from reimbursements from the Federal Emergency Management Agency (FEMA) for Hurricane Iniki-related expenditures. These expenditures included staff time and operating costs to support the Department of Labor and Industrial Relations' operations on Kauai and damages to facilities and office equipment. Although all proceeds were expended during FY1994-95, the fund did not meet the criteria of a revolving fund. A revolving fund was not an appropriate financing mechanism for the program.

Martin Luther King Jr. Holiday Activities, Administratively Established

Financial Data for Fiscal Year 1997 (in thousands)

	FY1997
Beginning Fund Balance	\$0
Revenues	9
Interest	0
Expenditures	(9)
Transfers	0
Ending Fund Balance	\$0
Encumbrances	0

This special fund was created in 1996 in response to Act 124 to fund activities related to the celebration of the Martin Luther King Jr. state holiday. The fund sponsored the governor's reception at Washington Place and supported a parade in Waikiki. Private donations provided the revenue for this fund, which was intended to benefit the general public. This fund was terminated on June 30, 1997.

Occupational Safety and Health Training and Assistance Special Fund, Section 396-4, HRS

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$316	\$550	\$545	\$331
Revenues	492	483	467	265	423
Interest	8	17	26	26	21
Expenditures	(184)	(266)	(498)	(505)	(263)
Transfers	0	0	0	0	0
Ending Fund Balance	\$316	\$550	\$545	\$331	\$512
Encumbrances	0	0	0	0	0

This fund was created in 1995 to educate and train employers and the general public about occupational safety and health standards by disseminating information and undertaking programs in training and consultation. The fund continues to serve the purpose for which it was created. Revenue is derived from fines and penalties imposed upon employers for violations of occupational safety and health standards. Linkage exists between the benefits sought and charges made upon the beneficiaries of the program. Moneys from fines and penalties support safety and health activities to safeguard employees, unions, and the general public. Scheduled to sunset on June 30, 2003, this self-sustaining special fund is an appropriate funding mechanism for the program and should be continued.

Update of funds created prior to July 1, 1990

Special Compensation Fund, Section 386-151, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$14,718
Revenues	14,705
Interest	598
Expenditures	(16,996)
Transfers	0
Ending Fund Balance	\$13,025
Encumbrances	0

We most recently reviewed this fund in our 1997 review of revolving and trust funds. The fund was created in 1937 to enhance the employability of persons with preexisting injuries, reduce discrimination against persons with dependents, and require employers to pay compensation only for losses actually sustained while in their employment. The fund provides

compensation benefits to qualifying employees in certain circumstances involving permanent total disability benefit adjustments, subsequent injuries and preexisting conditions, defaulting employers, total disability under previous laws, concurrent employment, and benefit adjustments for services of attendants. Sources of revenue include levies on workers' compensation carriers and self-insured employers, interest income, reimbursements from defaulting employers, unpaid benefits in certain cases, and fines for noncompliance with the Workers Compensation Law. The attorney general concluded in 1994 that the Special Compensation Fund is a trust fund or functions as a trust fund. However, this fund was also identified as a special fund in our 1992 report, Report No. 92-11. We found that the fund met all the criteria of a special fund and recommended that it be continued.

Special Fund for Disability Benefits, Section 392-61, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$6,915
Revenues	18
Interest	308
Expenditures	(47)
Transfers	0
Ending Fund Balance	\$7,194
Encumbrances	0

We reviewed this fund in our 1997 review of revolving and trust funds and our 1992 review of revolving and special funds. The fund was statutorily established in 1969 as a special fund to pay benefits to individuals who become temporarily disabled when unemployed and are ineligible for unemployment insurance benefits. The fund also pays temporary disability benefits to employees who are entitled to benefits but cannot receive them because of employer bankruptcy or employer noncompliance with the Temporary Disability Insurance Law. In 1969 a one-time assessment of employers was used to establish the fund. Since then, no assessments have been levied and the fund operates principally on interest income and receipts from fines and penalties enforced through the Temporary Disability Law. Linkage exists between the benefits sought and charges made upon users. Employers who initially paid into the fund gained by being insured against liability claims of former employees who became disabled. This self-sustaining fund is an appropriate financing mechanism for the program. The attorney general concluded in 1986 that this fund falls within the definition of a trust fund. The Department of Accounting and General Services currently categorizes the fund as a revolving fund. However, we found that the fund meets the criteria of a

special fund and recommended that it be continued. We also recommend that unneeded cash be transferred to the general fund in light of its substantial cash balance.

Special Premium Supplementation Fund, Section 393-41, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$3,116
Revenues	1
Interest	132
Expenditures	(41)
Transfers	0
Ending Fund Balance	\$3,208
Encumbrances	0

This fund was statutorily created in 1974 as a special fund to supplement health care insurance premium payments for certain employers with fewer than eight employees. In 1978, the fund was extended to cover prepaid health care benefit payments to employees who are entitled to receive benefits but cannot receive them because of employer bankruptcy or noncompliance with the State's Prepaid Health Care Act. The fund continues to serve the purpose for which it was created. It extends health care insurance to workers who do not have any, or who have insufficient, health care insurance. Although the fund was established by an initial appropriation from the state's general fund, it no longer requires any general fund appropriations. Revenues are primarily derived from interest income, fines, and penalties collected under the Prepaid Health Care Act. Those who receive benefits of the health care insurance sometimes pay into the fund. In 1992, we found little linkage between the benefits sought and charges made upon users. The fund did not meet all criteria of a special fund. We continue to recommend that the fund be repealed and the program be budgeted through the general fund.

Special Unemployment Insurance Administration Fund, Section 383-127, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$831
Revenues	701
Interest	0
Expenditures	(596)
Transfers	0
Ending Fund Balance	\$936
Encumbrances	0

The department reports that this fund has remained relatively unchanged since we reviewed it in 1992. The fund was established in 1987 in response to reductions in federal administrative grants and to enhance administration of the unemployment insurance program. The Legislature feared that federal cutbacks would compromise programs such as benefit payments and collection of delinquent unemployment compensation insurance contributions. The fund continues to serve its original purpose. Its principal revenue includes all fines, penalties, and interest collected by the unemployment compensation fund on delinquent unemployment insurance contributions. The fund augments federal administrative grants and pays for expenses and obligations relating to administration of the program. There is a direct relationship between the benefits sought and the charges made upon users. Employers who are assessed fines, penalties, and interest on delinquent unemployment compensation insurance assessments pay the cost of administering the unemployment compensation insurance program. The fund is self-sustaining, requires no general fund support, and is an appropriate financing mechanism for the program.

Unemployment Compensation Fund, Section 383-121, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$232,566
Revenues	169,744
Interest	0
Expenditures	(127,634)
Transfers	0
Ending Fund Balance	\$274,676
Encumbrances	0

The department reports no changes to the description or operations of this fund since it was last reviewed in 1997. Statutorily created in 1937, this special fund continues to provide temporary income to unemployed individuals as required by the federal Social Security and National Employment Acts. The program pays benefits for up to 26 weeks to unemployed eligible individuals. The fund is self-sustaining and is financed primarily through payroll taxes assessed on employers and interest earned from investments.

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Chapter 14

Department of Land and Natural Resources

This chapter presents the results of our review of 14 special and revolving funds created after July 1, 1990 and 6 special and revolving funds created prior to July 1, 1990. For each fund created after July 1, 1990, we present a five-year financial summary, the purpose of the fund, conclusions about its use, and a recommendation on whether it should be continued, modified, or repealed. For each fund created prior to July 1, 1990, we present a one-year financial summary, the purpose of the fund, conclusions about its use, and other pertinent information on how the fund has changed since it was originally reviewed in 1991. We do not present any conclusions about the effectiveness of the program, its management, or whether it should be continued. We present alphabetically first those funds established after July 1, 1990 followed by the funds established before July 1, 1990 that were reviewed in 1991.

Funds created after July 1, 1990

Aina Ho'omalulu Special Fund, Section 184-32, HRS

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$477	\$947	\$1,574	\$1,795	\$2,053
Revenues	879	899	1,013	725	776
Interest	0	13	62	57	80
Expenditures	(409)	(285)	(338)	(524)	(515)
Transfers*	0	0	(516)	0	(442)
Ending Fund Balance	\$947	\$1,574	\$1,795	\$2,053	\$1,952
Encumbrances	34	19	134	51	100

*Transfers-out were to a capital improvement project account to conduct interpretive projects.

This fund was established in 1991 to account for proceeds collected by the Aina Ho'omalulu state parks program involving park user fees, leases, and concession agreements. This program encompasses state parks that contain unique and significant natural or cultural history or features. The fund may pay for staff positions, planning and development of interpretive programs, and construction of interpretive facilities. There is linkage between the benefit sought and charges made upon users because those who utilize park services are assessed fees to finance interpretive programs for the designated parks. The fund continues to serve its original purpose of financing planning, implementation, and operation of interpretive programs. The fund also demonstrates the capacity to be self-sustaining. Annual program revenues generally exceed expenses, so a

portion of the fund could be lapsed to the general fund. This fund is an appropriate financing mechanism for the program, meets all four criteria of a special fund, and should be continued.

Beach Restoration Special Fund, Section 171-156, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$0
Revenues	5
Interest	0
Expenditures	(36)
Transfers*	99
Ending Fund Balance	\$68
Encumbrances	20

*Transfer-in was from the Special Land and Development Fund pursuant to Act 84, SLH 1999.

This fund was established in 1999 to collect proceeds from the lease or development of public coastal lands, seawalls, fines for unauthorized shoreline structures, and application fees for coastal and beach erosion control projects. The fund continues to serve its original purpose and is used to plan, design, develop, and implement beach restoration projects. There is linkage between the benefit sought and the charges made upon users. For example, those who submit applications for coastal and beach erosion control projects are assessed fees to process their applications. This fund is an appropriate financing mechanism for the program, meets all four criteria of a special fund, and should be continued.

Boating Special Fund, Section 248-8, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$2,210
Revenues	9,614
Interest	67
Expenditures	(9,074)
Transfers*	(975)
Ending Fund Balance	\$1,842
Encumbrances	1,033

*Transfer-out was to the Division of Conservation and Resource Enforcement for personnel services.

This fund was established in 1972 to support the statewide boating program. In 1992, responsibility for administering the State's boating program, along with this fund, was transferred to the Department of Land and Natural Resources from the Department of Transportation. The fund continues to serve its original purpose by collecting revenues to implement the boating and ocean recreation programs. There is linkage between the benefits sought and charges made upon users. Small boat operators who use the State's small boat facilities and programs pay fuel taxes, rents, and other charges. As noted in our *Audit of the Management of State Boating Facilities by the Department of Land and Natural Resources*, Report No. 01-09, although the fund is not self-sufficient under the program's current fee structure, it demonstrates the capacity to be self-sustaining. This fund is an appropriate financing mechanism for the program and meets all four criteria of a special fund.

Bureau of Conveyances Equipment Modernization Special Fund, Act 203, SLH 1997

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

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$502	\$854
Revenues	529	582	0
Interest	0	0	0
Expenditures	(27)	(230)	(7)
Transfers*	0	0	(847)
Ending Fund Balance	\$502	\$854	\$0
Encumbrances	92	72	0

*Transfer-out was to the Bureau of Conveyances Special Fund.

This fund was established in 1997 to finance the development and implementation of a comprehensive automated system for the recordation of Land Court and Regular System documents. Linkage exists between the benefit sought and charges made upon users because those who request recordation services are assessed fees for those services. However, because revenues generated by the fund were insufficient for the bureau to complete its request for proposal process, the fund was repealed and replaced with the Bureau of Conveyances Special Fund. The fund's balance was transferred to the newly created special fund during FY1998-99.

Bureau of Conveyances Special Fund, Section 502-8, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$0
Revenues	1,550
Interest	56
Expenditures	(234)
Transfers*	832
Ending Fund Balance	\$2,204
Encumbrances	1,484

*Transfer-in was from Bureau of Conveyance Equipment Modernization Special Fund.

This fund was established in 1999 to finance the development and implementation of a comprehensive automated system for the recordation of Land Court and Regular System documents. The fund will allow the bureau to develop a comprehensive program for recording, indexing, and archiving recorded data. There is linkage between the benefit sought and the charges made upon users because those who request recordation services are assessed fees for those services. Users will then benefit by having access to recorded data online. The fund continues to serve its original purpose and is used to finance the replacement of the bureau's three computer systems. The fund also demonstrates the capacity to be self-sustaining. It is an appropriate financing mechanism for the program, meets all four criteria of a special fund, and should be continued.

Commercial Fisheries Special Fund, Act 220, SLH 1996

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

	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$95	\$150	\$183
Revenues	99	92	97	189
Interest	0	0	0	8
Expenditures	(4)	(37)	(64)	(41)
Transfers	0	0	0	0
Ending Fund Balance	\$95	\$150	\$183	\$339
Encumbrances	2	26	35	73

This fund was established in 1996 to account for licensing, permitting, and other fees and moneys collected for commercial fishing. The fund may be used for programs and activities of projects concerning aquatic life used for commercial purposes and conservation research programs

and activities. The fund continues to serve its original purpose and is used to support the Commercial Fisheries Program. Linkage exists between the benefit sought and charges made upon users because fees assessed of commercial fishermen are used to pay the cost of developing the commercial fisheries program. The fund also demonstrates the capacity to be self-sustaining. This fund, which was originally scheduled to be repealed on June 30, 2001, was established as a permanent fund during the 2000 legislative session. This fund is an appropriate financing mechanism for the program, meets all four criteria of a special fund, and should be continued.

Conservation and Resources Enforcement Special Fund, Administratively Established

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

	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$285	\$114	\$177
Revenues	0	0	3	7
Interest	0	0	0	0
Expenditures	(515)	(1,165)	(1,304)	(1,378)
Transfers*	800	994	1,364	1,275
Ending Fund Balance	\$285	\$114	\$177	\$81
Encumbrances	244	114	98	82

*Transfers-in were from the Boating Special Fund and the Special Land Development Fund.

This fund was created during FY1996-97 to provide money to operate the Boating and Ocean Recreation Marine Patrol Program and the Marijuana Eradication Program. The fund is used to enforce rules relating to boating safety, conservation, and search and rescue. It is also used to conduct marijuana-related surveillance, eradication, and prosecution as necessary on lands under the department's jurisdiction. Revenues are generated through transfers from the Boating Special Fund and the Special Land Development Fund. The fund does not assess any fees of its own. Some linkage exists between the mooring fees assessed and deposited into the Boating Special Fund, and marine patrol enforcement; however, no linkage exists between mooring fees and marijuana eradication. Although the fund continues to serve its original purpose, it does not demonstrate the capacity to be self-sustaining and is not an appropriate financing mechanism for the program. The fund does not meet all four criteria of a special fund and should be repealed.

Endangered Species Special Fund, Section 195D-31, HRS

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

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

This fund was established in 1997 to support management and regulatory efforts to protect, preserve, and recover endangered species. The fund does not serve its original purpose and has not been used since its creation. In addition, no linkage exists between the benefit sought and charges made upon users. According to the department, the fund has not reported revenues for the past three fiscal years and therefore has been unable to sufficiently support program activities. This fund does not meet all four criteria of a special fund and should be repealed.

Forest Stewardship Fund, Section 195F-4, HRS

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$416	\$54	\$211	\$257	\$283
Revenues	10	200	150	200	252
Interest	0	0	0	0	13
Expenditures	(16)	(43)	(104)	(174)	(139)
Transfers*	(356)	0	0	0	0
Ending Fund Balance	\$54	\$211	\$257	\$283	\$409
Encumbrances	50	133	204	176	185

*Transfer-out was to the general fund.

This fund was established in 1991 to assist private landowners in managing, protecting, and restoring important watersheds, native vegetation, timber resources, fish and wildlife habitats, isolated populations of rare and endangered plants, and other lands not recognized as natural area reserves. The fund continues to serve its original purpose. More than 30 private landowners have received funding assistance to restore and manage 2,700 acres of private forestland. However, minimal linkage exists between the benefit sought and the charges made upon

users. A conveyance tax is assessed each time real estate property is bought or sold, and a portion is then deposited in the fund. Landowners who pay conveyance taxes but do not own property that include watersheds, native vegetation, or rare and endangered plants do not benefit from the fund. Although it demonstrates the capacity to be self-sustaining, the fund is not an appropriate financing mechanism for the program. It does not meet all four criteria of a special fund and should be repealed.

Hawaii Historic Preservation Special Fund, Section 6E-16, HRS

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$633	\$298	\$249	\$192	\$139
Revenues	0	0	5	1	1
Interest	0	0	5	0	1
Expenditures	(35)	(49)	(67)	(54)	(75)
Transfers*	(300)	0	0	0	0
Ending Fund Balance	\$298	\$249	\$192	\$139	\$66
Encumbrances	19	108	95	100	21

*Transfer-out was to the general fund.

This fund was established in 1989 to provide financial assistance to public agencies and the private sector for historic preservation activities. The fund continues to serve its original purpose and pays for one archaeologist position assigned to Kauai to review development projects. However, no linkage exists between the benefit sought and charges made upon users. Although the Historic Preservation Division reports that administrative rules establishing user fees have been drafted, they have not been adopted. The fund, which relies primarily on its original 1989 appropriation of \$1 million, has not demonstrated the capacity to be self-sustaining. Only \$13,000 in revenue and interest has been generated to cover \$196,000 in expenses over the past three years. The fund's ending balances have been decreasing over the past five years. This fund does not meet all four criteria of a special fund and should be continued only if the division adopts user fees to cover the costs of the program.

Park Development and Operation, Administratively Established

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

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$14	\$15
Revenues	0	0	0
Interest	0	0	0
Expenditures	(121)	(180)	(165)
Transfers*	135	181	181
Ending Fund Balance	\$14	\$15	\$31
Encumbrances	14	0	15

*Transfers-in were from the Special Land Development Fund.

This fund was established in FY1997-98 to supplement repairs and maintenance of the state park system. There is a direct link between benefits sought and charges made upon users because the fund receives revenue from fees assessed for the use of public lands through transfers from the Special Land Development Fund. The Special Land Development Fund accounts for all proceeds from the sale, rental, and lease of public lands. The fund continues to serve its original purpose and is used to finance a portion of repair and maintenance costs. However, the fund does not demonstrate the capacity to be self-sustaining. General fund appropriations are still needed to repair and maintain the state park system. Although the fund is an appropriate financing mechanism for the program, it does not meet all four criteria of a special fund and should be discontinued.

