
Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Transportation

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

Report No. 14-05
March 2014



THE AUDITOR
STATE OF HAWAII

Office of the Auditor

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

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

1. Financial audits attest to the fairness of the financial statements of agencies. They examine the adequacy of the financial records and accounting and internal controls, and they determine the legality and propriety of expenditures.
2. Management audits, which are also referred to as performance audits, examine the effectiveness of programs or the efficiency of agencies or both. These audits are also called program audits, when they focus on whether programs are attaining the objectives and results expected of them, and operations audits, when they examine how well agencies are organized and managed and how efficiently they acquire and utilize resources.
3. Sunset evaluations evaluate new professional and occupational licensing programs to determine whether the programs should be terminated, continued, or modified. These evaluations are conducted in accordance with criteria established by statute.
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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.
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8. Fiscal accountability reports analyze expenditures by the state Department of Education in various areas.
9. Special studies respond to requests from both houses of the Legislature. The studies usually address specific problems for which the Legislature is seeking solutions.

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



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**We reported on
48 funds and
accounts: 16 special
funds, 20 revolving
funds, two trust
funds, and ten trust
accounts**

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Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Transportation

Report No. 14-05, March 2014

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

Eight funds and accounts did not meet criteria

Section 23-12, HRS, requires the Auditor to review all existing special, revolving, and trust funds every five years. This is our first review of the Department of Transportation since Act 130, SLH 2013, amended Section 23-12, HRS, to require we review the department's funds.

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

We reviewed 60 special funds, revolving funds, trust funds, and trust accounts; and reported on 48 of them (16 special funds, 20 revolving funds, two trust funds, and ten trust accounts). We used criteria developed by the Legislature as well as by our office from a review of public finance and accounting literature. We determined that eight of the 48 funds and accounts did not meet applicable fund criteria.

For each fund, we present a five-year financial summary, the purpose of the fund, and conclusions about its use. We did not audit the financial data, which is provided for informational purposes. We do not present conclusions about the effectiveness of the program or its management, or whether the program should be continued.

Inconsistencies were noted

We noted inconsistent adherence by the department to statutory reporting of financial transactions and balances, resulting in reports that are incomplete or not filed. Although some funds have been repealed or are no longer active, their appropriation accounts have not been closed and balances remain. Accurate and complete reporting, as well as timely closing of funds, will greatly improve the Legislature's oversight and control of these funds and provide increased budgetary flexibility.

We also found instances where multiple funds were combined as a single fund in reports and did not include specific details of individual funds or accounts. When funds are combined and reported in aggregate, reports lack itemized information such as the purpose, sources of revenue, and program expenditures of each fund.

Agency's response

We transmitted a draft of this review to the Department of Transportation. The department agreed with our review of its funds, but disagreed with our conclusion on the Safe Routes to School Program Special Fund.

Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Transportation

A Report to the
Governor
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Submitted by

THE AUDITOR
STATE OF HAWAI'I

Report No. 14-05
March 2014

Foreword

This is a report of our review of special funds, revolving funds, trust funds, and trust accounts used by or administratively attached to the Department of Transportation.

Section 23-12, Hawai‘i Revised Statutes (HRS), requires the State Auditor to review all existing special, revolving, and trust funds once every five years. This is our first review of the Department of Transportation because Act 130, Session Laws of Hawai‘i 2013, expanded Section 23-12, HRS, to require that we include the Department of Transportation in our regular reviews of special, revolving, and trust funds.

We wish to express our appreciation for the cooperation and assistance extended to us by the officials and staff of the Department of Transportation.

Jan K. Yamane
Acting State Auditor

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Chapter 1

Introduction

Section 23-12, Hawai‘i Revised Statutes (HRS), requires the State Auditor to review all special, revolving, and trust funds administered by each state department every five years. This report presents our first review of the special funds, revolving funds, trust funds, and trust accounts of the Department of Transportation (DOT), which was included in periodic fund reviews mandated by Section 23-12, HRS, as amended by Act 130, Session Laws of Hawai‘i (SLH) 2013.

Background

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

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

Regular reviews of revolving and trust funds were later required by Act 280, SLH 1993. Codified as Section 23-12, HRS, the act expanded the concept of Act 240, SLH 1990, by requiring the Auditor to review revolving and trust funds administered by the State once every five years. The law was again expanded through Act 130, SLH 2013, to include a review of all special funds once every five years and to add the Departments of Defense and Transportation to the list of agencies reviewed.

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

1. An evaluation of the original intent and purpose of each fund, both as expressed by the Legislature and as understood by the expending agency;
2. The degree to which each fund achieves its stated and claimed purposes;

3. An evaluation of the fund's performance standards as established by the agency; and
4. A summary statement reflecting total fund transactions in the preceding five fiscal years, including the fund balance at the beginning of each fiscal year, total deposits and withdrawals, amount of interest earned, total expenditures made from the fund, and the ending fund balance for each fiscal year.

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

Special funds

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

Revolving funds

Section 37-62, HRS, defines a revolving fund as 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 are then replenished through the repayment of loans. An example of a revolving fund is the State Motor Pool Revolving Fund, which is used to purchase and maintain the State’s fleet of motor vehicles and is replenished by charges to state agencies for the use of the vehicles.

Trust funds

Section 37-62, HRS, defines a trust fund as “a fund in which designated persons or classes of persons have a vested beneficial interest or equitable ownership, or which was created or established by a gift, grant, contribution, devise or bequest that limits the use of the fund to designated objects or purposes.” Trust funds invoke a fiduciary responsibility of state government to care for and use the assets held only for those designated to benefit from the funds. A pension fund is an example of a trust fund. Contributions and payments into the fund are to be held for the beneficiaries of the pension fund. Another example is tenants’ security deposits, which are held in trust funds for the future

benefit of tenants and landlords. Until forfeited or returned, deposits are the property of the tenants and should be accounted for accordingly.

Trust accounts

The Department of Accounting and General Services defines a trust account as a separate holding or clearing account for state agencies. Trust accounts serve as state agencies' separate holding or clearing accounts or as accounting devices to credit or charge agencies or projects for payroll or other costs.

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

Special and revolving fund criteria

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

- Serves a need, as demonstrated by the purpose of the program to be supported by the fund; the scope of the program, including financial information on fees to be charged, sources of projected revenue, and costs; and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
- Reflects a clear nexus between the benefits sought and charges made upon the program users or beneficiaries, or a clear link between the program and the sources of revenue—as opposed to serving primarily as a means to provide the program or users with an automatic means of support, removed from the normal budget and appropriation process;
- Provides an appropriate means of financing for the program or activity, used only when essential to the successful operation of the program or activity; and
- Demonstrates the capacity to be financially self-sustaining.

Trust fund and trust account criteria

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

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

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

Objectives of the Review

1. Identify all special funds, revolving funds, trust funds, and trust accounts of the Department of Transportation.
2. For each special fund, revolving fund, trust fund, and trust account, determine the original intent and purpose, per statute and as understood by the agency, and determine the degree to which each fund or account achieves its stated and claimed purposes.
3. Evaluate fund performance standards established by the agencies.
4. Provide a five-year (FY2009–FY2013) unaudited financial summary for each fund or account reviewed.

Scope and Methodology

We reviewed all special funds, revolving funds, trust funds, and trust accounts directly administered by the Department of Transportation during the five-year period under review. The funds and accounts include those established by statute as well as by administrative authority.

We researched statutes, session laws, and legislative history. We reviewed administrative rules, policies and procedures, financial audit reports, agency financial reports, performance standards established by the agency, and other documents as appropriate. To gain an

understanding of fund operations, we interviewed key fiscal and program personnel as necessary. We also obtained a summary statement for each fund reflecting the total fund transactions in the preceding five fiscal years (July 1, 2008 to June 30, 2013), including fund balances at the beginning of each fiscal year, total revenues, amount of interest earned, total expenditures and encumbrances, transfers, and ending fund balances for each fiscal year.

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

Where appropriate, we relied on prior funds review reports, including Report Nos. 01-12, *Update of the 1992 Summary of Special and Revolving Funds*, and 12-04, *Study of the Transfer of Non-general Funds to the General Fund*. Recommendations were made where applicable.

This review was conducted from July 2013 to February 2014 and followed standard office procedures according to the Office of the Auditor's *Manual of Guides*. We did not audit the agency's financial data, which are provided for informational purposes only.

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Chapter 2

Department of Transportation

This chapter presents the results of our review of 16 special funds, 20 revolving funds, two trust funds, and ten trust accounts of the Department of Transportation (DOT). We also reviewed 12 other DOT accounts, but did not include them in this report because they were appropriation accounts either related to other accounts being analyzed or not within the scope of our work. 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 offer any conclusions about the effectiveness of the program, its management, or whether the program should be continued. We present the funds in four sections, one for each of DOT's divisions: Administration, Airports, Harbors, and Highways. For each division, the funds and accounts are listed in alphabetical order and identified as being established by statutory or administrative authority. Financial data for each fund or account were obtained from the department.

