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

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

Report No. 03-13  
October 2003



**THE AUDITOR**  
STATE OF HAWAII

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## Office of the Auditor

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

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

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

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



### THE AUDITOR

STATE OF HAWAII

Kekuanao'a Building  
465 S. King Street, Room 500  
Honolulu, Hawaii 96813

# OVERVIEW

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

Report No. 03-13, October 2003

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### **Summary**

Section 23-12, Hawaii Revised Statutes (HRS), requires the State Auditor to review all existing revolving and trust funds every five years. The review is to include a five-year financial summary, an evaluation of the original intent and purpose of each fund or account, and the degree to which each fund or account achieves its stated and claimed purpose. These reviews are scheduled so that the funds and accounts administered by each state department will be reviewed once every five years. This is our third review of the revolving funds, trust funds, and trust accounts of the departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources.

*Revolving funds* are often established with an appropriation of seed money from the general fund. Revolving funds must demonstrate the capacity to be self-sustaining. Activities commonly financed through revolving funds include loan programs that are initially established with general fund seed moneys and then replenished through the repayment of loans. *Trust funds* invoke a fiduciary responsibility of state government to care for and use assets held for those who will benefit from the trust fund. A pension fund is an example of a trust fund. *Trust accounts* are typically separate holding or clearing accounts for state agencies. A trust account is often used as an accounting device to credit or charge agencies or projects for payroll or other costs.

We reviewed a total of 74 funds and accounts: 22 revolving funds, 23 trust funds, and 29 trust accounts. We used criteria established by the Legislature and developed by our office from a review of public finance literature. The revolving funds, trust funds, and trust accounts must continue to serve the purpose for which they were originally created and not require continuing general fund appropriations. In addition, revolving funds must reflect a clear link between the benefit sought and charges made upon the users or beneficiaries of the program, and be an appropriate financing mechanism for the program or operation. A trust fund must also provide benefits or services for its intended beneficiaries and meet the statutory definition of a trust fund. For each fund or account reviewed, we present a five-year financial summary, the purpose of the fund or account, and conclusions about its use. We do not include any conclusions about the effectiveness of the program, its management, or whether the program should be continued. We did not audit the agencies' financial data.



## Responses

We transmitted a draft of this review to the departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources. We received written responses from the Department of Agriculture and the Department of Budget and Finance. The Department of Accounting and General Services and the Department of Land and Natural Resources agreed with our review of their funds, and declined to submit a written response.

The Department of Agriculture noted that the Waiahole Water System Revolving Fund, Section 163D-15.5, HRS, is self-sustaining, a term we have added to the report.

The Department of Budget and Finance agreed with our review of its funds.

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**Marion M. Higa**  
**State Auditor**  
**State of Hawaii**

Office of the Auditor  
465 South King Street, Room 500  
Honolulu, Hawaii 96813  
(808) 587-0800  
FAX (808) 587-0830

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Submitted by

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STATE OF HAWAII

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## Foreword

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

Section 23-12, Hawaii Revised Statutes, requires that the State Auditor review all existing revolving and trust funds every five years. These reviews are scheduled so that the funds and accounts administered by each state department will be reviewed once every five years. This is our third such review of the subject funds of these four departments.

We wish to acknowledge the cooperation extended to us by the officials and staff of the respective departments.

Marion M. Higa  
State Auditor

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# Chapter 1

## Introduction

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This is a report of our review of revolving funds, trust funds, and trust accounts of the Department of Accounting and General Services, Department of Agriculture, Department of Budget and Finance, and Department of Land and Natural Resources. Section 23-12, Hawaii Revised Statutes (HRS), requires the State Auditor to submit a review of each revolving or trust fund every five years. These reviews are scheduled so that the funds administered by each state department will be reviewed once every five years. This is our third review of the revolving and trust funds of these four departments. The first report, conducted in 1993 (Report No. 94-4), reviewed 57 revolving funds, trust funds, and trust accounts. The second reviewed 78 such funds and accounts (Report No. 99-6, conducted in 1998). In this report, we review a total of 74 revolving funds, trust funds, and trust accounts.

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## Background

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

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

In July 2001, we updated our 1992 review of special and revolving funds and presented our results in Report No. 01-12. We found that 71 special and revolving funds had been repealed or discontinued. However, a majority (106 of 166) of the funds previously reviewed were still in existence as of July 1, 1999.

Section 23-12, HRS, expands the concept of Act 240, SLH 1990, by requiring our office to review each revolving or trust fund at least once every five years. The section specifies that reviews must include, but are not limited to:



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

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

### ***Revolving Funds***

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

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

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

### ***Trust Funds***

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

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

Trust funds invoke a fiduciary responsibility of state government to care for and use assets held for those who will benefit from the funds. A pension fund is one example of a trust fund. Contributions and payments into the fund are held for beneficiaries of the pension fund. Another example of trust funds are tenants' security deposits, which are held in trust for the future benefit of tenants and landlords. Until forfeited or returned, deposits are the property of tenants and should be accounted for accordingly.

### ***Trust Accounts***

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

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

The criteria we used to review revolving funds are similar to those used in previous reviews. Specifically, they are the extent to which each fund:

- Continues to serve the purpose for which it was originally created;
- Reflects a clear link between benefits sought and charges made upon users or beneficiaries of the program, as opposed to serving primarily as a means to provide the program or users with an automatic means of support that is removed from the normal budget and appropriations process;
- Demonstrates the capacity to be financially self-sustaining; and
- Is an appropriate financing mechanism for the program or operation.

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

The criteria we used to review trust funds are the extent to which each fund:

- Continues to serve the purpose for which it was originally created;
- Provides the benefits or services originally intended to its beneficiaries;

- Does not require general fund appropriations; and
- Meets the definition of a trust fund.

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

Similar criteria are used for the review of trust accounts. These are the extent to which each account:

- Continues to serve the purpose for which it was originally created; and
- Does not require general fund appropriations.

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

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## Objectives of the Review

1. Identify and review all revolving funds, trust funds, and trust accounts of the departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources.
2. For each revolving fund, trust fund, and trust account, determine the original intent and purpose of the fund or account, both pursuant to statute and as understood by the agency, and determine the degree to which the fund or account achieves its stated and claimed purposes.
3. Evaluate fund performance standards as established by agencies, where applicable.
4. Provide a five-year (FY1999-FY2003), unaudited financial summary for each fund or account reviewed.

## Scope and Methodology

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

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

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

We also noted that ending balances for FY1997-98 shown in our Report No. 99-6's financial summaries were estimates provided by the departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources; they may not correspond to beginning balances for FY1998-99 presented in this report's financial summaries. Transfers are reported as a net amount for each respective year.

Our work was conducted from March 2003 through August 2003 according to generally accepted government auditing standards. However, we did not audit the agencies' financial data and it is provided for informational purposes only.

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# Chapter 2

## Department of Accounting and General Services

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This chapter presents the results of our review of seven revolving funds, four trust funds, and 13 trust accounts used by the Department of Accounting and General Services. For each fund or account, we present a five-year financial summary, the purpose of the fund or account, and conclusions about its use. We do not present any conclusions about the program’s effectiveness, its management, or whether the program should be continued. In alphabetical order, we present first those funds established by statutory authority followed by those accounts established under administrative authority.

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### Funds Established Under Statutory Authority

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

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$5	\$4	\$4	\$4	\$4
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(1)	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$4	\$4	\$4	\$4	\$4
Encumbrances	0	0	0	0	0

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

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

The fund does not receive any general fund appropriations. Primary sources of revenue include proceeds from the sale of the publication, "Official Publications of the Territory of Hawaii," and cash gifts to the State Archives. The fund continues to serve the purpose for which it was created and to benefit the State Archives. Moneys are being used to purchase materials for the State Archives' library and special collections, and to preserve and facilitate access to those collections. This fund meets the criteria of a trust fund.

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

Financial Data for Fiscal Years 1999-2002 (in thousands)

	FY1999	FY2000	FY2001	FY2002
Beginning Fund Balance	\$8,534	\$4,373	\$5,892	\$38
Revenues	5,695	2,187	0	0
Interest	280	171	224	0
Expenditures	(10,136)	(839)	(6,078)	(38)
Transfers	0	0	0	0
Ending Fund Balance	\$4,373	\$5,892	\$38	\$0
Encumbrances	0	366	0	0

This fund was created through Act 11 of the 1995 special session of the Legislature. The purpose of that act 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 were to be deposited into this fund. Collections were to be transferred to departments claiming reimbursement, the general fund, and contract consultants assisting the State in pursuing additional claims. Act 160, SLH 1999, repealed the June 30, 1999 termination date for this fund; nevertheless, as of June 30, 2001, the fund was terminated. Remaining funds were transferred to the general fund.

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

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$117	\$181	\$145	\$150	\$68
Revenues	202	116	87	29	54
Interest	0	5	7	4	2
Expenditures	(138)	(157)	(89)	(115)	(64)
Transfers	0	0	0	0	0
Ending Fund Balance	\$181	\$145	\$150	\$68	\$60
Encumbrances	1	0	11	0	1

This account was established in 1939 to support the King Kamehameha Celebration Commission. The commission consists of thirteen members appointed by the governor who serve without compensation. The commission is charged with coordinating King Kamehameha Day celebration activities every June 11. Celebration events include the King Kamehameha Celebration Floral Parade, King Kamehameha Hula Competition, King Kamehameha Ho'olaule'a, King Kamehameha statue decorating ceremony, Folklife Festival, and the King Kamehameha street party on Molokai. The account was established to account for moneys appropriated by the Legislature, donations, and moneys raised by the commission to defray administrative costs of coordinating King Kamehameha Day celebration activities. The account continues to serve this purpose and does not receive any general fund appropriations.

