
Review of Special Funds, Revolving Funds, Trust Funds and Trust Accounts of the Departments of the Attorney General and Business, Economic Development and Tourism

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

Report No. 14-13
December 2014



THE AUDITOR
STATE OF HAWAI'I

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.
7. Procurement compliance audits and other procurement-related monitoring assist the Legislature in overseeing government procurement practices.
8. Fiscal accountability reports analyze expenditures by the state Department of Education in various areas.
9. Special studies respond to requests from both houses of the Legislature. The studies usually address specific problems for which the Legislature is seeking solutions.

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



THE AUDITOR

STATE OF HAWAII

Kekuanao'a Building

465 S. King Street, Room 500

Honolulu, Hawai'i 96813



Office of the Auditor
465 S. King Street
Rm. 500
Honolulu, HI 96813
Ph. (808) 587-0800

Jan K. Yamane
Acting State Auditor
State of Hawai'i

Ten percent of ATG's funds and accounts reviewed failed to meet at least one of the criteria. Thirty-one percent of DBEDT's funds and accounts did not meet the criteria.

Prior Audits

Responses

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<http://auditor.hawaii.gov/>

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Seventy-four special funds, revolving funds, trust funds, and trust accounts were reviewed

Nineteen funds and accounts did not meet criteria

Our review of special, revolving, and trust funds and trust accounts of the departments of the Attorney General (ATG) and Business, Economic Development and Tourism (DBEDT) found 19 of the 74 funds and accounts did not meet criteria for their respective fund or account type. At the Department of the Attorney General, 10 percent (2 of 20) of the funds and accounts reviewed failed to meet at least one of the criteria. Thirty-one percent (17 of 54) of Department of Business, Economic Development and Tourism's fund and accounts did not meet at least one criterion.

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

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

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

Reporting shortfall

We also noted inconsistent adherence by departments when filing statutorily required reports for non-general funds and for administratively created funds and accounts. 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.

Agencies' reponses

We transmitted a draft of this review to the departments of the Attorney General and Business, Economic Development and Tourism. ATG agreed with most of our review but disagreed on our conclusion to reclassify the Antitrust Trust Fund to a special fund; however, we stand by our conclusion. DBEDT concurred with our review for the most part, and like the ATG, will review procedures to ensure compliance with reporting requirements. DBEDT disagreed with our conclusions to repeal four funds; however we stand by our conclusions. We agreed with DBEDT to reclassify the Rental Housing Trust Fund as a revolving fund instead of a special fund.

**Review of Special Funds,
Revolving Funds, Trust Funds
and Trust Accounts of the
Departments of the Attorney
General and Business, Economic
Development and Tourism**

A Report to the
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Submitted by

THE AUDITOR
STATE OF HAWAI'I

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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 departments of the Attorney General and Business, Economic Development and Tourism.

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

We wish to express our appreciation for the cooperation and assistance extended to us by the officials and staff of the departments of the Attorney General and Business, Economic Development and Tourism.

Jan K. Yamane
Acting State Auditor

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Chapter 1

Introduction

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

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

This is our fifth periodic review of the revolving funds, trust funds, and trust accounts of the departments of the Attorney General (ATG) and of Business, Economic Development and Tourism (DBEDT). Our first review, conducted in 1994 (Report No. 94-19), included 22 of ATG’s and DBEDT’s revolving funds, trust funds, and trust accounts. Our second review, conducted in 2000 (Report No. 00-07), included 41 such funds and accounts; and our third review, conducted in 2004 (Report No. 04-13), included 51. Our last review, conducted in 2009 (Report No. 09-11), analyzed 47 ATG and DBEDT revolving funds, trust funds, and trust accounts. This report reviews 74 special funds, revolving funds, trust funds and trust accounts—20 ATG funds and 54 DBEDT funds.

Background

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

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

Regular reviews of revolving and trust funds were later required by Act 280, SLH 1993. Codified as Section 23-12, HRS, the act expanded the 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 must include:

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

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

Special funds

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

Revolving funds

Section 37-62, HRS, defines a revolving fund as one “from which is paid the cost of goods and services rendered or furnished to or by a state agency and which is replenished through charges made for the goods or services or through transfers from other accounts or funds.” Revolving funds are often established with an appropriation of seed money from the general fund. Activities commonly financed through revolving funds

include loan programs, which are initially established by general fund seed moneys and are then replenished through the repayment of loans. An example of a revolving fund is the State Motor Pool Revolving Fund, which is used to purchase and maintain the State's fleet of motor vehicles and is replenished by charges to state agencies for the use of the vehicles.

Trust funds

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

Trust accounts

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

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

Special and revolving fund criteria

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

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

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

Trust fund and trust account criteria

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

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

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

Objectives of the Review

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

Scope and Methodology

We reviewed all special funds, revolving funds, trust funds, and trust accounts directly administered by the departments of the Attorney General and Business, Economic Development and Tourism, and any of their administratively attached agencies during the five-year period under review (FY2010–FY2014). Funds and accounts included those established by statute as well as by administrative authority.

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

We obtained a summary statement for each fund that reflects total fund transactions in the preceding five fiscal years (July 1, 2010 to June 30, 2014), including fund balances at the beginning of each fiscal year, total revenues, amount of interest earned, total expenditures and encumbrances, transfers, and ending fund balances for each fiscal year. We requested explanations for discrepancies between ending balances for FY2009 reported in Report No. 09-11 and the opening balances reported to us for FY2010. Some differences are expected, however, as ending balances are often not final by the deadline required for our review.

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

Where appropriate, we relied on our prior reports, including Report Nos. 01-12, *Update of the 1992 Summary of Special and Revolving Funds*; 94-19, *Review of Revolving and Trust Funds of the University of Hawai'i and the Departments of the Attorney General and Business, Economic Development and Tourism*; 00-07, *Review of Revolving Funds, Trust Funds, and Trust Accounts of the Department of the Attorney General, the Department of Business, Economic Development, and Tourism, and the University of Hawai'i*; 04-13, *Review of Revolving Funds, Trust*

Funds, and Trust Accounts of the Department of the Attorney General, the Department of Business, Economic Development, and Tourism, and the University of Hawai‘i; 09-11, Review of Revolving Funds, Trust Funds, and Trust Accounts of the Departments of the Attorney General and Business, Economic Development and Tourism, and the University of Hawai‘i; and 12-04, Study of the Transfer of Non-general Funds to the General Fund.

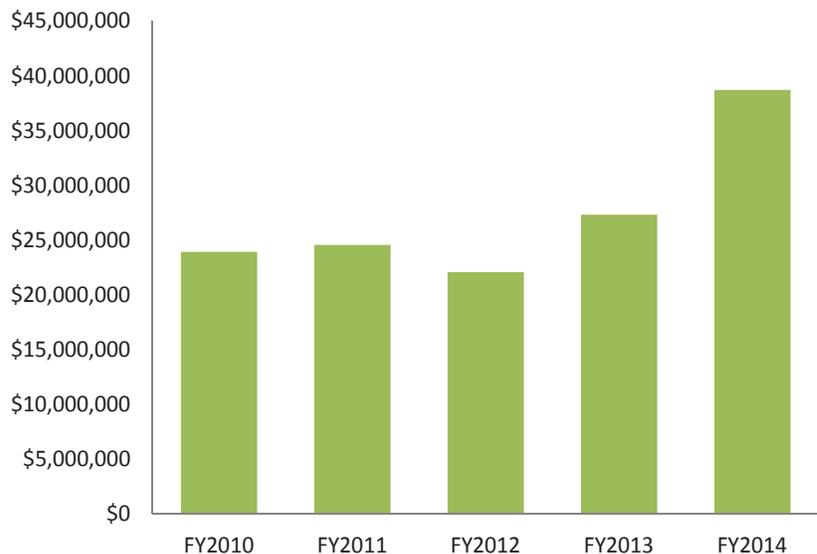
Our review was conducted from May 2014 to October 2014 and followed standard office procedures according to the Office of the Auditor’s *Manual of Guides*. Recommendations were made where applicable. We did not audit the agencies’ financial data, which is provided for informational purposes only.

Chapter 2

Department of the Attorney General

This chapter presents the results of our review of four special funds, four revolving funds, and 12 trust funds and trust accounts of the Department of the Attorney General (ATG). Fund fiscal year-end balances amounted to at least \$22 million during the period reviewed. Exhibit 2.1 displays the totals for these fund balances at the end of the fiscal year.

Exhibit 2.1
Cash Balances for ATG Non-General Funds, FY2010–FY2014



Source: Office of the Auditor

Substantial amounts are also collected, expended, and transferred by the funds and accounts annually. As shown in Exhibit 2.2, the department's special, revolving, and trust funds and accounts collected more than \$174 million and spent or transferred more than \$162 million in FY2014. Exhibit 2.2 presents totals for the combined revenue and interest, expense and transfers, and ending fund balances for the different fund types for FY2014.

Exhibit 2.2

Fund and Account Totals by Type, FY2014

Fund Type	Revenue and Interest	Expenses and Transfers	Year-End Cash Balance
Special Funds	\$3,848,934	\$2,322,253	\$8,014,583
Revolving Funds	3,099,210	2,619,404	1,682,752
Trust Funds and Trust Accounts	167,323,628	157,219,362	29,005,137
Total	\$174,271,772	\$162,161,019	\$38,702,472

Source: Office of the Auditor

For each fund or account we present a five-year financial summary, the purpose of the fund or account, and conclusions about its use and whether it meets the criteria for continuance of a special or revolving fund or the definition of a trust fund. We do not conclude about the effectiveness of programs and their management. However, in our review of special and revolving funds, we do conclude on the need of the fund based on the purpose and scope of the program it supports, and we ask why the program cannot be implemented successfully under the general fund appropriation process. Funds and accounts established by statutory and administrative authority are presented in alphabetical order. Financial data presented by fund or account was obtained from the department.

Exhibit 2.3 summarizes the Department of the Attorney General's funds and accounts that do not meet criteria for continuance and should be repealed or reclassified.

Exhibit 2.3

Department of the Attorney General's Funds and Accounts Not Meeting Criteria

Fund Name	Fund Type	6/30/14 Balance (rounded)	No longer serves original purpose	No clear nexus between benefits sought and user charges or a clear link between the program and revenue sources	Program can operate under general fund appropriation process	Inappropriate financing mechanism	Not financially self-sustaining	Does not serve a need
Antitrust Trust Fund*	Trust Fund	\$52,000				✓		
Hawai'i Criminal Justice Commission Trust Account	Trust Account	\$3,000	✓					

*Reclassification to a different fund type is recommended.

Source: Office of the Auditor

***Antitrust Trust Fund
(trust fund)***

Section 28-13, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$248	\$222	\$182	\$165	\$123
Revenues	87	144	46	43	0
Interest	0	0	0	0	0
Expenditures	(113)	(184)	(63)	(85)	(71)
Transfers	0	0	0	0	0
Ending Balance	\$222	\$182	\$165	\$123	\$52
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust fund continues to serve the purpose for which it was created but operates more like a special fund; accordingly, Section 28-13, HRS, should be amended to reclassify this fund as a special fund. Created in 2001, this fund is used to facilitate enforcement of antitrust laws by the department. Revenue consists of settlements received as a result of antitrust enforcement activities, amounts received as attorney's fees, and cost-share refunds. Expenditures include training, equipment purchases, educational resources, and facilitating participation in antitrust lawsuits and investigations initiated by other states. Unencumbered moneys in excess of \$250,000 at the close of each fiscal year lapse to the general fund. The fund does not meet the appropriate means of financing

criterion for trust funds because there are no designated persons or classes of persons having a vested beneficial interest or equitable ownership in the assets of the fund.

***Child Support
Enforcement Trust
Fund (Not in State
Treasury)
(trust fund)***

Section 576D-10, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$10,497	\$11,453	\$14,434	\$13,854	\$15,356
Revenues	89,003	123,997	126,320	121,409	157,861
Interest	0	0	0	0	0
Expenditures	(88,047)	(121,016)	(126,900)	(119,907)	(154,216)
Transfers	0	0	0	0	0
Ending Balance	\$11,453	\$14,434	\$13,854	\$15,356	\$19,001
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund continues to serve the purpose for which it was created and meets the criteria of a trust fund. Created in 1986, the fund consists of two bank accounts used for deposits and disbursements of child support collections and the federal share of the Temporary Assistance for Needy Families collections.