Exhibit 2.1 lists the DOT's funds and accounts that do not meet criteria for continuance.

Exhibit 2.1

Department of Transportation's Funds and Accounts Not Meeting Criteria

Fund Name	Fund Type	6/30/13 Balance (rounded)	No longer serves original purpose	No clear nexus between benefits sought and user charges or a clear link between the program and revenue sources	Program can operate under general fund appropriation process	Inappropriate financing mechanism	Not financially self- sustaining
DOT—Administration							
Amtrak Trust Account	Trust Account	\$0	✓				
DOT—Airports							
Prepaid Airport Use Charge Fund	Special	\$40,671,000				✓	
Transportation Use Special Fund	Special	\$0	✓				
DOT—Harbors							
Aloha Tower Fund	Special	\$4,015	✓				
Hurricane Iniki Insurance Proceeds	Special	\$100,000	✓				
DOT—Highways							
Deposits—Plans and Specifications	Trust Account	\$31,868	✓				
Photo Enforcement Revolving Fund	Revolving	\$241	✓				
Safe Routes to School Program Special Fund	Special	\$417,666		✓*			

*There is partial nexus between the benefits sought and charges made upon the program users or beneficiaries.

Source: Office of the Auditor

Administration Division

This section presents the results of our review of two special funds, one trust fund, and two trust accounts of DOT–Administration.

Aloha Tower Fund (special fund)

Section 206J-17, HRS

Financial Data for Fiscal Years 2012–2013 (in thousands)

	FY2012	FY2013
Beginning Balance	\$0	\$1,000
Revenues	1,000	1,000
Interest	0	2
Expenditures	0	(1,450)
Transfers	0	0
Ending Balance	\$1,000	\$552
Encumbrances	\$0	\$0

This special fund meets the criteria of a special fund and serves the purpose for which it was created. The fund was established by Act 152, SLH 2011, to place the Aloha Tower Development Corporation (ATDC) under the DOT. The fund is used to make lease payments to DOT and for the development, redevelopment, or improvement of the Aloha Tower Complex. The ATDC subleases lands surrounded by Piers 8 and 9 in Honolulu Harbor and a portion of land surrounded by Pier 10 to a developer. The corporation also entered into a maintenance, operations, capital improvements, and securities agreement with the developer and the DOT's Harbors Division (DOT–Harbors). In addition to paying rent to ATDC, the lessee is to redevelop, renovate, or improve portions of the Aloha Tower Complex to better serve the economic, maritime, and recreational needs of the people of Hawai'i.

**Amtrak Trust Account
(trust account)****Administratively
established****Financial Data for Fiscal Years 2009–2013 (in thousands)**

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$3,461	\$3,461	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	0	(3,461)	0	0	0
Ending Balance	\$3,461	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers to DOT–Airports, Harbors, and Highways.

This account meets the criteria of a trust account but no longer serves the purpose for which it was created and should be closed. The account was administratively established in 1998 to hold moneys received under the federal Taxpayer Relief Act of 1997, Public Law No. 105-34. The purpose of the program was to provide non-Amtrak states with an opportunity to offset certain transportation-related expenditures. The DOT received \$23,230,000. Transfers from the account were made to fund projects managed by DOT–Airports, Harbors, and Highways. The congressional sunset on January 1, 2010, closed out the program but the account remains open. Approximately \$38,000 in interest income belonging to the account is recorded in the Bid Bonds Deposits–Administration fund. The department expects to transfer that \$38,000 to this Amtrak trust account in FY2014 for eventual repayment to the federal source.

**Bid Bond Deposits—
Administration
(trust fund)****Administratively
established****Financial Data for Fiscal Years 2009–2013 (in thousands)**

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$474	\$585	\$189	\$201	\$296
Revenues	122	238	169	134	42
Interest	0	0	0	0	0
Expenditures	(11)	(634)	(157)	(39)	(150)
Transfers	0	0	0	0	0
Ending Balance	\$585	\$189	\$201	\$296	\$188
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was created. This fund was administratively established in 1990 to hold bid securities under provisions of Section 103D-323, Hawai‘i Revised Statutes (HRS). Bid security deposits are required for contracts exceeding \$25,000 and are to be in the form of a bond provided by a qualified surety company or in the equivalent of cash. Bid securities equal to at least 5 percent of the amount of the bid are deposited in the fund and distributed in accordance with the Hawai‘i Procurement Code. Bid securities provide security protection against the failure or refusal of an offeror to execute a contract or to supply necessary performance and payment bond. The fund’s ending balance for FY2013 includes approximately \$38,000 in interest income belonging to the Amtrak Trust Account that was erroneously recorded in this fund. The \$38,000 will be transferred to the Amtrak Trust Account in FY2014 for eventual repayment to the federal source.

**General Administration
(special fund)**

**Administratively
established**

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$8,128	\$6,343	\$5,928	\$6,684	\$7,301
Revenues	51	98	107	89	81
Interest	162	103	130	43	22
Expenditures	(12,814)	(11,547)	(11,004)	(11,210)	(12,422)
Transfers*	10,816	10,931	11,523	11,695	12,360
Ending Balance	\$6,343	\$5,928	\$6,684	\$7,301	\$7,342
Encumbrances	\$1,831	\$1,425	\$1,488	\$2,008	\$1,375

* Net transfers of assessments from DOT–Airports, Harbors, and Highways.

This fund meets the criteria of a special fund and serves the purpose for which it was created. The fund was administratively established in 1977 (prior to the 2002 enactment of Section 37-52.3, HRS, which requires special funds to be established by statute) to account for the department’s modal divisions’ pro-rata share of administrative expenses for their special funds pursuant to Section 36-30, HRS. The DOT–Administration consists of the Office of the Director of Transportation (deputy directors, Community Affairs Office, and Office of Special Compliance), Departmental Staff Services Offices (Personnel, Business Management Office, Computer Systems and Services Office, Contracts Office, and Programs, Planning and Budget Office), and the Statewide Transportation Planning Office. Collectively, these offices provide overall administrative support for DOT. The fund is sustained through

assessments from DOT–Airports, Harbors, and Highways. At the end of each fiscal year, the ending cash balance of the General Administration appropriation is returned to the divisions in the same pro rata share they were assessed.

***WASHTO Quality
Award Program
(trust account)***

***Administratively
established***

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	3	3	3	3	3
Interest	0	0	0	0	0
Expenditures	(3)	(3)	(3)	(3)	0
Transfers	0	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0	\$3
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account meets the criteria of a trust account and continues to serve the purpose for which it was created. The account was administratively established in 2009 to hold moneys received from the Western Association of State Highway and Transportation Officials (WASHTO). The purpose of the program is to recognize achievements in transportation safety and other outstanding accomplishments by DOT employees. The WASHTO provides up to \$3,000 every fiscal year to each member state to establish or support an existing quality program. Teams from each of the four DOT divisions receive \$750, which is equally distributed among team members.

Airports Division

This section presents the results of our review of five special funds, nine revolving funds, one trust fund, and one trust account of DOT–Airports.

***Airport Revenue Fund
(special fund)***

***Sections 248-8 and
261-5, HRS***

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$46,724	\$58,668	\$102,740	\$124,540	\$163,040
Revenues	260,585	299,363	313,466	355,835	360,449
Interest	12,344	6,766	9,050	3,332	2,720
Expenditures	0	0	0	0	0
Transfers*	(260,985)	(262,057)	(300,716)	(320,667)	(395,250)
Ending Balance	\$58,668	\$102,740	\$124,540	\$163,040	\$130,959
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers to special fund operating expenditure accounts, capital improvement project accounts, and revenue bond-related revolving funds.

This fund, which was established in 1947, meets the criteria of a special fund and serves the purpose for which it was created. All moneys received by the DOT–Airports are deposited in the Airport Revenue Fund and transferred to various operating and reserve accounts to support programs. The statewide airports system consists of 11 airports serving commercial airlines and four general aviation airports located on six separate islands. Section 261-7, HRS, requires the State to operate the airports system on a self-sustaining basis. In addition, Section 39-61, HRS, requires undertakings that pledge repayment of revenue bonds to be self-sustaining.

***Airport Sinking Fund
for Retire Term Bond
(revolving fund)***

***Administratively
established***

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund continues to serve the purpose for which it was created and meets criteria for revolving funds. The fund was administratively created in 1969 (prior to the 2002 enactment of Section 37-52.4, HRS, which requires revolving funds to be established by statute) pursuant to the general authority in Part III of Chapter 39, HRS, which allows the department to issue revenue bonds. The Airport Sinking Fund for Retire Term Bond receives transfers from the Airport Revenue Fund and is used to pay off the bond principal.