### Non-presentment of Warrants and Checks Trust Fund, Section 40-68, HRS

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$500	\$500	\$500	\$500	\$500
Revenues	202	108	73	223	81
Interest	0	0	0	0	0
Expenditures	(202)	(108)	(73)	(223)	(81)
Transfers	0	0	0	0	0
Ending Fund Balance	\$500	\$500	\$500	\$500	\$500
Encumbrances	0	0	0	0	0

This fund was created in 1994 to hold moneys from escheated state warrants and checks. Payees of state warrants and checks have one fiscal year in which to cash their warrants and checks. The fund continues to hold money for payment of warrants and checks not cashed within that



period, and does not require any general fund appropriations. The fund also meets the definition of a trust fund. Payees of uncashed warrants and checks have a vested beneficial interest in the fund and have four years to claim the amounts owed to them.

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

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$1,006	\$1,248	\$1,451	\$1,873	\$1,891
Revenues	2,279	1,912	2,226	1,767	2,351
Interest	0	55	111	80	75
Expenditures	(2,037)	(1,764)	(1,915)	(1,829)	(2,017)
Transfers	0	0	0	0	0
Ending Fund Balance	\$1,248	\$1,451	\$1,873	\$1,891	\$2,300
Encumbrances	15	18	152	45	13

This fund was established in 1996 to defray costs involved in carrying out construction projects and managing funds for accumulated vacation and sick leave credits and retirement benefits for non-general funded employees in the construction program. The fund is used to collect and distribute costs of other current expenses associated with capital improvement, repairs, maintenance, alterations, and to manage payments related to transportation costs for projects. The fund also maintains two sub-accounts: for motor vehicle rental and car mileage reimbursements; and for supplies, services, and equipment for capital improvement projects. There is a clear link between program benefits and charges made to project funds. Projects that are managed by the department replenish the fund through assessments made to the projects' funds in accordance with law. This fund is self-sustaining, and an appropriate financing mechanism for the program. It meets all four criteria of a revolving fund.

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

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$169	\$195	\$185	\$206	\$218
Revenues	6,605	5,197	3,545	3,464	2,830
Interest	0	0	0	0	0
Expenditures	(6,579)	(5,207)	(3,524)	(3,452)	(2,884)
Transfers	0	0	0	0	0
Ending Fund Balance	\$195	\$185	\$206	\$218	\$164
Encumbrances	0	0	0	0	0

Established in 1978, this account holds all receipts collected by the Stadium Authority from the sale of admission tickets for events held at Aloha Stadium as well as deposits of charges for the use of the stadium. Revenues in FY1998-99 were the highest during the five-year review period due to the hosting of two major concerts. Disbursements from the account are restricted to payments to stadium licensees in connection with the settlement of accounts, refund of deposits, and payments to the Stadium Special Fund for amounts due to the Stadium Authority. The account continues to meet its original purpose and does not require any general fund appropriations.

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

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$1,501	\$1,697	\$2,156	\$2,764	\$2,910
Revenues	1,400	1,481	1,536	2,028	1,994
Interest	0	86	144	109	89
Expenditures	(1,217)	(1,112)	(1,072)	(1,991)	(2,440)
Transfers*	13	4	0	0	(14)
Ending Fund Balance	\$1,697	\$2,156	\$2,764	\$2,910	\$2,539
Encumbrances	112	54	47	99	146

\*Transfers were made to correct prior year's revenue and expenditure posting errors.

This fund was established in 1963 to finance expenses of the State's motor pool, which include the acquisition, operation, repair, maintenance, storage, and disposal of state vehicles. The fund continues to serve the purpose for which it was created. There is a clear link between the benefit sought and charges made upon users. State agencies

are assessed fees for motor pool rentals and repair services, which are deposited into the fund. This fund does not require any general fund appropriations and is self-sustaining.

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

Financial Data for Fiscal Years 1999-2003 (in thousands)

	<b>FY1999</b>	<b>FY2000</b>	<b>FY2001</b>	<b>FY2002</b>	<b>FY2003</b>
Beginning Fund Balance	\$2,385	\$2,319	\$3,511	\$4,559	\$5,537
Revenues	3,072	3,597	3,421	3,418	3,676
Interest	41	105	243	202	115
Expenditures	(2,934)	(2,466)	(2,386)	(2,534)	(5,626)
Transfers*	(245)	(44)	(230)	(108)	(140)
Ending Fund Balance	\$2,319	\$3,511	\$4,559	\$5,537	\$3,562
Encumbrances	174	143	60	193	291

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

This fund was established in 1963 to finance the cost of paving parking areas, purchasing and installing parking meters, and operating parking facilities on state land within the comptroller’s jurisdiction. In 1993, the fund was merged with the State Parking Control Fund. This fund continues to serve the purpose for which it was created. A clear link exists between the benefits sought and the charges made upon users. Those who use state parking areas either pay parking meters or monthly fees, which are 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 Years 1999-2003 (in thousands)

	<b>FY1999</b>	<b>FY2000</b>	<b>FY2001</b>	<b>FY2002</b>	<b>FY2003</b>
Beginning Fund Balance	\$10,822	\$10,170	\$11,141	\$4,646	\$6,870
Revenues	7,111	4,420	6,987	7,857	9,111
Interest	0	392	395	356	405
Expenditures	(5,952)	(3,841)	(13,797)	(5,714)	(8,354)
Transfers*	(1,811)	0	(80)	(275)	(368)
Ending Fund Balance	\$10,170	\$11,141	\$4,646	\$6,870	\$7,664
Encumbrances	6,171	8,623	1,200	797	733

\*Funds are transferred to the Public Works Division for the restoration of state facilities damaged or destroyed by fire and other casualties.

This fund was established in 1988 to receive appropriations from the Legislature, assessments and apportionments made to state agencies, insurance settlements, interest from investments, and restitution from claims. Moneys from the fund may be expended to purchase casualty insurance, property insurance, and excess insurance; acquire risk management, investigative, claims adjustment, actuarial, and other services; pay claims to state agencies for losses to state property caused by fire or other casualties; pay claims against the State; or to 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. Effective FY2000-01, the program has obtained its funding through a cost allocation system to purchase statewide insurance policies and to pay for self-insured losses. The fund is currently self-sustaining. However, prior to the implementation of the cost allocation system, the fund did receive general funds.

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

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$225	\$248	\$291	\$241	\$273
Revenues	235	295	437	964	921
Interest	6	10	16	10	10
Expenditures	(218)	(262)	(503)	(942)	(988)
Transfers	0	0	0	0	0
Ending Fund Balance	\$248	\$291	\$241	\$273	\$216
Encumbrances	15	0	0	1	1

This fund was established in 1981 to defray the cost 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 federal programs. The fund covers payroll expenses for both the federal and state surplus property programs; the State reimburses the fund for its share of operating costs. The fund continues to serve the purpose for which it was created. There is a clear link between benefits sought and charges made upon users. Those who purchase federal surplus properties are assessed a handling fee for their disposition. The fund is self-sustaining and meets all the criteria of a revolving fund.

## Accounts Established Under Administrative Authority

### Central Payroll Clearance

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$51	\$25	\$45	\$11	\$9
Revenues	1,919,034	2,102,590	1,992,755	2,210,368	2,381,610
Interest	0	0	0	0	0
Expenditures	(1,919,060)	(2,102,570)	(1,992,789)	(2,210,370)	(2,381,505)
Transfers	0	0	0	0	0
Ending Fund Balance	\$25	\$45	\$11	\$9	\$114
Encumbrances	0	0	0	0	0

This account is used as a clearing account to ensure that State payroll expenditures have been properly reimbursed from funds held both outside and within the state treasury. The account continues to clear semi-monthly payroll amounts and receives reimbursements for salary overpayments. The account does not require any general fund appropriations.

### Employees Sequestered Funds

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$52	\$23	\$29	\$32	\$30
Revenues	74	72	40	64	53
Interest	0	0	0	0	0
Expenditures	(103)	(66)	(37)	(66)	(58)
Transfers	0	0	0	0	0
Ending Fund Balance	\$23	\$29	\$32	\$30	\$25
Encumbrances	0	0	0	0	0

This account was created to hold funds sequestered from the payrolls of state employees and continues to accumulate court-ordered garnishment amounts until disbursed to designated payees. The account does not require any general fund appropriations.

**Hawaii FYI - ICSD**

Financial Data for Fiscal Years 1999-2003 (in thousands)

	<b>FY1999</b>	<b>FY2000</b>	<b>FY2001</b>	<b>FY2002</b>	<b>FY2003</b>
Beginning Fund Balance	\$15	\$15	\$15	\$15	\$15
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	\$15	\$15	\$15	\$15	\$15
Encumbrances	0	0	0	0	0

This account was administratively established in 1996 to account for a Ford Foundation grant made to the Information Resource Management Branch of the Information and Communication Services Division (ICSD). The general purpose of the grant was to expand and improve public access to government information via the Hawaii FYI Network. At least 80 percent of the grant must be used for dissemination and replication activities, including public outreach and educational events. The Hawaii FYI program has been terminated, and the division is working with the granting agency to determine the most appropriate use for the funds. The division intends to use the funds for other educational and informational purposes. The account does not require any general fund appropriations.