Sport Fish Special Fund, Section 187A-9.5, HRS

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$57	\$64	\$68	\$41	\$45
Revenues	26	25	22	37	32
Interest	0	0	0	0	2
Expenditures	(19)	(21)	(49)	(33)	(33)
Transfers	0	0	0	0	0
Ending Fund Balance	\$64	\$68	\$41	\$45	\$46
Encumbrances	3	17	1	5	8

This fund was established in 1993 to collect fees for sport fishing licenses and permits, attendance of aquatic resources education programs, and use of public fishing areas or other fishing grounds for sport fishing purposes.

The fund continues to serve its original purpose by supporting activities of the statewide Recreational Fisheries Program and by improving opportunities for sport fishing. Linkage exists between the benefit sought and charges made upon users. Those who sport fish are assessed fees and fines that are used to maintain trails to public fishing areas and to conduct research concerning sport fish conservation. The fund also demonstrates the capacity to be self-sustaining. This fund is an appropriate financing mechanism for the program, meets all four criteria of a special fund, and should be continued.

Trail and Access Program Fund, Administratively Established

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

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$163	\$162
Revenues	256	208	209
Interest	0	0	5
Expenditures	(93)	(209)	(162)
Transfers	0	0	0
Ending Fund Balance	\$163	\$162	\$214
Encumbrances	42	45	30

This fund was established during FY1997-98 to finance the management, maintenance, and development of trails and trail accesses established under Chapter 198D, HRS. The fund continues to serve its original purpose and is used to pay for administrative costs associated with Na Ala Hele, the Statewide Trail and Access Program administered by the Division of Forestry and Wildlife. The fund also pays for trail infrastructure, maintenance, reconstruction, and development. In addition, the fund is used to support four Trail and Access Specialists and a Forestry and Wildlife Technician. However, there is no direct link between the benefit sought and the charges made upon users because revenues received to maintain trails and access roads are derived from the highway fuel tax. This fund is not an appropriate financing mechanism for the program and should be discontinued.

Water Resources, Administratively Established

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

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$536	\$499
Revenues	2	0	0
Interest	0	0	0
Expenditures	(41)	(146)	(147)
Transfers*	575	109	121
Ending Fund Balance	\$536	\$499	\$473
Encumbrances	532	483	448

*Transfers-in were from the Special Land and Development Fund.

This fund was created in FY1997-98 to support the update of the Hawaii Water Plan—a long-range plan for water resources management. The fund allows for technical support, management of consultant contracts, and coordination of state and county agencies' efforts to ensure that overall state objectives are met. The fund receives revenue through transfers from the Special Land Development Fund and does not assess any fees of its own. No linkage exists because the fund's revenue is derived solely from the sale, rental, and lease of public lands. Although the fund continues to serve its original purpose, it does not demonstrate the capacity to be self-sustaining. This fund, which is not an appropriate financing mechanism for the program and does not meet all four criteria of a special fund, should be discontinued. The department reports that the fund is temporary and will sunset when the water plan has been updated.

***Update of funds
created prior to July 1,
1990*****Appraisal Fees Revolving Fund, Administratively Established**

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$37
Revenues	0
Interest	0
Expenditures	(110)
Transfers*	131
Ending Fund Balance	\$58
Encumbrances	17

*Transfer-in was from the Special Land and Development Fund.

This account was administratively established in 1962 to pay for appraisal fees related to public lands. Funding is primarily provided by

the Special Land and Development Fund. Although the account is labeled a revolving fund, it operates more like a pass-through account for special fund moneys designated for a specific purpose. We recommend that it be discontinued.

Industrial Park Special Fund, Section 171-138, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$6,608
Revenues	3,000
Interest	447
Expenditures	0
Transfers*	150
Ending Fund Balance	\$10,205
Encumbrances	0

*Net transfer included transfers-in of funds from various lapsed capital improvement (CIP) projects and transfers-out for CIP projects.

This fund was created in 1988 to support planning, development, and maintenance of industrial parks established by the Department of Land and Natural Resources. Receipts were from lease rents and other assessments made of lessees of industrial parks and any appropriations to the fund. Pursuant to Act 122, SLH 2000, this fund was repealed and the balance of \$10.2 million was to be transferred to the Special Land and Development Fund.

Natural Area Reserve Fund, Section 195-9, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$2,270
Revenues	2,174
Interest	107
Expenditures	(844)
Transfers	0
Ending Fund Balance	\$3,707
Encumbrances	603

This fund was established in 1987 to support the natural area reserves system, a comprehensive natural resource inventory database for public

information. The database contains the location of rare plants, animals, and natural communities in the State. The fund continues to serve its original purpose by supporting the Natural Area Partnership Program and seven preserves covering over 25,000 acres. Minimal linkage exists between benefits sought and charges made upon users. A conveyance tax is assessed each time real estate property is bought or sold and a portion is then deposited in the fund. Although natural area reserves benefit the general public, individuals who do not purchase property do not pay conveyance taxes to support the program. The fund demonstrates the capacity to be self-sustaining; however, it is not an appropriate financing mechanism for the program. This fund does not meet all four criteria of a special fund and should be repealed.

Publication of Notices Revolving Fund, Administratively Established

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$29
Revenues	0
Interest	0
Expenditures	0
Transfers*	50
Ending Fund Balance	\$79
Encumbrances	0

*Transfer-in was from the Special Land and Development Fund.

This account was administratively established in 1962 to account for the payment of publication notices and reimbursement from purchasers or lessees of public lands for their portions of expenditures. Funding is primarily provided by the Special Land and Development Fund. Although this account is labeled a revolving fund, it operates more like a pass-through account for special fund moneys designated for a specific purpose.

Special Land and Development Fund, Section 171-19, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000

Beginning Fund Balance	\$11,012
Revenues	1,842
Interest	623
Expenditures	(2,396)
Transfers*	(1,235)
Ending Fund Balance	\$9,846
Encumbrances	1,659

*Transfer-out was for land management capital improvement projects, other departmental state land projects, and an appropriation to the Beach Restoration Special Fund pursuant to Act 84, SLH 1999.

This fund was created in 1962 to combine special land funds into a single fund that would receive all proceeds from the sale, and rental of public lands. Revenue is derived from leases and other rentals of public lands; sale of public lands; license fees for use of public lands and government water; and the sale of wood, rock, and sand. Since our last review in 1992, the fund's purpose has expanded to include covering employee salaries and collecting moneys received from lessees of public lands within industrial parks, consistent with the purpose of the fund. Linkage continues between the benefit sought and user charges because those who benefit from the use of public lands are charged rental and other fees. The fund also demonstrates the capacity to be self-sustaining.

Wildlife Revolving Fund, Section 183D-10.5, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000

Beginning Fund Balance	\$57
Revenues	183
Interest	4
Expenditures	(163)
Transfers	0
Ending Fund Balance	\$81
Encumbrances	39

This fund was created in 1988 to account for the following:

- Fees collected for hunting licenses, training programs, and use of public target ranges;

- Moneys collected under the provision of any law relating to importing, taking, catching, or killing game, wildlife, and products; and
- Moneys collected as fines or bail forfeitures concerning wildlife conservation.

Expenditures are limited to:

- Program and activities for wildlife projects;
- Wildlife conservation;
- Acquisition of the use, development, or maintenance of trails and accessways; and
- Research programs and activities concerning wildlife conservation and management.

Since our last review in 1992, the fund's source of revenues has expanded to include moneys derived from the sale of wildlife stamps and associated artwork. There continues to be a link between the benefit sought and user charges. Hunters, hikers, and wildlife watchers—who are the primary beneficiaries of the program—replenish the fund through fees for hunting licenses, hunter education activities, and game bird farmer licenses. Although no linkage exists between the revenues derived from the sale of wildlife stamps when acquiring a hunting license and program activities, the fund demonstrates the capacity to be self-sustaining.

Chapter 15

Department of Public Safety

This chapter presents the results of our review of three special and revolving funds created after July 1, 1990 and two revolving funds created prior to July 1, 1990. For each fund created after July 1, 1990, we present a five-year financial summary, the purpose of the fund, conclusions about its use, and a recommendation on whether it should be continued, modified, or repealed. For each fund created prior to July 1, 1990, we present a one-year financial summary, the purpose of the fund, conclusions about its use, and other pertinent information on how the fund has changed since it was originally reviewed in 1991. We do not present any conclusions about the effectiveness of the program, its management, or whether it should be continued. We present alphabetically first those funds established after July 1, 1990 followed by the funds established before July 1, 1990 that were reviewed in 1991.

Funds created after July 1, 1990

Controlled Substance Registration Revolving Fund, Section 329-59, HRS

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

	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$78	\$269	\$409
Revenues	78	266	275	262
Interest	0	0	0	0
Expenditures	0	(75)	(135)	(187)
Transfers	0	0	0	0
Ending Fund Balance	\$78	\$269	\$409	\$484
Encumbrances	0	28	7	42

Act 268 of the 1996 legislative session sought to improve the State's ability to stop the illegal diversion of prescription drugs in an efficient and cost-effective manner. This fund was created by Act 268 for three purposes: (1) to offset the cost of an electronic prescription accountability system, (2) to offset the cost of registering and controlling the manufacture, distribution, prescription, and dispensation of controlled substances and regulated chemicals, and (3) to fund positions authorized by the Legislature. The fund continues to serve these purposes. Three investigators and one data processing systems analyst are supported by this fund. The electronic prescription accountability system serves as a central repository of information on all dispensed controlled substances. However, there is an unclear link between the benefit sought and the charges made upon users. The fund primarily benefits the Department of

Public Safety by providing a revenue source to offset operating costs of the Narcotics Enforcement Division; however, it is financed through fees collected from those who handle controlled substances. In addition, the fund is not self-sustaining because the Narcotics Enforcement Division requires some general fund support. The fund does not meet all criteria of a revolving fund and should be repealed.

Crime Victim Compensation Special Fund, Section 351-62.5, HRS

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

	FY1999	FY2000
Beginning Fund Balance	\$0	\$312
Revenues	390	642
Interest	0	0
Expenditures	(78)	(294)
Transfers	0	0
Ending Fund Balance	\$312	\$660
Encumbrances	5	32

This fund, formerly called the Criminal Injuries Compensation Fund under the custody of the director of finance, is used to make payments to those who have suffered financial loss or incurred hospital, medical, funeral, or burial expenses due to violent crime. Primary sources of revenue include court-ordered compensation fees, court-ordered restitution, and inmate wages from the Correctional Industries. In addition to making compensation payments, the fund is used for operating expenses and personnel costs. The fund continues to serve the purpose for which it was created. However, there is no clear and direct link between the benefit sought (crime victim compensation) and the charges made upon users because fund revenues are broadly derived from those convicted of a crime but not necessarily against the compensated crime victim. In addition, the system of compensation fees is intended to eliminate the need for general fund appropriations by July 1, 2001 but the program has received significant general fund appropriations. For FY1999-00, the program required over \$1.1 million in general fund appropriations for personnel costs and victim compensation payments. The department reports that it is continuing to work towards self-sufficiency by ensuring that mandatory fees are assessed and collected in all eligible cases. The fund, which does not meet the criteria of a special fund, should be repealed and the program budgeted through the general fund.

Hurricane Iniki Insurance Proceeds, Administratively Established

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

	FY1996	FY1997	FY1998
Beginning Fund Balance	\$48	\$48	\$48
Revenues	0	0	0
Interest	0	0	0
Expenditures	0	0	(48)
Transfers	0	0	0
Ending Fund Balance	\$48	\$48	\$0
Encumbrances	0	0	0

This fund was administratively established in 1993 to collect proceeds from the Federal Emergency Management Agency (FEMA) and the Department of Accounting and General Services. Funds were used to renovate and replace damaged equipment and building structures for the Kauai Community Correctional Center. Our previous review of this fund found that it did not meet the criteria of a revolving fund and was not an appropriate financing mechanism for the program. We noted that the fund operated as a trust account rather than a revolving fund. The department reports the fund was closed in November 1997.

Update of funds created prior to July 1, 1990

Correctional Industries Revolving Fund, Section 354D-10, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$801
Revenues	4,773
Interest	0
Expenditures	(5,021)
Transfers	0
Ending Fund Balance	\$553
Encumbrances	537

Since this fund was reviewed in 1992, it has remained relatively unchanged. The purpose of the fund is to account for the Correctional Industries Program. This program provides inmates with specific training skills in a workplace environment that would improve their employment prospects after release. Receipts from the sale of goods and services produced by inmates are used to support vocational training for inmates. In 1992, we found that the program was not yet self-sustaining. Some general fund support was required for administrative costs and the initial

capital cost of equipment used in the program. We recommended that the fund be continued but that plans be developed to make the program self-sustaining. We reviewed the fund again in 1997 and found it had demonstrated the capacity to be self-sustaining and met the criteria of a revolving fund.

Revolving Funds for Correctional Facility Stores, Section 353-31, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$623
Revenues	178
Interest	0
Expenditures	(68)
Transfers	0
Ending Fund Balance	\$733
Encumbrances	13

Three revolving funds were created for stores at the Oahu Community Correctional Center, Halawa Correctional Center, and Waiawa Correctional Center. During our 1992 and 1997 reviews of these funds, we found they were used to account for the purchase and sale of goods at facility stores. Our 1992 review also found that the funds met the criteria of a revolving fund and should be continued. The department reports the inmate stores at all three facilities have implemented pilot projects to contract out store services. The pilot projects, which were implemented beginning in late 1997, are being evaluated on a year-to-year basis. Under the pilot project contracts, the department receives a 2.5 percent “rebate” from vendors based on the total cost of merchandise for the stores. Rebates are deposited into the revolving funds, and the funds are used to purchase store supplies and equipment and to pay the wages of inmates who work at the stores inspecting and packaging merchandise.

Chapter 16

Department of Taxation

This chapter presents the results of our review of two special and revolving funds created after July 1, 1990 and one special fund created prior to July 1, 1990. For each fund created after July 1, 1990, we present a five-year financial summary, the purpose of the fund, conclusions about its use, and a recommendation on whether it should be continued, modified, or repealed. For the fund created prior to July 1, 1990, we present a one-year financial summary, the purpose of the fund, conclusions about its use, and other pertinent information on how the fund has changed since it was originally reviewed in 1991. We do not present any conclusions about the effectiveness of the program, its management, or whether it should be continued. We present alphabetically first those funds established after July 1, 1990 followed by the fund established before July 1, 1990 that was reviewed in 1991.

Funds created after July 1, 1990

Hurricane Iniki Insurance Proceeds Revolving Fund Account, Administratively Established

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

	FY1996	FY1997
Beginning Fund Balance	\$3	\$0
Revenues	0	0
Interest	0	0
Expenditures	(3)	0
Transfers	0	0
Ending Fund Balance	\$0	\$0
Encumbrances	0	0

This fund was established in 1993 with moneys received from insurance proceeds through the Department of Accounting and General Services. Fund moneys were used to repair office space and cars that were damaged by Hurricane Iniki at the Kauai Tax Office. The unused insurance proceeds were returned to the general fund during FY1995-96 and this fund was closed in FY1996-97.

Integrated Tax Information Management Systems Special Fund, Section 231-3.2, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$0
Revenues	8,304
Interest	0
Expenditures	(7,289)
Transfers	0
Ending Fund Balance	\$1,015
Encumbrances	1,015

This fund was established in 1999 to collect general excise tax revenues to meet the obligations of the department's performance-based contract for an integrated tax information management system. The fund continues to serve its original purpose by collecting revenues specified by the director of taxation to meet the performance-based contract obligations. Linkage exists between the benefit sought and the charges made upon users. Taxpayers pay taxes that cover the cost of purchasing an improved system of monitoring tax collections. The fund also demonstrates the capacity to be self-sustaining. This fund is an appropriate financing mechanism for the program, meets all four criteria of a special fund, and should be continued.

Update of the fund created prior to July 1, 1990

Tax Reserve Fund, Section 231-23, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$25
Revenues	0
Interest	0
Expenditures	0
Transfers	0
Ending Fund Balance	\$25
Encumbrances	0

This fund was created in 1963 to facilitate the processing of tax receipts and payments of refunds for overpaid taxes. The fund is a holding account and maintains a balance of \$25,000 for operational purposes. Tax refunds due are transferred into this fund. The fund serves its intended purpose and is an appropriate financing mechanism for the program.

Chapter 17

Department of Transportation

This chapter presents the results of our review of one special fund created after July 1, 1990 and three special funds created prior to July 1, 1990. For the fund created after July 1, 1990, we present a five-year financial summary, the purpose of the fund, conclusions about its use, and a recommendation on whether it should be continued, modified, or repealed. For each fund created prior to July 1, 1990, we present a one-year financial summary, the purpose of the fund, conclusions about its use, and other pertinent information on how the fund has changed since it was originally reviewed in 1991. We do not present any conclusions about the effectiveness of the program, its management, or whether it should be continued. We present first the funds established after July 1, 1990 followed alphabetically by the funds established before July 1, 1990 that were reviewed in 1991.

Fund created after July 1, 1990

Transportation Improvement Special Fund, Section 264-19, HRS

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

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

The Transportation Improvement Special Fund was statutorily established by Act 370, SLH 1997, to help the Department of Transportation's Highways Division provide needed improvements to land transportation infrastructure in a timely and cost efficient manner. Developers are offered interest-free federal fund loans as a financing option to fulfill their financial obligation for the costs of required transportation projects. Loan repayments deposited into the fund are used to finance high priority projects in the Statewide Transportation Plan. To date, no deposits have been made into the fund. Three loans ranging from \$4 million to \$4.5 million with seven- to nine-year terms have been executed. According to the department, loan repayments will commence in fiscal year 2002. The fund has not received any general fund appropriations and is designed to be self-sustaining. Although the Transportation Special Fund has been

inactive since its inception, there is a clear link between the benefit sought and the charges made upon beneficiaries. Developers who receive federal money for projects would be relieved of having to pay their full share at the onset of their development projects. Their interest-free repayments would be spread out over a period of time. The department, and ultimately the public, will benefit from timely implementation of high priority highway projects. This fund is an appropriate financing mechanism and should be continued.

**Update of funds
created prior to July 1,
1990**

Airport Revenue Fund, Section 248-8, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$64,591
Revenues	370,351
Interest	0
Expenditures	0
Transfers*	(279,079)
Ending Fund Balance	\$155,863
Encumbrances	0

*Transfers-out were to special appropriation accounts.