***Airport System Debt
Service Reserve
Account
(revolving fund)***

***Administratively
established***

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$75,252	\$75,252	\$96,893	\$96,893	\$96,893
Revenues	0	21,641	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$75,252	\$96,893	\$96,893	\$96,893	\$96,893
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund continues to serve the purpose for which it was created and meets the criteria for revolving funds. The fund was administratively created in 1969 (prior to the 2002 enactment of Section 37-52.4, HRS, which requires revolving funds to be established by statute) pursuant to the general authority in Part III of Chapter 39, HRS, which allows the department to issue revenue bonds. The Debt Service Reserve Account receives transfers from the Airport Revenue Fund and maintains a reserve for the payment of interest, principal, and premium on bonds.

***Airport System Interest Account
(revolving fund)***

Administratively established

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$18,038	\$17,453	\$51,915	\$42,941	\$27,434
Revenues	34,906	75,659	52,121	46,689	44,587
Interest	0	0	0	0	0
Expenditures	(35,491)	(37,325)	(44,293)	(49,947)	(45,071)
Transfers*	0	(3,872)	(16,802)	(12,249)	(3,882)
Ending Balance	\$17,453	\$51,915	\$42,941	\$27,434	\$23,068
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers consist of those made between DOT–Airports accounts.

This fund continues to serve the purpose for which it was created and meets criteria for revolving funds. The fund was administratively created in 1969 (prior to the 2002 enactment of Section 37-52.4, HRS, which requires revolving funds to be established by statute) pursuant to the general authority in Part III of Chapter 39, HRS, which allows the department to issue revenue bonds. The Airport System Interest Account receives transfers from the Airport Revenue Fund for the payment of interest on bonds.

***Airports System Major Maintenance, Renewal, and Replacement Account
(revolving fund)***

Administratively established

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$65,588	\$63,627	\$60,061	\$58,397	\$58,061
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(1,966)	(1,228)	(2,954)	(3,248)	(323)
Transfers*	5	(2,338)	1,290	2,912	2,242
Ending Balance	\$63,627	\$60,061	\$58,397	\$58,061	\$59,980
Encumbrances	\$2,979	\$1,351	\$1,309	\$605	\$156

*Transfers consist of those made between DOT–Airports accounts.

This fund continues to serve the purpose for which it was created and meets criteria for revolving funds. The fund was administratively created in 1969 (prior to the 2002 enactment of Section 37-52.4, HRS, which requires revolving funds to be established by statute) pursuant to the general authority in Part III of Chapter 39, HRS, which allows the department to issue revenue bonds. The Airports System Major Maintenance, Renewal, and Replacement Account receives transfers from the Airport Revenue Fund to make up deficiencies for certain interest, serial bond principal, and sinking fund accounts and for major maintenance, repairs, renewal, and replacement of a non-recurring nature to airports system properties.

***Airport System
Serial Bond Principal
Account
(revolving fund)***

***Administratively
established***

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$21,140	\$22,310	\$23,615	\$25,370	\$27,545
Revenues	22,310	23,615	25,370	30,579	40,305
Interest	0	0	0	0	0
Expenditures	(21,140)	(22,310)	(23,615)	(28,404)	(27,545)
Transfers	0	0	0	0	0
Ending Balance	\$22,310	\$23,615	\$25,370	\$27,545	\$40,305
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund continues to serve the purpose for which it was created and meets criteria for revolving funds. The fund was administratively created in 1969 (prior to the 2002 enactment of Section 37-52.4, HRS, which requires revolving funds to be established by statute) pursuant to the general authority in Part III of Chapter 39, HRS, which allows the department to issue revenue bonds. The Airport System Serial Bond Principal Account receives transfers from the Airport Revenue Fund and is used to accumulate money for serial bond principal payments.

**Debt Service Funded Coverage
(revolving fund)**

Administratively established

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$14,304	\$14,304	\$15,430	\$24,223	\$24,223
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	0	1,126	8,793	0	0
Ending Balance	\$14,304	\$15,430	\$24,223	\$24,223	\$24,223
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers consist of those made between accounts under the control of DOT–Airports.

This fund continues to serve the purpose for which it was created and meets criteria for revolving funds. The fund was administratively created in 1994 (prior to the 2002 enactment of Section 37-52.4, HRS, which requires revolving funds to be established by statute) pursuant to the general authority in Part III of Chapter 39, HRS, which allows the department to issue revenue bonds. The Debt Service Funded Coverage fund receives transfers from the Airport Revenue Fund and is required to hold an amount equal to 25 percent of the annual debt service on the airport system's revenue bonds outstanding for the current fiscal year.

**Passenger Facility Charge Special Fund
(special fund)**

Section 261-5.5, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$41,404	\$51,345	\$58,658	\$38,845	\$69,413
Revenues	22,521	27,827	30,321	29,902	36,228
Interest	916	697	1,315	408	207
Expenditures	0	0	0	0	0
Transfers*	(13,496)	(21,211)	(51,449)	258	(14,018)
Ending Balance	\$51,345	\$58,658	\$38,845	\$69,413	\$91,830
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers to DOT–Airport's capital improvement program projects expenditure accounts.

This fund meets the criteria of a special fund and serves the purpose for which it was created. The fund was established in 2003. According to the department, Title 49 Section 40117, United States Code, and Title 14 Part 158, Code of Federal Regulations, authorize the assessment of a passenger facility charge (PFC) for each overseas or international passenger who uses a state airport. Air carriers collect a PFC of \$4.50 per passenger, then remit \$4.39 (11 cents less for an allowed airline administrative handling fee) to DOT–Airports. The State collects passenger facility charges from the five state airports serving overseas flights. Collections are used for capital improvements that benefit the traveling public. Cash transfers are made to various expending accounts to fund PFC projects.

***Performance Bond
Forfeit Deposit—
Airports
(trust account)***

***Administratively
established***

Financial Data for Fiscal Year 2009 (in thousands)

	FY2009
Beginning Balance	\$135
Revenues	0
Interest	0
Expenditures	(135)
Transfers	0
Ending Balance	\$0
Encumbrances	\$0

This trust account was administratively established in 1999 in accordance with Section 103D-703.5, HRS, which allows a purchasing agency to accept moneys in satisfaction of a contractor's obligation on a contract when the contractor is in default. The account received an insurance settlement that was used to complete unfinished contractor work on airfield lights and signage. The project was completed and the account closed in FY2009.

***Prepaid Airport Use
Charge Fund
(special fund)***

***Administratively
established***

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$464	\$464	\$53	\$10,356	\$3,801
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	(411)	(2,500)	(2,500)	(7,445)
Transfers*	0	0	12,803	(4,055)	44,315
Ending Balance	\$464	\$53	\$10,356	\$3,801	\$40,671
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers were made between various DOT–Airports accounts.

This fund continues to serve the purpose for which it was created, but does not meet the criteria of a special fund. The fund should be classified as a trust fund because moneys deposited in the fund are the property of signatory airlines and may not be used for any purpose other than those set forth in the Prepaid Airport Use Charge Fund agreement. The fund was administratively established in 1977 to account for moneys paid by signatory airlines in excess of the amounts annually required under the airport-airline lease. It was created prior to the 2002 enactment of Section 37-52.3, HRS, which requires that special funds be established by law. A separate Prepaid Airport Use Charge Fund memorandum of agreement specifies the handling of the excess moneys.

***Rental Motor Vehicle
Customer Facility
Charge Special Fund
(special fund)***

Section 261-5.6, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$7,682	\$14,467	\$42,704	\$42,284
Revenues	7,672	10,542	40,362	5,328	50,357
Interest	10	38	272	252	138
Expenditures	0	0	0	0	0
Transfers*	0	(3,795)	(12,397)	(6,000)	(43,408)
Ending Balance	\$7,682	\$14,467	\$42,704	\$42,284	\$49,371
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers to Rental Motor Vehicle Customer Facility Charge expenditure accounts.

This fund meets the criteria of a special fund and serves the purpose for which it was created. The fund was established in 2008 to account for all proceeds from rental motor vehicle customer facility charges (CFC). According to the department, the CFC amount, effective September 1, 2008, was \$1 per day. As a result of Act 204, SLH 2010, the CFC amount was increased to \$4.50 per day, effective September 1, 2010. On July 1, 2011, collection of the CFC was suspended by the Legislature for one year. The CFC is charged to customers and collected by rental car companies, which remit \$4.50 to DOT–Airports. Moneys are used to enhance, renovate, operate, maintain, and construct rental motor vehicle customer facilities. Cash transfers are made to various expending accounts to fund CFC projects. Accumulated collections are used for the beginning phases of construction on the Honolulu International and Kahului Airports. DOT–Airports plans to finance the remainder of the program with bonds pledged by CFC collections.