***Criminal Forfeiture
Bond Holding Account
(trust account)***

***Administratively
established***

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$54	\$25	\$22	\$27	\$35
Revenues	13	5	5	23	11
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	(42)	(8)	0	(15)	(10)
Ending Balance	\$25	\$22	\$27	\$35	\$36
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers made to the Seized Funds—Final Disposition Pending Account or the Criminal Forfeiture Revolving Fund.

This account continues to serve the purpose for which it was created and meets criteria for a trust account. The account, created in 1988, is used to hold cost bond moneys posted by persons who claim an interest in property seized for administrative forfeiture. Disbursements from the account include returned cost bonds to the owner and transfers into the Seized Funds—Final Disposition Pending Account or the Criminal Forfeiture Revolving Fund.

***Criminal Forfeiture
Revolving Fund
(revolving fund)***

***Section 712A-16(4),
HRS***

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$610	\$492	\$540	\$433	\$365
Revenues	671	684	416	615	275
Interest	0	0	0	0	0
Expenditures	(455)	(335)	(441)	(293)	(457)
Transfers*	(334)	(301)	(82)	(390)	0
Ending Balance	\$492	\$540	\$433	\$365	\$183
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers of seized currency and proceeds from the sale of forfeited goods are made to the seizing agency and the agency that prosecuted the forfeiture.

This fund, created in 1988, continues to serve the purpose for which it was created and meets the criteria of a revolving fund. The purpose of the fund is to account for the forfeiture of property used or acquired in connection with the commission of certain criminal offenses and for the distribution of such property, or its proceeds, to seizing and prosecuting agencies for law enforcement purposes. The fund serves a need because it supports operations of the department's Asset Forfeiture Program.

***Criminal History
Record Improvement
Revolving Fund
(revolving fund)***

Section 846-10.6, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$342	\$292	\$654	\$860	\$833
Revenues	1,043	1,454	1,746	1,808	2,740
Interest	0	0	0	0	0
Expenditures	(1,093)	(1,092)	(1,540)	(1,835)	(2,075)
Transfers	0	0	0	0	0
Ending Balance	\$292	\$654	\$860	\$833	\$1,498
Encumbrances	\$88	\$88	\$6	\$0	\$0

This fund continues to serve the purpose for which it was created and meets the criteria for a revolving fund. The fund was created in 1995 to assess fees for services to be expended by the Hawai'i Criminal Justice Data Center (HCJDC) and used to improve the criminal history record information system under Chapter 846, HRS. The fund is used to support the HCJDC's activities, which include maintenance of a statewide adult criminal history repository, the Automated Fingerprint Identification System, connectivity to the Federal Bureau of Investigation's National Crime Information Center, the state's sex offender registration program, and other initiatives such as the Hawai'i Integrated Justice Information Sharing program and implementation of a facial recognition system. These programs support criminal justice and law enforcement agencies in their investigative duties and non-criminal justice agencies that need to conduct background checks to determine suitability for a permit, license, or employment.

**Edward Byrne
Memorial Justice
Assistance Grant
(trust account)**

**Administratively
established**

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

	FY2010	FY2011	FY2012
Beginning Balance	\$1,552	\$2,280	\$1,450
Revenues	1,617	0	0
Interest	24	35	2
Expenditures	(913)	(865)	0
Transfers*	0	0	(1,452)
Ending Balance	\$2,280	\$1,450	\$0
Encumbrances	\$0	\$0	\$0

*Transfer of remaining balance was made to the Anti-Drug Abuse Special Fund, which receives only federal funds.

This trust account was closed in FY2012 based on our prior recommendation to reclassify the fund because it did not meet the definition of a trust fund or trust account. The account, created in 2005, supported a variety of grant projects among county and state agencies, including the Hawai'i Narcotics Task Force, the Marijuana Eradication Task Force, prosecution projects for non-support payments, property crime, drug prosecution, and elderly abuse, as well as the department's Cold Case Squad. Revenues were received from the U.S. Department of Justice's Edward J. Byrne Memorial Justice Assistance Formula Grant.

**DNA Registry
Special Fund
(special fund)**

Section 706-603, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$687	\$701	\$717	\$735	\$750
Revenues	21	24	26	29	33
Interest	0	0	0	0	0
Expenditures	(6)	(7)	(6)	(12)	(159)
Transfers*	(1)	(1)	(2)	(2)	(2)
Ending Balance	\$701	\$717	\$735	\$750	\$622
Encumbrances	\$622	\$622	\$622	\$622	\$622

*Transfers for central services expenses and reimbursements for administrative expenses pursuant to Sections 36-27 and 36-30, HRS.

This fund continues to serve the purpose for which it was created and meets the criteria of a special fund. The fund was created in 1998 to develop a DNA registry for investigating, prosecuting, and defending criminal cases to protect the public. Court-ordered assessments and penalties by convicted criminals are deposited into the fund to defray the costs of testing, recording, preserving, and disseminating DNA information pursuant to Chapter 844D, HRS, relating to forensic identification. The department reports that the program could be successfully implemented using the general fund appropriation process. However, we conclude it is more appropriate to continue to operate this program through a special fund because it is self-sustaining.

**Federal Community
Restitution, Federal
Title II
(trust fund)**

**Administratively
established**

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

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

This fund continues to serve the purpose for which it was created and meets criteria for a trust fund. Created in 2001, the fund receives moneys when federal courts collect restitution in drug cases where there is no identifiable victim as defined by the *Antiterrorism and Effective Death Penalty Act of 1996, S. 735, Sec. 205-206* (Public Law 104-132). The State receives 65 percent of the total restitution amount, which is used to restore communities victimized by drug crimes and prevent further drug crimes from occurring. There has been little activity in this fund as the department expended no moneys and received less than \$1,000 during this five year review period.

***Hawai'i Criminal
Justice Commission
Trust Account
(trust account)***

***Section 28-10.6(a)(5),
HRS***

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

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

This trust account does not serve the purpose for which it was created and should be closed. Created in 1985, the account is used for deposits of financial grants, private-sector donations, and registration fees for workshops and seminars, crime research, training, prevention, and education activities undertaken by the department's Crime Prevention and Justice Assistance Division. The account no longer serves its original purpose due to a lack of activity since FY2008.

***Litigation Deposits
Trust Fund
(trust fund)***

Section 28-16, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$7	\$7	\$7	\$7	\$312
Revenues	0	0	0	403	8,826
Interest	0	0	0	0	0
Expenditures	0	0	0	(98)	(2,007)
Transfers	0	0	0	0	0
Ending Balance	\$7	\$7	\$7	\$312	\$7,131
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund continues to serve the purpose for which it was created and meets the criteria for a trust fund. Created in 2002, the fund is used to account for civil action settlements of \$100,000 or higher in which the State is a party, except for those actions involving departments able to procure their own legal services and where no other state statute or court order specifically provides for the deposit of moneys. Funds are used for attorneys' fees and other expenses directly related to prosecution of civil actions, or disbursed in accordance with a court order.

**Litigation Settlement
Clearance Account
(trust account)**

**Administratively
established**

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$66	\$67	\$68	\$119	\$119
Revenues	1	1	51	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$67	\$68	\$119	\$119	\$119
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account continues to serve the purpose for which it was created and meets the criteria for a trust account. The account, created in 1985, serves as a clearing account for settlements in litigation cases involving the State and co-defenders. Revenues include the receipt of asbestos settlements, anti-trust settlements, and some collections made by the department's Civil Recoveries Division.

**Medicaid Investigations
Recovery Fund
(special fund)**

Section 28-91.5, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$2,249	\$2,692	\$1,191	\$1,422	\$1,964
Revenues	733	822	645	935	835
Interest	38	47	7	5	5
Expenditures	(328)	(370)	(421)	(398)	(376)
Transfers*	0	(2,000)	0	0	0
Ending Balance	\$2,692	\$1,191	\$1,422	\$1,964	\$2,428
Encumbrances	\$0	\$1	\$0	\$0	\$0

*Transfers in FY2011 were made to the general fund, comprised of \$1,500,000 authorized by Act 192, SLH 2010, and \$500,000 authorized by Act 124, SLH 2011.

This fund meets the purpose for which it was created and the criteria for continuance of a special fund. The fund was created in 1995 to support the operating expenses of the department's Medicaid Fraud Control Unit (MFCU). Moneys recovered as a result of Medicaid fraud and patient abuse settlements are deposited into the fund, which is used to support a

portion of the unit’s operating expenses. Other revenue is derived from national global case settlements and interest. Program costs include salaries, office supplies, equipment, and administrative costs.

**National Mortgage Settlement
(trust account)**

Administratively established

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

	FY2012	FY2013	FY2014
Beginning Balance	\$0	\$0	\$1,529
Revenues	0	7,912	0
Interest	0	0	0
Expenditures	0	(6,383)	(204)
Transfers	0	0	0
Ending Balance	\$0	\$1,529	\$1,325
Encumbrances	\$0	\$0	\$0

This account serves the purpose for which it was created and meets the criteria for a trust account. Administratively established in 2012, the account holds the national mortgage settlement moneys provided to the State pursuant to a federal court consent order on April 4, 2012. According to the department, the account benefits homeowners at risk of foreclosure and others in the state who are, have been, or may be affected by mortgage loan proceedings. Moneys are to be used for housing and financial counseling, public education, mediation, dispute resolution, and enforcement of laws and agreements protecting the rights of homeowners and lessees.

**Notaries Public
Revolving Fund
(revolving fund)**

Section 456-9.5, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$252	\$201	\$143	\$98	\$54
Revenues	79	87	89	86	84
Interest	0	0	0	0	0
Expenditures	(130)	(145)	(134)	(130)	(136)
Transfers	0	0	0	0	0
Ending Balance	\$201	\$143	\$98	\$54	\$2
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund continues to serve the purpose for which it was created and meets the criteria for a revolving fund. Created in 1998, the fund is used to administer the department's program that issues and renews notary commissions, regulates existing notaries, and responds to complaints, inquiries regarding notaries and requests for notary record books. Fees charged to notaries and administrative fines are used to pay for salaries, office supplies, and travel to administer notary exams on the Neighbor Islands. The fund spent more than it generated during the review period, jeopardizing its capacity to be self-sustaining. According to the department, the program can be successfully implemented if general funds are appropriated. We note that Section 456-9(d), HRS, provides that if the revolving fund is terminated, moneys are to be deposited into the general fund.

***Seized Funds—Final
Disposition Pending
Trust Account
(trust account)***

***Administratively
established***

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$647	\$691	\$610	\$683	\$1,137
Revenues	534	335	300	781	423
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	(490)	(416)	(227)	(327)	(270)
Ending Balance	\$691	\$610	\$683	\$1,137	\$1,290
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers were made to the Criminal Forfeiture Revolving Fund.

This account continues to serve the purpose for which it was created and meets the criteria for a trust account. Created in 1988, the account is used as a holding account for currency seized for administrative or judicial forfeitures that are subsequently returned to a claimant, forfeited to the State, or divided between the two pursuant to a settlement agreement. Disbursements comprise amounts returned to claimants and transfers to the Criminal Forfeiture Revolving Fund.

**Solicitation of
Funds for Charitable
Purposes Special Fund
(special fund)**

Section 467B-15, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$141	\$368	\$696	\$866	\$1,001
Revenues	476	615	653	691	931
Interest	0	0	0	0	0
Expenditures	(218)	(267)	(420)	(514)	(640)
Transfers*	(31)	(20)	(63)	(42)	0
Ending Balance	\$368	\$696	\$866	\$1,001	\$1,292
Encumbrances	\$0	\$0	\$0	\$23	\$50

*Transfers were made to the general fund for central service expenses required by Act 79, SLH 2009.

This fund meets the purpose for which it was created and the criteria for a special fund. The fund was created in 2005 to receive registration fees, fines, penalties, and other costs of investigation paid through settlements and enforcement actions collected by the department to oversee charitable organizations under the State's charitable registration and solicitation laws, Chapter 467B, HRS. The 2008 Legislature found that a registration system for charities was needed to help provide valuable information concerning which nonprofit groups are raising funds, and to help enforcement officials spot red flags such as questionable transactions or compensation deals, answer questions from the public, and serve as a deterrent to abuse. According to the department, the registration system provides greater accountability and transparency of charitable organizations and professional solicitors and provides the public with access to information to make informed decisions about charities and solicitors asking for donations.