We reviewed the Airport Revenue Fund in our previous Report No. 92-11, *Review of Special and Revolving Funds of the Judiciary and the Departments of the Attorney General, Labor and Industrial Relations, Land and Natural Resources, Personnel Services, Taxation, Transportation, and Public Safety*. Established in 1945 and now under Section 248-8, HRS, this fund has not changed. The Airport Revenue Fund does not expend funds; it transfers them, acting as a holding fund for accounts legislatively created for the purpose of operating and maintaining airport services. The fund receives aviation fuel taxes, landing fees, rentals, and other charges. It then transfers the moneys to separate funds attached to it. This self-sustaining fund continues to serve its original purpose. The linkage between benefits and user charges is direct—users of the airport facilities pay fuel taxes and other user fees that are deposited into the fund. It is an appropriate financing mechanism to support the operation and maintenance of the State’s airport system.

Harbor Special Fund, Section 266-19, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$39,417
Revenues	62,293
Interest	5,151
Expenditures	
Transfers*	(80,712)
Ending Fund Balance	\$26,149
Encumbrances	0

*Transfers-out were for operating maintenance, capital improvement projects, and administration.

We reviewed the two Harbors Special Funds in our previous Report No. 92-11, *Review of Special and Revolving Funds of the Judiciary and the Departments of the Attorney General, Labor and Industrial Relations, Land and Natural Resources, Personnel Services, Taxation, Transportation, and Public Safety*. The Department of Transportation reports no change to these funds which were established in 1941. The Harbors Special Fund acts as a holding account for funds legislatively appropriated for the operation and maintenance of projects designated for the nine different harbors. The second Harbors Special Fund receives payments of principal and interest on revenue bonds issued for harbor facilities. The linkage between benefits sought and user charges is direct. Users of state commercial harbors pay fees that are deposited into the fund and benefit from the operation and maintenance of these harbors. This self-sustaining fund continues to serve its original purpose. It is an appropriate financing mechanism to support the State's harbor system.

State Highway Fund, Section 248-8, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$87,617
Revenues	149,039
Interest	10,956
Expenditures	0
Transfers*	(168,055)
Ending Fund Balance	\$79,557
Encumbrances	0

*Transfers-out were to operating and maintenance accounts, bond resolution accounts to meet debt service requirements, special capital improvement project (CIP) accounts, and loans made to federal CIP accounts to advance the federal share of expenditures until federal reimbursement is received.

The Department of Transportation reports no changes to this fund since we reviewed it in 1992. Established in 1932, the State Highway Fund was created to support the administration, operation, maintenance, and construction of the state highway system. It continues to serve that purpose. Motor vehicle fuel taxes and other fees related to the operation of motor vehicles are deposited into the fund and are used for the construction and operation of the State highway system. Linkage is direct for this self-sustaining fund because users who drive on highways pay fuel taxes and other fees that are used to construct and operate the highway system.

Chapter 18

University of Hawaii

This chapter presents the results of our review of 16 special and revolving funds created after July 1, 1990 and 37 special and revolving funds created prior to July 1, 1990. For each fund created after July 1, 1990, we present a five-year financial summary, the purpose of the fund, conclusions about its use, and a recommendation on whether it should be continued, modified, or repealed. For each fund created prior to July 1, 1990, we present a one-year financial summary, the purpose of the fund, conclusions about its use, and other pertinent information on how the fund has changed since it was originally reviewed in 1991. We do not present any conclusions about the effectiveness of the program, its management, or whether it should be continued. We present alphabetically first those funds established after July 1, 1990 followed by those funds established before July 1, 1990 that were reviewed in 1991.

Funds created after July 1, 1990

Commercial Enterprises Revolving Fund, Section 304-8.41, HRS

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

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$181	\$221
Revenues	179	289	666
Interest	5	11	16
Expenditures	(126)	(360)	(642)
Transfers*	123	100	(100)
Ending Fund Balance	\$181	\$221	\$161
Encumbrances	0	6	40

*Transfers-in were of start-up funds and transfer-out was to represent the reclass of transfer-in due to special and revolving funds.

Pursuant to Section 304-8.41, HRS, the university may engage in commercial enterprises including the sponsorship of private, cultural, and athletic performances and the sale of goods produced by university programs or goods bearing the university logo. All revenues derived from the university's commercial enterprises are deposited into this fund. The fund continues to serve the purpose for which it was created. The fund supports the university bookstore and the Ward Centre Rainbowtique, both of which sell goods bearing the university logo and related merchandise. The university attributes the steady increase in revenues and expenditures to the opening of the Rainbowtique in October 1998 and the increased demand for emblematic merchandise. A direct link exists

between the benefits sought and charges made upon users. Those who purchase goods from the bookstore or Rainbowtique must pay to receive them. The fund is an appropriate financing mechanism for the program and should be continued.

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

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$89	\$89	\$351	\$445	\$643
Revenues	0	617	732	696	547
Interest	0	9	20	31	37
Expenditures	0	(366)	(620)	(529)	(524)
Transfers*	0	2	(38)	0	0
Ending Fund Balance	\$89	\$351	\$445	\$643	\$703
Encumbrances	0	57	179	225	47

This fund was created in 1994 to account for fees, charges, and other moneys collected by the conference centers at the various community colleges. Events held at the conference centers include conferences, seminars, courses, workshops, and symposia. Services provided by the centers include conducting content research and curricula development, developing and printing promotional materials, hiring speakers and interpreters, coordinating logistical arrangements, and arranging facilities reservations. The fund continues to serve the purpose for which it was created and is used to account for fees paid by conference/workshop participants and/or sponsors.

There is a direct link between the benefits sought and charges made upon users because user fees serve to defray all costs of events and services including honoraria, hotel and room rentals, food and refreshments, printing and mailing, and supplies and materials. Pursuant to policies and procedures developed by the community colleges, events and services sponsored by conference centers are required to be self-supporting. The university reports that the fund is self-sustaining and has not required any general fund appropriations in the past five years. The fund is an appropriate financing mechanism for the program and should be continued.

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

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

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

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

This fund was created in 1993 to account for fees, charges, and other moneys collected by the University of Hawaii-Hilo's conference center. The center promotes educational, scientific, and artistic pursuits through the planning and implementation of seminars, conferences, workshops, and courses. Fees are charged to defray costs of each conference. A direct link exists between benefits sought and charges made upon users because those who receive services are charged fees. However, this eight-year-old fund has experienced only minimal financial activity and does not appear to be serving the purpose for which it was originally created. In addition, the fund received \$4,000 from the College of Continuing Education and Community Service to commence operations but does not demonstrate the capacity to be financially self-sustaining. The fund does not meet the criteria of a revolving fund and should be discontinued.

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

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance					
Revenues	— No Financial Activity —				
Interest					
Expenditures					
Transfers					
Ending Fund Balance					
Encumbrances					

During its 1998 session, the Legislature found that the University of Hawaii School of Medicine and School of Nursing would benefit from a permanent exchange program between Hawaii and healthcare communities around the world. Act 303, SLH 1998, established this revolving fund to account for all donations, gifts, contributions, legislative appropriations, and moneys generated by the program through education, training, and research contracts and grants. Moneys in the fund must be used for the two schools for student aid, training projects, teaching, supplies, services, and activities related to the development and promotion of the program. However, the fund is not serving the purpose for which it was created. The program has not been implemented due to a lack of funding, and the university reports that it has no future plans to utilize the fund. We recommend that Section 304-68.5, HRS, be repealed and the fund discontinued.

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

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$9	\$20	\$19	\$20	\$35
Revenues	10	10	10	19	21
Interest	1	1	1	2	2
Expenditures	0	(12)	(10)	(6)	(17)
Transfers	0	0	0	0	0
Ending Fund Balance	\$20	\$19	\$20	\$35	\$41
Encumbrances	0	1	0	0	0

In 1991, this fund was created to account for moneys received by the university from alumni activities and donations. Funds may be expended for all costs associated with conducting alumni affairs activities and programs, including expenses for honoraria, food and refreshment, printing and mailing, plaques and awards, and activity supplies and materials. However, the fund is not serving the purpose for which it was originally created. Although the Legislature created the fund with the intention of sponsoring activities that would enable the university to build a comprehensive alumni program, the fund's sole revenue source is derived from the sale of advertising space in the university's alumni magazine, *Malamalama*. In addition, the fund is not self-sustaining because alumni activities and programs are also supported through the general fund. For example, general funds are used to print the alumni magazine and to fund personnel in the community and alumni relations unit. This fund does not meet the criteria of a revolving fund and should be repealed.

**University of Hawaii Auxiliary Enterprises Special Fund,
Section 304-8.956, HRS**

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

	FY1999	FY2000
Beginning Fund Balance	\$0	\$104
Revenues	118	1,061
Interest	4	17
Expenditures	(18)	(579)
Transfers	0	0
Ending Fund Balance	\$104	\$603
Encumbrances	0	10

This fund was created in 1998 to account for all revenues collected from auxiliary services provided by the university. Revenues are to be expended solely for the costs of providing these services. Auxiliary services include services provided to students, faculty, staff, and others that are ancillary to the university's mission. Services may include food services, transportation services, counseling and guidance, and laboratory animal services. In accordance with Section 304-8.956, HRS, the university has established accounts under this fund to facilitate its administration among the university's various campuses and operating units. The fund is currently comprised of three accounts for the following programs: (1) dental hygiene clinic, (2) hyperbaric treatment center, and (3) lab school cafeteria. The fund continues to serve the purpose for which it was created. There is also a clear link between the benefit sought and charges made upon users—those who receive auxiliary services pay for them. For example, fees collected by the Hyperbaric Treatment Center from patients who receive recompression treatment are used to support the operation of the facility. However, the fund is not self-sustaining. General fund appropriations have been required to support the Hyperbaric Treatment Center since 1983. In addition, fees collected from the Dental Hygiene Clinic, which are used to pay for annual rental fees, do not cover the clinic's entire rental expense. General funds are a supplemental funding source for the program. Although the fund is an appropriate financing mechanism for the auxiliary services program, it does not meet the criteria of a special fund and should be discontinued.

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

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$0	\$132	\$240	\$237
Revenues	0	137	144	151	151
Interest	0	2	9	10	12
Expenditures	0	(7)	(45)	(164)	(167)
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$132	\$240	\$237	\$233
Encumbrances	0	0	8	13	26

This fund was established in 1995 to account for the receipts and expenditures of processing graduate applications. The fund receives graduate application fees and is used for preparing forms, postage, providing applications on the internet, processing applications, administering the application process, and informing students of their acceptance status. There is a direct link between the benefit sought and charges made upon users because those who submit graduate applications are charged a fee to process their applications. The university reports that it is in the process of moving to a paperless application process. Once this has been completed, the university will reevaluate the fund and recommend modifying the fee as appropriate. The fund is self-sustaining and does not require any general fund appropriations. The fund is an appropriate financing mechanism for the program and should be continued.

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

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

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$0	\$0
Revenues	0	0	2
Interest	0	0	0
Expenditures	0	0	0
Transfers	0	0	0
Ending Fund Balance	\$0	\$0	\$2
Encumbrances	0	0	0

This fund was created in 1997 to account for revenues derived from the sale of Hawaiian language materials. The fund continues to serve this

purpose. Hawaiian language resource and curriculum materials sold to date have included the Mamaka Kaiao-Hawaiian language dictionary. Although proceeds from the sale of this dictionary have not been expended, the university reports the fund will be used to support the college. There is a link between the benefit sought and charges made upon users because those who purchase materials must pay a fee. The college reports that it plans to use the fund to publish additional Hawaiian language materials. Currently, the college relies heavily on general fund appropriations. However, as noted in our recent 2000 review, the fund could be self-sustaining once the college begins publishing and selling additional Hawaiian language material. The fund is an appropriate financing mechanism for the publishing operation and should be continued.

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

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

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$10	\$10
Revenues	11	8	40
Interest	0	1	1
Expenditures	(1)	(9)	(17)
Transfers	0	0	0
Ending Fund Balance	\$10	\$10	\$34
Encumbrances	0	0	3

This fund was established to account for the collection of admissions, advertising sales, corporate sponsorships, marketing, merchandising, donations, fund-raising, fees and charges of the University of Hawaii at Hilo theatre program. The fund continues to serve the purpose for which it was originally created. User fees which are charged for admission to various theatre events, are deposited into the fund to finance activities related to producing and performing arts events. User fees pay for artist fees, production costs, honoraria, food, and refreshments. A direct link exists between the benefit sought and charges made to users because those who attend theatre events are charged fees for admission. Although a revolving fund is an appropriate financing mechanism for the program, not all theater expenses have been paid for by the fund. According to the university, most expenditures related to the theater are made from two special funds. However, the university plans to consolidate all funds into this revolving fund, which will account for all theater revenues and expenditures. This fund is an appropriate financing mechanism for the program and should be continued.

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

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$4,696	\$4,342	\$2,472	\$2,543	\$4,161
Revenues	3,335	3,094	2,859	3,182	3,902
Interest	203	182	177	245	329
Expenditures	(3,053)	(3,570)	(617)	(900)	(584)
Transfers*	(839)	(1,576)	(2,348)	(2,366)	(2,587)
Adjustment**	0	0	0	1,457	0
Ending Fund Balance	\$4,342	\$2,472	\$2,543	\$4,161	\$5,221
Encumbrances	0	73	57	95	85

*Transfers-out were for renewal and replacement and debt service reserves.

**Adjustment reflects FY1999 audit adjustment recorded in FY2000.

This fund was created in 1991 and receives 12 percent of the total indirect overhead funds generated by the university for research and training. The fund's purpose is to implement the University of Hawaii housing assistance master plan and to account for all transactions of the university housing assistance program. The housing assistance program helps certain personnel of the university system obtain suitable housing by providing financial assistance, university rental housing, and university for-sale housing. The fund continues to serve its original purpose. The systemwide housing assistance program provides loans of up to \$60,000 for mortgage down payment assistance and/or mortgage payment assistance. Available housing includes 142 rental apartments and 30 for-sale townhouses. Although the rental apartments are fully occupied, only four townhouses have been sold. To pay off an interim construction loan on the for-sale townhouses, the university has a short-term loan with the Housing and Community Development Corporation of Hawaii and is renting out the unsold for-sale townhouses. The university reports that no general fund appropriations have been required to support the fund's program activities. However, the link between the benefit sought and charges made upon fund beneficiaries is not clearly direct. Although rent from the apartments and townhouses are deposited into the fund and used to cover operating costs and debt service obligations of the program, the fund also receives moneys generated by the university for research and training. Faculty who benefit from the housing assistance program probably contribute to the moneys deposited into the fund through their research and training; however, there may be other faculty who generate research and training money who do not benefit from the fund. This fund is an appropriate financing mechanism for the program and should be continued.

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

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$5	\$34	\$35	(\$17)	(\$37)
Revenues	225	535	542	498	635
Interest	3	11	9	5	14
Expenditures	(242)	(545)	(603)	(523)	(514)
Transfers*	43	0	0	0	0
Ending Fund Balance	\$34	\$35	(\$17)	(\$37)	\$98
Encumbrances	6	3	3	3	3

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

This fund was established in 1994 to support the summer program at the University Laboratory School. The fund continues to serve this purpose and finances the operational costs of three integrated summer programs including summer science enrichment, computer-plus, and after-school programs. There is a direct link between the benefit sought and the charges made upon users because participants pay a fee to cover the cost of the program they are enrolled in. Although the summer program has not required any general fund appropriations, the university reported negative fund balances in FY1997-98 and FY1998-99. To become financially self-sustaining, the university increased fees to compensate for lower than expected enrollment. The fund should become self-sustaining if revenues and operating costs are carefully monitored. The fund is an appropriate financing mechanism for the summer program and should be continued.

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

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

	FY1999	FY2000
Beginning Fund Balance	\$0	\$38
Revenues	37	47
Interest	1	4
Expenditures	0	(14)
Transfers	0	0
Ending Fund Balance	\$38	\$75
Encumbrances	0	0

When we reviewed this fund in 2000, it was called the University of Hawaii Facilities Use Revolving Fund. The fund was established to account for revenues collected by the university for the use of university facilities. Moneys are expended for operating university facilities, including maintenance, administrative expenses, salaries, wages, employee benefits, contractor services, and supplies. Those who use facilities pay a fee to cover the facilities' maintenance costs. The fund continues to serve this purpose. There is a clear link between the benefit sought and charges made upon users. Those who use facilities must pay room usage fees, commercial filming fees, and deposits. In turn, these fees and deposits are used to maintain the facilities. The university reports that the fund is self-sustaining and requires no general fund appropriations. The 2000 Legislature amended this fund to authorize the deposit of revenues derived from the sale or lease of university real property. The purpose of the amendment is to assist the university in expanding and strengthening its revenue base by allowing it to generate additional income. This fund is an appropriate financing mechanism for the program and should be continued.

University of Hawaii Tuition and Fees Special Fund, Section 304-16.5, HRS

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

	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$7,360	\$13,427	\$18,086	\$27,452
Revenues	72,969	85,827	88,263	90,898
Interest	1,455	1,792	1,715	2,960
Expenditures	(69,815)	(81,974)	(80,539)	(72,533)
Transfers*	1,488	(986)	(73)	(15,774)
Ending Fund Balance	\$13,457	\$18,086	\$27,452	\$33,003
Encumbrances	7,446	10,166	11,574	13,100

*Transfers were from/to the tuition control account to expending campus accounts.

This special fund was created through Act 161, SLH 1995, to provide the Board of Regents with the authority to establish mechanisms that would generate income. The fund accounts for all revenue collected by the university for regular, summer, and continuing education credit tuition, tuition-related course and fee charges, and any other charges to students. Although the fund was created in 1995, the university was unable to provide FY1995-96 financial data in a format similar to that reported for the other fiscal years.

The fund has continued to serve its original purpose to maintain or improve the university's programs and operations. There is also a clear

link between the benefit sought and charges made upon program beneficiaries. Tuition and tuition-related charges levied on students are used to maintain or improve the university's programs and operations. This fund was established to supplement existing operating general fund appropriations; therefore, it is unclear whether the fund has the capacity to fully sustain the university's future operations. Although the university still receives general fund appropriations to support its operations, this special fund is an appropriate financing mechanism for the university and should be continued.

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

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

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$178	\$170
Revenues	217	119	0
Interest	8	13	9
Expenditures	(47)	(140)	(150)
Transfers	0	0	0
Ending Fund Balance	\$178	\$170	\$29
Encumbrances	0	0	6

This fund was established in 1998 to account for all revenues derived from assessments for workers' compensation costs and unemployment insurance compensation costs against the revolving fund payroll of university employees. The fund continues to serve the purpose for which it was created and is used for administrative costs and payments to employees who are injured while working or who qualify for payments in the event of employment termination. There is a clear link between the benefit sought and the charges made upon users. Assessments against the revolving fund payroll are deposited into the fund and are used to pay for workers' compensation and unemployment insurance compensation costs for eligible employees. The fund also demonstrates the capacity to be self-sustaining. The university reports that, effective FY1999-00, university-specific rates for workers' compensation and unemployment insurance compensation were implemented based on its analysis of actual loss experience. Prior to FY1999-00, the university made assessments against its revolving fund payroll based on the uniform rates developed by the state's actuarial consultant and used by all state agencies. The university's assessments imposed on the revolving fund payrolls were as follows:

	Assessment Rate		
	FY1997-98	FY1998-99	FY1999-00*
Workers' Compensation	0.31%	0.31%	0.05%
Unemployment Insurance Compensation	0.38%	0.38%	0.00%

*Rates determined by the University of Hawaii.