***Reserve for Airline
Rate Mitigation
(revolving fund)***

***Administratively
established***

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$2,800	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	2,800	(2,800)	0	0	0
Ending Balance	\$2,800	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers consist of those made between accounts under the control of DOT–Airports.

This fund continues to serve the purpose for which it was created and meets criteria for revolving funds. The fund was administratively created in 1994 (prior to the 2002 enactment of Section 37-52.4, HRS, which requires revolving funds to be established by statute) pursuant to the general authority in Part III of Chapter 39, HRS, which allows the department to issue revenue bonds. The Reserve for Airline Rate Mitigation fund is one of several funds to receive transfers from the Airport Revenue Fund and serves as a reserve account to adjust for operating revenue shortfalls to prevent increasing airport-related fees to airlines and tenants. The fund is currently inactive. We are not recommending that this fund be repealed because it is required by the revenue bond covenants.

**Reserve for Future
Cash CIP
(revolving fund)**

**Administratively
established**

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$42,034	\$15,606	\$124,875	\$111,015	\$87,089
Revenues	0	0	0	0	48
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	(26,428)	109,269	(13,860)	(23,926)	(29,498)
Ending Balance	\$15,606	\$124,875	\$111,015	\$87,089	\$57,639
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers consist of those made between accounts under the control of DOT–Airports.

This fund continues to serve the purpose for which it was created and meets criteria for revolving funds. The fund was administratively created in 1994 (prior to the 2002 enactment of Section 37-52.4, HRS, which requires revolving funds to be established by statute) pursuant to the general authority in Part III of Chapter 39, HRS, which allows the department to issue revenue bonds. The Reserve for Future Cash CIP fund is one of several reserve funds to receive transfers from the Airport Revenue Fund and serves as a reserve account for cash available to fund existing or future DOT–Airports capital improvement projects. Transfers are made to various capital improvement project-expending accounts.

**Reserve for Operating
and Maintenance
Expenses
(revolving fund)**

**Administratively
established**

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$60,400	\$59,332	\$61,334	\$62,177	\$62,950
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	(1,068)	2,002	843	773	4,161
Ending Balance	\$59,332	\$61,334	\$62,177	\$62,950	\$67,111
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers include those made between accounts under the control of DOT–Airports.

This fund continues to serve the purpose for which it was created and meets criteria for revolving funds. The fund was administratively created in 1994 (prior to the 2002 enactment of Section 37-52.4, HRS, which requires revolving funds to be established by statute) pursuant to the general authority in Part III of Chapter 39, HRS, which allows the department to issue revenue bonds. The Reserve for Operating and Maintenance Expenses fund is one of several reserve funds to receive transfers from the Airport Revenue Fund. It maintains a reserve equal to 25 percent of budget annual operating and maintenance expenses for the current fiscal year.

**Temporary Deposits—
Airports
(trust fund)**

**Administratively
established**

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$4,848	\$4,908	\$5,051	\$5,029	\$5,526
Revenues	709	471	346	1,020	1,134
Interest	0	0	0	0	0
Expenditures	(649)	(328)	(368)	(523)	(169)
Transfers	0	0	0	0	0
Ending Balance	\$4,908	\$5,051	\$5,029	\$5,526	\$6,491
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund continues to serve the purpose for which it was created and meets criteria for trust funds. The fund was administratively created to hold and refund security deposits. Moneys in the fund are security deposits for rental property and from users of airport services.

**Transportation Use
Special Fund
(special fund)**

Section 261D-1, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund no longer serves the purpose for which it was created and does not meet criteria for special funds because it is inactive. The fund was created by statute in 1989 to hold a portion of moneys generated from DOT contracts for the sale of duty free merchandise at locations other than on airport properties. However, the account has been inactive since the 1990s because of problems with the federal government caused by a transfer from this fund. We recommend Section 261D-1, HRS, be repealed; and the DOT said it will be seeking a repeal of the fund.

Harbors Division

This section presents the results of our review of three special funds, five revolving funds, and three trust accounts of DOT–Harbors.

1997 Certificate Harbor Interest Account (revolving fund)

Administratively established

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$6,676	\$6,420	\$6,179	\$10,020	\$9,843
Revenues	12,964	12,486	17,065	19,778	19,197
Interest	0	0	0	0	0
Expenditures	(13,220)	(12,727)	(13,224)	(19,955)	(19,491)
Transfers	0	0	0	0	0
Ending Balance	\$6,420	\$6,179	\$10,020	\$9,843	\$9,549
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund serves the purpose for which it was created and meets criteria for revolving funds. The fund was administratively created in 1997 (prior to the 2002 enactment of Section 37-52.4, HRS, which requires revolving funds to be established by statute) pursuant to the general authority in Part III of Chapter 39, HRS, which allows the department to issue revenue bonds. The 1997 Certificate Harbor Interest Account receives money from the Harbor Special Fund for payment of bond interest as it becomes due.

**1997 Certificate Harbor
Principal Account
(revolving fund)**

**Administratively
established**

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$8,258	\$7,500	\$7,903	\$5,908	\$10,035
Revenues	10,312	10,843	9,950	11,942	12,555
Interest	0	0	0	0	0
Expenditures	(11,070)	(10,440)	(11,945)	(7,815)	(12,040)
Transfers	0	0	0	0	0
Ending Balance	\$7,500	\$7,903	\$5,908	\$10,035	\$10,550
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund continues to serve the purpose for which it was created and meets criteria for revolving funds. The fund was administratively created in 1997 (prior to the 2002 enactment of Section 37-52.4, HRS, which requires revolving funds to be established by statute) pursuant to the general authority in Part III of Chapter 39, HRS, which allows the department to issue revenue bonds. The 1997 Certificate Harbor Principal Account receives money from the Harbor Special Fund for payment of bond principal.

**7th Supplemental
Certificate 2010A Debt
Service Reserve Fund
Principal
(revolving fund)**

**Administratively
established**

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$0	\$0	\$11,455	\$11,455
Revenues	0	0	11,455	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$0	\$0	\$11,455	\$11,455	\$11,455
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund continues to serve the purpose for which it was created and meets criteria for revolving funds. The fund was administratively created in 2010 pursuant to the general authority in Part III of Chapter 39, HRS, which allows the department to issue revenue bonds. The fund was established with proceeds from the State of Hawai'i Harbor System

Revenue Bonds, Series 2010A, as a reserve for principal payments. The fund may be used to repay principal amounts should a situation arise in which DOT–Harbors does not have sufficient unrestricted cash balances to make required principal payments on the Series 2010A bonds. The 7th Supplemental Certificate 2010A Debt Service Reserve Fund Principal receives money from the Harbor Special Fund for payment of bond principal.

***Aloha Tower Fund
(special fund)***

Section 206J-17, HRS

Financial Data for Fiscal Years 2012–2013 (in thousands)

	FY2012	FY2013
Beginning Balance	\$0	\$4
Revenues	0	0
Interest	4	0
Expenditures	0	0
Transfers	0	0
Ending Balance	\$4	\$4
Encumbrances	\$0	\$0

This fund meets the criteria of a special fund but no longer serves the purpose for which it was created and should be closed. The fund was established by Act 152, SLH 2011, to place the Aloha Tower Development Corporation under the DOT. The fund was temporarily placed with DOT–Harbors from July 2011 through February 2012 to allow for the establishment of an appropriation account for DOT–Administration to collect rents and interest earnings. Moneys in the fund should have been transferred to the Aloha Tower Fund at DOT–Administration, but due to an oversight remained with DOT–Harbors. The DOT–Harbors expects to transfer the remaining \$4,015 balance to Aloha Tower Fund at DOT–Administration in FY2014, then close the DOT–Harbors fund.

**Harbor Board Stores
Revolving Fund
(revolving fund)**

**Administratively
established**

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$8	\$181	\$28	\$25	\$29
Revenues*	236	(82)	89	103	116
Interest	0	0	0	0	0
Expenditures	(88)	(71)	(92)	(99)	(122)
Transfers**	25	0	0	0	0
Ending Balance	\$181	\$28	\$25	\$29	\$23
Encumbrances	\$2	\$9	\$0	\$0	\$11

*FY2009 revenues include an erroneous posting of \$148,173 belonging to the Department of Health, and the subsequent reversal of the entry in FY2010.

**Transfers of \$25,000 from the Harbor Special Fund.

This fund serves the purpose for which it was created and meets criteria for revolving funds. The fund was established administratively prior to the 2002 enactment of Section 37-52.4, HRS, which requires revolving funds be established by law. The fund is used by the department to track and replenish supplies which primarily consists of fuel for vehicles, and equipment used by DOT–Harbors in operating and providing services at Honolulu Harbor.