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

Financial Data for Fiscal Years 1999-2003 (in thousands)

	<b>FY1999</b>	<b>FY2000</b>	<b>FY2001</b>	<b>FY2002</b>	<b>FY2003</b>
Beginning Fund Balance	\$186	\$170	\$167	\$160	\$145
Revenues	3,744	3,540	3,049	2,873	2,699
Interest	0	0	0	0	0
Expenditures	(3,760)	(3,543)	(3,056)	(2,888)	(2,705)
Transfers	0	0	0	0	0
Ending Fund Balance	\$170	\$167	\$160	\$145	\$139
Encumbrances	0	0	0	0	0

This account was established to accumulate state employees' semi-monthly payroll deductions for U.S. Savings Bonds. Accumulated funds are transmitted to the Bureau of the Public Debt in the U.S. Department of the Treasury for bond issuance whenever withheld balances have reached the purchase price of designated savings bonds. This account is self-sustaining and meets the criteria of a trust account.

### Parking Control Revolving Fund Escrow Account

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$13	\$32	\$37	\$37	\$57
Revenues	0	0	0	20	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	(20)
Transfers*	19	5	0	0	0
Ending Fund Balance	\$32	\$37	\$37	\$57	\$37
Encumbrances	0	0	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 transferred to the Office of Hawaiian Affairs. In 1999, revenues from parking lots on ceded lands were deposited directly to the Office of Hawaiian Affairs. Our 2001 Update of 1992 Summary of Special and Revolving Funds (Report No. 01-12) recommended transferring the fund balance to the Office of Hawaiian Affairs and closing the account. However, several changes have occurred over the past five years. First, the account reverted to serving as a holding account in FY1998-99 and FY1999-2000. Then in FY2000-01, funds were transferred directly to the Office of Hawaiian Affairs, and the account became inactive. Currently, the account acts as a pass-through account for revenues from parking lots on ceded lands, and again serves its original purpose.

### Payroll Clearance, Public Works

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(5,432)	(5,901)	(5,356)	(5,772)	(6,740)
Transfers*	5,432	5,901	5,356	5,772	6,740
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	0	0	0	0	0

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

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

### State Foundation on Culture and the Arts

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$17	\$35	\$37	\$38	\$50
Revenues	151	3	1	14	48
Interest	0	0	0	0	0
Expenditures	(133)	(1)	0	(2)	(35)
Transfers	0	0	0	0	0
Ending Fund Balance	\$35	\$37	\$38	\$50	\$63
Encumbrances	0	0	0	8	1

This account was administratively established in 1984 to account for all private donations made to the State Foundation on Culture and the Arts. The account continues to meet this purpose. Private donations are held in trust for nonprofit organizations and artists who are either specified as beneficiaries of the funds or who meet the purpose established by the donor. Private donations also support various programs and activities of the State Foundation on Culture and the Arts and the Hawaii State Art Museum. Current sources of revenue for the account include proceeds from the sale of agency publications and recordings. Past donations have financed cultural education and support for museums and the arts. This account does not require any general fund appropriations and meets the criteria of a trust account.

### Swap Meet Operations

Financial Data for Fiscal Years 2000-2003 (in thousands)

	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$0	\$65	\$69	\$73
Revenues	500	676	648	646
Interest	0	0	0	0
Expenditures	(435)	(672)	(644)	(653)
Transfers	0	0	0	0
Ending Fund Balance	\$65	\$69	\$73	\$66
Encumbrances	0	0	0	0



This account was administratively established in 1999 as a temporary holding account for swap meet admission fees at Aloha Stadium. Funds are held in this account until contractually mandated disbursements can be made to contractors and the Stadium Authority. Due to structural changes in new bid specifications, this fund no longer serves the purpose for which it was created, and the department anticipates closing the account on September 30, 2003. This account did not require any general fund appropriations.

**Temporary Deposits - Administrative Services Office**

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$3	\$3	\$3	\$5	\$8
Revenues	3	9	11	8	5
Interest	0	0	0	0	0
Expenditures	(3)	(9)	(9)	(5)	(6)
Transfers	0	0	0	0	0
Ending Fund Balance	\$3	\$3	\$5	\$8	\$7
Encumbrances	0	0	0	0	0

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

**Temporary Deposits - Automotive Management**

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$10	\$9	\$11	\$9	\$13
Revenues	4	5	2	7	6
Interest	0	0	0	0	0
Expenditures	(5)	(3)	(4)	(3)	(5)
Transfers	0	0	0	0	0
Ending Fund Balance	\$9	\$11	\$9	\$13	\$14
Encumbrances	0	0	0	0	0

This account was administratively established in 1996 to hold gate card deposits received from temporary parking assignees in gate-controlled parking lots. The account continues to receive deposits from employees

assigned to gate-controlled parking areas and to refund such deposits when gate cards are returned. The account does not require any general fund appropriations.

**Temporary Deposits - Central Purchasing**

Financial Data for Fiscal Years 1999-2003 (in thousands)

	<b>FY1999</b>	<b>FY2000</b>	<b>FY2001</b>	<b>FY2002</b>	<b>FY2003</b>
Beginning Fund Balance	\$113	\$23	\$48	\$51	\$18
Revenues	6	36	33	0	0
Interest	0	0	0	0	0
Expenditures	(96)	(11)	(30)	(33)	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$23	\$48	\$51	\$18	\$18
Encumbrances	0	0	0	0	0

This account was administratively established in 1955 to hold bidder deposits. Bid security protects the State against failure or refusal of low bidders to supply required performance and payment bonds, and to proceed with performance under their contracts. Approval of the chief procurement officer is needed before a bid security requirement can be imposed upon a bidder. Although the account was inactive in FY2002-03, it continues to serve the purpose for which it was created. Revenues and expenditures of this account are not recurring in nature, and security deposits vary depending upon the contracts being awarded. The account does not require any general fund appropriations.

**Temporary Deposits - ICSD**

Financial Data for Fiscal Years 1999-2003 (in thousands)

	<b>FY1999</b>	<b>FY2000</b>	<b>FY2001</b>	<b>FY2002</b>	<b>FY2003</b>
Beginning Fund Balance	\$38	\$37	\$37	\$38	\$40
Revenues	0	0	1	2	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	(1)	0	0	0	0
Ending Fund Balance	\$37	\$37	\$38	\$40	\$40
Encumbrances	0	0	0	0	0

\*FY1998-99 transfer was made to the Department of Budget and Finance to return excess funds previously transferred to the Department of Accounting and General Services.

This account was administratively established in 1990 to hold funds from the Information Processing Services Office for receipt of performance bonds by various contractors, and funds from the Communications Section for receipt of microwave tower lease payments from the Federal Bureau of Investigations for its use of microwave tower site communications. The account does not require any general fund appropriations and continues to hold lease deposits for the microwave tower.

**Temporary Deposits - Public Works**

Financial Data for Fiscal Years 1999-2003 (in thousands)

	<b>FY1999</b>	<b>FY2000</b>	<b>FY2001</b>	<b>FY2002</b>	<b>FY2003</b>
Beginning Fund Balance	\$53	\$53	\$53	\$31	\$31
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	(22)	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$53	\$53	\$31	\$31	\$31
Encumbrances	0	0	0	0	0

This account was administratively established to account for temporary security deposits made by individuals who borrow plans and specifications for bidding purposes. Individuals can also make permanent deposits instead of submitting deposits for each review. The account continues to hold collections from users of plans and specifications. It does not require any general fund appropriations and is primarily used as a holding account.

**Temporary Deposits - Stadium Authority**

Financial Data for Fiscal Years 1999-2003 (in thousands)

	<b>FY1999</b>	<b>FY2000</b>	<b>FY2001</b>	<b>FY2002</b>	<b>FY2003</b>
Beginning Fund Balance	\$57	\$34	\$23	\$127	\$82
Revenues	46	323	365	326	267
Interest	0	0	0	0	0
Expenditures	(69)	(334)	(261)	(371)	(286)
Transfers	0	0	0	0	0
Ending Fund Balance	\$34	\$23	\$127	\$82	\$63
Encumbrances	0	0	0	0	0

This account was administratively established in 1994 to temporarily hold scoreboard advertising receipts until contractually mandated disbursements can be made. Revenues were diminished in FY1998-99

due to the expiration of the advertising contract. On a quarterly basis, 20 percent of advertising receipts are disbursed to the contractor and 80 percent to the Stadium Special Fund. The account does not require any general fund appropriations and meets the criteria of a trust account.

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# Chapter 3

## Department of Agriculture

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

### Funds Established Under Statutory Authority

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

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$9,406	\$6,850	\$6,864	\$8,652	\$8,685
Revenues	2,486	3,061	3,964	4,125	2,314
Interest	0	0	0	0	0
Expenditures	(5,042)	(3,047)	(2,176)	(3,962)	(7,310)
Transfers*	0	0	0	(130)	2,000
Ending Fund Balance	\$6,850	\$6,864	\$8,652	\$8,685	\$5,689
Encumbrances	341	3	0	1,925	1,955

\*Transfer for FY2001-02 was to the Aquaculture Loan Revolving Fund.  
 \*Transfer for FY2002-03 was from the Agricultural Loan Reserve Fund.