The university annually reviews and updates its assessment rates so that the workers' compensation and unemployment insurance compensation programs operate on an actual cash payment basis. Any cash deficit at the end of a year is offset by implementing a rate increase in the following year, while a cash surplus at the end of a year is offset by a rate decrease in the following year.

However, the fund is not an appropriate financing mechanism for the program. A revolving fund is defined as one that pays for the cost of goods or services furnished by a state agency and is replenished through charges made for those goods or services. Although the revolving fund is used to pay for program administration costs, the fund's primary purpose is to pay for workers' compensation and unemployment insurance benefits for eligible employees. The fund acts more like a trust fund in which designated persons (revolving fund employees) have a vested beneficial interest in the fund (workers' compensation and unemployment insurance assessments).

We recommended that the fund be continued but designated as a trust fund.

University of Hawaii Workers' Compensation and Unemployment Insurance Compensation Special Fund, Section 304-8.85, HRS

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

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	(\$12)	(\$255)
Revenues	134	99	205
Interest	0	(3)	(1)
Expenditures	(146)	(339)	(154)
Transfers	0	0	0
Ending Fund Balance	(\$12)	(\$255)	(\$210)
Encumbrances	0	0	0

This fund was established in 1998 to account for all revenues derived from assessments for workers' compensation costs and unemployment insurance compensation costs against the special fund payroll of

university employees. The fund continues to serve the purpose for which it was created and is used for administrative costs and payments to eligible employees. There is a clear link between the benefit sought and the charges made upon users. Assessments against the revolving fund payroll are deposited into the fund and are used to pay for workers' compensation and unemployment insurance compensation costs for eligible employees. The fund also demonstrates the capacity to be self-sustaining. The university reported that effective FY1999-00, university-specific rates for workers' compensation and unemployment insurance compensation were implemented based on its analysis of actual loss experience. Prior to FY1999-00, the university made assessments against its revolving fund payroll based on the uniform rates developed by the state's actuarial consultant and used by all state agencies. The university's assessments imposed on the special fund payrolls were as follows:

	Assessment Rate		
	FY1997-98	FY1998-99	FY1999-00*
Workers' Compensation	0.31%	0.31%	0.35%
Unemployment Insurance Compensation	0.38%	0.38%	4.28%

*Rates determined by the University of Hawaii.

The university annually reviews and updates its assessment rates so that the workers' compensation and unemployment insurance compensation programs operate on an actual cash payment basis. Any cash deficit at the end of a year is offset by implementing a rate increase in the following year, while a cash surplus at the end of a year is offset by a rate decrease in the following year. The financial data presented above includes a contingency amount, included as expenditures, for unfunded accrued workers' compensation liability.

However, the fund is not an appropriate financing mechanism for the program. The fund acts more like a trust fund in which designated persons (special fund employees) have a vested beneficial interest in the fund (workers' compensation and unemployment insurance assessments). We recommend that the fund be continued but designated as a trust fund.

Unrestricted Quasi-Endowment Income and Scholarship Revolving Fund, Section 304-8, HRS

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$178	\$178	\$162	\$167	\$111
Revenues	0	49	39	12	38
Interest	0	656	694	690	695
Expenditures	0	(1,068)	(1,173)	(1,442)	(1,630)
Transfers*	0	347	445	684	911
Ending Fund Balance	\$178	\$162	\$167	\$111	\$125
Encumbrances	0	0	0	1	0

*Net transfers-in were to cover excess distributions.

This fund, which is comprised of a statewide account and accounts for the University of Hawaii at Manoa, University of Hawaii at Hilo, and community colleges, was created in 1994. The purpose of the fund is varied and includes:

- Accounting for revenues and expenditures of the intercollegiate athletic scholarship program at the University of Hawaii at Hilo;
- Accounting for interest income earned on lease revenue generated from the use of community college property;
- Accounting for the University of Hawaii at Manoa Athletic Department's allocation of the Stadium Endowment Fund; and
- Producing bound copies of the oral histories of former university presidents.

The fund continues to serve its original purpose and provides student athletic and academic scholarships; provides financial support to athletic training, equipment, and various sports programs; and disseminates the oral histories of former university presidents to public libraries and other locations. Revenues for this fund come from public donations, fund drives, lease rental interest income, and the Stadium Endowment Fund. According to the university the fund is financially self-sustaining. There is also a clear link between the benefit sought and the fund's revenues. This fund is an appropriate financing mechanism for the program and should be continued.

***Update of funds
created prior to July 1,
1990***

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

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$262
Revenues	577
Interest	19
Expenditures	(404)
Transfers	0
Ending Fund Balance	\$454
Encumbrances	93

This fund was created in 1974 to account for expenditures and revenues from the sale of animals raised on the university's research farm. The fund continues to serve this purpose, and there is a direct link between the purchase of animals and the revenue they generate. Fees collected when animals are sold for slaughter are used to pay for feed and other supplies for animals quartered at the facility. However, the fund is not self-sustaining. Salaries of the Waialeale station workers are paid from the general fund. Therefore, this fund does not meet all the criteria of a revolving fund and should be discontinued.

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

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$100
Revenues	19
Interest	3
Expenditures	(61)
Transfers*	1
Ending Fund Balance	\$62
Encumbrances	1

*Transfer-in to reflect consolidation of related accounts.

This fund was created in 1976 to account for fees, charges, and other moneys collected for the operations of the Center for Labor Education and Research. The fund has not undergone any significant changes since it was previously reviewed in 1992. It receives contributions from labor

unions for specialized education and training of workers and leaders of trade unions. The fund is self-sustaining and our 1992 review recommended that it be continued.

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

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$82
Revenues	491
Interest	9
Expenditures	(468)
Transfers	0
Ending Fund Balance	\$114
Encumbrances	2

Since this revolving fund was originally reviewed in 1992, there have been minimal changes. Created in 1986, this fund continues to account for the revenues and expenditures of providing for the operations, construction, and renovations of child care centers established by the University of Hawaii. In 1989, a child care center began operating at the University of Hawaii at Manoa. Our 1992 review reported that other childcare centers were in the planning stages. Since then, services provided at community colleges have become fully operational. However, the fund is still not self-sustaining. Teaching and administrative personnel continue to be paid from general fund appropriations. Our 1992 review recommended that the fund be repealed and the child care program budgeted through the general fund because it did not meet all criteria.

Community Colleges Special Fund, Section 305-4, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$3,079
Revenues	11,508
Interest	206
Expenditures	(11,206)
Transfers*	1
Ending Fund Balance	\$3,588
Encumbrances	673

*Net transfer included a transfer-in for an entrepreneurship grant and a transfer-out to the UH School of Nursing for health assessment services and to the employment training center.

This fund was created in 1975 to receive, disburse, and account for funds of special programs and activities of the community colleges. These include off-campus programs, summer session programs, evening sessions, exchange programs, and cultural enrichment programs. Through the end of FY2000, there were no significant changes to the fund since we previously reviewed it in 1992. Our previous review found that the fund met the criteria of a special fund and recommended that it be continued. However, the fund acts like a revolving fund. Community colleges use the fund to pay for special programs and activities they provide and the fund is replenished through fees charged for these programs and activities.

More recently, Act 161, SLH 2000, allowed for the consolidation of a variety of program and activity fees and revenues into the Community Colleges Special Fund. As of July 1, 2000, this special fund may include, among other things, deposits from the University of Hawaii Tuition and Fees Special Fund and fees paid for student health, transcripts and diplomas, child care, library, auxiliary enterprises, and other related activities. The university reports that a consolidation will provide the community colleges with greater flexibility to manage its resources.

Conference Center Revolving Fund, Section 304-8.94, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$184
Revenues	1,090
Interest	18
Expenditures	(990)
Transfers*	(121)
Ending Fund Balance	\$181
Encumbrances	28

*Transfer-out was for college support services costs and to account for surplus funds.

This fund has remained relatively unchanged since it was originally reviewed in 1992. In 1990, the fund was created to account for fees, charges, and other moneys collected by the conference center. This center provides the University of Hawaii system, state and municipal governments, and private organizations with planning, budgeting, support, and implementation of activities and services for seminars, conferences, symposia, and institutes. Fees, which are charged to cover direct costs and administration for each event, are adequate to cover conference costs. Our 1992 review recommended that the fund be continued.

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

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$3,372
Revenues	918
Interest	120
Expenditures	(1,800)
Transfers*	(28)
Ending Fund Balance	\$2,582
Encumbrances	1

*Transfer-out was to other campuses for the University Connections Entrepreneurship grant.

This fund was created in 1988 to account for receipts and disbursement of funds used to develop technologies that have potential commercial value and to support the administration of technology transfer activities at the university. The fund continues to serve this purpose by supporting technological development activities. There is also a link between the benefit sought and the charges made upon users—those who use new technology pay royalties or fees for the technology. However, the program is still not self-sustaining. Since 1988, general funds earmarked for deposit into this fund have totaled \$12 million. In 1992, we recommended that the fund be repealed and the program budgeted through the general fund because it did not meet one of the criteria. The program reports that the fund should become self-supporting by FY2002-03, at which time general fund support will be terminated.

Hawaii Opportunity Program in Education (HOPE) Endowment Special Fund, Section 304-8.95, HRS

Financial Data for Fiscal Year 2000 (in thousands)

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

This fund was created in 1990 as a repository from which to provide scholarships to needy students from ethnic groups underrepresented at the university. Starting in 1991, \$1 million in tuition receipts were to be deposited into this fund annually until 2000. In 2001, the interest accumulated was to be used for scholarships for a selected group of students from 1990 third grade classes. However, in 1995 the \$1 million annual deposit of tuition revenues was suspended, and \$5 million was transferred from this fund to the university's student tuition and fees fund. In 1997, the HOPE special fund balance, consisting of interest and investment earnings, was transferred to an endowment trust fund. The university is in the process of developing guidelines for awarding HOPE scholarships and tuition waivers. The university proposed to award 20 HOPE tuition waivers and scholarships in Fall 2001 and 40 in Fall 2002. Our 1992 report found that the fund did not meet all the criteria of a special fund because the fund cannot be self-sustaining if scholarships are not to be repaid. Therefore, we recommended that the fund be repealed.

Library Special Fund, Section 304-8.93, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$174
Revenues	929
Interest	18
Expenditures	(822)
Transfers	0
Ending Fund Balance	\$299
Encumbrances	144

This fund was established in 1989 to account for all fines, fees, and other revenue derived from the university libraries' operations. Separate funds for the University of Hawaii at Manoa, University of Hawaii at Hilo, University of Hawaii at West Oahu, and community college libraries have been established. The funds are used to replace or repair lost, damaged, stolen, or outdated books, serials, and periodicals, and to support and improve library services. A new source of revenues is derived from services provided by Hamilton Library to other libraries for database maintenance. Our 1992 review reported that the fund was also self-sustaining and should be continued.

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

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$21,036
Revenues	13,588
Interest	0
Expenditures	(9,037)
Transfers	0
Ending Fund Balance	\$25,587
Encumbrances	1,886

This fund was created in 1974 to fund research and training that may result in additional research and training grants and contracts, and to facilitate research and training at the university. Pursuant to Section 304-8.1, HRS, 100 percent of the total amount of indirect overhead revenues generated by the university from research and training programs is to be deposited into the fund. However, the university reports that only 84 percent of indirect overhead costs (i.e., electricity, telephone, and other facility expenses) reimbursed from federal contracts and grants are deposited into the fund. Therefore, the fund does not continue to serve the purpose for which it was originally created. In addition, there is no link between the benefit sought and the charges made upon program beneficiaries. Faculty and staff receive research seed money, training, and travel grants through the revolving fund; however, they are not charged for these benefits. Finally, the fund is an inappropriate financing mechanism for the program. Moneys deposited into the revolving fund are from federal reimbursements for indirect overhead costs incurred by the university in connection with federal research projects and grants. These costs are usually paid for by the general fund; therefore, the revolving fund should be used to reimburse the general fund that portion of indirect overhead incurred by federal grants and projects.

Our 1992 review of this fund recommended that it be repealed and budgeted through the general fund. It is also notable that the fund's balance has more than doubled over the last several fiscal years (from \$10 million in FY1996-97 to \$25.6 million in FY1999-00).

Seed Distribution Program Revolving Fund, Section 304-77, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$106
Revenues	73
Interest	3
Expenditures	(76)
Transfers*	(37)
Ending Fund Balance	\$69
Encumbrances	4

*Transfer-out was made to the general fund.

This fund was created in 1975 to enable the seed distribution program to meet the demand for seeds. The fund continues to meet the purpose for which it was originally created and is used to cultivate and produce vegetable and garden seeds. These seeds are sold to farmers, homeowners, seed companies, and state and federal agencies. There is a direct link between the benefit sought and charges made because users are charged for the seeds they purchase. As reported in our February 2000 review of the university's revolving funds, Report No. 00-07, the fund is still not self-sustaining because the program coordinator's salary is paid through the general fund. We reiterate that the fund would be an appropriate financing mechanism if seed prices were set to cover administrative and seed costs.

State Aquarium Special Fund, Section 304-33, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$446
Revenues	1,360
Interest	20
Expenditures	(1,558)
Transfers	0
Ending Fund Balance	\$268
Encumbrances	84

Act 199, SLH 1991, created a special fund to operate the Waikiki Aquarium. The purpose of the Waikiki Aquarium Special Fund was to account for all revenues derived from concessions and all fees and charges

collected from public agencies and private persons in conjunction with operating the aquarium. In 1995, the Waikiki aquarium was designated as the official state aquarium and placed under the ownership and direction of the University of Hawaii. The Waikiki Aquarium Special Fund was renamed the State Aquarium Special Fund. The funding source of this special fund was changed to include only revenues derived from admission fees. The fund continues to serve its original purpose and reflects a clear link between benefits sought and user charges. The fund currently covers all operating, maintenance, and general repair expenditures for the aquarium. However, the aquarium also receives a general fund allotment to pay for its 13 full-time positions. Approximately 20 percent of the aquarium's budget is supported through general fund moneys with the remaining 80 percent supported by the special fund.

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

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$7,365
Revenues	188
Interest	31
Expenditures	(411)
Transfers	0
Ending Fund Balance	\$7,173
Encumbrances	0

This fund was created in 1969 to provide low-interest, long-term deferred repayment loans to qualified students of the university. Since the fund was originally reviewed in 1992, there have been several changes to the program and the fund's operations. The enrollment requirement for loan eligibility has changed from full-time status to at least half-time, the simple interest rate for loans has increased from 3 percent to 5 percent, and the university may now charge students late fees and reasonable collection costs. In 1992 we reported that increased loan demand had necessitated additional general fund seed money. However, our recent February 2000 review of this fund reported that the need for general fund appropriations has decreased each fiscal year. We found that the fund is an appropriate financing mechanism for the program and met all criteria of a revolving fund.

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

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	(\$15)
Revenues	1,078
Interest	4
Expenditures	(1,116)
Transfers	0
Ending Fund Balance	(\$49)
Encumbrances	13

This fund was established in 1974 to account for the receipt of fees charged for medical services and other related goods. The fund continues to serve this purpose. Fund revenues are derived from patient fees for services and medical supplies, payments from insurance companies for covered patients, and student health fees collected from every student enrolled at the University of Hawaii at Manoa. A direct link exists between the benefit sought and the charges made upon users because students and others who pay these fees receive medical services, medical supplies, and health education activities and information from the University Health Services, Manoa (formerly known as the UH Student Health Clinic). However, as noted in our recent review of this fund, it is not self-sustaining and receives general fund appropriations to cover administrative cost requirements. Although revenues have steadily increased over the past several years, the fund has experienced a negative ending fund balance for the last two fiscal years. Nevertheless, the university expects to achieve self-sufficiency in the future due to recent efforts to increase collections.

Systemwide Information Technology and Services Special Fund, Section 304-8.9, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$572
Revenues	559
Interest	33
Expenditures	(608)
Transfers	0
Ending Fund Balance	\$556
Encumbrances	23

When this fund was previously reviewed in 1992, it was called the Systemwide Computer Services Special Fund. The purpose of this fund was to account for revenues and expenditures of the university's single computer system (VAX system). Expenditures were limited to supporting personnel, equipment costs, and other current expenses related to computer services. Two separate funds were established, one to account for the operations for a consortium of users who relied heavily on the VAX system and the other to account for users who accessed the system for specific applications. We recommended continuation of the first fund but recommended that a sunset date be established. For the second fund, we recommended discontinuation and that the program be budgeted through the general fund.

Although the Systemwide Computer Services Special Fund was repealed during the 1995 legislative session, it was replaced with the Systemwide Information Technology Services Special Fund which is more comprehensive. In addition to supporting personnel, equipment, and other expenses, the intent of the Systemwide Information Technology Services Special Fund is to support the planning, design, and implementation of information technology infrastructure within the university. To support the fund's purposes, the Board of Regents was given authority to charge an information technology user fee to be deposited into the fund. Although statutory authority of the fund is more inclusive, the university reports no significant changes to the fund's program activities.

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

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$651
Revenues	394
Interest	39
Expenditures	(366)
Transfers	0
Ending Fund Balance	\$718
Encumbrances	9

In 1974, these funds were established to defray the cost of producing transcripts and diplomas. Separate funds for each campus unit in the university system continue to serve the purpose for which they were created. They are used to prepare, order, and distribute diplomas and covers, and to generate and distribute transcripts. In addition, several clerical staff who process transcripts and diplomas are supported by the fund. There is a direct link between the benefit sought and the charges

made upon users because recipients of diplomas and transcripts are charged fees to cover their costs. The funds are self-sustaining and are appropriate financing mechanisms.

UH Hilo Campus Auxiliary Services Special Fund, Section 304-8.956, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$95
Revenues	155
Interest	6
Expenditures	(126)
Transfers	0
Ending Fund Balance	\$130
Encumbrances	67

This fund has not changed significantly since it was originally reviewed in 1992. The purpose of the fund is to account for receipts and disbursements for the use of facilities and equipment of the University of Hawaii at Hilo. The fund receives fees collected for the use of UH Hilo facilities, equipment, and vehicles by non-university or university affiliated users. The fund covers the total cost of the program which includes cleaning, maintaining, and repairing and servicing equipment, vehicles, and facilities. Our 1992 review concluded that the fund met all criteria of a special fund and recommended its continuation.