**Harbor Extraordinary
Renewal/Replacement
Reserve Account
(revolving fund)**

**Administratively
established**

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$10,898	\$10,898	\$10,898	\$10,898	\$10,898
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$10,898	\$10,898	\$10,898	\$10,898	\$10,898
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund continues to serve the purpose for which it was created and meets criteria for revolving funds. The fund was administratively created in 1997 (prior to the 2002 enactment of Section 37-52.4, HRS,

which requires revolving funds to be established by statute) pursuant to the general authority in Part III of Chapter 39, HRS, which allows the department to issue revenue bonds. The fund is a reserve account that may be used in the event of a deficiency in payments for any series of DOT–Harbors revenue bonds. Money credited to the account may also be used for any other purpose within the jurisdiction, duties, and functions of DOT–Harbors only to the extent not used to make up such deficiencies.

Harbor Special Fund (special fund)

Section 266-19, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$101,154	\$86,492	\$57,772	\$71,363	\$82,330
Revenues	69,663	68,025	79,613	91,302	100,503
Interest	4,193	1,993	2,805	1,149	869
Expenditures	0	0	0	0	0
Transfers*	(88,518)	(98,738)	(68,827)	(81,484)	(86,063)
Ending Balance	\$86,492	\$57,772	\$71,363	\$82,330	\$97,639
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers to operating allotments, capital improvement project accounts funded by cash, and revenue bond revolving funds, other special funds, other non-special funds, and legislative relief for claims.

This fund meets the criteria of a special fund and serves the purpose for which it was created. The fund was statutorily established in 1941. All moneys derived from harbor properties are paid into the Harbor Special Fund and transferred to various operating allotments. The allotments fund payroll and other current expenses for 11 programs, including debt service, equipment, and vehicle costs. The DOT–Harbors operates and maintains ten commercial harbors on six islands. Section 266-17, HRS, requires the DOT to produce sufficient revenues to operate and maintain the harbors, pay principal and interest on all bonds pledged, and reimburse the general fund for all general obligation bonds issued for harbor or wharf improvements. In addition, Section 39-61, HRS, requires undertakings that pledge repayment of revenue bonds be self-sustaining.

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

***Administratively
established***

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$100	\$100	\$100	\$100	\$100
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$100	\$100	\$100	\$100	\$100
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund no longer serves the purpose for which it was created and does not meet the criteria of a special fund because it is inactive. The fund was administratively established in 1997, prior to the 2002 enactment of Section 37-52.3, HRS, which requires special funds be established by law. The fund is used to track expenditures for repairs from 1992's Hurricane Iniki. The fund has been inactive since at least 2006 and we recommend the department transfer the remaining balances to the Harbors Special Fund and close the fund.

***OHA Ceded Lands
Proceeds (Harbors)
(trust account)***

***Administratively
established***

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	6,316	6,037	7,614	9,029	10,559
Interest	0	0	0	0	0
Expenditures	(6,316)	(6,037)	(7,614)	(9,029)	(10,559)
Transfers	0	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account continues to serve the purpose for which it was created and meets criteria for trust accounts. The account was administratively established in 2006 to meet Executive Order No. 06-06, which required departments to set aside 20 percent of revenues received from ceded lands. The amounts held in the account are paid directly to the Office of Hawaiian Affairs.

***Risk Management—
Fire and Casualty
Losses—Harbors
(trust account)***

***Administratively
established***

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$2,931	\$900	\$788	\$713	\$713
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(2,031)	(112)	(75)	0	0
Transfers	0	0	0	0	0
Ending Balance	\$900	\$788	\$713	\$713	\$713
Encumbrances	\$91	\$76	\$1	\$1	\$1

This account serves the purpose for which it was created and meets criteria for trust accounts. The account was created administratively in 2006 and holds insurance proceeds received from the State of Hawai‘i Risk Management Office for damages resulting from the 2006 Kaihola earthquake. Under Section 41D-4(g), HRS, the moneys are to be used for purposes identified in any such settlement.

***Temporary Deposits—
Harbors
(trust account)***

***Administratively
established***

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$2,773	\$2,587	\$2,460	\$2,595	\$2,539
Revenues	43	123	293	21	324
Interest	0	0	0	0	0
Expenditures	(229)	(250)	(158)	(77)	(65)
Transfers	0	0	0	0	0
Ending Balance	\$2,587	\$2,460	\$2,595	\$2,539	\$2,798
Encumbrances	\$2	\$2	\$2	\$2	\$2

This account serves the purpose for which it was created and meets criteria for a trust account. The account was created administratively in 1959 to hold security deposits provided by lessees and permit holders as required by leases, permits, and other contracts entered into for the use of harbor properties.

Highways Division

This section presents the results of our review of six special funds, six revolving funds, and four trust accounts of DOT–Highways.

Accrued Payroll Overhead (revolving fund)

Section 264-16, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$142	\$24	\$342	\$127	\$1,149
Revenues	99	178	180	84	76
Interest	0	0	0	0	0
Expenditures	(2,537)	(1,660)	(3,775)	(9,703)	(5,774)
Transfers*	2,320	1,800	3,380	10,641	4,868
Ending Balance	\$24	\$342	\$127	\$1,149	\$319
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers from the State Highway Fund.

This fund continues to serve the purpose for which it was created and meets criteria for revolving funds. The fund was statutorily created in 1983. Moneys in the fund are expended for employee benefits and replenished by the State Highway Fund.

Civil Identification Card Fee Special Fund (special fund)

Section 286-312, HRS

Financial Data for Fiscal Year 2013 (in thousands)

	FY2013
Beginning Balance	\$0
Revenues	429
Interest	0
Expenditures	(241)
Transfers*	300
Ending Balance	\$488
Encumbrances	\$0

*Transfer from the State Identification Revolving Fund held at the Department of the Attorney General.

This fund meets the criteria of a special fund and continues to serve the purpose for which it was created. The fund was statutorily established in 2013 and is used to support the identification card program. In Act 310, SLH 2012, the Legislature found Hawai'i driver's licenses and non-driver's identification cards that do not comply with the federal REAL ID Act by January 15, 2013, will not be recognized by federal agencies, such as the Transportation Security Administration, and possibly other states. Act 310 consolidates the driver's license and civil identification programs under the director of transportation, and transfers any remaining unencumbered balance from the Department of the Attorney General's State Identification Revolving Fund to this fund. Moneys into the fund consist of all fees assessed for processing and issuing identification cards. Expenditures consist of reimbursements to the counties for administering the program.

**Construction
Administration
Clearing Account
(revolving fund)**

Section 264-16, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$861	\$349	\$446	\$2,434	\$534
Revenues	505	1	2,494	365	37
Interest	0	0	0	0	0
Expenditures	(648)	(704)	(606)	(4,739)	(4,680)
Transfers*	(369)	800	100	2,474	4,454
Ending Balance	\$349	\$446	\$2,434	\$534	\$345
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers involve the State Highway Fund.

This fund continues to serve the purpose for which it was created and meets criteria for revolving funds. The fund was statutorily created in 1982. Labor charges are incurred by DOT–Highways, which are then billed to state departments and counties. The fund is used to account for program costs and appropriations.

**Deposits—Plans and Specifications
(trust account)**

**Administratively
established**

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$32	\$32	\$32	\$32	\$32
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$32	\$32	\$32	\$32	\$32
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account no longer serves the purpose for which it was created and does not meet criteria for trust accounts. The account was administratively established in 1988 to record deposits from prospective bidders for plans and specifications. The balance represents deposits that were not refunded to contractors because plans and specifications were not returned to the department. The account has been inactive since FY1988 and DOT–Highways said it will close the account after a determination has been made on the remaining balance.

**Highway Development
Special Fund
(special fund)**

Section 264-122, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$3,702	\$3,287	\$3,565	\$1,270	\$1,713
Revenues	2,826	1,252	1,642	435	590
Interest	59	26	63	8	5
Expenditures	0	0	0	0	0
Transfers*	(3,300)	(1,000)	(4,000)	0	0
Ending Balance	\$3,287	\$3,565	\$1,270	\$1,713	\$2,308
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers were used to fund qualified highway capital improvement projects.

This fund meets the criteria of a special fund and continues to serve the purpose for which it was created. The fund was established in 2004 to receive transfers of City and County of Honolulu impact fees to pay for state highway improvements. “Impact fees” are assessments on

a development used to incrementally fund a share of the capital costs of public highway improvements needed to serve that development. According to the department, the City and County of Honolulu collects 'Ewa highway master plan impact fees to help pay for the capital costs of planned regional highway improvements.