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

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

Financial Data for Fiscal Years 1999-2003 (in thousands)

	<b>FY1999</b>	<b>FY2000</b>	<b>FY2001</b>	<b>FY2002</b>	<b>FY2003</b>
Beginning Fund Balance	\$549	\$552	\$387	\$234	\$400
Revenues	5	20	72	115	89
Interest	0	0	0	0	0
Expenditures	(2)	(185)	(225)	(265)	(244)
Transfers*	0	0	0	316	0
Ending Fund Balance	\$552	\$387	\$234	\$400	\$245
Encumbrances	0	0	0	234	0

\*Transfers for FY2001-02 were from the Agricultural Loan Revolving Fund (\$130,000) and the Aquaculture Loan Reserve Fund (\$186,000).

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

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

Financial Data for Fiscal Years 1999-2003 (in thousands)

	<b>FY1999</b>	<b>FY2000</b>	<b>FY2001</b>	<b>FY2002</b>	<b>FY2003</b>
Beginning Fund Balance	\$36	\$38	\$53	\$63	\$74
Revenues	46	40	34	38	40
Interest	0	2	3	3	3
Expenditures	(44)	(27)	(27)	(30)	(35)
Transfers	0	0	0	0	0
Ending Fund Balance	\$38	\$53	\$63	\$74	\$82
Encumbrances	1	0	2	1	1

The purpose of this fund is to provide support for inspection and certification of green coffee for grade and origin throughout the state. There is a clear link between the benefit sought and charges made upon users. Revenues are generated through hourly charges billed to producers and millers of green coffee, and funds are expended to cover personnel costs and operating expenses associated with inspection services. The fund does not require general fund appropriations.

To make efficient use of temporary staff, Act 49, SLH 2003, consolidated this fund and the Marketing Order Revolving Fund into the Certification Services Revolving Fund. This act transferred the fund's unexpended balance as of June 30, 2003 to the credit of the new fund.

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

Financial Data for Fiscal Years 1999-2003 (in thousands)

	<b>FY1999</b>	<b>FY2000</b>	<b>FY2001</b>	<b>FY2002</b>	<b>FY2003</b>
Beginning Fund Balance	\$165	\$83	\$110	\$454	\$773
Revenues	190	240	556	600	327
Interest	0	5	13	28	24
Expenditures	(272)	(218)	(225)	(309)	(378)
Transfers	0	0	0	0	0
Ending Fund Balance	\$83	\$110	\$454	\$773	\$746
Encumbrances	15	7	16	106	38

This fund was created in 1995 to account for revenues and expenditures related to the administration and operation of the Agribusiness Development Corporation and to carry out the purposes of Chapter 163D-17, HRS. Pursuant to Section 163D-17, the revolving fund may be used to purchase qualified securities; make grants, loans, and provide other monetary forms of assistance; and to pay for general expenses associated with carrying out the purpose of the corporation. The fund continues to serve this purpose by developing and implementing agricultural projects for large tracts of agricultural land taken out of productive agriculture; preparing business and agricultural development plans for the corporation's agricultural projects; developing projects to identify necessary project facilities within a project area; and acquiring state lands by executive order or lease.

Since FY1999-2000, the Agribusiness Development Corporation imposed an administrative assessment on the Waiahole Water System and receives revenue from the sale of electricity generated by the Mauka Hydropower Station. In addition, the fund has been receiving general fund appropriations since FY1994-95 to supplement the corporation's operating expenses. Although the fund is not self-sustaining, the corporation anticipates managing property from the Department of Land and Natural Resources and obtaining rental income from the property to become self-sufficient.



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

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$260	\$220	\$237	\$222	\$411
Revenues	670	631	995	888	792
Interest	0	2	14	13	15
Expenditures	(710)	(616)	(1,024)	(712)	(827)
Transfers*	0	0	0	0	270
Ending Fund Balance	\$220	\$237	\$222	\$411	\$661
Encumbrances	119	17	146	148	327

\*Transfers for FY2002-03 were from the Agricultural Park Special Fund.

This fund was created in 1953 to pay for administrative costs, engineering surveys, economic studies, plans, and maps directly attributable to water projects. The fund continues to serve this purpose by providing irrigation water for agricultural use and assuming responsibility to establish, operate, manage, and maintain each irrigation system. Water customers within the designated irrigation project boundaries benefit through the program's maintenance of irrigation systems. In turn, the customers replenish the fund through water sales, payment of acreage assessments, and connection fees. Although the fund is currently not self-sustaining and requires general fund appropriations to supplement operations, it is in the process of increasing water user fees to become self-sufficient.

### Marketing Order Revolving Fund, Section 147-101, HRS

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
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 1972 to provide inspection services for federal marketing order programs. Moneys in the fund were for materials, salaries, equipment, training, and other costs related to providing inspection services. The fund was supported and replenished by hourly charges billed to producers or handlers covered by a marketing

order, and did not require any general fund appropriations. Fund activity was under a thousand dollars in FY1999-2000 and FY2000-01, and in 2002 the papaya marketing order was terminated.

Act 49, SLH 2003, consolidated this fund and the Coffee Inspection Revolving Fund into the Certification Services Revolving Fund. The act transferred the fund's unexpended balance as of June 30, 2003, to the credit of the new fund.

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

Financial Data for Fiscal Years 1999-2003 (in thousands)

	<b>FY1999</b>	<b>FY2000</b>	<b>FY2001</b>	<b>FY2002</b>	<b>FY2003</b>
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	0	0	0	0	0

This fund was established in 1999 to provide the department with the authority to certify certain importers of microorganisms. The department is authorized to expend moneys in this fund for the development, administration, and operation of the microorganisms import certification program. The intent of this program is to facilitate the importation of microorganisms into the state. However, recent statutory changes have streamlined the process for importers to obtain permits, making certification unnecessary. Moneys have therefore not been received or generated to facilitate the administration of this program. The program will be submitting a proposal to the 2004 Legislature to repeal the fund.

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

Financial Data for Fiscal Years 2001-2003 (in thousands)

	<b>FY2001</b>	<b>FY2002</b>	<b>FY2003</b>
Beginning Fund Balance	\$0	\$17	\$17
Revenues	17	15	16
Interest	0	1	1
Expenditures	0	(16)	(18)
Transfers	0	0	0
Ending Fund Balance	\$17	\$17	\$16
Encumbrances	2	1	0

This fund was established in 2001 to facilitate processing and issuing of permits; amending lists of creatures prohibited or allowed for import; complying with monitoring activities; training personnel; and carrying out any other purpose deemed necessary for the purposes of this program. The fund continues to serve the purpose for which it was created, and reflects a clear link between the benefits sought and charges made upon users. The fund does not require any general fund appropriations.

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

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$262	\$228	\$245	\$555	\$661
Revenues	84	236	587	600	637
Interest	0	10	28	25	21
Expenditures	(118)	(229)	(305)	(519)	(739)
Transfers	0	0	0	0	0
Ending Fund Balance	\$228	\$245	\$555	\$661	\$580
Encumbrances	224	169	304	273	202

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

### Waiahole Water System Revolving Fund, Section 163D-15.5, HRS

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$0	\$544	\$1,332	\$1,525	\$1,568
Revenues	0	1,192	695	693	780
Interest	0	41	86	61	49
Expenditures	(6)	(445)	(588)	(711)	(1,133)
Transfers*	550	0	0	0	0
Ending Fund Balance	\$544	\$1,332	\$1,525	\$1,568	\$1,264
Encumbrances	0	71	76	51	37

\*Seed moneys were transferred-in from the general fund.

This fund was established in 1998 to account for revenues and expenditures related to operation of the Waiahole Water System as administered by the Agribusiness Development Corporation. The fund continues to serve the purpose for which it was created. Moneys are expended for general operations support and for maintenance of tunnels, wooden and metal siphons, wooden flumes, and open concrete ditches. There is a clear link between the benefits sought and charges made upon users of the system. Water delivery charges are assessed primarily to agricultural users for continuous availability of affordable water. In addition, the fund is self-sustaining and has not required any general fund appropriations since the seed money it received in FY1998-99.

### Accounts Established Under Administrative Authority

#### Contribution of Overtime Plant Quarantine Inspection

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$42	\$56	\$8	\$20	\$28
Revenues	296	307	338	357	418
Interest	0	0	0	0	0
Expenditures	(282)	(355)	(326)	(349)	(430)
Transfers	0	0	0	0	0
Ending Fund Balance	\$56	\$8	\$20	\$28	\$16
Encumbrances	15	0	7	5	5

This account was administratively established to serve as a holding account for fees paid by shipping companies for inspections conducted on an overtime basis for cargo entering the state at sites other than docks

and piers. The account currently supports off-site inspection of containers as requested by Matson and Horizon (previously Sealand) using off-duty inspectors. The account requires no general fund appropriations and meets the criteria of a trust account.

**Loan Repayments Collected for County of Hawaii**

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

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

This account was administratively established in 1993 to serve as a holding account for the County of Hawaii’s share of Kohala Task Force loan repayments. The last loan payment of \$199 was received and transferred to the County of Hawaii in FY1999-2000, after which the account was terminated.