UH Hilo Campus Food Services Special Fund, Section 304-8.956, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$267
Revenues	50
Interest	13
Expenditures	(44)
Transfers	0
Ending Fund Balance	\$286
Encumbrances	3

Since this fund was originally reviewed in 1992, it has remained relatively unchanged. The purpose of the fund is to account for revenues realized

from the food service concessionaire at UH Hilo. The concessionaire pays a fee for the food service and vending machine concessions on campus. The fund pays for utilities, overhead costs, and facility repairs and maintenance. Our 1992 review found that the fund was self-sustaining and should be continued.

UH Manoa Agricultural Diagnostic Services Special Fund, Section 304-8, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$110
Revenues	156
Interest	6
Expenditures	(172)
Transfers	0
Ending Fund Balance	\$100
Encumbrances	58

Since this fund was reviewed in 1992, there have been no significant changes to it. The purpose of the fund is to cover the costs of providing agricultural diagnostic services. The program provides services related to soil, water, plant tissues, diseases, insects and pests, feed, and forage for farmers, homeowners, and federal and state agencies. Fees charged to these clients cover the cost of providing testing and analytical services. Our 1992 review found that all special fund criteria were met and recommended the fund's continuation. However, the fund operates more like a revolving fund than a special fund because it finances diagnostic services provided by the program and is replenished through fees assessed to users of the services.

UH Manoa Campus Auxiliary Services Administration Special Fund, Section 304-8.956, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	(\$91)
Revenues	(6)
Interest	10
Expenditures	(451)
Transfers*	514
Ending Fund Balance	(\$24)
Encumbrances	1

*Transfer-in in was for overhead assessments.

The activities of this fund have not significantly changed since it was originally reviewed in 1992. The fund's original purpose was to account for receipts and disbursements from the assessment of special and revolving accounts programs under the management of the Auxiliary Services at the University of Hawaii at Manoa. Parking, food service, and transportation services are provided administrative support through the fund. Each special and revolving fund serviced by the Auxiliary Services Division is assessed a fee based on a percentage of its prior year's revenues. Our 1992 review reported that the fund was self-sustaining and recommended it be continued. However, the fund has experienced a negative ending fund balance over the past two fiscal years.

UH Manoa Center for Student Development Special Fund, Section 304-8.956, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$33
Revenues	24
Interest	2
Expenditures	(13)
Transfers	0
Ending Fund Balance	\$46
Encumbrances	1

The university reports no change to this special fund since it was originally reviewed in 1992. The purpose of this fund is to account for receipts and disbursements related to tests administered for vocational and

general counseling. The fund continues to serve this purpose. Students pay testing fees which are deposited into the fund. There is a direct link between fees paid and counseling benefits received by students. However, the testing program is not self-sustaining. Our 1992 review recommended lapsing the cash balance to the general fund and budgeting the expenses of the program through the general fund.

UH-Manoa Laboratory Animal Services Special Fund, Section 304-8.956, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$44
Revenues	277
Interest	3
Expenditures	(303)
Transfers	0
Ending Fund Balance	\$21
Encumbrances	8

The purpose of this fund is to account for receipts and disbursements related to the care of laboratory animals. The laboratory animal services program provides administration and oversight of the care and use of vertebrate animals used in research, training, and testing at the university. Researchers who house animals at the laboratory pay per diem charges for each animal. In addition to per diem revenue, the fund also receives revenue from special service charges and the sale of animals and supplies. In our 1992 report, we found that the fund was not self-sustaining because the program received approximately 40 percent of its receipts from the general fund primarily to pay for personnel. As such, we recommended the fund be discontinued, the cash balance be lapsed to the general fund, and the program budgeted through the general fund. Our update found that the fund is still not self-sustaining because the general fund continues to support about one-half of the laboratory program's personnel.

UH Manoa Transportation Services Special Fund, Section 304-8.956, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$430
Revenues	835
Interest	46
Expenditures	(425)
Transfers*	(34)
Ending Fund Balance	\$852
Encumbrances	12

*Transfer-out was for overhead assessment.

Since this fund was reviewed in 1992, little has changed. The purpose of the fund is to account for the receipt and disbursement of fees charged for using and servicing university vehicles. The program was established to meet transportation needs of the Manoa campus by providing a fleet of vehicles for faculty and staff. The program also services the community colleges and the West Oahu campus. Each department pays a fee for the use and maintenance of the automobiles. The fund pays for personnel, operations, and overhead costs for transportation services. In 1992, we concluded that the fund met the criteria of a special fund and should be continued. However, in retrospect the fund acts more like a revolving fund than a special fund.

UH West Oahu Campus Summer Session Special Fund and Community Services Special Fund, Section 304-8, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$83
Revenues	2
Interest	2
Expenditures	(48)
Transfers	0
Ending Fund Balance	\$39
Encumbrances	0

Previously called the UH West Oahu Campus Summer Session Special Fund, this fund has not changed significantly since we originally reviewed it in 1992. The purpose of the fund is to account for receipts and

disbursements of the summer session program at UH West Oahu. The fund receives fees charged for summer session courses offered at the West Oahu campus and pays for their instructional costs. Our previous review found the fund was self-sustaining and recommended that it be continued.

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

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$21
Revenues	193
Interest	2
Expenditures	(196)
Transfers	0
Ending Fund Balance	\$20
Encumbrances	1

This fund was created in 1985 to account for receipts and disbursements of the University of Hawaii at Hilo's student intercollegiate athletic events. Since originally reviewed in 1992, this fund has remained relatively unchanged and has continued to serve its original purpose. User fees are charged for basketball, baseball, and volleyball events and sports camps. There is a direct link between the benefit sought and charges made upon users. However, the program receives general fund appropriations and is still not self-sustaining. We previously recommended that the fund be repealed and budgeted through the general fund.

University of Hawaii at Hilo Continuing Education and Community Services Special Funds, Section 304-8, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$520
Revenues	608
Interest	30
Expenditures	(570)
Transfer	0
Ending Fund Balance	\$588
Encumbrances	27

Since they were previously reviewed in 1992, the university reports no significant changes to these funds. The purpose of these funds is to account for financial transactions of the Continuing Education and Community Services and the Performing Arts programs at the University of Hawaii at Hilo. Three special funds exist for (1) credit and non-credit programs of continuing education, community service, and program administration, (2) summer session, and (3) theater and dance performance. Our 1992 review found that the funds supported the actual cost of operating classes and activities and recommended they be continued.

University of Hawaii at Manoa College of Continuing Education and Community Services Special Fund, Sections 304-16.5 and 304-8.955, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	(\$3)
Revenues	263
Interest	0
Expenditures	(225)
Transfers*	(21)
Ending Fund Balance	\$14
Encumbrances	2

*Transfer-out was to close community service accounts upon completion of projects and included debiting and crediting of various accounts.

According to our 1992 review, this fund was used to account for receipts and disbursements of courses and programs offered by the College of Continuing Education and Community Service (CCECS). The fund supported programs such as preparation for degree programs, career development programs, performing arts events, and the small business management program. We reported that the fund met all criteria and warranted continuation. In 1998, CCECS merged with Summer Session to become the Outreach College. As a result, CCECS credit tuition accounts were transferred to the University Budget Office. A portion of the moneys collected by Outreach College is returned to the college via a cash transfer.

University of Hawaii at Manoa Food Service Special Fund, Section 304-8.956, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$845
Revenues	253
Interest	44
Expenditures	(259)
Transfers*	(30)
Ending Fund Balance	\$853
Encumbrances	35

*Transfer-out was to auxiliary services for an overhead assessment.

The university reports no significant changes to this fund since it was reviewed in 1992. The purpose of the fund is to account for receipts derived from the food service program at the University of Hawaii at Manoa. The food service concessionaire pays a fee for food service and vending machine concessions on campus. Moneys are used to pay utilities, overhead costs, and maintenance of the facilities provided to the concessionaire. Our 1992 review found that the fund was self-sustaining and recommended it be continued.

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

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$970
Revenues	13,292
Interest	225
Expenditures	(12,887)
Transfers	0
Ending Fund Balance	\$1,600
Encumbrances	435

Since originally reviewed in 1992, this fund has remained relatively unchanged. The fund continues to serve its original purpose by accounting for disbursements and receipts derived from University of Hawaii at Manoa student intercollegiate athletic events. User fees are charged for football, basketball, baseball, and volleyball events. Revenues are also derived from radio and television rights, donations,

student fees, and licensing logo royalties. Although there is a direct link between the benefit sought and charges made upon users, the athletic program is not self-sustaining. General funds are used to support the athletic department's operating expenses and to cover a payroll of 24 custodians and groundskeepers. The fund does not meet all criteria of a revolving fund. In 1992 we recommended it be repealed and the program budgeted through the general fund.

University of Hawaii at Manoa Malpractice Special Fund, Section 304-8.8, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$554
Revenues	0
Interest	23
Expenditures	(105)
Transfers	0
Ending Fund Balance	\$472
Encumbrances	0

This fund was created in 1985 to pay for costs arising from the defense and settlement of claims against the university, its students, or its faculty for professional malpractice in programs that provide professional services. The fund continues to serve its original purpose. The university charges individual faculty based on their full-time equivalency at the School of Medicine and pays for defense and settlement of claims against those faculty. However, there is no linkage between faculty charges and the malpractice insurance provided. Although the cost of malpractice insurance was paid from this fund from FY1993-94 through FY1996-97, premiums are now paid out of the general fund. The fund does not meet all criteria of a special fund. Our 1992 report recommended the fund be repealed and that malpractice insurance and related expenses be budgeted through the general fund. The university believes this fund acts more as a reserve, rather than a special, fund to pay for malpractice settlements, judgments, and claims. Due to the difficulty of projecting when settlements, judgments, and claims will be negotiated or awarded, the university considers it practically impossible to budget for malpractice contingencies.

**University of Hawaii at Manoa Summer Session Special Fund
and Community Services Special Fund, Sections 304-16.5 and
304-8.955, HRS**

Financial Data for Fiscal Year 2000 (in thousands)

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

When we reviewed this fund in 1992, it was called the UH-Manoa Campus Summer Session Special Fund. In 1998, the fund's name was changed to reflect the merger of the Summer Session and the College of Continuing Education and Community Service into the Outreach College. According to our 1992 review, the fund was used to account for receipts and disbursements of the summer session program at UH-Manoa. However, the summer session credit tuition account was transferred to the University Budget Office in 1997. According to the university, the budget office collects all tuition and fees for the Outreach College. Funds are transferred to the Outreach College from the budget office via a cash transfer to cover academic support services. In response to our query regarding the fund's negative fund balance, the university responded that the "expenditures" reflected above were for accrued payroll recorded at the end of the year.

**University of Hawaii at Manoa Theater Group Special Fund and
Community Service Special Fund, Sections 304-8 and
304-8.955, HRS**

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$149
Revenues	178
Interest	0
Expenditures	(126)
Transfers	0
Ending Fund Balance	\$201
Encumbrances	1

Since previously reviewed in 1992, this fund has not experienced any significant changes. The purpose of this fund is to account for receipts from theater and dance performances, music and band performances, and student fees. The fund continues to serve the purpose for which it was created and is used to fund operations of the facilities, some repair and maintenance, and student help. There is a clear link between the benefit sought and the charges made upon users—those who attend performances pay fees. The fund is also self-sustaining. Our 1992 review found that the fund met all criteria of a revolving fund and recommended its continuation.

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

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$4,337
Revenues	4,235
Interest	120
Expenditures	(4,550)
Transfers	0
Ending Fund Balance	\$4,142
Encumbrances	422

The purpose of this fund is to account for the receipts and disbursements of various services of the University of Hawaii Press. Revenues are from the sale of publications and from production services. However, general fund appropriations are still used to supplement the program. Although general fund support has decreased since 1992, one-third of staff salaries are still paid with general fund appropriations. Our 1992 report noted that the fund had a substantial cash balance (\$3.35 million as of June 30, 1991) and recommended that all operating expenses of the UH Press be paid through this revolving fund. The fund continues to maintain a substantial unencumbered cash balance and demonstrates the capacity to be self-sustaining.

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

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$2,200
Revenues	2,171
Interest	273
Expenditures	(2,341)
Transfers*	71
Ending Fund Balance	\$2,374
Encumbrances	137

*Net transfer reflects transfer-in from the ASUH endowment fund and transfers-out for student activity and publication fees.

There has been little change to these funds since they were reviewed in 1992. A separate fund was established for each campus unit in 1980 to account for disbursements and receipts from student fees collected for student organizations and activities. At the University of Hawaii at Manoa, student activity fees are prorated to the Associated Students of the University of Hawaii (ASUH) or Graduate Student Organization (GSO), Board of Publications, Broadcast Communication Authority, Campus Center Board (Bond Fund), Campus Center Board, and Student Activities Program Fee Board. At the University of Hawaii at Hilo, West Oahu, and the community colleges, students are also assessed fees that are prorated to student organizations and activities. Our 1992 review found that the funds met all criteria of a revolving fund and recommended their continuation.

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

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$97
Revenues	84
Interest	2
Expenditures	(127)
Transfers	0
Ending Fund Balance	\$56
Encumbrances	3

This fund was created in the 1960s to account for parking fees and fines assessed for designated parking areas. Since this fund was originally reviewed in 1992, Kapiolani Community College and Kauai Community Colleges have ceased charging parking fees. Currently, Honolulu Community College is the only community college which charges parking fees. There is a direct link between the benefit sought and the charges made upon users. Those who use parking areas are charged fees and fines that comprise revenues to the fund. Our 1992 review found that the fund meets the criteria of a revolving fund and recommended it be continued.

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

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$55
Revenues	153
Interest	3
Expenditures	(209)
Transfers	0
Ending Fund Balance	\$2
Encumbrances	111

This fund was created in 1964 to account for parking fees and fines assessed for designated parking areas at the University of Hawaii at Hilo. Since the fund was reviewed in 1992, it has remained relatively unchanged. Receipts are from fees collected for parking permits and fines for violations of parking and driving rules. There is a direct link between the benefit sought and charges made upon users because those who park or drive on campus are charged fees or fines which are deposited into the fund. The fund is self-sustaining since it covers operating costs. Our 1992 review found that it met the criteria of a revolving fund and recommended its continuation.

University Revenue-Undertakings Fund, Section 306-10, HRS

Financial Data for Fiscal Year 2000 (in thousands)

FY2000	
Beginning Fund Balance	\$16,221
Revenues	47,621
Interest	2,417
Expenditures	(37,571)
Transfers*	(12,321)
Ending Fund Balance	\$16,367
Encumbrances	3,128

*Transfers-out were for bond payments, overhead assessments, and repair and replacement reserves.

This fund was created to account for moneys received from all revenue-producing university projects or systems. Moneys in the fund are used to: (1) pay for construction, operation, and repair and maintenance costs of university projects or systems, (2) pay for all revenue bonds and interest, and (3) provide a reserve for betterments, improvements, renewals, and replacements of university projects or systems. In 1992, the university had established six funds for its revenue-producing projects including UH-System Bookstores, UH-Manoa Faculty Housing, Student Housing (Manoa, Maui, Hilo), UH-Manoa Parking, Onizuka Center for International Astronomy, and Mauna Kea Observatory Complex Power Lines. There are currently seven revenue-producing projects accounted for by this fund:

- Bond System;
- Manoa Campus Center;
- Bookstores (statewide);
- Manoa Parking;
- Waahila Faculty Housing;
- Student Housing (Manoa, Hilo, Maui); and
- Telecommunications.

The Board of Regents imposes and collects rates, rents, fees, and charges for the use or enjoyment of project facilities to ensure that projects are self-supporting. For example, the telecommunication account collects user fees that pay for operating costs, equipment, and infrastructure upgrades for the telecommunications program. Our 1992 report recommended that the funds be continued.

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

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$766
Revenues	3,021
Interest	38
Expenditures	(3,159)
Transfers	10
Ending Fund Balance	\$676
Encumbrances	284

*Transfer-in was from the Office of Technology Transfer and Economic Development for an entrepreneurship grant.

These funds were established in 1974 to account for receipts and disbursements of services related to vocational and technical training projects at community colleges and the University of Hawaii at Hilo. The funds continue to serve this purpose. Each community college as well as UH Hilo has specialized vocational and technical projects for which fees are collected. Expenditures for materials and supplies for the projects and replacement and repair of tools and equipment are directly related to fees charged. The university reports that these funds have not experienced significant changes since they were reviewed in 1992. Our previous review found that the funds met all criteria of a revolving fund and recommended they be continued.

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Chapter 19

Judiciary

This chapter presents the results of our review of six special and revolving funds created after July 1, 1990 and one special fund created prior to July 1, 1990. For the funds created after July 1, 1990, we present a five-year financial summary, the purpose of the fund, conclusions about its use, and a recommendation on whether it should be continued, modified, or repealed. For the fund created prior to July 1, 1990, we present a one-year financial summary, the purpose of the fund, conclusions about its use, and other pertinent information on how the fund has changed since it was originally reviewed in 1991. We do not present any conclusions about the effectiveness of the program, its management, or whether it should be continued. We present alphabetically first the funds established after July 1, 1990 followed by the fund established before July 1, 1990 that was reviewed in 1991.

Funds created after July 1, 1990

Hurricane Iniki Insurance Proceeds, Administratively Established

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

	FY1996	FY1997	FY1998
Beginning Fund Balance	\$3	\$3	\$3
Revenues	0	0	0
Interest	0	0	0
Expenditures	0	0	0
Transfers*	0	0	(3)
Ending Fund Balance	\$3	\$3	\$0
Encumbrances	0	0	0

*Remaining funds were lapsed to the general fund.

This fund was created in 1993 to receive a one-time allotment of FEMA grant funds and insurance proceeds for damages incurred as a result of Hurricane Iniki. Moneys were used to recover losses attributed to the hurricane and to replace or repair damaged property. The Lihue Courthouse and Children's Advocacy Center were among the programs affected by the hurricane. In FY1997-98, the fund was terminated and its balance transferred to the general fund.