**Highway Payroll
Clearance
(trust account)**

Section 264-16, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	1	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(4,247)	(1,516)	(5,537)	(1,384)	0
Transfers*	4,246	1,516	5,537	1,384	0
Ending Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers are from the State Highway Fund for unallocated payroll expenses.

This account continues to serve the purpose for which it was created and meets criteria for trust accounts. The account was statutorily created in 1982 and is used as a fiscal operational account for program appropriations and costs such as payroll expenses.

**Highway Senior Debt
Service Reserve
Subaccount
(revolving fund)**

**Administratively
established**

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$0	\$0	\$5,231	\$9,846
Revenues	0	0	5,231	4,615	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$0	\$0	\$5,231	\$9,846	\$9,846
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund continues to serve the purpose for which it was created and meets criteria for revolving funds. The fund was administratively

created in 1994 (prior to the 2002 enactment of Section 37-52.4, HRS, which requires revolving funds to be established by statute) pursuant to the general authority in Part III of Chapter 39, HRS, which allows the department to issue revenue bonds. The reserve requirement is determined at the time of each series of senior bond issuance and is used to meet reserve requirements for the payment of principal and interest of senior bonds.

***Highway Senior
Principal Subaccount
(revolving fund)***

***Administratively
established***

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$9,691	\$5,748	\$8,558	\$11,240
Revenues	15,823	14,798	20,425	19,372	20,245
Interest	0	0	0	0	0
Expenditures	(6,132)	(18,741)	(17,615)	(16,690)	(21,432)
Transfers	0	0	0	0	0
Ending Balance	\$9,691	\$5,748	\$8,558	\$11,240	\$10,053
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund continues to serve the purpose for which it was created and meets criteria for revolving funds. The fund was administratively created in 1994 (prior to the 2002 enactment of Section 37-52.4, HRS, which requires revolving funds to be established by statute) pursuant to the general authority in Part III of Chapter 39, HRS, which allows the department to issue revenue bonds. The fund receives money from the State Highway Fund and is used to disburse interest payments on senior bonds.

**Highway Senior
Interest Subaccount
(revolving fund)**

**Administratively
established**

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$16,150	\$20,165	\$17,570	\$18,000
Revenues	16,150	23,765	18,340	27,560	27,475
Interest	0	0	0	0	0
Expenditures	0	(19,750)	(20,935)	(27,130)	(26,320)
Transfers	0	0	0	0	0
Ending Balance	\$16,150	\$20,165	\$17,570	\$18,000	\$19,155
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund continues to serve the purpose for which it was created and meets criteria for revolving funds. The fund was administratively created in 1994 (prior to the 2002 enactment of Section 37-52.4, HRS, which requires revolving funds to be established by statute) pursuant to the general authority in Part III of Chapter 39, HRS, which allows the department to issue revenue bonds. The fund receives money from the State Highway Fund and is used to provide for payment of principal of senior bonds.

**Highways—DHHL
North/South Road
Project
(trust account)**

**Administratively
established**

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$9,129	\$9,023	\$3,999	\$3,677	\$3,672
Revenues	2,950	0	0	0	0
Interest	168	84	97	20	10
Expenditures	(3,224)	(5,108)	(419)	(25)	(21)
Transfers	0	0	0	0	0
Ending Balance	\$9,023	\$3,999	\$3,677	\$3,672	\$3,661
Encumbrances	\$6,288	\$1,180	\$760	\$734	\$714

This account continues to serve the purpose for which it was created and meets criteria for trust accounts. The account was created administratively in 2007 and is used when the Department of Hawaiian Home Lands (DHHL) is involved in highways projects managed by DOT-Highways. The account is set up primarily for fiscal accounting

or operational purposes and receives deposits from DHHL for expenses such as payroll and land improvements.

***Motorcycle and Motor
Scooter Operators
Education Fund
(special fund)***

***Section 431:10G-107,
HRS***

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$57	\$111	\$83	\$137
Revenues	56	50	53	55	59
Interest	0	0	0	0	0
Expenditures	(1)	(1)	0	(1)	(3)
Transfers*	2	5	(81)	0	0
Ending Balance	\$57	\$111	\$83	\$137	\$193
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers consist of intrafund transfers between the State Highway Fund.

This fund meets the criteria of a special fund and continues to serve the purpose for which it was created. The fund was statutorily established in 2002 and supports the DOT's administration of a drivers' education program for operators of motorcycles or motor scooters. Deposits into the fund are composed of a drivers' education fund underwriter's fee of \$2 assessed on each insured motorcycle or motor scooter.

***Photo Enforcement
Revolving Fund
(revolving fund)***

Act 240, SLH 2000

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$3,482	\$3,480	\$3,481	\$3,462	\$0
Revenues	0	1	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	(19)	0	0
Transfers*	(2)	0	0	(3,462)	0
Ending Balance	\$3,480	\$3,481	\$3,462	\$0	\$0
Encumbrances	\$3,480	\$3,480	\$0	\$0	\$0

*Transfer of remaining balance to the State Highway Fund.

This fund does not serve the purpose for which it was created and does not meet the criteria of a revolving fund because it is inactive. The fund was statutorily created in 2000 to support the State's three-year demonstration project implementing a photo red light imaging or photo speed imaging detector system to improve traffic enforcement. Deposits into the fund consisted of payments from citations and summons imposed on registered owners of motor vehicles for failure to comply with speeding laws. The fund was used to pay contractors and purchase county police oversight and services necessary to implement the project.

Due to disruptions to traffic and pedestrians and the need for a further review of the system, the Legislature repealed the photo traffic enforcement system and the fund through Act 58, SLH 2002. The act also authorized the transfer of all fund moneys to the general fund. The Legislature later found that the fund still had a balance of \$3.48 million and enacted Act 27, SLH 2011, to reinforce the directive to transfer all remaining moneys to the general fund. According to the department, those funds were transferred in FY2012 to the State Highway Fund to repay \$5 million that had been advanced to cover an encumbrance of the enforcement contract. After the transfer to the State Highway Fund, no net revenue remained to transfer to the general fund. As of FY2013, the fund has a balance of \$241. The fund remains open to receive late payments from photo enforcement citations issued prior to the program's termination.

***Safe Routes to School
Program Special Fund
(special fund)***

Section 291C-4, HRS

Financial Data for Fiscal Year 2013 (in thousands)

	FY2013
Beginning Balance	\$0
Revenues	418
Interest	0
Expenditures	0
Transfers	0
Ending Balance	\$418
Encumbrances	\$0

This fund serves the purpose for which it was created and partially meets the criteria of a special fund because there is no clear link between the \$10 Safe Routes to School Program surcharge and speeding and traffic violations. The \$25 surcharge for speeding violations in a school zone, however, does demonstrate a clear link between the program and its

source of revenues. The fund was statutorily established in 2013 and is used to support the safe routes to school program, which enhances traffic safety around schools and makes bicycling and walking to school safer and more appealing alternatives. Moneys paid into the fund include \$25 per ticket safe routes surcharges imposed on violations for speeding in a school zone and \$10 safe routes surcharges on other designated speeding and traffic violations. According to Sections 291C-3 and 291C-4, HRS, moneys are to be distributed to the counties to expend on county safe routes to school program projects. There were no expenditures in FY2013 because it was a startup year for the fund and authority to expend money from the fund was not provided until FY2014.

***Special Deposits—
Highways
(trust account)***

***Administratively
established***

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$6,446	\$10,152	\$10,539	\$21,071	\$19,644
Revenues	8,347	2,429	12,088	4,757	538
Interest	0	0	0	0	0
Expenditures	(4,641)	(2,042)	(1,556)	(6,184)	(1,139)
Transfers	0	0	0	0	0
Ending Balance	\$10,152	\$10,539	\$21,071	\$19,644	\$19,043
Encumbrances	\$4,915	\$4,395	\$14,455	\$11,804	\$8,569

This account continues to serve the purpose for which it was created and meets criteria for trust accounts. The account was administratively created in 1979 and is used when outside parties such as utility companies are involved in DOT–Highways-managed projects. The account receives trust deposits that are used to refund deposits and pay expenses such as labor and land improvements.

**State Highway Fund
(special fund)**

**Sections 248-8 and
248-9, HRS**

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$21,749	\$21,176	\$16,344	\$14,957	\$10,192
Revenues	183,332	179,959	193,136	231,410	256,000
Interest	6,168	4,893	4,006	1,132	102
Expenditures	0	0	0	0	0
Transfers*	(190,073)	(189,684)	(198,529)	(237,307)	(250,473)
Ending Balance	\$21,176	\$16,344	\$14,957	\$10,192	\$15,821
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Interfund and intrafund transfers included transfers to operating allotment appropriation expenditure accounts, state CIP expenditure accounts, other highways special funds, trust and clearing accounts, moneys to make interest and principal payments on revenue bonds, moneys to fund debt service reserve funds, transfers to DOT–Administration for administrative costs, and transfers to the Department of Budget and Finance.