**State Identification
Revolving Fund
(revolving fund)**

**Section 846-27(d),
HRS (repealed)**

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$1,263	\$1,203	\$1,389	\$1,048	\$674
Revenues	991	1,065	1,231	536	0
Interest	0	0	0	0	0
Expenditures	(1,051)	(879)	(1,072)	(610)	(312)
Transfers*	0	0	(500)	(300)	(362)
Ending Balance	\$1,203	\$1,389	\$1,048	\$674	\$0
Encumbrances	\$72	\$166	\$50	\$312	\$0

*Transfers in FY2012 were authorized by Act 164, SLH 2011; transfers in FY2013 and FY2014 to Civil Identification Card Fee Special Fund were authorized by Act 310, SLH 2012.

This revolving fund was repealed in 2013 and its functions were combined with the driver's license program under the Department of Transportation (DOT). The fund was established in 1998 to support operations of the State Identification Card Program. Act 310, SLH 2012, repealed this fund, and moneys were transferred to the DOT Civil Identification Card Fee Special Fund. In Report No. 14-05, *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Transportation*, we reported that the Civil Identification Card Fee Special Fund met special fund criteria.

**Temporary Deposit
– Child Support
Enforcement Services
(trust account)**

**Administratively
established**

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$0	\$852	\$5,890	\$14	\$270
Revenues	1,750	701	464	640	200
Interest	0	0	0	0	0
Expenditures	(898)	(964)	(1,039)	(384)	(440)
Transfers	0	0	0	0	0
Ending Balance	\$852	\$589	\$14	\$270	\$30
Encumbrances	\$589	\$2	\$2	\$0	\$0

This account continues to serve the purpose for which it was created and meets the criteria for a trust account. The account was created in 1986 as a temporary deposit account for the Child Support Enforcement Agency to deposit federal grants, incentive payments based on the agency's annual performance, and \$25 fees collected and retained to pay for the agency's operations.

**Temporary Deposits –
Payroll Overpayments
(trust account)**

**Administratively
established**

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$14	\$12	\$14	\$14	\$13
Revenues	1	3	2	1	2
Interest	0	0	0	0	0
Expenditures	(3)	(1)	(2)	(2)	(1)
Transfers	0	0	0	0	0
Ending Balance	\$12	\$14	\$14	\$13	\$14
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account continues to serve the purpose for which it was created and meets the criteria for a trust account. Created in 1997, the account is used to reconcile for semi-monthly salary overpayments. According to the department, employees are provided an opportunity to either request a hearing to determine their actual salary overpayment amount or choose a repayment plan option. Revenue consists of reimbursements and collections of overpayments; expenditures consist of moneys returned to the State.

**Tobacco Enforcement
Special Fund
(special fund)**

Section 28-15, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$1,405	\$2,357	\$1,847	\$1,714	\$2,771
Revenues	2,111	2,318	2,386	2,242	2,044
Interest	0	0	0	0	0
Expenditures	(1,020)	(2,756)	(2,299)	(1,053)	(1,012)
Transfers*	(139)	(72)	(220)	(132)	(132)
Ending Balance	\$2,357	\$1,847	\$1,714	\$2,771	\$3,671
Encumbrances	\$41	\$33	\$41	\$40	\$42

*Transfers to the general fund were made only for assessments required under Sections 36-27 and 36-30, HRS. Transfers do not reflect unencumbered balances above \$500,000 that must lapse to the general fund at the close of each fiscal year pursuant to Section 28-15, HRS.

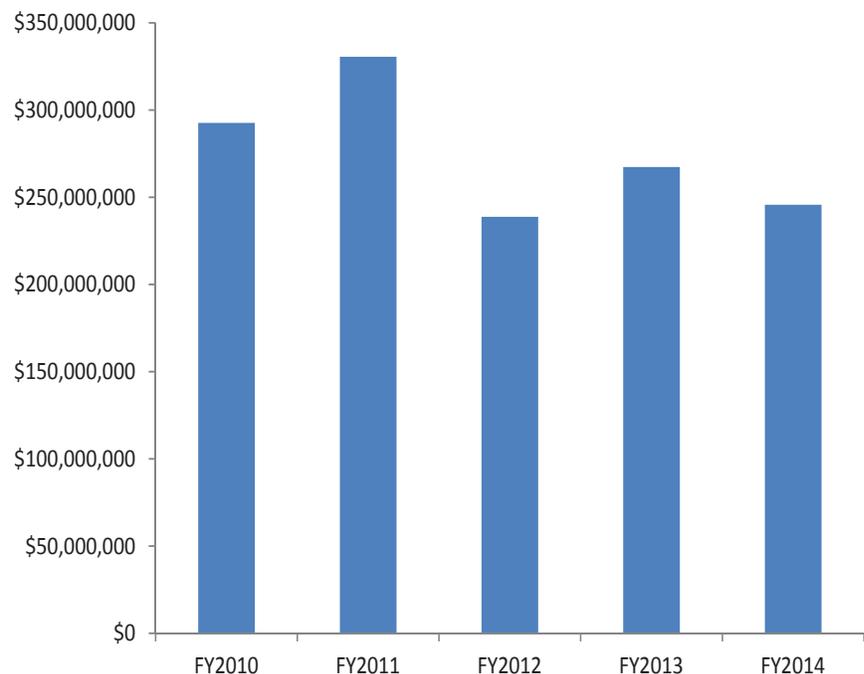
This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. Created in 2001, the fund was established to enforce the Master Settlement Agreement related to the *Tobacco Liability Act*, Chapter 675, HRS, the cigarette tax stamp under Chapter 245, HRS, and tobacco products reporting under Chapter 486P, HRS. The fund supports the regulatory programs—Cigarette Tax Stamp Program and the Retail Tobacco Permit Program—designed to hold tobacco manufacturers accountable for the harm caused by cigarettes sold in Hawai‘i and the financial burdens imposed on the State by cigarette smoking. We note the fund held balances in excess of \$500,000. Under Section 28-15, HRS, any unencumbered fund balances greater than \$500,000 are to be transferred to the general fund annually, but we were unable to substantiate all such transfers. Although the department asserts these transfers occurred in each fiscal year, financial data we obtained reflected such transfers only in FY2011 and FY2012.

Chapter 3

Department of Business, Economic Development and Tourism

This chapter presents the results of our review of 23 special funds, 18 revolving funds, and 13 trust funds and trust accounts of the Department of Business, Economic Development and Tourism (DBEDT). In aggregate, the funds and accounts held at least \$238 million at fiscal year end in each of the fiscal years reviewed. Exhibit 3.1 displays the total fund balances at the end of each fiscal year during our review period.

Exhibit 3.1
Cash Balances for DBEDT Non-General Funds, FY2010–FY2014



Source: Office of the Auditor

These funds and accounts also generated substantial revenue, interest, expenditures, and transfer activity each year. As shown in Exhibit 3.2, the department's special, revolving, and trust funds and accounts collected more than \$125 million and spent or transferred more than \$120 million in FY2014. Exhibit 3.2 presents totals for the combined revenue and interest, expense and transfers, and ending fund balances for the different fund types for 2014.

Exhibit 3.2 Fund and Account Totals by Type, FY2014

Fund Type	Revenue and Interest	Expenses and Transfers	Year-End Cash Balance
Special Funds	\$67,187,726	\$60,648,576	\$22,853,599
Revolving Funds	33,706,521	51,528,526	138,424,942
Trust Funds and Trust Accounts	25,091,786	8,580,485	84,469,316
Total	\$125,986,033	\$120,757,587	\$245,747,857

Source: Office of the Auditor

For each fund or account we present a five-year financial summary, the purpose of the fund or account, and conclusions about its use and whether it meets the criteria for continuance of a special or revolving fund or the definition of a trust fund. We do not conclude about the effectiveness of programs and their management. However, for special and revolving funds we do conclude on the need for the fund based on the purpose and scope of the program it supports, and we ask why the program cannot be implemented successfully under the general fund appropriation process. Funds and accounts established by statutory and administrative authority are presented in alphabetical order. Financial data for each fund or account was obtained from the department.

Exhibit 3.3 summarizes the Department of Business, Economic Development and Tourism's funds and accounts that do not meet criteria for continuance and should be repealed or reclassified.

Exhibit 3.3**Department of Business, Economic Development and Tourism's Funds and Accounts Not Meeting Criteria**

Fund Name	Fund Type	6/30/14 Balance (rounded)	Does not serve original purpose	No clear nexus between benefits sought and user charges or a clear link between the program and revenue sources	Program can operate under general fund appropriation process	Inappropriate financing mechanism	Not financially self-sustaining	Does not serve a need
Cancer Detection Development Revolving Fund	Revolving Fund	\$0	✓				✓	
Capital Formation Revolving Fund	Revolving Fund	\$0	✓				✓	✓
Fee Simple Residential Revolving Fund	Revolving Fund	\$61,000	✓					✓
Hawai'i Community-Based Economic Development Revolving Fund	Revolving Fund	\$204,000		✓	✓	✓	✓	
Hawai'i Technology Loan Revolving Fund	Revolving Fund	\$0	✓				✓	✓
Hawai'i Television and Film Development Special Fund	Special Fund	\$0	✓				✓	
Housing Loan Program Revenue Bond Special Fund—Rental Housing System*	Special Fund	\$2,246,000				✓		
Housing Loan Program Revolving Bond Fund*	Special Fund	\$11,000				✓		
Housing Project Bond Special Fund—Multi Family*	Special Fund	\$0				✓		
Pineapple Workers and Retirees Housing Assistance Fund	Special Fund	\$0	✓				✓	✓
Public Facility Revenue Bond Special Fund	Special Fund	\$0	✓				✓	
Renewable Energy Facility Siting Special Fund	Special Fund	\$0	✓				✓	✓
Rental Housing Trust Fund*	Trust Fund	\$79,037,000				✓		
Special Facility Revenue Bond Special Fund	Special Fund	\$0	✓					
Special Purpose Revenue Bond Special Fund; Special Facility Revenue Bond Special Fund	Special Fund	\$0	✓					✓
Statewide Geospatial Information and Data Integration Special Fund	Special Fund	\$0	✓		✓			✓
Tourism Emergency Trust Fund*	Trust Fund	\$5,000,000				✓		

*Reclassification to a different fund type is recommended.

Source: Office of the Auditor

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

Section 206J-17, HRS

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

	FY2010	FY2011	FY2012
Beginning Balance	\$3,181	\$1,579	\$2,827
Revenues	678	1,382	0
Interest	37	48	0
Expenditures	(1,417)	(182)	
Transfers*	(900)	0	(2,827)
Ending Balance	\$1,579	\$2,827	\$0
Encumbrances	\$300	\$0	\$0

*FY2010 transfer of a legal settlement was pursuant to Act 17, SLH 2010. FY2012 transfer was deposited to the Department of Transportation’s Harbor Special Fund pursuant to Act 152, SLH 2011.

This fund was transferred to the Department of Transportation (DOT) in FY2012 pursuant to Act 152, Session Laws of Hawai‘i (SLH) 2011. The fund was created in 1981 under what is now the Department of Business, Economic Development and Tourism to support the Aloha Tower Development Corporation in redeveloping the Aloha Tower complex. Act 152 required the fund’s remaining balance be deposited into DOT’s Harbor Special Fund for the corporation’s operating expenses. Moneys in the fund, including rent, charges, other revenues of the corporation, and reimbursements for DOT costs and staff services, are to be used for lease payments to DOT and for the development, redevelopment, or improvement of the Honolulu Waterfront between Pier 4 and Pier 11.

**Brownfields Cleanup
Revolving Loan Fund
(revolving fund)**

Section 201-18, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	452	1,518	0	0	1,770
Interest	0	0	0	0	0
Expenditures	(452)	(1,518)	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0	\$1,770
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund continues to serve the purpose for which it was created and meets the criteria for a revolving fund. The fund was created in 2002 to provide low-cost loans for the cleanup of “brownfield” properties, where reuse or redevelopment is hindered by potential liability and cost of cleaning up contamination that may harm human and environmental health. The department’s Planning Office works in partnership with the Department of Health and the counties to ensure contaminants are removed or remediated effectively. Loans were initially funded by a \$2 million federal grant; other sources of revenue are fees charged to loan applicants and repayment of loans and interest payments. The department reports that it made its first loan of \$1.97 million to the Department of Hawaiian Home Lands, shown as expenditures in FY2010 and FY2011, and received repayment of \$1.77 million in March 2014, which was reported as revenue in FY2014.