Indigent Legal Assistance Fund, Act 305, SLH 1996

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

	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$450	\$617	\$702
Revenues	445	457	439	396
Interest	5	10	0	16
Expenditures	0	(300)	(354)	(635)
Transfers	0	0	0	0
Ending Fund Balance	\$450	\$617	\$702	\$479
Encumbrances	0	0	22	37

Inadequate funding of organizations that provide legal services to poor persons led the Legislature to create this special fund in 1996 to help meet civil legal needs of the indigent. The Legislature found that indigent persons should have equal access to justice and provided adequate funding to ensure that access. Act 305, SLH 1996, created a court filing fee surcharge on civil cases as an additional source of funding for legal services to indigent persons. A \$25 initial filing surcharge paid by persons in a civil action in circuit court and a \$10 surcharge paid by persons who file an action for summary possession in district court are deposited into this special fund. The fund was originally administered by the Department of Labor and Industrial Relations' Office of Community Services but was transferred to the Administrative Director of the Courts in 1998.

The fund continues to meet its original purpose by providing grants to organizations that provide direct legal services to indigent persons. Organizations that have received grants include the Domestic Violence Clearinghouse and Legal Hotline, Legal Aid Society of Hawaii, Native Hawaiian Legal Corporation, and University of Hawaii Elder Law Program. Legal services provided include those related to domestic violence, Native Hawaiian rights, elder rights, rights of the disabled, immigrant civil rights, and public entitlement. There is an indirect link between the benefit sought and the charges made upon program beneficiaries. People who pay a surcharge for filing certain civil legal actions enable indigent persons to also procure adequate legal representation and have access to the judicial process. Having appropriate legal representation reduces the burden of inefficiencies on the judicial system and enables the courts to hear and decide the claims of litigants more effectively. Although fund expenditures have been increasing in recent years, general fund appropriations have not been required and the program has the capacity to remain financially self-sustaining. Though not an entirely appropriate financing mechanism for the grants program, consideration should be given to its continuation. However, the fund is scheduled for termination on June 30, 2002.

Judiciary Computer System Special Fund, Section 601-3.7, HRS

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

	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$851	\$1,629	\$2,287
Revenues	851	781	855	762
Interest	0	0	0	71
Expenditures	0	(3)	(197)	(675)
Transfers	0	0	0	0
Ending Fund Balance	\$851	\$1,629	\$2,287	\$2,445
Encumbrances	0	0	605	293

For a number of years, the Judiciary has wanted to overhaul its large administrative systems. During the 1996 legislative session, the Judiciary reported that an upgraded automated statewide system would enhance its efficiency in serving the public and reduce the costs of administering the court system. The Legislature established the computer special fund to provide a source of revenue to select, implement, program, and upgrade the Judiciary's statewide computer system; purchase hardware and related software; and procure new processing and management technology. The fund is primarily financed through the \$7 fee collected for certified traffic abstracts. Traffic Violations Bureaus of the district courts deposit \$5 of the fee into the general fund and \$2 into this special fund.

The fund continues to serve the purpose for which it was originally created and has enabled the Judiciary to undertake its Judicial Information Management System (JIMS) project. Fund expenditures include salary expenses for the JIMS project coordinator, expenses related to the development of the JIMS request for proposal, and installation of the Supreme Court Law Library local area network. Although revenues have been more than sufficient to cover expenses of the project to date, the fund may not remain financially self-sustaining. With proper planning and funding, the Judiciary expects all infrastructure and personnel to be in place by 2010 at a cost of over \$15 million. However, with annual revenues averaging \$800,000 and an ending FY1999-00 fund balance of only \$2.4 million, the fund alone will not be adequate to support the system through 2010.

The Judiciary acknowledges that funding barriers could delay the project beyond 2010. The fund does not meet all criteria of a special fund and the Legislature should assess the feasibility of a revised financing mechanism to support the JIMS project. Depositing a portion of fees collected by other courts into this special fund would be an appropriate financing mechanism because JIMS will benefit the users of all courts.

Parent Education Special Fund, Section 607-5.6, HRS

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

	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$103	\$103
Revenues	111	103	111
Interest	0	0	2
Expenditures	(8)	(103)	(137)
Transfers	0	0	0
Ending Fund Balance	\$103	\$103	\$79
Encumbrances	16	27	6

In 1997, the Legislature created this special fund to support parent education programs on all islands. The purpose of these programs is to educate parents on the impact that separation would have on their children and to help separating parties avoid future litigious disputes. The fund continues to serve its original purpose and shows a clear link between its revenues and benefits. A \$35 surcharge paid by plaintiffs who have children and are filing for divorce is deposited into the fund and used to run the Kids First program. Kids First is a mandatory parent education program for all families in the midst of separation or divorce.

The program's goals are to have more families seek alternatives to litigation and to have fewer families engage in contested court hearings. With weekly Oahu meetings and monthly meetings on neighbor islands, the program has continued to serve over 6,000 adults and children each year. In addition to its \$35 surcharge, the fund receives a small percentage of its revenues through program participant donations. The fund has not required any general fund appropriations and continues to be financially self-sustaining. It is an appropriate financing mechanism for the program and should be continued.

Spouse and Child Abuse Special Account, Section 601-3.6, HRS

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$83	\$127	\$191	\$376	\$613
Revenues	90	91	238	333	319
Interest	0	0	0	0	23
Expenditures	(46)	(27)	(53)	(96)	(174)
Transfers	0	0	0	0	0
Ending Fund Balance	\$127	\$191	\$376	\$613	\$781
Encumbrances	0	0	5	6	6

This special fund was created in 1994 for staff programs and for grants or purchases of service that support or provide spouse or child abuse intervention or prevention. The special fund receives its revenues from the following fees and fines:

- \$1 fee from each certified copy of birth, marriage, divorce, and death certificate issued by the Department of Health;
- \$4.50 fee from each marriage license issued; and
- Fines up to \$1,000 for convictions of violating a restraining, temporary restraining, or protection order.

There is an indirect link between those people fined for violating restraining and protective orders and the spouses and children who receive intervention and protection services through the fund. The Judiciary reports that a link between people who request vital statistics information and spouse and/or child abuse has been made in similar jurisdictions. In addition, the fund continues to support programs for spouse and child abuse intervention and prevention. Programs and activities supported by the fund include a domestic violence parents program, training on children and domestic violence, a divorce education program, and a statewide conference on juvenile sex offenders. With a steadily increasing ending balance, the fund has not required any general fund appropriations and demonstrates the capacity to remain financially self-sustaining. The Judiciary reportedly experienced difficulties in utilizing the fund's resources in its first three fiscal years of existence. However, the program will be working to secure additional contracts for new and innovative projects supporting spouse and child abuse prevention. Though this fund is not entirely an appropriate financing mechanism for the program, consideration should be given to its continuation.

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

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

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$33	\$53	\$22	\$20	\$22
Revenues	83	72	63	54	53
Interest	0	0	0	0	1
Expenditures	(63)	(103)	(65)	(52)	(48)
Transfers	0	0	0	0	0
Ending Fund Balance	\$53	\$22	\$20	\$22	\$28
Encumbrances	48	16	12	16	18

A Supreme Court Law Library Special Fund was created in 1990 to account for and retain control over all money derived from operations of the statewide supreme court law library system, in order to provide the library operational flexibility and to increase its ability to improve services. The system encompasses the Supreme Court Law Library on Oahu and its satellite branches on Maui, Hawaii, and Kauai. The system also furnishes chamber libraries of the Supreme Court justices, Intermediate Court of Appeals judges, and each circuit and district court judge statewide. Our previous review of this special fund in 1992 found that it met the criteria of a special fund and recommended the fund be continued. During the 1993 session, the Legislature changed the special fund to a revolving fund to indicate that the fund operates as a revolving fund.

In our 1995 review of this fund, we found that the fund met the criteria of a revolving fund. Our current review found that it continues to be an appropriate financing mechanism and shows a clear link between the benefit sought and charges made upon users. Fund revenues (including fines received for overdue, lost, or damaged materials; and fees for photocopies, microform copies, and library searches) are used to replace or repair lost or damaged materials and to cover the cost of leasing photocopyers and printers. Other purchases have included computer hardware upgrades on all islands, personal computers for public access, a printer for the Hilo satellite branch, and ultrafiche for the Kauai branch. Although revenues have decreased over the past five years due to a reduced reliance on the library as a primary source for information, the fund has not required any general fund appropriations. The fund continues to meet the criteria of a revolving fund and should be continued.

***Update of the fund
created prior to July 1,
1990***

Driver Education and Training Fund, Section 286G-2, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$2,020
Revenues	1,751
Interest	67
Expenditures	(1,086)
Transfers	0
Ending Fund Balance	\$2,752
Encumbrances	116

Created in 1974, this special fund continues to support driver education and training programs administered by the Judiciary. Initially, fund revenues came only from a driver education assessment for certain moving violations. In 1987, additional revenues were derived from fees collected by the Department of Commerce and Consumer Affairs on motor vehicle insurance policies. The fund began receiving revenues of \$100 per person convicted of driving under the influence in FY1995-96 and \$50 per person required to attend a child passenger restraint system safety class beginning in FY1998-99.

In our 1992 review, we found that this fund met all criteria of a special fund and should be continued. We also recommended that unneeded cash be transferred to the general fund. In 1993, the Legislature transferred \$1 million from this fund to the general fund. Although the Judiciary reports a hardship as a result of this transfer, we again recommend that unneeded cash be transferred to the general fund. Over the past several years, the fund has steadily averaged about \$1.5 million in revenues and \$1.2 million in expenditures annually. The fund, which receives a large portion of its revenues at the end of each fiscal year, requires an ending fund balance large enough to cover the following fiscal year's expenses. With a FY1999-00 ending fund balance of approximately \$2.75 million, we believe that \$1.2 million can be transferred to the general fund without negatively impacting the programs' operations.

The fund is an appropriate financing mechanism for the program and should be continued. However, unneeded cash of approximately \$1.2 million could be transferred to the general fund.

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Appendix A

List of Special and Revolving Funds Created After July 1, 1990

Department* or Agency	No.	Fund Title	FY1999-00 Ending Balance (in thousands)
Accounting and General Services	1.	Hawaiian Sovereignty Elections Council Special Fund, Administratively Established	\$ --
	2.	Interagency Federal Revenue Maximization Revolving Fund, Section 29-24, HRS	\$ 5,892
	3.	Parking Control Revolving Fund Escrow Account, Administratively Established	\$ 37
	4.	Public Works Project Assessment Fund, Section 107-1.5, HRS	\$ 1,451
	5.	State Educational Facilities Improvement Special Fund Excess Cash, Administratively Established	\$ --
	6.	State Motor Pool Revolving Fund Excess Cash, Administratively Established	\$ --
		Sub-total:	\$ 7,380
Agriculture	1.	Access Road Relocation, Molokai Plans Revolving Fund, Administratively Established	\$ --
	2.	Access Road Relocation, Molokai Designs Revolving Fund, Administratively Established	\$ --
	3.	Agribusiness Development Corporation Projects Emergency Appropriation Revolving Fund, Administratively Established	\$ --
	4.	Agriculture Loan Revolving Fund Excess Cash, Administratively Established	\$ --
	5.	Agricultural Park Special Fund Escrow Account, Administratively Established	\$ 86
	6.	Animal Quarantine Special Fund, Section 142-28.5 HRS	\$ 747
	7.	Aquaculture Loan Revolving Fund Excess Cash, Administratively Established	\$ --
	8.	Coffee Inspection Revolving Fund, Section 147-7.5, HRS	\$ 53
	9.	Farm Loans for Economically Depressed Areas, Administratively Established	\$ --
	10.	Farm Loans for Economically Depressed Areas, Administratively Established	\$ 1,887
	11.	Hawaii Agricultural Development Revolving Fund, Section 163D-17, HRS	\$ 110
	12.	Hurricane Iniki Insurance Proceeds Special Fund, Administratively Established	\$ --
	13.	Implementation of Biological & Hydrologic Monitoring Program, Administratively Established	\$ --
	14.	Irrigation Water Development Special Fund, Section 167-22.5, HRS	\$ --
	15.	Irrigation System Revolving Fund Emergency Appropriation, Administratively Established	\$ --
	16.	Microorganism Import Certification Revolving Fund, Section 150A-48, HRS	\$ --
	17.	Milk Control Special Fund, Section 157-29, HRS	\$ 192
	18.	Pesticides Use Revolving Fund, Section 149A-13.5, HRS	\$ 245
	19.	Waiahole Water System Revolving Fund, Section 163D-15.5, HRS	\$ 1,332
		Sub-total:	\$ 4,652
Attorney General	1.	Criminal History Record Improvement Revolving Fund, Section 846-10.6, HRS	\$ 681
	2.	Medicaid Investigations Recovery Fund, Section 28-91.5, HRS	\$ 1,630
	3.	Notaries Public Revolving Fund, Section 456-9.5, HRS	\$ 23
	4.	State Identification Revolving Fund, Section 846-27, HRS	\$ 1,187
		Sub-Total:	\$ 3,521
Budget and Finance	1.	Compensation Hawaiian Home Lands Trust Fund, Administratively Established	\$ --
	2.	Emergency and Budget Reserve Fund, Section 328L-3, HRS	\$ 5,778
	3.	Public Utilities Commission Special Fund, Section 269-33, HRS	\$ 1,000
	4.	Universal Service Fund, Section 269-42, HRS	\$ --
	5.	Workers' Compensation Benefits Facilitator Unit, Administratively Established	\$ --
		Sub-Total:	\$ 6,778
Business, Economic Development and Tourism	1.	Clean Hawaii Fund, Section 201-106, HRS	\$ 222
	2.	Convention Center Capital and Operations Special Fund, Section 206X-10.5, HRS	\$ --
	3.	Convention Center Capital and Operations Special Fund, Section 206X-10.5, HRS	\$ 4,138
	4.	Convention Center Capital Special Fund, Section 206X-10.5, HRS	\$ --
	5.	Convention Center Operations Special Fund, Section 206X-10.6, HRS	\$ --
	6.	Down Payment Loan Program Revolving Fund, Section 201G-325, HRS	\$ --
	7.	Hawaii Film Facility Special Fund, Section 201-15, HRS	\$ 97
	8.	Kalaeloa Community Development Revolving Fund, Section 206G-8, HRS	\$ 133
	9.	Tourism Special Fund, Section 201B-11, HRS	\$ 14,862
		Sub-Total:	\$ 19,452

			FY1999-00
Department* or Agency	No.	Fund Title	Ending Balance (in thousands)
Commerce and Consumer Affairs	1.	Captive Insurance Administrative Fund, Section 431:19-101.8, HRS	\$ 445
	2.	Compliance Resolution Fund - Business Registration, Section 26-9, HRS	\$ 24,172
	3.	Compliance Resolution Fund - Division of Consumer Advocacy Fund, Section 26-9, HRS	\$ 1,186
	4.	Compliance Resolution Fund - Financial Institution Examiners, Section 412:2-109, HRS	\$ 4,709
	5.	Compliance Resolution Fund - Office of Consumer Protection, Section 26-9, HRS	\$ 574
	6.	Compliance Resolution Fund - Professional & Vocational Licensing, Section 26-9, HRS	\$ 6,199
	7.	Compliance Resolution Fund - Regulated Industries Complaints Office, Section 26- 9, HRS	\$ 4,970
	8.	Hurricane Iniki Insurance Proceeds, Administratively Established	\$ --
	9.	Insurance Fraud Investigation Unit, Administratively Established	\$ --
	10.	Insurance Regulation Fund, Section 431:2-215, HRS	\$ 6,055
	11.	Motor Vehicle Insurance Administration Revolving Fund, Section 431:10C-115.5, HRS	\$ 42
	12.	Workers' Compensation Insurance Administration Special Fund, Act 234, SLH 1995	\$ 26
	Sub-Total:		\$ 48,378
Education	1.	Hawaii Teacher Standards Board Revolving Fund, Section 302A-806, HRS	\$ 1,120
	2.	Hurricane Iniki Insurance Proceeds Revolving Fund, Administratively Established	\$ --
	3.	Federal Revenue Maximization, Administratively Established	\$ 10
	4.	Library Fee for Enhanced Services Special Fund, Section 312.22, HRS	\$ 569
	Sub-Total:		\$ 1,699
Health	1.	Asbestos and Lead Abatement Special Fund, Section 342P-8, HRS	\$ --
	2.	Clean Air Special Fund, Section 342B-32, HRS	\$ 9,370
	3.	Collections Revolving Fund (HHSC), Not in State Treasury	\$ 20
	4.	Domestic Violence Prevention Special Fund, Section 321-1.3, HRS	\$ 326
	5.	Drinking Water Treatment Revolving Loan Fund, Section 340E-35, HRS	\$ 3,091
	6.	Drug Demand Reduction Assessments Special Fund, Act 205, SLH 1995	\$ 124
	7.	Early Intervention Special Fund, Section 321-355, HRS	\$ 2,299
	8.	Environmental Health Education Fund, Section 321-27, HRS	\$ 579
	9.	Environmental Management Special Fund, Section 342G-63, HRS	\$ 1,133
	10.	Hawaii Tobacco Settlement Special Fund, Section 328L-2, HRS	\$ 43,207
	11.	Health Systems Special Fund (HHSC), Section 323F-21, HRS	\$ 860
	12.	Hospital Operations Funds (HHSC), Not in State Treasury	\$ 1,111
	13.	Hurricane Iniki Insurance Proceeds, Administratively Established	\$ 4
	14.	Hurricane Iniki Storm Damages (HHSC), Administratively Established	\$ 40
	15.	Interagency Federal Revenue Maximization Revolving Funds, Administratively Established	\$ 12
	16.	Mental Health and Substance Abuse Special Fund, Section 334-15, HRS	\$ 7,496
	17.	Newborn Metabolic Screening Special Fund, Section 321-291, HRS	\$ 288
	18.	Noise, Radiation and Indoor Air Quality Special Fund, Section 342P-7, HRS	\$ 138
	19.	Salary/Fringe Benefits for Toxicologist, Administratively Established	\$ --
	20.	Vital Statistics Improvement Special Fund, Section 338-14.6, HRS	\$ 195
	21.	Wastewater Treatment Certification Board Special Fund, Section 340B-3.5, HRS	\$ 13
	Sub-Total:		\$ 70,306
Human Services	1.	Federal Maximization Revolving Fund, Administratively Established	\$ 335
	2.	Health Care Revolving Fund, Section 346E-15, HRS	\$ --
	3.	Hurricane Iniki Insurance Proceeds, Administratively Established	\$ --
	4.	Randolph-Sheppard Revolving Account, Section 347-12.5, HRS	\$ 413
	5.	Spouse and Child Abuse Special Account, Section 346-7.5, HRS	\$ 585
	Sub-Total:		\$ 1,333