This fund, established in 1932, meets the criteria of a special fund and serves the purpose for which it was created. The State imposes taxes, fees, and charges relating to the operation and use of motor vehicles on public highways. Revenues include fuel taxes, vehicle weight tax, vehicle registration, rental motor vehicle and tour vehicle surcharge tax, fines, penalties, safety sticker sales, permit fees, rental income, and interest. Moneys deposited in this fund are used for the acquisition, planning, design, construction, operation, repair, and maintenance of Hawai‘i’s highway system. Section 39-61, HRS, requires that undertakings pledging repayment of revenue bonds be self-sustaining.

**Transportation
Improvement Special
Fund
(special fund)**

Section 264-19, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$3,943	\$4,835	\$2,809	\$6,872
Revenues	3,943	892	974	1,063	974
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	0	0	(3,000)	3,000	0
Ending Balance	\$3,943	\$4,835	\$2,809	\$6,872	\$7,846
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfer out for FY2011 and transfer in for 2012 relate to a temporary loan made to project accounts.

This fund meets the criteria of a special fund and serves the purpose for which it was created. The fund was created in 2008 to receive reimbursements from private developers who have been advanced public funds to fulfill conditions of land use development relating to transportation. The director of transportation may expend such sums as are necessary to advance transportation projects, including administrative expenses.

Chapter 3

Observations on the Department of Transportation's Reporting and Accounting for Funds

During our review of the special, revolving, and trust funds and trust accounts of the Department of Transportation (DOT), we noted inconsistent adherence to statutory reporting of financial transactions and balances, resulting in reports that are incomplete or not filed. We also noted that although some DOT funds have been repealed or are no longer active, the appropriation accounts have not been closed and balances remain.

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

Department Did Not Report All Funds As Required by Law

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

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

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

We noted the DOT did not submit required reports on two funds (one revolving and one trust account) to the 2013 Legislature and in another instance provided inaccurate information on a report, thus not complying with reporting requirements.

We also found ten instances where multiple funds were combined as a single fund in the reports and did not include specific details of individual funds or accounts. For example, one item in the DOT non-general fund report, called "Revolving Funds," represented a combination of five revolving funds and one special fund. When funds are combined and reported in aggregate, it obscures important information such as the purpose, sources of revenue, and program expenditures of each fund.

The department's 2013 non-general fund reports for DOT-Harbors and Highways reported funds on this combined basis, while DOT-Airports reported funds both individually and combined. When asked about this, DOT-Airports said use of a single report for multiple funds and accounts was for simplicity and summarization purposes; DOT-Harbors and Highways said that past practice had guided compilation of their reports to the 2013 Legislature. Both DOT-Harbors and Highways believed they were in compliance, since the Department of Budget and Finance did not return or reject their reports.

Fund reports are a primary means through which legislative money committees track non-general funds, monitor fund balances, and identify excess moneys for possible transfer to the general fund. According to the Senate Ways and Means Committee budget chief, there is no statewide master list of non-general funds; the Legislature must compile this information from each non-general fund report. While the department's failure to submit complete reports appears to be inadvertent, we must reiterate the importance of this reporting function.

Department Did Not Report Administratively Created Funds

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

Shortly after enactment of Section 37-52.5, HRS, the state comptroller issued Memorandum No. 2002-35 in October 2002 reminding agency heads as well as departmental administrative and fiscal officers of this reporting requirement. The memorandum noted that departments and agencies are responsible for meeting the requirements beginning July 1, 2002.

We noted that the department was not producing such reports. The DOT said it has been annually submitting the non-general fund reports to the Department of Budget and Finance and felt that this submission would also address the requirements of section 37-52.5. Such informational gaps hinder the Legislature's ability to monitor non-general funds.

Department Did Not Promptly Close Inactive or Terminated Funds

On April 26, 2013, the state comptroller asked department heads to review prior-year appropriation accounts in an effort to eliminate those that were no longer active. Comptroller's Memorandum No. 2013-09 asked departments to check prior-year accounts and clear out balances that were no longer required. Under Section 40-67, HRS, the comptroller can close accounts after receiving notification from departments that all outstanding claims against an appropriation have been paid. The comptroller noted that many old accounts contain cash balances, which should either be returned to the general fund or brought forward to a current-year fiscal account.

However, we noted six instances in which funds have been terminated or are no longer active although their accounts have not been closed and idle balances remain, in some cases for an extended period of time. For example, the Photo Enforcement Revolving Fund was to be closed pursuant to both Acts 58, SLH 2002 and 27, SLH 2011. As of FY2013, the fund still had a \$241 balance because it was receiving collections for photo enforcement citations, including late payments. In another case, the Hurricane Iniki Insurance Proceeds special fund has not been used since 2006, yet carries a balance of \$100,000. The fund was established

to track expenditures incurred by DOT–Harbors to pay for Hurricane Iniki-related damages. The division stated that there is no longer a need for this fund because it has been more than 20 years since the hurricane.

The Department should be diligent about closing remnant appropriation accounts linked to special and revolving funds, especially if the accounts hold unused funds. Leaving significant amounts of money in idle accounts is an inefficient use of public funds.

Conclusion

The Department of Transportation needs to improve its reporting and accounting for non-general funds, including special, revolving, and trust funds, and trust accounts. This is especially important in light of the State's efforts to unify many of its business processes into a government-wide system, which will promote efficiency and transparency. In preparation for this effort, the department should identify and eliminate extraneous funds and accounts and ensure that information it presents to the Legislature regarding its non-general funds and accounts is accurate and complete so that the new system will be as correct and transparent as possible.

Response of the Affected Agency

Comments on Agency Response

On March 10, 2014, we transmitted a draft of this review to the Department of Transportation. A copy of the transmittal letter is included as Attachment 1. A copy of the department's response is included as Attachment 2.

The department generally agreed with our conclusions. However, the department disagreed with our conclusion regarding the Safe Routes to School Program Special Fund, citing Conference Committee Report No. 118-12 of the 2012 legislative session, in which the Legislature expressed its belief that there *is* nexus between the \$10 surcharge on all moving violations and the Safe Routes to School Program. We recognize the Legislature's desire to secure a source of funding to make the Safe Routes to School Program permanent; however, we stand by our conclusion.

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



JAN K. YAMANE
Acting State Auditor

MARION M. HIGA
State Auditor

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

March 10, 2014

COPY

The Honorable Glenn Okimoto
Director
Department of Transportation
Aliiimoku Building
869 Punchbowl Street, Room 509
Honolulu, Hawai'i 96813

Dear Mr. Okimoto:

Enclosed for your information are five copies, numbered 6 to 10, of our confidential draft report, *Review of Special Funds, Revolving Funds, Trust Funds and Trust Accounts of the Department of Transportation*. We ask that you telephone us by Thursday, March 13, 2014, on whether or not you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit your hard copy response to our office no later than 4:30 p.m., Monday, March 17, 2014.

The Governor and presiding officers of the two houses of the Legislature have also been provided copies of this confidential draft report.

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

Sincerely,

Jan K. Yamane
Acting State Auditor

Enclosures



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

ATTACHMENT 2

GLENN M. OKIMOTO
DIRECTOR

Deputy Directors
FORD N. FUCHIGAMI
RANDY GRUNE
AUDREY HIDANO
JADINE URASAKI

IN REPLY REFER TO:

DIR 1.10864

March 17, 2014

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OFF. OF THE AUDITOR
STATE OF HAWAII

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

Dear Ms. Yamane:

We appreciate the opportunity to respond to your draft report entitled, *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Transportation* which was provided on March 10, 2014. We have reviewed the draft report and offer the following comments.

Amtrak Trust Account

The Auditor states that this account meets the criteria of a trust account but no longer serves the purpose for which it was created and should be closed.

The Department of Transportation (Department) agrees that the account should be closed. The remaining balance in the account must be returned to the United States as required by Public Law 105-34. As Public Law 105-34 does not define "United States," the Department will work with the local Federal Highway Administration Office to identify the proper agency that the funds must be returned to.

The interest income of \$38,000 was erroneously recorded in the Bid Bonds Deposits trust fund, but has been properly transferred to the Amtrak Trust account.

Prepaid Airport Use Charge Fund

The Auditor states this fund continues to serve the purpose for which it was created, but does not meet the criteria of a special fund and recommends reclassifying to a trust fund.

The Prepaid Airport Use Charge Fund S-365 (PAUCF) is serving its intended purpose, since it was established administratively to hold overpayments paid to the Department-Airports Division by Signatory Airlines in excess of the amounts annually required under their airline lease agreements.