**Cancer Detection
Development
Revolving Fund
(revolving fund)**

Section 211F-5.5, HRS

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

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

This fund does not serve the purpose for which it was created and does not meet the criteria for a revolving fund because it did not receive financing. The fund was established in 2003 to assist enterprises that develop healthcare and biomedical technology to detect cancer. However, no investment program was implemented because the fund was not provided capital. The fund may receive moneys appropriated by the Legislature and revenues from loan repayments, investments, royalties, premiums, and fees. In order to administer the fund, the Hawai'i Strategic Development Corporation (HSDC) reports that general fund appropriations would be needed to provide monetary grants or seed money to support an investment program.

**Capital Formation
Revolving Fund
(revolving fund)**

Section 211G-16, HRS

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

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

This revolving fund does not serve the purpose for which it was created and does not meet the criteria for a revolving fund. The fund was authorized in 2004 to provide a mechanism for the Hawai'i Strategic Development Corporation to mobilize equity capital in order to expand the growth of commerce. Capital was to be raised by issuing tax credits; however, tax credits and the borrowing capacity of the program were never enacted through legislation. Thus, the fund has never been opened and no investment program activated. Chapter 211G, HRS, should be repealed because the fund is inactive.

**Convention Center
Enterprise Special
Fund
(special fund)**

Section 201B-8, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$5,759	\$6,112	\$7,022	\$10,512	\$11,572
Revenues	47,841	54,645	49,159	43,740	44,682
Interest	70	85	70	15	29
Expenditures	(47,558)	(51,820)	(45,739)	(42,695)	(41,458)
Transfers*	0	(2,000)	0	0	0
Ending Balance	\$6,112	\$7,022	\$10,512	\$11,572	\$14,825
Encumbrances	\$2,069	\$0	\$43	\$90	\$2,197

*In FY2011, \$2,000,000 was transferred to the general fund pursuant to Act 192, SLH 2010.

This fund continues to serve the purpose for which it was established. Created in 2002, the fund is used to maintain the Hawai‘i Convention Center as a commercial enterprise and world-class facility for conventions, entertainment, or public events; to market the facility for such uses; and to fund the Hawai‘i Convention Center’s debt service. Revenues come from the transient accommodations tax, convention center operations, interest revenue, and supplemental funds from the Tourism Special Fund. Expenditures consist of costs related to the Hawai‘i Convention Center’s sales and marketing, repair and maintenance, facility operations, and servicing the principal and interest on the debt obligation from the center’s construction.

In Report No. 12-04, *Study of the Transfer of Non-general Funds to the General Fund* (July 2012), we found there was no clear link (or nexus) between the benefits sought and the charges imposed upon users or beneficiaries of this fund since only a fraction of visitors are conventioners. However, Act 130, SLH 2013, amended the criteria for special and revolving funds to reflect a link between a program and its source of revenue. The act allows the Legislature to continue funds that fail the nexus test but otherwise have a logical relationship between fund revenues and benefits or that, if closed, present other problems. Because the majority of this fund’s expenditures are payments on debt related to the construction of the Hawai‘i Convention Center, there is a logical relationship between the fund’s revenues and its benefits, and it therefore meets the criteria for continuance for a special fund.

**Dwelling Unit
Revolving Fund
(revolving fund)**

Section 201H-191, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$84,777	\$87,280	\$103,966	\$74,841	\$88,225
Revenues	50,218	30,723	5,230	36,840	10,206
Interest	0	0	0	0	15
Expenditures	(48,925)	(15,191)	(35,658)	(24,741)	(32,083)
Transfers*	1,210	1,154	1,303	1,285	1,392
Ending Balance	\$87,280	\$103,966	\$74,841	\$88,225	\$67,755
Encumbrances	\$2,330	\$2,578	\$1,911	\$3,003	\$3,131

*Transfers were reimbursements from the Housing Finance Revolving Fund for administrative expenses.

This fund continues to serve the purpose for which it was created and meets the criteria for a revolving fund. The fund was established in 1970 to pay for administering and implementing housing development programs that include expansion of community facilities constructed in conjunction with housing projects, permanent primary or secondary financing, supplementing building costs, and meeting federal requirements for housing projects. Revenues include repayments on loans; sales of dwelling units, land, and other assets; investment interest; and rent payments. The fund is self-sustaining as it does not require general fund appropriations.

**Energy Audits –
Recipients’ Share
of Cost
(trust account)**

**Administratively
established**

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

	FY2013	FY2014
Beginning Balance	\$0	\$0
Revenues	0	4
Interest	0	0
Expenditures	0	0
Transfers	0	0
Ending Balance	\$0	\$4
Encumbrances	\$0	\$0

This account serves the purpose for which it was created and meets the criteria for a trust account. The account was administratively created in 2013 to support a federal grant program that conducts investment-grade energy audits for rural small businesses and farmers. Potential projects are analyzed for technical and economic feasibility. Auditees are to pay at least 25 percent of audit costs to the account. Payments are held until released to pay the audit contractor.

**Energy Security
Special Fund
(special fund)**

Section 201-12.8, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$21	\$12	\$3,151	\$4,953	\$5,449
Revenues	0	3,525	4,157	3,998	3,757
Interest	0	0	0	0	13
Expenditures	(9)	(386)	(2,355)	(3,407)	(4,509)
Transfers*	0	0	0	(95)	0
Ending Balance	\$12	\$3,151	\$4,953	\$5,449	\$4,710
Encumbrances	\$0	\$761	\$1,380	\$711	\$759

*In FY2013, \$95,000 was transferred to the Hawai'i Refinery Task Force pursuant to Act 78, SLH 2013.

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. Created in 2008, the fund is used to carry out the State's role in its clean energy initiative program to manage the state's transition to a clean energy economy. Revenues may come from a portion of the environmental response, energy, and food security tax; interest; legislative appropriations; and other sources. Expenditures consist of personnel costs, other administrative expenses, and contracts for expert consultation and technical assistance.

**Fee Simple Residential
Revolving Fund
(revolving fund)**

Section 516-44, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$66	\$67	\$65	\$63	\$61
Revenues	0	0	0	0	0
Interest	1	1	0	0	0
Expenditures	0	0	0	0	0
Transfers*	0	(3)	(2)	(2)	0
Ending Balance	\$67	\$65	\$63	\$61	\$61
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers were made to the department's administrative fund for payment of allocated audit fees.

This fund no longer serves the purpose for which it was created, does not meet the criteria for a revolving fund, and should be repealed. The fund was created in 1967 to account for revenues, receipts, and expenditures of the State’s land reform program, including the lease rent renegotiation program for single family dwellings and cooperative housing corporations. Revenues are derived from administrative and tract costs charged to lessees participating in the program. However, the fund had no expenditures in the reporting period and has been inactive. House Bill (HB) No. 2427, House Draft (HD) 1, Senate Draft (SD) 1, Conference Draft (CD) 1, which was passed by the 2014 Legislature, proposed to transfer the cash balance of this fund to the general fund but was vetoed by the governor.

**Foreign Trade Zone
Special Fund Escrow
Account
(special fund)**

**Administratively
established**

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$203	\$203	\$203	\$203	\$203
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	0	0	0	0	(203)
Ending Balance	\$203	\$203	\$203	\$203	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfer was made to the Foreign-Trade Zones Special Fund.

This special fund account was closed in 2014 and its balance transferred to the Foreign-Trade Zone Special Fund. The account was administratively established in 1997 (prior to the 2002 enactment of Section 37-52.3, HRS, which requires special funds to be established by statute) pursuant to a State comptroller memorandum on the establishment of escrow accounts for ceded land revenues. In February 2014, the director of finance determined the account was no longer needed and directed the department to return the moneys in the account to the Foreign-Trade Zone Special Fund and abolish the account.

**Foreign-Trade Zones
Special Fund
(special fund)**

Section 212-9, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$963	\$1,023	\$922	\$830	\$763
Revenues	1,526	1,565	1,453	1,417	1,790
Interest	11	16	4	2	1
Expenditures	(1,477)	(1,582)	(1,549)	(1,486)	(1,662)
Transfers*	0	(100)	0	0	203
Ending Balance	\$1,023	\$922	\$830	\$763	\$1,095
Encumbrances	\$342	\$261	\$238	\$161	\$0

*In FY2011, \$100,000 was transferred to the general fund authorized by Act 192, SLH 2010; in FY2014, \$203,000 from the Ceded Lands Escrow Account was transferred in as authorized by the director of finance.

This fund meets the criteria of a special fund and continues to serve the purpose for which it was created in 1971. The fund helps the Foreign-Trade Zone program encourage manufacturing and value-added activities, increase the export competitiveness of Hawai'i companies, support small businesses engaged in importing and exporting activities, and attract new investment and job opportunities to the state. Revenues come from warehouse storage and service fees and office lease rents, and supports operations, capital improvement projects, and maintenance of the program and facilities. Primary program costs are for personnel and expenses associated with operating the warehouse and office facility.

***Hawai'i Community
Development
Revolving Fund
Escrow Account
(revolving fund)***

***Administratively
established***

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$28	\$28	\$28	\$28	\$28
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	0	0	0	0	(28)
Ending Balance	\$28	\$28	\$28	\$28	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Remaining balance was transferred to the Hawai'i Community Development Revolving Fund.

This account was closed in FY2014. The account was administratively established in 1997 (prior to the 2002 enactment of Section 37-52.4, HRS, which requires revolving funds to be established by statute) pursuant to a State comptroller memorandum on the establishment of escrow accounts for ceded land revenues. In February 2014, the director of finance determined the account was no longer needed and directed the department to return the money to the Hawai'i Community Development Revolving Fund and abolish the account.

***Hawai'i Community
Development
Revolving Fund
(revolving fund)***

Section 206E-16, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$48,648	\$40,245	\$34,792	\$34,496	\$19,357
Revenues	3,195	3,079	4,985	1,645	2,069
Interest	583	750	190	83	51
Expenditures	(11,986)	(12,287)	(5,375)	(16,487)	(5,359)
Transfers*	(195)	3,005	(96)	(380)	(152)
Ending Balance	\$40,245	\$34,792	\$34,496	\$19,357	\$15,966
Encumbrances	\$10,322	\$4,023	\$2,491	\$6,596	\$5,002

*Transfers were made to the Kalaeloa Community Development Revolving Fund for operations and payroll. In FY2013, \$50,000 was transferred to the He'eia Community Development Revolving Fund. Transfers into the fund included unrequired funds from closed HCDA revolving fund contracts.

This revolving fund continues to serve the purpose for which it was created and meets the criteria for a revolving fund. The fund was established in 1976 to support the community development objectives of the Hawai'i Community Development Authority (HCDA), which include conducting comprehensive planning activities, administering zoning regulations, and promoting economic and community development activities in Kaka'ako and the Kalaeloa Community Development Districts. Revenues are from leases and agreements, improvement district assessment payments, public facilities, and reserved housing fees. The fund has not required or received general fund appropriations. The fund comprises sub-funds for improvement district projects, public facility dedication, reserved housing, leasing and management, ceded land, risk management, and the Kewalo Basin. Each sub-fund receives revenues, disburses payments, and supports expenditures for its distinct program activities.

Hawai'i Community-Based Economic Development Revolving Fund (revolving fund)

Section 210D-4, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$98	\$74	\$62	\$183	\$204
Revenues	0	0	0	0	6
Interest	2	1	1	1	0
Expenditures	(32)	(13)	(30)	0	(26)
Transfers*	6	0	150	20	20
Ending Balance	\$74	\$62	\$183	\$204	\$204
Encumbrances	\$0	\$6	\$0	\$0	\$0

*Transfers were made from general fund appropriations for the purpose of making grants and loans.

This revolving fund continues to serve the purpose for which it was created, but does not meet the criteria for a revolving fund. As we reported in 2009, this fund should be repealed and the program budgeted through the general fund. The fund was established in 1990 to provide loans, grants, and technical assistance to establish or expand community-based enterprises that have not been served by conventional financial institutions. Beneficiaries and users include Hawai'i non-profit organizations that are directly involved in community-based economic development activities. The fund may receive legislative appropriations, repayments of loans, payments of interest or fees, and moneys from any other source. However, the fund is not self-sustaining as it relies on general funds to pay for operational expenses and to replenish grant

funds. Additionally, there is no clear link between benefits sought and charges made upon users because beneficiaries of the grants are not assessed charges to replenish the fund.