			FY1999-00 Ending Balance (in thousands)
Department* or Agency	No.	Fund Title	
Labor and Industrial Relations	1.	Boiler and Elevator Safety Revolving Fund, Section 397-5.5, HRS	\$ 770
	2.	Employment and Training Special Fund, Section 383-128, HRS	\$ 4,895
	3.	Hoisting Machine Operators' Certification Revolving Fund, Section 396-20, HRS	\$ --
	4.	Hurricane Iniki Insurance Proceeds Revolving Fund, Administratively Established	\$ --
	5.	Martin Luther King Jr. Holiday Activities, Administratively Established	\$ --
	6.	Occupational Safety and Health Training and Assistance Fund, Section 396-4, HRS	\$ 512
		Sub-Total:	\$ 6,177
Land and Natural Resources	1.	Aina Ho'omalulu Special Fund, Section 184-32, HRS	\$ 1,952
	2.	Beach Restoration Special Fund, Section 171-156, HRS	\$ 68
	3.	Bureau of Conveyances Equipment Modernization Special Fund, Act 203, SLH 1997	\$ --
	4.	Bureau of Conveyances Special Fund, Section 502-8, HRS	\$ 2,204
	5.	Commercial Fisheries Special Fund, Act 220, SLH 1996	\$ 339
	6.	Conservation and Resources Enforcement, Administratively Established	\$ 81
	7.	Endangered Species Special Fund, Section 195D-31, HRS	\$ --
	8.	Forest Stewardship Fund, Section 195-4, HRS	\$ 409
	9.	Hawaii Historic Preservation Special Fund, Section 6E-16	\$ 66
	10.	Park Development and Operation, Administratively Established	\$ 31
	11.	Sport Fish Special Fund, Section 187-9.5, HRS	\$ 46
	12.	Trail and Access Program Fund, Administratively Established	\$ 214
	13.	Water Resources, Administratively Established	\$ 473
		Sub-Total:	\$ 5,883
Public Safety	1.	Controlled Substance Registration Revolving Fund, Section 329-59, HRS	\$ 484
	2.	Crime Victim Compensation Special Fund, Section 351-62.5, HRS	\$ 660
	3.	Hurricane Iniki Insurance Proceeds, Administratively Established	\$ --
		Sub-Total:	\$ 1,144
Taxation	1.	Hurricane Iniki Insurance Proceeds Revolving Fund Account, Administratively Established	\$ --
	2.	Integrated Tax Information Management Systems Special Fund, Section 231-3.2, HRS	\$ 1,015
		Sub-Total:	\$ 1,015
Transportation	1.	Transportation Improvement Special Fund, Section 264-19, HRS	\$ --
University of Hawaii	1.	Commercial Enterprises Revolving Fund, Section 304-8.41, HRS	\$ 161
	2.	Community College Conference Center Revolving Fund, Section 305-5, HRS	\$ 703
	3.	Conference Center Revolving Fund - UH Hilo, Section 304-8.945, HRS	\$ --
	4.	International Exchange Health Care Tourism Revolving Fund, Section 304-68.5, HRS	\$ --
	5.	University of Hawaii Alumni Revolving Fund, Section 304-8.97, HRS	\$ 41
	6.	University of Hawaii Auxiliary Enterprises Special Fund, Section 304-8.956, HRS	\$ 613
	7.	University of Hawaii Graduate Application Revolving Fund, Section 304-8.98, HRS	\$ 233
	8.	University of Hawaii at Hilo Hawaiian Language College Revolving Fund, Section 304-69, HRS	\$ 2
	9.	University of Hawaii-Hilo Theatre Revolving Fund, Section 304-8.946, HRS	\$ 34
	10.	University of Hawaii Housing Assistance Revolving Fund, Section 304-8.96, HRS	\$ 5,221
	11.	University of Hawaii at Manoa Laboratory School Summer Programs Revolving Fund, Section 304-27, HRS	\$ 98
	12.	University of Hawaii Real Property and Facilities Use Revolving Fund, Section 304-8.957, HRS	\$ 75
	13.	University of Hawaii Tuition and Fees Special Fund, Section 304-16.5, HRS	\$ 33,003

			FY1999-00 Ending Balance (in thousands)
Department* or Agency	No.	Fund Title	
	14.	University of Hawaii Workers' Compensation and Unemployment Insurance Compensation Revolving Fund, Section 304-8.86, HRS	\$ 29
	15.	University of Hawaii Workers' Compensation and Unemployment Insurance Compensation Special Fund, Section 304-8.85, HRS	\$ 210
	16.	Unrestricted Quasi-Endowment Income and Scholarship Revolving Fund, Section 304-8, HRS	\$ 125
		Sub-Total:	\$ 40,548
Judiciary	1.	Hurricane Iniki Insurance Proceeds, Administratively Established	\$ --
	2.	Indigent Legal Assistance Revolving Fund, Act 305, SLH 1996	\$ 479
	3.	Judiciary Computer System Special Fund, Section 601-3.7, HRS	\$ 2,445
	4.	Parent Education Special Fund, Section 607-5.6, HRS	\$ 79
	5.	Spouse and Child Abuse Special Account, Section 601-3.6, HRS	\$ 781
	6.	Supreme Court Law Library Revolving Fund, Section 601-3.5, HRS	\$ 28
		Sub-Total:	\$ 3,812
		Grand Total:	\$ 222,078

**No special or revolving funds were created in the Departments of Human Resources Development or Defense after July 1, 1990.*

Appendix B

Funds Created After July 1, 1990 That Do Not Meet All Criteria

	FY1999-00 Ending Balance (in thousands)
Department of Accounting and General Services	
1. Parking Control Revolving Fund Escrow Account, Administratively Established	\$ 37
Department of Agriculture	
1. Access Road Relocation, Molokai Designs Revolving Fund, Administratively Established	\$ --
2. Access Road Relocation, Molokai Plans Revolving Fund, Administratively Established	\$ --
3. Agribusiness Development Corporation Projects Emergency Appn Revolving Fund, Administratively Established	\$ --
4. Farm Loans for Economically Depressed Areas, Administratively Established	\$ 1,887
5. Hawaii Agricultural Development Revolving Fund, Section 163D-17, HRS	\$ 110
6. Hurricane Iniki Insurance Proceeds Special Fund, Administratively Established	\$ --
7. Irrigation Water Development Special Fund, Section 167-22.5, HRS	\$ --
8. Irrigation System Revolving Fund Emergency Appropriation, Administratively Established	\$ --
9. Microorganism Import Certification Revolving Fund, Section 150A-48, HRS	\$ --
Department of the Attorney General	
1. Medicaid Investigations Recovery Fund, Section 28-91.5, HRS	\$ 1,630
Department of Budget and Finance	
1. Emergency and Budget Reserve Fund, Section 328L-3, HRS	\$ 5,778
Department of Business, Economic Development and Tourism	
1. Clean Hawaii Fund, Section 201-106, HRS	\$ 222
2. Down Payment Loan Program Revolving Fund, Section 201G-325, HRS	\$ --
Department of Education	
1. Federal Revenue Maximization, Administratively Established	\$ 10
Department of Health	
1. Collections Revolving Fund (HHSC), Not in State Treasury	\$ 20
2. Hurricane Iniki Insurance Proceeds, Administratively Established	\$ 4
3. Hurricane Iniki Storm Damages (HHSC), Administratively Established	\$ 40
4. Interagency Federal Revenue Maximization Revolving Fund Accounts, Administratively Established	\$ 12
5. Mental Health and Substance Abuse Special Fund, Section 334-15, HRS	\$ 7,496
6. Salary/Fringe Benefits for Toxicologist, Administratively Established	\$ --
Department of Human Services	
1. Health Care Revolving Fund, Section 346E-15, HRS	\$ --
2. Federal Maximization Revolving Fund Account, Administratively Established	\$ 335
3. Randolph-Sheppard Revolving Account, Section 347-12.5, HRS	\$ 413
Department of Labor and Industrial Relations	
1. Hoisting Machine Operators' Certification Revolving Fund, Section 396-20, HRS	\$ --
2. Hurricane Iniki Insurance Proceeds Revolving Fund, Administratively Established	\$ --
Department of Land and Natural Resources	
1. Conservation and Resources Enforcement, Administratively Established	\$ 81
2. Endangered Species Special Fund, Section 195D-31, HRS	\$ --
3. Forest Stewardship Fund, Section 195-4, HRS	\$ 409
4. Park Development and Operation, Administratively Established	\$ 31
5. Trail and Access Program Fund, Administratively Established	\$ 214
6. Water Resources, Administratively Established	\$ 473

		FY1999-00
		Ending Balance
		(in thousands)
Department of Public Safety		
1. Controlled Substance Registration Revolving Fund, Section 329-59, HRS	\$	484
2. Crime Victim Compensation Special Fund, Section 351-62.5, HRS	\$	660
University of Hawaii		
1. Conference Center Revolving Fund - UH Hilo, Section 304-8.945, HRS	\$	--
2. International Exchange Health Care Tourism Revolving Fund, Section 304-68.5, HRS	\$	--
3. University of Hawaii Alumni Revolving Fund, Section 304-8.97, HRS	\$	41
4. University of Hawaii Auxiliary Enterprises Special Fund, Section 304-8.956, HRS	\$	<u>613</u>
	\$	<u>18,966</u>

Appendix C

Update of Special and Revolving Funds Created Prior to July 1, 1990 That Were Previously Reviewed

Department/ Agency	No.	Fund Title	Previous Recommendation	New or Modified Recommendation
Accounting and General Services	1.	Stadium Special Fund, Section 109-3, HRS	Continue.	N/A
	2.	State Educational Facilities Improvement Special Fund, Section 36-32, HRS	Repeal.	N/A
	3.	State Motor Pool Revolving Fund, Section 105-11, HRS	Continue.	Continue and transfer unneeded cash to the general fund.
	4.	State Parking Revolving Fund, Section 107-11, HRS	Continue.	N/A
	5.	State Risk Management Revolving Fund, Section 41D-4, HRS	Repeal and budget through the general fund.	N/A
	6.	Surplus Federal Property Revolving Fund, Section 103D-1107, HRS	Continue.	N/A
	7.	Works-of-Art Special Fund, Section 103-8.5, HRS	Repeal.	Repeal.
Agriculture	1.	Agriculture Loan Reserve Fund, Section 155-14, HRS	Continue.	Continue and transfer unneeded cash to the general fund.
	2.	Agriculture Loan Revolving Fund, Section 155-14, HRS	Continue.	Continue and transfer unneeded cash to the general fund.
	3.	Agriculture Park Special Fund, Section 166-10, HRS	Repeal and budget through the general fund.	N/A
	4.	Aquaculture Loan Reserve Fund, Section 219-4, HRS	Continue.	N/A
	5.	Aquaculture Loan Revolving Fund, Section 219-4, HRS	Continue.	N/A
	6.	Irrigation System Revolving Fund, Section 167-22, HRS	Repeal and budget through the general fund.	N/A
	7.	Marketing Order Revolving Fund, Section 147-101, HRS	Continue.	Repeal.
Attorney General	1.	Criminal Forfeiture Fund, Section 712A-16, HRS	Continue but allow to sunset and transfer balance to the general fund.	Repeal.
Business, Economic Development and Tourism	1.	Dwelling Unit Revolving Fund, Section 201G-411, HRS	Continue.	Continue and transfer unneeded cash to the general fund.
	2.	Fee Simple Residential Revolving Fund, Section 516-44, HRS	Continue.	N/A
	3.	Hawaii Development Revolving Fund, Section 201G-421, HRS	Continue but consider transferring unneeded cash to the general fund.	Continue.

<u>Department/ Agency</u>	<u>No.</u>	<u>Fund Title</u>	<u>Previous Recommendation</u>	<u>New or Modified Recommendation</u>
	4.	Homes Revolving Fund, Section 201G-401, HRS	Continue but consider transferring unneeded cash to the general fund.	Continue.
	5.	Housing Alteration Revolving Loan Fund, Section 201G-342, HRS	Continue.	Repeal.
	6.	Housing Finance Revolving Fund, Section 201G-170, HRS	Continue.	N/A
	7.	Rental Assistance Revolving Fund, Section 201G-223, HRS	Repeal and budget through the general fund.	N/A
	8.	Aloha Tower Fund, Section 206J-17, HRS	Repeal and budget through the general fund.	N/A
	9.	Foreign Trade Zones Special Fund, Section 212-9, HRS	Continue but consider transferring unneeded cash to the general fund.	Continue.
	10.	Hawaii Capital Loan Revolving Fund, Section 210-3, HRS	Continue.	N/A
	11.	Hawaii Community-Based Development Revolving Fund, Section 210D-4, HRS	Repeal and budget through the general fund.	N/A
	12.	Hawaii Innovation Development Fund, Section 211E-2, HRS	Continue.	Continue but transfer unneeded cash to the general fund.
	13.	Hawaii Strategic Development Corporation Revolving Fund, Section 211F-5, HRS	Continue.	Repeal.
	14.	High Technology Special Fund, Section 206M-15.5, HRS	Repeal and budget through the general fund.	N/A
	15.	Natural Energy Laboratory of Hawaii Authority Special Fund, Section 227D-5, HRS	Repeal and budget through the general fund.	N/A
	16.	Petroleum Products Control Revolving Fund, Section 125C-7, HRS	Repeal and budget through the general fund.	N/A
	17.	Public Facility Revenue Bond Special Fund, Section 206E-157, HRS	Continue.	N/A
	18.	Reserved Housing Loan Program Revenue Bond Special Fund, Section 206E-109, HRS	Repeal.	N/A
	19.	State Disaster Revolving Loan Fund, Section 209-34, HRS	Continue but consider transferring unneeded cash to the general fund.	N/A
	20.	Housing for Elders Revolving Fund, Section 201G-153, HRS	Continue.	N/A
	21.	Teachers' Housing Revolving Fund, Section 201G-142, HRS	Continue.	N/A
	22.	State Low Income Housing Revolving Fund, Section 201G-45, HRS	Continue.	N/A
	23.	Hawaii Community Development Revolving Fund, Section 206E-16, HRS	Continue.	N/A

Department/ Agency	No.	Fund Title	Previous Recommendation	New or Modified Recommendation
Commerce and Consumer Affairs	1.	Compliance Resolution Fund-Cable Television Fund, Section 26-9, HRS	Continue but consider reducing fees.	Continue but budget the INET through the general fund.
	2.	Compliance Resolution Fund, Section 26-9, HRS	Continue but consider changing the fee structure.	N/A
	3.	Business Registration-Expedited Review, Section 26-9, HRS	Continue but consider changing fee structure.	N/A
Education	1.	Adult Education Special Fund, Section 302A-435, HRS	Lapse balance to the general fund and budget through the general fund.	N/A
	2.	Driver Education Special Fund, Section 431:10C-115, HRS	Lapse balance to the general fund and budget through the general fund.	N/A
	3.	Lahainaluna Boarding School Special Fund, Section 302A-420, HRS	Continue.	N/A
	4.	Libraries Special Fund, Section 312-3.6, HRS	Continue but increase allocations to libraries.	Continue but spend down large fund balance.
	5.	School Special Fees Special Fund, Section 302A-1130, HRS	Continue but consider transferring unneeded cash to the general fund.	N/A
	6.	Special School Lunch Fund, Section 302A- 405, HRS	Repeal and budget through the general fund.	N/A
	7.	Special Summer School and Intercession Fund, Section 302A-1310, HRS	Continue.	Repeal.
	8.	Storeroom Revolving Fund, Section 302A-1304, HRS	Repeal and budget through the general fund.	N/A
	9.	Use of School Facilities Special Fund, Section 302A-1148, HRS	Continue.	N/A
	10.	Special Drivers Education Fund Account, Section 431:106-115, HRS	Lapse balance to the general fund and budget through the general fund.	N/A
Health	1.	Environmental Response Revolving Fund, Section 128D-2, HRS	Repeal and budget through the general fund.	N/A
	2.	Health Systems Special Fund (HHSC), Section 323F-21, HRS (2)	Repeal and budget through the general fund.	N/A
	3.	Water Pollution Control Revolving Fund, Section 342D-54, HRS	Continue.	N/A
	4.	Hawaii Registered Nurse Student Loan Fund, Section 321-25, HRS	Continue.	N/A (Fund was terminated on 7/1/00)
Human Services	1.	Blind Shop Revolving and Handicraft Fund, Section 347-12, HRS	Continue.	N/A
Human Resources Development	1.	In-Service Training Revolving Fund, Section 81-3, HRS	Repeal and budget through the general fund.	N/A

<u>Department/ Agency</u>	<u>No.</u>	<u>Fund Title</u>	<u>Previous Recommendation</u>	<u>New or Modified Recommendation</u>
Labor and Industrial Relations	1.	Special Compensation Fund, Section 386-151, HRS	Continue.	N/A
	2.	Special Fund for Disability Benefits, Section 392-61, HRS	Continue but transfer unneeded cash to the general fund.	N/A
	3.	Special Premium Supplementation Fund, Section 393-41, HRS	Repeal and budget through the general fund.	N/A
	4.	Special Unemployment Insurance Administration Fund, Section 383-127, HRS	Continue.	N/A
	5.	Unemployment Compensation Fund, Section 383-121, HRS	Continue.	N/A
Land and Natural Resources	1.	Boating Special Fund, Section 248-8, HRS	Continue.	N/A
	2.	Special Land and Development Fund, Section 171-19, HRS	Continue but transfer unneeded cash to the general fund.	Continue.
	3.	Wildlife Revolving Fund, Section 183D-10.5, HRS	Continue.	N/A
Public Safety	1.	Revolving Funds for Correctional Facility Stores, Section 353-31, HRS	Continue.	N/A
	2.	Correctional Industries Revolving Fund, Section 354D-10, HRS	Continue.	N/A
Taxation	1.	Tax Reserve Fund, Section 231-23, HRS	Continue.	N/A
Transportation	1.	Airport Revenue Fund, Section 248-8, HRS	Continue.	N/A
	2.	Harbor Special Fund, Section 266-19, HRS	Continue.	N/A
	3.	State Highway Fund, Section 248-8, HRS	Continue.	N/A
University of Hawaii	1.	Seed Distribution Program Revolving Fund, Section 304-77, HRS	Continue.	N/A
	2.	Research and Training Revolving Fund, Section 304-8.1, HRS	Repeal and budget through the general fund.	N/A
	3.	Student Health Center Revolving Fund, Section 304-8.2, HRS	Continue.	N/A
	4.	Transcript and Diploma Revolving Funds, Section 304-8.3, HRS	Continue.	N/A
	5.	Vocational and Technical Training Projects Revolving Funds, Section 304-8.4, HRS	Continue.	N/A
	6.	Animal Research Farm, Waialeale, Oahu Revolving Fund, Section 304-8.5, HRS	Continue.	Repeal.
	7.	University of Hawaii Student Activities Revolving Funds, Section 304-8.6, HRS	Continue.	N/A