**Noxious Weed Control**

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$11	\$20	\$6	\$6	\$6
Revenues	14	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(5)	(14)	0	0	(6)
Transfers	0	0	0	0	0
Ending Fund Balance	\$20	\$6	\$6	\$6	\$0
Encumbrances	3	0	0	0	0

This account was administratively established in 1977 to account for funds provided from the Territory of French Polynesia under a cooperative agreement with the department to conduct host range studies on plant pathogens and insects collected from Central and South America. Moneys covered airfare, per diem, and associated expenses for the department’s entomologist to conduct exploratory surveys in Central and South America. Moneys have been fully expended and the account was terminated on June 30, 2003.

### Producers Settlement Fund

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$0	\$7	\$0	\$0	\$35
Revenues	93	95	194	225	115
Interest	0	0	0	0	0
Expenditures	(86)	(102)	(194)	(190)	(150)
Transfers	0	0	0	0	0
Ending Fund Balance	\$7	\$0	\$0	\$35	\$0
Encumbrances	0	0	0	0	0

This account was administratively established as a holding account to equalize the prices paid by milk processors and those received by milk producers. The Milk Control Program assures there is an adequate supply of milk for the state. Milk is pooled on a market-wide basis to assure that all producers are treated fairly. Quotas are also established for production so that adequate milk is available. In addition, a minimum price paid to milk producers is established to assure a fair return. The account receives payments from milk processors and does not require general fund appropriations.

### Temporary Deposit, Bond for Animal

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$10	\$14	\$29	\$22	\$22
Revenues	16	18	8	6	8
Interest	0	0	0	0	0
Expenditures	(12)	(3)	(15)	(6)	(6)
Transfers	0	0	0	0	0
Ending Fund Balance	\$14	\$29	\$22	\$22	\$24
Encumbrances	0	0	0	0	0

This account was administratively established to hold cash bonds that are required for people to obtain import permits for primates and other specified animals entering Hawaii. Animals that require bonding include those designated by the Board of Agriculture as posing a threat to Hawaii should they escape. If the bonded animal escapes or is released, the bond is forfeited and the money is deposited into the general fund. If the animal dies, is sold, or taken out of state, then bond money is returned. The account continues to act as a holding account for cash bonds.

### Temporary Deposit, Commodities

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$2	\$4	\$21	\$3	\$18
Revenues	39	52	38	52	62
Interest	0	0	0	0	0
Expenditures	(37)	(35)	(56)	(37)	(59)
Transfers	0	0	0	0	0
Ending Fund Balance	\$4	\$21	\$3	\$18	\$21
Encumbrances	0	0	0	0	0

This account was administratively established as a temporary clearing account for federal certification activities. Under a cooperative agreement with the Agricultural Marketing Service, U.S. Department of Agriculture (USDA), the account supports voluntary fee-for-service inspection and certification of a variety of processed foods, shell eggs, and fresh fruits and vegetables. The account requires no general fund appropriations. All revenues are derived from fee-for-service charges to users.

### Temporary Deposit, Meat Grading

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$2	\$7	\$0	\$0	\$0
Revenues	0	3	0	0	0
Interest	11	0	0	0	0
Expenditures	(6)	(10)	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$7	\$0	\$0	\$0	\$0
Encumbrances	8	0	0	0	0

This account was administratively established to account for fees charged to beef slaughterhouses for U.S. Department of Agriculture grading services. Pursuant to a cooperative agreement, the USDA stationed a federal meat grader in Hawaii to provide meat grading services. Upon request, the federal meat grader will certify grades of meat at slaughterhouses to ensure that the product meets a federal grade standard and quality. Fees charged to Hawaii's beef slaughterhouses for grading services did not cover billing from the USDA for services rendered by its meat grader. General funds were budgeted to cover the

remaining expenses for federal meat grading services; but due to a reduced demand for meat grading services, the account was terminated in FY2002-03.

### Temporary Deposits

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$2	\$0	\$15	\$15	\$6
Revenues	0	19	9	0	1
Interest	0	0	0	0	0
Expenditures	(2)	(4)	(9)	(9)	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$15	\$15	\$6	\$7
Encumbrances	0	0	0	0	0

This account was administratively established in 1993 to serve as a clearing account for temporarily deposited funds received by the department until proper disbursement can be made. Temporary deposits made to the account include funds from settlements, private donations, certificates of title collected from agricultural loan borrowers, and cooperators' shares of emergency flume repairs. This account does not require any general fund appropriations.



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# Chapter 4

## Department of Budget and Finance

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

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### Funds Established Under Statutory Authority

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

Financial Data for Fiscal Years 2002-2003 (in thousands)

	FY2002	FY2003
Beginning Fund Balance	\$0	\$2,626
Revenues	0	0
Interest	0	0
Expenditures	0	0
Transfers*	2,626	9,083
Ending Fund Balance	\$2,626	\$11,709
Encumbrances	0	0

\*Transfers in FY2001-02 and FY2002-03 represent the net contributions and withdrawals by program participants.

The College Savings Program Trust Fund was established in 2002. It is designed to maintain participants' contributions to the College Savings Program to be used for their designated beneficiaries' college expenses. Funds are maintained in the Trust Fund on behalf of the participants or account owners, and are invested in investment or savings options as directed by the participants. The College Savings Program, TuitionEDGE, is intended to enable families to make tax-deferred savings for college tuition expenses. Earnings are income tax-deferred, and disbursements for qualified college expenses made prior to December 31, 2010 are federal and state tax-exempt. Qualified disbursements made subsequent to December 31, 2010 are income tax-deferred, and disbursements will be taxed at the beneficiaries' income tax rate. The fund continues to meet its original purpose by holding and

investing participants' contributions for their designated beneficiaries' college expenses. In addition, this fund does not require any general fund appropriations.

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

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$20,041	\$26,015	\$17,917	\$1,030	\$0
Revenues	5,000	0	0	0	0
Interest	974	582	1,030	0	0
Expenditures	0	0	0	0	0
Transfers*	0	(8,680)	(17,917)	(1,030)	0
Ending Fund Balance	\$26,015	\$17,917	\$1,030	\$0	\$0
Encumbrances	0	0	0	0	0

\*Transfers in FY1999-2000 were made to pay for principal and interest on compound interest bonds.

\*Transfers in FY2000-01 and FY2001-02 were made to the general fund.

This fund was created in 1990 to pay for the principal and interest on compound interest bonds. Moneys in the fund were invested to assure the availability to the State of sufficient moneys to make payments of principal and interest on bonds. Section 39-151, HRS, allows the director of finance to transfer a portion of general excise tax revenues up to \$5 million each fiscal year. The fund does not meet its original purpose of holding moneys for debt service on compound interest bonds and of helping to level debt service requirements. Its remaining fund balance was transferred to the general fund and the fund is expected to remain inactive until the next compound bond maturity in 2009.

**Employees' Retirement System of the State of Hawaii, Section 88-22, HRS**

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$9,051,782	\$9,679,760	\$9,931,773	\$8,761,097	\$7,905,453
Revenues	965,679	653,043	(719,334)	(392,346)	325,613
Interest	204,005	177,971	169,753	146,498	114,223
Expenditures	(541,706)	(579,001)	(621,095)	(609,796)	(629,175)
Transfers	0	0	0	0	0
Ending Fund Balance	\$9,679,760	\$9,931,773	\$8,761,097	\$7,905,453	\$7,716,114
Encumbrances	0	0	0	0	0

The Employees' Retirement System was established in 1925 to provide retirement, disability, and survivor benefits for state employees, teachers, professors, county employees, police officers, firefighters, judges, and elected officials. The system continues to administer a retirement, disability, and survivor benefits program for members and their designated beneficiaries. In addition, the system collects retirement contributions from contributory members, provides pre-retirement counseling services, conducts disability hearings and appeals, reviews claims for benefits, and invests funds to help finance the program. The system is funded through appropriations from the State and counties representing employer contributions, employee contributions, and income from investments. Since FY1999-2000, revenues have decreased due to declining investment returns, depreciation of investment fair market values, and reduced employer contributions. Despite the effect of this economic slowdown, the fund continues to meet the definition and criteria of a trust fund.

### **Hawaii Employer-Union Health Benefits Trust Fund, Section 87A-30, HRS**

Financial Data for Fiscal Years 2002-2003 (in thousands)

	<b>FY2002</b>	<b>FY2003</b>
Beginning Fund Balance	\$0	\$0
Revenues	0	0
Interest	0	31
Expenditures	(239)	(618)
Transfers*	239	1,784
Ending Fund Balance	\$0	\$1,197
Encumbrances	0	396

\*Transfers in FY2001-02 and FY2002-03 were from the Hawaii Public Employees Health Fund predecessor fund.

This fund was created in 2002 to provide health and life insurance benefits for eligible active and retired state and county public employees and their dependents. The fund assumed the functions, assets, and staff of the Public Employees Health Fund on July 1, 2003. The fund consists of contributions, interest, income, dividends, refunds, rate credits, and other returns. It also provides health and other benefit plans for approximately 177,600 people through contracted insurance carriers. Although the fund is not fully active, it meets the criteria of a trust fund.