**Hawai'i Green
Infrastructure Bond Fund
(special fund)**

Section 196-67, HRS

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

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

This fund was created in 2013 and activated in 2014; it therefore has a limited history from which to determine whether it is serving its purpose and meeting special fund criteria. However, based on the department's information, it appears to serve the purpose for which it was created and to meet the criteria for a special fund. The fund was created to help the Hawai'i Green Infrastructure Loan Program make loans to finance purchases or installation of green infrastructure equipment. A bond closing is scheduled for late 2014, and so far there has not been any financial activity in the fund. Revenue will come from a green infrastructure fee and other proceeds and be used to pay bond principal and interest to bondholders.

**Hawai'i Green
Infrastructure
Special Fund
(special fund)**

Section 196-65, HRS

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

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

This fund was created statutorily in 2013 and activated in 2014; it therefore has a limited history on which to determine whether it is serving its purpose and meeting special fund criteria. However, based on the department’s information, it appears to serve the purpose for which it was created and to meet the criteria for a special fund. The fund was established to help the Hawai‘i Green Infrastructure Loan Program, which encourages electric utility customers to finance green infrastructure equipment. A bond closing is scheduled for late 2014, and so far there has not been any financial activity in the fund. Revenue will come from bond proceeds and green infrastructure charges permitted by the Public Utilities Commission. Administration of the loan program will be among the fund’s costs.

**Hawai‘i Strategic
Development
Corporation
Revolving Fund
(revolving fund)**

Section 211F-5, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$467	\$314	\$408	\$269	\$1,682
Revenues	3	201	0	0	1,664
Interest	5	6	2	1	0
Expenditures	(161)	(113)	(141)	(588)	(1,305)
Transfers*	0	0	0	2,000	6,000
Ending Balance	\$314	\$408	\$269	\$1,682	\$8,041
Encumbrances	\$0	\$4	\$0	\$0	\$5

*FY2013 transfer was a general fund appropriation for the Launch Akamai Venture Accelerator program. FY2014 transfer was a general fund appropriation for the HI Growth Initiative.

This fund continues to serve the purpose for which it was created and meets the criteria for a revolving fund. However, as reported in 2009, we continue to have concerns about the fund’s capacity to be self-sustaining because expenditures exceeded revenues throughout the review period, except in FY2014 due to a general fund appropriation. The fund was created in 1990 to hold moneys—including legislative appropriations, loan repayments, investment returns, premiums, and fees—to pay for the Hawai‘i Strategic Development Corporation’s general expenses and finance its program activities. HSDC’s programs promote technology-based economic development and economic diversification in Hawai‘i through a return-driven investment program in partnership with private capital. The fund received two general fund appropriations during the review period—\$2 million in FY2013 for the Launch Akamai Venture Accelerator program, which provides entrepreneurs with resources to

successfully compete for investment capital, and \$6 million in FY2014 for the HI Growth Initiative, an investment program designed to catalyze and leverage key entrepreneurial initiatives.

***Hawai'i Technology
Loan Revolving Fund
(revolving fund)***

***Section 206M-15.6,
HRS***

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

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

In our 2009 funds review we could not evaluate whether this fund appropriately meets the criteria for a revolving fund because the program had not yet been implemented. Over the current five-year review period, the Hawai'i Technology Development Corporation has not implemented a program supported by the fund. The fund therefore does not serve the purpose for which it was created and cannot demonstrate it is needed to support a loan program. Accordingly, the fund should be repealed. The fund was designed to support new business opportunities by making capital available to technology companies that have difficulty obtaining loans through conventional means or later-stage investments, including venture capitalists. Since its creation in 2000, the fund has not received moneys to implement a loan program. Moneys to sustain the fund may come from legislative appropriations, loan repayments, investment earnings, royalties, premiums or fees or equity, and loans that are convertible to equity. The corporation intends to request general fund appropriation for seed moneys to activate the program.

Hawai'i Television and Film Development Special Fund (special fund)

Section 201-113, HRS

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

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

This fund does not serve the purpose for which it was created, does not meet the criteria for a special fund, and should be repealed. Created in 2000, the fund is authorized by Section 201-113, HRS, to support local film and television projects through grants and a venture capital program. However, there has been no program activity as the fund has never received an appropriation and does not have the capacity to be self-sustaining. Moreover, the Hawai'i Television and Film Development Board, established to oversee the fund, has been inactive since 2004. The department plans to request changes to the law in the 2015 legislative session authorizing the fund by modifying its purpose, expanding its sources of revenue, and repealing the board.

HCD A Special Assessment Reserve Fund (special fund)

Section 206E-6(g), HRS

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

	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$2,798	\$3,100	\$0	\$0
Revenues	302	51	0	0
Interest	0	0	0	0
Expenditures	0	0	0	0
Transfers*	0	(3,151)	0	0
Ending Balance	\$3,100	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0

*FY2011 transfer was made to the Hawai'i Community Development Authority Revolving Fund pursuant to Section 206E-6(g), HRS.

This fund is no longer needed, and the account was closed in 2013. The fund was established under Section 206E-6(g), HRS, to support a district-wide improvement program and was used solely for paying principal and interest on bonds issued by the Hawai'i Community Development Authority. According to HCDA, the bonds were paid in full in 2006. Pursuant to Section 206E(g), HRS, the surplus remaining in the fund was credited to the HCDA revolving fund in FY2011.

**He'eia Community
Development
Revolving Fund
(revolving fund)**

Section 206E-204, HRS

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

	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$0	\$0	\$0	\$25
Revenues	0	0	0	0
Interest	0	0	0	0
Expenditures	0	0	(25)	(22)
Transfers*	0	0	50	0
Ending Balance	\$0	\$0	\$25	\$3
Encumbrances	\$0	\$0	\$22	\$0

*FY2013 transfer was made from the Hawai'i Community Development Authority Revolving Fund.

This fund continues to serve the purpose for which it was created and meets the criteria for a revolving fund. The fund was created in 2011 to establish the He'eia Community Development District and support its activities—to develop agriculture, education, and natural resource restoration and management of 405 acres of the He'eia Wetlands. Initial moneys were transferred from the Hawai'i Community Development Authority Revolving Fund for an archaeological inventory survey of the district, which is covered under a lease with a community-based nonprofit (Kako'o Oiwi) to conduct agricultural and wetland restoration programs. Future revenues are projected to include rent from commercial agriculture activities. However, since the account was recently established, there is no estimate of revenues and expenses from which to evaluate whether the fund has the capacity to be self-sustaining.

**High Technology
Special Fund
(special fund)**

**Section 206M-15.5,
HRS**

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$2,040	\$1,907	\$1,908	\$2,079	\$2,447
Revenues	439	518	715	939	1,099
Interest	20	34	10	5	2
Expenditures	(592)	(551)	(554)	(576)	(944)
Transfers*	0	0	0	0	(734)
Ending Balance	\$1,907	\$1,908	\$2,079	\$2,447	\$1,870
Encumbrances	\$391	\$414	\$23	\$54	\$0

*Transfer was made to fund mechanical room and replacement chiller at Maui Research & Technology Center.

This fund meets the criteria for a special fund and continues to serve the purpose for which it was created. Established in 1989, the fund is used to support startup and mature technology companies by providing space at two technology centers operated by the High Technology Development Corporation (HTDC). Companies are charged rental rates that begin below market and increase until they exceed the market as a way for companies to start, get established, and graduate to commercial space. Revenues include moneys, fees, and equity from tenants, qualified persons, or other users of HTDC's facilities, services, and publications. Expenses include costs for incubation center programs, contracts, and other projects.

**Housing Finance
Revolving Fund
(revolving fund)**

Section 201H-80, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$2,785	\$3,368	\$4,229	\$3,913	\$4,240
Revenues	2,583	2,981	2,177	2,867	3,667
Interest	86	51	48	39	33
Expenditures	(955)	(1,145)	(1,335)	(1,394)	(1,241)
Transfers*	(1,131)	(1,026)	(1,206)	(1,185)	(1,295)
Ending Balance	\$3,368	\$4,229	\$3,913	\$4,240	\$5,404
Encumbrances	\$18	\$40	\$484	\$324	\$100

*Transfers were made to other agency funds for administrative expenses, including the Dwelling Unit Revolving Fund.

This fund serves the purpose for which it was created and meets the criteria for a revolving fund. The fund was established in 1985 and was transferred from the Department of Human Services in 2006. The fund provides long-term and other special financing to first-time homebuyers and lower income renters in need of affordable housing; it also pays administrative expenses of programs including the Mortgage Credit Certificate Program, the Kahana Valley Loan program, and the Low-Income Housing Tax Credit program. Revenues are from fees charged to applicants of various programs, repayments on loans, and investment interest.

***Housing Loan Program
Revenue Bond Special
Fund – Rental Housing
System
(special fund)***

Section 201H-80, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$2,089	\$2,048	\$2,076	\$2,005	\$2,175
Revenues	15,718	15,695	16,544	17,511	18,774
Interest	0	0	1	4	2
Expenditures	(15,759)	(15,667)	(16,616)	(17,345)	(18,705)
Transfers	0	0	0	0	0
Ending Balance	\$2,048	\$2,076	\$2,005	\$2,175	\$2,246
Encumbrances	\$0	\$0	\$0	\$0	\$0

This special fund continues to serve the purpose for which it was created, but should be reclassified as a revolving fund because it functions as, and meets the criteria for a revolving fund. Established in 1987, the fund is used to account for proceeds and activity of the Rental Housing System’s revenue bonds. Revenues include bond proceeds, tenant rents, parking and laundry concession fees, and investment income. Expenses include rental project costs, bond issuance expenses, bond interest, bond principal repayments, establishment of bond reserves, and administrative expenses.

**Housing Loan Program
Revolving Bond Fund
(Not in State Treasury)
(special fund)**

Section 201H-80, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$0	\$1	\$630	\$163	\$79
Revenues	100,688	739	21,330	26,491	483
Interest	12,547	8,601	5,430	5,594	4,055
Expenditures	(113,234)	(8,711)	(27,227)	(32,169)	(4,606)
Transfers	0	0	0	0	0
Ending Balance	\$1	\$630	\$163	\$79	\$11
Encumbrances	\$0	\$0	\$0	\$0	\$0

This special fund continues to serve the purpose for which it was created, but should be reclassified as a revolving fund because it functions as, and meets the criteria for a revolving fund. Established in 1979, the fund is also known as the Single Family Mortgage Purchase Revenue Bond Fund and is used to account for bond proceeds and activity of the revenue bonds for the Single Family Mortgage Purchase program. Revenues include bond proceeds, repayment of loan proceeds, loan interest income, and investment income. Expenses include bond interest, bond principal repayments, and administrative expenses.

**Housing Project Bond
Special Fund—Multi
Family (Not in State
Treasury)
(special fund)**

Section 201H-80, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$0	\$0	\$3,458	\$0	\$0
Revenues	6,410	80,961	88,055	50,269	128,319
Interest	1,947	1,579	4,204	5,161	5,043
Expenditures	(8,357)	(79,082)	(95,717)	(55,430)	(133,362)
Transfers	0	0	0	0	0
Ending Balance	\$0	\$3,458	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This special fund serves the purpose for which it was created but should be reclassified as a revolving fund because it functions as, and meets the criteria for a revolving fund. The fund, established in 1980, is used to account for bond proceeds and activity of Multi Family Housing

revenue bonds. Revenues include bond proceeds, loan interest income, investment income, and repayments of loan proceeds. Expenses include loans to developers, repayment of bond principal and interest, and administrative expenses.

**Hydrogen Investment
Capital Special Fund
(special fund)**

Section 211F-5.7, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$4,839	\$4,379	\$2,310	\$1,099	\$159
Revenues	0	0	0	0	0
Interest	93	75	10	1	0
Expenditures	(538)	(2,144)	(1,221)	(941)	0
Transfers*	(15)	0	0	0	0
Ending Balance	\$4,379	\$2,310	\$1,099	\$159	\$159
Encumbrances	\$4,301	\$2,161	\$941	\$0	\$0

*Transfer in FY2010 was to the general fund as a partial payment in accordance with Act 79, SLH 2009.

This fund meets the criteria of a special fund and continues to serve the purpose for which it was created. Established in 2006, the fund is used to provide seed capital and venture capital investments in private-sector and federal projects for research, development, testing, and implementation of the Hawai‘i Renewable Energy Hydrogen Program that began in 2008. Revenue can include legislative appropriations, contributions from public or private partners, interest earned on or accrued to moneys deposited in the special fund, and any other moneys made available to the special fund from other sources. Expenses include amounts paid to the venture capital firm contracted by the department to invest on behalf of the fund and administrative costs.