<u>Department/ Agency</u>	<u>No.</u>	<u>Fund Title</u>	<u>Previous Recommendation</u>	<u>New or Modified Recommendation</u>
	8.	University of Hawaii at Manoa Intercollegiate Athletics Revolving Fund, Section 304-8.7, HRS	Repeal and budget through the general fund.	N/A
	9.	University of Hawaii at Hilo Intercollegiate Athletics Revolving Fund, Section 304-8.7, HRS	Repeal and budget through the general fund.	N/A
	10.	University of Hawaii at Manoa Malpractice Special fund, Section 304-8.8, HRS	Repeal and budget through the general fund.	N/A
	11.	Systemwide Information and Technology and Services Special Fund, Section 304-8.9, HRS	Continue but establish a sunset date for the fund.	Continue.
	12.	Child Care Programs Revolving Fund, Section 304-8.91, HRS	Repeal and budget through the general fund.	N/A
	13.	Discoveries and Inventions Revolving Fund, Section 304-8.92, HRS	Repeal and budget through the general fund.	Continue.
	14.	Library Special Fund, Section 304-8.93, HRS	Continue.	N/A
	15.	Conference Center Revolving Fund, Section 304-8.94, HRS	Continue.	N/A
	16.	Hawaii Opportunity Program in Education (HOPE) Endowment Special Fund, Section 304-8.95, HRS	Repeal and budget through the general fund.	N/A
	17.	Center for Labor Education and Research Revolving Fund, Section 304-37, HRS	Continue.	N/A
	18.	State Higher Education Loan Fund, Section 304-91, HRS	Continue.	N/A
	19.	Community Colleges Special Funds, Section 305-4, HRS	Continue.	N/A
	20.	University Revenue - Undertakings Fund, Section 306-10, HRS	Continue.	N/A
	21.	University Parking Revolving Fund, UH Community Colleges, Section 308-2, HRS	Continue.	N/A
	22.	University Parking Revolving Fund, UH Hilo, Section 308-2, HRS	Continue.	N/A
	23.	UH-Manoa Summer Session Special Fund and Community Services Special Fund, Section 304-16.5 and 8.955, HRS	Continue but transfer unneeded cash to the general fund.	Continue.
	24.	University of Hawaii at Manoa College of Continuing Education and Community Service Special Funds, Section 304-16.5 and 8.955, HRS	Continue.	N/A
	25.	University of Hawaii at Manoa Food Service Special Fund, Section 304-8.956, HRS	Continue.	N/A

<u>Department/ Agency</u>	<u>No.</u>	<u>Fund Title</u>	<u>Previous Recommendation</u>	<u>New or Modified Recommendation</u>
	26.	University of Hawaii at Manoa Theater Group Special Fund and Community Service Special Fund, Section 304-8 and 304-8.955, HRS	Continue.	N/A
	27.	UH-Manoa Campus Center for Student Development Special Fund, Section 304-8.956, HRS	Discontinue, lapse balance to the general fund, and budget through the general fund.	N/A
	28.	UH-Manoa Agricultural Diagnostic Services Special Fund, Section 304-8, HRS	Continue.	N/A
	29.	University of Hawaii Press Revolving Fund, Section 304-8, HRS	Continue but pay all costs through the general fund.	N/A
	30.	UH-Manoa Laboratory Animal Services Special Fund, Section 304-8.956, HRS	Discontinue, lapse balance to the general fund, and budget through the general fund.	N/A
	31.	UH-Manoa Campus Auxiliary Services Administration Special Fund, Section 304-8.956, HRS	Continue.	N/A
	32.	UH-Manoa Transportation Services Special Fund, Section 304-8.956, HRS	Continue.	N/A
	33.	University of Hawaii at Hilo Continuing Education and Community Services Special Funds, Section 304-8, HRS	Continue.	N/A
	34.	UH-Hilo Campus Food Service Special Fund, Section 304-8.956, HRS	Continue.	N/A
	35.	UH-Hilo Campus Auxiliary Services Special Fund, Section 304-8.956, HRS	Continue.	N/A
	36.	UH-West Oahu Campus Summer Session Special Fund, Section 304-8, HRS	Continue.	N/A
Judiciary	1.	Driver Education and Training Fund, Section 286G-2, HRS	Continue but transfer unneeded cash to the general fund.	N/A

Appendix D

Special and Revolving Funds That Have Been Repealed or Discontinued

Department/Agency	Funds Created After July 1, 1990	Funds Created Before July 1, 1990
Accounting and General Services	<p>Hawaiian Sovereignty Elections Council, Administratively Established</p> <p>State Motor Pool Revolving Fund Excess Cash, Administratively Established</p> <p>State Educational Facilities Improvement Special Fund Excess Cash, Administratively Established</p>	<p>Central Purchasing Revolving Fund, Section 106-15, HRS</p> <p>King Kamehameha Celebration Fund, Section 8-5, HRS</p> <p>Public Improvement Revolving Fund, Section 107-8, HRS</p> <p>State Parking Revolving Fund, Section 107-11, HRS</p> <p>State Surplus Property Revolving Fund, Section 106-23, HRS</p>
Agriculture	<p>Agricultural Loan Revolving Fund Excess Cash, Administratively Established</p> <p>Aquaculture Loan Revolving Fund Excess Cash, Administratively Established</p> <p>Implementation of Biological & Hydrolic Monitoring Program, Molokai Irrigation System, Administratively Established</p> <p>Farm Loans for Economically Depressed Areas, Administratively Established</p>	<p>Animal Industry Revolving Fund, Section 142-24, HRS</p> <p>Hawaii Agricultural Products Revolving Fund, Section 153-3, HRS</p>
Budget and Finance	<p>Workers' Compensation Benefits Facilitator Unit Fund, Administratively Established</p> <p>Compensation Hawaiian Homelands Trust Fund, Administratively Established</p>	<p>County Special Fund for Certification and Payment of County Contributions to the Pension and Retirement System, Section 88-126, HRS</p> <p>Hawaii Information Network Fund Special Fund, Section 206P-7, HRS</p> <p>State Telecommunications Site and Equipment Maintenance Revolving Fund, Section 106-16, HRS</p> <p>Veterans' Bond Fund, Section 364-9, HRS</p>
Business, Economic Development and Tourism	<p>Convention Center Capital and Operations Special Fund, Section 206X-10.5, HRS</p> <p>Convention Center Operations Special Fund, Section 206X-10.6X, HRS</p> <p>Convention Center Capital Special Fund, Section 206X-10.5, HRS</p> <p><i>Convention Center Capital and Operations Special Fund, Section 206X-10.5, HRS</i></p>	<p>Rental Housing Revolving Fund, Section 201E-208, HRS</p> <p>State Mortgage Guarantee Fund, Section 201E-160, HRS</p> <p>Commercial Loan Guarantee Reserve Fund, Section 211-4, HRS</p> <p>Financial Services Assistance Revolving Fund, Section 201C-3, HRS</p>

Department/Agency	Funds Created After July 1, 1990	Funds Created Before July 1, 1990
Business, Economic Development and Tourism		<p>Hawaii Large Fishing Vessel Purchase, Construction, Renovation, Maintenance, and Repair Loan Revolving Fund, Section 189-23, HRS</p> <p>Hawaii Small Fishing Vessel Purchase, Construction, Renovation, Maintenance, and Repair Loan Revolving Fund, Section 189-43, HRS</p> <p>High Technology Research and Development Revolving Fund, Section 206M-15, HRS</p> <p>Molokai Revolving Loan Program, Act 384, SLH 1988</p> <p>Special Fund for Out-of-State Offices, Section 201-85, HRS</p> <p>Waikiki Convention Center Development Revolving Fund, Section 206X-10, HRS</p>
Commerce and Consumer Affairs	<p>Motor Vehicle Insurance Administration Revolving Fund, Section 431:10C-115.5, HRS</p> <p>Workers' Compensation Insurance Administration Revolving Fund, Act 234, SLH 195</p> <p>Insurance Fraud Investigation Unit, Administratively Established</p> <p>Hurricane Iniki Insurance Proceeds, Administratively Established</p>	<p>Insurance Examiner's Revolving Fund, Section 431:2-307, HRS</p> <p>Public Broadcasting Revolving Fund, Section 314-13, HRS</p>
Education	Hurricane Iniki Insurance Proceeds Revolving Fund, Administratively Established	School Priority Fund, Section 296D-1, HRS
Health	None	<p>Epidemic Control Fund, Section 325-6, HRS</p> <p>Hawaii Registered Nurse Student Loan Fund, Section 321-25, HRS</p> <p>Revolving Fund for Group Homes for Recovering Substance Abusers, Section 334-14, HRS</p> <p>Revolving Fund for Home Health Services, Section 321-93, HRS</p> <p>Revolving Fund for Kalaupapa Store, Section 326-27, HRS</p> <p>Special Funds Established for Title XIX Funds Collected Under, Section 333F-17.5, HRS (2)</p>

Department/Agency	Funds Created After July 1, 1990	Funds Created Before July 1, 1990
Human Services	Hurricane Iniki Insurance Proceeds, Administratively Established	Revolving Fund for Workshop or Home Labor Purposes for Welfare Recipients, Section 346-9, HRS
Labor and Industrial Relations	Martin Luther King Jr. Holiday Activities, Administratively Established	
Land and Natural Resources	Bureau of Conveyances Equipment Modernization Special Fund, Act 203, SLH 1997	Development Revolving Fund, Section 306-41, HRS Industrial Park Special Fund, Section 171-138, HRS Land and Water Development Revolving Fund, Section 174-22, HRS Special Fund for Strip Mining Bond or Deposit Moneys Forfeited, Section 181-10, HRS Special Funds for Soil and Water Conservation Districts, Section 180-17, HRS
Public Safety	Hurricane Iniki Insurance Proceeds, Administratively Established	None
Taxation	Hurricane Iniki Insurance Proceeds Revolving Fund Account, Administratively Established	None
Transportation	None	Highway Advance Acquisition Revolving Fund, Section 264-15, HRS Special Fund for Deposit of Gross Revenues Derived from the Operation of the Ferry System, Section 268-6, HRS
University of Hawaii	None	Laboratory School Cafeteria Special Fund, Sections 304-25 and 304-8, HRS Algal Mass Culture Facility, Snug Harbor, Oahu, Revolving Fund, Section 304-44.5, HRS UH-Manoa Campus Instructional Resource Center Special Fund, Section 304-8, HRS UH-Manoa Campus Health Instructional Resource Unit Special Fund, Section 304-8, HRS Systemwide Rental of University of Hawaii Property Revolving Fund, Section 304-8, HRS UH-Manoa Campus Intramural Sports Revolving Fund (no approval found)
Judiciary	Hurricane Iniki Insurance Proceeds, Administratively Established	Supreme Court Law Library Special Fund, Section 601-3.5, HRS

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Responses of the Affected Agencies

Comments on Agency Responses

We transmitted a draft of this report to the Department of Budget and Finance and the Department of Accounting and General Services on May 31, 2001. Appropriate portions of the report draft were transmitted to the Judiciary on June 6, 2001. A copy of the transmittal letter to the Department of Budget and Finance is included as Attachment 1. The collective response of the executive agencies is included as Attachment 2. Each executive agency also provided individual responses; however, the responses, due to their length, have not been included as attachments to the report but are on file at our office. The Judiciary's response is included as Attachment 3.

In the collective response prepared by the Department of Budget and Finance, the executive agencies reported that they did not concur with a majority of our recommendations to repeal or discontinue certain funds, or to lapse a portion of the excessive cash balances of other funds. The only two funds that the affected agencies agreed should be terminated are the Revolving Fund For In-Service Training Programs and Activities and the Irrigation Water Development Special Fund.

Although the executive agencies did not entirely concur with our recommended amendment to the statutory definition of special and revolving funds, they did agree that the present definitions as stated in Section 37-62, HRS, may need to be revised. The executive agencies also agreed that Section 23-11, HRS, should be amended to include a requirement that proposals to establish special or revolving funds be supported by evidence of need. Finally, the agencies concurred with our recommendation that the Legislature explore methods to strengthen oversight of non-general funds to the extent that these methods do not conflict with the governor's abilities to carry out constitutional and statutory responsibilities.

In a separate response, the Judiciary respectfully disagreed with our recommendation to lapse a portion of one of its special funds to the general fund. The Judiciary also noted that it is open to exploring a revised financing mechanism to ensure adequate funding for its Judiciary Information Management System.

Finally, we added financial and descriptive information of one fund, the Hawaii Community Development Revolving Fund, to Chapter 7 (Department of Business, Economic Development and Tourism) and made related changes to other portions of the report. Several minor changes were also made to the draft report for purposes of accuracy and clarity.

ATTACHMENT 1

STATE OF HAWAII
OFFICE OF THE AUDITOR

465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917



MARION M. HIGA
State Auditor

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

May 31, 2001

COPY

The Honorable Neal Miyahira
Director of Finance
Department of Budget and Finance
250 South Hotel Street, Third Floor
Honolulu, Hawaii 96813

Dear Mr. Miyahira:

Enclosed for your information are three copies, numbered 6 to 8 of our draft report, *Update of the 1992 Summary of Special and Revolving Funds*. We ask that you telephone us by Monday, June 4, 2001, on whether or not you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit them no later than Friday, June 15, 2001.

The Department of Accounting and General Services, Governor, and presiding officers of the two houses of the Legislature have also been provided copies of this draft report.

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

Sincerely,

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

Marion M. Higa^{fr}
State Auditor

Enclosures

BENJAMIN J. CAYETANO
GOVERNOR



ATTACHMENT 2

NEAL MIYAHIRA
DIRECTOR

STANLEY SHIRAKI
ACTING DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII PUBLIC EMPLOYEES HEALTH FUND
OFFICE OF THE PUBLIC DEFENDER
PUBLIC UTILITIES COMMISSION

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

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

June 19, 2001

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

RECEIVED
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OFC. OF THE AUDITOR
STATE OF HAWAII

Dear Ms. Higa:

Thank you for the opportunity to review the draft report prepared by your office entitled Update of the 1992 Summary of Special and Revolving Funds. Appropriate portions of the draft report were referred to the Departments of Accounting and General Services, Agriculture, Attorney General, Business, Economic Development and Tourism, Commerce and Consumer Affairs, Education, Health, Human Services, Human Resources Development, Labor and Industrial Relations, Land and Natural Resources, Public Safety, Transportation, and Taxation as well as the University of Hawaii for their review and response. The following comments reflect the collective responses of the affected departments/agencies to recommendations proposed by the Auditor.

Recommendation 1: Repealing or discontinuing the 38 special and revolving funds created after July 1, 1990 that do not meet established criteria.

Response:

The departments did not concur with all of the recommendations. The attached summary generally provides departments' comments where they 1) disagree with the proposed repeal or 2) agree with the proposed repeal but had comments. If no comments are provided, the departments agreed with the auditor's recommendation.

Recommendation 2: Repealing or discontinuing the 31 special and revolving funds created prior to July 1, 1990 that do not meet established criteria.

Response:

See response to Recommendation 1.

Recommendation 3: Transferring a portion of the excessive cash balances of 12 various special and revolving funds to the general fund.

Response:

See response to Recommendation 1.

Recommendation 4: Implementing the recommendations set forth in Report 92-14 including:

- a. Amending Section 37-62, HRS, to define special and revolving funds as funds used only when these means of financing are essential to the successful operation of a program and when there is a clear link between the program and the sources of revenue dedicated to its support;

Response:

We do not concur. While the present definitions of special and revolving funds as stated in Section 37-62, HRS, may need to be revised, we do not believe that the amendment proposed by the Auditor adequately clarifies the differences between special and revolving funds.

- b Amending Section 23-11, HRS, to include a requirement that proposals to establish special or revolving funds be supported by evidence of need.

Response:

We concur; although criteria in Section 23-11(1), HRS (“serves the purpose for which it is being created . . .”) already assumes description of need.

Recommendation 5: Exploring the options set forth in Report 01-14 to strengthen legislative oversight of non-general funds.

Response:

We concur to the extent that measures taken by the Legislature do not conflict with the Governor’s abilities to carry out constitutional and statutory responsibilities.

Recommendation 6: Assessing the possibility of implementing similar actions that other State Legislatures have taken to strengthen non-general fund oversight.

Response:

See response for Recommendation 5.

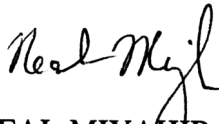
We have attached the following:

Exhibit 1 summarizes the departments' comments on the recommendations in your report.

2. Exhibit 2 is a copy of each department's response.

Should you have any questions, please contact this office.

Aloha,

A handwritten signature in black ink, appearing to read "Neal Miyahira".

NEAL MIYAHIRA
Director of Finance

Enclosures



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

Michael F. Broderick

ADMINISTRATIVE DIRECTOR

Clyde W. Namu'o

DEPUTY ADMINISTRATIVE DIRECTOR

June 15, 2001

RECEIVED

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OFFICE OF THE AUDITOR
STATE OF HAWAII

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

Dear Ms. Higa:

Thank you for the opportunity to review and comment on your draft report, Update of the 1992 Summary of Special and Revolving Funds.

We appreciate your effort to review and determine whether any of our special and revolving funds should be continued, modified, or repealed. We are pleased that your review concluded that all of our special and revolving funds continue to serve the purposes for which they were created, and that no fund should be repealed.

With regard to our Computer System Special Fund, we are open to exploring with the Legislature a revised financing mechanism to augment current sources of funding to ensure adequate funds for our Judicial Information Management System.

With regard to our Driver Education and Training Fund, we respectfully disagree that there is unneeded cash that can be transferred to the general fund. As we previously reported to the Legislature and your staff: (1) revenues are expected to decrease to approximately \$1.6 to \$1.7 million annually due to a decline in the number of traffic citations being issued; and (2) expenditure amounts approved by the Legislature will significantly increase to over \$2.3 million in FY 2002 and \$2 million in FY 2003 due to relocation of most of our offices to commercial office space and implementation of a statewide driver education computer network, both of which are part of the Judiciary's ongoing restructuring and streamlining effort. These conditions will cause us to rely on existing cash balances to support the fund in these years. Consequently, transferring the suggested amount of cash could result in the same conditions that occurred after a similar such transfer in 1993, that is, insolvency of this special fund and a need to support this fund for the following three years with general funds appropriated from the District Court.

Thank you again for the opportunity to review and comment on the draft report.

Very truly yours,

A handwritten signature in black ink, appearing to read "Michael F. Broderick".

Michael F. Broderick
Administrative Director of the Courts