### Hawaii Public Employees Health Fund, Section 87-2, HRS

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$43,322	\$45,282	\$49,079	\$55,382	\$22,933
Revenues	1,022	2,172	6,361	7,616	7,603
Interest	4,634	2,553	3,052	1,970	534
Expenditures	(3,696)	(928)	(2,098)	(23,840)	(1,730)
Transfers*	0	0	(1,012)	(18,195)	(29,340)
Ending Fund Balance	\$45,282	\$49,079	\$55,382	\$22,933	\$0
Encumbrances	1,620	120	146	369	0

\*FY2000-01 transfers were to State and county public employers for reserves in accordance with Section 87-3, HRS.

\*FY2001-02 transfers were (\$17,955,991) to the State and county public employers for reserves in accordance with Section 87-3, HRS, and (\$238,673) to the successor agency, Hawaii Employer-Union Health Benefits Trust Fund.

\*FY2002-03 transfers were (\$20,508,149) to the State and county public employers for reserves in accordance with Section 87-3, HRS, and (\$8,832,033) to the successor agency, Hawaii Employer-Union Health Benefits Trust Fund.

The Hawaii Public Employees Health Fund was established in 1961 to provide employee beneficiaries and dependent beneficiaries with health, life, and long-term care benefit plans. The fund may also be used to stabilize health benefit plan rates or long-term care benefit plan rates, provide group life insurance benefits to employees, provide long-term care insurance benefits to eligible participants, and assist the State and counties to implement and administer cafeteria plans. The fund continues to collect state and county governments' share of health insurance premiums, and refunds of experience gains and interest earned on reserve moneys from health and life insurance carriers. The fund continues to provide health benefit plans for active employees, retirees, dependents, and surviving spouses and children under the age of 19 of deceased retirees or employees killed in the performance of their duties. Aside from general fund money to support payroll, operating, and administrative expenses, the fund itself does not require general fund appropriations. Revenues are primarily derived from government and employee contributions. The Hawaii Public Employees Health Fund sunsetted on June 30, 2003, and was succeeded by the Hawaii Employer-Union Health Benefits Trust Fund.

### Hawaii Tobacco Prevention and Control Trust Fund, Section 328L-5, HRS

Financial Data for Calendar Years 1999-2003 (in thousands)

	CY1999	CY2000	CY2001	CY2002	CY2003
Beginning Fund Balance*	\$0	\$0	\$12,146	\$22,511	\$30,277
Revenues*	0	12,050	11,074	12,884	1,610
Interest*	0	181	211	(3,527)	2,335
Expenditures*	0	(85)	(920)	(1,591)	(84)
Transfers	0	0	0	0	0
Ending Fund Balance*	\$0	\$12,146	\$22,511	\$30,277	\$34,138
Encumbrances	0	0	0	0	0

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

This fund was established in 1999 for tobacco prevention and control activities, including reducing cigarette smoking and tobacco use among youth and adults through education and enforcement activities, and controlling and preventing chronic diseases where tobacco is a risk factor. Funding sources include 12.5 percent of moneys from the Hawaii Tobacco Settlement Special fund; moneys appropriated by the state, county, and federal government; private contributions; and capital gains earnings. The Hawaii Community Foundation was selected to invest and administer the fund, in accordance with stipulations indicated in Section 328L-5(a), HRS. The fund continues to serve the purpose for which it was created. Over the past three years, numerous grants were awarded for expanding effective tobacco prevention and control projects, ensuring greater access to cessation programs, funding innovation in tobacco prevention and control, youth and high-risk adult tobacco prevention and cessation services, and expanding the statewide tobacco control media campaign. The fund meets the criteria of a trust fund and does not require any general fund appropriations.

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

Financial Data for Fiscal Year 2003 (in thousands)

	<b>FY2003</b>
Beginning Fund Balance	\$0
Revenues	9,073
Interest	0
Expenditures	0
Transfers*	(9,073)
Ending Fund Balance	\$0
Encumbrances	0

\*Transfers in FY2002-03 were to the Tourism Special Fund (\$7,486,765) to cover the fund's anticipated shortfall, and the remaining balance of (\$1,586,043) was transferred to the general fund.

This fund was established in 2002 to serve as a holding account for transient accommodations tax revenues to supplement shortfalls in the Tourism Special Fund whenever the Tourism Special Fund does not receive \$63.3 million in transient accommodation tax revenues during a fiscal year. If the amount of transient accommodations tax revenues distributed to the Tourism Special Fund is projected to be less than \$63.3 million in a fiscal year, the director of finance deposits moneys from this fund to the Tourism Special Fund to provide a minimum of \$63.3 million in transient accommodations tax revenues for the fiscal year. Any deposit from the trust fund to the Tourism Special Fund is limited to the moneys available in the trust fund. Moneys remaining in the trust fund at the end of each fiscal year are credited to the general fund, provided that the Tourism Special Fund receives \$63.3 million in transient accommodations tax. Although this fund is self-sustaining, it serves as a holding account, and meets the criteria of a trust account rather than a trust fund.

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

Financial Data for Fiscal Years 2001-2003 (in thousands)

	FY2001	FY2002	FY2003
Beginning Fund Balance	\$0	\$1,000	\$1,000
Revenues	13,216	11,134	10,294
Interest	0	0	0
Expenditures	(2,988)	(3,000)	(3,298)
Transfers*	(9,228)	(8,134)	(6,996)
Ending Fund Balance	\$1,000	\$1,000	\$1,000
Encumbrances	248	0	0

\*Funds in excess of \$1 million were transferred to the general fund at the end of fiscal years 2001-2003.

This fund was established in 2000 to collect remittances of unclaimed property and is the source from which claims for return of abandoned property are paid. At the end of each fiscal year, any amount in excess of \$1 million is transferred to the general fund. The State serves as the custodian of all unclaimed property, reports abandoned property to the general public, and retains custody of all property until the rightful owner files a claim. This fund serves as the source of payment for abandoned property claims, and continues to serve the purpose for which it was created.

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**Accounts  
Established Under  
Administrative  
Authority**
**Airports Refunding Bonds 2000A and 2000B - Escrow**

Financial Data for Fiscal Years 2000-2002 (in thousands)

	FY2000	FY2001	FY2002
Beginning Fund Balance	\$0	\$300,389	\$23,179
Revenues	300,389	0	0
Interest	0	2,640	602
Expenditures	0	(279,850)	(23,781)
Transfers	0	0	0
Ending Fund Balance	\$300,389	\$23,179	\$0
Encumbrances	0	0	0

This account was established in 2000 as a holding account for moneys received by the Financial Administration Division from the sale of Airports System Revenue Bonds, Refunding Series 2000A and Series 2000B, dated May 1, 2000. Refunding bonds were issued for the purpose of providing funds to refund certain outstanding Airports System



Revenue Bonds. Moneys were derived from proceeds from the issuance of refunding airports system revenue bonds, and interest earnings from investments in non-callable direct obligations of the United States of America. Proceeds from the issuance of refunding bonds were expended, and the account was terminated as of June 30, 2002.

**Collective Bargaining Cost Items**

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	0	0	0	0	0

These accounts were administratively established to hold various collective bargaining units' authorizations. Moneys are transferred from the Department of Budget and Finance's special fund account to the department's trust fund account. Net transfers from collective bargaining accounts between FY1999-FY2003 zero out. These accounts act as clearing accounts and meet the criteria of a trust account.

**Harbors Refunding Bonds - Escrow**

Financial Data for Fiscal Years 2000-2001 (in thousands)

	FY2000	FY2001
Beginning Fund Balance	\$0	\$54,502
Revenues	54,502	0
Interest	0	0
Expenditures	0	(54,502)
Transfers	0	0
Ending Fund Balance	\$54,502	\$0
Encumbrances	0	0

This account was administratively established to hold moneys received from the Financial Administration Division for the sale of Harbor System Revenue Bonds, Series A of 2000, dated April 1, 2000. Refunding bonds were issued to provide moneys to refund certain outstanding Harbor System Revenue Bonds. Proceeds from the issuance of refunding bonds were expended, and the trust account was terminated as of June 30, 2001.

### Hilo Shippers' Wharf Trust Fund

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$0	\$0	\$0	\$1,465	\$1,578
Revenues	0	0	11	44	44
Interest	0	0	3	60	56
Expenditures	0	0	0	0	(122)
Transfers*	0	0	1,451	9	8
Ending Fund Balance	\$0	\$0	\$1,465	\$1,578	\$1,564
Encumbrances	0	0	0	0	0

\*Transfer in FY2000-01 was from the Office of the Governor for the petition to transfer administration of the fund to the Department of Budget and Finance.

\*Transfer in FY2001-02 was from the Governor's Shippers' Wharf Trust Fund for investment pool interest earned.

\*Transfer in FY2002-03 was from the Department of Health for prior and current year remaining awards.

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

Moneys are derived from dividend and interest income from trust assets. This fund does not require any general fund appropriations and meets the definition of a trust fund.

### Interest Earned – Bond Investment Pool

Financial Data for Fiscal Years 2002-2003 (in thousands)

	FY2002	FY2003
Beginning Fund Balance	\$0	\$1,853
Revenues	4,243	5,203
Interest	0	0
Expenditures	0	0
Transfers*	(2,390)	(5,690)
Ending Fund Balance	\$1,853	\$1,366
Encumbrances	0	0

\*Transfers were made to the general fund and to departments' various special and trust funds that participate in the investment pool.