**Kaka‘ako Makai Lands
(trust fund)**

**Administratively
established**

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

	FY2013	FY2014
Beginning Balance	\$0	\$15
Revenues	240	0
Interest	0	0
Expenditures	(350)	(15)
Transfers*	125	0
Ending Balance	\$15	\$0
Encumbrances	\$0	\$0

*FY2013 transfer consisted of a credit owed to the Office of Hawaiian Affairs for pre-paid rent previously collected in the Hawai‘i Community Development Authority’s OHA Ceded Lands Proceeds—HCDA fund.

This trust fund was closed in FY2014. The fund was established in FY2013 to account for property management services provided by the Hawai‘i Community Development Authority for Kaka‘ako Makai parcels conveyed to the Office of Hawaiian Affairs (OHA) under a settlement agreement between the State and OHA. The fund was used to deposit, hold, and process rents and to pay HCDA for the cost of utilities, repairs, security services, and property management services relating to OHA’s properties.

**Kalaeloa Community
Development
Revolving Fund
(revolving fund)**

Section 206E-195, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$40	\$141	\$195	\$126	\$337
Revenues	154	278	200	188	220
Interest	1	4	1	0	1
Expenditures	(249)	(374)	(366)	(307)	(352)
Transfers*	195	146	96	330	180
Ending Balance	\$141	\$195	\$126	\$337	\$386
Encumbrances	\$0	\$18	\$15	\$5	\$37

*Transfers were made from the Hawai‘i Community Development Revolving Fund for operational costs and payroll expenses.

This fund serves the purpose for which it was created and meets the criteria for a revolving fund. The fund was originally established in 1997 to enable the Barbers Point Naval Air Station Redevelopment Commission to provide interim infrastructure services. The fund was re-established in 2002 to support the Hawai‘i Community Development Authority in its efforts to redevelop the Barbers Point Naval Air Station/ Kalaeloa Community Development District. Redevelopment provides direct benefits to the residents, businesses, and agencies located within the development district. All land users, except the federal government, are assessed their fair share of the costs required to administer and manage the development district. Revenues include impact fees assessed on developers and federal grants.

Kīkala-Kēōkea Housing Revolving Fund (revolving fund)

Section 201H-81, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$429	\$429	\$0	\$0	\$0
Revenues	0	45	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	0	(474)	0	0	0
Ending Balance	\$429	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

*In FY2011, \$474,000 was transferred to the general fund.

This fund was repealed on June 24, 2014, by Act 132, SLH 2014. The fund was established in 2006 to provide low interest loans for home construction for Kīkala-Kēōkea leaseholders who had been denied a loan from traditional financial institutions. The fund’s unencumbered cash balance for FY2011 was transferred to the general fund.

**Natural Energy
Laboratory of Hawai'i
Authority Special Fund
(special fund)**

Section 227D-5, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$2,265	\$2,272	\$1,984	\$2,034	\$2,102
Revenues	3,518	3,528	4,346	4,440	4,820
Interest	23	37	11	6	6
Expenditures	(3,534)	(3,853)	(4,307)	(4,378)	(4,799)
Transfers*	0	0	0	0	185
Ending Balance	\$2,272	\$1,984	\$2,034	\$2,102	\$2,314
Encumbrances	\$635	\$500	\$439	\$902	\$1,062

*FY2014 transfer was made from the Natural Energy Laboratory of Hawai'i Authority Special Fund Escrow Account as authorized by the director of finance.

This fund meets the criteria for a special fund and serves the purpose for which it was created. Established in 1990, the fund helps the Natural Energy Laboratory of Hawai'i Authority facilitate the research, development, and commercialization of natural energy resources and ocean-related research, technology, and industry in Hawai'i. Revenues include land rental, royalties, sale of services, office rental, sale of sea water, interest income, and grant funds. Costs are personnel, seawater system operations, operations and maintenance, environmental monitoring, ceded lands payments, central and administrative services assessments, and special projects related to grant funding.

**Natural Energy
Laboratory of Hawai'i
Authority Special Fund
Escrow Account
(special fund)**

**Administratively
established**

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$185	\$185	\$185	\$185	\$185
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	0	0	0	0	(185)
Ending Balance	\$185	\$185	\$185	\$185	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfer was made to the Natural Energy Laboratory of Hawai'i Authority Special Fund.

This fund was closed in 2014 and its balance transferred to the Natural Energy Laboratory of Hawai'i Authority Special Fund. The account was administratively established in 1997 as an escrow account for ceded lands revenues prior to the 2002 enactment of Section 37-52.3, HRS, which requires special funds be established by an act of the Legislature. According to the department, the escrow account was closed because it was no longer needed.

**NGA Clean Energy
States Grant Program
(trust account)**

**Administratively
established**

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$24	\$1	\$1	\$1	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(23)	0	0	(1)	0
Transfers	0	0	0	0	0
Ending Balance	\$1	\$1	\$1	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

The NGA Clean Energy States Grant Program expended all its funds in 2013, and the account was closed. The account, established in 2007, held a one-time grant from the National Governor's Association to support studies to evaluate the use of electricity to power personal transportation. Knowledge gained from the studies was to inform the State Energy Office, policymakers, regulators, and others tasked with developing secure, safe, reliable, and cost-effective energy systems for the benefit of the people of Hawai'i. The grant required sharing best practices and experiences with other states.

OHA Ceded Lands Proceeds (trust account)

Administratively established

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

	FY2014
Beginning Balance	\$0
Revenues	30
Interest	0
Expenditures	0
Transfers*	(30)
Ending Balance	\$0
Encumbrances	\$0

*Transfer was made to the Office of Hawaiian Affairs.

This trust account serves the purpose for which it was created and meets the criteria for a trust account. Pursuant to Act 178, SLH 2006, and Executive Order No. 06-06, each state agency that collects receipts from lands within the public lands trust is required to transfer a portion to the Office of Hawaiian Affairs. This account, established in 2014, receives moneys from the Housing Loan Program Revenue Bond Special Fund Rental Housing System (not in the State Treasury) for transfer to OHA.

OHA Ceded Lands Proceeds–FTZ (trust account)

Administratively established

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	21	17	17	18	15
Interest	0	0	0	0	0
Expenditures	(21)	(17)	(17)	(18)	(15)
Transfers	0	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account serves the purpose for which it was created and meets the criteria for a trust account. The account was created in 2003 to hold 20 percent of revenues gained from foreign-trade zone tenants leasing property on ceded lands. Revenues are obtained through the lease of warehouse facilities at the Hawai‘i Foreign-Trade Zone No. 9, Hilo facility.

***OHA Ceded Lands
Proceeds—HCDA
(trust account)***

***Administratively
established***

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$0	\$0	\$0	\$502	\$0
Revenues	94	80	773	17	6
Interest	0	0	0	0	0
Expenditures	(94)	(80)	(271)	(394)	(6)
Transfers*	0	0	0	(125)	0
Ending Balance	\$0	\$0	\$502	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

*FY2013 transfer was made to OHA for the interim management of properties in Kaka'ako conveyed from the Hawai'i Community Development Authority.

This account serves the purpose for which it was created and meets the criteria of a trust account. The account, created in 2003, is a holding account for revenues generated from ceded lands within the Kaka'ako Community Development District that are managed by the Hawai'i Community Development Authority. A portion of the revenues generated from permits, licenses, or leases for commercial activities conducted on the ceded lands are paid to the Office of Hawaiian Affairs every quarter of the fiscal year.

**OHA Ceded Lands
Proceeds—NELHA
(trust account)**

**Administratively
established**

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$4	\$0	\$0	\$0	\$0
Revenues	320	333	360	357	364
Interest	0	0	0	0	0
Expenditures	(324)	(333)	(360)	(357)	(362)
Transfers	0	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0	\$2
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account serves the purpose for which it was created and meets the criteria for a trust account. The account, created in 2003, is a holding account for the Office of Hawaiian Affairs' portion of revenues collected from businesses at the Hawai'i Ocean Science and Technology Park. Twenty percent of the revenue earned from rent and support services at the park are deposited into the account and paid to OHA.

**Pineapple Workers
and Retirees Housing
Assistance Fund
(special fund)**

Section 201H-85, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$168	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(6)	0	0	0	0
Transfers*	(162)	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

*In FY2010, \$162,000 was transferred to the general fund.

This fund does not meet the criteria for a special fund and does not serve the purpose for which it was created. The fund, established in 2007, should be repealed because it no longer provides mortgage payments or rents subsidies for eligible pineapple workers, retirees, and families who were displaced or affected by the closure of Del Monte Fresh Produce. The fund has been inactive for four years, and is not self-sustaining. The

Hawai'i Housing Finance and Development Corporation said it will propose repealing this fund and the program during the 2015 legislative session.

Private Contributions and Grants Trust Account (trust account)

Administratively established

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$95	\$91	\$91	\$91	\$91
Revenues	0	5	0	0	0
Interest	0	0	0	0	0
Expenditures	(4)	(5)	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$91	\$91	\$91	\$91	\$91
Encumbrances	\$91	\$0	\$0	\$0	\$0

This trust account serves the purpose for which it was created and meets the criteria for a trust account. The account was established for contributions and grants received from private sources. The account's moneys are used to support specific program activities as designated by the contributions or grants.

Public Facility Revenue Bond Special Fund (special fund)

Section 206E-157, HRS

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

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

This fund does not meet the purpose for which it was created and does not meet the criteria for a special fund; therefore, Part IV of Chapter 206E, HRS, should be repealed. The Hawai‘i Community Development Authority is authorized to finance public facility projects by issuing special facility revenue bonds and to establish separate special funds for each public facility financed. However, the authority has never implemented financing of special facility projects or established public facility revenue bond special funds as authorized 29 years ago. Therefore, HCDA cannot demonstrate that establishing special funds under Section 206E-157, HRS, is needed to support the financing of public facility projects.

**Renewable Energy
Facility Siting
Special Fund
(special fund)**

Section 201N-11, HRS

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

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

This fund does not serve the purpose for which it was created and should be repealed. The fund was authorized in 2008 for the purpose of creating a sustainable program through fees charged to renewable energy developers. The money would be used to pay for an energy resources coordinator and others who provide input and advice on necessary state and county permits, and on obtaining permits for siting, developing, constructing, or operating renewable energy facilities. However, no project has completed the siting process nor have fees been collected by the department and redistributed to other agencies. The fund is not needed because no program has been implemented by the department and the fund has not demonstrated a capacity to be self-sustaining. The department is currently assessing the value and benefits of a renewable energy siting process.

**Rental Assistance
Revolving Fund
(revolving fund)**

Section 201H-123, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$26,975	\$26,107	\$24,939	\$23,675	\$22,243
Revenues	0	4	0	3	5
Interest	705	448	502	453	453
Expenditures	(1,495)	(1,537)	(1,673)	(1,793)	(1,867)
Transfers*	(78)	(83)	(93)	(95)	(95)
Ending Balance	\$26,107	\$24,939	\$23,675	\$22,243	\$20,739
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers were made for administrative services performed for the rental assistance program.

This fund serves the purpose for which it was created and meets the criteria for a revolving fund. The fund was created in 1981 to provide rental assistance, rent subsidies, and interim construction financing for the development of affordable rental housing. Revenues are from investment income, interest on interim loans, and repayment of loan proceeds. The fund's loan program meets revolving fund criteria, and a link exists between the rent subsidy program and program revenue. In our 2009 review, we recommended that the rental assistance program be budgeted through the general fund because there is no linkage between the benefits sought for the rental assistance program and charges made upon users of interim construction financing. However, Act 130, SLH 2013, amended revolving fund criteria to allow funds that demonstrate a clear link between programs and sources of revenue. According to the Hawai'i Housing and Finance Development Corporation, the fund's rent subsidy program is not self-sustaining and will require additional funding in future years. However, we note that during our five-year review period, this fund has shown the capacity to be self-sustaining and general fund appropriations have not been required.