The Department has no objections and will reclassify the account to a Trust Account since the funds are the property of the signatory airlines and may not be used for any purpose other than those set forth in their PAUCF Agreement.

Transportation Use Special Fund

The Auditor states this fund no longer serves the purpose for which it was created and does not meet criteria for special funds because it is inactive.

The Department agrees and will seek the legislative repeal of Chapter 261D, HRS.

Aloha Tower Fund

The Auditor states this fund meets the criteria of a special fund but no longer serves the purpose for which it was created and should be closed.

The Department agrees with the Auditor's recommendation and will transfer the \$4,015.46 balance in the fund to the Aloha Tower Fund at the Department -Administration and close the Department-Harbors Fund.

Hurricane Iniki Insurance Proceeds

The Auditor states this fund no longer serves the purpose for which it was created and does not meet the criteria of a special fund because it is inactive.

The Department agrees with the Auditor's recommendation and will transfer the remaining \$100,000 balance to the Harbors Special Fund and close the Fund.

Deposits-Plans and Specifications

The Auditor states this account no longer serves the purpose for which it was created and does not meet criteria for trust accounts.

The Department agrees with the recommendation and the Highway's Division will close the account.

Photo Enforcement Revolving Fund

The Auditor states this fund does not serve the purpose for which it was created and does not meet the criteria of a revolving fund because it is inactive.

The Department agrees with the recommendation and the Highway's Division will close the account.

Safe Routes to School Program Special Fund

The Auditor states this fund serves the purpose for which it was created and partially meets the criteria of a special fund because there is no clear link between the \$10 Safe Routes to School Program surcharge and speeding and traffic violations.

The Department strongly disagrees with the Auditor's comment that the \$10 additional surcharge that goes into this fund does not have a clear link to its original purpose. In 2012, the Legislature determined there was a nexus between the \$10 surcharge on all moving violations and the Safe Routes to School program.

The Safe Routes to School (SRTS) program requires transportation infrastructure and non-infrastructure funding to enhance traffic safety around Hawaii's schools, while at the same time provide funding to encourage children to walk and bike to school. To allow successful implementation of the SRTS program, the Legislature enacted Act 317, SLH 2012 to provide a sustainable means for generating revenue for such a program without taking general funds away from other needed programs. Both the \$10 surcharge on various traffic violations and \$25 surcharge for speeding violations in a school zone are parts of the sustainable revenue source while the \$25 surcharge places additional emphasis on safety within school zones. Taking away either one of the revenue sources would substantially reduce the required funding for the SRTS program and would defeat the original purpose of the law. Speeding violations whether within the school zone or not, generally affects the safety of motorists and/or pedestrians. Using the two surcharges collected to promote/implement safety measures is affirmed in the attached legislative committee report for the bill enacted as Act 317.

Department did not Report all funds as required by Law

The Auditor states two funds (one revolving and one trust account) were not reported to the 2013 Legislature and found instances where multiple funds were combined as a single fund.

The Department will review our reporting procedures to ensure that all appropriate funds are included in our reports to the Legislature as well as establish a uniform and detail reporting method.

Department did not report administratively created funds

The Auditor states that Section 37-52.5, HRS, requires any department that administratively establishes a new fund or account to submit a report to the Legislature within 30 working days.

The Department acknowledges the finding and will take appropriate measures to ensure compliance.

Department did not promptly close inactive or terminated funds

The Auditor noted six instances in which funds have been terminated or are no longer active.

The Department acknowledges the finding and will take appropriate measures to ensure timely closing of funds.

Ms. Jan K. Yamane
March 17, 2014
Page 4

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Again, we appreciate the opportunity to review and comment on your draft report. If you have any questions, please contact me at 587-2150.

Very truly yours,

A handwritten signature in black ink, appearing to read "Glenn M. Okimoto". The signature is fluid and cursive, with the first name "Glenn" being more prominent and the last name "Okimoto" following in a similar style.

GLENN M. OKIMOTO, Ph.D.
Director of Transportation

Attachment

Honolulu, Hawaii

April 27 , 2012

RE: H.B. No. 2626
H.D. 2
S.D. 2
C.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sirs:

Your Committee on Conference on the disagreeing vote of the House of Representatives to the amendments proposed by the Senate in H.B. No. 2626, H.D. 2, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO SAFE ROUTES TO SCHOOL,"

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to enhance traffic safety around Hawaii's schools and enable and encourage children to walk and bicycle to school by statutorily establishing the Safe Routes to School Program introduced under Act 100, Session Laws of Hawaii 2009. This measure also establishes:

- (1) The Safe Routes to School Program Special Fund; and
- (2) A Safe Routes to School Program surcharge of:
 - (A) \$10 on all moving violations; and

HB2626 CD1 HCCR HMS 2012-3776



- (B) \$25 on violations involving speeding in a school zone.

Traffic congestion continues to increase around Hawaii's schools. This in turn causes parents, who worry about the safety of their children, to drive their children to school, causing even more congestion around schools and increasing safety risks for students. Evaluating the modes of transportation students currently use to get to school and conducting various workshops and community-based meetings to promote alternative methods of transportation to school will not only alleviate traffic congestion but also increase student safety.

Your Committee on Conference finds that 38 schools in the State have safe routes to school programs that are extremely successful in increasing the number of children walking and biking to school. This measure will make the Safe Routes to School Program permanent and available to children throughout the State.

Your Committee on Conference has amended this measure by:

- (1) Inserting language appropriating \$250,000 out of the Safe Routes to School Program Special Fund for use by the Department of Transportation for the Safe Routes to School Program;
- (2) Changing its effective date to September 1, 2012; and
- (3) Making technical, nonsubstantive amendments for clarity, consistency, and style.


As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of H.B. No. 2626, H.D. 2, S.D. 2, as amended herein, and recommends that it pass Final Reading in the form attached hereto as H.B. No. 2626, H.D. 2, S.D. 2, C.D. 1.

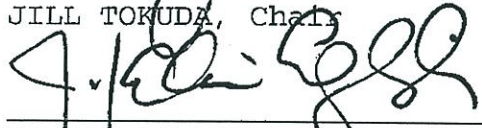


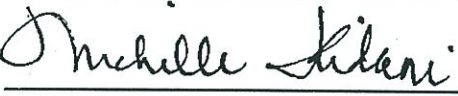
Respectfully submitted on behalf
of the managers:

ON THE PART OF THE SENATE

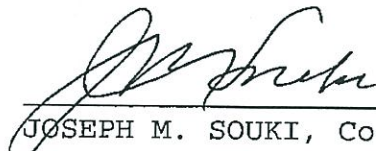
ON THE PART OF THE HOUSE




JILL TOKUDA, Chair


J. KALANI ENGLISH, Co-Chair


MICHELLE KIDANI, Co-Chair



JOSEPH M. SOUKI, Co-Chair


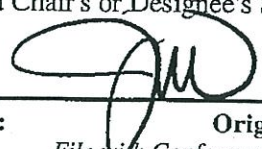
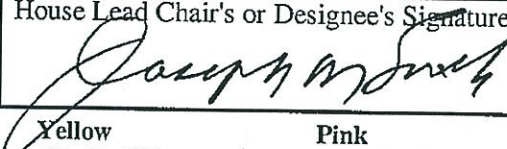
LINDA ICHIYAMA, Co-Chair



Hawaii State Legislature

CCR 118-12

Record of Votes of a
Conference Committee

Bill / Concurrent Resolution No.: HB 2626, HD 2, SD 2					Date/Time: 4/27/12 1:06pm				
<input checked="" type="checkbox"/> The recommendation of the House and Senate managers is to pass with amendments (CD).									
<input type="checkbox"/> The Committee is reconsidering its previous decision.									
<input type="checkbox"/> The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure					<input type="checkbox"/> The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.				
Senate Managers	A	WR	N	E	House Managers	A	WR	N	E
TOKUDA, Jill N., Chr.	✓				SOUKI, Joseph M., Co-Chr.	✓			
ENGLISH, J. Kalani, Co-Chr.				✓	ICHIYAMA, Linda, Co-Chr.	✓			
KIDANI, Michelle N., Co-Chr.	✓				KAWAKAMI, Derek S.K.	✓			
					FONTAINE, George R.	✓			
TOTAL	2	0	0	1	TOTAL	4	0	0	0
A = Aye		WR = Aye with Reservations			N = Nay		E = Excused		
Senate Recommendation is:					House Recommendation is:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted					<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Senate Lead Chair's or Designee's Signature:					House Lead Chair's or Designee's Signature:				
									
Distribution: Original					Yellow				
File with Conference Committee Report					House Clerk's Office		Pink		Goldenrod
							Senate Clerk's Office		Drafting Agency