This account was administratively established to hold moneys earned from the State Treasury Centralized Bond Pool investments, until the moneys are distributed into the general fund and to various departments' special and trust funds. Interest earnings are distributed each month to participating funds and/or accounts. The account continues to serve its original purpose and does not require any general fund appropriations.

### Interest Earned – Investment Pool

Financial Data for Fiscal Years 2000-2003 (in thousands)

	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$0	\$0	\$592	\$302
Revenues	77,503	166,216	108,344	88,326
Interest	0	0	0	0
Expenditures	0	0	0	0
Transfers*	(77,503)	(165,624)	(108,634)	(82,327)
Ending Fund Balance	\$0	\$592	\$302	\$6,301
Encumbrances	0	0	0	0

\*Transfers were made to the general fund and to departments' various special and trust funds that participate in the investment pool.

This account was administratively established to hold moneys earned from the State Treasury Centralized Pool investments until they can be distributed into the general fund and to various departments' special and trust funds. Interest earnings are distributed each month to funds and/or accounts participating in the investment pool. The account continues to serve its original purpose and does not require any general fund appropriations.

### Refundable Deposits – Public Utilities Commission

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
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 account was administratively established to hold refundable deposits made by persons or agencies requesting a hearing before the Public Utilities Commission. Deposits were forfeited if a depositor canceled the hearing. This account is no longer active and is in the process of being terminated.

### Special Purpose Revenue Bond - Security Deposit

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$6	\$6	\$12	\$14	\$9
Revenues	6	10	2	4	2
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	(6)	(4)	0	(9)	(9)
Ending Fund Balance	\$6	\$12	\$14	\$9	\$2
Encumbrances	0	0	0	0	0

\*Transfers are made to the general fund when the bond issuance proceedings are completed.

This account was administratively established in 1989 to collect non-refundable security deposits from project parties for the purpose of reimbursing the State of Hawaii for all costs and expenses incurred relating to the issuance of special purpose revenue bonds. The department negotiates with project parties to issue these bonds for non-profit corporations that provide health care facilities, manufacturing enterprises, processing enterprises, industrial enterprises, and utilities that provide gas and electrical energy. The account continues to serve its original purpose and requires no general fund appropriations.

### Temporary Deposits – Budget and Finance

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$3	\$3	\$3	\$3	\$4
Revenues	0	0	0	1	1
Interest	0	0	0	0	0
Expenditures	(1)	0	0	0	0
Transfers*	1	0	0	0	634
Ending Fund Balance	\$3	\$3	\$3	\$4	\$639
Encumbrances	0	0	0	0	0

\*FY1998-99 transfer-in was from DAGS/ICSD for a lease overpayment for the FBI tower.

\*FY2002-03 transfer-in was for employer contributions related to the UPW retroactive settlement for bargaining units 01 and 10, including interest earned through March 31, 2003.

This account was administratively established to hold temporary deposits related to vendor bids, performance bonds, and salary overpayments of the various divisions. The account continues to meet its original purpose and does not require any general fund appropriations.

### Temporary Deposits – Finance Division

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$0	\$63	\$63	\$63	\$63
Revenues	63	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	0	0	0	0	(63)
Ending Fund Balance	\$63	\$63	\$63	\$63	\$0
Encumbrances	0	0	0	0	0

\*Transfer was made to the general fund per instructions from the Attorney General's office.

This account was established as a holding account for moneys received by the Financial Administration as trustee or agent relative to program transactions. The account continues to serve the purpose for which it was created. Until FY2002-03, the fund held moneys from intestate estates without heirs. The attorney general's office advised that those moneys were state realizations, and such funds were transferred to the general fund. The account does not require any general fund appropriations and meets the criteria of a trust account.

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# Chapter 5

## Department of Land and Natural Resources

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

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### Funds Established Under Statutory Authority

#### Public Land Trust Funds, Ceded Land Proceeds - Oahu, Maui, Hawaii, Kauai, Section 171-18, HRS

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	1,865	1,938	2,081	1,998	2,040
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	(1,865)	(1,938)	(2,081)	(1,998)	(2,040)
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	0	0	0	0	0

\*All funds were transferred to the Office of Hawaiian Affairs.

The financial data presented above combines four trust funds, one for each of the major islands. These funds were established in 1962 to account for proceeds and income from the sale, lease, or other disposition of ceded lands. Revenues are held as a public trust for the support of public schools and other public educational institutions; betterment of the conditions of native Hawaiians; development of farm and home ownership; public improvements; and provision of lands for public use. Act 273, SLH 1980, requires that 20 percent of the income from public land trusts be paid to the Office of Hawaiian Affairs. The funds continue to serve the purpose for which they were created and continue to provide the benefits originally intended. The funds are used as temporary holding accounts to transfer revenues to the Office of Hawaiian Affairs for the betterment of native Hawaiians. Act 329, SLH 1997, appropriated a fixed \$15.1 million in general funds for

FY1997-98 and FY1998-99 for the pro rata portion of the land trust due to the Office of Hawaiian Affairs. These funds meet the definition of a trust fund and do not require any general fund appropriations.

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

Financial Data for Fiscal Years 1999-2003 (in thousands)

	<b>FY1999</b>	<b>FY2000</b>	<b>FY2001</b>	<b>FY2002</b>	<b>FY2003</b>
Beginning Fund Balance	\$11,303	\$13,320	\$16,679	\$22,668	\$28,650
Revenues	2,751	3,831	6,609	7,343	8,250
Interest	557	830	1,180	912	1,012
Expenditures	(1,291)	(1,302)	(1,800)	(2,273)	(4,283)
Transfers	0	0	0	0	0
Ending Fund Balance	\$13,320	\$16,679	\$22,668	\$28,650	\$33,629
Encumbrances	67	184	304	2,698	1,638

Created in 1994, this fund holds all moneys received from the federal government for the rehabilitation and environmental restoration of the island of Kaho’olawe, appropriations made by the Legislature to the trust fund, and the interest or return on investments earned from moneys in the fund. The fund may be used to hire employees, specialists, and consultants to complete the rehabilitation and restoration of Kaho’olawe. However, activities cannot be fully underway until the U.S. Navy completes bomb removal sometime after 2003. Planned activities include preservation, protection, rehabilitation, and revegetation of the island. The fund continues to receive federal funds specifically for the rehabilitation and environmental restoration of the island of Kaho’olawe. This fund does not require any general fund appropriations. Although the fund is not fully active, it meets the definition of a trust fund.

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

Financial Data for Fiscal Years 1999-2003 (in thousands)

	<b>FY1999</b>	<b>FY2000</b>	<b>FY2001</b>	<b>FY2002</b>	<b>FY2003</b>
Beginning Fund Balance	\$85	\$57	\$81	\$29	\$104
Revenues	164	183	150	214	332
Interest	0	4	4	3	7
Expenditures	(192)	(163)	(206)	(142)	(231)
Transfers	0	0	0	0	0
Ending Fund Balance	\$57	\$81	\$29	\$104	\$212
Encumbrances	7	39	33	45	49

This fund was created in 1988 to account for fees collected for hunting licenses, training programs, and use of public target ranges; moneys

collected under the provision of any law relating to importation, taking, catching, or killing of game, wildlife, and products; moneys collected as fines or bail forfeitures concerning wildlife conservation; and moneys collected from the sale of any article or artwork, in addition to a hunting license, which a person is required to purchase from the department in order to hunt.

Expenditures are limited to programs and activities for wildlife projects; wildlife conservation; acquisition of the use, development, or maintenance of trails and access ways; and research programs and activities concerning wildlife conservation and management.

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

## Accounts Established Under Administrative Authority

### Accrued Vacation and Sick Leave Fund

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$458	\$475	\$468	\$478	\$497
Revenues	1	0	0	0	22
Interest	21	15	29	19	18
Expenditures	(5)	(22)	(19)	0	(38)
Transfers	0	0	0	0	0
Ending Fund Balance	\$475	\$468	\$478	\$497	\$499
Encumbrances	0	0	0	0	0

This fund was originally created to account for the accrued vacation and sick leave of project-funded employees of the Land Division, Engineering Division, and State Parks Division. Prior to July 1, 1995, this account paid for accrued vacation and sick leave for project-funded employees that were charged to the related capital improvement projects (CIP) of the various funds. Effective July 1, 1995, the Legislature appropriated \$1.5 million in bond funds to fund the CIP staff payroll. The balance remaining in this account represents the CIP staff employees' vacation and sick leave carryover from June 30, 1994. Although this fund is labeled a revolving fund, it meets the criteria of a trust account. The fund is self-sustaining and does not require any general fund appropriations.



### Appraisal Fees Revolving Fund

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$65	\$37	\$58	\$42	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(48)	(110)	(91)	(28)	0
Transfers*	20	131	75	(14)	0
Ending Fund Balance	\$37	\$58	\$42	\$0	\$0
Encumbrances	17	17	35	0	0

\*Transfers are made to and from the Special Land and Development Fund.

This account was administratively established in 1962 to pay for the appraisal fees related to public lands. Funding is primarily provided by the Special Land and Development Fund. Although this account is labeled as a revolving fund, it operates more like a pass-through account for special fund moneys designated for a specific purpose.