**Rental Housing
Trust Fund
(trust fund)**

**Section 201H-202,
HRS**

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$84,512	\$74,593	\$88,316	\$58,736	\$62,535
Revenues	27,760	28,685	23,156	24,823	23,628
Interest	0	0	0	0	1,012
Expenditures	(37,679)	(14,962)	(52,736)	(21,024)	(8,138)
Transfers	0	0	0	0	0
Ending Balance	\$74,593	\$88,316	\$58,736	\$62,535	\$79,037
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund serves the purpose for which it was created but does not meet the criteria for a trust fund and should be reclassified as a revolving fund. The fund was established in 1993 to provide loans or grants for the pre-development, development, construction, acquisition, preservation, and substantial rehabilitation of rental housing units. The fund also may be used for planning, design, land acquisition, agreements of sale, down payments, equity financing, capacity building of nonprofit housing developers, or other housing development services or activities. Revenues include a portion of conveyance tax collections, investment income, interest on loans, and repayment of loans. However, as reported in our 2009 review, this fund does not meet the definition of a trust fund because it does not have a class of people with a vested interest or equitable ownership in the fund assets.

**Salary Overpayments –
Periodic Deductions
(trust account)**

**Administratively
established**

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

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

This account serves the purpose for which it was created and continues to meet the criteria for a trust account. The account was created in 2013 to hold repayments made in installments by employees for salary overpayments. Upon full recovery of an employee’s salary overpayment, payment is made to the director of finance.

**Special Facility
Revenue Bond
Special Fund
(special fund)**

Section 206E-186, HRS

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

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

This fund does not meet the purpose for which it was created. The fund was authorized in 2001 by Section 206E-186, HRS, to facilitate special facility projects that benefit the community at large, including an ocean science center. However, bonds have not been issued, and there was no fund activity during the five-year review period.

Special Purpose Revenue Bond Special Fund; and Special Facility Revenue Bond Special Fund (special fund)

Section 206M-17, HRS

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

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

Note: These funds are summarized together because of their similarity.

These special funds, authorized by legislation in 1983, do not meet the purpose for which they were created because they have been dormant. The Hawai'i Technology Development Corporation cannot demonstrate they are needed to support a bond program for its projects. The corporation is authorized to issue special purpose revenue bonds to finance high technology related capital projects and to establish separate special funds to deposit proceeds of special purpose revenue bonds and special facility revenue bonds. The purpose of HTDC is to facilitate the growth and development of commercial high technology industry in Hawai'i. HTDC has not issued special purpose revenue bonds to date but anticipates utilizing the bond funds for building technology parks over the next five years.

State Disaster Revolving Loan Fund (revolving fund)

Section 209-34, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$1,228	\$1,245	\$267	\$270	\$273
Revenues	2	3	2	2	2
Interest	15	19	1	1	1
Expenditures	0	0	0	0	0
Transfers*	0	(1,000)	0	0	0
Ending Balance	\$1,245	\$267	\$270	\$273	\$276
Encumbrances	\$0	\$0	\$0	\$0	\$0

*FY2011 transfer was made to the general fund pursuant to Act 192, SLH 2010.

This fund continues to serve the purpose for which it was created and meets the criteria for a revolving fund. The fund was created in 1961 to support loans to businesses and individuals in declared disaster areas to assist their recovery. The fund is replenished by payments of interest and principal on loans.

**Statewide Geospatial
Information and Data
Integration Special
Fund
(special fund)**

Section 225M-7, HRS

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

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

This special fund does not serve the purpose for which it was created and should be repealed. The fund was created in 2007 to allow government agencies to support a statewide planning and geographic information system program and geospatial database. The Office of Planning (OP) is responsible for coordinating, collecting, integrating, and disseminating geospatial data used to support a variety of state agency applications and other spatial data analyses. However, the fund has never been activated and program costs for personnel are paid by other OP programs. The department agrees the program can be implemented using general fund appropriations and the fund should be abolished. In 2014, the Legislature passed HB No. 2427, HD 1, SD 1, CD 1, to repeal this and other non-general funds and accounts, but the measure was vetoed by the governor.

**Supplemental
Environmental
Project Fund
(trust account)**

**Administratively
established**

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

	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$638	\$638	\$638	\$186
Revenues	0	0	0	0
Interest	0	0	0	0
Expenditures	0	0	(452)	(42)
Transfers*	0	0	0	(144)
Ending Balance	\$638	\$638	\$186	\$0
Encumbrances	\$0	\$0	\$137	\$0

*FY2013 transfer to the Department of Health was made pursuant to a memorandum of agreement between DBEDT and DOH whereby cash balance remaining in the fund upon completion of the environmental project contracts was transferred back to DOH.

This trust account was closed in 2013. The account was created in 2009 pursuant to a memorandum of agreement with the Department of Health to disburse funds for supplemental environmental projects that would benefit Leeward Coast communities. The account was funded through a settlement agreement of a legal dispute arising from the operation of the Waimānalo Gulch Sanitary Landfill. Upon completion of all the projects, the account was closed and the remaining balance was returned to the Department of Health.

**Temporary Deposits
Trust Account
(trust account)**

**Administratively
established**

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$227	\$243	\$257	\$271	\$317
Revenues	37	34	36	84	64
Interest	0	0	0	0	0
Expenditures	(21)	(20)	(22)	(38)	(46)
Transfers	0	0	0	0	0
Ending Balance	\$243	\$257	\$271	\$317	\$335
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account serves the purpose for which it was created and meets the criteria for a trust account. The account was established to hold temporary deposits of tenants’ refundable rental deposits, registration fees for seminars, and private funds for specific purposes. The account’s expenditures are for the benefit of tenants, seminar participants, and persons who benefit from programs or activities of the department.

Tourism Emergency Trust Fund (trust fund)

Section 201B-10, HRS

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
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	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Encumbrances	\$0	\$0	\$0	\$0	\$0

As noted in our 2009 review, this fund does not meet the definition of a trust fund as there are no designated persons or classes of persons having a vested beneficial interest or equitable ownership in the assets of the fund, as required by state law. According to the Hawai‘i Tourism Authority (HTA), this fund supports the well-being of the State’s commerce, residents, and visitors alike in the event of a governor-declared tourism emergency. Moreover, its source of revenue is from transient accommodations tax revenues remaining in the Tourism Special Fund. This trust fund was established in 2008 to be administered by the HTA board of directors. Moneys are to be used exclusively to develop and implement emergency measures to respond to any tourism emergency, including providing emergency assistance to tourists. Tourism emergencies must be declared by the governor and include the occurrence of a world conflict, terrorist threat, natural disaster, outbreak of disease, or other catastrophic event that adversely affects Hawai‘i’s tourism industry. Any excess transient accommodations tax revenue collected by the State is to be used annually to maintain a balance of \$5 million in the fund. All investment earnings from moneys in the fund are credited to the Tourism Special Fund. Because this fund functions more like a special fund, it should be reclassified as such.

**Tourism Special Fund
(special fund)****Section 201B-11, HRS****Financial Data for Fiscal Years 2010–2014 (in thousands)**

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$29,602	\$29,444	\$40,609	\$35,813	\$37,555
Revenues	68,541	84,294	68,284	70,000	82,103
Interest	331	375	297	251	185
Expenditures	(69,030)	(73,504)	(73,377)	(68,509)	(69,898)
Transfers*	0	0	0	0	190
Ending Balance	\$29,444	\$40,609	\$35,813	\$37,555	\$50,135
Encumbrances	\$25,159	\$30,670	\$31,433	\$29,572	\$31,730

*FY2014 transfer was made to help shape development of a Barack Obama Presidential Center.

This fund meets the criteria of a special fund and serves the purpose for which it was created. The fund was established in 1998 and is administered and expended by the Hawai‘i Tourism Authority to promote, market, and develop Hawai‘i’s tourism industry. Revenues include a portion of the transient accommodations tax and interest income. Moneys are used to pay for tourism promotion, marketing, and development; Hawai‘i Convention Center marketing; research and statistics; branding experiences; Hawaiian culture; and other expenses, including at least \$1 million made available annually to support Hawai‘i’s natural environment and areas frequented by visitors.

**UH Faculty Housing
1995 Bond Proceeds—
RHS Revolving Fund
(revolving fund)****Administratively
established****Financial Data for Fiscal Years 2010–2014 (in thousands)**

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$515	\$518	\$3	\$2	\$1
Revenues	0	0	0	0	0
Interest	4	8	1	0	0
Expenditures	0	0	0	0	0
Transfers*	(1)	(523)	(2)	(1)	(1)
Ending Balance	\$518	\$3	\$2	\$1	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

*FY2010, FY2012, and FY2013 transfers were made for audit fee expenses allocated to the fund. FY2011 transfers included \$520,780 to the general fund pursuant to Act 124, SLH 2011; with remaining balance for payment of audit fee expenses allocated to the fund. FY2014 transfer was made to the Housing Finance Revolving Fund.

This fund was created in 1995 and closed as of June 30, 2014. The fund accounted for the issuance and repayment of bond proceeds for the rental housing system of the University of Hawai‘i Faculty Housing Project. Revenue included investment interest and administrative fees. All remaining moneys were transferred to the Housing Finance Revolving Fund when the fund closed.

**Waialua Sugar Workers
Grant/Loan Program
Revolving Fund
(revolving fund)**

**Acts 30 and 31, Special
Session Laws of
Hawai‘i 1995**

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

	FY2010	FY2011	FY2012	FY2013	FY2014
Beginning Balance	\$40	\$41	\$0	\$1	\$1
Revenues	1	1	1	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	0	(42)	0	0	(1)
Ending Balance	\$41	\$0	\$1	\$1	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

*In FY2011 \$1,174 was transferred to the general fund pursuant to Act 124, SLH 2011, and \$40,557 to the Housing Finance Revolving Fund for reimbursement of administrative expenses. In 2014, \$787 was transferred to the Housing Finance Revolving Fund and the account was closed.

This fund was closed in June 2014 following the passage of Act 132, SLH 2014. Created in 1995, the fund provided emergency loans at low interest rates and rental subsidies to former employees or retirees of the Waialua Sugar Company or their surviving spouses, who, as a result of the plantation closure, required assistance to make mortgage payments or rent subsidies. All future revenues scheduled to be paid into the grant and loan programs are to be paid to the Rental Assistance Revolving Fund.

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Chapter 4

Observations on Departmental Reporting and Accounting for Funds

During our review of the special, revolving, and trust funds, and trust accounts of the departments of the Attorney General (ATG) and Business, Economic Development and Tourism (DBEDT), we noted inconsistent adherence to statutory reporting of financial transactions and balances, resulting in reports that are not filed.

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

Neither Department Reported All Funds As Required by Law

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

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

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

We noted several funds and trust accounts, however, for which the departments did not submit required reports. For example, the Department of the Attorney General did not file reports for three trust accounts that at the end of FY2014 had a balance of \$2.6 million. The Department of Business, Economic Development and Tourism did not submit reports for ten funds that had a FY2014 ending balance totaling \$5.1 million.

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

The Departments Are Not Consistent in Reporting Administratively Created Funds

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

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

Responses of the Affected Agencies

Comments on Agency Responses

On November 21, 2014, we transmitted a draft of this review to the departments of the Attorney General (ATG) and Business, Economic Development and Tourism (DBEDT). A copy of the transmittal letter to ATG is included as Attachment 1. A similar letter was sent to DBEDT. Copies of the responses received from the departments are included as Attachments 2 and 3.

ATG agreed with most of our conclusions and will review procedures to ensure compliance with reporting requirements. The department disagreed with our conclusion to reclassify the Antitrust Trust Fund to a special fund; however, after reviewing ATG's response, we maintain our analysis is appropriate and stand by our conclusion.

DBEDT agreed with nine of our conclusions, regarding repealing four funds, abolishing one that can be generally funded, reclassifying three funds, and offering further explanation about the clear nexus criterion for the Convention Center Enterprise Special Fund, that we found had a logical relationship between revenues and benefits. The department also agreed with our observations and will review procedures to ensure compliance with reporting requirements. The department disagreed with our conclusions regarding the repeal of four funds; however, after reviewing DBEDT's response, we maintain our analyses are appropriate and stand by our conclusions. Finally, we agreed with the department that the Rental Housing Trust Fund functions more like a revolving fund than a special fund and should be classified as such.

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



JAN K. YAMANE
Acting State Auditor

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

November 21, 2014

COPY

The Honorable David M. Louie
Attorney General
Department of the Attorney General
425 Queen Street
Honolulu, Hawaii 96813

Dear Attorney General Louie:

Enclosed for your information are three copies, numbered 6 to 8, of our confidential draft report, Review of Special Funds, Revolving Funds, Trust Funds and Trust Accounts of the Departments of the Attorney General and Business, Economic Development and Tourism. We ask that you telephone us by Tuesday, November 25, 2014, on whether or not you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit your hard copy response to our office no later than 4:30 p.m., Monday, December 1, 2014.

The Department of Business, Economic Development and Tourism, the Governor, and presiding officers of the two houses of the Legislature have also been provided copies of this confidential draft report.

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

Sincerely,

A handwritten signature in cursive script, reading "Jan K. Yamane".

Jan K. Yamane
Acting State Auditor

Enclosures

NEIL ABERCROMBIE
GOVERNOR



DAVID M. LOUIE
ATTORNEY GENERAL

STATE OF HAWAII
DEPARTMENT OF THE ATTORNEY GENERAL
425 QUEEN STREET
HONOLULU, HAWAII 96813
(808) 586-1500

RUSSELL A. SUZUKI
FIRST DEPUTY ATTORNEY GENERAL

November 24, 2014

The Honorable Jan K. Yamane
Acting State Auditor
Office of the Auditor
465 South King Street, Room 500
Honolulu, Hawaii 96813

2014 NOV 25 PM 1:31

DEPT. OF THE ATTORNEY GENERAL
STATE OF HAWAII

Re: Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts for the
Department of the Attorney General

Dear Ms. Yamane:

Thank you for the opportunity to comment on your draft report. We have reviewed the report and respectfully provide the following comments:

Antitrust Trust Fund

The draft report states:

The fund continues to serve the purpose for which it was created but operates more like a special fund; accordingly, Section 28-13, HRS, should be amended to reclassify this fund as a special fund. The fund does not meet the appropriate means of financing criterion for trust funds because there are no designated persons or classes of persons having a vested beneficial interest or equitable ownership in the assets of the fund.

There appears to be a misunderstanding regarding the fund and its role in the law enforcement mission of the Department of the Attorney General. Auditor's Reports No. 04-13 and 09-11, dated December 2004 and 2009 respectfully, made a similar finding, and we responded similarly in a letters dated December 7, 2004 and December 14, 2009.

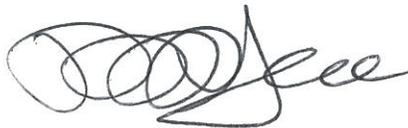
By statute, the Attorney General is tasked to enforce the criminal and civil provisions of the Hawaii Antitrust Law. Accordingly, the Attorney General is authorized to conduct investigations, *inter alia*, when the Attorney General believes an investigation is in the public interest, and authorized to bring actions on behalf of the State or a county, as well as actions as *parens patriae* on behalf of natural persons *qua* indirect purchasers.

The purpose of the fund is “for expenditures relating to the enforcement of antitrust laws . . .” Section 28-13(c), Hawaii Revised Statutes. Because of this law enforcement function, the class of persons benefited by the fund can include natural persons, businesses, and state and local government. Moreover, fostering this law enforcement function benefits the economy and the public interest. This fund, therefore, falls within the definition of a trust fund.

Further, your report indicates that we had failed to submit reports to the legislature, as required, for three trust accounts that at the end of FY2014 had a balance of \$2.6 million. We appreciate your pointing this out and shall establish procedures to assure required reports are issued.

Thank you for your consideration of this letter.

Very truly yours,

A handwritten signature in black ink, appearing to read "David M. Louie", with a stylized flourish at the end.

David M. Louie
Attorney General

DAVID Y. IGE
GOVERNORMARY ALICE EVANS
ACTING DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
 Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
 Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
 Fax: (808) 586-2377
 DTS: 20141121105453

December 1, 2014

Ms Jan K. Yamane
 Acting State Auditor
 Office of the Auditor
 465 S. King Street, Room 500
 Honolulu, Hawaii 95813-2917

2014 DEC -2 PM 12:33

OFFICE OF THE AUDITOR
 STATE OF HAWAII

SUBJECT: Review of Special Funds, Revolving Funds, Trust Funds and Trust Accounts of the Department of the Attorney General and Business, Economic Development and Tourism

Dear Ms. Yamane:

This letter is in response to the draft report Review of Special Funds, Revolving Funds, Trust Funds and Trust Accounts of the Department of the Attorney General and Business, Economic Development and Tourism. Each fund or account on which the Department has comment is addressed separately below.

Hawai'i Community-Based Economic Development Revolving Fund

Auditor's Comment: This revolving fund continues to serve the purpose for which it was created, but does not meet the criteria for a revolving fund and recommends the repeal of the fund and the program budgeted through the general fund.

CBED Response: Disagrees with the auditor's comment that the Revolving Fund does not meet the criteria for a revolving fund. In recent years, CBED focused towards generating activities to sustain the program. Hence, the development of its microloan program in cooperation with the Department of Agriculture loan officer. Principal and interest repayments will help sustain the fund on a revolving basis.

Hawai'i Technology Loan Revolving Fund

HTDC Response: HTDC does not agree with the Auditor's report which recommends that the fund be repealed because of the following reasons:

1. HTDC recognizes the need for this source of gap funding but has been unsuccessful in obtaining the seed money required to start up the fund. The seed money was originally to come from a fund administered by HSDC. That fund was abolished before the seed money could be transferred to this loan revolving fund. HTDC has unsuccessfully requested funding through the budget process in the past and has submitted a request for the upcoming legislative session. HTDC feels strongly that the fund will serve the purpose of the statute and will serve the targeted industries if funds are made available to start up the fund and program.
2. HTDC is seeking private and federal funding as a source for the revolving loan fund. HTDC is applying for federal funding to create a revolving loan fund for technology and manufacturing companies. To repeal this now would prevent HTDC from the capacity to provide such necessary resources to companies.

Special Purpose Revenue Bond Special Fund; and Special Facility Revenue Bond Special Fund

HTDC Response: HTDC does not agree with the Auditor's report that the account does not meet the criteria for the following reason:

1. Although the fund has been inactive, HTDC is now in the process of developing three new technology innovation parks utilizing public-private partnerships which are necessary to seek special purpose revenue bonds. Once the fund is active, the fund will serve the intended purpose and need.
2. The technology innovation parks being developed will create high wage jobs and create new companies.
3. Due to the economy HTDC previously could not develop new technology parks, however, the private sector is now engaging with HTDC to create innovation centers.

Hawai'i Television and Film Development Special Fund

CID response: Program agrees with the auditors comments, and has taken action dating back to 2010 to remedy this through amending the purpose of the fund.

1. CID/DBEDT has offered legislation for the 2015 Legislative Session which amends current language, purpose and structure for the special fund. This fund if amended would be vital to the health and financial stability of the Hawaii Film Office.
2. Legislation proposed for the 2015 session repeals HRS 201-112 (Hawaii Television and Film Development Board) and amends HRS 201-113 (Hawaii Television and Film Development Fund to create the Hawaii Film and Digital Media Development Special Fund) which changes the purpose of the fund to support repair and maintenance of the Hawaii Film Studio, and expands its ability to collect fees from studio lease rents, accept film permit and tax credit application fees, as well as legislative appropriations and federal and other grant funds.

3. Of primary importance is the need for self-sufficiency in the areas of ongoing repair and maintenance (R&M) of the 7.5 acre Hawaii Film Studio facility. The Hawaii Film and Digital Media Development Fund would expend monies for the ongoing R&M (est. \$150,000/yr.), as well as support marketing of Hawaii as a film destination, and support local film and creative content projects for export to global markets.

Funds Administered by the Housing Finance and Development Corporation (HHFDC)

HHFDC provides the following specific responses regarding its funds found by the Legislative Auditor not to meet the relevant criteria for their current classifications:

1. **Fee Simple Residential Revolving Fund - §516-44, HRS**

Auditor's Comments: The fund does not serve the purpose for which it was created, does not meet the criteria for a revolving fund, and should be repealed.

HHFDC Response: Because Land Program activity has been very low for many years, HHFDC agrees with the finding to repeal this fund.

2. **Housing Loan Program Revenue Bond Special Fund – Rental Housing System - §201H-80, HRS**

Auditor's Comments: This special fund continues to serve the purpose for which it was created, but should be reclassified as a revolving fund because it functions as, and meets the criteria for a revolving fund.

HHFDC Response: HHFDC agrees with these findings.

3. **Housing Loan Program Revolving Bond Fund (Not in State Treasury) - §201H-80, HRS**

Auditor's Comments: This special fund continues to serve the purpose for which it was created, but should be reclassified as a revolving fund because it functions as, and meets the criteria for a revolving fund.

HHFDC Response: HHFDC agrees with these findings.

4. **Housing Project Bond Special Fund – Multi Family (Not in State Treasury) - §201H-80, HRS**

Auditor's Comments: This special fund serves the purpose for which it was created but should be reclassified as a revolving fund because it functions as, and meets the criteria for a revolving fund.

HHFDC Response: HHFDC agrees with these findings.

5. Pineapple Workers and Retirees Housing Assistance Fund - §201H-85, HRS

Auditor's Comments: This fund does not meet the criteria of a special fund and does not serve the purpose for which it was created. The fund, established in 2007, should be repealed because it no longer provides mortgage payments or rents subsidies for eligible pineapple workers, retirees, and families who were displaced or affected by the closure of Del Monte Fresh Produce.

HHFDC Response: HHFDC agrees with these findings. As noted by the Auditor, HHFDC intends to offer legislation during the 2015 Legislative Session to repeal this fund.

6. Rental Housing Trust Fund – §201H-202, HRS

Auditor's Comments: This fund serves the purpose for which it was created but does not meet the criteria for a trust fund and should be reclassified as a special fund.

HHFDC Response: HHFDC disagrees with the finding that the Rental Housing Trust Fund should be reclassified as a special fund.

The Rental Housing Trust Fund would more appropriately be reclassified as a revolving fund because it functions as, and meets the criteria of, a revolving fund. The Rental Housing Trust Fund's revenues from loan repayments and fees replenish the fund.

Renewable Energy Facility Siting Special Fund

SID response: Strategic Industries Division agrees that the fund has not served the purpose for which it was created. DBEDT-SID plans to propose legislation to repeal Section 201N, HRS as early as 2016.

Statewide Geospatial Information and Data Integration Special Fund

Auditor's Comments: The program can be implemented using general fund appropriations and the fund should be abolished.

OP Response: Office of Planning agrees with these findings.

Tourism Emergency Trust Fund

1. Convention Center Enterprise Special Fund

HTA response: Hawai'i Tourism Authority (HTA) concurs with the report's conclusion that the fund meets the criteria for continuance as a special fund. However, we very respectfully emphasize a nexus does exist between the benefits sought and charges imposed on fund users or beneficiaries. A clear nexus exists between: 1) Transient Accommodations Tax as a source of revenue through a tax on the visitor industry; and 2) the expenditure of funds to support, promote and enhance the visitor industry. The industry, recognizing its reciprocating benefits, supports this tax. Although convention visitors represent a portion of the tourism market, the portion that it represents is substantial and plays a vital role in providing balance to the overall industry. The

necessity for maintaining this balance is amplified as leisure demand decreases and volatility increases. The Hawaii Convention Center, through its positive economic impact and diversity it provides, has a clear relation to the tourism industry and the tax on the industry. The industry significantly benefits from fund expenditures sourced from those taxes.

A logical relationship between fund revenues and benefits exist for reasons beyond having Hawaii Convention Center (HCC) debt as the majority of fund expenditures. Annually, users of the fund benefit from more than \$10,000,000 in revenues from HCC operations.

This fund functions no differently than the Tourism Special Fund. The report concludes that the Tourism Special Fund meets applicable criteria of a special fund and serves the purpose for which it was created.

2. **Tourism Emergency Trust Fund**

HTA response: HTA will reserve comment for a later time, if necessary.

3. **Tourism Special Fund**

HTA response: HTA concurs with the report's conclusions on this fund.

Observations on Departmental Reporting and Accounting for Funds

Auditor's Comments: The Department did not report all funds as required by law.

DBEDT response: The Department of Business, Economic Development and Tourism will take corrective action by including Trust Funds and Trust Accounts in future Non-General Fund Reports in accordance with Section 37-47, HRS.

Auditor's Comments: The Department is not consistent in reporting administratively created funds.

DBEDT response: The Department of Business, Economic Development and Tourism was not aware of the filing requirements but will take corrective action in the future to comply with Section 37-52.5, HRS.

Should you or your staff wish to discuss any particular finding regarding the DBEDT section or any fund relating to DBEDT, please contact me at 586-2355.

Sincerely,



Mary Alice Evans
Acting Director