### Boating Security Deposits

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$740	\$699	\$709	\$698	\$692
Revenues	72	77	80	69	108
Interest	0	0	0	0	0
Expenditures	(113)	(67)	(91)	(75)	(75)
Transfers	0	0	0	0	0
Ending Fund Balance	\$699	\$709	\$698	\$692	\$725
Encumbrances	0	0	0	0	0

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

### Donations, Gifts, and Grants

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$23	\$17	\$4	\$35	\$17
Revenues	36	6	31	20	7
Interest	0	0	0	0	0
Expenditures	(42)	(19)	0	(38)	(20)
Transfers	0	0	0	0	0
Ending Fund Balance	\$17	\$4	\$35	\$17	\$4
Encumbrances	0	0	0	0	0

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

As we reported in 1999, the account is still being used as a clearing account for private parties to obtain and pay for stream gauging services rendered by the U.S. Geological Survey. Since the Geological Survey cannot enter agreements or contracts with private parties, the survey bills the State, and the State in turn bills private parties. This account is no longer being used for donations, gifts, and grants. Instead, it is being used as a clearing account to pay for services rendered by the U.S. Geological Survey.

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

Financial Data for Fiscal Years 2002-2003 (in thousands)

	FY2002	FY2003
Beginning Fund Balance	\$0	\$1,350
Revenues	1,350	0
Interest	0	46
Expenditures	0	0
Transfers	0	0
Ending Fund Balance	\$1,350	\$1,396
Encumbrances	0	42

This account is tied to the Infrastructure Development Fund, established by Act 144, SLH 2001, for infrastructure development in the Kikala-Keokea area on the island of Hawaii. The account acts as a holding account for the matching Office of Hawaiian Affairs moneys designated for infrastructure development. Moneys will be used to benefit residents

of Kalapana who have been dispossessed of their homes and lands as a result of the continued volcanic eruptions that began on January 3, 1983. The projected completion date for infrastructure improvement is December 2004. This account does not require general fund appropriations and meets the criteria of a trust account.

### Preservation of Endangered Plants

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$10	\$5	\$4	\$4	\$4
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(5)	(1)	0	0	(1)
Transfers	0	0	0	0	0
Ending Fund Balance	\$5	\$4	\$4	\$4	\$3
Encumbrances	0	0	0	0	0

This account was administratively established in 1989 to account for donations made by the Hawaii Credit Union League specifically for the preservation of endangered plants. The account continues to serve the purpose for which it was created. Expenditures from the account have included fencing off areas for endangered plants. This account does not require any general fund appropriations.

### Publication of Notices Revolving Fund

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$29	\$29	\$79	\$9	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	(1)	0	0
Transfers*	0	50	(69)	(9)	0
Ending Fund Balance	\$29	\$79	\$9	\$0	\$0
Encumbrances	0	0	0	0	0

\*Transfers were made to and from the Special Land and Development Fund.

This fund 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 fund is labeled a revolving fund, it operates more like a

pass-through account for special fund moneys designated for a specific purpose. The department does not anticipate any future fund activity.

### Salvinia Molesta Removal

Financial Data for Fiscal Year 2003 (in thousands)

	<b>FY2003</b>
Beginning Fund Balance	\$0
Revenues	0
Interest	0
Expenditures	(383)
Transfers*	500
Ending Fund Balance	\$117
Encumbrances	48

\*FY2002-03 funds were transferred from the Department of Health's Environmental Response Revolving Fund to support environmental protection and natural resource protection programs.

This fund was administratively established in 2003 to eradicate the infestation of the invasive Salvinia Molesta plant at Lake Wilson. The plant covered approximately 260 acres, depleted oxygen in the lake, and threatened to kill 500 tons of fish. Substantial removal of the plant was accomplished by April 2003. Although this fund is labeled a revolving fund, it meets the criteria of a trust account.

### Temporary Deposits

Financial Data for Fiscal Years 1999-2003 (in thousands)

	<b>FY1999</b>	<b>FY2000</b>	<b>FY2001</b>	<b>FY2002</b>	<b>FY2003</b>
Beginning Fund Balance	\$729	\$751	\$794	\$834	\$863
Revenues	206	305	245	203	340
Interest	0	0	0	0	0
Expenditures	(184)	(262)	(205)	(174)	(180)
Transfers	0	0	0	0	0
Ending Fund Balance	\$751	\$794	\$834	\$863	\$1,023
Encumbrances	18	17	12	20	114

This account was administratively established to temporarily hold security deposits for leases, permits, and licenses. It is also used to account for the payment of appraisal fees. The account continues to serve its original purpose as a holding account and does not require any general fund appropriations.

### Temporary Deposits - Undistributed Proceeds

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$60	\$0	\$0	\$0	\$0
Revenues	907	443	471	374	250
Interest	0	0	0	0	0
Expenditures	(967)	(443)	(471)	(374)	(250)
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	0	0	0	0	0

This account was created in 1992 to deposit land rental and water license revenues. Moneys in the account are transferred to the Departments of Hawaiian Home Lands, Agriculture, Transportation, and the Hawaii Community Development Authority. The account continues to serve as a holding account for revenues generated by the rental of property or from water licenses managed by the department for other state agencies. The account does not require any general fund appropriations and meets the criteria of a trust account.

### Temporary Deposits - Water Development

Financial Data for Fiscal Years 1999-2003 (in thousands)

	FY1999	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$1,612	\$1,532	\$967	\$962	\$1,008
Revenues	292	174	176	169	268
Interest	0	0	0	0	0
Expenditures	(372)	(739)	(181)	(123)	(193)
Transfers	0	0	0	0	0
Ending Fund Balance	\$1,532	\$967	\$962	\$1,008	\$1,083
Encumbrances	296	24	25	22	43

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

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## Responses of the Affected Agencies

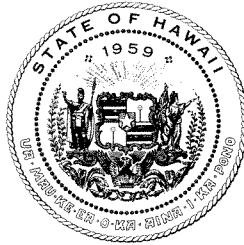
### Comments on Agency Responses

We transmitted a draft of this review to the departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources on September 29, 2003. Copies of the transmittal letter to the Department of Accounting and General Services is included as Attachment 1. Similar letters were sent to the other three departments. A copy of the responses of the Department of Agriculture and the Department of Budget and Finance are included as Attachments 2 and 3, respectively. The Department of Accounting and General Services and the Department of Land and Natural Resources agreed with our review of their funds, and declined to submit a written response.

The Department of Agriculture noted that the Waiahole Water System Revolving Fund, Section 163D-15.5, HRS, is self-sustaining, a term we have added to the report.

The Department of Budget and Finance agreed with our review of its funds.

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

September 29, 2003

*COPY*

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

Dear Mr. Saito:

Enclosed for your information are three copies, numbered 6 to 8, of our confidential draft report, *Review of Revolving Funds, Trust Funds, and Trust Accounts of the Departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources*. We ask that you telephone us by Wednesday, October 1, 2003, 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 Thursday, October 9, 2003.

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

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

Sincerely,

A handwritten signature in cursive script, appearing to read 'marion m higa'.

Marion M. Higa  
State Auditor

Enclosures

LINDA LINGLE  
Governor



SANDRA LEE KUNIMOTO  
Chairperson, Board of Agriculture

DIANE LEY  
Deputy to the Chairperson

State of Hawaii  
DEPARTMENT OF AGRICULTURE  
1428 South King Street  
Honolulu, Hawaii 96814-2512  
Phone: (808) 973-9600 Fax: (808) 973-9613

October 6, 2003

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OFFICE OF THE AUDITOR  
STATE OF HAWAII

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

Dear Ms. Higa:

We have completed our review of your draft report, Review of Revolving Funds, Trust Funds, and Trust Accounts of the Departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources, and submit the following comment.

The Agribusiness Development Corporation, an administratively attached agency, would like to comment that the Waiahole Water System Revolving Fund, Section 163D-15.5, HRS, is self-sustaining and has not received any general fund appropriations since the seed money it received in FY 1998-1999.

Thank you for the opportunity to review and comment on your draft report.

Sincerely,

Sandra Lee Kunimoto  
Chairperson, Board of Agriculture

c: Office of the Governor



LINDA LINGLE  
GOVERNOR



GEORGINA K. KAWAMURA  
DIRECTOR

STANLEY SHIRAKI  
ACTING DEPUTY DIRECTOR

STATE OF HAWAII  
DEPARTMENT OF BUDGET AND FINANCE

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

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

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

October 2, 2003

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STATE OF HAWAII

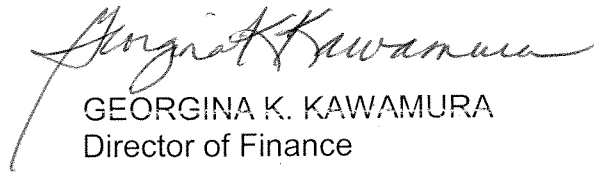
Ms. Marion M. Higa  
State Auditor  
Office of the Auditor  
465 S. King Street, Room 500  
Honolulu, Hawaii 96813-2917

Dear Ms. Higa:

Thank you for the opportunity to review the draft report, *Review of Revolving Funds, Trust Funds, and Trust Accounts of the Departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources*, in your letter dated September 29, 2003. We believe the report represents information provided for applicable funds and the Department of Budget and Finance has no other comments at this time.

If you or your staff have any questions, please contact Ms. Wanda Kimura, Program and Budget Analysis Manager, at 586-1596.

Sincerely,

  
GEORGINA K. KAWAMURA  
Director of Finance

Attachment